RP - Sanjiv Goenka Group

Growing Legacies

firstsource

Addressing tomorrow's questions. Customer-focused. Innovation driven.

Firstsource Solutions Limited

Annual Report

2015-16

Inside the Report

The design illustrates innovation-led processes involved in making customer experiences more seamless. Against the backdrop of an ever-evolving technological landscape, Firstsource continues to adopt newer practices to engage with its customers at various levels. 'Addressing tomorrow's questions' is a priority that constantly drives Firstsource to stay at the top of its business.

For more information log on to
www.firstsource.com

Addressing tomorrow's questions

Customer-focused. Innovation driven.

The world is ever changing. Disruptive technologies and newer ways of doing things are the new normal. The ability to consistently innovate, change and transform is the only way to ensure success.

At Firstsource, our strength lies in our ability to foresee industry dynamics and align our services accordingly to address evolving client aspirations. We are consistently innovating to be future-ready and be prepared for opportunities.

Our investments are predicated on a singular focus of impacting our customers' businesses. As an innovation-led solution provider, we are concentrating on productisation, analytics, digitalisation and automation. Our industry-next tools are strengthening the business process of clients and making them prepared for tomorrow. We are deploying superior analytics to improve omni-channel customer engagement, which in turn, is helping clients in customer retention and drive higher lifetime values.

With strong customer engagement, co-working and consistent innovation, we are well poised to address tomorrow's questions, more efficiently.

Firstsource at a Glance

As a leading business process management company, we, at Firstsource, provide innovative and value-added services to our esteemed clients. Our operations are spread across India, the Philippines, Sri Lanka, the UK and the U.S.

Our primary focus has always remained on maximising customer satisfaction through consistently improving the quality of services. We are consistently investing in best-in-class processes and innovative technology to ensure operational excellence.

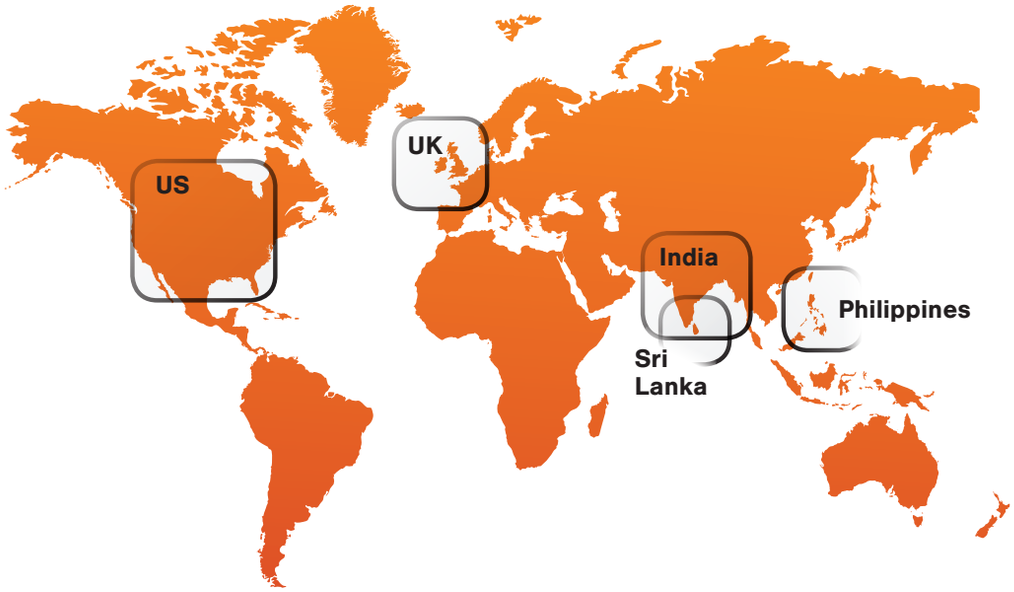
We capitalise on our 'Right-shore' operations model, which is a blend of onshore and offshore, to cater to multiple organisations across the verticals we operate in.

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 clients. We intend to achieve this by simplifying complex business processes through operational excellence and innovation.

Core Values (IIPACE)

- **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



45
Global operations locations

23,000+
Global employee base

Stock Details

BSE code: 532809
NSE symbol: FSL
Number of outstanding shares: 67.33 Crores as on 31st March, 2016

7th
Rank among the top 10 'BPO companies 2015' by NASSCOM

10
FTSE 100 Companies form our client base

17
Fortune 500 Companies form our client base

Services

Customer Interaction Management

Data Processing and Transaction Processing

Collections Management

Consulting and Analytics

Products

MRES™

firstChat™
A human touch to the web experience

firstSmartomation™
Enhancing Efficiency and Experience

MBOS™

firstResolve
The Complete Remediation Solution

firstCustomer Intelligence™
Actionable Insights from Customer Interactions

MPAT™

firstWFSuite™
Productivity Redefined

Our Top Client Profiles

Healthcare	Telecom & Media	Banking, Financial Services & Insurance (BFSI)
• 5 of the top 10 health insurance/ managed care companies in the U.S. • 650+ hospitals in the U.S.	• 2 of the top 10 U.S. telecom companies • Leading MVNO (Mobile Virtual Network Operator) in the UK • Largest pay TV operator in the UK • Global Provider of Telecom Equipment and Networks • 2 of the top 5 mobile companies in India • Largest telecom company in Sri Lanka • Largest pay TV operator in Australia • One of the world's largest Media & Entertainment conglomerates • UK's largest News & Broadcasting company	• 6 of the top 10 U.S. credit card issuers • A leading Irish Bank • Largest credit card issuer in the UK • Largest retail bank and mortgage lender in the UK • 1 of the top 3 motor insurance companies in the UK • 1 of the leading auto insurers in the U.S. • India's leading private life insurer

Our Performance

5 year CAGR

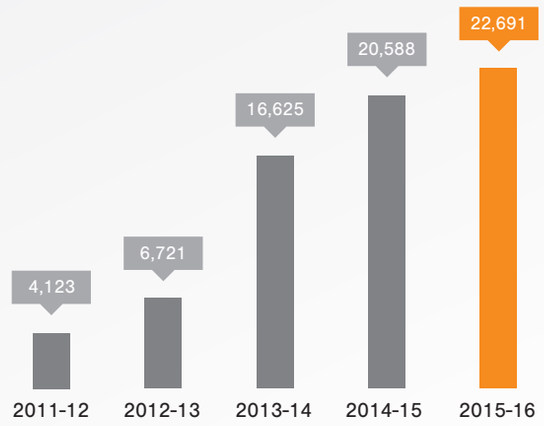
9.4%
CAGR in Revenue

21.6%
CAGR in Operating EBITDA

43.8%
CAGR in Profit after Tax

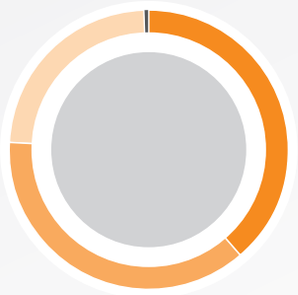
Market Capitalisation

(₹ in Million)



Revenue Contribution by Industry

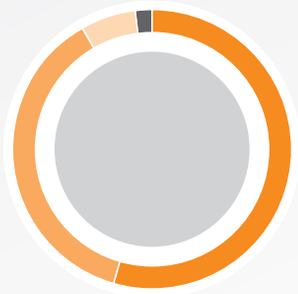
(%)



Healthcare	38.8
Telecom & Media	37.3
BFSI	23.7
Others	0.3

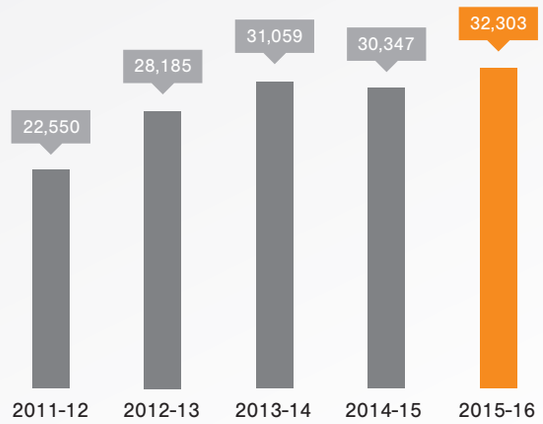
Revenue Contribution by Geography

(%)

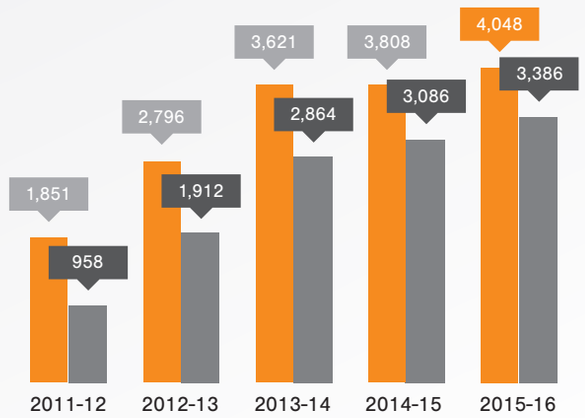


U.S.	54.5
UK	37.4
INDIA	6.3
Rest of the world	1.8

Revenue (₹ in Million)

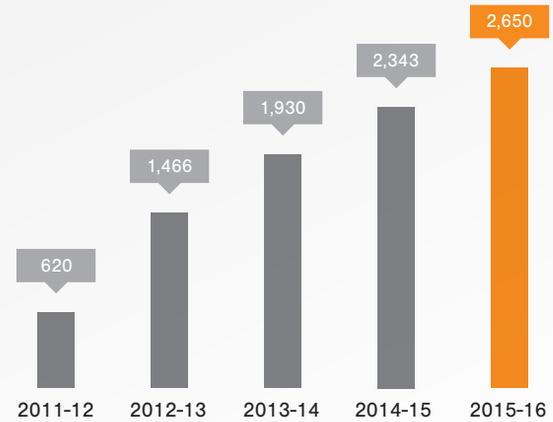


Operating EBITDA & Operating EBIT (₹ in Million)

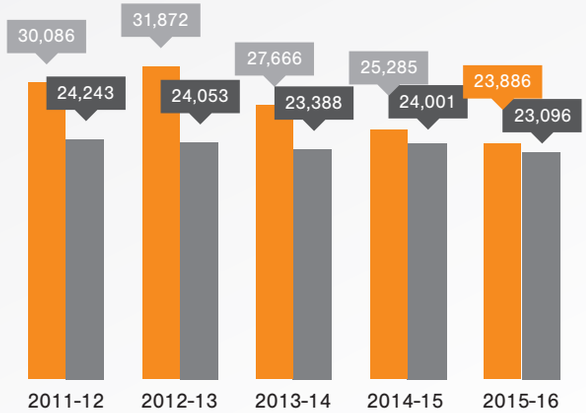


Operating EBITDA Operating EBIT

Profits After Tax (₹ in Million)



Employees and Seats (Nos.)



Employees Seats

Addressing tomorrow's questions

With customer-focused innovative solutions

During the last decade, the world has witnessed a technology-led revolution which has changed the way we live and the way we do business. Digitisation is the single biggest disruptor, and has led to an anytime-anywhere operating environment. Customers and consumers have become more informed, are far more demanding and have immense power in their hands through the smart phone and Internet of Things. Therefore, businesses must be tuned into the needs of the 21st century customers to be future-ready.

In line with this, we are consistently innovating our services to help our clients in more ways than one. During the year, we provided advanced solutions to diverse clients to ensure maximum customer satisfaction. With our focus on automation, analytics and next-gen tools, we are addressing tomorrow's questions. Some examples of how we have done include:

Enriching customer experience

We successfully migrated the centralised operations of one of the UK's financial service provider to ensure customer experience goals were met at lower costs. This partnership significantly improved the client's customer satisfaction (CSAT) scores and generated savings.

We entered into a strategic partnership with the largest Retail Bank and Mortgage Lender in the UK to deliver a 10-year transformational programme. We will help the client during this journey to simplify its existing operations and processes using process automation and new-age technology. This will overall help the client improve process efficiencies and in turn the customer experience. This pure F&A business capability in the UK places us among the higher level in the value chain of BPM offerings.

We have been managing customer forums and monitoring social media channels for a leading Mobile Virtual Network Operator (MVNO) in the UK. With our consistent support, the client has been able to launch an innovative mobile service, which in turn has changed their approach to customer service.

We have a longstanding partnership with the UK's largest Pay-TV provider and now, we have implemented web-chat to their system to enhance the customer experience by making the process more interactive.

Our 'firstCustomer' Intelligence tool is consistently helping clients in reducing cost, improving customer experience and increasing revenues by providing actionable insights across products, processes, channels, web strategy and agent performance.

Strengthening the healthcare portfolio

During the year, we launched various tools and upgraded our services to ensure advancement of our offerings for the healthcare system in the U.S. We launched an analytics based enrolment solution for a hospital in the Midwest region to help the client enrol chronic patients and engage with them more effectively, thereby maximising ROI. We also introduced integrated patient access technology and services for another client to improve the financial experience of patients, while upgrading the quality of upfront registration and point of service collection to reduce downstream denials.

Our automated claim status technology ensures speedier adjudication of claims. We provided a state-of-the-art fully-integrated uncompensated claim care technology and services solution, enabling the hospital to enhance patient experience. This will consequently positively impact net patient revenue and reduce bad debt.

On the Payer side of the business, we partnered with EBiX, a comprehensive Insurance Management Solution that streamlines process management throughout its lifecycle, to bring industry knowledge, critical infrastructure and services for a turn-key business process as service to health plans, TPAs and government programmes. Our platform is designed to reduce risk, administrative costs and operational redundancies as well as improve customer service and ensure compliance.

Message from the Chairman

Dear Shareholders,

Fiscal 2016 has been a stellar year for all of us at Firstsource, a year of transformation and opportunity for our Company, the BPM industry and the technology landscape.

As an organisation, we stand for our deep understanding of the requirements of our customers, distilling that understanding into processes and solutions for greater, tangible successes of our customers. Our motivation emanates from the growth of our customers and our own people, enabling that journey. Our flexibility, agility and definitive customer approach provide us considerable competitive advantage.

At Firstsource, we are inspired by innovation that brings our best ideas to create services and solutions that our customers prefer and to advance our vision of being among the top two leaders in the markets that we operate in. Our engagement levels with customers go beyond delivery of processes. We are thinking about tomorrow and beyond, today, and answering the critical questions for solving high-level business needs for our customers.

And we've witnessed the impact throughout the last fiscal.

We sharpened our focus, prioritised our talent resource and invested in business segments where we can leverage our differentiated approach and potential for growth. This led to quality earnings that will be a key focus for our growth, going forward. On a fundamental basis, we executed with financial discipline, with Revenue growing 6.4% annually, Operating EBIT rising 9.7%, PAT registering 13.1% Y-o-Y growth and significantly increasing our EBIT and PAT margins by 31 bps and 48 bps, respectively, during FY16.

We also made focused decisions that are moving us forward as an organisation that builds best-in-class processes and services for our customers and the BPM universe.

We invested in executing our articulated strategy over the last two years that have begun paying off. Three pivots predicate the success or failure of our business – our people, technology and our customers and how they collaborate in delivering value for our customers. I am pleased to state that all our efforts centred on engagement, talent management, leadership development, behaviours, investment, new products and tools, are in line with the changing aspirations of our customers.

Some of our decisions have enabled us win 'transfocational' deals in our primary markets, the United Kingdom and the United States. Simply put, we are targeting selective but highly impactful deals that materially impact our customers beyond cost savings. As a result, we have witnessed substantially demonstrable momentum across our global operations.

In this year's communiqué, I want to look forward and paint a picture of how we are building on the momentum for tomorrow as Firstsource prepares for an excellent growth phase in the backdrop of a rapidly evolving BPM industry.

Customer management and Healthcare segments

Over the last three years, we have focused on growing our presence in the Customer Management and Healthcare segments. We believe there is significant untapped growth potential in these segments and through optimal resource utilisation, Firstsource can leverage growth opportunities.

The BPM opportunity

The world is embracing business opportunities emerging out of digital disruption. It is imperative for us to be equipped with tools, processes and solutions to significantly address opportunities linked to robotics, automation, machines and learning. The bigger challenge for the industry are the large practices catering to F&A, HR outsourcing, created around back office processing where automation technologies can drive up to 25-30% headcount reduction, thereby reducing cost of ownership. These trends will likely lead to inorganic growth for organisations.

In India, the economy is rapidly moving to a mature technology curve. The Union government's stated plans on Digital India, Skilling India, Make in India, offer significant growth opportunities for the industry. The government's investments in technology worth $26 billion in FY15 are driving the domestic market.

We are well-poised to position ourselves to benefit from the digital synergies across the markets that we operate in.

Looking ahead, we have to substantially improve wallet share and integrate the operations of ISGN. In addition, the likelihood of Britain moving out of the European Union and its impact on the Pound is a cause for concern. Since our largest market is the UK, the move may create inflationary pressures which may have an impact.

However, we are poised for new growth. Our approach to growth is simple — we will create differentiated processes and services in markets that are large and growing. We will continue our transition from a transactional relationship with customers to one that recognises the more consistent, lifetime value of a customer. It's our passion for customers and innovation in rapidly growing markets that has the potential to deliver new sustainable value for Firstsource.

We hope that all of you will accompany us on this journey.

Regards,

Sanjiv Goenka
Chairman

Message from the Managing Director and CEO

Dear Shareholders,

In my messages during the last couple of years, I had articulated about our laser sharp focus in being selective about the businesses that we want to grow and building transformational capabilities which will help our Company achieve the strong growth rates in the years ahead. It gives me immense pleasure to inform you that our efforts are bearing results. We are winning large transformational deals which involve elements of process transformation, digital strategies, automation and analytics. Such deal wins reinforce our belief in our strategies which will add value to our clients as well as you - our shareholders. After a couple of years of low growth, fiscal '16 has provided us the launch pad for superior performance in the coming years.

Fiscal 2015-16 was a good year. Our revenues grew by 6.4% to ₹ 32,303 million compared to ₹ 30,347 million in the previous fiscal. The EBIT increased by 9.7% to ₹ 3,386 million with a margin expansion of 31 bps. Profit after tax (PAT) grew by 13.1% to ₹ 2,650 million over the previous fiscal.

We continued our strategy to invest in the Customer Management and Healthcare businesses by strengthening productisation initiatives ("arrowheads") that we undertook in the previous years. In the Customer Management business, our strategy is based on omni-channel contact optimisation leveraging technology, digital and analytics which aims to deliver a superior experience to customers, improve net promoter scores, increase sales and reduce churn. Our arrowheads in these spaces have achieved significant momentum and mindshare with our clients helping to deliver differentiated value.

We strengthened our position as an end-to-end player in the Healthcare business across the Payer and Provider segments. With technology partnerships in the adjudication process and customer management offerings, your Company now provides a comprehensive suite of services to Payer clients in the U.S. Our MedAssist Revenue Enhancement Solutions (MRES) has generated robust traction in the Provider segment. This product helps us to increase the addressable market across all patient categories, enhance patient experience and increase the hospital's revenue.

We continue to invest in areas to build differentiation, industry domain which will enhance future growth. As part of this strategy, we acquired the BPO division of ISGN Corporation™ ("ISGN"), a leading provider of end-to-end BPM solutions to the U.S. mortgage industry. Mortgage is the second largest consumer spend segment in the U.S. after Healthcare. Through this acquisition, your Company addresses the two large consumer segments in the U.S. This strategic acquisition provides us with marquee customers, strong industry and domain expertise and offers significant potential opportunities for cross-selling of services. In our ongoing efforts to build differentiation through our productisation initiatives, we increased our investment in Nanobi (an analytics product platform company), thereby strengthening our relationship further.

We continued our debt repayment as per plan and repaid $45M of the outstanding debt during the fiscal. Our focus on profitable growth and fiscal discipline ensures a strong cash flow generation which allows us to deleverage our debt as well as make strategic investments for growth.

In December 2015, we witnessed a major setback when floods impacted our operations in Chennai and Puducherry. Our unflinching commitment to exceeding client satisfaction and ensuring employee welfare was evidenced during this period. Our employees rose to the occasion, demonstrating teamwork, walking the extra mile in meeting client expectations and living our values of Agility, Flexibility and People Centricity. I extend my gratitude to each one of them.

At Firstsource, people are our core assets and we continue to make investments to develop their performance and potential. I am happy to state that our talent management initiatives helped our people enrich their performance. We established the Firstsource Academy to provide in-house training to enable our people to deliver a superior experience to clients. Continuous learning, fostering innovation and developing future leaders is the core thesis of our talent management practice as we deal with a global and culturally diverse workforce.

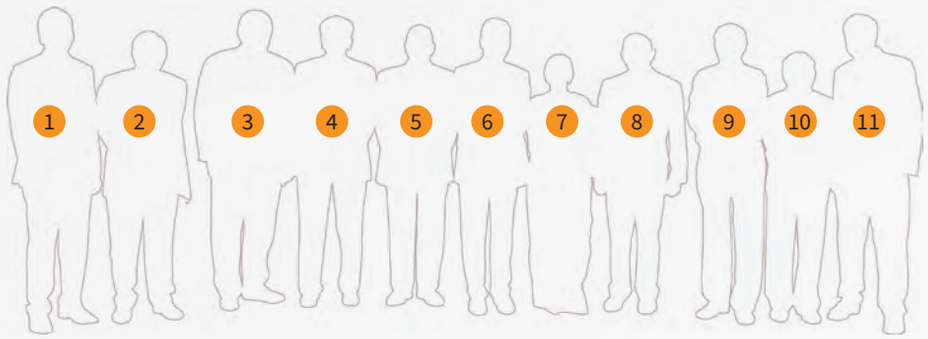
Looking ahead, I am extremely confident about the growth momentum that your Company has generated with the recent wins, the sales pipeline and results achieved through the various investments made so far. I am sure that we will demonstrate a strong profitable growth which will help to create shareholder value.

I would like to convey my gratitude to all my colleagues for their remarkable contribution to the Company's success. I thank our shareholders and clients for their co-operation and trust in us and look forward to their continued support in the years ahead.

Regards,

Rajesh Subramaniam
Managing Director & CEO

Board of Directors



Left to right

1. Shashwat Goenka
2. Pradip Roy
3. Donald W. Layden Jr.
4. Rajesh Subramaniam (MD & CEO)
5. Pradip Kumar Khaitan
6. Sanjiv Goenka (Chairman)
7. Grace Koshie
8. Y. H. Malegam
9. V. K. Sharma
10. Subrata Talukdar
11. Charles Miller Smith

Key Management

Rajesh Subramaniam
Managing Director
& Chief Executive Officer

Dinesh Jain
President & Chief
Financial Officer

Venkataraman K. R.
President & Chief
Executive Officer,
Healthcare

Shalabh Jain
President &
Chief Operating
Officer, Customer
Management

Erik Anderson
President & CEO,
ISGN Solutions

Arjun Mitra
Executive Vice President,
Collections

Arun Tyagi
Executive Vice President,
Head of ACM Domestic
Business

Rick Sturge
EVP – Sales &
Marketing

Siddharth Parashar
SVP – Client Relations
& Strategic Account
Management

Deepti Mittal
Senior Vice President,
Human Resources

People Power

Firstsource Academy

Firstsource Academy designs learning and development initiatives for employees across levels at Firstsource. The Academy has adopted the 'University' approach to learning, thereby empowering employees to 'own' the learning process and be accountable for their self development. This Academy provides knowledge, assesses individual progress and certifies them to ensure overall development. During the year of its launch, Firstsource Academy bagged multiple honours, awards and accolades for innovative HR initiatives.

Academy for Healthcare Business
The Healthcare Academy was launched last year with an objective of imparting domain knowledge to Team Leaders and above in the Healthcare Vertical. The Academy understands the challenges and inefficiencies, technologies and solutions available in the healthcare market and ensures that its healthcare delivery team has an in-depth understanding of the business relevant to their day-to-day accountability in delivering customer results. The training focuses on providing U.S. Healthcare market overview, how the industry works, different play types & claim formats, functioning of a regional mailroom operations, member and provider enrollment processes, premium billing discrepancy processing, various aspects of the claims adjudication process, claim appeals and grievances processing.

The Academy certifications are classified into 3 levels based on the domain knowledge exhibited by the employees during assessments. Each level of certification is further classified into three phases and employees receive a certification after completing all the phases for a particular level of certification.

Certification in Customer Contact Management: Firstsource Academy partnered with Ulster University of Northern Ireland to launch a first-of-its-kind employee development initiative. As part of the initiative, employees were extended an opportunity to earn a B.Sc. (Honours) Degree in Customer Contact Management from Ulster University. The programme open to employees of certain grades, saw huge participation from the UK and India employees. The 3-year degree enables employees to study and earn a degree while working with the Company.

Sharing Award Winning Best Practices: Being a winning organisation at the Best Leadership Development Practices of Asia Seminar and Awards 2015, we were invited to share our transformational story to Learning and OD Roundtable Members. We provided application oriented knowledge to participants from different organisations and shared best practices on how they could build effective Leadership Development Interventions.

Social Commitment

At Firstsource, we prioritise our social responsibilities along with business objectives. As a good corporate citizen, we are committed to operate in an economically, socially and environmentally responsible manner. Our corporate social responsibility (CSR) policy is guided by the Group's vision to enable holistic development by serving our customers, shareholders, employees as well as the community.

Our social initiatives across the geographies comprise:

Awards & Accolades

- Won the 'Outsource Contact Centre' of the Year at the Welsh Contact Centre Awards. The win recognises us as a top employer in the industry and reflects the unmatched career development and training opportunities we offer our people.
- Received the 'Innovation in Outsourcing' award for our partnership with giffgaff at the National Outsourcing Association's (NOA) Awards 2015.
- Won 2 awards at the UK Customer Experience Awards 2015:
    - With NOW TV, the 'Business Change or Transformation - Transformation at the Heart' category. NOW TV is an Online Television service powered and owned by Sky.
    - The Silver Award with giffgaff in the 'Technology and Telecoms - Amazing Customer Experience' category.
- Received Frost & Sullivan Asia Pacific Best Practices Award 2015 for 'Customer Value Enhancement'.
- Awarded 4th Runner-up for our corporate film on Diversity & Inclusion at the Learning & Organisation Development (L&OD) 2016 Corporate Film Awards.
- Won 2 awards for HR best practices in India:
    - JetSet programme won the Best First Time Managers Development Programme of Asia at the Best Leadership Development Practices of Asia 2015 conducted by the Learning & Organisational Development (L&OD) Roundtable.
    - Firstsource Academy won in the Corporate Best HR practices category at the NHRD HR Showcase 2015.
- Retained 7th position in the Top 15 BPM Export Companies and Ranked #19 in the Top 20 IT-BPM Employers as per NASSCOM rankings for the year 2014-15.
- Ranked #19 in Ulster Business in 'Top 100 Companies' list in Northern Ireland.

Directors' Report

Dear Members,

Directors of your Company take great pleasure in presenting the Fifteenth Annual Report on the business and operations of your Company and the Audited financial statements for the financial year ended March 31, 2016.

FINANCIAL RESULTS

The performance of the Company for the financial year 2015-16 is summarised below:

(₹ in Million)

Particulars	Consolidated		Standalone	
	FY 2015-16	FY 2014-15	FY 2015-16	FY 2014-15
Total Income	32,397.33	30,411.75	9,005.31	9,328.06
Profit Before Interest and Depreciation	4,142.58	3,872.85	2,233.49	2,265.71
Interest and Finance Charges (net)	524.38	710.86	162.37	202.23
Depreciation	661.96	721.82	329.93	464.30
Profit Before Tax	2,956.24	2,440.17	1,741.19	1,599.18
Provision for Taxation (including Deferred Tax Charge/ Credit)	302.17	95.40	243.83	(38.36)
Profit After Tax Before Minority Interest	2,654.07	2,344.77	1,497.36	1,637.54
Minority Interest	4.38	1.59	-	-
Net Profit After Tax	2,649.69	2,343.18	1,497.36	1,637.54
Balance in Profit & Loss Account	7,999.27	9,347.43	8,180.82	6,543.28
Adjustment pursuant to the scheme of merger (Refer Note 12 to Consolidated Financial Statements)	-	(3,691.34)	-	-
Closing Balance in Profit & Loss Account	10,648.96	7,999.27	9,678.18	8,180.82
Earning Per Share (₹) – Basic	3.96	3.53	2.24	2.47
Earning Per Share (₹) – Diluted	3.78	3.34	2.14	2.33

RESULT OF OPERATIONS

The consolidated total income increased from ₹ 30,411.75 Million to ₹ 32,397.33 Million, an increase of 6.53% over the previous financial year. The consolidated Net Profit After Tax increased from ₹ 2,343.18 Million to ₹ 2,649.69 Million, a growth of 13.08% over the previous financial year. The detailed analysis of the consolidated results forms part of the Management Discussion & Analysis Report provided separately as part of the Annual Report.

The standalone total income decreased from ₹ 9,328.06 Million to ₹ 9,005.31 Million, a decline of 3.46% over the previous financial year. The standalone Profit After Tax decreased from ₹ 1,637.54 Million to ₹ 1,497.36 Million, an decline of 8.56% 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 2015-16.

INCREASE IN SHARE CAPITAL

During the year, your Company issued 7,023,453 equity shares of the face value of ₹ 10/- each on the exercise of stock options under Firstsource Solutions Employee Stock Option Scheme, 2003 (ESOS 2003). Consequently, the outstanding, issued, subscribed and paid up capital of the Company has increased from 666,291,459 shares to 673,314,912 shares of ₹10/- each aggregating to ₹ 6,733.15 Million as on March 31, 2016.

ACQUISITION

During the year, the Board approved acquisition of 100% ownership of ISGN Solutions, Inc. from its holding Company ISGN Corporation, USA and BPO business of ISG Novasoft Technologies, India Ltd. The acquisition would be completed through Firstsource Group US Inc. (FGUS), a wholly owned subsidiary of the Company in US and Firstsource Solutions Limited in India.

ISGN Solutions, Inc. is a provider of integrated end-to-end business process outsourcing ("BPO") services to the financial institutions that focus on the U.S. residential mortgage market. ISGN Solutions, Inc. was incorporated in Delaware, US in 1999 and has two 100% owned operating subsidiaries in US.

ISGN Solutions, Inc. provides following outsourced services:

1. Mortgage Processing Outsourcing
2. Mortgage Servicing Outsourcing
3. Title and Settlement Services
4. Valuation Services

GLOBAL DELIVERY FOOTPRINT

The Company, on a consolidated basis had 45 global delivery centers as on March 31, 2016. The centers are located across India, US, UK, Philippines and Sri Lanka. 20 of the Company's delivery centers are located in 14 cities in India, 16 in US, 6 in UK, 2 in Philippines and 1 in Sri Lanka.

During the year, the Company incurred capital expenditure of ₹ 884 Million mainly towards refurbishment and maintenance of delivery centers and establishment of new centers in UK.

QUALITY INITIATIVES

The Company follows the global best practices for process excellence and is certified by COPC Inc. (Customer Operations Performance Center). 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.

- Won Outsource Contact Centre of the Year at the Welsh Contact Centre Awards. The win recognizes the Company as a top employer in the industry and reflects the unmatched career development and training opportunities it offers its people.
- Received the 'Innovation in Outsourcing' award for its partnership with giffgaff at the National Outsourcing Association's (NOA) Awards 2015.
- Won 2 awards at the UK Customer Experience Awards 2015:
    - With NOW TV, the 'Business Change or Transformation - Transformation at the Heart' category. NOW TV is an Online Television service powered and owned by Sky.
    - The Silver Award with giffgaff in the 'Technology and Telecoms - Amazing Customer Experience' category.
- Received Frost & Sullivan Asia Pacific Best Practices Award 2015 for 'Customer Value Enhancement' in the contact centre outsourcing domain.
- Awarded 4th Runner-up for its corporate film on Diversity & Inclusion at the Learning & Organisation Development (L&OD) 2016 Corporate Film Awards.
- Won 2 awards for HR best practices in India:
    - JetSet program won the Best First Time Managers Development Program of Asia at the Best Leadership Development Practices of Asia 2015 conducted by the Learning & Organisational Development (L&OD) Roundtable.
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- Ranked #19 in Ulster Business in 'Top 100 Companies' list in Northern Ireland.

HUMAN RESOURCES

On a consolidated basis, the Company has 23,886 employees as of March 31, 2016.

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

The statement containing particulars of employees as required under Section 197(12) of the Act read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is provided in a separate annexure forming part of this Report. Further, the Report and the accounts are being sent to the members excluding the aforesaid annexure. In terms of section 136 of the Act, the said annexure is open for inspection at the Registered Office of the Company. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary.

PUBLIC DEPOSITS

During the year, your Company has not accepted any deposits under Section 73 of the Act, and as such, no amount on account of principal or interest on public deposits was outstanding as of March 31, 2016.

PARTICULARS OF LOANS, INVESTMENTS, GUARANTEES AND SECURITIES

Particulars of loans given, investments made, guarantees given and securities provided along with the purpose for which the loan or guarantee or security is proposed to be utilised by the recipient are provided in the notes to the standalone

financial statements. (Please refer to Note 12, 16, 19 & 32 to the standalone financial statements).

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

The Company seeks to be a good corporate citizen in all aspects of its operations and activities. The Company commits to operating in an economically, socially and environmentally responsible manner whilst balancing the interests of diverse stakeholders. Our Corporate Social Responsibility ("CSR") Policy is governed and guided by our Group's corporate vision to enable inclusive growth, and our aspiration to be India's leading business group serving multiple market segments, for our customers, shareholders, employees and community.

The Company seeks to undertake programmes in the areas of Healthcare, Education, Environment, Arts & Culture, Promotion of Sports as well as support initiatives towards Gender Equality and Empowerment of Women.

The CSR Committee consists of Shashwat Goenka (Chairman) and Rajesh Subramaniam, Subrata Talukdar & Pradip Roy (Independent Director) as its members. The CSR Committee held 1 meeting during the year. The details of CSR Committee and its meetings are given in Report on Corporate Governance forming part of the Annual Report. The CSR Policy, formulated in accordance with schedule VII of the Act and the Companies (CSR Policy) Rules, 2014, is available on the website of the Company at the link http://www.firstsource.com/articles/fsl-corporate-social-responsibility-policy.pdf. The Annual Report on CSR Activities, as stipulated under the Act forms an integral part of this Report and is appended as Annexure II. The details of focus areas of engagement as mentioned in the CSR Policy of the Company are mentioned in the said Annual Report on CSR Activities.

During the year, the Company has spent an amount of ₹ 26.29 million, being 2% of the average net profits of the Company for the last 3 years on CSR activities as mentioned in the CSR Policy. Out of the said amount, majority of the amount has been contributed by the Company towards the corpus of the CSR Trust, which would be spent by the CSR Trust on the focus areas as mentioned in the CSR Policy of the Company.

Besides the focus areas of engagement as mentioned in the CSR Policy of the Company, the Company and its subsidiaries also voluntary undertake various CSR activities. The CSR at the Company is a platform for giving back to the communities in which we live and work. The Company through its employee engagement activities has contributed in a variety of areas. Our Social Initiative areas across the geographies are as follows:

1. Employee Volunteering
2. Payroll Giving
3. Response to disasters
4. Partnering with NGOs
5. Participating in popular fundraising events

India:

- India Smile Challenge 2015: During the Joy of Giving week, the Company initiated a Fundraising drive and encouraged employees to contribute to the NGOs identified for this cause i.e.: The Akanksha Foundation and Association for Non-traditional Employment for Women (ANEW). The Company collected close to ₹ 7 Lacs and received a matching grant from Give India as the winning prize. The Company won the 1st place in the "New Donor Count" (3302) and 2nd place in "Total Funds Raised" categories in the India Smile Challenge 2015 for corporates with over 5000 employees.
- Partnered with Lotus Flower Trust in fund raising for building a school in Tamil Nadu. This NGO raises funds to build homes, school and orphanages for the underprivileged.
- Employees from various centers in India raised ₹ 361,952/- to aid victims of the Nepal earthquake.The amount collected was handed over to the Consul General at the embassy office in Kolkata
- Fund raising initiated to aid victims of the flood in Chennai and Pondicherry.
- As part of the CSR Theme "Education", The Company's offices identified a particular NGO in their location for this cause. Fund raising was initiated for the chosen NGO and the amount collected was used to buy books, study materials, stationaries etc. The volunteers visited the NGOs and organised activities like quiz competition & games for the children and spent quality time with them.

UK:

Fund raising activities: The most lucrative event of the year was a charity ball event in Cardiff in aid of the Teenage Cancer Trust, which raised £4,500. This was followed by the Strictly Salsa event in Londonderry which raised £3,500 when couples made up of members of staff took to the dance floor to compete in a charity dance competition. While over £23,000 was raised by staff, we also made corporate donation of £2,000 as part of the staff entry to the Mood Walk in Londonderry.

Payroll Giving: Firstsource was awarded "The Payroll Giving Platinum Award" in conjunction with HM Government and The Institute of Fundraising. This award recognized us given that 27% of our staff donated to Payroll Giving. The donations raised an impressive annual revenue of £57,000 for 86 different charities. Receiving Platinum status meant that we were then short-listed for Best Innovative Promotional Partnership at the National Payroll Giving Awards 2015 which were hosted at the House of Lords.

Education: In partnership with Business In The Community (BITC), our Belfast and Londonderry offices have been actively engaged with a number of schools in the local community. The schools supported include Moville Community College, Saint Joseph's and Saint Brigid's in Londonderry and Mercy College in Belfast. Students were given insight into the real working world and got to interact with staff from various functions of the business. Part of the programme involved running interview skills training, C.V. workshop and a module on Customer Service.

Food and Gift Donations included over £200 worth of Easter Eggs for underprivileged children in Cardiff. 70 presents and seven large boxes of non-perishable foods in Banbury and 97 shoe-boxes full of Christmas gifts were collected in Londonderry for under-privileged children in Eastern Europe at Christmas time.

USA:

Fundraising Drive

- Employees in Miami office raised a total of $1,556 for the Making Strides against Breast Cancer and attended the walking event held at the Marlins Park to support this cause.

- Employees participated in Strides Walk for Breast Cancer organised by American Cancer Society. There were 330 walkers from our offices across US and a total of USD 22,464 was raised through this activity. Bake sales, raffles, dress-down day, pie in the face, chili cook-off and many other activities were organised to mark the event.

- Employees in Colorado office raised a total of $4,000 for St. Baldrick's Foundation, an NGO which supports cure for childhood cancer. The funds were collected through bake sales, contests and cash donations.

- To sponsor the American Heart Association, employees took part in a 50/50 raffle through which an amount of $1,230 was collected.

- **The Ride for Roswell 2015:** Employees in Amherst office organised a 50/50 raffle to help raise money for this initiative which helps in funding cancer research for Roswell Park Cancer Institute. The Ride for Roswell event has raised more than $3.8 million dollars for Roswell Park Cancer Institute since its inception in 1996 and Firstsource has participated in the ride for the past 6 years.

- **"The Wounded Warrior Project":** Fundraising done to provide unique, direct programs and services to meet the needs of injured service members. We collected $6437 which was donated directly to the project.

- **Food Drive:** Employees in Amherst office donated barrels of food and other non –perishable items which were distributed to Salvation Army.

Sri Lanka:

- Volunteers from our office visited "Kithu Sevana" Children's Development Home in Ragama. They distributed gift packs and organised fun activities for the children.

Philippines:

- Employees of the Company's office in Manila have been sponsoring the Chosen Children Village Foundation, Inc., an internationally acclaimed facility geared towards securing the future of the physically, mentally, and emotionally challenged children for more than 3 years in a row. "Fund My Future" Campaign was launched to provide funding for Chosen Children Village through greeting cards sales. Another initiative "Dream in a Bag" was launched and the funds raised were used to procure school supplies for the children.

- Cook out sale conducted by Leadership Team in Cebu and the proceeds of which went out to "Lapu-Lapu City Central Elementary School", which is an adopted school for differently-able children.

- "FSL Supports Pink October" campaign launched to create awareness on Breast Cancer and its prevention.

- The Industrial Tripartite Council held a CSR activity in collaboration with the Department of Labor. All the members of the council including Firstsource which is a founding member donated educational materials to the Special Education Department of the Institution.

RISK MANAGEMENT

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

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

The details of the 'Enterprise Risk Management' framework with details of the principal risks and the plans to mitigate the

same are given in the 'Risk Management Report' section of the 'Management Discussion and Analysis Report' which forms part of this Annual Report.

INTERNAL FINANCIAL CONTROLS

The Company has in place adequate internal financial controls with reference to financial statements. Such internal financial controls over financial reporting are operating effectively.

WHISTLE BLOWER POLICY

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

PREVENTION OF SEXUAL HARRASSMENT POLICY

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

BOARD OF DIRECTORS

Mr. Shashwat Goenka (DIN 03486121) retires by rotation and, being eligible, has offered himself for re-appointment at the ensuing Annual General Meeting ("AGM").

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

Mr. Rajesh Subramaniam's (DIN 02617781) current tenure as Managing Director & CEO ("MD & CEO") of the Company would complete on July 31, 2016. He is proposed to be re-appointed as MD & CEO of the Company.

Board and Audit Committee Meetings

During the year, 4 Board Meetings were held on May 5, August 3 & October 29 in 2015 and on January 28 in 2016. Time gap between any two meetings was not more than 4 months. Further, 4 meetings of the Audit Committee were held during the year on May 5, August 3 & October 29 in 2015 and on January 28 in 2016. The time gap between any two meetings was not more than 4 months. The full details of the said meetings are given in the 'Report on Corporate Governance' forming part of this Annual Report.

The Familiarisation Programmes for Independent Directors

The Company has put in place a system to familiarise its Independent Directors with the Company, their roles, rights & responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company, etc. The details of such familiarisation programmes are put up on the website of the Company at the link: http://www.firstsource.com/articles/policy-on-familiarisation-of-independent-directors.pdf.

BOARD EVALUATION

(i) Performance Evaluation of the Independent Directors and other Individual Directors

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

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

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

(ii) Performance Evaluation of Executive Director

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

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

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

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

POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION

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

Appointment criteria and qualifications:

1. The Nomination & Remuneration Committee shall identify and ascertain the integrity, qualifications, expertise and experience of the person for appointment as Director, Key Managerial Personnel ("KMP") or at Senior Management level and recommend to the Board his / her appointment.

2. A person should possess adequate qualifications, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualifications, expertise and experience possessed by a person are sufficient / satisfactory for the concerned position.

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

Meeting of Independent Directors

The Independent Directors of the Company hold at least one meeting in a year, without the attendance of non-independent Directors and members of management.

The Independent Directors in the meeting:

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

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

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

Remuneration Policy

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

COMMITTEES OF THE BOARD

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

Audit Committee

As at March 31, 2016, the Audit Committee comprised of 3 Independent Directors namely Y. H. Malegam (Chairman), Charles Miller Smith & Ms. Grace Koshie and 1 Non-Independent Director namely Subrata Talukdar.

Nomination and Remuneration Committee

As at March 31, 2016, the Nomination and Remuneration Committee comprised of 3 Independent Directors namely Y. H. Malegam (Chairman), Charles Miller Smith and Pradip Roy and 1 Non-Independent Director namely Subrata Talukdar.

Corporate Social Responsibility (CSR Committee)

As at March 31, 2016, CSR Committee comprised of Shashwat

Goenka (Chairman), Rajesh Subramaniam, Subrata Talukdar and 1 Independent Director namely Pradip Roy.

Stakeholders Relationship Committee

As at March 31, 2016, Stakeholders Relationship Committee comprised of Subrata Talukdar (Chairman) and Rajesh Subramaniam.

RELATED PARTY TRANSACTIONS

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

The policy on Related Party Transactions as approved by the Board is available on website of the Company at the link: http://www.firstsource.com/articles/Related-Party-Transaction-Policy.pdf.

Details of Related Party Transactions are given at Note No. 28 to the Standalone Financial Statements. None of the Directors of the Company has any pecuniary relationships or transactions vis-à-vis the Company.

EMPLOYEES STOCK OPTION SCHEME

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

SUBSIDIARY COMPANIES

As on March 31, 2016, your Company had 12 subsidiaries:

Domestic subsidiary:

1. Firstsource Process Management Services Limited* (Formerly known as 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. MedAssist Holding, LLC, USA (WOS of Firstsource Group USA, Inc)
5. Firstsource Business Process Services, LLC, USA (WOS of Firstsource Group USA, Inc)
6. Firstsource Advantage, LLC, USA (WOS of Firstsource Business Process Services, LLC)
7. One Advantage, LLC, USA (WOS of Firstsource Business Process Services, LLC)
8. Firstsource Solutions USA, LLC, USA (WOS of MedAssist Holding, LLC)
9. Firstsource Transaction Services, LLC, USA (WOS of Firstsource Solutions USA, LLC)
10. Firstsource BPO Ireland Limited (WOS of the Company)
11. Firstsource Dialog Solutions (Private) Limited (Subsidiary of the Company)

NOTE:

1) *The name of Anunta Tech Infrastructure Services Limited was changed to Firstsource Process Management Services Limited w.e.f. December 30, 2015.

The Company has no other joint venture or associate Company. No company has become/ceased to be a joint venture or associate during the financial year 2015-16.

Report on the Performance and Financial Position of Subsidiaries:

A report on the performance and financial position of each of the subsidiaries as per the Act, in the prescribed format AOC – 1 is annexed to the consolidated financial statement and hence not repeated here for the sake of brevity. The Company has a policy on material subsidiaries which was revised w.e.f. October 29, 2015 pursuant to Regulation 16(1)(c) of the Listing Regulations. The same is available on website of the Company viz: http://www.firstsource.com/articles/Material-Subsidiary-Policy.pdf.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

REPORT ON CORPORATE GOVERNANCE

The adherence to the corporate governance practices by the Company not only justifies the legal obedience of the laws but dwells deeper conforming to the ethical leadership and stability. It is the sense of good governance that our leaders portray,

which trickles down to the wider management and is further maintained across the entire functioning of the Company. The Company is committed to maintain the highest standards of corporate governance and adheres to the corporate governance requirements set out by SEBI. The report on Corporate Governance as stipulated under provisions of Chapter IV & Schedule V of the Listing Regulations is separately given and forms part of this Annual Report. The requisite certificate from a Practicing Company Secretary confirming compliance of the conditions of corporate governance is attached to the Report on Corporate Governance.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with section 129(3) of the Act and Accounting Standard (AS) – 21 on Consolidated Financial Statements, the Company has prepared consolidated financial statements of the Company and all its subsidiaries, which form part of this Annual Report.

EXTRACT OF ANNUAL RETURN

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

STATUTORY DISCLOURES OF PARTICULARS

A) Conservation of Energy

The Company has made progress towards energy conservation across all its delivery centers. The Company is continuously monitoring the earlier initiatives of reducing energy consumption in the computers which are used in its' delivery centers. The Company, similar to its previous years initiatives of GREEN IT, continued to replace the normal Desktops with Mini Desktops as the power consumption of mini desktop was 2.5 times less than the power consumed by normal desktops and nearly 5 times less during standby mode. Scripts have been deployed where possible to shut down the Desktops/Thin clients which are not being used for more than 1 hour which would save lot of energy.

B) Absorption of Technology

The Company has been innovating consistently to absorb newer technology offerings which can benefit business to improve operational efficiency with a cost effective manner. During the year, the Company has reduced considerable resources from Onsite to Remote Support for Desktop, Server Support and Enterprise – Email/Domain Support Services. The Company also started using new technology, from Microsoft based SAS to VMWARE Horizon. These new technologies have helped the Company to have a cost effective solution. The Company has also moved from the traditional rack mount servers to virtualized servers over the last year and will eventually move on a complete virtualized platform from a server and network domain perspective. The Company has also moved from the traditional storage systems with Gen next storage which have much smaller footprint in terms of space and energy without compromising on storage output. On the telephony side, the Company has made significant development in migration from TDM to IP architecture allowing it to offer a single platform for voice, email, back office & chat applications.

C) Foreign Exchange Earnings and Outgo Activities relating to exports, initiatives taken to increase exports, development of new export markets for services and export plans.

The Company's income is diversified across a range of geographies and industries. During the year, 75.06% of the Company's standalone total revenues was derived from exports. The Company provides BPO services mostly to clients in North America, UK and Asia Pacific region. The Company has established direct marketing network around the world to boost its exports.

FOREIGN EXCHANGE EARNED AND USED

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

(Standalone figures in ₹ million)

Particulars	Fiscal 2016	Fiscal 2015
Foreign Exchange earnings	5,084.05	5,338.99
Foreign Exchange outgo (including capital goods and imports)	144.68	205.66

SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Act and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed Ms. Amrita D.C. Nautiyal, a Company Secretary in Practice to undertake the Secretarial Audit of the Company. The Secretarial Audit Report is annexed to this Report as Annexure V. There is no qualification, reservation or adverse remark(s) in the Secretarial Audit Report.

STATUTORY AUDITORS AND AUDITORS' REPORT

M/s. B S R & Co. LLP, Chartered Accountants, were appointed as the Statutory Auditors of the Company by the Members at their previous Annual General Meeting (AGM) for a period of 2 years. The Audit Committee and the Board have recommended ratification of their appointment to the members at the ensuing AGM until the next AGM at a remuneration to be decided by the Audit Committee. The Statutory Auditors have submitted a certificate, as required under section 139(1) of the Act to the Company stating that they satisfy the criteria provided in Section 141 of the Act.

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

are Emphasis of Matter in the Auditors' Report which are self explanatory.

GENERAL

Your Directors state that no disclosure or reporting is required in respect of the following matters as there were no transactions on these matters during the financial year 2015-16:

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

(a) In the preparation of the annual accounts for the financial year 2015-16, the applicable accounting standards have been followed and there are no material departures from the same;

(b) The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016 and of the profit and loss of the Company for year ended on that date;

(c) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(d) The Directors had prepared the annual accounts on a going concern basis; and

(e) The Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively;

(f) The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

ACKNOWLEDGEMENTS

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

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

For and on behalf of the Board of Directors

Sanjiv Goenka
Chairman

Kolkata
May 12, 2016

Annexure I to the Directors' Report

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

(i) The Ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2015-16 and

(ii) The percentage increase in remuneration of each Director, Managing Director & Chief Executive Officer, Chief Financial Officer and Company Secretary of the Company in the financial year 2015-16.

Name & Designation	Remuneration of each Director & KMP for Financial Year 2015-16 (₹)	% increase/ decrease in remuneration in the Financial Year 2015-16	Ratio of remuneration of each Directors to median remuneration of employees
A. Directors			
Rajesh Subramaniam, MD & CEO	42,469,065*	4.23%	295.71
Sanjiv Goenka, Chairman, NI-NED	200,000	66.67%	1.39
Y. H. Malegam, I-NED	800,000	23.08%	5.57
Charles Miller Smith, I-NED	600,000	-7.69%	4.18
Donald W Layden Jr., I-NED	450,000	66.67%	3.13
Pradip Roy, I-NED	600,000	15.39%	4.18
V. K. Sharma, I-NED	450,000	80.00%	3.13
Grace Koshie, I-NED	600,000	500%**	4.18
Shashwat Goenka, NI-NED	350,000	59.09%	2.44
Subrata Talukdar, NI-NED	900,000	40.63%	6.27
Pradip Kumar Khaitan	300,000	NA***	2.09
B. Key Managerial Personnel			
Dinesh Jain, President & CFO	14,233,516*	15.77%	Not Applicable
Sanjay Gupta, SVP– Corporate Affairs & CS	5,007,686*	7.97%	Not Applicable

Legends: MD & CEO - Managing Director & Chief Executive Officer; VC - Vice Chairman, NI-NED – Non Independent, Non-Executive Director; I-NED - Independent, Non-Executive Director, CFO – Chief Financial Officer; SVP - Senior Vice President; CS - Company Secretary

Notes:

1. *The remuneration is exclusive of taxable value of perquisite on stock options exercised during the year.
2. ** Mrs. Grace Koshie was appointed as a Director w.e.f. February 9, 2015 and attended 1 Board meeting only in FY 2014-15. Therefore, the remuneration figures of financial years 2014-15 and 2015-16 are not comparable.
3. *** Pradip Kumar Khaitan was appointed as a Director w.e.f. November 14, 2014 and he didn't attend any meeting during FY 2014-15 and thus the comparative figures for FY 2014-15 are not available.
4. The above remuneration includes sitting fees paid to all the Non-Executive Directors of the Company.
5. Median remuneration of all the employees of the Company for the financial year 2015-16 is ₹ 143,616.

(iii) The percentage increase in the median remuneration of employees in the financial year 2015-16

Median remuneration of employees has increased by 27.93% in the financial year 2015-16. This increase was mainly due to change in mix where the employees drawing lower remuneration were replaced by those drawing higher remuneration. For comparable employees, the increase in median remuneration was 10.89%.

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

As on March 31, 2016, there were 14,645 permanent employees on the rolls of Company on standalone basis and 23,886 permanent employees on consolidated basis.

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

Profit Brfore Tax increased by 21.15% and Profit After Tax increased by 13.08% on a consolidated basis in the financial year 2015-16. The market projections indicated a hike ranging 7-9%. The average increase of 10.89% in the median remuneration of the comparable employees during the financial year was largly in line with the market projections and performance of the Company. Employees received hikes considering the criticality of the roles they play, their individual performance in the Financial Year 2014-15 and skills set they possess.

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

The total remuneration of Key Managerial Personnel (KMPs) increased from ₹ 57.68 million in the Financial Year 2014-15 to ₹ 61.71 million in the Financial Year 2015-16, an increase of 6.99%, whereas Profit Before Tax increased by 21.15% and Profit After Tax increased by 13.08% on a consolidated basis in the financial year 2015-16. The remuneration does not include the taxable value of Stock Options exercised by the KMPs during the year.

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

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

a) The market capitalisation as on March 31, 2016 was ₹ 2,269 crore (₹ 2,059 crore as on March 31, 2015).

b) Price Earning ratio of the equity shares of the Company was 8.51 as at March 31, 2016 on a consolidated basis and 8.75 as at March 31, 2015.

c) Percentage increase or decrease in the market quotations of the shares of the Company as compared to the rate at which the Company came out with the last public offer: The Company had come out with initial public offer (IPO) in 2007 at a price of ₹ 64 per share. The closing price of the Company's Equity share on the National Stock Exchange (NSE) and BSE as on March 31, 2016 was ₹ 33.55 and ₹ 33.70 respectively. The % decrease in share price as on March 31, 2015 at NSE with respect to issue price was 47.58%.

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

Average percentile increase in the median remuneration of comparable employees in the Financial Year 2015-16 other than the MD & CEO was 10.89% and the increase in the salary of the MD & CEO was 4.23%.

The above increase in the salaries of employees was in line with the market projection, the performance of the Company in the financial year 2014-15, the individual performance of the employees, the criticality of the roles they play and skills set they possess. The increase in the total remuneration of the MD & CEO was linked with the improvement in the overall performance of the Company and his individual performance during the previous Financial Year.

(ix) The comparison of the each remuneration of Key Managerial Personnel against the performance of the Company during the Financial Year 2015-16 is as under:

Name	Remuneration of each KMP for FY 2015-16 (₹)	% increase/ decrease in remuneration in the Financial Year 2015-16	Comparison of remuneration of the KMPs against the performance of the Company
Rajesh Subramaniam, MD & CEO	42,469,065	4.23%	Profit Before Tax increased by 21.15% and Profit After Tax increased by 13.08% on a consolidated basis in financial year 2015-16
Dinesh Jain, President & CFO	14,233,516	15.77%	
Sanjay Gupta, SVP - Corporate Affairs & CS	5,007,686	7.97%	

Notes:

1. The above remuneration is exclusive of the taxable value of perquisites on stock options exercised during the year.
2. The increase in the total remuneration of KMPs is based on the overall performance of the Company and the individual performance of the concerned employee during the previous Financial Year.

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

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

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

There are no employees of the Company who receive remuneration in excess of the highest paid Director of the Company.

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

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

Annexure II to the Directors' Report

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

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

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

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

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

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

I. Healthcare

a. Setting up Hospitals, health centers and rural dispensaries
b. Providing better sanitation services to the community
c. Collaborating with organizations that deliver localised community healthcare programs and awareness campaigns in nearby villages/ municipalities
d. Family Welfare

II. Education

a. Support technical training institutes, skill development centers, non-formal vocational programmes for the purpose of creating livelihood opportunities, soft skill training etc. to the rural youth
b. Enhancing the access to employment opportunity by providing vocational or special training/ skills training related to the field of IT enabled services, BPO services etc.
c. Support to or collaboration with technical/ vocational training institutions for overall self development and capacity building of the youth
d. Undertake adult literacy programmes for the disadvantaged sections of society

III. Environment

a. Undertaking tree plantation drives within the community (including taking care of the saplings) and work towards 'Green Belt Development'
b. Undertaking projects such as provision of sanitary landfills and/ or other environmentally sensitive waste management techniques
c. Disaster Relief: We will support disaster relief efforts through NGOs working in this area where possible

IV. Art & Culture

a. Preservation of ancient Indian manuscripts
b. Preserve cultural heritage by protecting the monuments, preserving the archival materials and safeguarding the

classical, folk and tribal traditions

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

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

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

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

g. Promotion and strengthening of regional and local museums

V. Gender equality and women empowerment

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

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

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

Weblink to CSR Policy: The Company's CSR policy is posted at the link http://www.firstsource.com/articles/fsl-corporate-social-responsibility-policy.pdf

2. The Composition of the CSR Committee:

i) Shashwat Goenka, Chaiman (Non Independent, Non Executive Director)

ii) Rajesh Subramaniam (Managing Director & CEO)

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

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

3. Average net profit of the Company for last three financial years: ₹ 1,314.63 Million

4. Prescribed CSR Expenditure (two percent of the amount as in item 3 above): ₹ 26.29 Million

5. Details of CSR spend for the financial year:

a. Total amount spent for the financial year: ₹ 26.29 Million

b. Amount unspent, if any: Nil

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

Sr. No	CSR Projects/ Activities identified	Sector in which project is covered	Projects or programs (1) Local area or other (2) Specify the state and district where projects or programs were undertaken	Amount Outlay (Budget) Project or programs wise	Amount Spent on the project or programs		Cumulative Expenditure up to reporting period (₹ In Million)	Amount spent: Direct or through implementing agency
					1. Direct Expenditure (₹ In Million)	2. Overheads (₹ In Million)		
1	Payroll Giving	Education, Women Empowerment	Mumbai (Maharashtra), Bangalore (Karnataka)	-	0.19	0.01	0.20	1) Through Implementing Agency (Give India) 2) Direct
2	Lotus Flower Trust - for Construction of School	Education	Paravaour Village, Kollam (Tamil Naidu)	-	0.20	0.01	0.21	1) Through Implementing Agency (Lotus Flower Trust) 2) Direct
3	Construction of Sky walk	Environment	Bangalore (Karnataka)	-	1.00	0.04	1.04	1) Through Implementing Agency 2) Direct

4	Contribution to RP-Sanjiv Goenka Group CSR Trust	Projects will be undertaken by the Group CSR Trust in accordance with applicable Rules/ Regulations	Kolkata (West Bengal)	-	23.78	1.06	24.84	1) Through "RP – Sanjiv Goenka Group CSR Trust" @ 2) Direct
	TOTAL				**25.17**	**1.12**	**26.29**	

Note:
@RP – Sanjiv Goenka Group CSR Trust" ("Group CSR Trust") was formed on February 17, 2015 to pursue CSR activities as may permitted under the Companies (Corporate Social Responsibility) Rules, 2014 as amended. An amount of ₹ 20 lacs has so far been paid by the Group CSR Trust to Ramakrishna Mission Institute of Culture for restoration of their heritage building at Kolkata.

RESPONSIBILITY STATEMENT

The Responsibility Statement of the CSR Committee of the Board of Directors of the Company, is reproduced below:
'The implementation and monitoring of Corporate Social Responsibility (CSR) Policy, is in compliance with CSR objectives and policy of the Company.'

Rajesh Subramaniam
Managing Director & CEO

Shashwat Goenka
Chairman, Corporate Social Responsibility Committee

May 12, 2016

Annexure IIIA to the Directors' Report

THE DETAILS OF REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

1. PURPOSE OF THE POLICY

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

2. OBJECTIVE

The Objective of this Policy is to ensure that

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

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

3. REMUNERATION TO NON-EXECUTIVE DIRECTORS INCLUDING INDEPENDENT DIRECTORS

A) Remuneration/ Commission:

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

B) Remuneration for Professional Services rendered by any Director:

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

C) Sitting Fees:

The Board of Directors, at its meeting held on August 1, 2014 had decided a sitting fees of ₹ 100,000 to be paid for attending each meeting of the Board and ₹ 50,000

for attending each meeting of a Committee of the Board of which the Director is member, payable to all the Non Executive Directors of the Company including Independent Directors.

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

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

F) Refund of Excess Remuneration paid to any Director:
If any Director draws or receives directly or indirectly, any remuneration in excess of the limits prescribed under the Companies Act, 2013 without prior consent of shareholders/ Central Government, where required, he shall refund it to the Company.

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

Annexure IIIB to the Directors' Report

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

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

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

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

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

5. ANNUAL VARIABLE PAY STRUCTURE
Some employees get Variable Pay on an annual basis.

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

6. LONG TERM INCENTIVE PLANS/ ESOP

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

b. Vesting Schedule
- 25% after 1 year
- 12.5% after every 6 months till 4 years

c. Exercise Period
- 10 years from the date of grant

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

Annexure IV to the Directors' Report

FORM NO. MGT 9
EXTRACT OF ANNUAL RETURN
as on the financial year ended on March 31, 2016

[Pursuant to Section 92 (3) of the Companies Act, 2013 and Rule 12(1) of the Company (Management & Administration) Rules, 2014]

I. REGISTRATION & OTHER DETAILS:

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

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

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

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. No.	Name the Company	Address of the Company	CIN/GLN	Holding/ Subsidiary /Associate	% of Shares held	Applicable Section
1	Spen Liq Private Limited {Wholly Owned Subsidiary (WOS) of CESC Limited}	31 Netaji Subhas Road, PS Hare Street, Kolkata - 700 001, West Bengal	U72900WB1995PTC075089	Holding	55.54%	2(46)
2	CESC Limited**	CESC House, Chowringhee Square, Kolkata - 700 001, West Bengal	L31901WB1978PLC031411	Holding	Nil	2(46)
3	Firstsource Process Management Services Limited (Formerly known as Anunta Tech Infrastructure Services Limited)	3rd Floor, Block 5A & 5B, Pritech Park - SEZ, Marathalli, Sarjapur Outer Ring Road, Bellandur, Bangalore-560103 Karnataka	U72200KA2010PLC055713	Subsidiary	100%	2(87)(ii)

4	Firstsource Solutions UK Limited	Space One, 1 Beadon Road, London W6 0EA, UK	NA	Subsidiary	100%	2(87)(ii)
5	Firstsource Solutions S.A.	San Martin 344, 4th Floor, Buenos Aires, Argentina	NA	Subsidiary	100%*	2(87)(ii)
6	Firstsource Group USA, Inc.	160 Greentree Drive, Dover, Delaware 19904, USA	NA	Subsidiary	100%	2(87)(ii)
7	Firstsource Business Process Services, LLC	160 Greentree Drive, Dover, Delaware 19904, USA	NA	Subsidiary	100%*	2(87)(ii)
8	Firstsource Advantage LLC	C T Corporation System 111 Eighth Avenue, New York 10011, USA	NA	Subsidiary	100%*	2(87)(ii)
9	One Advantage LLC	C T Corporation System 208 SO Lasalle St, Suite 814 Chicago, IL 60604, USA	NA	Subsidiary	100%*	2(87)(ii)
10	MedAssist Holdings LLC	9 East Loockerman, Suite 1B, Dover, Delaware, County of Kent 19901, USA	NA	Subsidiary	100%*	2(87)(ii)
11	Firstsource Solutions USA, LLC	160 Greentree Drive, Suit 101, Dover, County of Kent, Delaware 19904, USA	NA	Subsidiary	100%*	2(87)(ii)
12	Firstsource Transaction Services LLC	1661 Lyndon Farm Court, Louisville, Kentucky 40223, USA	NA	Subsidiary	100%*	2(87)(ii)
13	Firstsource BPO Ireland Limited	Stokes Place, Saint Stephen's Green, Dublin 2, Ireland	NA	Subsidiary	100%	2(87)(ii)
14	Firstsource Dialog Solutions Pvt. Ltd.	No. 234, Vauxhall Street, Colombo-2, Sri Lanka	NA	Subsidiary	74%	2(87)(ii)

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

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

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

1. CATEGORY-WISE SHARE HOLDING

Category of Shareholders			No. of Shares held at the beginning of the year [As on 01-April-2015]				No. of Shares held at the end of the year [As on 31-March-2016]				% Change during the year
			Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A.	**Promoters**										
(1)	**Indian**		-	-	-	-	-	-	-	-	-
	a)	Individual/ HUF	-	-	-	-	-	-	-	-	-
	b)	Central Govt	-	-	-	-	-	-	-	-	-
	c)	State Govt(s)	-	-	-	-	-	-	-	-	-
	d)	Bodies Corporate	373,976,673	-	373,976,673	56.13	373,976,673	-	373,976,673	55.54	(0.59)
	e)	Banks/ FI	-	-	-	-	-	-	-	-	-

	f)	Any other	-	-	-	-	-	-	-	-	-
	Sub-Total (A)(1)		373,976,673	-	373,976,673	56.13	373,976,673	-	373,976,673	55.54	(0.59)
(2)	**Foreign**		-	-	-	-	-	-	-	-	-
	a)	NRIs - Individuals	-	-	-	-	-	-	-	-	-
	b)	Other – Individuals	-	-	-	-	-	-	-	-	-
	c)	Bodies Corp.	-	-	-	-	-	-	-	-	-
	d)	Banks/ FI	-	-	-	-	-	-	-	-	-
	e)	Any Other….	-	-	-	-	-	-	-	-	-
	Sub-total (A) (2)		-	-	-	-	-	-	-	-	-
	Total shareholding of Promoter (A) = (A)(1)+(A)(2)		**373,976,673**	**-**	**373,976,673**	**56.13**	**373,976,673**	**-**	**373,976,673**	**55.54**	**(0.59)**
B.	**Public Shareholding**										
1.	Institutions		-	-	-	-	-	-	-	-	-
	a)	Mutual Funds	12,376,022	-	12,376,022	1.85	16,614,806	-	16,614,806	2.47	0.62
	b)	Banks/ FI	32,380,897	-	32,380,897	4.86	32,754,735	-	32,754,735	4.86	-
	c)	Central Govt	-	-	-	-	-	-	-	-	-
	d)	State Govt(s)	-	-	-	-	-	-	-	-	-
	e)	Venture Capital Funds	-	-	-	-	-	-	-	-	-
	f)	Insurance Companies	-	-	-	-	-	-	-	-	-
	g)	FIIs	60,828,565	-	60,828,565	9.13	60,305,916	-	60,305,916	8.96	(0.17)
	h)	Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
	i)	Others (specify)	-	-	-	-	-	-	-	-	-
	Sub-total (B)(1):-		**105,585,484**	**-**	**105,585,484**	**15.84**	**109,675,457**	**-**	**109,675,457**	**16.29**	**0.45**
2.	**Non-Institutions**										
	a)	Bodies Corporate									
		i) Indian	21,822,416	-	21,822,416	3.28	27,126,443	-	27,126,443	4.03	(0.75)
		ii) Overseas	-	-	-	-	-	-	-	-	-
	b)	Individual shareholders									
		i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	74,115,389	6,054	74,121,443	11.12	68,978,496	5,954	68,984,450	10.25	0.87
		ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	90,785,443	-	90,785,443	13.63	93,524,071	-	93,524,071	13.89	(0.26)
	c)	Others (specify)	-	-	-	-	-	-	-	-	-
		Foreign Companies	-	-	-	-	27,818	-	27,818	Negligible	Negligible
	Sub-total (B)(2):-		**186,723,248**	**6,054**	**186,729,302**	**28.03**	**189,656,828**	**5,954**	**189,662,782**	**28.17**	**(0.14)**

	Total Public Shareholding (B)=(B)(1)+ (B)(2)	**292,308,732**	**6,054**	**292,314,786**	**43.87**	**299,332,285**	**5,954**	**299,338,239**	**44.46**	**(0.59)**
	C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
	Grand Total (A+B+C)	**666,285,405**	**6,054**	**666,291,459**	**100.00**	**673,308,958**	**5,954**	**673,314,912**	**100.00**	**-**

2. Shareholding of Promoters

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	**Spen Liq Private Limited**	373,976,673	56.13	-	373,976,673	55.54*	-	(0.56)
	Total	**373,976,673**	**56.13**	**-**	**373,976,673**	**55.54**	**-**	**(0.59)**

Note: *There is no change in the total shareholding of promoters between 01-04-2015 and 31-03-2016. The decrease in % of total shares of the Company from 56.13 % to 55.54 % is due to ESOS allotment of 7,023,453 shares.

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

Sr. No	Particulars	Shareholding at the beginning of the year (As on 01-04-2015)		Cumulative Shareholding during the year (01-04-2014 to 31-03-2016)	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	At the beginning of the year as on	373,976,673	56.13	-	-
2	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer / bonus/ sweat equity etc.)*	-	-	-	-
3	At the end of the year	373,976,673	55.54*	373,976,673	55.54

Note: *There is no change in the total shareholding of promoters between 01-04-2015 and 31-03-2016. The decrease in % of total shares of the Company from 56.13 % to 55.54 % is due to ESOS allotment of 7,023,453 shares.

4. Shareholding Pattern Of Top Ten Shareholders: (Other Than Directors, Promoters And Holders of GDRs And ADRs):

Sr. No.	Name	Shareholding at the beginning of the year (01.04.2014) / end of the year (31.03.2015)		Cumulative Shareholding during the Year (01.04.2014 to 31.03.2015)	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	**ICICI Bank Ltd**				
	At the beginning of the year	32,079,803	4.81		
	Increase/ decrease in shareholding during the year				
	At the end of the year	32,079,803	4.76@	32,079,803	4.76
2	**Jhunjhunwala Rakesh Radheshyam^**				
	At the beginning of the year	25,000,000	3.75		

	Increase/ decrease in shareholding during the year				
	At the end of the year	25,000,000	3.71@	25,000,000	3.71
3	**DB International (ASIA) Limited #**				
	At the beginning of the year	16,639,680	2.47		
	Increase/ decrease in shareholding during the year				
	Transfer (Market Sale)	-16,605,029	-2.46		
	At the end of the year	34,651	0.01	34,651	0.01
4	**Goldman Sachs India Fund Limited**				
	At the beginning of the year	16,023,368	2.38		
	Increase/ decrease in shareholding during the year				
	Transfer (Market Purchase)	2,501,194	0.37		
	At the end of the year	18,524,562	2.75	18,524,562	2.75
5	**Dimensional Emerging Markets Value Funds**				
	At the beginning of the year	4,466,756	0.66		
	Increase/ decrease in shareholding during the year				
	Transfer (Market Purchase)	3,033,244	0.45		
	Transfer (Market Sale)	-1,232,287	-0.18		
	At the end of the year	6,267,713	0.93	6,267,713	0.93
6	**Birla Sun Life Trustee Company Private Limited A/C Birla Sun Life Midcap Fund**				
	At the beginning of the year	4,166,653	0.62		
	Increase/ decrease in shareholding during the year				
	Transfer (Market Purchase)	3,333,347	0.49		
	At the end of the year	7,500,000	1.11	7,500,000	1.11
7	**Merrill Lynch Capital Markets Espana S. A.S. V.#**				
	At the beginning of the year	2,597,746	0.39		
	Increase/ decrease in shareholding during the year (01.04.2015 to 16.10.2015)				
	Transfer (Market Sale)	-2,597,746	0.39		
	Shareholding as on 16.10.2015	Nil	Nil	Nil	Nil
8	**MV SCIF Maritius #**				
	At the beginning of the year	2,180,578	0.32		
	Increase/ decrease in shareholding during the year				
	Transfer (Market Purchase)	215,484	0.03		
	Transfer (Market Sale)	-1,040,747	-0.15		
	At the end of the year	1,355,315	0.20	1,355,315	0.20
9	**Emerging India Focus Funds#**				
	At the beginning of the year	2,092,595	0.31		

	Increase/ decrease in shareholding during the year				
	Transfer (Market Sale)	-1,342,595	0.20		
	At the end of the year	750,000	0.11	750,000	0.11
10	**Steinberg India Emerging Opportunities Fund Limited***				
	At the beginning of the year	Nil	Nil		
	Increase/ decrease in shareholding during the year				
	Transfer (Market Purchase)	11,774,000	1.75		
	At the end of the year	11,774,000	1.75	11,774,000	1.75
11	**Virginia Tech Foundation, INC. Steinberg India Asset Management, Ltd.***				
	At the beginning of the year	Nil	Nil		
	Increase/ decrease in shareholding during the year				
	Transfer (Market Purchase)	3,260,000	0.48		
	At the end of the year	3,260,000	0.48	3,260,000	0.48
12	**Emerging Markets Core Equity Portfolio (THE PORTFOLIO) Of DFA Investment Dimension Group INC (DFAIDG)**				
	At the beginning of the year	1,719,127	0.26		
	Increase/ decrease in shareholding during the year				
	Transfer (Market Purchase)	1,485,969	0.22		
	Transfer (Market Sale)	-97,837	0.02		
	At the end of the year	3,107,259	0.46	3,107,259	0.46
13	**Antara India Evergreen Fund Ltd***				
	At the beginning of the year	1,384,760	0.21		
	Increase/ decrease in shareholding during the year				
	Transfer (Market Purchase)	1,279,380	0.19		
	At the end of the year	2,664,140	0.40	2,664,140	0.40

Notes:

1. The full details of datewise increase/ decrease in shareholdering of the Top 10 shareholders are available at the website of the Company at the link: http://www.firstsource.com/us/investors-corporate-governance
2. @ There is no change in the total shareholding during the year. The decrease in % of total shares of the Company is due to ESOS allotment of 7,023,453 shares.
3. ^ Out of total 25,000,000 shares, Jhunjhunwala Rakesh Radheshyam transferred 1,500,000 shares to his other demat account.
4. # Ceased to be in the list of Top 10 shareholders as on 31-03-2016. The same is reflected above since the shareholder was one of the Top 10 shareholders as on 01-04-2015.
5. * Not in the list of Top 10 shareholders as on 01-04-2015. The same has been reflected above since the shareholder was one of the Top 10 shareholders as on 31-03-2016.

5. Shareholding Of Directors And Key Managerial Personnel (KMPs):

Sr. No.	Name	Shareholding at the beginning of the year (01-04-15)/end of the year(31-03-16)		Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the company
A)	**Directors**				
1.	**Rajesh Subramaniam, Managing Director & CEO**				
	At the beginning of the year	500,000	0.08		
	Increase/ decrease in shareholding during the year				
	ESOS Allotment	1,250,000	0.18		
	At the end of the year	1,750,000	0.26	1,750,000	0.26
2.	**Y. H. Malegam, Director**				
	At the beginning of the year	62,500	0.01		
	Increase/ decrease in shareholding during the year	-	-		
	At the end of the year	62,500	0.01	62,500	0.01
B)	**KMPs**				
3.	**Dinesh Jain, President & CFO**				
	At the beginning of the year	90,000	0.01		
	Increase/ decrease in shareholding during the year				
	ESOS Allotment	200,000	0.03		
	Transfer (Market Sale)	-90,000	-0.01		
	At the end of the year	200,000	0.03	200,000	0.03
4.	**Sanjay Gupta, SVP - Corporate Affairs & Company Secretary**				
	At the beginning of the year	143,250	0.02		
	Increase/ decrease in shareholding during the year				
	ESOS Allotment	42,500	0.01		
	Transfer (Market Sale)	-11,500	Negligible		
	At the end of the year	174,250	0.03	174,250	0.03

Notes:

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

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

(Amount in ₹ millions)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	1,283.97	1,062.25	-	2,346.22
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	4.38	-	-	4.38
Total (i+ii+iii)	1,288.35	1,062.25	-	2,350.60
Change in Indebtedness during the financial year				
Addition	-	-	-	-
Reduction	26.37	389.26	-	415.63
Net Change	26.37	389.26	-	415.63
Indebtedness at the end of the financial year				
i) Principal Amount	1,259.24	672.99	-	1,932.23
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	2.74	-	-	2.74
Total (i+ii+iii)	1,261.98	672.99	-	1,934.97

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

(Amount in ₹)

Sr. No.	Particulars of Remuneration	Rajesh Subramaniam MD & CEO
1	Gross salary	
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	41,102,308
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	39,600
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-
2	Stock Option	18,662,500*
3	Sweat Equity	-
4	Commission - as % of profit - others, specify…	-
5	Others - Club Membership Fees - Residence Maintenance. Charges - Residence Electricity - Contribution to Provident Fund	 54,988 253,195 28,974 990,000
	Total (A)	**61,131,565**
	Ceiling as per the Act	₹ 86.29 million (being 5% of the net profits of the Company calculated as per section 198 of the Companies Act, 2013)

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

B. REMUNERATION TO OTHER DIRECTORS

(Amount in ₹)

Sr. No.	Particulars of Remuneration	Name of Directors						Total Amount
		Y. H. Malegam	Charles Miller Smith	Donald Layden	Pradip Roy	V. K. Sharma	Ms. Grace Koshie	
1	**Independent Directors**							
	Fee for attending Board and Committee meetings	800,000	600,000	450,000	600,000	450,000	600,000	**3,500,000**
	Commission	-	-	-	-	-	-	-
	Others, please specify	-	-	-	-	-	-	-
	Total (1)	800,000	600,000	450,000	600,000	450,000	600,000	**3,500,000**
		Sanjiv Goenka	**Subrata Talukdar**	**Shashwat Goenka**	**Pradip Kumar Khaitan**			
2	**Other Non-Executive Directors**							
	Fee for attending Board and committee meetings	200,000	900,000	350,000	300,000			**1,750,000**
	Commission	-	-	-	-			
	Others, please specify	-	-	-	-			
	Total (2)	**200,000**	**900,000**	**350,000**	**300,000**			**1,750,000**
	Total (B)=(1+2)							**5,250,000** Refer Note 1
	Total Managerial Remuneration (A+B)							**66,381,565** Refer Note 2
	Overall Ceiling as per the Act	₹ 189.84 million (being 11% of the net profits of the Company calculated as per section 198 of the Companies Act, 2013)						

Notes:

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

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

(Amount in ₹)

Sr. No.	Particulars of Remuneration	Key Managerial Personnel		
		Dinesh Jain President & CFO	Sanjay Gupta SVP – Corporate Affairs & Company Secretary	Total
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	13,714,516	4,684,964	18,399,480
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	39,600	32,400	72,000
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	
2	Stock Option*	4,686,500	549,538	5,236,038

3	Sweat Equity	-	-	
4	Commission	-	-	
	- as % of profit	-	-	
	others, specify…			
5	Others			
	– Medical	15,000	15,000	30,000
	- LTA	-	91,722	91,722
	- Contribution to Provident Fund	464,400	183,600	648,000
	Total	**18,920,016**	**5,557,224**	**24,477,240**

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

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

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

Annexure V to the Directors' Report

SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED ON 31ST MARCH, 2016

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

To,
The Members,
Firstsource Solutions Limited
5th Floor, Paradigm 'B' Wing, Mindspace, Link Road,
Malad (West),
Mumbai - 400 064

I have conducted the Secretarial Audit of the compliance of statutory provisions applicable to the Company and the adherence to good corporate practices by **Firstsource Solutions Limited** (hereinafter called as 'the Company') (having registered office at 5th Floor Paradigm 'B' Wing, Mindspace, Link Road, Malad-(West), Mumbai 400 064). The secretarial audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and various returns filed by the Company and records maintained by them and also the information provided by the Company, its officers, Agents and authorised representatives during the conduct of secretarial audit, I hereby express my opinion that the Company has, during the audit period covering the financial year ended on March 31, 2016, has complied with the statutory provisions mentioned below and also that the Company has proper Board-processes and compliance-mechanism in place to the extent applicable, in the manner reported hereinafter.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2016 according to the provisions of:

1. The Companies Act, 2013 ('the Act') and the Rules made thereunder notified by the Ministry of Corporate Affairs to the extent applicable;
2. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder to the extent applicable;
3. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder to the extent applicable;
4. The Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder, as may be applicable to the extent of Foreign Direct Investments, Overseas Direct Investments and External Commercial Borrowings;
5. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):

   (i) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

   (ii) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and 2015;

   (iii) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (Not Applicable to the Company for the year under review);

   (iv) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;

   (v) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (Not Applicable to the Company for the year under review);

   (vi) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act, 2013 and dealing with client;

   (vii) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (Not Applicable to the Company for the year under review);

   (viii) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (Not Applicable to the Company for the year under review); and

   (ix) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Applicable to the Company from 1st December, 2015 onwards).

I have also examined compliance with the applicable clauses of the following:

(i) Secretarial Standards issued by The Institute of Company Secretaries of India.
(ii) The Listing Agreements entered into by the Company with the Stock Exchanges viz BSE Ltd

(BSE) and National Stock Exchange of India Ltd (NSE) (Applicable from 1st April, 2015 till 30th November, 2015).

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

(a) Information Technology (IT) Act, 2005;

(b) Special Economic Zones Act (SEZ), 2005;

(c) Software Technology Parks of India (STPI) rules and regulations.

During the year under review the Company has, in my opinion, complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards etc mentioned above.

I further report that, the Board of Directors of the Company is duly constituted with proper balance of Executive directors, Non-Executive directors and Independent directors. There was no change in the Board of Directors of the Company during the year under review.

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

All the decisions at the Board Meetings and the Committee Meetings were carried out unanimously as recorded in the minutes of the Board of Directors and minutes of the Committee Meetings as the case may be.

I further report that, based on the information received and records maintained there are adequate systems and processes in the Company commensurate with its size and operations to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

(Amrita D.C. Nautiyal)
Practising Company Secretary
FCS 5079
C.P. No.: 7989

Mumbai
May 12, 2016

Annexure A

To,
The Members,
Firstsource Solutions Limited
5th Floor, Paradigm 'B' Wing,
Mindspace, Link Road,
Malad (West),
Mumbai - 400 064.

Dear Sirs,

My report of the even date has to be read along with this letter.

1. Maintenance of Secretarial/Statutory Records is the responsibility of the Management of the Company. My responsibility is to express an opinion on these records based on the audit.

2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial Records.

3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.

4. Wherever required I have obtained the Management representation about the compliance of laws, rules and regulations and happenings of events etc.

5. The compliance of the provisions of corporate and other applicable laws, rules, regulations, standard is the responsibility of management. My examination is limited to the verification of procedures on test-check basis.

6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

(Amrita D.C Nautiyal)
Practising Company Secretary
FCS 5079
C.P. No.: 7989

Mumbai
May 12, 2016

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

Uncertainty has dominated the global economy over the last year. Global economic recovery was slow and growth is expected to remain tepid in the near future. The global economy grew by 3.1 per cent in CY2015 and is projected to accelerate by 3.4 per cent in CY2016 and 3.6 per cent in CY2017. The U.S. economy is expected to grow at 2.6 per cent for both CY2016 and CY2017, down 0.2 percentage points in both years from an earlier forecast in October 2015. An acceleration of the U.S. output is seen dimming as dollar strength weighs on manufacturing and lower oil prices curtail energy investment. Russia is expected to lose 1 per cent of GDP in CY2016 instead of 0.6 per cent, and slowdown due to Western sanctions and low oil prices, going forward. According to IMF reports, GDP of other CIS states are expected to decline over the next two years. However, the CIS GDP is projected to marginally grow to 1.7 per cent in 2017. Besides, European economies are expected to advance slowly but surely, with a chance of a slight slowdown this year. For China, the IMF's forecast stays unchanged at 6.3 per cent for 2016 and is expected to see its GDP grow at 6 per cent in 2017. For India, it is 7.5 per cent both in 2016 and 2017. Similar forecasts for Japan remain unchanged – 1 per cent in 2016 and 0.3 per cent in 2017. Soft consumer demand in the U.S. and Japan, weakness in emerging markets due to worries over plunging oil and commodity prices and capital outflows from China are the major reasons for revision in growth rates. Upcoming U.S. presidential elections in November 2016 and Britain's referendum on its continuance in the EU weigh significantly on the political and economic outlook in the months ahead.

In the emerging markets, Brazil will stay mired in recession in 2016. With output projected to contract to 3.5 per cent, a 2.5 percentage-point downward shift from the previous forecast, there will be essentially no growth in 2017. Additionally, being Latin America's largest economy it struggles with lower Chinese demand. Many emerging market economies are struggling amid reduced demand for oil and other commodities from China. Many commodity exporters, especially, low income nations that rely heavily on exporting oil are facing huge difficulties.

The World Bank projected that India will grow by a robust 7.8 per cent in 2016 and 7.9 per cent in the next two years. It also predicted that India will be the world's fastest growing economy in the next three years and would outpace China.

With recent fall in oil prices, India remains the bright spot in the global economy as Chinese growth is predicted to slow down further. Ongoing fiscal consolidation in India has reduced the central government's fiscal deficit to close to 4 per cent of the GDP (on a 12-month rolling basis), down from a peak of 7.6 per cent in 2009.

Therefore, only a few pockets of bright spots exist in an otherwise cautious global environment.

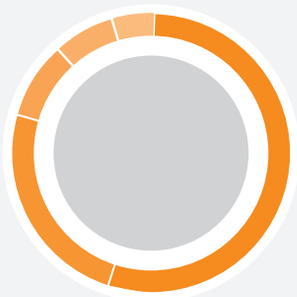
Industry Structure and Developments

The global economy – both developed and emerging countries experienced multiple headwinds. Economic growth stagnated, global terrorism spiked, inflationary pressures continued to build up, turbulence in currency and equity markets prevailed, commodity prices declined, and unemployment continued to rise.

At the same time, it was heartening to see the world using technology as a panacea to address ongoing challenges. The

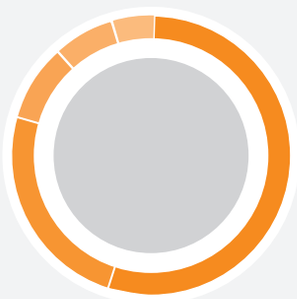
role of technology has also undergone a significant change; technology is no longer exclusive to the corporate sector. Consumers, leveraging mobile phones and 24*7 connectivity, are now the key influencers shaping technology spend. Governments have also begun to use technology as the platform for citizen outreach and G2C services. As a result, technology is emerging as the new unifying force, integral to all businesses, to all parts of businesses, to the government machinery and consumers. The importance of technology is borne by the fact that the technology component now has shifted from a cost centre to a capital asset, expected to deliver measurable returns. Globally, the cumulative capital investment in technology is estimated to have reached $ 6 trillion in 2014.

Retail and Healthcare Growth Drivers (%)



BFSI	54%
Hi-tech/ Telecom	16%
Manufacturing	11%
Healthcare	6%
Retail	4%
Construction & Utilities	4%
Travel & Transportation	3%
Others	2%

Revenue Growth Returns in US:~USD 7 Bn added (%)



USA	62%
UK	17%
Continental Europe	12%
APAC	7%
ROW	2%

Source: NASSCOM, Company Research

Worldwide IT and BPM spending is forecast to total $3.54 trillion. In 2016, a 0.6 per cent increase over 2015 spending of $3.52 trillion. In 2015, $216 billion was less spent on IT and BPO, compared to last year. Also, 2014 spending levels won't be surpassed until 2019. By 2019, spending is forecast to exceed $3.8 trillion.

According to the NASSCOM strategic Review 2016, Indian IT Services and BPM industry is expected to grow at 10-12per cent in FY2017 in constant currency terms. By 2020, India's IT-BPM sector is projected to reach $200-225 billion revenue and $350-400 billion by 2025. Digital technologies are expected to increase the addressable market for global technology services to $4 trillion by 2025. Over 80per cent of incremental expenditure over the next decade will be driven by digital technologies, such as cloud-based applications, big data analytics, mobile systems, social media, cybersecurity and integration services with legacy technology applications. Digital technologies will continue to drive the sector and reach 23per cent share by 2020.

NASSCOM expects traditional annuity expenditure to decline by 15-25 per cent between 2014 and 2020. By 2020, ~50 per cent of IT budgets will be for digital transformation initiatives. IT exports (FY2015: $108 billion, 76per cent share) will be driven by digital technologies. Among verticals, traditional and matured verticals like BFSI and manufacturing will continue to drive growth, while healthcare and retail are increasing SMAC adoption and among geographies – the U.S. will lead growth.

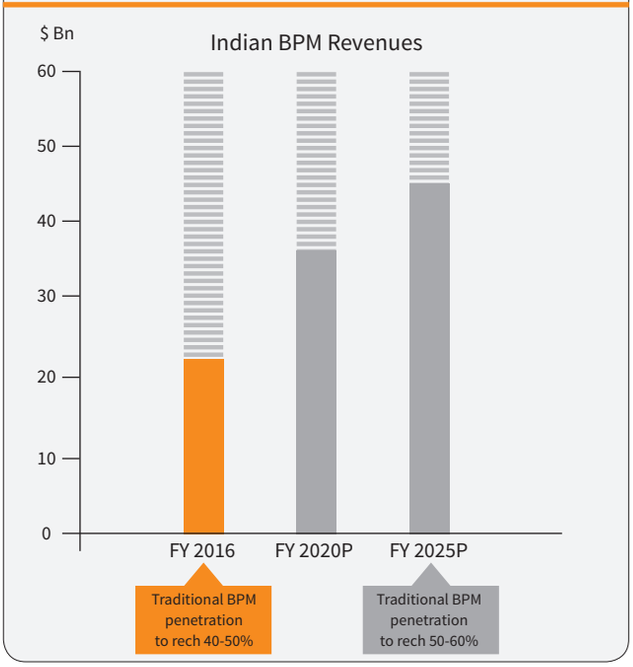
According to Market Research Store report, the Global BPM market is estimated at $4.65 billion in 2014 and is poised to reach $17.96 billion by 2022, growing at a CAGR of 18.4per cent during 2014-2022. The factors that are fuelling the market growth include increasing business dexterity, cost efficiency and return on investment from BPM suites.

According to NASSCOM, the Global BPM spend grew at 2.9 per cent in 2015, a CAGR (2010-2015) of 4.8 per cent to reach $186 billion. A significant percentage of this growth was led by the U.S. and EMEA markets, with a growth rate of 4.8 per cent and 4.3 per cent, respectively in 2015. While sectors like BFSI, manufacturing and telecom contributed significantly in absolute terms due to higher base (despite slower growth), emerging sectors, such as healthcare and retail were the main growth drivers. Similarly, in horizontal services, finance and accounting and procurement services recorded highest growth at 3.7 per cent and 9.1 per cent, respectively. Domain-specific services and big data analytics enabling business outcomes became the main differentiator among service providers.

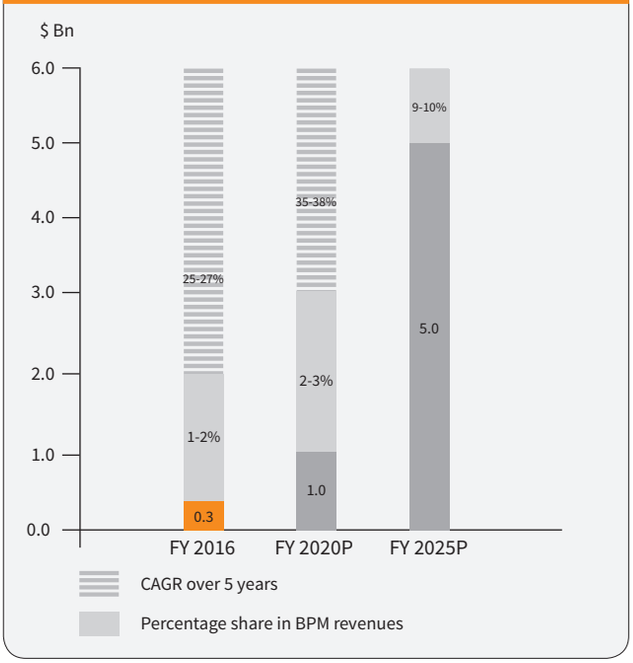
India's share of the global $177 billion BPM sector stands at 38 per cent. Over the past five years, revenues from the sector grew 12 per cent annually to $26 billion. Nasscom claims BPM sector revenues are set to grow to $50 billion by the year 2020.

BPM is seeing higher adoption of process-centric delivery, BPaaS analytics and Robotic process automation tools. BPaaS models are expected to grow four times faster than those of traditional BPM services from 2014 to 2020. BPaaS market share to increase from the current 1-4 per cent to 4-5 per cent by 2025.

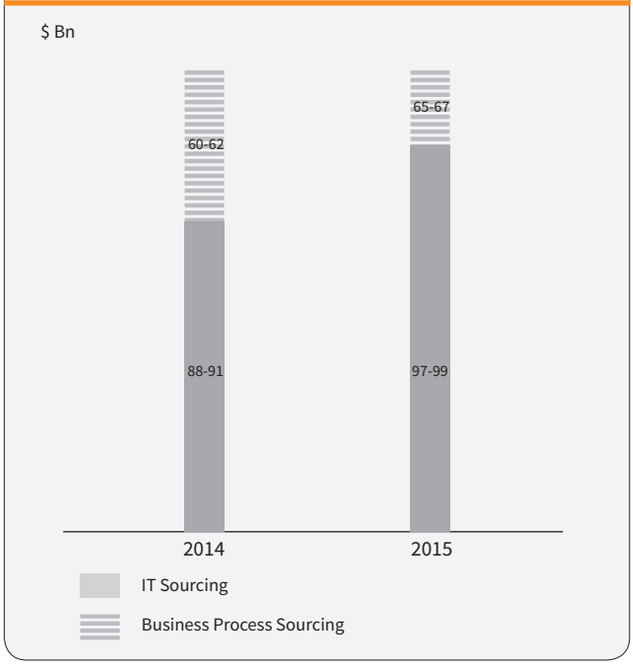
Global Outsourcing: An> USD 54 Bn by added



Indian BPM Revenues to be USD 54 Bn by 2025



BPaas Revenue:4X Faster Growth Than Traditional BPM Services



From Firstsource perspective, the Company is primarily into three key verticals of BFSI, healthcare and telecommunications and media (T&M). According to NASSCOM and IDC reports, the opportunity in these verticals continues to be high, more specifically, in the emerging verticals like healthcare. The total addressable market globally for outsourced BPM work in these verticals is shown in the chart above.

Segment-wise Outlook

Healthcare

Firstsource addresses two segments within the healthcare vertical, the Payer market represented by the Insurance companies and the Provider market represented by hospitals, physician groups in the U.S.

In 2016, the expectation is that the healthcare industry will continue through a period of dynamic change on many fronts. First, value based reimbursement ('VBR') will increase in prevalence, moving the industry toward a tipping point away from fee for service. Second, Payer mergers announced in 2015 will likely spur a new round of consolidations throughout the entire healthcare eco-system. This, coupled with the benefits of scale in Payer, Provider, supply chain and many other intermediary sectors will gain increasing importance, against the broader backdrop of efforts to lower healthcare costs. Third, the new consumer oriented healthcare system will become ready for prime time as a host of new delivery models, care coordination and consumer engagement technologies move from early stage to broader proliferation.

The shift from fee-for-service medical care to value-based healthcare, while progressing at varied speeds in different markets and industry sectors, carries profound implications for virtually all participants in the healthcare system. The outcome of the 2016 election is unlikely to reverse major trends, including increased consumerism, tighter alignment among providers across the healthcare continuum, and a further blurring of the lines between payers and providers. This will continue to drive more 'out of the box' and creative transactions within and across traditional industry sector designations. From a Provider perspective, looking at 2016, the biggest issue both worldwide and in the U.S. continues to be cost. All other trends stem from the cost factor, including access to care, advances in care (especially new drugs), accountable care/alternative payment models, and digital consumer engagement. Despite spending upwards of 18per cent of GDP on healthcare, comparative analyses consistently show the U.S. underperforms relative to other countries on most dimensions, such as efficiency, access, equity and outcomes. In addition, an estimated 34 million people in the U.S. still lack health insurance and therefore, access to care outside of emergency departments. Yet, regardless of political leanings, the Affordable Care Act (ACA) has eased the situation somewhat by driving market changes intended to encourage new ways of delivering and reimbursing care. Many organisations in the provider sector are tracking two additional factors that may greatly impact the healthcare ecosystem: the Medicare Access and CHIP Reauthorization Act of 2015 (MACRA) and the Cadillac Tax. The Medicare Access Act establishes a new framework to pay doctors who treat Medicare patients, fills in a funding gap and extends a popular children's insurance program ("CHIP"). The Cadillac Tax is a bill which allows a two year delay of the 40 per cent excise tax on the high-cost employer sponsored health plans. It helps to finance the expansion of health coverage under the ACA and reduce excess healthcare spending by employees and employers.

While Congress recently delayed the Cadillac Tax — the excise tax on high-cost, employer-sponsored health coverage, w.e.f. January 1, 2019 — we will continue to see employers and health plans consider its impact on their offerings. The net impact is there, which will continue to be a growth and proliferation of high deductible plans and growth of private exchanges with a direct impact on health providers.

MACRA and the Cadillac Tax can accelerate the consolidation in the provider industry and the adoption of value-based payments.

Accountable care organisations, bundled payments and other reimbursement models are starting to address, both access and affordability. As a result, progress toward preventing emergency department visits and prolonged hospital stays are seen. Care is moving away from hospitals and into more accessible, less costly settings — even home, school and work.

To fully accomplish this shift, technology adoption will play a pivotal role. Mobile phones, web conferencing, apps and portals are just few examples of technologies that can help providers give patients the access and convenience they desire. Digital technologies will likely shape the healthcare landscape through tools that engage and empower consumers to take better care of themselves. Hence, reducing reliance on costliest and most acute healthcare resources.

Additionally, providers may also want to explore opportunities for consolidation — both vertically and horizontally — to better position themselves for inclusion in narrow networks. The 'go big or get out' mantra is getting louder; providers can look for ways to achieve scale, manage unit costs and build value-based care capabilities — even in markets where value-based care has not yet fully arrived.

The payer outsourcing sector is positioned to benefit from a number of key macro trends in 2016. These trends include escalating costs, widespread consolidation and regulatory complexity, changing business models, payer-provider convergence, and evolution of the patient-centric paradigm that is being fuelled by mobile computing, social media platforms and 'anytime-anywhere' information access. This combination of both disruptive and legacy factors is forcing payers to adopt new technologies, while also revamping their existing systems, processes and interfaces.

Legacy business process mangement (BPM) functions of claims adjudication, contact centres, and member processing are likely to show growth. The innovative and emerging administrative services — analytics, new plan design, claims modernisation and alternative payment services – are expected to grow significantly. This kind of spending by commercial insurers, government payers, ACOs and provider-sponsored plans is expected to lead to an increase in the payer outsourcing market from an estimated $5 billion in 2014 to an expected $8 billion in 2016.

According to Black Book Rankings, the hospital RCM outsourcing industry could reach $4.5 billion in services revenues by 2017. As hospitals and physician practices flock outsourcing vendors to better deal with business shifts encountered from reimbursement and payment reforms, accountable care participation, ICD-10 coding challenges, problem collections and declining margins, RCM outsourcing (particularly domestic RCM outsourcing) gears up for meteoric growth.

As providers contend with alternative payment models, the pace of outsourcing some of their revenue cycle management has increased. Presently, 83 per cent of hospitals outsource some accounts receivable and collections. Contract management and denial management are next with 58 per cent and 55 per cent, respectively. Besides, 68 per cent of physician groups

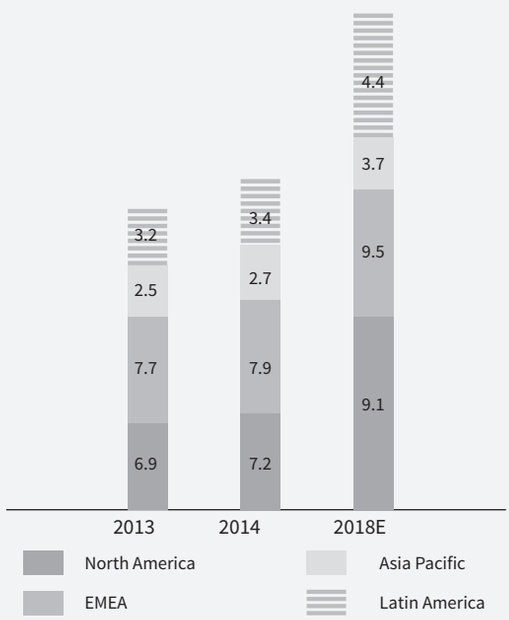
with over ten practitioners now outsource some combination of collections and claims management.

Firstsource is uniquely positioned to garner this growth opportunity as it works for all the top 5 Payers and over 650 hospitals in the U.S.

Telecommunications and Media (T&M)

Global Customer Management Services (CMS) market in the telecom industry is expected to reach $26.6 billion in 2018 from $21.2 billion in 2014, growing at a CAGR of ~6 per cent during the same period. Although, North America will continue to account for the highest share in the market (~34per cent of the total market), but the next wave of growth will come from the APAC market, which is expected to grow at 8.3 per cent CAGR during the period 2014-18. The UK is expected to grow at 6.2 per cent CAGR during the period 2014-18 to reach at $2 billion in revenue by 2018.

Global - CMS in Telecom Market Size



Source: Nelson Hall, Company Research

Need for increased quality across CSAT and NPS has been the top driver for telecom and other industry companies outsourcing CMS followed by cost reduction, technical support and reducing repeat calls.

Global analyst firm HfS research has predicted that SMACA (Social, Mobility, Automation, Cloud, Analytics) solutions will drive growth in telecom operations services in the near future. The market size of SMACA solutions in telecom operations is presently about $200 million with the potential to reach $2.5 billion (25 per cent of the potential telecom operations market) in the next five years. Service providers with strong IT offerings are focusing more on mobility and cloud-based solutions, whereas pure-play BPM service providers are emphasising on analytics-based solutions. Automation is on the agenda of all telecom service providers while social media is an emerging area.

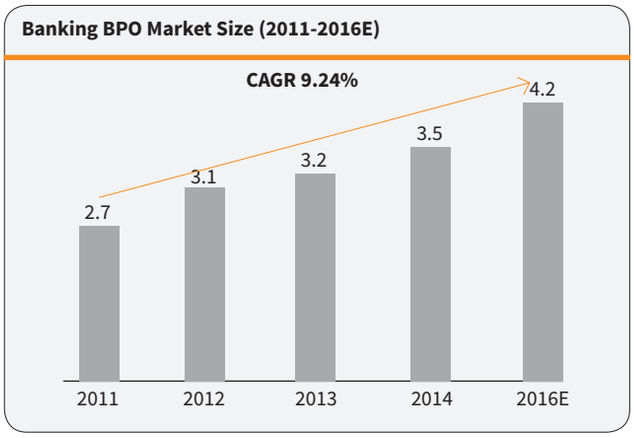
The use of multiple capabilities with social media, customer contact strategies in the communications vertical is expected to increase in 2016. Against this backdrop, the largest percentage point increase is expected for full integration with other contact channels, followed by dedicated customer support forums/ communities.

The explosion of big data and analytics tools is predicted to be the strongest trend to shape the customer interaction management industry over the next five years. The ability to understand the intricacies of individual transactions, as well as the context of customer behaviour over multiple contacts and channels is paramount.

In a global environment characterised by such rapid technology changes, intense competition and pricing pressures, it is critical for companies to focus on effective customer engagement, reduce churn and improve loyalty and advocacy. Technology developments proliferated a number of interaction channels with the consumers and now include self-help, web chat, video chat, social media and virtual-assistants apart from the traditional interaction channels of IVR, phone support, SMS, email and paper correspondence. Investing to deploy an effective Omni-channel framework reduces the overall cost to serve for telecom and media organisations. The focus will be on customer journeys across different channels, while orchestrating the customer experience across different channels in a seamless, integrated and consistent manner.

BFSI

Technavio's market research analyst predicts the global outsourcing market in BFSI sector to grow at a CAGR over 6 per cent during 2016-2020. The need to conform to regulatory compliance is a key factor driving the growth of this market. The BFSI sector is witnessing massive regulatory changes, and oversight which has resulted in increased demand for regulatory compliance and transparency in this sector. The reduction in cycle time obtained by outsourcing is another factor driving the market growth. Outsourcing of business processes in the BFSI sector has enabled multinational financial institutions to reduce their turnaround time through the adoption of lean business process models.



Source: Everest Group, Company Research

The global outsourcing market in the BFSI sector is highly fragmented due to the presence of large and small players. The competition in this market is anticipated to intensify with more players entering the market space. Vendors in the market are constantly looking for ways to increase their market share through partnerships and strategic acquisitions. They are focusing on differentiating themselves by offering innovative, cost-effective and outcome-based solutions, such as business process as a service (BPaaS).

Commercial and regulatory pressures on banks have brought a new focus on costs. Financial firms are investing in technology to meet regulatory and compliance requirements, from anti-money laundering to consumer compensation and the settlement of mis-selling claims, driving demand for outsourcing services.

Banks are typically (among the most) impacted by economic cycles and have seen a lot of volatility over the last years. There has been significant pressure on banks to define and add new revenue streams, and to deliver an excellent customer experience at the lowest cost of ownership. As a result, they are looking for service providers or partners that can help them augment revenue streams while taking costs out without degradation of customer experience. Banks are now forced to consider strategic cost management in a bid to secure the future in turbulent markets, and as a result this has seen a lot of outsourcing activities that are expected to increase in the near future.

Moody's in its report, entitled 'Banking System Outlook: United Kingdom', has changed the outlook on the UK banking system, from negative to stable. This reflects the expectation that most UK banks will maintain solid financial fundamentals over the next 12-18 months, resulting from a favourable operating environment. Also, healthy economic growth in the UK will have a positive effect on the banks' operating conditions. Moody's expects UK GDP growth of 2.7 per cent in 2015 and 2.4 per cent in 2016.

The rating agency projects that UK banks' funding and liquidity levels will remain strong as banks benefit from stable retail deposit bases. It expects new long-term wholesale funding issues to replace borrowings from the Bank of England's Funding for Lending scheme, and contribute to the build-up of loss-absorbing capital layers.

Moody's believes that banks will be able to increase their margins benefiting from increases in interest rates that would not be fully passed on to customers but notes that the UK lenders will likely face stronger competition, especially in the mortgage market as well as for deposits as the Funding for Lending scheme runs off.

Areas such as credit operations in the commercial lending business; once considered core to a bank's operations are being considered for outsourcing to achieve cost savings while delivering superior lender and borrower experience. Process transformation through automation, workflow tools for seamless processing, analytics are driving changes in the SME lending services landscape helping banks gain marketshare and improve spreads. The Company's recent trancation in this space is a testimony to changing trends in this segment. These outsourcing white-spaces offer immense potential and benefits for both clients and service providers to capitalise on such emerging opportunities.

The emergence of new technology, especially related to payments, is believed to be contributing to dis/intermediation of banks. Mobile is fast becoming the preferred interface to the world with developments of e-channels. Non-financial institutions are now competing for share of wallet, and financial institutions are forging partnerships with niche tech firms.

According to National Association of Homebuilders (NAHB), Mortgage interest rates are expected to rise in 2016 and 2017 as the Federal Reserve acts on the long-expected effort to increase the short-term federal funds rate. Nonetheless, NAHB expects the average 30-year fixed rate mortgage to rise above 4.50 per cent for 2016 and continue to increase in 2017. While this will have some negative impact on home buyers, the most significant constraint for prospective home buyers in recent years has been the challenge of accumulating a down payment. This hurdle is one of the key reasons why the first-time home buyer share of new and existing home sales has been below historical levels for several years, and why multi-family construction growth has led the way over the past few years. However, with continued job and wage growth, NAHB expects new single-family construction and sales to improve in 2016.

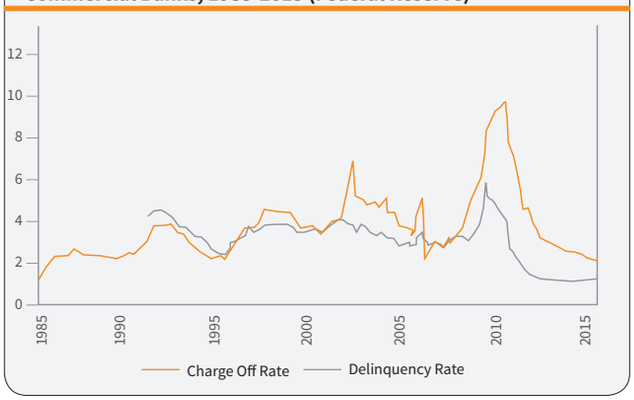
Mortgage BPM stands out as the largest sub-market within the banking BPM space. Everest research group estimates the mortgage BPM industry to be circa $1.3 Billion currently which grew at a CAGR of 11-12 per cent in the last couple of years and estimates similar growth rates in the future. Originations

accounted for a higher share of the market in terms of revenue, however, servicing is growing at a faster pace. Regulatory concerns, among other factors, prompted financial institutions to increase their outsourcing leverage. As regulatory bodies continue to increase their oversight on mortgage activities of banks, role of BPM services has been increasing in the mortgage landscape. This, coupled with newer entrants in the space (for instance, small banks), is also causing a spike in the demand for mortgage BPM services. Buyers are now looking towards service providers to deliver more than just cost savings. Tools to ensure compliance and prevent banks from faltering in the future are increasingly gaining prominence. Factors, such as emerging new entrants, expanded regulations, and adoption of analytics and automation tools, are likely to impact the outsourcing potential of the market. However, service providers still need to prove their capabilities to buyers (especially first-time buyers) before widespread adoption can be witnessed. With progressively changing landscape, service providers will be required to make the right set of investments to stay competitive. Additionally, buyers need to identify the providers who understand their unique business challenges and can help mitigate them.

Third-party debt collection in the US is a 13.7-billion-dollar industry. It employs more than 130,000 workers. These numbers have been relatively stable over the past two years. However, the number of debt collection firms has been declining as a result of industry consolidation. According to ACA International (The Association of Credit and Collection Professionals), there were 6,171 collection companies in 2005, which declined to 4,615 in 2013. Industry analysis estimates that financial services debt generates the largest single share of revenue, 34.5 per cent, to third-party debt collectors.

Credit card debt is the fourth largest source of consumer indebtedness and the second largest that is generally unsecured (Student loans are the first). Credit card debt is a major driver of overall debt collection activity and revenue. At any given point, the potential market for new credit card debt collection can be sized by examining the rate of credit card delinquency and charge-offs.

Annualised Net Charge-Off Rate 30+ Delinquency Rate, All Commercial Banks, 1985-2015 (Federal Reserve)



Source: Consumer Financial Protection Bureau

As far as the credit card industry is concerned, delinquency rates continue to be at historic lows. As of the second quarter of 2015, the '30+' delinquency rate — which represents the share of outstanding credit card balances at least 30 days delinquent — was 2.1 per cent across all commercial banks. That is its lowest level since the Federal Reserve began tracking this metric in 1991. The net credit card charge-off rate for all commercial banks (i.e. annualised charge-offs as a share of outstanding balances) was 2.89 per cent, lowest rate since 1985. Given that this picture reflects a decline from an all-time high of 10.77 per cent just five years ago, there may still be a substantial stock of credit card debt subject to collection — even as the flow of new debt into the collection system has declined.

The continued improvement in the economy overall — and in the job market in particular – is one key driver for the decline in delinquency and charge-off rates. Other contributing factors may include tighter lending criteria put in place in the wake of the recession, as well as the closure of riskier accounts in the downturn.

Company's Operations

The Company services its clients through its global operations capabilities, both onshore and offshore. The Company has 45 operations centres across India (20), the US (16), the UK (6), the Philippines (2) and Sri Lanka (1) supported by a robust and scalable infrastructure network that can be tailored to meet its clients' needs. 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 23,886 as of March 31, 2016, Company's employee distrubution inclued India (14,051), the US (4,078), the UK (4,212) the Philippines (945) and Sri Lanka (600).

Business Strategy and Competitive Strengths

Focus on Customer Management, Banking, Mortgage and Healthcare segments

Over the last three years, the Company has been focusing on expanding its footprint in the customer management and healthcare segments. It believes that there is significant potential in these two business segments and being focused on these segments will enable the Company to use its resources effectively to leverage the growth opportunities. The customer management segment focuses on the BFSI, T&M and Helthcare verticals globally, which provides significant growth opportunities considering the shifts that are currently underway in the respective industries.

The Company is bringing together the vertical domain expertise and the horizontal customer management expertise to provide industry oriented solutions to clients, especially in the Banking

industry. The lift-out deal with a large UK retail bank in commercial lending space and the managed services engagements in the life and pensions segment are some of the significant interventions in this direction. Through the lift-out deal, the Company has acquired expertise in the higher value niche credit operations services within the Banking segment of commercial lending. These specialised domain intensive services will help the Company move forward in its transformative journey to become a higher value services player, provide additional service lines for growth and enable to bring together elements of process transformation, workflow and digital tools.

The acquisition of ISGN Solutions in the US mortgage industry marks the entry of the Company in a new market segment, thereby enabling it to expand its mortgage services portfolio across the US and UK markets. Basis various industry reports, the Company expects the overall mortgage origination market to grow in the coming years which will generate additional engines of growth for the Company. These end-to end services across the mortgage value chain require extensive industry and domain knowledge, coupled with differentiating innovative services which position the Company favourably into the higher value segments.

Unique value proposition for the healthcare industry

The Company works with both the Payer and Provider segments of the U.S. healthcare industry and its depth of services, marquee clients, scale, reach and operational capabilities in the healthcare industry gives it a competitive edge among BPM players. It is one of the few players who straddle across both the segments of this Industry. The partnerships and alliances forged with companies like EBIX, Gaffey Healthcare, DCS Global, JDA Global, have helped the Company to become a full services provider in the Payer industry and complete end-to-end RCM services provider to the hospital segment.

Focus on innovative solutions by developing 'Arrowheads' for creating value for the client

During FY2016, the Company enhanced its Business Transformation Offerings (BTO).

Under the BTO framework, the Company continues to:

- *Create Transformation Solutions through a combination of Robotic Process Automation, Workflow technologies, Digital and Analytics based predictive models*

  Over the last couple of years, the Company has made significant strides in creating productised "arrowheads" which help clients address the market shifts in their respective industries. Combining workflow tools and robotic automation methods help to streamline client processes, eliminate redundant and repetitive tasks delivering significant productivity benefits to clients as well as improve business outcomes. This is particularly relevant in back office processes across industries but more relevant in the banking and healthcare sector.

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

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

  The Company has proven and differentiated horizontal capabilities in its current business portfolio. These capabilities include customer management, collections and transaction processing. The Company has created dedicated CoEs for these three horizontals and continues to expand these capabilities across its target industry verticals. The significant expansion of customer management services into the healthcare segment has helped the Company become a full services provider to the healthcare insurance industry in the U.S. The Company continues to invest heavily in building industry and domain knowledge and establishing knowledge management systems for effective dissemination. It has set up an incubation cell within the organisation, which looks to incubate transformative solutions through associations with start-up ecosystems, in-house ideas and established organisations. Besides, it will continue to strengthen the CoEs by forging strong technology partnerships with niche product and platform organisations, which will enable the Company to propose niche bundled offerings to its customers.

- *Enhancing business value through Productisation*

  Globally, there is significant shift in consumer behaviour across industries. These changing consumer preferences, aided by the demographic shift in consumer segments, rapid technological advancements, social media proliferation, and speed to market are necessitating an urgent need to interact with consumers through an effective omnichannel strategy. Proliferation of data across mediums and effective mining of the data to obtain meaningful insights is critical to create differentiation to survive and gain market share. Productisation at Firstsource is the process of creating a differentiated offering with a sustainable and reusable framework that adds business value to the client's business using a combination of transformative process, technology and analytics.

Firstsource has an impressive product portfolio comprising of productised solutions in Customer Interaction Analytics (First Customer Intelligence), Web Chat (First Chat), Process Automation (First Smartomation), Workforce Management (First WF Suite), Complaints Management (First Resolve) and First Digital. In the healthcare provider segment, Firstsource has a Revenue Cycle Management product suite, comprising MRES, MPAT and MBOS, which has generated traction in the healthcare business. In the last year, the Company created two specific arrowheads for the customer management vertical, which combines process transformation, technology and analytics to improve NPS, reduce churn and increase sales through the service channel.

Productisation of services is made possible through inventive technology partnerships, innovative product ideas along with a sound branding and go-to-market strategy. These help to generate significant value to the Company's clients.

Retain and consolidate relationships with clients

In FY2016, approximately 97 per cent of the Company's revenue came from existing customers. Continuous innovation and provision of value-added services continue to help the Company retain and improve its wallet share with customers. Delivering superior services through robust account plans is a key focus area for the Company to deepen its relationships with clients.

The Company works with several 'Fortune 500' and 'FTSE 100' companies in the US, the UK and India. Its client base also includes over 650 hospitals in the US. Many of these relationships have strengthened over time as the Company gets ongoing work from these clients and gains a greater share of their BPM outsourcing budget.

Talent management, leadership development and creating a culture that fosters performance

Being a people business, human capital is a core asset to the Company. It has taken various initiatives to improve and strengthen the performance and talent management framework of the organisation, imbibing best-in-class processes and practices. The Company continues to identify, nurture talent to build robust succession plans and groom leaders for the future through a well-established framework.

Global operations footprint and diversified business model

The Company has 45 operations centres globally with 20 centres in India, 6 in the UK, 16 in the US, 2 in the Philippines and 1 in Sri Lanka. This global operations model helps the Company to provide a Right-Shore model to its customers, which helps it to mitigate any visa restrictions, anti-offshoring sentiments in the US and the UK. The Company generates 38.8 per cent, 37.3 per cent, 23.7 per cent of its revenues from Healthcare, T&M and BFSI segments respectively, which enables revenue diversification to mitigate any industry specific recessionary trends.

Deleverage the balance sheet and continue to expand margins

The Company will continue to repay its debt obligations as per the agreed payment schedule with its lenders, reducing the existing debt on its balance sheet. It also expects to expand its margins by improving operating parameters and focusing on profitable segments of the business.

Outlook

To conclude, the Company operates in industry verticals and markets that offer significant growth potential. The long standing and growing client relationships coupled investments with transformation solutions places the Company in a strong position to demonstrate growth.

Human Resources

At Firstsource, the Human Resource team's goal is to help achieve the organisation's strategic goals through the targeted sourcing of talent supported by design of market competitive total compensation programmes. Finally, HR ensures high engagement and motivation levels to retain our employees to meet the needs of our customers. We do a benchmarking of best practices in the industry and are constantly looking at ways to engage with our employees better. There are defined set of levers that are used to drive engagement ranging from effective programmes for onboarding, benefit plans, learning and development, career and recognition – all designed to attain best in class employee retention.

Employee Engagement and Retention:

We strongly believe that Employee Engagement has a direct correlation with customer satisfaction. Our engagement initiatives all have a core focus of strong and clear communications at all levels.

We enable this communication through our Managers, HR business partners, intranet, our in-house magazine "the Source", email announcements and Notice boards . To facilitate this two-way communication, we employ various formal and informal channels of feedback solicited directly from our global family of employees. To understand the pulse of the employees, assess their attitude and beliefs about work environment, values and leadership, the Human Resources team rolled out Global Employee Satisfaction Survey (GES) across Firstsource offices. This survey presented an opportunity to improve the two-way communication process and gave employees the chance to express their opinions. With 86 per cent participation, the overall Engagement score was at 80 per cent. The GES showed our cultural strengths were immediate manager

practices, effective relationship with team members/ colleagues and understanding of how employee's own job contributes to Firstsource's vision. Action planning is currently in progress with respective Operations and Support function Department Heads to strengthen this and other GES feedback.

Apart from the annual GES survey, various communication forums like Let's Talk session by Senior Leadership, Town Halls, skip level meetings and Pulse surveys serve as avenues for employees to provide feedback. We have an open door policy and employees are also encouraged to raise their grievance through a formal Grievance Management process. The Whistle blowing Policy and the Prevention of Sexual Harassment Committee provides not only employees, but also our vendors, suppliers and customers a secure platform to raise their grievance.

Fun and Celebration at work help in re-energizing our workforce. We conducted Health and Wellness initiatives like free Medical camps, health awareness sessions by Experts, Yoga & Zumba sessions, free healthy breakfast, holistic therapies and work life balance sessions for women employees. We have an Employee Assistance Programme which enables employees to reach out to counselors 24x7 in-person, on phone or through chat and seek assistance for issues pertaining to personal or professional life.

The Performance Management System at Firstsource is called ACE (an acronym for ACHIEVE, CHALLENGE AND ENABLE). Key objectives of ACE are, align goals across all levels of the company to improve employee effectiveness and to create a high performance culture. Firstsource's performance driven culture challenges every employee to scale up and grow. A wide range of competency enhancement opportunities, challenging assignments and rotation across units and countries helps employees in their career progression.

We have an inclusive environment where all the employees get equal opportunities to achieve. By motivating our employees with positive reinforcement through our Recognition and Training Programmes, we have been able to promote an overall standard of excellence for everyone to work toward.

Corporate Social Responsibility is an integral part of our culture and it provides our employees an opportunity to give back to the communities in which they live and work. The CSR initiatives undertaken this year include Payroll Giving Program, fundraising and donations to help victims of natural calamity, fundraising for NGOs that support cancer, heart association and Mental Health, Donation of books and other school supplies to under privileged children and donation of food and non-perishable items.

Learning and Development:
As an organization we nurture learning and ensure that there is continuous learning for all our employees. Apart from the learning that one has on the job, we constantly strive to provide the best in class training programs for our employees, so that they perform their job more efficiently.

Drawing inspiration from the 'University' approach to learning , the "Firstsource Academy" was designed based on the guiding principles of focusing on learning rather than training and vesting the ownership of self-development on the individuals. Training programs have been designed to equip employees with the competencies identified as a part of our 'Breakout' competency framework. Comprising of seasoned trainers, learning consultants and OD Specialists, the Academy engages with Managers from Operations and Support functions to deliver on its three dimensional approach to leadership and managerial capability building at the organization.

This year we introduced The BSc (Honors) Customer Contact Management degree, a unique program being offered to Firstsource employees as a part of the Firstsource Academy and Ulster University partnership. This program has been designed to equip participants with the specialized competencies required in the Business Process Management industry. The curriculum of this program includes the internal training programs offered by the Firstsource Academy along with online modules from the Ulster Business School.

Talent Management – "Future Leader's Initiative" :
Future Leaders' Initiative' is the ongoing Talent Management process to identify, develop, retain and leverage the key talent in the organisation, build a leadership pipeline and create the desired leadership culture. Through a structured talent review process, governed by Talent Steering Committee reporting into CEO, we are able to effectively manage the demand and supply side of talent. Our aim is to have succession readiness for all business critical roles and retention of talent in the organisation.

Business Partnership – Systems and Analytics:
A part of bringing value as a business partner is the support of real-time analytics and trends to help managers in achieving their client demands through their human resources. This year, Firstsource HR led successful implementation of SAP, Kronos and SmartHire (In-house Recruitment tool). These implementations bring Firstsource to being a "best in class" status and promote Global consistency.

Recognition & Awards:

- Received the award for "Best First Time Managers Development Program of Asia" at the Leadership Development Practices of Asia 2015.

- Declared the 4th Runners-Up for the corporate film on Diversity and Inclusion at the Mega Corporate Film Festival

and Awards 2016 hosted by the Learning & Organizational Development (L&OD) Roundtable.

- Awarded the "Outsourced Contact Centre of the Year" at the Welsh Contact Centre Awards 2016 for the 2nd consecutive year in a row for the unmatched career development and training opportunities offered to the employees.

- Awarded to Firstsource Academy at the "National Human Resource Development (NHRD) Showcase 2015 for HR Best Practices" for its initiative on various offerings in learning and development within the organisation.

- Ranked #19 in Ulster Business in "Top 100 Companies" list in Northern Ireland

RISKS & CONCERNS, RISK MITIGATION

These have been discussed in details in the Risk Managment report in this annual report.

DISCUSSION ON FINANCIAL POSITION RELATING TO OPERATIONAL PERFORMANCE

Shareholders' funds

Share Capital. The authorized share capital of the Company is ₹8,720.00 million with 872 million Equity shares of ₹10 each. The paid up share capital as of March 31, 2016 stands at ₹6,733.15 million compared to ₹6,662.91 million as of March 31, 2015.

The increase in equity share capital of ₹70.24 million is on account of allotment of 7,023,453 shares to employees as stock options.

Reserves and Surplus. The Reserves and surplus of the Company increasedfrom ₹14,223.26 million to ₹17,517.65 million. The details of increase in Reserves and surplus by ₹3,294.39 millions are as below:

	Amount(₹ million)
Increase on account of :	
Profit for the year less appropriation	2,649.69
Premium received on shares issued during the year	47.04
Exchange Difference on consolidation of non-integral subsidiaries/entities	793.60
Decrease on account of :	
Hedging Reserve as per AS 30	195.94
Net Increase/(Decrease) in Reserves and surplus	**3,294.39**

Minority Interest

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

Minority interest as of March 31, 2016 is ₹19.71 million as compared to ₹16.31 million as of March 31, 2015.

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, 2016 were ₹4,189.86 million as compared to ₹4,070.41 million as of March 31, 2015. The increase is a net impact of conversion of short term borrowing to long term offset by repayment of term loan & External Commercial Borrowings alongside exchange rate movement of ₹231.82 million and increase in fiance lease obligation of ₹10.38 million. Unsecured long term borrowings outstanding as of March 31, 2016 were ₹79.79 million as compared to ₹72.57 million as of March 31, 2015.

Deferred Tax liabilities

Deferred tax liabilities as of March 31, 2016 were ₹272.20 million as compared to ₹344.72 million as of March 31, 2015. This decrease is due to higher depreciation and amortization which was partially offset by business losses carried forward.

Long-term provisions

Long-term provisions represent provision 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 Compensated absences.

Short-term borrowings

Short-term borrowings as of March 31, 2016 were ₹1,525.33 million as compared to ₹3,160.30 million as of March 31, 2015. The movement is on account of conversion of Working Capital Demand Loan into Term Loan, repayment of export finance of ₹422.27 million and availment of overdraft from bank of ₹662.31 million including exchange rate movement to the extent of ₹39.63 million.

Trade payables

Trade payables as of March 31, 2016 were ₹890.70 million as compared to ₹832.76 million as of March 31, 2015.

Other Current liabilities

Other Current liabilities as of March 31, 2016 were ₹5,009.74 million as compared to ₹4,564.58 million as of March 31, 2015. The increase in other current liabilities is primarily on account of increase inemployee benefits payable and current maturities of Long term borrowings.

Short-term provisions

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

Goodwill

Goodwill as of March 31, 2016 was ₹24,692.41 million as compared to ₹23,336.35 million as of March 31, 2015.

The increase in goodwill during the year was ₹1,356.06 million. This increase was due to restatement of balance goodwill on non-integral foreign subsidiaries at year-end exchange rates.

Fixed Assets

The net block of tangible assets, intangible assets and capital work-in-progress amounting to ₹1,406.62 million as of March 31, 2016 as compared to ₹1,187.60 million as of March 31, 2015, resulted in a net increase of the assets to the extent of ₹219.02 million. This is majorly due to net additions of ₹872.86 million and upward exchange rate impact of ₹8.12 million offset by depreciation charge for the year amounting to ₹661.96 million.

Investments

The investments of the company represent non-current investments of ₹83.80 million and current investments of ₹ 767.74 million as on March 31, 2016 as compared to ₹57.55 million and ₹ 676.11 Million respectively as on March 31, 2015.

Long-term loans and advances

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 long-term loans and advances of the company as of March 31, 2016 were ₹2,460.79 million compared to ₹2,220.78 million as of March 31, 2015. This movement in the net amount is mainly due to increase in MAT Credit carried forward amounting to ₹139.83 million, Unexpired Rebate to customer amounting to ₹124.66 million and advance income tax and tax deducted at source amounting to ₹74.39 million, offset by decrease in prepaid expenses amounting to ₹101.24 million and lease rent receivables amounting to ₹5.62 million.

Other non-current assets

The other non-current assets of the company as of March 31, 2016 were ₹144.09 million as compared to ₹27.02 million as of March 31, 2015. This increase is primarily on account of Advance paid towards acquisition of ISGN.

Trade receivables

Trade receivables amount to ₹3,040.75 million (net of provision for doubtful debts amounting to ₹115.64 million) as of March 31, 2016 as compared to ₹2,889.51 million (net of provision for doubtful debts amounting to ₹36.71 million) as of March 31, 2015. 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, 2016 (calculated based on per-day sales in the year) were 34 days, as compared to 35 days as of March 31, 2015. The Company constantly focuses on reducing its receivables period by improving its collection efforts.

Cash and bank balances

Cash balance represents balance in cash with the Company to meet its petty cash expenditures. The bank balances in India include both Rupee accounts and foreign currency accounts. The bank balances in overseas current accounts are maintained to meet the expenditure of the overseas subsidiaries and branches. The cash and bank balance as of March 31, 2016 was ₹689.10 million as compared to ₹802.29 million as of March 31, 2015.This decrease in cash was due to cash used in 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, 2016 were ₹662.16 million as compared to ₹439.25 million as of March 31, 2015. The increase in short-term loans and advances was mainly on account of increase in prepaid expenses and other advances.

Other Current Assets

The other current assets of the Company as of March 31, 2016 were ₹2,724.75 million as compared to ₹2,628.91 million as of March 31, 2015. This increase is primarily due to unbilled receivables.

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 2016		Fiscal 2015	
	₹ Million	% of Income	₹ Million	% of Income
INCOME				
Income from services	31,746.92		30,033.78	
Other operating income	555.97		312.74	
Revenue from Operations	32,302.89	100.0%	30,346.52	100.0%
EXPENDITURE				
Personnel Cost	21,721.74	67.2%	20,171.50	66.5%
Other expenses	6,533.01	20.2%	6,367.40	21.0%
Operating EBITDA (Earnings before Interest, Tax and Depreciation)	4,048.14	12.5%	3,807.62	12.5%
Depreciation and amortisation	661.96	2.0%	721.82	2.4%
Operating EBIT (Earnings before Interest and Tax	3,386.18	10.5%	3,085.80	10.2%

PARTICULARS	Fiscal 2016		Fiscal 2015	
	₹ Million	% of Income	₹ Million	% of Income
Finance charges	524.38	1.6%	710.86	2.3%
Other income	94.44	0.3%	65.23	0.2%
Profit before tax	2,956.24	9.2%	240.17	8.0%
Provision for taxation				
- Current tax expense (including MAT)	581.91	1.8%	439.36	1.4%
- Deferred tax charge / (credit)	(118.97)	-0.4%	(8.76)	0.0%
- Minimum alternate tax credit entitlement	(160.77)	-0.5%	(335.20)	-1.1%
Profit after tax before minority interest	2,654.07	8.2%	2344.77	7.7%
Minority interest	4.38	0.0%	1.59	0.0%
Profit after tax	2,649.69	8.2%	2,343.18	7.7%

Income

Income from services

Income from services increased by 5.7 per cent to ₹31,746.92 million in fiscal 2016 from ₹30,033.78 million in fiscal 2015. The company attributes this increase in its income from services to new business from existing clients and addition of few new clients. This growth was also supported by movement in currency during the fiscal year 2016 as compared to previous fiscal year. The average exchange rate for consolidation of subsidiaries for USD and GBP in fiscal 2016 was ₹65.41 per USD and ₹98.60 per GBP as compared to ₹61.11 per USD and ₹98.53 per GBP in fiscal 2015.

Revenue from Operations

The Company's revenue from operations increased by 6.4 per cent to ₹32,302.89 million in fiscal 2016 from ₹30,346.52 million in fiscal 2015. On constant currency basis, neutralizing the impact of foreign exchange rate movements during the year, the company's revenue from operations improvedby 2.0 per cent in fiscal 2016 over fiscal 2015.

Consolidated Revenues by Geography

The Company serves clients mainly in North America (USA and Canada), UK and India. Clients from North America accounted for 54.5 per cent (fiscal 2015: 49.3 per cent), clients from the UK accounted for 37.4 per cent (fiscal 2015: 35.9 per cent) while clients in India accounted for 6.3 per cent (fiscal 2015: 8.2 per cent) of the income from services in fiscal 2016.

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

(₹ In Millions)

	Fiscal Year		
	2016	2015	2014
North America (USA and Canada)	17,305.69	14,795.40	14,583.73
UK	11,879.34	10,778.35	11,135.07
India	1,987.93	2,462.05	2,784.20
Rest of the world	573.96	1.997.98	2,767.23
Total	31,746.92	30,033.78	31,270.23

Consolidated Revenues by Industry

Healthcare, Telecommunications & Media and Banking, Financial Services and Insurance accounted for 38.8 per cent, 37.3 per cent and 23.7 per cent of income from services, respectively, in fiscal 2016 and 35.8 per cent, 42.5 per cent and 21.5 per cent of income from services respectively in fiscal 2015.

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

(₹ In Millions)

	Fiscal Year		
	2016	2015	2014
Healthcare	12,305.05	10,762.11	10,164.88
Telecommunication and Media	11,829.12	12,774.84	13,931.75
BFSI	7,527.09	6,442.50	7,072.10
Others	85.66	54.33	101.50
Total	31,746.92	30,033.78	31,270.23

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)

	2016	%	2015	%
Top client	6,925.27	21.8	7,067.87	23.5
5 largest clients	13,994.89	44.1	12,927.98	43.2
All clients	31,746.92	100.0	30,033.78	100.0

In fiscal 2016, the Company had top client accounting for 21.8 per cent of the income from services compared to top client accounting for 23.5 per cent of its income from services in fiscal 2015.

The Company derives a significant portion of its income from a limited number of large clients. In fiscal 2016, the Company had 12 clients contributing individually over ₹500 million each in annual revenues as compared to 10 clients in fiscal 2015. In fiscal 2016 and 2015, income from the Company's five largest clients amounted to ₹13,994.89 million and ₹12,967.98 million respectively, accounting for 44.1 per cent and 43.2 per cent of its income from services respectively. Although the Company continues to increase and diversify its client base, it expects that a significant portion of its income will continue to be contributed by a limited number of large clients in the near future.

Other operating income

Other operating income / (expense) of ₹555.97 million in fiscal 2016 pertains to operating income in the nature of grants received in relation to the Company's business in UK of ₹54.15 million and exchange gain realised on debtors of ₹475.83 million. Other operating income / (expense) of ₹312.74 million in fiscal 2015 pertains to operating income in the nature of grants received in relation to the Company's business in UK of ₹67.45 million and exchange gain realised on debtors of ₹242.72 million.

Expenditure

Personnel costs

Personnel costs increased by 7.7 per cent to ₹21,721.74 million in fiscal 2016 from ₹20,171.50 million in fiscal 2015, although the number of employees decreased to 23,886 as of March 31, 2016 from 25,285 as of March 31, 2015. As on March 31, 2016, 9,835 employees were employed outside India as compared to 9,256 employees as at end of fiscal 2015. The increase in cost is attributed to increase in number of employees across the globe.

Operating costs

Operating costs for fiscal 2016 amounted to 20.2 per cent of the income for that period, as compared to 21.0 per cent of income in fiscal 2015. Operating costs increased to ₹6,533.01 million in fiscal 2016 from ₹6,367.40 million in fiscal 2015. This increase is attributed to contribution made towards CSR, computer software expenses, and Repairs and Maintenance expenses.

Operating EBITDA (Earnings before Interest, Tax and Depreciation)

As a result of the continuing operations, operating EBITDA increased by ₹240.52 million to ₹4,048.14 million in fiscal 2016 from ₹3,807.62 million in fiscal 2015. Operating EBITDA in fiscal 2016 was at 12.5 per cent of income, same as compared to fiscal 2015.

Depreciation

Depreciation costs for fiscal 2016 amounted to 2.0 per cent of the income for that period, as compared to 2.4 per cent in fiscal 2015. Depreciation decreased year-on-year by 8.3 per cent to ₹661.96 million in fiscal 2016 from ₹721.82 million in fiscal 2015.

Operating EBIT (Earnings before Interest and Tax)

Operating Earnings before Interest and Tax (EBIT) increased by ₹300.38 million to ₹3,386.18 million in fiscal 2016 from ₹3,085.80 million in fiscal 2015. Operating EBIT in fiscal 2016 amounted to 10.5 per cent compared to 10.2 per cent in fiscal 2015.

Finance charge

Finance charges for fiscal 2016 amounted to 1.6 per cent of income for that period, as compared to 2.3 per cent of income in fiscal 2015. Finance charges decreased by 26.2 per cent to ₹524.38 million in fiscal 2016 from ₹710.86 million in fiscal 2015, primarily due to repayment of debt and exchange rate impact on payment of interest during the year.

Other income

Other income increasedto ₹94.44 million in fiscal 2016 from ₹65.23 million in fiscal 2015. The components of other income in fiscal 2016 were profit from the sale / redemption of current investments of ₹55.29 million, gain on sale of fixed assets of ₹4.11 million, interest income of ₹18.69 million, other miscellaneous income of ₹12.67 million and foreign exchange gain of ₹3.68 million. The components of other income in fiscal 2015 were profit from the sale / redemption of current investments of ₹29.96 million, gain on sale of fixed assets of ₹4.75 million, interest income of ₹ 54.61 million, other miscellaneous income of ₹1.66 million, offset by foreign exchange loss of ₹25.75 million.

Profit before tax

Profit before tax increased by 21.1 per cent to ₹2,956.24 million in fiscal 2016 from a profit before tax of ₹2,440.17 million in fiscal 2015. Profit before tax in fiscal 2016 was 9.2 per cent of the income, as compared to 8.0 per cent of the income in fiscal 2015.

Provision for taxation

Provision for taxation increased by 216.7 per cent to ₹302.17 million in fiscal 2016, from ₹95.40 million in fiscal 2015. Income tax expense comprises of current tax, net change in the deferred tax assets and liabilities in the applicable fiscal period and minimum alternate tax credit entitlement.

Current tax expense comprises tax on income from operations in India and foreign tax jurisdictions. During the year, certain centers of the Company had the benefit of tax-holiday under Section 10AA under the Special Economic Zone scheme. Current tax expense amounted to ₹581.91 million in fiscal 2016as compared to ₹439.36 million in fiscal 2015.

There was a deferred tax credit of ₹102.97 million in fiscal 2016compared to a deferred tax credit of ₹8.76 million in fiscal 2015.

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 ₹176.77 million in fiscal 2016 as compared to ₹335.20 million in fiscal 2015.

Profit after tax before minority interest

As a result of the foregoing, profit after tax before minority interest increased to ₹2,654.07 million for fiscal 2016 from profit after tax before minority interest of ₹2,344.77 million in fiscal 2015.

Minority interest

Minority interest was ₹4.38 million in fiscal 2016 as compared to ₹1.59 million in fiscal 2015. This was due to operating profits in consolidation of Firstsource Dialog Solutions (Private) Limited.

Profit after tax

As a result of the foregoing, profit after tax increased by 13.1 per cent to ₹2,649.69 million in fiscal 2016 from profit after tax of ₹2,343.18 million in fiscal 2015. Profit after tax in fiscal 2016 was 8.2 per cent of the income, as compared to 7.7 per cent of the income in fiscal 2015.

Liquidity and Capital Resources

Cash Flows

The Company needs cash primarily to fund the technology and infrastructure requirements in its delivery centers, to fund its working capital needs, to pay interest and taxes, to fund acquisitions and for other general corporate purposes. The Company funds these capital requirements through variety of sources, including cash from operations, short and long-term lines of credit and issuances of share capital. As of March 31, 2016, the Company had cash and cash equivalents of ₹685.76 million. This primarily represents cash and balances with banks in India and abroad.

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

(₹ In Millions)

	Fiscal Year		
	2016	2015	2014
Net Cash flow from Operating activities	2,997.27	2460.48	3,955.72
Net Cash flow (used in) / from Investing activities	(1,036.88)	(1,042.41)	(132.84)
Net Cash flow (used in) / from Financing activities	(2,074.44)	(2,464.49)	(2,864.09)
Cash and cash equivalents at the beginning of the year	799.81	1,846.23	887.44
Cash and cash equivalents at the end of the year	685.76	799.81	1,846.23

Operating Activities

Net cash generated from the Company's operating activities in fiscal 2016 amounted to ₹2,997.27 million. This consisted of net profit after tax of ₹2,649.69 million and a net upward adjustment of ₹347.57 million relating to various non-cash items and non-operating items including depreciation of ₹661.96 million; net increase in working capital of ₹450.50 million; and income taxes paid of ₹576.64 million. The working capital change was due to increase in trade receivables of ₹66.35 million, increase in loans and advances by ₹125.82 million and decrease in liabilities and provisions by ₹258.33 million.

Net cash generated from the Company's operating activities in fiscal 2015 amounted to ₹2,460.48 million. This consisted of net profit after tax of ₹2,343.18 million and a net upward adjustment of ₹117.30 million relating to various non-cash items and non-operating items including depreciation of ₹721.82 million; net increase in working capital of ₹1,048.22 million; and income taxes paid of ₹510.37 million. The working capital change was due to decrease in trade receivables of ₹42.15 million, increase in loans and advances by ₹86.97 million and decrease in liabilities and provisions by ₹1,003.40 million.

Investing Activities

In fiscal 2016, the Company invested ₹1,036.88 million of cash into its investing activities. These investing activities primarily included capital expenditure of ₹857.85 million, including fixed assets purchased and replaced in connection with the Company's delivery centers in the UK, US and India, and net purchase of money and debt market mutual funds amounting to ₹61.39. During the year, company made advance payment of ₹133.84 million towards ISGN acquisition

During the year, the Company received interests and dividends amounting to ₹8.21 million and sold few fixed assets for ₹8.85 million.

In fiscal 2015, the Company invested ₹1,042.41 million of cash into its investing activities. These investing activities primarily included capital expenditure of ₹462.56 million, including fixed assets purchased and replaced in connection with the Company's delivery centers in the UK, US and India, and net purchase of money and debt market mutual funds amounting to ₹624.26 million. During the year, the Company received interests and dividends amounting to ₹33.76 million and sold few fixed assets for ₹10.65 million.

Financing Activities

In fiscal 2016, net cash used in financing activities amounted to ₹2,074.44 million. This primarily comprised of net proceeds from secured loans, net of ₹118.02 million, proceeds from unsecured loans, net of ₹271.42 million and proceeds from issuance of equity shares of ₹117.07 million. The company repaid WCDL amounting to ₹1,875.01 million and paid interest of ₹705.94 million.

In fiscal 2015, net cash used in financing activities amounted to ₹2,464.49 million. This primarily comprised of proceeds from export finance of ₹623.77 million and proceeds from issuance of equity shares of ₹112.56 million. The company repaid secured loans amounting to ₹2,756.68 million and paid interest of ₹444.14 million.

Cash position

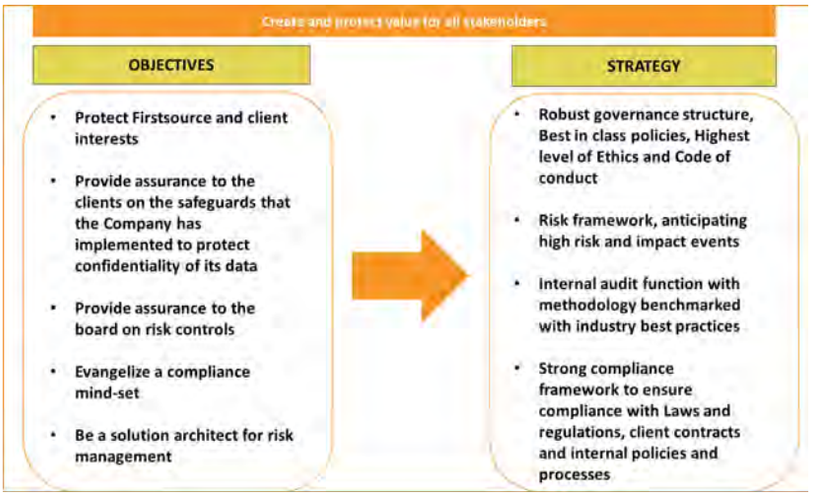
The Company funds its short-term working capital requirements through cash flow from operations, working capital overdraft facilities with commercial banks, medium-term borrowings from banks and other commercial financial institutions. As of March 31, 2016, the Company had cash and bank balances of ₹685.76million as compared to ₹799.81million as of March 31, 2015.

RISKS & CONCERNS, RISK MITIGATION

Risk management report describes various dimensions of enterprise wide risk management practices in the Company. Readers are cautioned that the risk related information outlined here is not exhaustive and is for information purposes only. This report contains forward-looking statements, about risks and uncertainties affecting our business objectives. Our business model is subject to 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 refer to the prospectus filed with the Securities and Exchange Board India (SEBI) as well as factors discussed elsewhere in this annual report.

Organisations are confronted with a blitzkrieg of risks in todays' dynamic world. To create value for our stake-holders requires a dynamic governance and risk management function in the ever-changing risk environment.

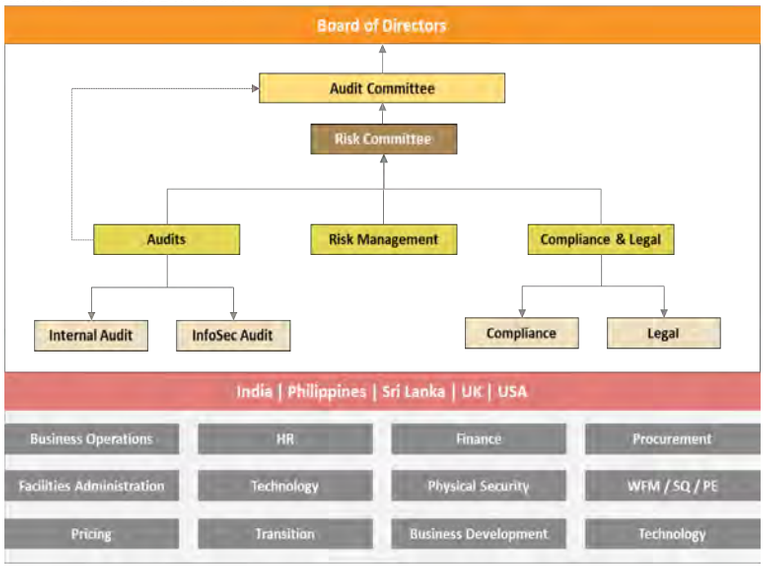
Enterprise Risk Management Strategic Intent



The Company continues to emphasise and build on the need to have robust risk management culture and processes. It continuously strives to update the risk framework as per the changing business needs and objectives.

Governance Structure

Firstsource has dedicated governance teams engaged in Risk Management, Compliance, Legal, Internal Audit and Information Security Audits who work closely with the business operations and functional teams. Their mandate is to identify, assess, remediate and monitor the risks as per the pre-defined policies and procedures. All teams are independent and reporting to Risk Committee with an overall guidance from the Board of Directors.



Roles & Responsibilities

Your Company has defined its roles and responsibilities across the organisation and stake-holders to ensure clear reporting lines, expectation setting and accountability.

Level	Roles and Responsibilities
Board of Directors	• Approve key business objectives and 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	• The committee assists the Board in fulfilling its corporate governance oversight responsibilities and monitors and 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 the Company's risk policies
Risk Management Team	• Identifies, assesses, mitigates and monitors risks through risk workshops, risk registers, risk model mapping, developing mitigation strategies rating and publishing risk dashboards
Compliance	• Drives compliance initiatives through comprehensive frameworks that assess and report compliance to regulatory and contractual requirements, remedy reported exceptions and create awareness about such obligations. Compliance also drives standards of corporate governance through global ethics and anti-bribery frameworks.
Legal	• Safeguards organisational interests from legal standpoint, covering contract documentation, litigation management and advisory.
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

Our Risk Management Framework:

Firstsource's Risk Management framework is designed and implemented on the basis of recommendations of the 'Committee of Sponsoring Organisations' (globally known as the COSO Framework). This organisation was formed by the Treadway Commission that provides guidance and thought leadership on enterprise risk management, internal controls and fraud deterrence. Risk management at Firstsource seeks to minimise adverse impact of risks on key business objectives. It also enables the 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. These risks are continuously tracked with the help of Key Risk Indicators (KRI's), defined by the risk management team at the start of each financial year.

Risk Management Process

Your Company has defined a robust risk management process encompassing:

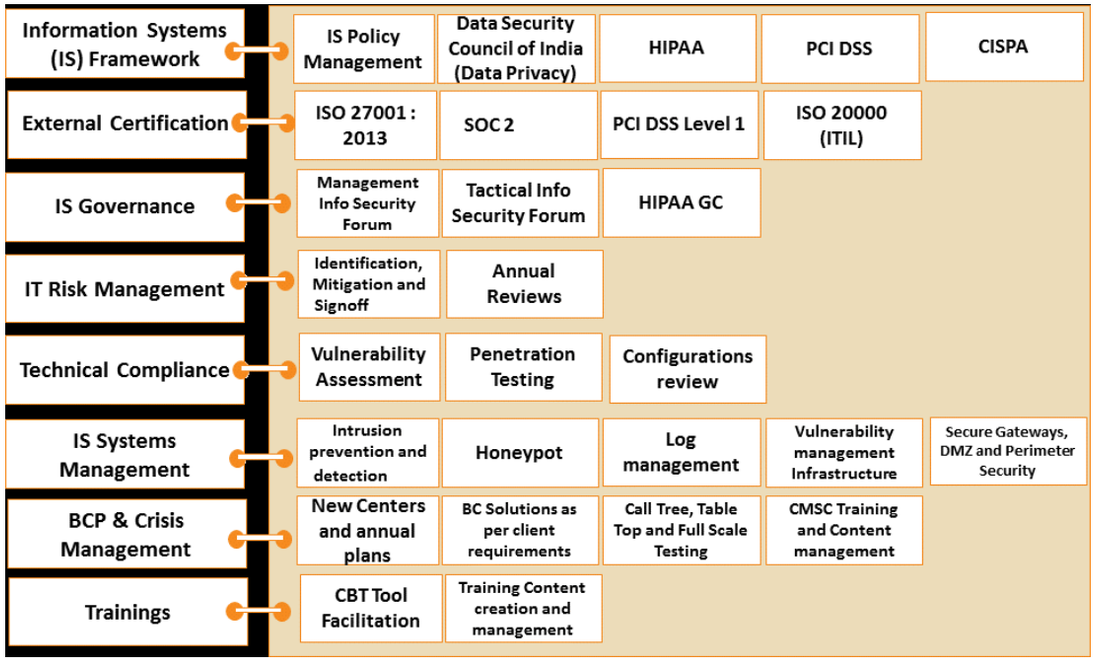
- Risk identification
- Risk assessment
- Risk response
- Monitoring & reporting

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

Emerging Information Risks

The risk landscape in the current business environment is changing dynamically with the Cyber security, Fraud detection and prevention, Information security, Data Privacy & Business Continuity featuring prominently. The effectively mitigate these emerging risks; a focused strategy is prepared around Information risk management.

Emerging Information Risks Management Framework



Key Business Risks & Mitigation

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

Risks	Risk Description
A. Strategic Risks	
Growth risk	The Company's revenue mix is highly concentrated on few clients, primarily located in the US and the UK and belonging to specific industry segments. Any sort of economic slowdown / downturn in these economies and industries may affect the Company's business.
Country risk	The Company has a global footprint with operations in India, the US, the UK, the Philippines and Sri Lanka servicing clients across North America, Australia, the UK and Asia. Further, the Company's corporate structure also spans multiple jurisdictions, with intermediate or operating subsidiaries and branches, incorporated in India, the US, the UK, the Philippines and Sri Lanka. Consequently, the Company is exposed to various risks, typically associated with conducting business internationally. Many of those risks are beyond the Company's control, such as geographical, political, regulatory risks etc. The Company has local management teams in all its operating countries and they understand the country specific operating nuances. The Company is also enhancing Customer relationships, and has a well-diversified geographic spread to mitigate risks specific to a country or a geography.

B. Industry and Macro Economic Risks

Fragile global economic recovery

The global economic conditions have been somewhat challenging with slower growth, since the financial crisis. While the recovery is strengthening, it 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 markets that they serve. Therefore, the Company's business could be adversely affected by its clients' financial condition and levels of business activity in industries it operates in.

Anticipating, planning and responding to changes in an uncertain economic landscape prove to be a major challenge. The Company believes its diversified business model across industries, geographies, clients and currencies positions and volatile global economy. North America contributed 54.5 per cent of its income, while the UK contributed 37.4 per cent of its income from services in fiscal 2016. 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 during challenges.

Protectionist sentiments in developed countries

Impact of the global financial crisis and recession has increased unemployment in the developed countries, such as the US and the UK. The response to this rising unemployment has been the increase in 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 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 UK, there is a prevailing legislation, TUPE (Transfer of Undertakings Protection of Employment) Regulations, based on the European Union Acquired Rights Directive. The 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 counter-productive to the US and the 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 and, the Philippines among others.

The Company recognised early in its evolution that to be a credible player in the global Business Process Outsourcing (BPO/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, 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 and the UK. In a protectionist environment, well-established onshore presence has helped in winning more business in the US and the UK, which 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.

Revenue Share %	FY 14	FY 15	FY 16	Trend
Offshore	22.8%	25.0%	19.5%	↓
Onshore	77.2%	75.0%	80.5%	↑

Among the Indian pure-play BPM companies, the Company was one of the early movers to build strong onshore capabilities with the UK and the US operations. Today, the Company has sixteen delivery centres in the US, six in the UK and employs 4,078 employees in the US and 4,212 employees in the UK. The Company is one of the largest foreign investors in the UK BPM sector.

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, feasibility assessment of systems and process integration between the Company and the client. Therefore, the Company's selling cycle, which can range from months to multiple years, is subject to various risks and delays. Over such risks 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 decisions and approval processes. In current fiscal, 97 per cent of revenue comes from the Company's existing clients, where there is opportunity to scale up existing processes in a very short period of time with lesser risks, uncertainties, and are based on volume expansion by clients, which help in augmenting the Company's revenue in a long run. The Company has efficient marketing and sales teams across geographies with clearly defined goals. They work on a variety of opportunities, 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 clients.
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 the 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 makes significant investments in strengthening domain capabilities, process excellence, standardisation, operations 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. Productization is one such initiative where the Company is focussing on creating such differentiators. The awards received by the Company are testimony to its efforts to gain mindshare of its clients.
Possibility of British Exit (BREXIT) from the European Union	The UK is set to hold an in-out referendum this summer on whether there should be a British exit or Brexit, from the European Union (EU). Momentum is growing behind the EU exit campaign, which wants to give Britain the freedom to manage its own affairs. While some business leaders see potential opportunities for enhanced India-UK cooperation in the event of a Brexit, many share concerns with other parts of the world about the risks of future economic instability. It is uncertain whether a post-Brexit UK would be able to secure greater cooperation with India than it has already. Much would also depend on a future UK-EU agreement which might restrict the UK's options to pursue potentially conflicting deals. It's likely there would be significant barriers to concluding a new agreement: for example, any change to the free movement of skilled workers would be politically difficult against the background of the UK's heated migration debates. Also there could be an impact on account of currency fluctuations with respect to Pound. As the Company services clients out of the UK and India locations, fluctuations in currency would have momentary impact on the revenue and profit due to consolidation as adequate hedging measure covers the risk of such political and economic uncertainties for the offshore business.

<table>
<tr><td>Outcome of the US Elections</td><td>US presidential elections will be a major political event during 2016 and the 2016 presidential race has already offered a plenty of surprises.

While the outcome of this race is still unknown, history suggests that the markets respond far better to election processes whose outcomes are more predictable.

With so much uncertainty, there are a number of directions that U.S. policy could take in the coming years. Immigrations, Affordable Care Act in healthcare, outsourcing, and creation of jobs in US are the agenda for the forthcoming elections.

Our strong onshore presence in US geography, coupled with minimal visa impact due to local staff hiring would help us address to such political or economic risks.</td></tr>
<tr><td colspan="2">C. Financial Risks</td></tr>
<tr><td>Currency Volatility</td><td>There has been volatility in the exchange rate between INR and GBP; INR and USD in recent years, and these currencies may continue to fluctuate significantly in future as well.
Average Exchange Rates
<table>
<tr><th>Fiscal</th><th>USD</th><th>GBP</th></tr>
<tr><td>FY 2016</td><td>65.41</td><td>98.60</td></tr>
<tr><td>FY 2015</td><td>61.11</td><td>98.53</td></tr>
<tr><td>Depreciation</td><td>7.0%</td><td>0.1%</td></tr>
</table>
The Company’s operating results have been and will continue to be impacted by fluctuations in the exchange rate between the Indian rupee and the British pound; the Indian rupee and the US dollar, as well as exchange rates with other foreign currencies, such as Philippine Peso, Australian Dollar and the Sri Lankan Rupee.

The Company has significant operations onshore (within North America, Europe and UK), 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 the 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 a regular basis through forward cover contracts.</td></tr>
</table>

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 21.8 per cent of its income from services and Top five clients accounted for 44.1 per cent of its income from services in fiscal 2016. Furthermore, major events affecting the Company's clients, such as bankruptcy, change of management, mergers and acquisitions, change in their business model or regulatory factors could adversely impact its business. Moreover, the Company's revenue is highly dependent on clients concentrated in a few industries, as well as clients located primarily in the North America and Europe. Economic slowdown or factors that affect these industries or the macro-economic environment in these countries could adversely impact the Company's business. The Company constantly strives to 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. In fiscal 2016, revenue concentration from top five clients increased to 44 per cent, from 43 per cent in fiscal 2015. During fiscal 2016, the Company derived 37.3 per cent income from services from the Telecommunications and Media industry, 38.8 per cent income from services from the Healthcare and 23.7 per cent income from services from the BFSI industry. North America contributed 54.5 per cent of income from services, followed by the UK, which contributed 37.4 per cent and India contributing 6.3 per cent income from services in fiscal 2016. 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.
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 and, clients' business undergoing stress, among others. This could have an impact on the Company's cash receivables and the Company may be required to enhance its short-term line of credit temporarily, to continue its operations. The Company addresses this risk through 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.
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 nongovernmental organisations. It is possible that, as a result of such political pressures, the procedure for obtaining benefits under the SEZ legislation may become more tedious, 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 each SEZ in Bangalore and Mumbai, and is in the process to identify additional qualifying locations in India that will be eligible for the SEZ benefits, going forward.

Pricing risk	Many of the Company's contracts are long term in nature and consequently, the pricing is negotiated, based on prevailing conditions at the time the contract was agreed upon. With the rising trend of salaries getting increased at entry and mid-level, the Company may find it difficult to serve the client at the negotiated price. Increase in employee costs, without corresponding increases in pricing or productivity related improvements would adversely affect the profitability. Alternatively, if the Company is unable to price its contracts as competitively as possible, it may lose business 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.
Financial Reporting and Management	The company operates through legal entities in multiple countries and is subject to various standards and principles for accounting and reporting. Any material change in the standards will impact the company's profitability. Further, company has finance operations which require leveraging monies from external sources in order to cater to its business requirement. Timely borrowing, repayment and raising at right cost of funds are important aspects of financial management, which would otherwise lead to adverse impact on profitability The Company has implemented the Internal Financial Controls framework under the Companies Act, 2013. Further, the Finance team is entrusted with the responsibility of optimising the borrowings process and costs.
D. Operations risks	
Non-renewal of client contracts	The Company's key personnel continue their efforts in maintaining existing accounts and acquiring new clients. It is the Company's constant endeavour to try to grow existing client businesses, as well as add new clients to the portfolio. The contracts are of varying duration, between one and five years. At the expiry of the term, contracts are tendered through a procurement process. Non-renewal may significantly affect the Company's revenues. The Company recognises that providing excellent services and constant value addition are critical to ensuring a high chance of contractual renewal at the expiry of the term. The Company's sales and account management teams constantly strive to enhance their relationships with the key stakeholders to favourably position the Company's services.
Data privacy risk	As part of services offered to its clients, the Company handles confidential data, including Intellectual Properties by employees / contract employees. Any leakage of any type of confidential information has an adverse impact on the Company's reputation 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. Various delivery centres are ISO 27001 certified, which is an international standard on Information Security Management System (ISMS). Awareness regarding importance of data privacy is emphasised through snippets during training and regular on-the-job programmes. 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 and email are provided to any employee, who has got access to confidential information.

Risks due to natural or man-made disasters	As the industry is highly people centric, any delay in delivery due to natural or man-made disasters like earthquake, typhoon / flood, tsunami, fire, bomb blasts and, terrorist attacks, among others, may affect the Company's services. Further, since such disasters affect economic development, the growth of services from clients may also suffer, which in turn will impact the Company's growth forecast. As such disasters are uncontrollable beyond an extent, the Company implements robust disaster and business continuity strategies including insurance during such unforeseen events, Such strategies can help to bring down the effect of these events to some extent on the Company's service delivery.
Risks to Operational errors, frauds and internal non-compliances of policies and procedures	The company has several internal policies, procedures and norms for internal activities, process compliance and controls in place. These norms are specified in order to achieve various Control objectives and in order to prevent frauds and errors. Non-adherence to such internal policies, procedures and norms can therefore lead to operational errors, frauds and internal non-compliances The company has very strong internal controls in order to check compliances to policies and procedures which are operated by various levels of management. Further, these controls are also subject to risk based internal audits by an independent internal audit team, which helps in timely identification and remediation of gaps.
Reputational Risks	The company exists in a business which is highly service oriented and is exposed to media scrutiny from time to time. The clients of the company are Top corporates and known for their service and the company's loss of reputation can adversely affect its operations and contractibility. The company has a defined policy in place for Customer relationship management and client concerns and remarks are addressed promptly. E-VOC is conducted to gauge customer concerns and remediation plans are prepared accordingly. Further, the company has a defined policy in place for Media publications and its control over the social media presence.
Legal Risks	The company has long term contracts with the customers. Hence, the company experiences contracts with several obligations and liabilities. Further, the company has developed certain Intellectual Properties, which needs safeguarding from infringements. The company has a legal team in place which closely works with the business teams on all contracts and/or litigations. All Intellectual Properties are protected through an IPR Policy.
E. Human Resources Risks	
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. It 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, and ongoing focus on first time supervisory training and, using targeted compensation measures among others. There is an enhanced focus on performance management, career development and growth, job rotation and talent management within the Company to assist in retention.

Risk related to ability to recruit employees and wage costs	Signs of stabilisation and a possible gradual recovery in the global economy, demand and competition for qualified employees continue to increase and are expected to remain high. Significant competition among 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 higher personnel expenses and training costs. Considering salaries and related benefits of employees are significant costs in the BPM industry, pressure on wages will reduce the Company's profit margins and competitive advantage in the long term. The Company has developed innovative recruitment channels and practices to mitigate these risks. These include, strong employee referral programmes, which contribute to more than one third of the overall hiring requirements. The Company also invests considerable efforts in establishing Firstsource as an employer of choice and participates in several career events to strengthen the Firstsource brand and get access to talent.
Risk related to ability to recruit employees and wage costs	Signs of stabilisation and a possible gradual recovery in the global economy, demand and competition for qualified employees continue to increase and are expected to remain high. Significant competition among 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 higher personnel expenses and training costs. Considering salaries and related benefits of employees are significant costs in the BPM industry, pressure on wages will reduce the Company's profit margins and competitive advantage in the long term. The Company has developed innovative recruitment channels and practices to mitigate these risks. These include, strong employee referral programmes, which contribute to more than one third of the overall hiring requirements. The Company also invests considerable efforts in establishing Firstsource as an employer of choice and participates in several career events to strengthen the Firstsource brand and get access to talent.
Risk related to leadership team	The Company's future success substantially depends on the continued service and performance of the senior leadership team. The Company's leadership team has business and technical capabilities including industry expertise that are difficult to replace. The 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. This helps keep them engaged, so that they continue to contribute to the Company's profitability.
F. Government Reforms and Policies	
Reforms in the US Healthcare Industry (Affordable Care Act)	In addition to changing managed care regulation and variations in alternative payment models, the impact of the Affordable Care Act (the Patient Protection and Affordable Care Act (P.L. 111-148) and the Healthcare and Education Reconciliation Act of 2010 (P.L. 111-152)) continues to capture the focus of the market. Multiple states are exploring Sections 1115, 1915 or 1332 waivers, which may impact administration of Medicaid in that state. Additionally, states, such as Kentucky, continue to consider modifications to the enrolment process, which can cause delays in approvals. While health insurance exchange premiums have decreased in some markets, it has raised dramatically in others. The industry is still weighing the impact of certain health insurance carriers and co-ops collapsing or pulling out of exchange markets. The uncertainty with respect to states' approaches to Medicaid models and premium impact on the health insurance exchange lives highlights providers' concerns over patient balance after insurance and effectiveness of front end eligibility and enrolment solutions. The Company is well positioned to tackle impending changes with robust backend solutions, front end patient access solutions, and new front end eligibility model. Compliance with laws and regulations relating to data privacy (such as HIPAA) and patient contact (such as the TCPA) continue to be tools used by regulators for increased scrutiny of provider and payer business.

G. Compliance	
Compliance & regulatory risks in various geographies	As the Company has grown in size, geographic presence and customer base, exposure to various regulatory and compliance risks has also increased. The Company's operations and clients are spread across multiple geographies and are governed by various regulations, or government guidelines. Breach of any of these regulatory provisions can attract regulatory inspection, notices, penalty, and revocation of permits or licenses, among others. Clients may require the Company to perform services that will enable them to comply with applicable regulations and any breach can also cause significant reputation risk for the Company, along with legal liability and loss of stakeholder confidence. Firstsource has implemented a robust Regulatory & Contractual Compliance framework to identify, assess, monitor, control, and report compliance status against laws and regulations specific to the country, it operates in and the client specific work in a consistent manner, for its business across the globe. Risk committee provides oversight to the Regulatory policy and compliance framework. The framework ensures that compliance ownerships are aligned, responsible personnel are aware, compliance status is reported and necessary actions are taken to comply. All laws and regulations are verified for applicability, detailed at the provision level and tracked for compliance at the function and location.
H. Technology	
Advent of disruptive technologies	Rapid disruption is underway with the clients seeking to cut additional back-office costs due to continued budget pressure, while suppliers are trying to create additional services and the associated revenues. Technologies such as cloud computing, business analytics software, social media platforms and process automation software are being used within BPO to enable businesses to lower costs and be more effective. Companies that have traditionally made their money by providing workers at a lower cost are changing to these business models and adopting technologies to help clients address these market shifts. The clients who have technology-enabled transformation are seeing a much higher impact to their business as compared to the standard Lift & Shift approach. Significant impact is seen in operational delivery with a much deeper insight to the details of operational delivery and efficiency of control mechanisms. These disruptive technologies such as Robotic Process Automation and Analytics are reducing the manual and routine tasks thereby eliminating the need for resources doing these activities. These technologies have the potential to disrupt the traditional effort based billing models of service providers. All of these trends are leading to a bigger role for IT in the BPO sector which is being driven by businesses and their suppliers. BPO suppliers are attempting to move beyond the provision of bodies or full-time equivalents by offering additional value-add services through technology. The Company has already initiated steps towards this direction by investing in NanoBI technology, collaborating with partners and increased its focus on "productisation efforts". These interventions are helping the Company to deliver transformative solutions to its clients.

Report On Corporate Governance

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

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

At Firstsource Solutions Limited ('the Company'), the adherence to the corporate governance practices not only justifies the legal obedience of the laws but dwells deeper conforming to the ethical leadership and stability. It is the sense of good governance that our leaders portray, which trickles down to the wider management and is further maintained across the entire functioning of the Company. Your Company envisages the importance of building trust and integrity through transparent and accountable communication with the internal and external stakeholders as well as the customers of the Company. This involves keeping the stakeholders of the Company updated on a timely basis about the development, the plans and the performance of the Company with a view to establish the long term affiliations. The Company keeps itself abreast with the best governance practices on the global front, 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 Chapter IV & Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') to ensure good Corporate Governance practices across the Company in letter and in spirit. The Company has complied with all the mandatory requirements of the Listing Regulations and listed below is the status with regard to the same.

BOARD OF DIRECTORS

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

The Company has an optimum combination of Directors on the Board and is in conformity with Regulation 17 of the Listing Regulations. As on March 31, 2016, the Board comprised of 11 experts drawn from diverse fields/ professions of which 10 are Non-Executive Directors and 1 is Executive Director. 6 out of 11 Directors are Independent Directors.

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

The Board meets at regular intervals to discuss and decide on Company's business policy and strategy apart from other normal business. During the Financial Year 2015-16, 4 Board Meetings were held on May 5, August 3 & October 29 in 2015 and on January 28 in 2016. Time gap between any two meetings was not more than 120 days.

Details of the composition, category of the Directors, their attendance at the Board Meetings held during the year & Annual General Meeting (AGM) held on August 3, 2015, Directorships and Committee Memberships are as under:

Name of the Director	Category	No. of Board Meetings Attended	No. of Equity Shares held as on March 31, 2016	Attendance at previous AGM Held on August 3, 2015 (Y-Yes, N-No)	Director-ships in other Public Companies as on March 31, 2016*	Committee Chairmanships/ Memberships in other Public Companies as on March 31, 2016**	
						Chairmanships	Memberships
Sanjiv Goenka, Chairman +	NI- NED	2	-	N	7	2	1
Rajesh Subramaniam *Managing Director & CEO*	ED	4	1,750,000	Y	1	-	-
Charles Miller Smith	I-NED	3	-	Y	-	-	-
Donald W. Layden Jr.	I-NED	4	-	Y	-	-	-
Ms. Grace Koshie	I-NED	4	-	Y	1	1	-
Pradip Roy	I-NED	4	-	Y	8	1	6
V. K. Sharma	I-NED	4	-	Y	4	-	2
Y. H. Malegam	I-NED	4	62,500	Y	2	1	1
Pradip Kumar Khaitan	NI-NED	3	-	N	9	-	4
Shashwat Goenka +	NI-NED	3	-	Y	3	-	-
Subrata Talukdar	NI-NED	4	-	Y	7	2	1

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

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

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

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

The Board periodically reviews the compliance report of all laws applicable to the Company. All the Directors have made necessary disclosures about the directorships and committee positions they occupy in other companies. None of the Directors on the Board is a Member of more than 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 2015-16, 4 meetings of the Audit Committee were held on May 5, August 3 & October 29 in 2015 and January 28 in 2016. 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 the Listing Regulations and the Companies Act, 2013 ("the Act").

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

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

@ Ms. Grace Koshie was appointed as a Member in place of Dr. Shailesh J. Mehta w.e.f May 05, 2015 consequent to his resignation as a Director w.e.f. March 30, 2015.

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

1. 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,

reappointment, 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 them.
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.
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 the 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 Act or Regulation 18 of the Listing Regulations with Stock Exchanges or in any subsequent amendment thereto.
28. Exercise any other power or perform any other function as enumerated in the Act or the Listing Regulations with the Stock Exchanges or in any subsequent amendment thereto.

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

NOMINATION AND REMUNERATION COMMITTEE

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

During the Financial Year 2015-16, 3 meetings of the Committee were held on May 5, August 3 & October 29 in 2015.

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

Name of the Director	Category	No. of Meetings Attended
Y. H. Malegam, Chairman#	I- NED	3
Charles Miller Smith	I-NED	3
Pradip Roy@	I-NED	2
Subrata Talukdar	NI-NED	3

Y. H. Malegam was appointed as the Chairman in place of Dr. Shailesh J. Mehta w.e.f. May 05, 2015 consequent to his resignation as a Director w.e.f. March 30, 2015.

@ Appointed as a member w.e.f. May 05, 2015.

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 the Executive Directors and any increase therein from time to time, within the limit approved by the members of the Company.
5. To recommend/ approve remuneration of Non Executive Directors in the form of sitting fees for attending meetings of Board and its Committees, remuneration for other services, commission on profits, grant of stock options or payment of any other amount.
6. To decide the overall compensation structure/ policy for the employees, senior management and the Directors of the Company including ratio of fixed and performance pay, performance parameters etc.
7. To approve rating of Company's performance for the purpose of payment of annual bonus/ performance incentive to employees and Executive Director(s) of the Company
8. To approve Management Incentive Plan or any other Incentive Plan for the purpose of payment of performance Incentive to the employees and Executive Director(s) of the Company.
9. To engage the services of any consulting/ professional or other agency at the cost of the Company for the purpose of recommending to the Committee on compensation structure/ policy including Stock Option Scheme.
10. To recommend to the Board a policy, relating to the remuneration for the Directors, key managerial personnel and other employees.
11. To recommend amendment to Employees Stock Option Scheme of the Company or to recommend any such new Scheme for approval of members of the Company.
12. To exercise all the powers as mentioned in the Employees Stock Option Scheme of the Company to be exercised by the Compensation Committee of the Company.
13. To approve grant of stock options to Directors and employees of the Company.
14. To invite any executive or outsider, at its discretion at the meetings of the Committee.
15. To devise a policy on Board diversity.
16. To exercise such other powers as may be delegated to it by the Board from time to time.

Policy for Selection and Appointment of Non Executive Directors

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

a) The Non Executive Directors shall be of high integrity with relevant expertise and experience so as to have a diverse Board with Directors having expertise in various fields

namely marketing, finance, taxation, law, governance and general management.

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

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

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

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

Remuneration Policy for Non Executive Directors

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

Details of sitting fees paid to Non Executive Directors during the financial year 2015-16

All the Non-Executive Directors are paid sitting fees of ₹ 100,000/- for attending each meeting of the Board of Directors and ₹ 50,000/- for attending each meeting of any Committee of the Board. The details of sitting fees paid during the financial year 2015-16 are as under:

(Amount in ₹)

Name of the Director	Sitting Fees		
	Board Meeting	Committee Meetings#	Total
Sanjiv Goenka, Chairman	200,000	-	200,000
Charles Miller Smith	300,000	300,000	600,000
Donald W. Layden Jr.	400,000	50,000	450,000
Ms. Grace Koshie	400,000	200,000	600,000
Pradip Kumar Khaitan	300,000	-	300,000
Pradip Roy	400,000	200,000	600,000
Shashwat Goenka	300,000	50,000	350,000
Subrata Talukdar	400,000	500,000	900,000
V. K. Sharma	400,000	50,000	450,000
Y. H. Malegam	400,000	400,000	800,000
TOTAL	**3,500,000**	**1,750,000**	**5,250,000**

Including sitting fees for attending meeting of Independent Directors

Remuneration Policy for Key Managerial Personnel and other Employees of the Company

The Company's Remuneration Policy for Key Managerial Personnel and Other employees is driven by the success and the performance of the Company and the individual & industry benchmarks and is decided by the Nomination and Remuneration Committee. Through its compensation programme, the Company endeavors to attract, retain, develop and motivate a high performance workforce. The Company follows a mix of fixed/ variable pay, benefits and performance related pay. The Company also grants Stock Options to Senior Management and deserving employees of the Company. The details of Remuneration Policy for Key Managerial Personnel and Other employees of the Company are given in Annexure IIIB to the Directors' Report forming part of this Annual Report.

Remuneration of the Managing Director and CEO

The Nomination & Remuneration Committee of the Board is authorised to decide the remuneration of the Managing Director and CEO ("MD & CEO"), subject to the approval of the Members and the Central Government, if required. The details of remuneration of the MD & CEO for the year ended March 31, 2016 are as under:

(Amount in ₹)

Salary & Allowances	Performance Bonus	Retirals @	Perquisites#	Total
22,338,808	18,763,500	990,000	376,757	42,469,065

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

Besides the perquisite as mentioned above, taxable value of perquisite on stock options exercised by the MD & CEO during the year was ₹ 18,662,500.

The amount of performance bonus as stated in the table above represents the variable component of the remuneration availed by the MD & CEO and was decided by the Nomination & Remuneration Committee based on the performance of the Company and the individual performance of the MD & CEO during the previous financial year. This was in line with the Remuneration Policy as approved by the Board. During the financial year 2015-16, the MD & CEO was granted 450,000 Stock Options under the Company's Employees Stock Option Scheme. The said Stock Options were granted at the 'market price' as defined under the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines), 1999. Further, the Stock Options granted to him shall vest over a period of 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 the 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.

STAKEHOLDERS RELATIONSHIP COMMITTEE

2 meetings of the Committee were held during the year 2015-16 on May 5 and August 3 in 2015. The details of composition of the Committee and attendance during the year are as under:

Name of the Director	Category	No. of Meetings Attended
Subrata Talukdar	NI-NED	2
Rajesh Subramaniam	NI-ED	2

* Subrata Talukdar was appointed as the Chairman in place of Dr. Shailesh J. Mehta w.e.f May 05, 2015 consequent to his resignation as a Director w.e.f March 30, 2015.

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

The total numbers of complaints received during the year were 25 all of which were resolved and there was no pending complaint as on March 31, 2016. The Company did not receive any transfer requests and hence no request was pending for approval as on March 31, 2016.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Board had constituted Corporate Social Responsibility Committee on May 2, 2014 in terms of section 135 of the Act. The Committee is entrusted with the following powers:

a) To formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Act.
b) To recommend the amount of expenditure to be incurred on the activities referred in clause (a) above and
c) To monitor the Corporate Social Responsibility Policy of the Company from time to time.

1 meeting of the Committee was held during the year 2015-16 on March 14 in 2016. The details of composition of the Committee and attendance during the year are as under:

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

* Attended the meeting through Audio conference.

Attended the meeting through Video conference.

OTHER COMMITTEES OF THE BOARD

Investment Committee: The Committee comprises of Y. H. Malegam, Chairman, Rajesh Subramaniam and 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.

Strategy Committee: The Committee comprises of Shashwat Goenka, Chairman, Rajesh Subramaniam, Donald W. Layden Jr. and Subrata Talukdar. It deliberates on various strategic initiatives from time to time.

Financial Results Committee: The Committee comprised of Y. H. Malegam as its Chairman and Rajesh Subramaniam, Managing Director & CEO, Subrata Talukdar and Shashwat Goenka as its other members. However, this Committee was dissolved by the Board on October 29, 2015, since Regulation 33 of the new Listing Regulations requires that the quarterly financial results to be submitted to Stock Exchanges shall be approved by the Board of Directors. This Committee was earlier constituted pursuant to Clause 41 (II) of the earlier Listing Agreement which stated that the quarterly financial results to be submitted to the Stock Exchanges could also be approved by the Financial Results Committee of the Board.

GENERAL BODY MEETINGS

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

Meeting and Venue	Day & Date and Time
14th Annual General Meeting Manik Sabhagriha, 'Vishwakarma' M. D. Lotlikar Vidya Sankul, Opp. Lilavati Hospital, Bandra Reclamation, Mumbai 400 050	Monday, August 3, 2015 3.30 p.m.
13th Annual General Meeting Manik Sabhagriha, 'Vishwakarma' M. D. Lotlikar Vidya Sankul, Opp. Lilavati Hospital, Bandra Reclamation, Mumbai 400 050	Friday, August 1, 2014 3.00 p.m.

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.

Special Resolutions passed

a) 14th AGM held on August 3, 2015

No special resolution was passed

b) 13th AGM held on August 1, 2014

i. Approved borrowing powers of the Board of Directors of the Company upto an aggregate amount of ₹ 25,00,00,00,000 (Two Thousand Five Hundred Crores) under section 180(1)(c) of the Act.

ii. Approved creation of mortgage/ charges on the movable and immovable properties of the Company, both present and future, in respect of borrowings upto an aggregate amount not exceeding ₹ 25,00,00,00,000 (Two Thousand Five Hundred Crores) under section 180(1)(a) of the Act.

iii. Approved amendment of Articles of Association of the Company under section 14 of the Act.

c) 12th AGM held on August 6, 2013

No special resolution was passed

d) EGM held on November 22, 2012

Approved issue of 226,897,444 equity shares of ₹10/- each at an issue price of ₹ 12.10 per share for an aggregate value of ₹ 2745.5 Million (including a Premium of ₹ 476.5 Million) to Spen Liq Private Limited, a wholly owned subsidiary of CESC Limited, on a preferential allotment basis under Section 81(1A) of the Companies Act, 1956.

POSTAL BALLOT

During the financial year ended March 31, 2016, the following resolution was passed through postal ballot:

Date of passing of Resolution	Purpose	Votes in favour of the resolution		Votes against the resolution	
September 24, 2015	To approve creation of mortgage/ charges on the movable and immovable Properties of the company, both present and future, in respect of borrowings	425,605,158	99.98%	87,897	0.02%

During the conduct of the Postal Ballot, the Company had in terms of Clause 35B of the Listing Agreement provided remote e-voting facility to its shareholders to cast their votes electronically through the NSDL e-voting platform. Postal ballot forms and business reply envelopes were sent to shareholders to enable them to cast their vote in writing on the postal ballot. The Company also published a notice in the newspaper declaring the details of completion of dispatch and other requirements as mandated under the Act and applicable Rules.

The Company had appointed Ms. Amrita D. C. Nautiyal, Practising Company Secretary, as the Scrutinizer for conducting the Postal Ballot process in a fair and transparent manner. The scrutinizer submitted her report to Rajesh Subramaniam, MD & CEO (MD & CEO), after completion of the scrutiny and the results of voting by postal ballot were then announced by the MD & CEO on September 24, 2015. The voting results were also sent to the Stock Exchanges and displayed on the Company's website. The date of declaration of the results by the Company was deemed to be the date of passing of the resolutions.

TRAINING FOR BOARD MEMBERS

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

The details of such familiarisation programmes are disclosed on the Company's website at http://www.firstsource.com/articles/policy-on-familiarisation-of-independent-directors.pdf.

PERFORMANCE EVALUATION

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

DISCLOSURES

i. Related Party Transactions

The transactions with related parties as per Accounting Standard AS-18 are set out in Notes to Accounts under Note no. 28 forming part of financial statements.

All transactions entered into with Related Parties as defined under the Act and Regulation 23 of the Listing Regulations during the financial year were in the ordinary course of business and on an arms length basis. There were no materially significant transactions with related parties during the financial year which were in conflict with the interest of the Company. Suitable disclosures as required by the relevant Accounting Standards (AS18) have been made in the Notes to the Financial Statements.

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

ii. Disclosures from Senior Management

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

iii. Compliances by the Company

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

iv. Whistle Blower Policy/ Vigil Mechanism

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

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

The policy also provides adequate safeguards against victimisation of persons who use such mechanism and makes provision for direct access to the Chairman of the Audit Committee in appropriate or exceptional cases. 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.

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

v. Corporate Social Responsibility Activities

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

vi. 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.

vii. CEO/CFO Certification

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

viii. Code of Conduct for Directors and Senior Management

The Board has laid down Codes of Conduct for Executive Directors & Senior Management and for Non-Executive/ Independent Directors of the Company. The Codes of Conduct have been circulated to the Board and Senior Management and the compliance of the same has been affirmed by them. A declaration signed by the MD & CEO in this regard is given at the end of this Report. The Code of Conduct is available at the website of the Company viz. http://www.firstsource.com/articles/code%20of%20conduct-2.pdf.

ix. Code of Conduct for Prohibition of Insider Trading

During the year, the Company amended Firstsource Solutions Code of Conduct for Prevention of Insider Trading and replaced it with Firstsource Solutions Code of Practices & Procedures for Fair Disclosure of Unpublished Price Sensitive Information pursuant to the SEBI (Prohibition of Insider Trading) Regulations, 2015 ("the Code"). Major changes in the revised Code were insertion of definitions of Compliance Officers & Connected person, disclosures by Designated Persons and other employees, Trading plans for Insiders etc. The code is applicable to its Directors, Officers, and Designated Employees. The Code includes provisions relating to disclosures, opening and closure of Trading Window and Pre-Clearance of trades procedure. In compliance with SEBI Regulations, the Company sends intimations to Stock Exchanges from time to time.

x. Compliance Reports

The Board reviews the compliance reports on all laws applicable to the Company on quarterly basis. The 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.

xi. Subsidiary Companies

As on March 31, 2016, the Company had 1 domestic subsidiary and 11 foreign subsidiaries. 1 domestic subsidiary and 10 out of 11 foreign subsidiaries are wholly owned by the Company or its subsidiary companies. The Company has no material non-listed Indian Subsidiary Company as defined in Regulation 16 of the Listing Regulations. The Company has a policy on material subsidiaries which was revised w.e.f. October 29, 2015 pursuant to Regulation 16(1)(c) of the Listing Regulations. The same is available on website of the Company viz. http://www.firstsource.com/articles/Material-Subsidiary-Policy.pdf.

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

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

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

xiii. Risk Management & Internal Control

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

The Company has a competent in-House Internal Audit team which prepares and executes a vigorous Audit Plan covering various functions such as operations, finance,

human resources, administration, legal and business development etc. across different geographies. The team presents their key audit findings of every quarter to the Audit Committee. The management updates the members about the remedial actions taken or proposed for the same. The suggestions and comments from the Committee members are vigilantly incorporated and executed by the Company.

xiv. 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.

xv. Secretarial Standards Issued by the Ministry of Corporate Affairs

The Company follows Secretarial Standard-1 (SS-1) on "Meetings of the Board of Directors" and Secretarial Standard-2 (SS-2) on "General Meetings" issued by the Ministry of Corporate Affairs w.e.f. July 1, 2015, based on the recommendation of the Institute of Company Secretaries of India.

xvi. Management Discussion and Analysis Report

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

xvii. Independent Directors

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

xviii. Share Reconciliation Audit:

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

xix. Requirements of Chapter IV of Listing Regulation

The Company has complied with all applicable requirements of Chapter IV of the Listing Regulation relating to obligation of listed entity which has listed its specidfied securities.

xx. Discretionary Requirements under Regulation 27

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

a) Shareholders' Rights

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

b) Unqualified audit report

The Company adopts best practices to move towards a regime of financial statements with unmodified audit opinion. There are no audit qualifications in the Company's financial statements for the year ended March 31, 2016.

c) Separate posts of Chairman and CEO

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

MEANS OF COMMUNICATION

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

The quarterly and annual consolidated financial results are normally published in Financial Express (English) and Loksatta/ Navshakti (Marathi) newspapers.

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

- Standalone and consolidated financial results, investors'

presentations, press release, fact sheet and transcript of earnings conference calls

- Shareholding pattern (Regulation 31(1) of Listing Regulations) filed with Stock Exchanges on a quarterly basis.

GENERAL SHAREHOLDER INFORMATION

I. Annual General Meeting

Day, Date & Time	Tuesday, July 26, 2016 at 3.30 p.m.
Venue	Ravindra Natya Mandir, 3rd Floor, Sayani Road, Prabhadevi, Mumbai - 400 025

II. Financial Year

April 1 to March 31

Financial Calendar (Tentative) – Financial Year 2016-17

First Quarter Ending June 30, 2016	Last week of July 2016 or First/ Second week of August 2016
Second Quarter Ending September 30, 2016	Last week of October 2016 or First/ Second week of November 2016
Third Quarter Ending December 31, 2016	Last week of January 2017 or First/ Second week of February 2017
Fourth Quarter and financial year Ending March 31, 2017	First/ Second week of May 2017
Annual General Meeting (Financial Year 2016-17)	Last week of July 2017 or First/ Second week of August 2017

III. Dates of Book Closure (both days inclusive)

Tuesday, July 19, 2016 to Tuesday, July 26, 2016

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 2015-16.

V. Listing on Stock Exchanges and Payment of Listing Fees

The equity shares of the Company are listed on the National Stock Exchange of India Ltd. (NSE) and the BSE Limited (BSE). Annual Listing fees for the Financial Year 2015-16 were paid by the Company to NSE and BSE in time.

VI. Custodian Fees to Depositories

The Company has paid fees for year ended 2015-16 to National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) in time.

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 – 2015	35.75	28.25	35,450,365	35.80	28.15	10,006,381
May – 2015	33.20	29.15	22,383,769	33.25	29.10	6,014,136
Jun – 2015	31.80	28.00	15,328,029	31.95	28.05	3,697,525
Jul – 2015	36.70	29.10	34,549,928	36.60	29.00	9,604,276
Aug – 2015	34.65	24.20	34,966,164	34.55	25.15	8,724,885
Sep – 2015	29.10	25.70	18,860,846	29.10	25.80	4,124,162
Oct – 2015	34.15	26.30	48,415,129	34.20	26.30	12,705,050
Nov – 2015	45.20	30.00	85,372,518	45.30	30.15	22,301,359
Dec – 2015	45.90	38.15	63,001,469	45.90	38.10	13,330,156
Jan – 2016	43.95	32.70	37,404,296	43.90	32.70	10,761,727
Feb – 2016	38.05	28.65	26,517,630	38.05	28.85	5,859,420
Mar – 2016	36.35	29.60	22,869,283	36.40	30.05	6,133,797

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

X. Registrar & Transfer Agent

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

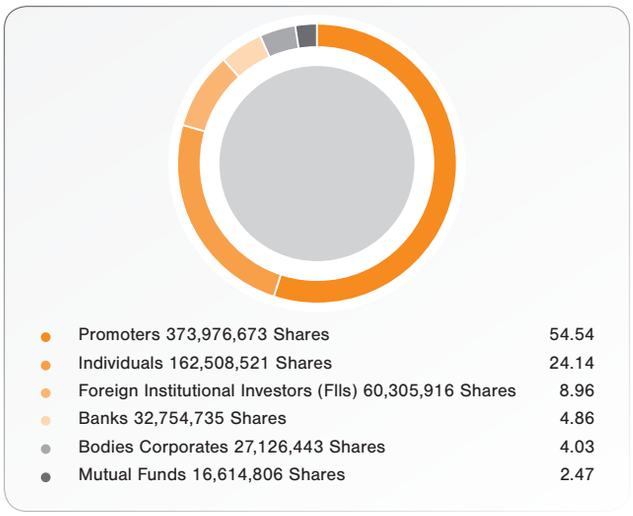
XI. Share Transfer System

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

XII. Distribution of shareholding as on March 31, 2016

Share Holding (Nominal Value)	Shareholders		Nominal Capital	
₹	No.	%	₹	%
Upto 5,000	137,034	97.47	577,180,840	8.57
5,001-10,000	1,753	1.25	133,944,350	1.99
10,001-20,000	826	0.59	121,022,320	1.80
20,001-30,000	304	0.22	76,553,260	1.14
30,001-40,000	144	0.10	51,096,630	0.76
40,001-50,000	102	0.07	47,551,050	0.71
50,001-1,00,000	197	0.14	148,218,830	2.20
100,001 and above	230	0.16	5,577,581,840	82.83
Total	**140,590**	**100.00**	**6,733,149,120**	**100.00**

The Shareholding pattern as on March 31, 2016 is given as under:



Top 10 Shareholders as on March 31, 2016

Sr. No.	Name of the Shareholders	Category of Shareholder	No of Shares	%
1	Spen Liq Private Limited	Promoters	373,976,673	55.54
2	ICICI Bank ltd	Bank	32,079,803	4.76
3	Jhunjhunwala Rakesh Radheshyam	Resident Indian	25,000,000	3.71
4	Goldman Sachs India Fund Limited	FII	18,524,562	2.75
5	Steinberg India Emerging Opportunities Fund Limited	FII	11,774,000	1.75
6	Birla Sun Life Trustee Company Private Limited a/c Birla Sun Life Midcap Fund	Mutual Funds	7,500,000	1.11
7	Dimensional Emerging Markets Value Fund	FII	6,267,713	0.93
8	Virginia Tech Foundation,INC. Steinberg India Asset Management, Ltd.	FII	3,260,000	0.48
9	Emerging Markets Core Equity Portfolio (the Portfolio) of DFA Investment Dimensions Group INC (DFAIDG)	FII	3,107,259	0.46
10	Antara India Evergreen Fund Ltd	FII	2,664,140	0.40
Total			**482,654,150**	**71.67**

XIII. Dematerialisation of Shares and Liquidity

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

the option to dematerialise their shares with either of the depositories.

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

Shares held in dematerialised and physical form as on March 31, 2016

	Shareholders		Share Capital	
	No. of Share holders	% to Total Shareholders	No. of Shares	% to Total share Capital
Dematerialised Form				
NSDL	93,674	66.63	627,685,073	93.22
CDSL	46,906	33.36	45,623,885	6.78
Total in dematerialised from	140,580	99.99	673,308,958	100.00
Physical Form	10	0.01	5,954	0.00
Total	**140,590**	**100.00**	**673,314,912**	**100.00**

As on March 31, 2016, 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 Ltd. The Company had sent 3 reminders to the investors requesting them to furnish correct demat account details so that the shares lying in the said Escrow Account can be transferred to their demat account.

Pursuant to Schedule V of the Listing Regulations, the details of unclaimed shares as on March 31, 2016 are as under:

Particulars	No. of shareholders	No. of shares
Outstanding shares in the Escrow Account with ICICI Bank Ltd. as on April 1, 2015	49	5,521
Investors who have approached the Company for transfer of shares from Escrow Account during the year 2015-16	0	0
Investors to whom shares were transferred from Escrow Account during the year 2015-2016	0	0
Outstanding shares in the Escrow Account as on March 31, 2016	49	5,521

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

The Company had fully discharged its obligation towards the Bondholders in December 2012. No Bonds are outstanding as on March 31, 2016.

XV. Delivery Centers

The Company alongwith its 12 subsidiaries has 45 global delivery centers of which 20 are located in India, 16 in USA, 6 in UK, 2 in Philippines and 1 in Sri Lanka as per the details given below:

India (20): Chennai (4), Mumbai (2), Navi Mumbai (2), Trichy (2), and 1 each in Bangalore, Kolkata, Pondicherry, Vijayawada, Cochin, Indore, Jalandhar, Siliguri, Bhubaneshwar and Bhopal.
USA (16): Louisville (2) in Kentucky, Kingston & Amherst in New York, Rockford and Belleville in Illinois, Salt Lake City in Utah, Colorado Springs, Eugene in Oregon and 7 operational hubs of MedAssist.
United Kingdom (6): Belfast, Londonderry (2), Middlesbrough and Cardiff (2).
Philippines (2): Manila, Cebu
Sri Lanka (1): Colombo

XVI. Address for Correspondence

Sanjay Gupta
Senior Vice President – Corporate Affairs & Company Secretary
Firstsource Solutions Ltd.
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

Kolkata
May 12, 2016

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

To the Members of
Firstsource Solutions Limited

I have examined the conditions of compliance of Corporate Governance of Firstsource Solutions Limited having its Registered Office at 5th Floor, Paradigm 'B' Wing, Mindspace, Link Road, Malad (West), Mumbai 400 064, for the year ended

March 31, 2016, as stipulated in Clause 49 of the Listing Agreement entered into by the said Company with the Stock Exchanges as well as the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

The compliance of conditions of Corporate Governance is the responsibility of the Management. My 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 my opinion and to the best of our information and according to the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement as well as the Listing Regulations.

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

Amrita D. C. Nautiyal
Practicing Company Secretary
FCS 5079
C.P. No. 7989

Mumbai
May 12, 2016

CERTIFICATION FROM THE MANAGING DIRECTOR & CEO AND THE CFO

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

a) We have reviewed financial statements and the cash flow statement for the year ended March 31, 2016 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
President & CFO

Kolkata
May 12, 2016

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

I hereby confirm that:

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

Rajesh Subramaniam
Managing Director & CEO

Kolkata
May 12, 2016

Independent Auditor's Report

To the Members of
Firstsource Solutions Limited

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Firstsource Solutions Limited ("the Parent Company") and its subsidiaries (as per the list appearing in Note 1 to the consolidated financial statements) [collectively referred to as "the Company" or "the Group"], comprising of the consolidated balance sheet as at 31 March 2016, the consolidated statement of profit and loss, and the consolidated cash flow statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

Management's responsibility for the consolidated financial statements

The Parent Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. 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. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Parent Company, as aforesaid.

Auditor's responsibility

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

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated 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 financial control relevant to the Parent Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Parent Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated 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, of the consolidated state of affairs of the Group as at 31 March 2016, and their consolidated profit and their consolidated cash flows for the year ended on that date.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 35 to the consolidated 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 under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014. Consequent to the early adoption of AS 30 as stated above, the profit after taxation for the year is higher by ₹ 178.36 million and Reserves and Surplus as at the balance sheet date is higher by ₹ 555.68 million.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, we report, to the extent applicable, that:

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

b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books;

c) The consolidated balance sheet, the consolidated statement of profit and loss, and the consolidated cash flow statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;

d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. Additionally, the Company has early adopted AS 30, read with AS 31, along with prescribed limited revisions to other Accounting Standards prescribed under the Act as stated in Emphasis of Matter paragraph above;

e) On the basis of written representations received from the directors of the Parent Company and subsidiary incorporated in India as at 31 March 2016, and taken on record by the Board of Directors of the Parent Company and its subsidiary incorporated in India, none of the directors is disqualified as on 31 March 2016 from being appointed as a director in terms of Section 164 (2) of the Companies Act, 2013;

f) With respect to the adequacy of the internal financial controls over financial reporting of the Group and the operating effectiveness of such controls, refer to our separate report in "Annexure A"; and

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

i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group – refer Note 34 to the consolidated financial statements;

ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts in line with the principles of AS 30 – refer Note 37 to the consolidated financial statements; and

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

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Rajesh Mehra
Partner
Membership No: 103145

Kolkata
12 May 2016

Annexure – A to the Independent Auditors' Report

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended 31 March 2016, we have audited the internal financial controls over financial reporting of Firstsource Solutions Limited ("the Parent Company") and its subsidiary company which is incorporated in India (collectively referred to hereinafter as "the Company"), as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Parent Company and its subsidiary company which is incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") issued by ICAI and the Standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the respective company's internal financial controls system over financial reporting.

MeaningofInternalFinancialControlsoverFinancialReporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be

detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Parent Company and its subsidiary company which is incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the internal control over financial reporting criteria established by the respective company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI..

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Rajesh Mehra
Partner
Membership No: 103145

Kolkata
12 May 2016

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Consolidated Balance Sheet

as at 31 March 2016

(Currency: In millions of Indian ₹)

Particulars	Note No.	31 March 2016	31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	**6,733.15**	6,662.91
Reserves and surplus	4	**17,517.65**	14,223.26
		24,250.80	20,886.17
Share application money received under ESOP scheme	3A	**-**	0.20
Minority interest		**19.71**	16.31
Non-current liabilities			
Long-term borrowings	5	**4,269.65**	4,142.98
Deferred tax liabilities (net)	6	**272.20**	344.72
Long-term provisions	7	**161.31**	177.53
		4,703.16	4,665.23
Current liabilities			
Short-term borrowings	8	**1,525.33**	3,160.30
Trade payables			
- Total outstanding dues of micro and small enterprises	9	**-**	-
- Total outstanding dues of creditors other than micro and small enterprises		**890.70**	832.76
Other current liabilities	10	**5,009.74**	4,564.58
Short-term provisions	11	**272.77**	139.82
		7,698.54	8,697.46
Total		**36,672.21**	34,265.37
ASSETS			
Non-current assets			
Goodwill	12	**24,692.41**	23,336.35
Fixed assets	13		
- Tangible assets		**891.85**	770.73
- Intangible assets		**435.97**	332.19
- Capital work-in-progress (including intangibles)		**78.80**	84.68
		1,406.62	1,187.60
Non-current investments	14	**83.80**	57.55
Long-term loans and advances	15	**2,460.79**	2,220.78
Other non-current assets	16	**144.09**	27.02
		28,787.71	26,829.30
Current assets			
Current investments	17	**767.74**	676.11
Trade receivables	18	**3,040.75**	2,889.51
Cash and bank balances	19	**689.10**	802.29
Short-term loans and advances	20	**662.16**	439.25
Other current assets	21	**2,724.75**	2,628.91
		7,884.50	7,436.07
Total		**36,672.21**	34,265.37
Significant accounting policies	2		

The accompanying notes from 1 to 40 are an integral part of these consolidated financial statements.

As per our report of even date attached.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Rajesh Mehra

Partner

Membership No: 103145

Kolkata

May 12, 2016

For and on behalf of the Board of Directors of

Firstsource Solutions Limited

Sanjiv Goenka — Chairman

Rajesh Subramaniam — Managing Director and CEO

Shashwat Goenka — Director

Y. H. Malegam — Director

Charles Miller Smith — Director

V.K. Sharma — Director

Pradip Roy — Director

Subrata Talukdar — Director

Grace Koshie — Director

Dinesh Jain — President and CFO

Sanjay Gupta — Company Secretary

Consolidated Statement of Profit & Loss

for the year ended 31 March 2016

(Currency: In millions of Indian ₹)

	Note No.	31 March 2016	31 March 2015
INCOME			
Revenue from operations	22	**32,302.89**	30,346.52
Other income	23	**94.44**	65.23
Total income		**32,397.33**	30,411.75
EXPENSES			
Employee benefits expense	24	**21,721.74**	20,171.50
Finance costs	25	**524.38**	710.86
Depreciation and amortisation	13	**661.96**	721.82
Other expenses	26	**6,533.01**	6,367.40
Total expenses		**29,441.09**	27,971.58
Profit before taxation and minority interest		**2,956.24**	2,440.17
Less : Provision for taxation			
- Current tax including MAT		**581.91**	439.36
Less: MAT credit entitlement		**(176.77)**	(335.20)
Net current tax		**405.14**	104.16
- Deferred tax credit		**(118.97)**	(8.76)
Tax credit of earlier year written off		**16.00**	-
Profit after taxation before minority interest		**2,654.07**	2,344.77
Minority interest		**4.38**	1.59
Profit after taxation and minority interest		**2,649.69**	2,343.18
Earnings per share	33		
Weighted average number of equity shares outstanding during the year			
- Basic		**669,787,584**	663,035,913
- Diluted		**700,591,254**	701,696,211
Earnings per share (₹)			
- Basic		**3.96**	3.53
- Diluted		**3.78**	3.34
Nominal value per share (₹)		**10**	10
Significant accounting policies	2		

The accompanying notes from 1 to 40 are an integral part of these consolidated financial statements.

As per our report of even date attached.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Rajesh Mehra
Partner
Membership No: 103145

Kolkata
May 12, 2016

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

Sanjiv Goenka — Chairman
Rajesh Subramaniam — Managing Director and CEO
Shashwat Goenka — Director
Y. H. Malegam — Director
Charles Miller Smith — Director
V.K. Sharma — Director
Pradip Roy — Director
Subrata Talukdar — Director
Grace Koshie — Director
Dinesh Jain — President and CFO
Sanjay Gupta — Company Secretary

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Consolidated Cash Flow Statement

for the year ended 31 March 2016

(Currency: In millions of Indian ₹)

	31 March 2016	31 March 2015
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax and minority interest	**2,956.24**	2,440.17
Adjustments for		
Depreciation and amortisation	**661.96**	721.82
Provision for doubtful debts written off	**76.89**	56.87
Gain on sale of fixed assets, net	**(4.11)**	(4.75)
Foreign exchange (gain) / loss/, net unrealized	**(126.06)**	161.11
Finance costs	**524.38**	710.86
Interest income	**(18.74)**	(54.61)
Profit on sale / redemption of investments	**(55.25)**	(29.96)
Rent expense on account of adoption of AS 30	**9.10**	17.56
Operating cash flow before changes in working capital	**4,024.41**	4,019.07
Changes in working capital		
(Increase) / Decrease in debtors	**(66.35)**	42.15
Increase in loans and advances and other assets	**(125.82)**	(86.97)
(Decrease) in current liabilities and provisions	**(258.33)**	(1,003.40)
Net changes in working capital	**(450.50)**	(1,048.22)
Income taxes paid	**(576.64)**	(510.37)
Net cash generated from operating activities (A)	**2,997.27**	2,460.48
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investment in mutual funds / government securities	**(15,045.64)**	(8,579.66)
Proceeds from sale of investment in mutual fund	**15,009.25**	7,985.40
Interest income received	**8.21**	33.76
Purchase of fixed assets and capital advances given	**(857.85)**	(462.56)
Proceeds from sale of fixed assets	**8.85**	10.65
Advance paid towards ISGN acquisition	**(133.84)**	-
Investment in shares of Nanobi Data and Analytics Private Limited	**(25.00)**	(30.00)
Bank deposits (having original maturity of more than three months)	**(0.86)**	-
Net cash used in investing activities (B)	**(1,036.88)**	(1,042.41)
CASH FLOW FROM FINANCING ACTIVITIES		
(Repayment of) /proceeds from secured loan – WCDL	**(1,875.01)**	623.77
Proceeds from unsecured loan, Net	**271.42**	-
Proceeds from secured loan, Net	**118.02**	(2,756.68)
Proceeds from allotment of equity shares and share application money	**117.07**	112.56
Interest paid	**(705.94)**	(444.14)
Net cash used in financing activities (C)	**(2,074.44)**	(2,464.49)
Net Decrease in cash and cash equivalents (A+B+C)	**(114.05)**	(1,046.42)
Cash and cash equivalents at the beginning of the year	**799.81**	1,846.23
Cash and cash equivalents at the end of the year	**685.76**	799.81

Consolidated Cash Flow Statement

for the year ended 31 March 2016

(Currency: In millions of Indian ₹)

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 2016	31 March 2015
Cash on hand	**0.10**	0.39
Balances with banks		
- in current accounts	**735.89**	827.78
	735.99	828.17
Less: Current account balances held in trust for customers	**(50.23)**	(28.36)
Cash and cash equivalents	**685.76**	799.81

The above consolidated cash flow statement has been prepared under the indirect method set out in 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/W-100022

Rajesh Mehra
Partner
Membership No: 103145

Kolkata
May 12, 2016

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

Sanjiv Goenka
Chairman

Rajesh Subramaniam
Managing Director and CEO

Shashwat Goenka
Director

Y. H. Malegam
Director

Charles Miller Smith
Director

V.K. Sharma
Director

Pradip Roy
Director

Subrata Talukdar
Director

Grace Koshie
Director

Dinesh Jain
President and CFO

Sanjay Gupta
Company Secretary

Notes to the Consolidated Financial Statement

for the year ended 31 March 2016

1. BACKGROUND

(Currency: In millions of Indian ₹)

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.

The list of subsidiaries with percentage holding is summarised below:

Subsidiaries	Country of incorporation and other particulars	Percentage of holding by the ultimate parent	Year of consolidation
Firstsource Solutions Limited, UK ("FSL UK")	A subsidiary of Firstsource Solutions Limited, incorporated under the laws of United Kingdom.	100%	2002-2003
Firstsource Solutions S.A. (FSL-Arg)	A subsidiary of Firstsource Solutions Limited UK, incorporated under the laws of S.A.	100%	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.	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
MedAssist Holding, Inc. (MedAssist)	A subsidiary of FG US, incorporated under the laws of the State of Delaware, USA merged with Medassist Holding LLC during the year ended 31 March 2015.	100%	2007-2008
Firstsource Solutions USA LLC (earlier known as MedAssist LLC)	A subsidiary of MedAssist Holding, Inc., incorporated in the State of Delaware, USA.	100%	2009-2010
Firstsource Process Management Services Limited (FPMSL) (earlier known as Anunta Tech Infrastructure Services Limited)	A subsidiary of Firstsource Solutions Limited, incorporated on 1 November 2010 under the laws of India.	100%	2010-2011
Firstsource Dialog Solutions (Private) Limited (FDS)	A subsidiary of Firstsource Solutions Limited, incorporated under the laws of Sri Lanka.	74%	2011-2012
Firstsource BPO Ireland Limited (FSL Ireland)	A subsidiary of Firstsource Solutions Limited, incorporated under the laws of Ireland.	100%	2011-2012
One Advantage LLC (OAL)	A subsidiary of FBPS, incorporated in the state of Delaware, USA, , effective 06 August 2014.	100%	2014-2015
Medassist Holding LLC (earlier known as Medassist Acquisition LLC)	A subsidiary of FG US, incorporated under the laws of the State of Delaware, USA effective 31 March 2015.	100%	2014-2015
Firstsource Transaction Services LLC (FTS)	A subsidiary of Firstsource Solutions SA LLC , incorporated on 22 May 2011 under the laws of the State of Delaware, USA.	100%	2011-2012

Notes to the Consolidated Financial Statement

for the year ended 31 March 2016

(Currency: In millions of Indian ₹)

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'), are prepared on accrual basis in accordance with Indian Generally Accepted Accounting Principles (GAAP), under the historical cost convention, except for certain financial instruments which are measured at fair values, and Accounting Standards prescribed under Section 133 of the Companies Act, 2013 ('the Act'), read with Rule 7 of the Companies (Accounts) Rules, 2014 and other relevant provisions of the Act, to the extent applicable. Additionally, 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. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing Accounting Standard requires a change in the accounting policy hitherto in use. 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 (12 months) and other criteria set out under the Act.

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 financial statements and the reported amount of income and expenses for the period. Management believes that the estimates made in the preparation of consolidated financial statements are prudent and reasonable. Actual results could differ from those estimates. Any revisions to accounting estimates are recognised prospectively in current and future periods.

2.4 Revenue recognition

Revenue from contact center and transaction processing services comprises from both time / unit price and fixed fee based service contracts. Revenue from time / unit price based contracts is recognised as services are rendered and is billed in accordance with the contractual terms specified in the customer contracts. Revenue from fixed fee based service contracts is recognised on achievement of performance milestones specified in the customer contracts. Revenue from debt collection services is recognised when debts are collected (including post dated cheques) / realized. 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.

Notes to the Consolidated Financial Statement

for the year ended 31 March 2016

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 costs which they are intended to compensate.

2.6 Goodwill

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

Goodwill including that arising on merger (refer Note 12) in terms of the Scheme, 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 as summarized below:

(Currency: In millions of Indian ₹)

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

* For these class of assets, based on internal assessment and independent technical evaluation carried out by external valuers, the management believes that the useful lives as given above best represent the period over which management expects to use these assets. Hence the useful lives for these assets is different from the useful lives as prescribed under Part C of Schedule II to the Companies Act, 2013.

Process know-how relates to process design and is amortised on a straight line basis over a period of 4 years. Software purchased together with the related hardware is capitalised and depreciated at the rates applicable to related assets. Intangible assets other than above mentioned software are amortised over the best estimate of the useful life from the date the assets are available for use. Further, the useful life is reviewed at the end of each reporting period for any changes in the estimates of useful life and, accordingly, the asset is amortised over the remaining useful life.

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

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

Notes to the Consolidated Financial Statement

for the year ended 31 March 2016

(Currency: In millions of Indian ₹)

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 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 asset's carrying amount and undiscounted amount of future cash flows. Reduction, if any, is recognised in the consolidated statement of profit and loss. If at the balance sheet date there is any indication that a previously assessed impairment loss no longer exists, the recognised impairment loss is reversed, subject to maximum of initial carrying amount of the short-term receivable.

b. Non-financial assets

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

2.9 Employee benefits

a. Post employment benefits

Gratuity

The Company's gratuity scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The present value of the obligation under such defined benefit plan is determined based on actuarial valuation by an independent actuary using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan are based on the market yields on Government securities as 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.

Defined contribution plans

In accordance with Indian regulations, all employees of the Indian entities receive benefits from a Government administered provident fund scheme. This is a defined contribution retirement plan in which both, the Company and the employee contribute at a determined rate. Monthly contributions payable to the provident fund are charged to the consolidated statement of profit and loss as incurred.

The subsidiaries in the United States of America have a savings and investment plan under Section 401 (k) of the Internal Revenue Code of the United 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.

Notes to the Consolidated Financial Statement

for the year ended 31 March 2016

b. Other long term employee benefits

Compensated absences

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

Where employees of the Company are entitled to compensated absences, the employees can carry-forward a portion of the unutilised accrued compensated absence and utilise it in future periods or receive cash compensation at termination of employment for the unutilised accrued compensated absence. The Company records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement.

The Company measures the expected cost of compensated absences as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

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 based on the tax liability after taking credit for tax allowances and exemptions. In case of matter under appeal, full provision is made in the financial statements when the Company accepts liability.

Deferred taxes

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to timing differences that result from differences between the profits offered for income taxes and the profits as per the financial statements in respect of each entity within the Group. Deferred tax assets and liabilities and the corresponding deferred tax credit or charge are measured using the tax rates and the tax laws that have been enacted or substantively enacted

(Currency: In millions of Indian ₹)

at the balance sheet date. The effect of a change in tax rates on deferred tax assets and liabilities is recognised in the period that includes the enactment date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realized in the future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realization of such assets.

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

The 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.

Notes to the Consolidated Financial Statement

for the year ended 31 March 2016

(Currency: In millions of Indian ₹)

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 period. Monetary foreign currency denominated assets and liabilities other than fixed assets are translated at the period end exchange rates and the resulting net gain or loss is recognised in the consolidated statement of profit and loss except for the exchange differences arising on monetary items that qualify as hedging instruments in a cash flow hedge or hedge of a net investment. In such cases, the exchange difference is initially recognised in hedging reserve account or 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 35 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 in 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.

Notes to the Consolidated Financial Statement

for the year ended 31 March 2016

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 / operations, 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 / operations under Reserves and surplus.

(Currency: In millions of Indian ₹)

2.15 Earnings per share

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

2.16 Provisions and contingencies

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

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

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.

Notes to the Consolidated Financial Statement

as at 31 March 2016

(Currency: In millions of Indian ₹)

	31 March 2016	31 March 2015
3. SHARE CAPITAL		
Authorised		
872,000,000 (31 March 2015: 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		
673,314,912 (31 March 2015: 666,291,459) equity shares of ₹ 10 each, fully paid-up	**6,733.15**	6,662.91
	6,733.15	6,662.91

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

	31 March 2016		31 March 2015	
	No. of shares	Amount	No. of shares	Amount
At the commencement of the year	**666,291,459**	**6,662.91**	659,734,876	6,597.35
Shares allotted during the year- employee stock option scheme	**7,023,453**	**70.24**	6,556,583	65.56
At the end of the year	**673,314,912**	**6,733.15**	666,291,459	6,662.91

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

	31 March 2016		31 March 2015	
	No. of shares	%	No. of shares	%
Spen Liq Private Limited	**373,976,673**	**55.54**	373,976,673	56.13

c. Shares held by holding company

	31 March 2016		31 March 2015	
	No. of shares	%	No. of 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, refer Note 28.

e. Shares reserved for issue under options

26,495,617 (31 March 2015: 42,308,052) number of shares are reserved for employees for issue under the employee stock options plan (ESOP) amounting to ₹ 264.96 (31 March 2015: ₹ 423.08) (refer Note 28).

f. Rights, preferences and restrictions attached to equity shares

Firstsource has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in Firstsource'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 Firstsource.

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

Notes to the Consolidated Financial Statement

as at 31 March 2016

3A. Share application money received under ESOP scheme

(Currency: In millions of Indian ₹)

During the year, Firstsource has allotted 20,000 shares from balance lying as share application money pending allotment under ESOP scheme as at 31 March 2015.

	31 March 2016	31 March 2015
4. RESERVES AND SURPLUS		
Securities premium reserve		
At the commencement of the year*	**1,676.99**	1,629.54
Add: Premium on shares allotted during the year	**47.04**	47.45
At the end of the year	**1,724.03**	1,676.99
General reserve		
At the commencement of the year	**30.41**	30.41
Movement during the year	**-**	-
At the end of the year	**30.41**	30.41
Hedging reserve		
At the commencement of the year	**639.73**	(45.22)
Movement during the year	**(195.94)**	684.95
At the end of the year	**443.79**	639.73
Foreign currency translation reserve		
At the commencement of the year	**3,876.86**	3,354.70
Exchange difference on consolidation of non-integral subsidiaries / operations	**793.60**	522.16
At the end of the year	**4,670.46**	3,876.86
Surplus (consolidated profit and loss balance)		
At the commencement of the year	**7,999.27**	9,347.43
Add: Net profit for the year	**2,649.69**	2,343.18
Less: Adjustment pursuant to the scheme of merger (refer Note 12)	**-**	(3,691.34)
At the end of the year	**10,648.96**	7,999.27
Total reserve and surplus	**17,517.65**	14,223.26

* Includes ₹ 39.27 (31 March 2015: ₹ 39.27) from acquisition of Customer Asset India Limited merged with Firstsource effective 1 April 2004.

5. LONG-TERM BORROWINGS		
Secured		
Term loans – from banks		
External commercial borrowing (ECB) – (refer note 'a')	**1,106.46**	1,168.75
Term loan (refer note 'b')	**2,983.86**	2,812.50
Long-term maturities of finance lease obligations - (refer note 'c' and 27)	**99.54**	89.16
Unsecured		
Loan from non-banking financing companies – (refer note 'd')	**79.79**	72.57
	4,269.65	4,142.98

a. External commercial borrowing by the Indian Parent is a dollar denominated borrowing carrying floating interest rate in the range of 3.15% p.a. to 3.75% p.a. The loan is repayable by 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.

b. The term loan is a dollar denominated borrowing availed by Firstsource Group USA, Inc. ("FG US") a 100% subsidiary of the Indian Parent as per modified terms the loan is carrying floating interest rate in the range of 3.15% p.a. to 3.70% p.a. The loan

Notes to the Consolidated Financial Statement

as at 31 March 2016

is repayable by March 2018 in quarterly installments. The loan is secured against pari passu charge on all current assets, non-current assets and fixed assets of all US subsidiaries and Firstsource Solutions UK Limited and guarantee given by Firstsource Solutions Limited.

c. Finance lease obligation carries interest in the range of 4% p.a. to 12.5% p.a. for the period of 3 - 5 years from April 2013 to October 2019, repayable in quarterly installments. This is secured by way of hypothecation of underlying fixed assets taken on lease- refer Note 13.

d. Loan from non-banking financing companies carries interest in the range of 7.5% p.a. to 12.5% p.a. for the period of 3 - 4 years from October 2011 to July 2019, repayable in quarterly installments from the date of its origination.

e. The above excludes current maturity of long term borrowings which are mentioned in Note 10 - Other current liabilities under Current maturities of long-term borrowings.

	31 March 2016	31 March 2015
6. DEFERRED TAX LIABILITIES, NET		
Deferred tax asset on account of:		
Business losses and unabsorbed depreciation carried forward	**1,778.76**	1,522.06
Gratuity and compensated absences	**119.68**	112.13
Accrued expenses / allowance for doubtful debts	**53.42**	18.21
	1,951.86	1,652.40
Deferred tax liability on account of:		
Depreciation and amortization	**2,224.06**	1,997.12
	272.20	344.72
7. LONG-TERM PROVISIONS		
Provision for employee benefits		
Gratuity	**94.49**	53.68
Compensated absences	**66.82**	123.85
	161.31	177.53
8. SHORT-TERM BORROWINGS		
Secured		
Working capital demand loan – (refer note – 'a')	**-**	1,875.01
Unsecured		
Export finance from banks – (refer note – 'b')	**584.80**	1,007.07
Overdraft from bank – (refer note – 'c')	**940.53**	278.22
	1,525.33	3,160.30

a. The working capital demand loan carried interest in the range of 2.8% p.a. to 4.15% p.a. The loan was a revolving facility to be renewed every year and was secured against charge on all current assets, non-current assets and fixed assets of FSL-UK and guarantee given by Firstsource. The loan was repaid during the period in accordance with the modified terms-refer Note – 5(b)

b. Export finance from banks includes post-shipment and pre-shipment finance and carries interest in the range of 1.1% p.a. to 3.65% p.a. The same is repayable on demand / receipt from customers.

c. Overdraft from bank carries interest in the range of 2.8% p.a. to 4.15% p.a.

Notes to the Consolidated Financial Statement

as at 31 March 2016

(Currency: In millions of Indian ₹)

	31 March 2016	31 March 2015
9. TRADE PAYABLES		
Trade payables for services and goods		
- Total outstanding dues of micro and small enterprises (refer Note 40)	**-**	-
- Total outstanding dues of creditors other than micro and small enterprises	**890.70**	832.76
	890.70	832.76
10. OTHER CURRENT LIABILITIES		
Current maturities of long-term borrowings		
Secured		
External commercial borrowing (ECB) - (refer note '5(a)')	**132.51**	62.50
Term loan – (refer note '5(b)')	**2,980.28**	2,812.50
Finance lease obligation – (refer note '5(c)')	**97.01**	112.76
Unsecured		
Loan from non-banking financing companies – (refer note '5(d)')	**54.44**	22.91
Interest accrued but not due on borrowings	**21.25**	51.19
Other payables		
Payable on asset purchase	**190.95**	184.94
Book credit in bank account	**314.62**	310.75
Creditors for capital goods	**34.02**	12.63
Value added tax	**275.25**	198.66
Tax deducted at source	**24.59**	16.28
Employee benefits payable	**833.56**	679.96
Income received in advance	**51.26**	99.50
	5,009.74	4,564.58
11. SHORT-TERM PROVISIONS		
Provision for employee benefits		
Compensated absences	**81.81**	79.11
Other provisions		
Provision for taxation, net	**190.96**	60.71
	272.77	139.82
12. GOODWILL		
Date of acquisition		
MedAssist* 20 September 2007	**20,559.18**	19,393.99
FAL 22 September 2004	**2,332.31**	2,200.12
FDS 13 May 2011	**15.46**	16.39
FR-US 3 September 2003	**1,051.85**	992.24
Customer Asset India Limited 22 April 2002	**733.61**	733.61
	24,692.41	23,336.35

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

* During the previous year ended 31 March 2015, Medassist Holding Inc. and Medassist Acquisition LLC, subsidiaries of FG US, merged effective 31 March 2015. The Scheme was recorded by the State of Delaware. The merged entity has been renamed as MedAssist Holding LLC. As a result of the merger which was accounted under Pooling of Interest method, and as specified in the Scheme, the excess of investment over the value of net assets and reserves taken over was adjusted against the reserves (balance in profit and loss) to the extent of ₹ 3,691.34 and the balance amounting to ₹ 19,393.99 was considered as Goodwill in the consolidated financial statements.

Notes to the Consolidated Financial Statement

as at 31 March 2016

13. FIXED ASSETS

(Currency: In millions of Indian ₹)

	Tangible assets							Intangible assets						
	Leasehold improvements	Computers	Service equipment	Office equipment	Furniture and fixture	Vehicles	Total	Goodwill	Process know-how	Domain name	Software	Total	Grand total	Capital work- in-progress (including intangibles)
Gross block (at cost)														
As at 1 April 2015	1,770.89	1,422.64	1,351.47	1,307.26	742.98	13.73	**6,608.97**	1,054.85	-	6.72	1,457.97	**2,519.54**	**9,128.51**	**84.68**
Additions / adjustments during the year*	233.63	142.33	78.94	99.32	24.03	2.33	**580.58**	15.16	51.62	-	376.65	**443.43**	**1,024.01**	**(5.88)**
Deletions during the period/ assets capitalized during the year	(53.83)	(34.31)	(3.03)	(47.20)	-	-	**(138.37)**	(1,017.75)	-	-	(5.66)	**(1,023.41)**	**(1,161.78)**	**-**
As at 31 March 2016	**1,950.69**	**1,530.66**	**1,427.38**	**1,359.38**	**767.01**	**16.06**	**7,051.18**	**52.26**	**51.62**	**6.72**	**1,828.96**	**1,939.56**	**8,990.74**	**78.80**
Accumulated depreciation / amortization														
As at 1 April 2015	1,574.22	1,333.52	1,128.50	1,179.33	616.54	6.13	**5,838.24**	937.36	-	6.72	1,243.27	**2,187.35**	**8,025.59**	-
Charge for the year	106.62	67.62	95.88	66.19	30.24	3.26	**369.81**	119.40	7.53	-	165.22	**292.15**	**661.96**	**-**
On deletions / adjustments during the year *	(43.64)	(1.06)	16.93	(27.13)	6.13	0.05	**(48.72)**	(1,004.50)	(0.24)	-	28.83	**(975.91)**	**(1,024.63)**	**-**
As at 31 March 2016	**1,637.20**	**1,400.08**	**1,241.31**	**1,218.39**	**652.91**	**9.44**	**6,159.33**	**52.26**	**7.19**	**6.72**	**1,437.32**	**1,503.59**	**7,662.92**	**-**
Net block as at 31 March 2016	**313.49**	**130.58**	**186.07**	**140.99**	**114.10**	**6.62**	**891.85**	**-**	**44.33**	**-**	**391.64**	**435.97**	**1,327.82**	**78.80**
As at 31 March 2015	196.67	89.12	222.97	127.92	126.45	7.60	770.73	117.49	-	-	214.70	332.19	1,102.92	84.68

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

								Intangible assets						
	Leasehold improvements	Computers	Service equipment	Office equipment	Furniture and fixture	Vehicles	Total	Goodwill	Process know-how	Domain name	Software	Total	Grand total	Capital work- in-progress (including intangibles)
Gross block (at cost)														
As at 1 April 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**
Additions / adjustments during the year*	31.22	57.24	166.46	48.34	29.57	3.16	**336.00**	44.03	-	-	161.94	**205.97**	**541.97**	**80.67**
Deletions during the year	(0.62)	(56.24)	(8.71)	(14.11)	(5.98)	(1.17)	**(86.83)**	-	-	-	(1.35)	**(1.35)**	**(88.18)**	**-**
As at 31 March 2015	**1,770.89**	**1,422.64**	**1,351.47**	**1,307.25**	**742.98**	**13.73**	**6,608.97**	**1,054.85**	**-**	**6.72**	**1,457.97**	**2,519.54**	**9,128.51**	**84.68**
Accumulated depreciation / amortization														
As at 1 April 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**	**-**
Charge for the year	121.39	58.02	103.46	85.28	30.44	2.41	**401.00**	198.52	-	-	122.30	**320.82**	**721.82**	**-**
On deletions / adjustments during the year*	0.91	(38.98)	(22.37)	(5.68)	(0.65)	(0.34)	**(67.11)**	33.88	-	-	26.17	**60.05**	**(7.06)**	**-**
As at 31 March 2015	**1,574.22**	**1,333.52**	**1,128.50**	**1,179.33**	**616.54**	**6.13**	**5,838.24**	**937.36**	**-**	**6.72**	**1,243.27**	**2,187.35**	**8,025.59**	**-**
Net block as at 31 March 2015	**196.67**	**89.12**	**222.97**	**127.92**	**126.45**	**7.60**	**770.73**	**117.49**	**-**	**-**	**214.70**	**332.19**	**1,102.92**	**84.68**
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

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

Notes to the Consolidated Financial Statement

as at 31 March 2016

The above assets include assets taken on finance lease as follows: (Currency: In millions of Indian ₹)

	Tangible assets				Intangible assets	
	Leasehold improvements	Computers	Service equipment	Office equipment	Software	Total
Gross block (at cost)						
As at 1 April 2015	116.12	63.71	247.21	32.43	68.52	527.99
As at 31 March 2016	**222.73**	**63.71**	**255.86**	**32.43**	**68.52**	**643.25**
Accumulated depreciation / amortization						
As at 1 April 2015	69.14	63.71	129.24	17.35	49.12	328.55
As at 31 March 2016	**87.30**	**63.71**	**171.39**	**18.92**	**68.52**	**409.84**
Net block						
As at 31 March 2016	**135.43**	**-**	**84.47**	**13.51**	**-**	**233.41**
As at 31 March 2015	46.98	-	117.97	15.08	19.40	199.44

	Tangible assets				Intangible assets	
	Leasehold improvements	Computers	Service equipment	Office equipment	Software	Total
Gross block (at cost)						
As at 1 April 2014	123.55	63.71	103.20	32.43	38.90	361.79
As at 31 March 2015	**116.12**	**63.71**	**247.21**	**32.43**	**68.52**	**527.99**
Accumulated depreciation / amortization						
As at 1 April 2014	48.45	63.71	103.20	14.67	15.49	245.51
As at 31 March 2015	**69.14**	**63.71**	**129.24**	**17.35**	**49.12**	**328.55**
Net block						
As at 31 March 2015	**46.98**	**-**	**117.97**	**15.08**	**19.40**	**199.44**
As at 31 March 2014	75.10	-	-	17.76	23.41	116.28

Notes to the Consolidated Financial Statement

as at 31 March 2016

(Currency: In millions of Indian ₹)

	31 March 2016	31 March 2015
14. NON-CURRENT INVESTMENTS		
Long term investments - at cost Trade (Unquoted)		
1,000 (31 March 2015 : 1,000) fully paid equity shares of ₹ 10 each of Nanobi Data and Analytics Private Limited	**0.08**	0.08
557,043 (31 March 2015 : 375,884) fully paid Compulsory Convertible Cumulative Preference Shares of ₹ 10 each of Nanobi Data and Analytics Private Limited	**54.92**	29.92
Non-trade (Unquoted)		
In mutual fund (Philippines Treasury bills)*	**28.80**	27.55
Total non-current investments	**83.80**	57.55

* These securities have been earmarked in favor of SEC, Philippines in compliance with corporation code of Philippines.

	31 March 2016	31 March 2015
15. LONG-TERM LOANS AND ADVANCES		
(Unsecured, considered good)		
To parties other than related parties		
Capital advances	**2.88**	1.25
Deposits, net (refer Note 35)	**363.38**	357.02
Other loans and advances		
Prepaid expenses	**52.24**	153.48
Lease rentals receivable, net	**20.55**	26.17
Advance tax and tax deducted at source, net	**705.76**	631.37
Unexpired rebate to customer	**124.66**	-
Minimum alternate tax credit carried forward, net	**1,191.32**	1,051.49
	2,460.79	2,220.78
16. OTHER NON-CURRENT ASSETS		
(Unsecured, considered good, unless otherwise stated)		
Unamortised costs (refer Note 35)	**9.97**	25.40
Accrued interest	**0.28**	1.62
Advances towards acquisition of ISGN*	**133.84**	-
	144.09	27.02

* USD 2 million paid as advance towards stock purchase agreement entered with ISGN Corporation, USA for acquiring entire shareholding in its subsidiary – ISGN Solutions Inc, USA and BPO division of ISG Novasoft Technologies Limited, India

	31 March 2016	31 March 2015
17. CURRENT INVESTMENTS (AT LOWER OF COST AND FAIR VALUE)		
Non Trade (Unquoted)		
671,003 (31 March 2015: 473,425) units of ICICI Prudential Liquid – Direct plan – Growth	**150.00**	98.00
60,517 (31 March 2015: 21,838) units of Kotak Floater Short term – Direct Plan – Growth	**150.00**	50.00
673,928 (31 March 2015: 424,365) units of DHFL Pramerica Insta Cash Plus Fund – Institutional Plan – Growth	**132.50**	77.00
Nil (31 March 2015: 32,348) units of SBI Magnum Insta Cash Fund – Direct Plan – Growth	**-**	100.00
24,411 (31 March 2015: 29,656) units of Reliance Liquid Fund – Treasury Plan- Direct Growth Plan – Growth option	**90.07**	101.04
50,435 (31 March 2015: 52,016) units of Religare Invesco Liquid Fund – Direct Plan – Growth	**105.09**	100.00

Notes to the Consolidated Financial Statement

as at 31 March 2016

(Currency: In millions of Indian ₹)

Nil (31 March 2015: 1,712,000) units of HDFC Cash Management Fund – Saving Plan-Direct Plan – Growth Option	**-**	50.00
Nil (31 March 2015: 446,000) units of Birla Sun life cash plus-growth direct plan	**-**	100.07
67,473 (31 March 2015: Nil) units of L&T Liquid Fund Direct Plan - Growth	**140.00**	-
40 (31 March 2015: Nil) units of L&T Liquid Fund - Growth	**0.08**	-
	767.74	676.11

(Net assets value of unquoted investments ₹ 768.76 31 March 2015: ₹ 676.8)

	31 March 2016	31 March 2015
18. TRADE RECEIVABLES		
(Unsecured)		
Receivables outstanding for a period exceeding six months from the date they become due for payment		
- considered good	**-**	-
- considered doubtful	**115.64**	36.71
	115.64	36.71
Less: Provision for doubtful debts	**(115.64)**	(36.71)
	-	-
Other receivables		
- considered good	**3,040.75**	2,889.51
	3,040.75	2,889.51
19. CASH AND BANK BALANCES		
Cash and cash equivalents		
Cash on hand	**0.10**	0.39
Balances with banks		
- in current accounts	**735.89**	827.78
	735.99	828.17
Less: Current account balance held in trust for customers	**(50.23)**	(28.36)
	685.76	799.81
Other bank balances		
- Bank deposits due to mature after three months but before twelve months of the reporting date	**3.34**	2.48
	689.10	802.29
20. SHORT-TERM LOANS AND ADVANCES		
(Unsecured, considered good)		
To parties other than related parties		
Prepaid expenses	**405.07**	239.77
Lease rentals receivable, net	**14.63**	17.06
Service tax	**19.99**	9.15
Other advances	**52.49**	24.22
Minimum alternate tax credit carried forward	**169.98**	149.05
	662.16	439.25
21. OTHER CURRENT ASSETS		
(Unsecured, considered good unless otherwise stated)		
Unbilled receivables	**2,305.25**	2,040.16
Unamortized costs (refer Note 35)	**5.04**	18.59
Recoverable on sale of subsidiary – Pipal	**33.34**	33.34
Exchange gain on derivative contracts	**381.12**	536.82
	2,724.75	2,628.91

Notes to the Consolidated Financial Statement

for the year ended 31 March 2016

(Currency: In millions of Indian ₹)

	31 March 2016	31 March 2015
22. REVENUE FROM OPERATIONS		
Sale of services	**31,746.92**	30,033.78
Other operating income	**555.97**	312.74
(refer Note 32)		
	32,302.89	30,346.52
23. OTHER INCOME		
Interest income	**18.69**	54.61
Profit on sale/redemption of current investments, net	**55.29**	29.96
Foreign exchange gain/(loss), net	**3.68**	(25.75)
Gain on sale of fixed assets, net	**4.11**	4.75
Miscellaneous income	**12.67**	1.66
	94.44	65.23
24. EMPLOYEE BENEFITS EXPENSE		
Salaries and wages	**19,992.79**	18,517.75
Contribution to provident and other funds	**804.56**	854.15
Staff welfare expenses	**924.39**	799.60
	21,721.74	20,171.50
25. FINANCE COSTS		
Interest expense		
- on external commercial borrowings and term loan	**458.14**	544.94
- on working capital demand loan and other debts	**59.51**	165.92
Finance charges on leased assets	**6.73**	-
	524.38	710.86
26. OTHER EXPENSES		
Rent, net (refer Note 27)	**1,274.09**	1,309.92
Repair (others), maintenance and upkeep	**610.38**	524.45
Insurance	**201.35**	230.60
Rates and taxes	**132.14**	132.73
Services rendered by business associates and others	**21.68**	38.73
Legal and professional fees	**604.41**	616.47
Car and other hire charges	**604.18**	523.29
Connectivity charges	**314.56**	315.00
Information and communication expenses	**849.17**	758.04
Recruitment and training expenses	**259.62**	273.79
Electricity, water and power consumption	**357.45**	390.07
Travel and conveyance	**453.48**	498.24
Computer expenses	**383.19**	345.33
Printing and stationery	**106.64**	104.39
Marketing and support fees	**94.87**	77.81
Payment to auditors		
- as auditor	**16.00**	15.62
- for reimbursement of expenses	**0.66**	0.20
Membership and registration fees	**7.74**	12.27
Directors' sitting fees	**5.26**	3.80
Provision for doubtful trade receivable / bad debts / written-off / (written-back), net	**76.89**	56.87
Bank administration charges	**83.58**	90.33
Contribution to CSR (refer Note 38)	**26.29**	17.13
Miscellaneous expenses	**49.38**	32.32
	6,533.01	6,367.40

Notes to the Consolidated Financial Statement

for the year ended March 2016

27. LEASES

(Currency: In millions of Indian ₹)

Operating lease

The Company is obligated under non-cancellable operating leases for office space and office equipment which are renewable on a periodic basis at the option of both the lessor and lessee. Expenses under non-cancellable operating leases for the year ended 31 March 2016 aggregated to ₹ 990.90 (31 March 2015: ₹ 980.08).

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

	As at 31 March 2016	As at 31 March 2015
Amount due within one year from the balance sheet date	**641.64**	650.44
Amount due in the period between one year and five years	**1,186.45**	954.60
Amount due in the period beyond five years	**569.07**	199.03
	2,397.16	1,804.07

The Company also leases office facilities and residential facilities under cancellable operating leases that are renewable on a periodic basis at the option of both the lessor and lessee. Expenses under cancellable operating leases for the year ended 31 March 2016 is ₹ 547.66 (31 March 2015: ₹ 468.27).

The Company has sub-leased an office facility under an operating lease. Income received during the year is ₹ 4.79 (31 March 2015: Nil). Amount receivable within one year from the balance sheet date is ₹ 24.28 (31 March 2015: Nil).

Finance lease

The Company has acquired certain capital assets under finance lease. Future minimum lease payments under finance lease as at 31 March 2016 are as follows:

	Minimum lease payments	**Finance charges**	**Present value of minimum payments**
As at 31 March 2016			
Amount payable within one year from the balance sheet date	**104.91**	**7.90**	**97.01**
Amount payable in the period between one year and five years	**105.68**	**6.14**	**99.54**
	210.59	**14.04**	**196.55**
As at 31 March 2015			
Amount payable within one year from the balance sheet date	117.18	4.42	112.76
Amount payable in the period between one year and five years	91.24	2.08	89.16
	208.42	6.50	201.92

The Company has given vehicles on finance lease to its employees as per policy. As at 31 March 2016, the future minimum lease rentals receivable are as follows:

	Minimum lease rentals receivable	**Finance charges**	**Present value of minimum rentals receivable**
As at 31 March 2016			
Amount receivable within one year from the balance sheet date	**17.75**	**3.12**	**14.63**
Amount receivable in the period between one year and five years	**23.20**	**2.65**	**20.55**
	40.95	**5.77**	**35.18**
As at 31 March 2015			
Amount receivable within one year from the balance sheet date	20.99	3.93	17.06
Amount receivable in the period between one year and five years	29.50	3.33	26.17
	50.49	7.26	43.23

Notes to the Consolidated Financial Statement

for the year ended 31 March 2016

28. EMPLOYEE STOCK OPTION PLAN

(Currency: In millions of Indian ₹)

Stock option scheme 2002 ('Scheme 2002')

In September 2002, the Board of Firstsource had approved the Scheme 2002, which covers the employees and directors of Firstsource and its subsidiaries. The Scheme was administered and supervised by the members of the Nomination and Remuneration Committee (then called the Compensation cum Board Governance Committee) (the 'Committee'). Scheme 2002 was revoked during the financial year 2015-16 as all the options granted under it had been vested and exercised and remaining options had been cancelled. There was no activity under the Scheme 2002 during the year and in the previous year.

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 Scheme would be administered and supervised by the members of the Compensation committee. The key terms and conditions were included in Scheme 2003 in line with Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (as amended by SEBI (Share Based Employee Benefits) Regulations 2014).

The Company amended the Scheme 2003 in line with the SEBI (Share Based Employee Benefits) Regulations, 2014.

Key changes effected in Scheme 2003 were as follows:

- Change in the definition of employee to exclude Independent Director, any employee who is a promoter or belonging to promoter group or a director who himself or through his relative or any body corporate, holds more than 10% of the equity capital of the company.
- Change in definition of exercise period to specifically mention about exercise period of 10 years from the date of grant.
- Definition of relevant date has been included which means- (i) in the case of grant, the date of the meeting of the compensation committee on which the grant is made; or (ii) in the case of exercise, the date on which the notice of exercise is given to the Company.
- Change in the name of Compensation Committee to Nomination and Remuneration Committee (herein after referred as 'Committee').

As per the Scheme, the Committee issued 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 ten years from the date of the grant of the options.

- 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.

Notes to the Consolidated Financial Statement

for the year ended March 2016

(Currency: In millions of Indian ₹)

- 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, Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (as amended by SEBI (Share Based Employee Benefits) Regulations 2014).

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

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

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

		31 March 2016		31 March 2015	
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 beginning of the year	00.00 - 30.00	**28,628,602**	**85.71**	34,076,127	91.96
	30.01 - 60.00	**10,760,188**	**33.75**	10,585,246	37.48
	60.01 - 90.00	**2,919,262**	**31.57**	2,944,262	43.13
		42,308,052		47,605,635	
Granted during the year	00.00 - 30.00	**-**	**-**	5,000,000	-
	30.01 - 60.00	**3,350,000**	**-**	900,000	-
	60.01 - 90.00	**-**	**-**		
		3,350,000		59,00,000	
Forfeited during the year	00.00 - 30.00	**3,851,074**	**-**	4,277,500	-
	30.01 - 60.00	**6,168,646**	**-**	411,000	-
	60.01 - 90.00	**2,119,262**	**-**	25,000	-
		12,138,982		4,713,500	
Exercised during the year	00.00 - 30.00	**6,728,453**	**-**	6,170,025	-
	30.01 - 60.00	**295,000**	**-**	314,058	-
	60.01 - 90.00	**-**	**-**	-	-
		7,023,453		64,84,083	
Outstanding at the end of the year	00.00 - 30.00	**18,049,075**	**77.34**	28,628,602	91.96
	30.01 - 60.00	**7,646,542**	**61.89**	10,760,188	37.48
	60.01 - 90.00	**800,000**	**14.91**	2,919,262	43.13
		26,495,617		42,308,052	
Exercisable at the end of the year	00.00 - 30.00	**12,328,100**	**70.96**	15,742,977	76.14
	30.01 - 60.00	**3,882,942**	**16.77**	9,860,188	37.39
	60.01 - 90.00	**800,000**	**14.91**	2,919,262	43.13
		17,011,042		28,522,427	

Notes to the Consolidated Financial Statement

for the year ended 31 March 2016

(Currency: In millions of Indian ₹)

Outstanding options as at 31 March 2016 out of Scheme 2003 is 26,495,617 (31 March 2015: 42,308,052).

1. The aggregate stock option pool under Employee stock option scheme 2003 is 6.22% fully diluted equity shares as of 31 March 2016.

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

Particulars	**31 March 2016**	31 March 2015
Net income as reported	**2,649.69**	2,343.18
Less: Stock-based employee compensation expense (fair value method)	**234.29**	(0.97)
Proforma net income	**2,415.40**	2,342.21
Basic earnings per share as reported (₹)	**3.96**	3.53
Proforma basic earnings per share (₹)	**3.61**	3.53
Diluted earnings per share as reported (₹)	**3.78**	3.34
Proforma diluted earnings per share (₹)	**3.45**	3.34

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

	31 March 2016	31 March 2015
Dividend yield	**0%**	0%
Expected Life	**5.5-7 years**	5.5-7 years
Risk free interest rate	**6.50% to 9.06%**	6.50% to 9.06%
Volatility	**0% to 75%**	0% to 75%

29. RELATED PARTY TRANSACTIONS

Details of related parties including summary of transactions entered into during the year ended 31 March 2016 are summarized below:

Ultimate Holding Company	• CESC Limited
Holding Company	• Spen Liq Private Limited (Spen Liq)
Fellow Subsidiaries	• Spencer's Retail Limited (Spencer) • Omnipresent Retail India Private Limited (Omnipresent)
Subsidiaries wherein control exists	• The related parties where control exists are subsidiaries as referred to in Note 1 to the consolidated financial statements.
Enterprise with common Directors	• Nanobi Data and Analytics Private Limited (Nanobi)
Key Managerial Personnel	• Rajesh Subramaniam • Dinesh Jain
Non - executive Directors	• Sanjiv Goenka • Charles Miller Smith • Y.H. Malegam • Pradip Roy • Subrata Talukdar • Shashwat Goenka • Donald W. Layden, Jr. • V. K. Sharma • Pradip Kumar Khaitan • Grace Koshie

Notes to the Consolidated Financial Statement

for the year ended March 2016

Particulars of related party transactions: (Currency: In millions of Indian ₹)

Name of the related party	Description	Transaction value during the year ended		Receivable / (Payable) at	
		31 March 2016	31 March 2015	**31 March 2016**	31 March 2015
Nanobi	Investment in equity shares	**-**	0.08	-	-
	Investment in compulsory convertible cumulative preference shares	**25.00**	29.92	**-**	-
	Receipt of services	**12.26**	-	-	-
CESC Limited	Income from services	**16.32**	18.49	**-**	1.39
Spencer	Employee benefits	**-**	1.48	**-**	-
	Income from services	**4.55**	--	**2.26**	-
	Receipt of services	**3.82**	-	**(1.20)**	-
Omnipresent	Income from Services	**0.22**	-	**-**	-
Non- executive directors	Sitting fees paid	**5.25**	3.80	**-**	-
Key Managerial Personnel	Remuneration*	**57.80**	50.19	**-**	-

*Excludes ESOP, gratuity and compensated absences.

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

Description	31 March 2016	31 March 2015
Rajesh Subramaniam	**42.75**	38.03
Dinesh Jain	**15.05**	12.16

30. 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 ('USA and Canada'), United Kingdom ('UK'), India and Rest of the world.

Segment revenues and expenses

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

Un-allocable expenses

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

Notes to the Consolidated Financial Statement

for the year ended 31 March 2016

Capital employed

(Currency: In millions of Indian ₹)

Capital employed comprises debtors and unbilled receivables and goodwill 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, have been included under unallocated.

	Year ended	
	31 March 2016	31 March 2015
Primary segment		
Segment revenue excluding other operating income		
UK	**11,879.34**	10,778.35
USA and Canada	**17,305.69**	14,795.40
India	**1,987.93**	2,462.05
Rest of the world	**573.96**	1,997.98
	31,746.92	30,033.78

	Year ended	
	31 March 2016	31 March 2015
Segment result		
UK	**2,392.29**	2,236.95
USA and Canada	**1,996.56**	1,944.56
India	**151.67**	221.85
Rest of the world	**151.52**	225.86
	4,692.04	4,629.22
Finance costs	**(524.38)**	(710.86)
Other un-allocable expenditure, net of un-allocable income	**(1,211.42)**	(1,478.19)
Profit before taxation and minority interest	**2,956.24**	2,440.17
Taxation	**(302.17)**	(95.40)
Minority interest	**(4.38)**	(1.59)
Profit after taxation and minority interest	**2,649.69**	2,343.18

	As at	As at
	31 March 2016	31 March 2015
Capital employed*		
UK	**1,428.62**	1,136.45
USA and Canada	**27,402.57**	25,849.63
India	**397.52**	465.03
Rest of the world	**76.10**	81.30
Unallocated	**2,466.87**	2,325.22
	31,771.68	29,857.63

Notes to the Consolidated Financial Statement

for the year ended March 2016

(Currency: In millions of Indian ₹)

	Revenue excluding other operating income for the year ended		Capital employed* as at	
Secondary segment	**31 March 2016**	31 March 2015	**31 March 2016**	31 March 2015
Banking, Financial Services and Insurance	**7,273.98**	5,595.97	**3,500.34**	3,693.59
Non-Banking, Financial Services and Insurance	**24,472.94**	24,437.81	**25,804.47**	23,838.82
Unallocated	**-**	-	**2,466.87**	2,325.22
	31,746.92	30,033.78	**31,771.68**	29,857.63

* Excludes taxes, borrowings and minority interest

31. EMPLOYEE BENEFITS

a) Gratuity plan

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

Particulars	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Change in present value of obligations					
Obligations at beginning of the year	**84.25**	92.61	117.79	119.88	99.14
Service cost	**22.62**	21.95	26.46	34.70	41.48
Interest cost	**5.41**	7.13	8.19	9.02	8.08
Actuarial (gain)/loss	**36.18**	(17.03)	(34.14)	(17.83)	(8.62)
Benefits paid	**(31.54)**	(20.41)	(25.69)	(27.98)	(20.20)
Obligations at the end of the year	**116.92**	84.25	92.61	117.79	119.88
Change in plan assets					
Fair value of plan assets at beginning of the year	**30.57**	48.64	50.69	68.43	70.88
Expected return on plan assets	**2.30**	3.46	3.45	5.13	5.99
Actuarial gain/(loss)	**(0.29)**	(1.12)	0.18	0.02	0.75
Contributions	**21.39**	-	20.00	0.82	10.03
Benefits paid	**(31.54)**	(20.41)	(25.68)	(23.71)	(19.22)
Fair value of plan assets at end of the year	**22.43**	30.57	48.64	50.69	68.43
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	**116.92**	84.25	88.58	117.79	119.88
Fair value of plan assets at the end of year	**(22.43)**	(30.57)	(48.64)	(50.69)	(68.43)
Funded status being amount of liability recognised in the consolidated balance sheet	**94.49**	53.68	39.94	67.10	51.45
Gratuity cost for the year					
Service cost	**22.62**	21.95	26.46	34.70	38.38
Interest cost	**5.41**	7.13	8.19	9.02	8.08
Expected return on plan assets	**(2.30)**	(3.46)	(3.45)	(5.13)	(4.99)
Actuarial (gain)/loss	**36.47**	(18.35)	(34.32)	(17.85)	(9.36)
Net gratuity cost	**62.20**	7.47	(3.12)	20.74	32.11

Notes to the Consolidated Financial Statement

for the year ended 31 March 2016

(Currency: In millions of Indian ₹)

Particulars	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Actual return on plan assets	**2.01**	2.34	3.63	5.15	6.74
Assumptions					
Interest rate	**8.00%**	7.87%	9.10%	8.05%	8.60%
Estimated rate of return on plan assets	**9.00%**	9.00%	9.00%	9.00%	9.00%
Rate of growth in salary levels	**5.00%**	5.00%	5.00%	8.00%	10.00%
Withdrawal rate	**25.00% reducing to 2% for over 20 years of service**	25.00% reducing to 2% for over 20 years of service	25.00% reducing to 2% for over 20 years of service	25% reducing to 2% for over 20 years of service	25% reducing to 2% for over 20 years of service
Experience adjustments					
On plan liabilities loss / (gain)	**36.18**	(17.03)	(34.14)	(17.83)	(8.62)
On plan assets gain / (loss)	**(0.29)**	(1.12)	0.18	0.02	0.75

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

The Company continues to fund to the trust in next year by reimbursing the actual payouts.

Gratuity cost, as disclosed above, is included under 'Employee benefit expense'.

b) Contribution to Provident fund

The provident fund charge during the year amounts to ₹ 164.94 (31 March 2015: ₹ 188.38).

c) Compensated absences

	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Actuarial assumptions					
Interest rate	**8.00%**	7.87%	9.10%	8.05%	8.60%
Rate of growth in salary levels	**5.00%**	5.00%	5.00%	8.00%	10.00%

32. OTHER OPERATING INCOME

Other operating income includes gain of ₹ 475.83 for the year ended 31 March 2016 (31 March 2015: gain of ₹ 242.72) on restatement and settlement of debtor balances and related gain / loss on forward/option contracts and income of ₹ 54.15 for the year ended 31 March 2016 (31 March 2015: ₹ 67.45) on account of grant income earned by FSL-UK.

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

	31 March 2016	31 March 2015
Number of shares considered as basic weighted average shares outstanding	**669,787,584**	663,035,913
Add: Effect of potential issue of shares/ stock options	**30,803,670**	38,660,298
Number of shares considered as weighted average shares and potential shares outstanding	**700,591,254**	701,696,211
Net profit after tax attributable to shareholders	**2,649.69**	2,343.18
Net profit after tax for diluted earnings per share	**2,649.69**	2,343.18

Notes to the Consolidated Financial Statement

for the year ended March 2016

(Currency: In millions of Indian ₹)

34. CAPITAL AND OTHER COMMITMENTS AND CONTINGENT LIABILITIES

	31 March 2016	31 March 2015
The estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	**303.72**	215.23
Claims not acknowledged as debts	**1.35**	1.35
Guarantees given	**6.16**	6.18

Direct tax matters

Income tax demands amounting to ₹ 1,280.61 (31 March 2015: ₹ 1,236.77) for the various assessment years are disputed in appeal by Firstsource Solutions Limited in respect of which Firstsource Solutions Limited has favorable decisions supporting its stand based on the past assessment or otherwise and hence, the provision for taxation is considered adequate. Firstsource Solutions Limited has paid ₹ 10.38 (31 March 2015: ₹ 10.38) tax under protest against the demand raised for the assessment year 2004-05, ₹ 12.50 (31 March 2015: ₹12.50) tax under protest against the demand raised for the assessment year 2009-10, ₹ 80.00 (31 March 2015: ₹ 80.00) tax under protest against the demand raised for the assessment year 2011-12 and ₹ 28.10 (31 March 2015: Nil) tax under protest against the demand raised for the assessment year 2012-13.

Indirect tax matters

Service tax demands amounting to ₹ 172.11 (31 March 2015: ₹ 131.15) in respect of service tax input credit and FCCB issue expenses is disputed in appeal by Firstsource Solutions Limited. Firstsource Solutions Limited expects favourable appellate decision in this regard.

Firstsource Solutions Limited's pending litigations comprise of claims against Firstsource Solutions Limited and pertaining to proceedings pending with Income tax and service tax. Firstsource Solutions Limited has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed as contingent liabilities where applicable, in its financial statements. Firstsource Solutions Limited does not expect the outcome of these proceedings to have a materially adverse effect on its financial statements.

Guarantees

Guarantees given pertain to guarantees given to the Government of India, Customs and Central Excise department towards duty securities. Also refer Note 5(b).

35. ADOPTION OF AS 30

In December 2007, ICAI issued AS 30, Financials Instruments: Recognition and Measurement which was recommendatory in respect of accounting periods commencing on or after 1 April 2009 and was to be 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 revisions to other Accounting Standards, has not been notified under the Companies (Accounts) Rules, 2014.

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. In view of the Company, on 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.

Notes to the Consolidated Financial Statement

for the year ended 31 March 2016

(Currency: In millions of Indian ₹)

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 other non-current assets. This unamortised cost is charged to the consolidated statement of profit and loss over the period of related lease. Correspondingly, interest income is accrued on these interest-free deposits using the implicit rate of return over the period of lease and is recognised under "Interest income".

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

The Company has also designated forward contracts to hedge highly probable forecasted transactions based on the principles as set out in AS 30.

Consequent to the early adoption of AS 30 as stated above, the profit after taxation for the year ended 31 March 2016 and Reserves and Surplus as at the Balance sheet date is higher by ₹ 178.36 (31 March 2015: higher by ₹ 86.21) and higher by ₹ 555.68 (31 March 2015: ₹ 6.81) 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 and would be transferred to consolidated statement of profit and loss upon disposal of non-integral foreign operation.

36. DERIVATIVES

As at 31 March 2016, the Company has derivative financial instruments to sell USD 36.95 million (31 March 2015: USD 41.99 million) having fair value gain of ₹ 34.17 million (31 March 2015: gain of ₹ Rs 50.72), GBP 57.17 million (31 March 2015: GBP 62.95 million) having fair value gain of ₹ 493.26 (31 March 2015: gain of ₹ 677.15) relating to highly probable forecasted transactions.

Foreign currency exposures on loans and receivables that are not hedged by derivative instruments or otherwise are ₹ 786.46 (equivalent to USD 4.46 million, AUD 6.56 million and GBP 1.74 million) (31 March 2015: ₹ 373.64 (equivalent to USD 3.05 million, AUD 0.74 million and GBP 1.66 million)).

37. LONG-TERM CONTRACTS

The Company has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the period end, the Company has reviewed and ensured that adequate provision as required under any law / Accounting Standards for material foreseeable losses on such long term contracts (including derivative contracts) has been made in the books of account.

38. CORPORATE SOCIAL RESPONSIBILITY (CSR)

As per Section 135 of the Companies Act, 2013, a CSR trust has been formed by CESC Limited, Ultimate Holding Company along with other group companies including the Company. The areas identified by the CSR trust includes activities for promoting healthcare, art / culture, sports and education as the four priority areas to be pursued in phases and in a manner aligned with the CSR rules and regulations. The funds have been contributed to the trust to be utilized on these activities which are specified in Schedule VII to the Companies Act, 2013.

a. Gross amount required to be spent by the Company during the year is ₹ 26.29 (31 March 2015: ₹ 17.13)

b. Amount spent by Firstsource during the year on:

Sr. No	Particulars	Amount paid	Amount yet to be paid	**Total**
(i)	Construction/ acquisition of any asset	1.25	-	**1.25**
(ii)	On purposes other than (i) above	25.04*	-	**25.04**

*Amount paid to the trust

Notes to the Consolidated Financial Statement

for the year ended March 2016

(Currency: In millions of Indian ₹)

39. STATEMENT PURSUANT TO REQUIREMENT OF SCHEDULE III TO THE COMPANIES ACT, 2013 RELATING TO COMPANY'S INTEREST IN SUBSIDIARY COMPANIES.

Financial year 2015-16:

Sr no	Name of the entity	Net Assets, i.e., total assets minus total liabilities		Share in profit or loss	
		As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount
	Firstsource Solutions Limited	31.02%	17,709.61	56.42%	1,497.36
	Subsidiaries Indian				
1	Firstsource Process Management Services Limited	0.05%	30.17	0.04%	1.06
	Subsidiaries Foreign				
1	Firstsource Group USA, Inc.	22.15%	12,644.83	(15.15)%	(401.76)
2	Firstsource Solutions UK Limited	4.72%	2,695.84	28.76%	763.18
3	Firstsource Solutions S.A.	-	-	-	-
4	Firstsource Advantage LLC	2.50%	1,428.68	3.12%	82.71
5	Firstsource Business Process Services, LLC	2.57%	1,468.35	(0.00)%	(0.12)
6	Firstsource Solutions USA LLC	33.66%	19,219.62	6.38%	169.34
7	Firstsource Transaction Services LLC	2.43%	1,387.76	13.21%	350.59
8	Firstsource Dialog Solutions (Private) Limited	0.13%	75.80	0.63%	16.84
9	Firstsource BPO Ireland Limited	0.48%	275.60	0.56%	14.95
10	One Advantage LLC	0.29%	163.65	6.03%	159.92
11	MedAssist Holding, LLC	-	-	-	-
	Subtotal	**100%**	**57,099.91**	**100%**	**2,654.07**
	Adjustment		(32,829.40)		-
	Minority interest		(19.71)		(4.38)
	Total		**24,250.80**		**2,649.69**

Financial year 2014-15:

Sr no	Name of the entity	Net Assets, i.e., total assets minus total liabilities		Share in profit or loss	
		As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount
	Firstsource Solutions Limited	30.96%	16,283.07	69.84%	1,637.54
	Subsidiaries Indian				
1	Firstsource Process Management Services Limited	0.06%	30.49	(0.01%)	(0.13)
	Subsidiaries Foreign				
1	Firstsource Group USA, Inc.	24.49%	12,878.98	(23.81)%	(558.19)
2	Firstsource Solutions UK Limited	3.60%	1,895.29	22.25%	521.46
3	Firstsource Solutions S.A.	-	-	-	-
4	Firstsource Advantage LLC	2.17%	1,140.46	5.35%	125.38
5	Firstsource Business Process Services, LLC	2.63%	1,385.24	(0.02)%	(0.36)
6	Firstsource Solutions USA LLC	34.16%	17,968.56	11.63%	272.70
7	Firstsource Transaction Services LLC	1.37%	720.11	10.61%	248.83
8	Firstsource Dialog Solutions (Private) Limited	0.12%	63.49	0.26%	6.12
9	Firstsource BPO Ireland Limited	0.44%	231.70	3.90%	91.42
10	One Advantage LLC	0.00%	1.56	-	-
11	MedAssist Holding, LLC	-	-	-	-
	Subtotal	**100%**	**52,598.95**	**100%**	**2,344.77**
	Adjustment		(31,696.27)	-	-
	Minority interest		(16.31)		(1.59)
	Total		**20,886.37**		**2,343.18**

Notes to the Consolidated Financial Statement

for the year ended 31 March 2016

(Currency: In millions of Indian ₹)

40. DUES TO MICRO AND SMALL ENTERPRISES

Under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, which came into force from 2 October 2006, and on the basis of the information and records available with the Company, the following disclosures are made for the amounts due to the Micro and Small enterprises:

Particulars	31 March 2016	31 March 2015
The amounts remaining unpaid to micro and small suppliers as at the end of the year		
- Principal	-	-
- Interest	-	-
Amount of interest paid by the Company in terms of section 16 of the MSMED Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year	-	-
Amount of interest due and payable for the 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 Act, 2006	-	-
Amount of interest accrued and remaining unpaid at the end of the accounting year	-	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the MSMED Act, 2006	-	-

As per our report of even date attached.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Rajesh Mehra
Partner
Membership No: 103145

Kolkata
May 12, 2016

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

Sanjiv Goenka
Chairman

Rajesh Subramaniam
Managing Director and CEO

Shashwat Goenka
Director

Y. H. Malegam
Director

Charles Miller Smith
Director

V.K. Sharma
Director

Pradip Roy
Director

Subrata Talukdar
Director

Grace Koshie
Director

Dinesh Jain
President and CFO

Sanjay Gupta
Company Secretary

Form AOC-I

(Pursuant to first proviso to sub-section (3) of section 129 read with Rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statements of subsidiaries/ associate companies/ joint ventures

Part "A": Subsidiaries

(Currency : in millions of Indian ₹)

Sr. No.	Name of the Subsidiary	Firstsource Process Management Services Limited (Earlier known as Anunta Tech Infrastructure Services Limited)	Firstsource Group USA Inc	Firstsource Business Process Services LLC	Firstsource Advantage LLC	Firstsource Solutions UK Limited	MedAssist Holding LLC	Firstsource Solutions USA LLC	Firstsource Transaction Services LLC	Firstsource BPO Ireland Limited	Firstsource-Dialog Solutions (Private) Limited	Firstsource Solution S.A.	One Advantage LLC
1	Reporting period for the subsidiary concerned	01-04-2015 to 31-03-2016	01-04-2015 to 31-03-2016	01-04-2015 to 31-03-2016	01-04-2015 to 31-03-2016	01-04-2015 to 31-03-2016	01-04-2015 to 31-03-2016	01-04-2015 to 31-03-2016	01-04-2015 to 31-03-2016	01-04-2015 to 31-03-2016	01-04-2015 to 31-03-2016	01-04-2015 to 31-03-2016	01-04-2015 to 31-03-2016
2	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaires	INR	USD 66.25	USD 66.25	USD 66.25	GBP 95.47	USD 66.25	USD 66.25	USD 62.25	EUR 75.39	LKR 0.4446	NA	USD 66.25
3	Paid-up Share Capital	10.50	14.47	-	0.66	270.63	-	764.00	-	-	47.44	Nil	-
4	Reserves & Surplus	19.66	12,623.84	1,468.35	1,428.06	2,425.20	-	19,219.62	1,388.25	275.60	28.36	Nil	163.65
5	Total Assets	30.56	25,836.96	2,635.08	1,595.88	6,229.01	-	20,937.68	1,660.03	277.60	89.97	Nil	224.05
6	Total Liabilities (excluding Capital and Reserves)	0.40	13,198.64	1,166.73	167.15	3,533.17	-	1,718.06	271.79	2.00	14.17	Nil	60.40
7	Investments (excluding Investments in Subsidiaries)	27.50	-	-	-	-	-	-	-	-	-	Nil	-
8	Total Income	2.24	2,393.99	-	2,699.06	10,344.08	-	5,458.31	6,153.80	37.67	223.15	Nil	862.63
9	Profit / (Loss) Before Tax	1.31	(558.82)	(0.00)	83.77	941.16	-	171.51	355.09	19.47	15.89	Nil	161.99
10	Provision for Tax	0.25	(156.30)	-	-	202.16	-	-	-	3.86	-	Nil	-
11	Profit / (Loss) After Tax	1.06	(402.51)	(0.00)	83.77	739.00	-	171.51	355.09	15.60	15.89	Nil	161.99
12	Proposed Dividend (including Tax thereon)	-	-	-	-	-	-	-	-	-	-	Nil	-
13	% of Shareholding	100%	100%	100%	100%	100%	100%	100%	100%	100%	74%	99.98%	100%

Notes: 1. The Names of subsidiaries which are yet to commence operations: None
2. Names of the subsidiaries which have been liquidated or sold during the year: None
3. Figures mentioned in Firstsource Solutions USA LLC are the consolidated figures of Firstsource Solutions USA LLC and MedAssist Holding, LLC.

Part "B": Associates and Joint Ventures: The Company has no Associates or Joint Ventures

For and on behalf of the Board of Directors

Sanjiv Goenka
Chairman

Rajesh Subramaniam
Managing Director and CEO

Shashwat Goenka
Director

Y. H. Malegam
Director

Charles Miller Smith
Director

V.K. Sharma
Director

Pradip Roy
Director

Subrata Talukdar
Director

Grace Koshie
Director

Dinesh Jain
President and CFO

Sanjay Gupta
Company Secretary

Kolkata
May 12, 2016

Independent Auditor's Report

To the Members of
Firstsource Solutions Limited

Report on the standalone financial statements

We have audited the accompanying standalone financial statements of Firstsource Solutions Limited ("the Company"), which comprise the balance sheet as at 31 March 2016, 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(hereinafter referred to as "the standalone financial statements").

Management's responsibility for the standalone financial statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.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 also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the 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 standalone financial statements based on our audit.

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

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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, of the state of affairs of the Company as at 31 March 2016 and its profit and its cash flows 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 under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014. Consequent to early adoption of AS 30as stated above,the profit after taxation for the year and Reserves and Surplus as at the balance sheet date are higher by Rs 177.29 million and by Rs 3,169.83million respectively.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

2. As required by Section 143(3) of the Act, we report that:

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

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

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

d) In our opinion, the afore said standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. Additionally, the Company has early adopted AS 30, read with AS 31, along with prescribed limited revisions to other Accounting Standards prescribed under the Act as stated in Emphasis of Matter paragraph above;

e) On the basis of written representations received from the directors as on 31 March 2016 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2016 from being appointed as a director in terms of Section 164 (2) of the Act;

f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B"; and

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

i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – refer Note 32 to the financial statements;

ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts in line with the principles of AS 30 – refer Note 37 to the financial statements; and

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Rajesh Mehra
Partner
Membership No: 103145

Kolkata
12 May 2016

Annexure – A to the Independent Auditors' Report

With reference to the Annexure A referred to in the Independent Auditors' Report to the members of the Company on the standalone financial statements for the year ended 31 March 2016, we report the following:

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.

   (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company does not hold any immovable properties. Accordingly, paragraph 3(i)(c) of the Order is not applicable.

2. The Company is in the business of rendering services, and consequently, does not hold any inventory. Therefore, paragraph 3(ii) of the Order is not applicable to the Company.

3. The Company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, paragraph 3(iii) of the said Order is not applicable to the Company.

4. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Act, with respect to the loans and investments made.

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

6. The Central Government has not prescribed the maintenance of cost records under Section 148(1) of the Act for any of the services rendered by the Company.

7. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income tax,service tax, value added tax, duty of customs, cess and other material statutory dues have been 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 and duty of excise.

   According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, service tax, duty of customs, cess and other material statutory dues were in arrears as at 31 March 2016 for a period of more than six months from the date they became payable.

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

Name of the Statute	Nature of the Dues	Amount Rs (million)*	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	Income tax Appellate Tribunal
Income-tax Act, 1961	Assessment under Section 143 (3) read with Section 147	127	2005-06	Commissioner of Income Tax- Appeals
Income-tax Act, 1961	Assessment under Section 143 (3) read with Section 147	18	2006-07	Income tax Appellate Tribunal
Income-tax Act, 1961	Assessment under Section 143 (3) read with Section 147	59	2007-08	Commissioner of Income Tax -Appeals
Income-tax Act, 1961	Assessment under Section 143(3) read with Section 144 C (13)	403	2008-09	Income tax Appellate Tribunal

Income-tax Act, 1961	Assessment under Section 143 (3) read with Rule 92 CA (4)	49	2008-09	Commissioner of Income Tax -Appeals
Income-tax Act, 1961	Assessment under Section 143 (3) read with Section 144 C (13)	51	2009-10	Commissioner of Income Tax - Appeals
Income-tax Act, 1961	Assessment under Section 201 (1) and 201 (1A)	259	2010-11	Income tax Appellate Tribunal
Income-tax Act, 1961	Assessment under Section 201 (1) and 201 (1A)	84	2011-12	Commissioner of Income Tax - Appeals
Income-tax Act, 1961	Assessment under Section 201 (1) and 201 (1A)	31	2012-13	Commissioner of Income Tax - Appeals
Service Tax Rules, 1994	Demand notice	172	2006 to 2015	Commissioner of Service Tax

* These amounts are net of amount paid under protest of ₹ 131.

8. 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 and financial institutions. The Company has not taken any loan or borrowing from the government and did not have any dues to debenture holders during the year.

9. In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) during the year.

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

11. According to the information and explanations give to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

12. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.

13. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable Accounting Standards.

14. According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable.

15. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.

16. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act 1934.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Rajesh Mehra
Partner
Membership No: 103145

Kolkata
12 May 2016

Annexure – B to the Independent Auditors' Report

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Firstsource Solutions Limited ("the Company") as of 31 March 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Rajesh Mehra
Partner
Membership No: 103145

Kolkata
12 May 2016

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Standalone Balance Sheet

as at 31 March 2016

(Currency: In millions of Indian ₹)

Particulars	Note No.	31 March 2016	31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	6,733.15	6,662.91
Reserves and surplus	4	10,976.46	9,620.16
		17,709.61	16,283.07
Share application money received under ESOP scheme	3A	-	0.20
Non-current liabilities			
Long-term borrowings	5	1,163.22	1,218.08
Long-term provisions	6	111.48	73.41
		1,274.70	1,291.49
Current liabilities			
Short-term borrowings	7	584.80	1,007.07
Trade payables	8		
- Total outstanding dues of micro and small enterprises		-	-
- Total outstanding dues of creditors other than micro and small enterprises		255.35	254.00
Other current liabilities	9	700.66	755.44
Short-term provisions	10	33.69	38.11
		1,574.50	2,054.62
TOTAL		**20,558.81**	19,629.38
ASSETS			
Non-current assets			
Fixed assets	11		
- Tangible assets		265.49	322.27
- Intangible assets		132.98	262.50
- Capital work-in-progress		14.40	0.50
		412.87	585.27
Non-current investments	12	11,913.24	11,813.71
Deferred tax assets	13	421.47	454.44
Long-term loans and advances	14	2,241.00	2,036.05
Other non-current assets	15	10.25	26.22
		14,998.83	14,915.69
Current assets			
Current investments	16	740.24	649.11
Trade receivables	17	3,195.57	2,335.48
Cash and bank balances	18	366.33	260.98
Short-term loans and advances	19	493.43	486.90
Other current assets	20	764.41	981.22
		5,559.98	4,713.69
TOTAL		**20,558.81**	19,629.38
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/W-100022

Rajesh Mehra
Partner
Membership No: 103145

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

Sanjiv Goenka
Chairman

Rajesh Subramaniam
Managing Director and CEO

Shashwat Goenka
Director

Y. H. Malegam
Director

Charles Miller Smith
Director

V.K. Sharma
Director

Pradip Roy
Director

Subrata Talukdar
Director

Grace Koshie
Director

Dinesh Jain
President and CFO

Sanjay Gupta
Company Secretary

Kolkata
May 12, 2016

Standalone Statement of Profit & Loss

for the year ended 31 March 2016

(Currency: In millions of Indian ₹)

	Note No.	31 March 2016	31 March 2015
INCOME			
Revenue from operations	21	8,748.78	9,141.39
Other income	22	256.53	186.67
Total income		**9,005.31**	9,328.06
EXPENSES			
Employee benefits expense	23	4,248.07	4,377.19
Finance costs	24	162.37	202.23
Depreciation and amortization	11	329.93	464.30
Other expenses	25	2,523.75	2,685.16
Total expense		**7,264.12**	7,728.88
Profit before taxation		1,741.19	1,599.18
Less : Provision for taxation			
- Current tax including MAT		371.63	344.64
Less: MAT credit entitlement		(176.77)	(335.20)
Net current tax		194.86	9.44
- Deferred tax charge		32.97	(47.80)
- Tax credit of earlier year written off		16.00	-
Profit after taxation		**1,497.36**	1,637.54
Earnings per share	31		
Weighted average number of equity shares outstanding during the year			
- Basic		669,787,584	663,035,913
- Diluted		700,591,254	701,696,211
Earnings per share (₹)			
- Basic		2.24	2.47
- Diluted		2.14	2.33
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/W-100022

Rajesh Mehra
Partner
Membership No: 103145

Kolkata
May 12, 2016

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

Sanjiv Goenka — Chairman
Rajesh Subramaniam — Managing Director and CEO
Shashwat Goenka — Director
Y. H. Malegam — Director
Charles Miller Smith — Director
V.K. Sharma — Director
Pradip Roy — Director
Subrata Talukdar — Director
Grace Koshie — Director
Dinesh Jain — President and CFO
Sanjay Gupta — Company Secretary

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Standalone Cash Flow Statement

for the year ended 31 March 2016

Currency: In millions of Indian ₹)

	31 March 2016	31 March 2015
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	1,741.19	1,599.18
Adjustments for		
Depreciation and amortisation	329.93	464.30
Provision for doubtful debts written off	1.06	-
Gain on sale of fixed assets, net	(4.08)	(4.49)
Foreign exchange (gain)/loss, net	(234.67)	636.62
Finance costs	89.09	150.96
Interest income	(17.67)	(53.74)
Profit on sale / redemption of investments	(53.01)	(40.18)
Rent expense on account of adoption of AS 30	9.15	17.56
Operating cash flow before changes in working capital	**1,860.99**	2,770.21
Changes in working capital		
(Increase) in trade receivables	(822.20)	(403.20)
Decrease in loans and advances and other assets	43.09	332.74
Increase/(Decrease) in liabilities and provisions	110.83	(1,871.52)
Net changes in working capital	**(668.28)**	(1,941.98)
Income taxes paid	(423.38)	(322.44)
Net cash generated from operating activities (A)	**769.33**	505.79
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investment in mutual funds / government securities	(14,628.61)	(7,818.55)
Proceeds from sale of investment in mutual fund	14,590.00	7,209.19
Interest income received	6.35	33.48
Purchase of fixed assets and capital advances given	(161.67)	93.04
Proceeds from sale of fixed assets	8.51	7.26
Investment in shares of Nanobi Data and Analytics Private Limited	(25.00)	(30.00)
Bank deposits (having original maturity of more than three months)	(0.86)	-
Net cash used in investing activities (B)	**(211.28)**	(505.58)
CASH FLOW FROM FINANCING ACTIVITIES		
(Repayment of) /proceeds from unsecured loan – others, Net	(381.88)	23.60
Repayment of secured loan, Net	(98.01)	(12.33)
Proceeds from issuance of equity shares and share application money	117.07	112.56
Interest paid	(90.74)	(151.33)
Net cash used in financing activities (C)	**(453.56)**	(27.50)
Net Increase / (Decrease) in Cash and cash equivalents at the end of the year (A+B+C)	104.49	(27.29)
Cash and cash equivalents at the beginning of the year	258.50	285.79
Cash and cash equivalents at the end of the year	**362.99**	258.50

Standalone Cash Flow Statement

for the year ended 31 March 2016

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:

(Currency: In millions of Indian ₹)

	31 March 2016	31 March 2015
Cash on hand	**0.04**	0.22
Balances with banks		
- in current accounts	**362.95**	258.28
Cash and cash equivalents	**362.99**	258.50

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/W-100022

Rajesh Mehra
Partner
Membership No: 103145

Kolkata
May 12, 2016

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

Sanjiv Goenka
Chairman

Rajesh Subramaniam
Managing Director and CEO

Shashwat Goenka
Director

Y. H. Malegam
Director

Charles Miller Smith
Director

V.K. Sharma
Director

Pradip Roy
Director

Subrata Talukdar
Director

Grace Koshie
Director

Dinesh Jain
President and CFO

Sanjay Gupta
Company Secretary

Notes to the Standalone Financial Statement

for the year ended 31 March 2016

(Currency: In millions of Indian ₹)

1. BACKGROUND

Firstsource Solutions Limited ('Firstsource' or 'the Company') 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.

The list of subsidiaries with percentage holding is summarised below:

Subsidiaries	Country of incorporation and other particulars	Percentage of holding by the ultimate 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.	100%
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.	100%
Firstsource Advantage LLC (FAL)	A subsidiary of FBPS, 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, merged with MedAssist Holding LLC during the year ended 31 March 2015.	100%
Firstsource Solutions USA LLC (earlier known as MedAssist LLC)	A subsidiary of MedAssist Holding, Inc., incorporated in the State of Delaware, USA.	100%
Firstsource Process Management Services Limited (FPMSL) (earlier known as Anunta Tech Infrastructure Services Limited)	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 BPO Ireland Limited (FSL Ireland)	A subsidiary of Firstsource Solutions Limited, incorporated under the laws of Ireland.	100%
One Advantage LLC (OAL)	A subsidiary of FBPS, incorporated in the state of Delaware, USA, effective 06 August 2014.	100%
Medassist Holding LLC (earlier known as Medassist Acquisition LLC)	A subsidiary of FG US, incorporated under the laws of the State of Delaware, USA, effective 31 March 2015.	100%
Firstsource Dialog Solutions (Private) Limited (FDS)	A subsidiary of Firstsource Solutions Limited, incorporated under the laws of Sri Lanka.	74%

Notes to the Standalone Financial Statement

for the year ended 31 March 2016

(Currency: In millions of Indian ₹)

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements of Firstsource Solutions Limited are prepared on accrual basis in accordance with Indian Generally Accepted Accounting Principles (GAAP), under the historical cost convention, except for certain financial instruments which are measured at fair values, and Accounting Standards prescribed under Section 133 of the Companies Act, 2013 ('the Act'), read with Rule 7 of the Companies (Accounts) Rules, 2014 and other relevant provisions of the Act, to the extent applicable. Additionally, 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. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing Accounting Standard requires a change in the accounting policy hitherto in use. The 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 (12 months) and other criteria set out under the Act.

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 as summarized below:

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

* For these class of assets, based on internal assessment and independent technical evaluation carried out by external valuers, the management believes that the useful lives as given above best represent the period over which management expects to use these assets. Hence the useful lives for these assets are different from the useful lives as prescribed under Part C of Schedule II to the Companies Act, 2013.

Notes to the Standalone Financial Statement

for the year ended 31 March 2016

(Currency: In millions of Indian ₹)

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

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

The amortisation of software development costs is allocated on a systematic basis over the best estimate of its useful life after the product is ready for use. The factors considered for identifying the basis include obsolescence, 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 fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

2.5 Impairment of assets

a. Financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such indication exists, the Company estimates the amount of impairment loss. The amount of loss for short-term receivables is measured as the difference between the asset's 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

a. Post employment benefits

Gratuity

The Company's gratuity scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The present value of the obligation under such defined benefit plan is determined based on actuarial valuation by an independent actuary using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under

Notes to the Standalone Financial Statement

for the year ended 31 March 2016

(Currency: In millions of Indian ₹)

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.

Defined contribution plans

In accordance with Indian regulation, all employees of the Company receive benefits from a Government administered provident fund scheme. This is a defined contribution retirement plan in which both, the Company and the employee contribute at a determined rate. Monthly contributions payable to the provident fund are charged to the statement of profit and loss as incurred.

b. Other long term employee benefits

Compensated absences

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

Where employees of the Company are entitled to compensated absences, the employees can carry-forward a portion of the unutilized accrued compensated absence and utilise it in future periods or receive cash compensation at termination of employment for the unutilised accrued compensated absence. The Company records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement.

The Company measures the expected cost of compensated absences as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated as at the balance sheet date.

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 realized in the future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets.

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

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

2.9 Leases

Finance lease

Assets acquired on finance leases, including assets acquired under sale and lease back transactions, have been recognised as an asset and a liability at the inception of the lease and have been recorded at an amount equal to the lower of the fair value of the leased asset and the present value of the future minimum lease payments.

Notes to the Standalone Financial Statement

for the year ended 31 March 2016

(Currency: In millions of Indian ₹)

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 period. Foreign currency denominated assets and liabilities other than fixed assets are translated at the period end exchange rates and the resulting net gain or loss is recognised in the statement of profit and loss.

b. Derivative instruments and hedge accounting

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

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

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

Foreign currency derivative instruments are initially measured at fair value, and are re-measured at subsequent reporting dates. Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognized 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 shareholders' 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 34 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,

Notes to the Standalone Financial Statement

for the year ended 31 March 2016

(Currency: In millions of Indian ₹)

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 oprerations 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 operations, assets and liabilities including fixed assets are translated at exchange rates prevailing at the date of the balance sheet. The items in the statement of profit and loss are translated at the average exchange rate during the period. The difference arising out of the translations on consolidation of non-integral operations are transferred to exchange difference 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 period attributable to the equity shareholders for the period by the weighted average number of equity shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share, and also the weighted average number of equity shares which may be issued on the conversion of all dilutive potential shares, unless the results would be anti-dilutive.

2.13 Provisions and contingencies

The Company creates a provision when there is 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.

Notes to the Standalone Financial Statement

as at 31 March 2016

(Currency: In millions of Indian ₹)

	31 March 2016	31 March 2015
3. SHARE CAPITAL		
Authorised		
872,000,000 (31 March 2015: 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		
673,314,912 (31 March 2015: 666,291,459) equity shares of ₹ 10 each, fully paid-up	**6,733.15**	6,662.91
	6,733.15	6,662.91

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

	31 March 2016		31 March 2015	
	No. of shares	Amount	No. of shares	Amount
At the commencement of the year	**666,291,459**	**6,662.91**	659,734,876	6,597.35
Shares allotted during the year- employee stock option scheme	**7,023,453**	**70.24**	6,556,583	65.56
At the end of the year	**673,314,912**	**6,733.15**	666,291,459	6,662.91

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

	31 March 2016		31 March 2015	
	No. of shares	%	No. of shares	%
Spen Liq Private Limited	**373,976,673**	**55.54**	373,976,673	56.13

c. Shares held by holding company

	31 March 2016		31 March 2015	
	No. of shares	%	No. of 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, refer Note 27.

e. Shares reserved for issue under options

26,495,617 (31 March 2015: 42,308,052) number of shares are reserved for employees for issue under the employee stock options plan (ESOP) amounting to ₹ 264.96 (31 March 2015: ₹ 423.08). (refer Note 27)

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.

Notes to the Standalone Financial Statement

as at 31 March 2016

(Currency: In millions of Indian ₹)

3A. Share application money received under ESOP scheme

During the year, Firstsource has allotted 20,000 shares from balance lying as share application money pending allotment under ESOP scheme as at 31 March 2015.

	31 March 2016	31 March 2015
4. RESERVES AND SURPLUS		
Securities premium reserve		
At the commencement of the year	**1,716.25**	1,668.80
Add : Premium on shares allotted during the year	**47.04**	47.45
At the end of the year	**1,763.29**	1,716.25
Amalgamation deficit adjustment account	**(1,136.72)**	(1,136.72)
General reserve		
At the commencement of the year	**30.68**	30.68
Movement during the year	**-**	-
At the end of the year	**30.68**	30.68
Hedging reserve		
At the commencement of the year	**631.36**	(103.67)
Movement during the year	**(187.19)**	735.03
At the end of the year	**444.17**	631.36
Foreign currency translation reserve		
At the commencement of the year	**197.77**	202.23
Movement during the year	**(0.91)**	(4.46)
At the end of the year	**196.86**	197.77
Surplus (profit and loss balance)		
At the commencement of the year	**8,180.82**	6,543.28
Add : Net profit for the year	**1,497.36**	1,637.54
At the end of the year	**9,678.18**	8,180.82
Total reserves and surplus	**10,976.46**	9,620.16

5. LONG-TERM BORROWINGS		
Secured		
Term loans – from banks		
External commercial borrowing (ECB) – (refer note 'a')	**1,106.46**	1,168.75
Long-term maturities of finance lease obligations - (refer note 'b' and 26)	**8.71**	16.79
Unsecured		
Loan from non-banking financing companies – (refer note 'c')	**48.05**	32.54
	1,163.22	1,218.08

a. External commercial borrowing is a dollar denominated borrowing carrying floating interest rate in the range of 3.15% p.a. to 3.75% p.a. The loan is repayable by 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.

b. Finance lease obligation carries interest in the range of 6% p.a. to 12.5% p.a. for the period of 3 - 5 years from April 2013 to March 2018 repayable in quarterly installments. This is secured by way of hypothecation of underlying fixed assets taken on lease (refer Note 11).

Notes to the Standalone Financial Statement

as at 31 March 2016

(Currency: In millions of Indian ₹)

c. Loan from non-banking financing companies carries interest in the range of 7.5% p.a. to 12.5% p.a. for the period of 3 - 4 years from October 2011 to July 2019, repayable in quarterly installments from the date of its origination.

d. The above excludes current maturity of long-term borrowings which are mentioned in Note 9 - Other current liabilities under Current maturities of long-term borrowings.

	31 March 2016	31 March 2015
6. LONG-TERM PROVISIONS		
Provision for employee benefits		
Gratuity	**90.77**	50.58
Compensated absences	**20.71**	22.83
	111.48	73.41
7. SHORT-TERM BORROWINGS		
Unsecured		
Export finance from banks – (refer note – 'a') below	**584.80**	1,007.07
	584.80	1,007.07

a. Export finance from banks includes post-shipment and pre-shipment finance and carries interest in the range of 1.1% p.a. to 3.65% p.a. The same is repayable on demand / receipt from customers.

8. TRADE PAYABLES		
Trade payables for services and goods	**-**	-
- Total outstanding dues of micro and small enterprises (refer Note 38)		
- Total outstanding dues of creditors other than micro and small enterprises	**255.35**	254.00
	255.35	254.00
9. OTHER CURRENT LIABILITIES		
Current maturities of long-term borrowings		
Secured		
External commercial borrowing (ECB) - (refer note '5(a)')	**132.51**	62.50
Finance lease obligation – (refer note '5(b)')	**11.56**	35.92
Unsecured		
Loan from non-banking financing companies – (refer note '5(c)')	**40.13**	22.64
Interest accrued but not due on borrowings	**2.74**	4.38
Other payables		
Amount payable to Firstsource Solutions		
UK Limited	**-**	114.93
Book credit in bank account	**314.62**	310.75
Creditors for capital goods	**10.19**	7.76
Tax deducted at source	**24.54**	16.28
Employee benefits payable	**164.37**	180.28
	700.66	755.44
10. SHORT-TERM PROVISIONS		
Provision for employee benefits		
Compensated absences	**33.69**	38.11
	33.69	38.11

Notes to the Standalone Financial Statement

as at 31 March 2016

(Currency: In millions of Indian ₹)

11. FIXED ASSETS

	Tangible assets							Intangible assets					
	Leasehold improvements	Computers	Service equipment	Furniture and fixture	Office equipment	Vehicles	Total	Goodwill	Domain name	Software	Total	Grand total	Capital work-in-progress
Gross block (at cost)													
As at 1 April 2015	1,049.69	737.22	503.17	337.39	1,008.91	8.37	**3,644.75**	1,006.00	6.72	685.04	**1,697.76**	**5,342.51**	0.50
Additions/ adjustments during the period*	(12.99)	26.00	2.15	8.34	25.86	2.00	**51.36**	12.23	-	64.45	**76.68**	**128.04**	13.90
Deletions during the period	(54.13)	(20.84)	(1.19)	(16.89)	(27.83)	-	**(120.88)**	(1,018.23)	-	(3.02)	**(1,021.25)**	**(1142.13)**	-
As at 31 March 2016	**982.57**	**742.38**	**504.13**	**328.84**	**1,006.94**	**10.37**	**3,575.23**	**-**	**6.72**	**746.47**	**753.19**	**4,328.42**	**14.40**
Accumulated depreciation / amortization													
As at 1 April 2015	954.50	712.49	454.37	265.84	932.81	2.46	**3,322.47**	887.57	6.72	540.97	**1,435.26**	**4,757.73**	-
Charge for the period	40.25	17.27	17.68	12.01	45.14	2.50	**134.85**	119.40	-	75.68	**195.08**	**329.93**	-
On deletions/ adjustments during the period*	(68.54)	(18.74)	(2.57)	(13.98)	(43.75)	-	**(147.58)**	(1,006.97)	-	(3.16)	**(1,010.13)**	**(1,157.71)**	-
As at 31 March 2016	**926.21**	**711.02**	**469.48**	**263.87**	**934.20**	**4.96**	**3,309.74**	**-**	**6.72**	**613.49**	**620.21**	**3,929.95**	**-**
Net block As at 31 March 2016	**56.36**	**31.36**	**34.65**	**64.97**	**72.74**	**5.41**	**265.49**	**-**	**-**	**132.98**	**132.98**	**398.47**	**14.40**
As at 31 March 2015	95.19	24.73	48.80	71.55	76.09	5.91	322.27	118.43	-	144.07	262.50	584.77	0.50

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

	Tangible assets							Intangible assets					
	Leasehold improvements	Computers	Service equipment	Furniture and fixture	Office equipment	Vehicles	Total	Goodwill	Domain name	Software	Total	Grand total	Capital work-in-progress
Gross block (at cost)													
As at 1 April 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**
Additions/ adjustments during the year*	35.12	13.69	3.89	9.72	21.09	2.94	**86.45**	42.01	-	113.67	**155.68**	**242.13**	-
Deletions during the year	(0.62)	(46.35)	(0.38)	(5.98)	(14.11)	(1.17)	**(68.61)**	-	-	(1.35)	**(1.35)**	**(69.96)**	-
As at 31 March 2015	**1,049.69**	**737.22**	**503.17**	**337.39**	**1,008.91**	**8.37**	**3,644.75**	**1,006.00**	**6.72**	**685.04**	**1,697.76**	**5,342.51**	**0.50**
Accumulated depreciation / amortization													
As at 1 April 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**	-
Charge for the year	70.47	23.36	25.93	12.48	61.30	1.69	**195.23**	198.05	-	71.02	**269.07**	**464.30**	-
On deletions/ adjustments during the year*	11.93	(43.63)	1.54	(5.15)	(16.55)	(0.67)	**(52.53)**	31.36	-	0.30	**31.66**	**(20.87)**	-
As at 31 March 2015	**954.50**	**712.49**	**454.37**	**265.84**	**932.82**	**2.46**	**3,322.48**	**887.57**	**6.72**	**540.97**	**1,435.26**	**4,757.74**	**-**
Net block As at 31 March 2015	**95.19**	**24.73**	**48.80**	**71.55**	**76.09**	**5.91**	**322.27**	**118.43**	**-**	**144.07**	**262.50**	**584.77**	**0.50**
As at 31 March 2014	143.09	37.12	72.76	75.14	113.83	5.16	447.10	305.83	-	103.07	408.90	856.00	0.50

* Includes adjustments relating to foreign exchange on account of translation of foreign operations

Notes to the Standalone Financial Statement

as at 31 March 2016

(Currency: In millions of Indian ₹)

The above assets include assets taken on finance 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 2015	21.98	63.71	103.20	32.43	68.52	289.84
As at 31 March 2016	**21.98**	**63.71**	**103.20**	**32.43**	**68.52**	**289.84**
Accumulated depreciation / amortization						
As at 1 April 2015	21.98	63.71	103.20	17.35	49.12	255.36
As at 31 March 2016	**21.98**	**63.71**	**103.20**	**18.65**	**68.52**	**276.06**
Net block						
As at 31 March 2016				**13.78**	**-**	**13.78**
As at 31 March 2015				15.08	19.40	34.48

	Tangible assets				Intangible assets	
	Leasehold improvements	Computers	Service equipment	Furniture, fixture and Office equipment	Software	Total
Gross block (at cost)						
As at 1 April 2014	21.98	63.71	103.20	32.43	38.90	260.22
As at 31 March 2015	**21.98**	**63.71**	**103.20**	**32.43**	**68.52**	**289.84**
Accumulated depreciation / amortization						
As at 1 April 2014	16.30	63.71	103.20	14.67	15.49	213.37
As at 31 March 2015	**21.98**	**63.71**	**103.20**	**17.35**	**49.12**	**255.36**
Net block						
As at 31 March 2015	**-**	**-**	**-**	**15.08**	**19.40**	**34.48**
As at 31 March 2014	5.68	-	-	17.76	23.41	46.85

Notes to the Standalone Financial Statement

as at 31 March 2016

(Currency: In millions of Indian ₹)

	31 March 2016	31 March 2015
12. NON-CURRENT INVESTMENTS		
Long term investments - at cost		
Trade (Unquoted)		
Investments in equity instruments of subsidiaries		
2,834,672 (31 March 2015: 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 2015: 218,483) fully paid-up common stock of USD 1 each of Firstsource Group USA Inc.	**11,714.55**	11,641.27
1,050,000 (31 March 2015: 1,050,000) fully paid-up equity shares of Rs 10 each of Firstsource Process Management Services Limited	**100.50**	100.50
6,823,570 (31 March 2015: 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 2015: 1) fully paid-up common stock of EUR 1 each of Firstsource BPO Ireland Limited	**17.36**	17.36
Investments in other than subsidiaries 1,000 (31 March 2015: 1,000) fully paid-up of Equity shares of ₹ 10 each of Nanobi Data and Analytics Private Limited	**0.08**	0.08
557,043 (31 March 2015: 375,884) fully paid-up of Compulsory Convertible Cumulative Preference Shares of ₹ 10 each of Nanobi Data and Analytics Private Limited	**54.92**	29.92
Non-trade (Unquoted)		
In mutual fund (Philippines Treasury bills)*	**28.80**	27.55
	11,980.74	11,881.21
Less : Provision for diminution in value of investment in Firstsource Process Management Services Limited	**(67.50)**	(67.50)
Total non-current investments	**11,913.24**	11,813.71

* 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	**371.23**	340.30
Gratuity and compensated absences	**50.24**	37.91
Carry forward losses	**-**	76.23
	421.47	454.44
14. LONG-TERM LOANS AND ADVANCES		
(Unsecured, considered good)		
To parties other than related parties		
Capital advances	**2.88**	1.25
Deposits, net (refer Note 34)	**312.99**	314.17
Other loans and advances		
Prepaid expenses	**19.64**	17.10
Lease rentals receivable, net	**20.55**	26.17
Advance tax and tax deducted at source, net	**693.62**	625.87
Minimum alternate tax credit carried forward, net	**1,191.32**	1,051.49
	2,241.00	2,036.05
15. OTHER NON-CURRENT ASSETS		
(Unsecured, considered good unless otherwise stated)		
Unamortised cost (refer Note 34)	**9.97**	25.39
Accrued interest	**0.28**	0.83
	10.25	26.22

Notes to the Standalone Financial Statement

as at 31 March 2016

(Currency: In millions of Indian ₹)

	31 March 2016	31 March 2015
16. CURRENT INVESTMENTS (AT LOWER OF COST AND FAIR VALUE)		
NON-TRADE (UNQUOTED)		
671,003 (31 March 2015: 473,425) units of ICICI Prudential Liquid – Direct plan – Growth	**150.00**	98.00
60,517 (31 March 2015: 21,838) units of Kotak Floater Short term – Direct Plan – Growth	**150.00**	50.00
534,083 (31 March 2015: 275,699) units of DHFL Pramerica Insta Cash Plus Fund – Institutional Plan – Growth	**105.00**	50.00
Nil (31 March 2015: 32,348) units of SBI Magnum Insta Cash Fund – Direct Plan – Growth	**-**	100.00
24,411 (31 March 2015: 29,656) units of Reliance Liquid Fund – Treasury Plan- Direct Growth Plan – Growth option	**90.07**	101.04
50,435 (31 March 2015: 52,016) units of Religare Invesco Liquid Fund – Direct Plan – Growth	**105.09**	100.00
Nil (31 March 2015: 1,712,000) units of HDFC Cash Management Fund – Saving Plan- Direct Plan – Growth Option	**-**	50.00
Nil (31 March 2015: 446,000) units of Birla Sun life cash plus-growth direct plan	**-**	100.07
67,473 (31 March 2015: Nil) units of L&T Liquid Fund Direct Plan - Growth	**140.00**	-
40 (31 March 2015: Nil) units of L&T Liquid Fund - Growth	**0.08**	-
	740.24	649.11

(Net assets value of unquoted investments ₹ 741.23 (31 March 2015: ₹ 649.89))

17. TRADE RECEIVABLES		
(Unsecured)		
Receivables outstanding for a period exceeding six months from the date they became due for payment		
- considered doubtful	**1.06**	-
	1.06	-
Less: Provision for doubtful debts	**(1.06)**	-
	-	-
Others receivables		
- considered good	**3,195.57**	2,335.48
	3,195.57	2,335.48
18. CASH AND BANK BALANCES		
Cash and cash equivalents		
Cash on hand	**0.04**	0.22
Balances with banks		
- in current accounts	**362.95**	258.28
	362.99	258.50
Other bank balances		
- Bank deposits due to mature after three months but before twelve months from the reporting date	**3.34**	2.48
	366.33	260.98

Notes to the Standalone Financial Statement

as at 31 March 2016

(Currency: In millions of Indian ₹)

	31 March 2016	31 March 2015
19. SHORT-TERM LOANS AND ADVANCES		
(Unsecured, considered good)		
To related parties		
Advances to subsidiaries (refer Note 28)	**163.40**	222.01
To parties other than related parties		
Prepaid expenses	**89.16**	71.36
Lease rentals receivable, net	**14.63**	17.06
Service tax	**19.99**	9.15
Other advances	**36.27**	18.27
Minimum alternate tax credit carried forward	**169.98**	149.05
	493.43	486.90
20. OTHER CURRENT ASSETS		
(Unsecured, considered good, unless otherwise stated)		
Unbilled receivables	**178.61**	212.93
Unamortised costs (refer Note 34)	**5.04**	18.59
Recoverable on sale of subsidiary – Pipal	**33.34**	33.34
Exchange gain on derivatives contract	**547.42**	716.36
	764.41	981.22

Notes to the Standalone Financial Statement

for the year ended 31 March 2016

(Currency: In millions of Indian ₹)

	31 March 2016	31 March 2015
21. REVENUE FROM OPERATIONS		
Sale of services	**8,262.12**	8,895.21
Other operating income (refer Note 30)	**486.66**	246.18
	8,748.78	9,141.39
22. OTHER INCOME		
Interest income	**17.67**	53.74
Profit on sale / redemption of current investments, net	**53.01**	40.18
Exchange gain		
- on translation of investments (refer Note 34)	**73.28**	51.27
- on others	**15.80**	(45.58)
Gain on sale of fixed assets, net	**4.08**	4.49
Miscellaneous income	**92.69**	82.57
	256.53	186.67
23. EMPLOYEE BENEFITS EXPENSE		
Salaries and wages	**3,855.01**	4,023.34
Contribution to provident and other funds	**310.80**	301.67
Staff welfare expenses	**82.26**	52.18
	4,248.07	4,377.19
24. FINANCE COSTS		
Interest expense		
- on external commercial borrowings	**43.88**	61.62
- on export finance and other debts	**41.26**	83.74
Finance charges on leased assets	**3.95**	5.60
	89.09	150.96
Translation loss on external commercial borrowings	**73.28**	51.27
	162.37	202.23
25. OTHER EXPENSES		
Rent, net (refer Note 26)	**663.42**	671.82
Repair (others), maintenance and upkeep	**350.70**	339.01
Insurance	**37.07**	65.12
Rates and taxes	**2.47**	3.17
Legal and professional fees	**137.12**	174.06
Car and other hire charges	**376.40**	421.47
Connectivity charges	**140.67**	158.07
Recruitment and training expenses	**106.39**	127.47
Electricity, water and power consumption	**265.79**	295.20
Travel and conveyance	**73.87**	72.99
Computer expenses	**200.04**	183.86
Information and communication expenses	**67.92**	75.70
Printing and stationery	**15.99**	17.52
Payment to auditors		
- as auditor	**16.00**	16.50
- for reimbursement of expenses	**0.66**	0.30
Meeting and seminar expenses	**4.39**	5.49
Directors' sitting fees	**5.26**	3.80
Provision for doubtful debts/ written off/ (written back), net	**1.06**	-
Bank administration charges	**4.40**	3.07
Contribution to CSR (refer Note 36)	**26.29**	17.13
Miscellaneous expenses	**27.84**	33.41
	2,523.75	2,685.16

Notes to the Standalone Financial Statement

for the year ended 31 March 2016

(Currency: In millions of Indian ₹)

26. LEASES

Operating lease

The Company is obligated under non-cancellable operating leases for office space and office equipment which are renewable on a periodic basis at the option of both the lessor and lessee. Expenses under non-cancellable operating leases for the year ended 31 March 2016 aggregated to ₹ 580.63 (31 March 2015: ₹ 588.76).

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

	As at 31 March 2016	As at 31 March 2015
Amount due within one year from the balance sheet date	**289.32**	252.42
Amount due in the period between one year and five years	**223.20**	153.82
Amount due in the period beyond five years	**-**	-
	512.52	406.24

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. Expenses under cancellable operating leases for the year ended 31 March 2016 is ₹ 234.97 (31 March 2015: ₹ 247.57).

The Company has sub-leased an office facility under an operating lease. Income received during the year is ₹ 4.79 (31 March 2015: Nil). Amount receivable within one year from the balance sheet date is ₹ 24.28 (31 March 2015: Nil).

Finance lease

The Company has acquired certain capital assets under finance lease. Future minimum lease payments under finance lease as at 31 March 2016 are as follows:

	Minimum lease payments	**Finance charges**	**Present value of minimum payments**
As at 31 March 2016			
Amount payable within one year from the balance sheet date	**13.34**	**1.78**	**11.56**
Amount due between one year and five years	**9.38**	**0.67**	**8.71**
	22.72	**2.45**	**20.27**
As at 31 March 2015			
Amount payable within one year from the balance sheet date	39.65	3.73	35.92
Amount due between one year and five years	19.63	2.84	16.79
	59.28	6.57	52.71

The Company has given vehicles on finance lease to its employees as per policy. As at 31 March 2016, the future minimum lease rentals receivable are as follow:

	Minimum lease rentals receivable	**Finance charges**	**Present value of minimum rentals receivable**
As at 31 March 2016			
Amount receivable within one year from the balance sheet date	**17.75**	**3.12**	**14.63**
Amount receivable in the period between one year and five years	**23.20**	**2.65**	**20.55**
	40.95	**5.77**	**35.18**
As at 31 March 2015			
Amount receivable within one year from the balance sheet date	20.99	3.93	17.06
Amount receivable in the period between one year and five years	29.50	3.33	26.17
	50.49	7.26	43.23

Notes to the Standalone Financial Statement

for the year ended 31 March 2016

(Currency: In millions of Indian ₹)

27. EMPLOYEE STOCK OPTION PLAN

Stock option scheme 2002 ('Scheme 2002')

In September 2002, the Board of the Company had approved the Scheme 2002, which covers the employees and directors of the Company and its subsidiaries. The Scheme was administered and supervised by the members of the Nomination and Remuneration Committee (then called the Compensation cum Board Governance Committee) (the 'Committee'). Scheme 2002 was revoked during the financial year 2015-16 as all the options granted under it had been vested and exercised and remaining options had been cancelled. There was no activity under the Scheme 2002 during the year and in the previous year.

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 Scheme would be administered and supervised by the members of the Compensation committee. The key terms and conditions were included in Scheme 2003 in line with Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (as amended by SEBI (Share Based Employee Benefits) Regulations 2014).

The Company amended the Scheme 2003 in line with the SEBI (Share Based Employee Benefits) Regulations, 2014.

Key changes effected in Scheme 2003 were as follows:

- Change in the definition of employee to exclude Independent Director, any employee who is a promoter or belonging to promoter group or a director who himself or through his relative or any body corporate, holds more than 10% of the equity capital of the Company.
- Change in definition of exercise period to specifically mention about exercise period of 10 years from the date of grant.
- Definition of relevant date has been included which means- (i) in the case of grant, the date of the meeting of the compensation committee on which the grant is made; or (ii) in the case of exercise, the date on which the notice of exercise is given to the Company.
- Change in the name of Compensation Committee to Nomination and Remuneration Committee (herein after referred as 'Committee').

As per the Scheme, the Committee issued 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 ten years from the date of the grant of the options.

Notes to the Standalone Financial Statement

for the year ended 31 March 2016

(Currency: In millions of Indian ₹)

- 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, Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (as amended by SEBI (Share Based Employee Benefits) Regulations 2014).

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

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

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

		31 March 2016		31 March 2015	
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 beginning of the year	00.00 - 30.00	**28,628,602**	**85.71**	34,076,127	91.96
	30.01 - 60.00	**10,760,188**	**33.75**	10,585,246	37.48
	60.01 - 90.00	**2,919,262**	**31.57**	2,944,262	43.13
		42,308,052		47,605,635	
Granted during the year	00.00 - 30.00	**-**	**-**	5,000,000	-
	30.01 - 60.00	**3,350,000**	**-**	900,000	-
	60.01 - 90.00	**-**	**-**		
		3,350,000		59,00,000	
Forfeited during the year	00.00 - 30.00	**3,851,074**	**-**	4,277,500	-
	30.01 - 60.00	**6,168,646**	**-**	411,000	-
	60.01 - 90.00	**2,119,262**	**-**	25,000	-
		12,138,982		4,713,500	
Exercised during the year	00.00 - 30.00	**6,728,453**	**-**	6,170,025	-
	30.01 - 60.00	**295,000**	**-**	314,058	-
	60.01 - 90.00	**-**	**-**	-	-
		7,023,453		64,84,083	
Outstanding at the end of the year	00.00 - 30.00	**18,049,075**	**77.34**	28,628,602	85.71
	30.01 - 60.00	**7,646,542**	**61.89**	10,760,188	33.75
	60.01 - 90.00	**800,000**	**14.91**	2,919,262	31.57
		26,495,617		42,308,052	
Exercisable at the end of the year	00.00 - 30.00	**12,328,100**	**70.96**	15,742,977	72.93
	30.01 - 60.00	**3,882,942**	**16.77**	9,860,188	26.00
	60.01 - 90.0h0	**800,000**	**14.91**	2,919,262	31.57
		17,011,042		28,522,427	

Notes to the Standalone Financial Statement

for the year ended 31 March 2016

(Currency: In millions of Indian ₹)

Outstanding options as at 31 March 2016 out of Scheme 2003 is 26,495,617 (31 March 2015: 42,308,052).

1. The aggregate stock option pool under Employee stock option scheme 2003 is 6.22% fully diluted equity shares as of 31 March 2016.

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

Particulars	**31 March 2016**	31 March 2015
Net income as reported	**1,497.36**	1,637.54
Less: Stock-based employee compensation expense (fair value method)	**234.29**	(0.97)
Proforma net income	**1,263.07**	1,636.57
Basic earnings per share as reported (₹)	**2.24**	2.47
Proforma basic earnings per share (₹)	**1.89**	2.47
Diluted earnings per share as reported (₹)	**2.14**	2.33
Proforma diluted earnings per share (₹)	**1.80**	2.33

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

	31 March 2016	31 March 2015
Dividend yield	**0%**	0%
Expected Life	**5.5-7 years**	5.5-7 years
Risk free interest rate	**6.50% to 9.06%**	6.50% to 9.06%
Volatility	**0% to 75%**	0% to 75%

Notes to the Standalone Financial Statement

for the year ended 31 March 2016

(Currency: In millions of Indian ₹)

28. RELATED PARTY TRANSACTIONS

Details of related parties including summary of transactions entered into during the year ended 31 March 2016 are summarized below:

Ultimate Holding Company	• CESC Limited
Holding Company	• Spen Liq Private Limited (Spen Liq)
Fellow Subsidiaries	• Spencer's Retail Limited (Spencer)
	• Omnipresent Retail India Private Limited (Omnipresent)
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)
	• MedAssist Holding, LLC (MedAssist)
	• Firstsource Solutions USA LLC (earlier known as MedAssist LLC)
	• Firstsource Process Management Services Limited (FPMSL) (earlier known as Anunta Tech Infrastructure Services Limited)
	• Firstsource Transaction Services LLC (FTS)
	• Firstsource Dialog Solutions (Private) Limited (FDS)
	• Firstsource BPO Ireland Limited (FSL Ireland)
	• Firstsource Solution S.A. (FSL Arg)
	• One Advantage LLC (OAL)
Enterprise with common Directors	• Nanobi Data and Analytics Private Limited (Nanobi)
Key Managerial Personnel	• Rajesh Subramaniam
	• Dinesh Jain
Non- executive Directors	• Sanjiv Goenka
	• Charles Miller Smith
	• Y.H. Malegam
	• Pradip Roy
	• Subrata Talukdar
	• Shashwat Goenka
	• Donald W. Layden, Jr.
	• V. K. Sharma
	• Pradip Kumar Khaitan
	• Grace Koshie

Notes to the Standalone Financial Statement

for the year ended March 2016

(Currency: In millions of Indian ₹)

Particulars of related party transaction:

Name of the related party	Description	Transaction value during the year ended		Receivable / (Payable) at	
		31 March 2016	31 March 2015	**31 March 2016**	31 March 2015
FSL-UK	Income from services	**2,307.38**	2,504.41	**1,690.90**	1,163.60
	Reimbursement of expenses	**1.61**	133.01	**-**	-
	Recovery of expense	**172.26**	101.72	**179.71**	91.52
	Goodwill on asset purchase	**-**	-	**-**	(114.93)
	Receipt of services	**319.24**	697.95	**(40.35)**	(77.40)
	Parental guarantee commission	**6.59**	20.00	**6.59**	20.00
FAL	Income from services	**480.46**	384.10	**156.84**	122.20
	Reimbursement of expenses	**-**	1.74	**-**	-
	Recovery of expense	**27.22**	23.40	**39.09**	47.01
Medassist*	Income from services	**70.47**	60.00	**16.82**	11.02
	Recovery of expense	**44.02**	38.93	**66.09**	61.33
FG US	Income from services	**612.92**	605.25	**338.46**	178.14
	Reimbursement of expenses	**-**	16.88	**-**	-
	Recovery of expense	**14.87**	13.94	**23.16**	18.98
	Parental guarantee commission	**67.23**	55.52	**67.23**	55.52
FDS	Recovery of expense	**-**	1.78	**-**	-
FTS	Income from services	**931.48**	845.95	**321.54**	312.35
	Recovery of expense	**51.56**	33.43	**37.99**	39.17
	Reimbursement of expenses	**1.67**	0.95	**-**	-
FSL Ireland	Recovery of expense	**-**	9.56	**7.24**	(6.33)
	Parental guarantee commission	**6.03**	5.38	**6.03**	5.38
	Income from services	**7.24**	6.45	**-**	6.45
Nanobi	Investment in equity shares	**-**	0.08	**-**	-
	Investment in compulsory convertible cumulative preference shares	**25.00**	29.92	**-**	-
	Receipt of services	**12.26**	-	**-**	-
CESC Limited	Income from services	**16.32**	18.49	**-**	1.39
Spencer	Employee benefits	**-**	1.48	**-**	-
	Income from services	**4.55**	-	**2.26**	-
	Receipt of services	**3.82**	-	**(1.20)**	-
Omnipresent	Income from services	**0.22**	-	**-**	-
Non-executive directors	Sitting fees paid	**5.25**	3.80	**-**	-
Key Managerial Personnel	Remuneration*	**57.80**	50.19	**-**	-

*Excludes ESOP, gratuity and compensated absences.

* Including MedAssist Holding Inc (Merged with MedAssist during the year ended March 31 2015).

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

Description	31 March 2016	31 March 2015
Rajesh Subramaniam	**42.75**	38.03
Dinesh Jain	**15.05**	12.16

Notes to the Standalone Financial Statement

for the year ended 31 March 2016

(Currency: In millions of Indian ₹)

Advances to subsidiaries consist of the followings amounts advanced to subsidiaries towards reimbursement of expenses and are repayable on demand:

	as on 31 March 2016	for the year ended 31 March 2016
	Closing balance	Maximum amount outstanding during the year
FSL UK	**2.07**	195.28
FSL Ireland	**13.27**	13.27
FG US	**36.09**	76.62
FAL	**39.09**	50.89
FTS	**6.79**	44.96
MedAssist	**66.09**	66.09
Total	**163.40**	

	as on 31 March 2015	for the year ended 31 March 2015
	Closing balance	Maximum amount outstanding during the year
FG US	74.50	130.95
FAL	47.01	60.65
FTS	39.17	121.24
MedAssist	61.33	61.33
Total	222.01	

29. EMPLOYEE BENEFITS

a) Gratuity plan

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

Particulars	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Change in present value of obligations					
Obligations at beginning of the year	**81.15**	88.58	117.79	119.88	99.14
Service cost	**21.40**	21.95	22.43	34.70	41.48
Interest cost	**5.15**	7.13	8.19	9.02	8.08
Actuarial (gain)/loss	**36.81**	(16.10)	(34.14)	(17.83)	(8.62)
Benefits paid	**(31.31)**	(20.41)	(25.69)	(27.98)	(20.20)
Obligations at the end of the year	**113.20**	81.15	88.58	117.79	119.88
Change in plan assets					
Fair value of plan assets at beginning of the year	**30.57**	48.64	50.69	68.43	70.88
Expected return on plan assets	**2.30**	3.46	3.45	5.13	5.99
Actuarial (loss)/gain	**(0.29)**	(1.12)	0.18	0.02	0.75
Contributions	**21.16**	-	20.00	0.82	10.03
Benefits paid	**(31.31)**	(20.41)	(25.68)	(23.71)	(19.22)
Fair value of plan assets at end of the year	**22.43**	30.57	48.64	50.69	68.43

Notes to the Standalone Financial Statement

for the year ended March 2016

(Currency: In millions of Indian ₹)

Particulars	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
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	**113.20**	81.15	88.58	117.79	119.88
Fair value of plan assets at the end of year	**22.43**	(30.57)	(48.64)	(50.69)	(68.43)
Funded status being amount of liability recognised in the balance sheet	**90.77**	50.58	39.94	67.10	51.45
Gratuity cost for the year					
Service cost	**21.40**	21.95	22.43	34.70	38.38
Interest cost	**5.15**	7.13	8.19	9.02	8.08
Expected return on plan assets	**(2.30)**	(3.46)	(3.45)	(5.13)	(4.99)
Actuarial (gain)/loss	**37.10**	(17.22)	(34.32)	(17.85)	(9.36)
Net gratuity cost	**61.35**	8.40	(7.15)	20.74	32.11
Actual return on plan assets	**2.01**	2.34	3.63	5.15	6.74
Assumptions					
Interest rate	**8.00%**	7.87%	9.10%	8.05%	8.60%
Estimated rate of return on plan assets	**9.00%**	9.00%	9.00%	9.00%	9.00%
Rate of growth in salary levels	**5.00%**	5.00%	5.00%	8.00%	10.00%
Withdrawal rate	**25.00% reducing to 2% for over 20 years of service**	25.00% reducing to 2% for over 20 years of service	25.00% reducing to 2% for over 20 years of service	25% reducing to 2% for over 20 years of service	25% reducing to 2% for over 20 years of service
Experience adjustments					
On plan liabilities loss / (gain)	**36.81**	(16.10)	(34.14)	(17.83)	(8.62)
On plan assets gain / (loss)	**(0.29)**	(1.12)	0.18	0.02	0.75

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

The Company continues to fund to the trust in next year by reimbursing the actual payouts.
Gratuity cost, as disclosed above, is included under 'Employee benefits expense'.

b) Contribution to Provident Fund

The provident fund charge during the year amounts to ₹ 164.94 (31 March 2015: ₹ 188.38).

c) Compensated absences

	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Actuarial assumptions					
Interest rate	**8.00%**	7.87%	9.10%	8.05%	8.60%
Rate of growth in salary levels	**5.00%**	5.00%	5.00%	8.00%	10.00%

Notes to the Standalone Financial Statement

for the year ended 31 March 2016

(Currency: In millions of Indian ₹)

30. 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.

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

	31 March 2016	31 March 2015
Number of shares considered as basic weighted average shares outstanding	**669,787,584**	663,035,913
Add: Effect of potential issue of shares/stock options	**30,803,670**	38,660,298
Number of shares considered as weighted average shares and potential shares outstanding	**700,591,254**	701,696,211
Net profit after tax attributable to shareholders	**1,497.36**	1,637.54
Net profit after tax for diluted earnings per share	**1,497.36**	1,637.54

32. CAPITAL AND OTHER COMMITMENTS AND CONTINGENT LIABILITIES

	31 March 2016	31 March 2015
The estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	**134.18**	144.86
Claims not acknowledge as debt	**1.35**	1.35
Guarantees and letters of credit given	**11,402.07**	13,940.05

Direct tax matters

Income tax demands amounting to ₹ 1,280.61 (31 March 2015: ₹ 1,236.77) 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 2015: ₹ 10.38) tax under protest against the demand raised for the assessment year 2004-05, ₹ 12.50 (31 March 2015: ₹ 12.50) tax under protest against the demand raised for the assessment year 2009-10, ₹ 80.00 (31 March 2015: ₹ 80.00) tax under protest against the demand raised for the assessment year 2011-12 and ₹ 28.10 (31 March 2015:Nil) tax under protest against the demand raised for the assessment year 2012-13.

Indirect tax matters

Service tax demands amounting to ₹ 172.11 (31 March 2015: ₹ 131.15) in respect of service tax input credit and FCCB issue expenses is disputed in appeal by the Company. The Company expects favourable appellate decision in this regard.

The Company's pending litigations comprise of claims against the Company and pertaining to proceedings pending with Income tax and service tax. The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed as contingent liabilities where applicable, in its financial statements. The Company does not expect the outcome of these proceedings to have a materially adverse effect on its financial statements.

Guarantees and letters of credit given consist of the following:

	31 March 2016	31 March 2015
Guarantees given for working capital facilities and finance lease on behalf of Firstsource Solution UK Limited (FSL-UK)	**815.69**	3,590.12
Guarantees given for credit facilities and term loans on behalf of Firstsource Group USA, Inc. (FG US)	**10,580.22**	10,343.75
Guarantees given to the Government of India, Customs and Central excise department in relation to duty securities	**6.16**	6.18

Notes to the Standalone Financial Statement

for the year ended March 2016

(Currency: In millions of Indian ₹)

33. SEGMENTAL REPORTING

In accordance with paragraph 4 of Accounting Standard 17 'Segment Reporting' prescribed under Section 133 of the Act, read

with Rule 7 of the Companies (Accounts) Rules, 2014, the Company has presented segmental information only on the basis of the consolidated financial statements (refer Note 30 of the consolidated financial statements).

34. ADOPTION OF AS 30

In December 2007, ICAI issued AS 30, Financials Instruments: Recognition and Measurement which was recommendatory in respect of accounting periods commencing on or after 1 April 2009 and was to be 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 not been notified under the Companies (Accounts) Rules, 2014.
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. In view of the Company, on early adoption of AS 30, accounting treatment made on the basis of the relevant sections of Accounting Standards referred above viz. AS 4, AS 11 and AS 13 stands withdrawn as it believes that principles of AS 30 more appropriately reflect the nature of these transactions.

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

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

Consequent to the early adoption of AS 30 as stated above, the profit after taxation for the year ended and reserves and surplus as at the Balance sheet date is higher by ₹ 177.29 (31 March 2015: higher by ₹ 31) and higher by ₹ 3,169.83 (31 March 2015: higher by ₹ 2,817) 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, , and would be realised upon disposal of non-integral foreign operation.

Notes to the Standalone Financial Statement

for the year ended 31 March 2016

(Currency: In millions of Indian ₹)

35A. SUPPLEMENTARY STATUTORY INFORMATION (ACCRUAL BASIS)

		31 March 2016	31 March 2015
(i).	*Value of imports calculated on CIF basis*		
	Capital goods	**82.85**	119.47
(ii).	*Earnings in foreign exchange*		
	Income from services	**5,004.19**	5,258.10
	Other income	**79.86**	80.89
	Reimbursement of expense	**103.22**	108.58
(iii).	*Expenditure in foreign currency*		
	Marketing and support services	**1.60**	2.82
	Travel and conveyance	**0.12**	3.61
	Repairs and maintenance	**10.95**	6.91
	Interest	**43.47**	61.12
	Connectivity charges	**0.50**	1.02
	Legal and professional fees	**5.19**	10.71

35B. DERIVATIVES

As at 31 March 2016, the Company has derivative financial instruments to sell USD 36.95 million (31 March 2015: USD 41.99 million) having fair value gain of ₹ 34.17 million (31 March 2015: gain of ₹ 50.72), GBP 57.17 million (31 March 2015: GBP 62.95 million) having fair value gain of ₹ 493.26 (31 March 2015: gain of ₹ 677.15) relating to highly probable forecasted transactions.

Foreign currency exposures on loans and receivables that are not hedged by derivative instruments or otherwise are ₹ 786.46 (equivalent to USD 4.46 million, AUD 6.56 million and GBP 1.74 million) (31 March 2015: ₹ 373.64 (equivalent to USD 3.05 million, AUD 0.74 million and GBP 1.66 million)).

36. CORPORATE SOCIAL RESPONSIBILITY (CSR)

As per Section 135 of the Companies Act, 2013, a CSR trust has been formed by the Ultimate Holding Company along with other group companies including the Company. The areas identified by the CSR trust includes activities for promoting healthcare, art / culture, sports and education as the four priority areas to be pursued in phases and in a manner aligned with the CSR rules and regulations. The funds have been contributed to the trust and will be utilized on these activities which are specified in Schedule VII to the Companies Act, 2013.

a. Gross amount required to be spent by the Company during the year is ₹ 26.29 (31 March 2015: ₹ 17.13)

b. Amount spent by the Company during the year on:

Sr No	Particulars	Amount paid	Amount yet to be paid	**Total**
(i)	Construction/ acquisition of any asset	1.25	-	**1.25**
(ii)	On purposes other than (i) Above	25.04*	-	**25.04**

*Amount paid to the trust

37. LONG-TERM CONTRACTS

The Company has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Company has reviewed and ensured that adequate provision as required under any law / Accounting Standards for material foreseeable losses on such long term contracts (including derivative contracts) has been made in the books of account.

Notes to the Standalone Financial Statement

for the year ended March 2016

(Currency: In millions of Indian ₹)

38. DUES TO MICRO AND SMALL ENTERPRISES

Under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, which came into force from 2 October 2006, and on the basis of the information and records available with the Company, the following disclosures are made for the amounts due to the Micro and Small enterprises:

Particulars	31 March 2016	31 March 2015
The amounts remaining unpaid to micro and small suppliers as at the end of the year		
- Principal	-	-
- Interest	-	-
Amount of interest paid by the Company in terms of section 16 of the MSMED Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year	-	-
Amount of interest due and payable for the 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 Act, 2006	-	-
Amount of interest accrued and remaining unpaid at the end of the accounting year	-	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the MSMED Act, 2006	-	-

As per our report of even date attached.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Rajesh Mehra
Partner
Membership No: 103145

Kolkata
May 12, 2016

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

Sanjiv Goenka — Chairman
Rajesh Subramaniam — Managing Director and CEO
Shashwat Goenka — Director
Y. H. Malegam — Director
Charles Miller Smith — Director
V.K. Sharma — Director
Pradip Roy — Director
Subrata Talukdar — Director
Grace Koshie — Director
Dinesh Jain — President and CFO
Sanjay Gupta — Company Secretary

Notice

NOTICE is hereby given that the Fifteenth Annual General Meeting of the Members of Firstsource Solutions Limited will be held on Tuesday, July 26, 2016 at 3.30 p.m. at Ravindra Natya Mandir, Sayani Road, Prabhadevi, Mumbai - 400 025 to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt:
   (a) the audited financial statements of the Company for the financial year ended March 31, 2016 alongwith the reports of the Board of Directors and the Auditors thereon; and
   (b) the audited consolidated financial statement of the Company and its subsidiaries for the financial year ended March 31, 2016 alongwith the report of the Auditors thereon.

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

3. **RATIFICATION OF APPOINTMENT OF STATUTORY AUDITORS**

   To consider and if thought fit, to pass the following resolution as an **Ordinary Resolution:**

   "RESOLVED THAT pursuant to the provisions of Sections 139, 141, 142 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed thereunder, as amended from time to time, pursuant to the resolution passed by the members of the Company at the fourteenth Annual General Meeting held on August 3, 2015, the appointment of **M/s. B S R & Co. LLP, Chartered Accountants,** bearing Registration Number: 101248W, as the Statutory Auditors of the Company to hold office until the conclusion of the Sixteenth Annual General Meeting of the Company to be held in the year 2017, be and is hereby ratified at such remuneration and out-of-pocket expenses, as may be decided by the Audit Committee of the Board of Directors of the Company."

SPECIAL BUSINESS

4. **RE-APPOINTMENT OF MR. RAJESH SUBRAMANIAM AS MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER OF THE COMPANY**

   To consider and if thought fit, to pass the following resolution, as an **Ordinary Resolution:**

   "RESOLVED THAT pursuant to the provisions of the Sections 196, 197, 198, 203 read with Schedule V and other applicable provisions of the Companies Act, 2013 ('the Act') and the rules made thereunder (including any statutory modification or re-enactment thereof), subject to the approval of the Central Government, if required, and such other approvals, as may be necessary, the Company hereby approves the re-appointment of **Mr. Rajesh Subramaniam** (DIN 02617781) as the Managing Director and Chief Executive Officer ('MD & CEO') of the Company for a period of three years from August 1, 2016 to July 31, 2019 on the terms, conditions and remuneration set out in the Explanatory Statement annexed to the Notice convening this Annual General Meeting (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the tenure of his appointment).

   RESOLVED FURTHER THAT the aggregate amount of remuneration payable to Mr. Rajesh Subramaniam, as MD & CEO, by the Company in a financial year, will be subject to the ceiling laid down in Section 197 read with Schedule V to the Act, unless approved otherwise by the Central Government.

   RESOLVED FURTHER THAT Mr. Rajesh Subramaniam, during his aforesaid tenure, subject to the provisions of the Act and Articles of Association of the Company, shall not be liable to retire by rotation.

   RESOLVED FURTHER THAT the Board of Directors (hereinafter referred to as the 'Board' which term shall include any Committee of the Board), be and is hereby authorised to determine/ increase/ alter/ modify/ vary from time to time, the terms of remuneration of Mr. Rajesh Subramaniam, MD & CEO, within the ceiling limit as approved by the members herein.

   RESOLVED FURTHER THAT pursuant to applicable provisions, if any, of the Act and subject to the approval of the Central Government, if required, the remuneration as determined by the Board for a financial year, be paid as minimum remuneration to Mr. Rajesh Subramaniam, as MD & CEO, in the event of loss or inadequacy of profits in that financial year, notwithstanding that such remuneration exceeds the ceiling limit for minimum remuneration laid down in Section 197 read with Schedule V to the Act.

   RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds and things and execute

all such documents, instruments and writings as may be required and to delegate all or any of its powers herein conferred to Nomination and Remuneration Committee of the Board to give effect to the aforesaid resolution."

By Order of the Board of Directors

Sanjay Gupta
Senior VP - Corporate Affairs and Company Secretary
FCS No - 7229

June 21, 2016
Firstsource Solutions Limited
CIN: L64202MH2001PLC134147
Registered Office:
5th Floor, Paradigm 'B' Wing, 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 Tuesday, July 19, 2016 to Tuesday, July 26, 2016 (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 alongwith the copy of the 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, bank mandate, residential status or requests for transmission of shares etc. to their Depository Participants. The Company or its Registrars can not act on any such requests received directly from the members holding shares in electronic form.

8. Pursuant to the requirement of Corporate Governance Code under the Listing Regulations, 2015, 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.

   The Notice of the AGM along with the Annual Report for FY 2015-16 is being sent by electronic mode to those Members whose email addresses are registered with the Company/ Depository Participants unless any Member has requested for a physical copy of the same. For Members who have not registered their email addresses, physical copies are being sent by the permitted mode. To support the 'Green Initiative', the Members who have not registered their email addresses, are requested to register the same with their Depository Participants. Members holding shares in physical mode are requested to register their email addresses with the Registrar & Transfer Agent of the Company.

10. Voting through Electronic means:

(a) In compliance with the provisions of section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is pleased to provide to the members, the facility to exercise their right to vote on all resolutions proposed to be considered at the AGM by electronic means and the business may be transacted through e-Voting Services. The facility of casting the votes by the members using an electronic voting system from a place other than venue of the AGM ("remote e-voting") will

be provided by Central Depository Services (India) Limited (CDSL).

(b) The facility for voting through ballot paper or e-voting shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through ballot paper or e-voting.

(c) The Members who have cast their vote by remote e-voting prior to the meeting may also attend the meeting but shall not be entitled to cast their vote again.

(d) The remote e-voting period will commence on Friday, July 22, 2016 at 10.00 a.m. and will end on Monday, July 25, 2016 at 5.00 p.m. During this period, the members of the Company, holding shares either in physical form or in dematerialised form, as on the cut-off date of July 19, 2016 may cast their vote by remote e-voting. The remote e-voting module shall be disabled by CDSL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.

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

(f) The process and manner for remote e-voting are as under:

i) The shareholders should log on to the e-voting website www.evotingindia.com.

ii) Click on Shareholders.

iii) Now Enter your User ID.
a. For CDSL: 16 digits beneficiary ID.
b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID.
c. Members holding shares in Physical Form should enter Folio Number registered with the Company.

iv) Next enter the Image Verification as displayed and Click on Login.

v) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.

vi) If you are a first time user follow the steps given below:

	For Members holding shares in Demat Form and Physical Form
PAN	Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) • Members who have not updated their PAN with the Company/ Depository Participant are requested to use the first two letters of their name and 8 digit of the sequence number in their PAN field.
Dividend Bank Details OR Date of Birth (DOB)	Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login. • If both the details are not recorded with the depository or company please enter the user id / folio number in the Dividend Bank details field as mentioned in instruction (iii).

vii) After entering these details appropriately, click on "SUBMIT" tab

viii) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

ix) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

x) Click on the EVSN of Firstsource Solutions Limited which is 160608002.

xi) On the voting page, you will see "RESOLUTION DESCRIPTION" and against each resolution the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.

xii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.

xiii) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.

xiv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.

xv) You can also take a print of the votes cast by clicking on "Click here to print" option on the Voting page.

xvi) If a demat account holder has forgotten the login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.

xvii) Note for Non – Individual Shareholders and Custodians:-

Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.

A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.

- After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
- The list of accounts linked in the login should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.

xviii) 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: firstsource.scrutinizer@gmail.com with a copy marked to hepldesk.evoting@cdslindia.com

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

xx) The voting rights of members shall be in proportion to their shares in the paid up equity share capital of the Company as on the cut-off date of July 19, 2016.

xxi) Any person, who acquires shares of the Company and becomes member of the Company after dispatch of the notice and holding shares as of the cut-off date i.e. July 19, 2016, may obtain the login ID and password by sending a request at helpdesk.evoting@cdslindia.com or Issuer/RTA.

xxii) A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e-voting as well as voting at the AGM through ballot paper.

xxiii) The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of the Scrutinizer, by use of "Ballot Paper or e-voting " for all those members who are present at the AGM but have not cast their votes by availing the remote evoting facility.

xxiv) The Scrutinizer shall, after the conclusion of voting at the AGM, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of atleast two witnesses not in the employment of the Company and shall make, not later than three days of the conclusion of the AGM, a consolidated Scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorised by the Chairman, who shall countersign the same and declare the result of the voting forthwith.

xxv) The Results declared alongwith the report of the Scrutinizer shall be placed on the website of the Company viz: www.firstsource.com and on the website of CDSL immediately after the declaration of result by the Chairman or a person authorised by him. The results shall also be immediately forwarded to the BSE Limited and National Stock Exchange of India Limited, Mumbai.

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

Item Number 4

Mr. Rajesh Subramaniam (DIN: 0261778) was appointed as Deputy Managing Director & CFO of the Company w.e.f. August 1, 2011 by the members at the Annual General Meeting held on August 3, 2011. Subsequently, on resignation of Mr. Alexander Matthew Vallance, the Managing Director & CEO (MD & CEO) of the Company, Mr. Rajesh Subramaniam was appointed as MD & CEO of the Company from May 16, 2012 to July 31, 2016. His appointment as MD & CEO together with the, terms, conditions and remuneration were approved by the members of the Company at the Annual General Meeting held on July 31, 2012. As per Section 196 read with Schedule V of the Companies Act, 2013, a Company shall appoint or re-appoint the Managing Director with the approval of its members. Hence, the approval of the members is sought for the re-appointment of Mr. Rajesh Subramaniam as the MD & CEO of the Company for a period of 3 years from August 1, 2016 to July 31, 2019.

Mr. Rajesh Subramaniam has a deep understanding of Company's business, industry and customers and has a rich and varied experience in Corporate Finance, Strategy and operations. As the MD & CEO of Company, he is responsible for implementing a corporate strategy that carefully balances strong expense control and investments to drive the growth of the Company's core businesses. During his tenure, the turnover and profits of the Company have increased steadily and the Company has scaled down its debts and has won various contracts, awards and accolades.

Brief resume of Mr. Rajesh Subramaniam is given in the Annexure to this Notice.

During the financial year 2015-16, a total remuneration of Rs. 42,469,065 (exclusive of taxable value of Stock Options exercised during the year) was paid to Mr. Rajesh Subramaniam.

The details of the remuneration, terms and conditions of appointment of Mr. Rajesh Subramaniam as the MD & CEO of the Company (hereinafter referred to as the "MD & CEO"), as recommended by the Nomination and Remuneration Committee and the Board of Directors of the Company, during the period of 3 years from August 1, 2016 to July 31, 2019 are as under:

Salary and fixed Allowances:
An amount in the range of ₹ 15 lacs to ₹ 25 lacs per month.

Perquisites
The MD & CEO will also be entitled to perquisites (evaluated as per Income-Tax Rules, wherever applicable, and at actual cost to the Company in other cases) like rent free furnished/ unfurnished residential accommodation leased/rented by the Company together with benefit of gas, electricity, water, repairs & maintenance, club fees, personal insurance, use of car, telephone at residence or reimbursement of expenses in lieu thereof, medical reimbursement, leave and leave travel concession, provident fund, superannuation fund, gratuity and other benefits, in accordance with the scheme(s) and rule(s) applicable to the senior executives of the Company from time to time.

Stock Options:
Grant of Stock Options to the MD & CEO as may be decided by the Nomination & Remuneration Committee of the Board, subject to such approvals as may be necessary.

Variable Compensation including Performance Pay and Incentives:
In addition to above salary and perquisites, the MD & CEO will also be entitled to variable compensation including performance pay/ Bonus and incentives based on individual and Company performance and such performance parameters as may be laid down by the Board of Directors (hereinafter referred to as the 'Board' which term shall include any Committee of the Board) and subject to such other approvals as may be necessary.

The remuneration to the MD & CEO, to be paid by the Company, in a financial year, shall be within the limits prescribed under Section 197 read with Schedule V to the Act, unless otherwise approved by the Central Government.

Further, the remuneration as determined by the Board for a financial year, shall be paid as minimum remuneration to the MD & CEO, in the event of loss or inadequacy of profits in that financial year, subject to the approval of the Central Government, if required, notwithstanding the ceiling limit for remuneration laid down in Section 197 read with Schedule V to the Act.

The Board may determine/ increase/ alter/ modify/ vary from time to time the terms of remuneration of the MD & CEO, within the limits as approved by members hereto.

The MD & CEO shall not be entitled to any sitting fee for attending meetings of the Board and/ or Committee(s) of Board of Directors. Subject to the provisions of the Act and Articles of Association of the Company, he shall not be liable to retire by rotation.

The resolution at Item No. 4 of the notice and this explanatory statement may be treated as a memorandum setting out the terms of appointment of the MD & CEO pursuant to the provisions of Section 190 of the Act.

The Board recommends the Resolution set out at Item No. 4 of the Notice for approval of the members.

None of the Directors and Key Managerial Personnel of the Company or their relatives, except Mr. Rajesh Subramaniam is concerned or interested in the Resolution mentioned at Item No. 4 of the Notice.

By Order of the Board of Directors

Sanjay Gupta
Senior VP - Corporate Affairs and Company Secretary
FCS No.: 7229

June 21, 2016
Firstsource Solutions Limited
CIN: L64202MH2001PLC134147
Registered Office:
5th Floor, Paradigm 'B' Wing, Mindspace, Link Road,
Malad (West) Mumbai - 400 064
Tel : +91-22-66660888 Fax: +91-22-66660887
www.firstsource.com
Email:complianceofficer@firstsource.com

ANNEXURE TO THE NOTICE

RESUMES OF PERSONS PROPOSED TO BE RE-APPOINTED AS DIRECTORS AT THE ENSUING ANNUAL GENERAL MEETING

Mr. Shashwat Goenka (DIN 03486121), 26 years, is graduate from the Wharton School, University of Pennsylvania with a Bachelor of Science in Economics, specializing in Finance, Marketing and Management. His work experience includes a stint in brand management at Nestle and corporate finance at KPMG. Currently, he is Sector Head of RP-Sanjiv Goenka Group's Spencer's Retail Limited. He was appointed as a Director w.e.f. December 5, 2012 on the Board of Directors of the Company.

Mr. Shashwat Goenka is a Director on the Boards of various companies namely Spencer International Hotels Ltd, Phillips Carbon Black Limited, Retailers Association of India & Indian Chamber of Commerce, Kolkata. He is Chairman of the Corporate Social Responsibility Committee & Strategy Committee of the Board of the Company. He is also a member of Corporate Social Responsibility Committee of the Board of Phillips Carbon Black Limited. He attended 3 Board Meetings during the Financial Year 2015-16.

Mr. Shashwat Goenka does not hold any shares or stock options of the Company. He is son of Mr. Sanjiv Goenka, Chairman of the Company and not related to any other Director of the Company.

Mr. Rajesh Subramaniam (DIN 02617781), 44 years, has done MBA from Richmond College, London and Graduation in Commerce from Madras University. He has close to 21 years of work experience. He joined the Company in August, 2011 as Deputy Managing Director & CFO. Subsequently, on resignation of Mr. Alexander Matthew Vallance, the Managing Director & CEO (MD & CEO) of the Company, he was appointed as MD & CEO of the Company in May, 2012. Prior to that, he was the Managing Director of Walden India Advisors Private Limited (Walden), responsible for leading all investment initiatives and managing portfolio companies. Before joining Walden in 2008, he was the CFO of the Company from 2006 to 2008 and was instrumental in building the Company to its IPO. Prior to his CFO role in the Company, he was responsible for Strategy, M&A and Corporate Development from 2002 to 2006. His work experience includes working with organisations such as ICICI Bank, KPMG, E&Y, Pioneer ITI AMC (now part of Franklin Templeton) and GIV Venture Partners.

Mr. Rajesh Subramaniam is a Director on the Board of Firstsource Process Management Services Limited, Firstsource Group USA Inc., Firstsource Solutions UK Limited (wholly owned subsidiaries of the Company) and Nanobi Data and Analytics Private Limited. He is also a member of Stakeholders Relationship Committee, Corporate Social Responsibility Committee, Investment Committee & Strategy Committee of the Board of the Company. He attended 4 Board Meetings during the Financial Year 2015-16.

Mr. Rajesh Subramaniam holds 1,750,000 shares and 7,650,000 Stock Options in the Company. He is not related to any other Director of the Company.

Route map for venue of the 15th Annual General Meeting:
Date: July 26, 2016
Time: 3.30 P.M.
(Prominent land mark- behind Shree Siddhivinayak Temple)

NOTE

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.

COMPANY SECRETARY AND COMPLIANCE OFFICER

Sanjay Gupta

COMMITTEE DETAILS

Audit Committee

Mr. Y. H. Malegam, Chairman
Mr. Charles Miller Smith
Ms. Grace Koshie
Mr. Subrata Talukdar

Nomination and Remuneration Committee

Mr. Y. H. Malegam, Chairman
Mr. Charles Miller Smith
Mr. Pradip Roy
Mr. Subrata Talukdar

Stakeholders Relationship Committee

Mr. Subrata Talukdar, Chairman
Mr. Rajesh Subramaniam

Corporate Social Responsibility Committee

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

BANKERS

1. ICICI Bank
2. DBS Bank
3. Citi bank
4. RBL Bank
5. Yes Bank
6. Barclays Bank
7. Deutsche Bank AG
8. Standard Chartered Bank
9. Bank of Philippine Islands
10. Bank of America
11. The PNC Financial Services Group
12. HDFC Bank Limited

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