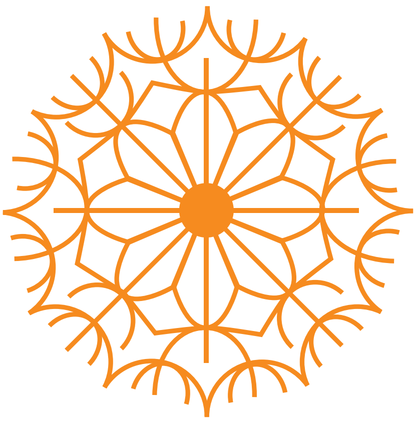
RP - Sanjiv Goenka Group
Growing Legacies

firstsource

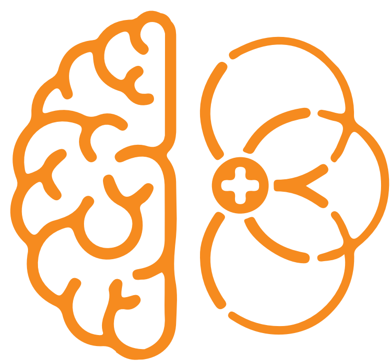
innovation at work

2016-17

Annual Report
Firstsource Solutions Limited






Inside the Report

Corporate Overview 01-14

Board and Management Reports 15-78

Financial Statements 79-173

Innovation is a mindset: an approach that challenges the status quo, questions stereotypes and a collective will to create new pathways.

At Firstsource, innovation at work provides the transformational approach that delivers solutions to emerging business challenges and requirements. Innovating to stay ahead enhances our capabilities and allows us to conceptualise, create and execute pioneering solutions for our clients. It acts as the bridge between addressing needs and delivering value.

As 'smart partners' to our clients, we encourage innovation at work to provide bespoke business solutions. We nurture new ideas and turn them into a powerful portfolio of relevant processes that lead to impressive outcomes for our clients. Our adaptive capabilities are well-poised to optimise opportunities in Robotic Process Automation (RPA), Analytics, Omni-Channels in Customer Interaction Management Services and Digital Transformation Tools embedded in our core offerings in Customer Lifecycle Management and Revenue Cycle Management in the designated industries we operate in.

Innovation is a mindset; an approach that challenges the status quo; questions stereotypes and a collective will to create new pathways. It is this sense of shared purpose that propels us as an organisation to deliver service excellence such that they enable our clients achieve their desired business outcomes. Our sharp customer focus and unwavering commitment have earned us their confidence. It is our work ethic rooted in our Corporate Values of Innovation, Integrity, People centricity, Agility, Collaboration and Excellence that has helped us emerge as trusted partners!

Today, we are confident of accelerating the momentum on the innovation front and deliver differentiated services to our clients.

An Overview of Firstsource

As a part of the RP-Sanjiv Goenka Group, we at Firstsource, offer a set of innovative and value-added services to our esteemed clientele to help them meet the growing demands of an evolving market.

We have made headway along the vertical scale to position ourselves as a leader among business process management companies. We aim to leverage our best-in-class services to deliver an enhanced customer experience (CX).

We continue to invest in best-possible processes and sharpen our technological tools to ensure top-notch operations. We rely on our 'Right-shore' operations model, to help our clients reduce their cost of operations and thrive robustly in a hugely competitive market.

Our scale of operations is spread across geographies in India, the Philippines, the U.K. and the U.S.

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.

IIPACE

Living Our Values

Our corporate Values (IIPACE) are core to everything we do. They govern our behaviours and actions. As a result, our work ethic emerges stronger and helps reinforce a differentiated work culture.

Innovation
Always think of new ways to add value.

Agility
To stay nimble, adapt and move quickly.

Integrity
Be ethical, honest and proper in all interactions.

Collaboration
The best work happens when individuals commit to shared goals.

People centricity
Meritocracy and Performance-driven people are our greatest assets.

Excellence
Raise the bar, every single time.

Key Expertise

Custodianship
We take pride in being the custodian of clients' brands and never compromise on the quality of customer experience.

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

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

CX Excellence
Underpinning everything we do is a commitment to driving customer experience excellence for our clients.

Services

- Customer Interaction Management
- Data Processing and Transaction Processing
- Collections Management
- Consulting and Analytics

Intellectual Properties (IPs)

RES™
firstChat™ A human touch to the web experience
firstWFSuite™
BOS™
i-Leverage™
firstSmartomation™ Enhancing Efficiency and Experience
firstCustomer Intelligence™ Actionable Insights from Customer Interactions
PAT™
firstResolve
firstIC²M
SELLERATE Learn.Sell.Excel
firstAnalytics
firstWorkflow

Our Top Client Profiles

Healthcare

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

Telecom and Media

- U.K.'s largest news and broadcasting company
- One of the world's largest media and entertainment conglomerates
- 1 of the top 10 U.S. telecom companies
- Largest pay TV operator in the U.K.
- A leading MVNO (Mobile Virtual Network Operator) in the U.K.
- Global provider of telecom equipment and networks
- 1 of the top 5 mobile companies in India

Banking, Financial Services & Insurance

- 6 of the top 10 U.S. credit card issuers
- Largest credit card issuer in the U.K.
- Largest retail bank and mortgage lender in the U.K.
- 1 of the top 3 motor insurance companies in the U.K.
- 1 of the leading auto insurers in the U.S.
- A leading Irish bank
- India's leading private life insurer
- 1 of the largest independent loan servicers in the U.S.
- 6th largest bank in North America
- Nation's leading online marketplace for buying and selling real estate
- A full-service direct lender founded in 1990
- Private mortgage insurance company

48

Global operations locations

25,500+

Global employee base

17

Fortune 500 Companies form our client base

10

FTSE 100 Companies form our client base

6th

Rank among the top 10 'BPM Exporters 2016' by NASSCOM

Our Performance

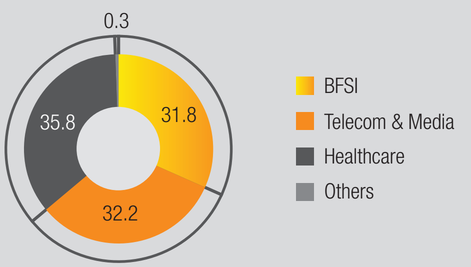
5 year CAGR

6.0%
CAGR in Revenue

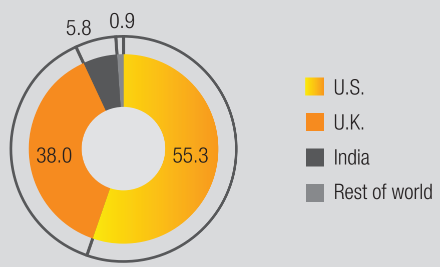
11.9%
CAGR in Operating EBITDA

17.6%
CAGR in Profit After Tax

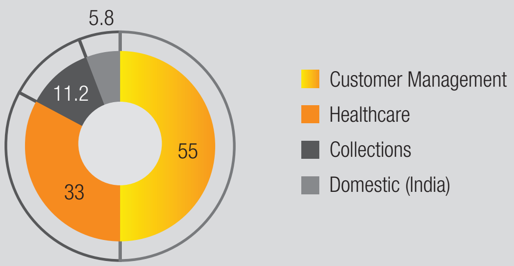
Revenue Contribution by Industry (FY 2017) (%)



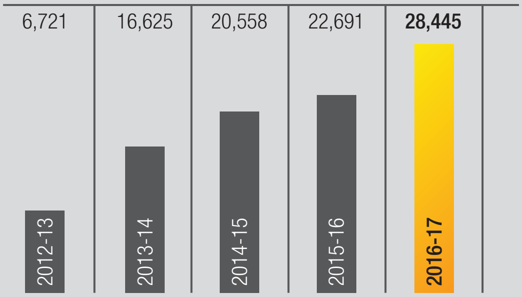
Revenue Contribution by Geography (FY 2017) (%)

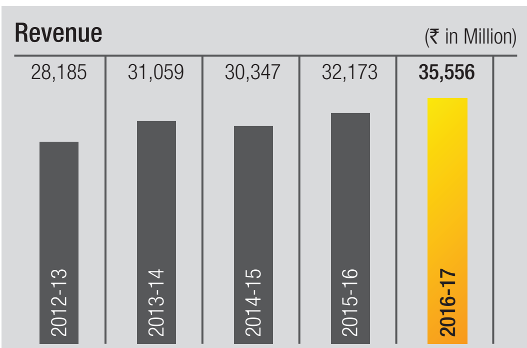


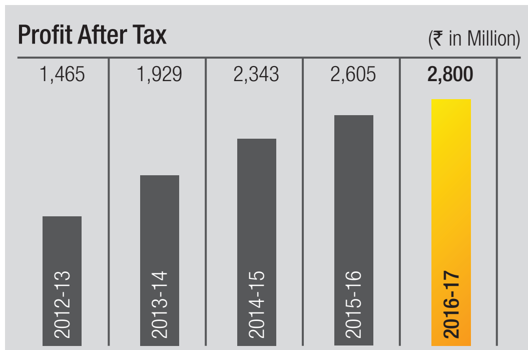
Revenue Contribution by Segment (FY 2017) (%)

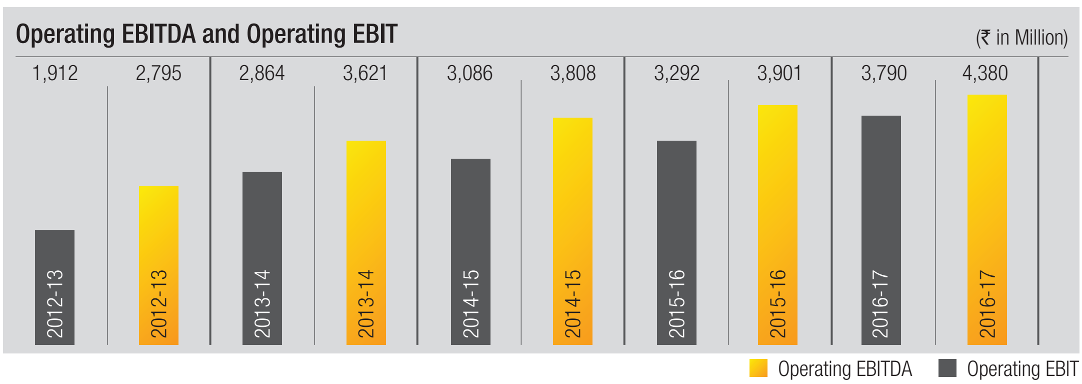


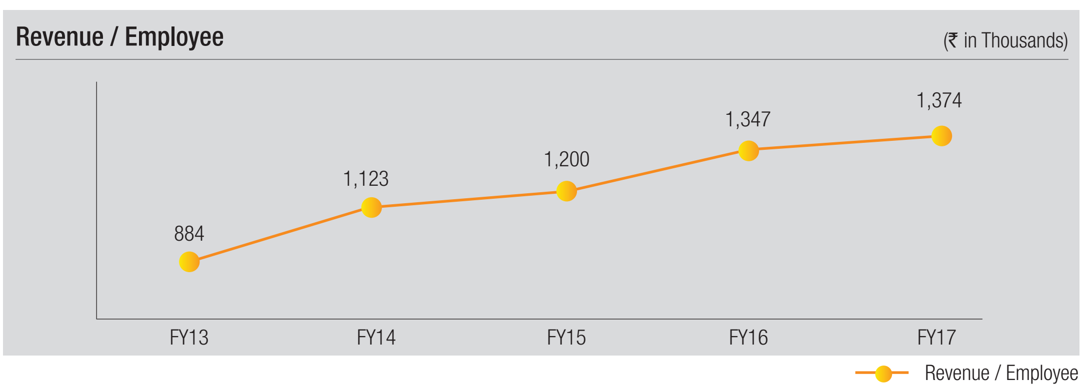
Market Capitalisation (As on March 31, 2017) (₹ in Million)




Revenue
(₹ in Million)
28,185
31,059
30,347
32,173
35,556
2012-13
2013-14
2014-15
2015-16
2016-17


Profit After Tax
(₹ in Million)
1,465
1,929
2,343
2,605
2,800
2012-13
2013-14
2014-15
2015-16
2016-17


Operating EBITDA and Operating EBIT
(₹ in Million)
1,912
2,795
2,864
3,621
3,086
3,808
3,292
3,901
3,790
4,380
2012-13
2012-13
2013-14
2013-14
2014-15
2014-15
2015-16
2015-16
2016-17
2016-17
Operating EBITDA
Operating EBIT


Revenue / Employee
(₹ in Thousands)
884
1,123
1,200
1,347
1,374
FY13
FY14
FY15
FY16
FY17
Revenue / Employee

Innovation at work

At Firstsource, customer-centricity is the core of our business strategy. As custodians of our clients' brands we help them serve 'their customers' better. We use 'innovation at work' to solve 'their' business challenges and transform 'their' businesses enabling growth. We implement actionable insights to deliver positive business outcomes.

Innovating to stay ahead, we deliver concrete solutions to our clients business requirements. Our focus on creating cost-efficient and improved business processes help clients add value through increased productivity, accuracy and compliance. Leveraging our adaptive capabilities across the three vectors – people, process and technology – we continue to invest and develop innovative solutions and deliver differentiated value by integrating industry best practices around Robotic Process Automation (RPA), Digitisation and Analytics.

In the year under review, we delivered cutting-edge solutions to diverse customers. We have highlighted two of them, here:

Transforming a Leading Retail Bank's Commercial Finance Operating Model

We helped transform a leading retail bank's commercial finance operating model and simultaneously improved the bank's legacy IT systems.

Battling multiple challenges on a day-to-day basis, a leading Retail Bank was looking for solutions that could address: a) cost savings b) process re-engineering and re-design c) advanced technology to support modern processes.

Solution

Post analysis, our team identified potential savings within the invoice finance function. The processes were streamlined using Robotic Process Automation (RPA), which led to increased productivity, improved accuracy and rapid scalability for the bank.

Operational Improvements

After incorporating RPA, the bank could consolidate 10 existing sites into 3 work sites spread across 2 locations. In addition, we streamlined and simplified 71 processes using workflow tools that helped reduce costs by £3.5 million per year, with a potential to reduce headcount by 30%.

Robotic Process Automation

Robotic Process Automation (RPA) creates a customised roadmap for Automation, delivered through our suite of market-leading practices and trusted partner proprietary solutions.

Benefits of Implementing RPA

- Increased productivity by 50%
- Reduced cost-to-serve by 25%
- Simplified and automated processes
- Re-designed operating models

Significant Increase in Net Promoter Score for Pay-TV Provider

One of the U.K.'s leading digital subscription television companies wanted to refine its communication strategies for its 12 million plus customer base. The improvement was required to meet the Company's sales conversion target and improve their customer's online shopping experience. We were entrusted with the responsibility to analyse, review and add value to the Company's communication process.

Solution

Firstsource deployed First Customer Intelligence (FCI), to understand the consumer's emotional journey. FCI's combination of speech and text analytics, reviewed 80,000 webchat transcripts and 60,000 voice calls. By understanding the customer's emotional journey, FCI analysis generated actionable customer insights that helped drive relevant process changes. These changes were directly linked to improved customer experience and helped improve customer loyalty and reduce churn.

Operational Improvements

Incorporating FCI helped improve customer loyalty through an enhanced service experience which resulted in an increased Net Promoter Score (NPS) by an absolute 14%. By identifying key areas of customer dissatisfaction, we could help the Company reduce costs in repeat customer contacts, thereby driving down the cost-to-serve.

First Customer Intelligence

Our First Customer Intelligence (FCI) tool enables actionable insights that can be derived from customer interactions. The focus is on in-depth and near real-time analysis of customer inputs - sentiment, emotions and behaviour - across multiple communication and feedback channels.

Benefits of Implementing FCI

- Reduces customer effort
- Improves customer experience
- Reduces churn
- Reduces cost-to-serve
- Increases Life time Value

Message from the Chairman

Dear Shareholders,

Firstsource has succeeded in all these years, owing to its transformational DNA. We have consistently transformed ourselves in line with the aspiration of our clients and the evolving global business scenario to grow and create value. At the same time, we are helping businesses to transform through new-age thinking and adaptive capabilities. To put it succinctly 'Transform and Enable Transformation' remains our corporate credo for value creation.

We are both big and small, which is an interesting contradiction to have in the contemporary business scenario. We are big enough to make and sustain large investments to support committed, long-term significant transformational journeys and engagements with our clients. At the same time, we are small enough to be agile and flexible to respond with innovative solutions to the changing dynamics of our clients' businesses and their respective markets.

Operations and People

We have successfully navigated headwinds and continued our growth trajectory. The most significant highlight of the year has been the 10-year deal we signed with Sky, one of our long-standing clients, making us their only outsourced partner in the U.K. for TV and broadband customer support services. During the year, we also expanded into the U.S. mortgage industry with the acquisition of the BPO division of ISGN Corporation. I am confident that we will continue to grow in FY18, accelerate our innovation curve and deploy tangible differentiators that give us the competitive edge to win high-impact transformational deals.

Today, Firstsource is better equipped to innovate and execute complex processes. This is the outcome of greater collaboration among our people and most importantly the accountability and effectiveness of our talent pool. We will continue to invest in our people and empower them to create innovative outcomes for our global clients. I thank every member of our global teams for their innovative ideas and initiatives amid challenges. I am happy to share that our customer-centric efforts and innovation strategy are getting acknowledged globally.

Emerging as Future Ready

With disruptive concepts like Smart Cities Smart Vehicles, Smart factories, Smart Lighting, Smart Education becoming part of everyday conversations it's evident that Internet of Things has come of age. We will be governed by a web of connected machines and devices - calibrating how we live, manufacture goods and consume services. As the BPM industry finds itself at a critical juncture of this technology revolution, Firstsource is investing and implementing in next-generation technology-enabled services to its clients in Robotic Process Automation, Digitisation and Analytics.

At Firstsource, we take pride in helping our clients deliver successful and result-oriented services. We are developing futuristic, cost-effective and relevant IT processes. As our clients take the quantum leap towards Digitisation we help them in executing processes and mitigate the risks innate to the transformation.

Way Forward

We will continue to deepen and widen our know-how to create differentiated and technology-enabled processes for our discerning clients across geographies. We will continue to work with our clients as strategic partners in their journey towards transformational growth in a largely volatile business landscape. Innovation will remain at the centre stage of our global operating strategy to deliver sustainable value, going forward.

The macro environment is likely to present headwinds in the months ahead. However, we are confident of creating new pathways on the strength of our capabilities and the commitment to serve our clients with utmost integrity and insight.

I seek the support of all our stakeholders in this journey.

Regards,

Sanjiv Goenka

Sanjiv Goenka
Chairman

Message from the Managing Director and CEO

Dear Shareholders,

We are living through interesting times, when 'creative disruption' is the new normal for businesses to survive and thrive, amid pervasive socio-economic volatility. Business models, strategies and technologies are changing at a rapid pace across the world, forcing business leaders to think afresh. The ability to consistently innovate, challenge the status quo, change the rules of the game and drive rapid transformations is the way forward.

Brexit, policy changes in the U.S. and demonetisation in India are some of the challenges we faced on multiple fronts in the past year. The uncertain macro environment also contributed to delayed decision-making by our current and prospective clients while hardening of interest rates in the U.S., rapid depreciation of the GBP and softening of the USD had an impact on our fiscal performance.

Against the backdrop of a largely unpredictable business landscape, we performed well in FY 2016-17 with a revenue growth of 10.5%. The operating profit (EBIT) rose by 15.1%, and net profit after tax (PAT) increased by 7.5% (Y-o-Y). Our EBIT and PAT margins improved by 43 bps and 22 bps respectively. We maintained steady growth, delivered value to our clients and stakeholders and explored new ways to improve operational efficiency.

As we look forward, we believe our transformational mindset and ability to provide innovative solutions to clients will be key pivots in driving us to the next level of growth and sustainability.

Transformational Mindset

Over the years, our stable business propositions have helped us further our innovation framework and elevate our engagement with our clients. As a result, we have graduated from being a vendor to a collaborative partner for a large spectrum of our clients. Our innovative offerings around Automation, Cognitive Learning, Digitisation and Analytics, have improved the value proposition for our customers and is enabling us to drive future growth.

Customer Acquisition

Trust and a strong work ethic always holds an organisation in good stead. Buttress it with a sharp customer-focus and the outcomes are more than encouraging! Our ability to consistently deliver an enhanced customer experience and bring in differentiated capabilities has helped us emerge as trusted partners with our customers.

FY 2016-17 saw us clinch several important deals across the spectrum of industries we operate in. In the Telecom & Media vertical, we signed a 10-year deal with Sky, U.K. which has been a customer since 2002. In the Banking vertical, we signed a 10-year deal with U.K.'s largest retail bank and mortgage lender in the commercial lending space. In our endeavor to penetrate new retail segments, we acquired ISGN Solutions to help us foray into the U.S. Mortgage market.

Apart from these we have added a plethora of very reputable client names across businesses and geographies and we are excited about the growth and future prospects in these segments.

Awards and Recognition

FY 2016-17 saw your Company win several accolades including Welsh Contact Centre Awards, European Contact Centre & Customer Service Awards, Global HR Excellence Awards, 100 Best Companies for Women in India amongst others. Additionally, we received excellent coverage from NelsonHall, Everest Group and Gartner in their industry reports recognising the Company's innovative solutions.

All the accolades your Company earned was thanks to the human capital assets nurtured over the years.

Our People

At Firstsource our people are our greatest strength. As an organisation we have embraced a PeopleFirst approach that aims to provide an environment for learning, innovative thinking and cross-functional collaboration.

Our Learning and Management Development function in partnership with HR and the business, constantly designs programs to build competencies and relevant skills for our people that enables them to learn and excel. We continue to work towards ensuring we have the right talent at the right time to meet the organisation's growth objectives. Our robust performance management process combined with leadership and management development initiatives help us drive a high performance culture.

Future Roadmap

The global consumer industry is witnessing a major transformation, and technology is gradually changing consumer behavior. Your Company has made significant investments in creating proprietary IPs spanning a wide range of industries and markets to sustain our competitive advantage.

Our focus on relevant business strategy, risk management and compliance has made us resilient. However, we must not be complacent. We will continue to build on the momentum that we have painstakingly created over the years.

On that note, I thank the Board, my colleagues, our regulators, clients and every member of our Firstsource family for contributing to the Company's success.

Regards,

Rajesh Subramaniam
Managing Director & CEO

Board of Directors


Sanjiv Goenka (Chairman)


Rajesh Subramaniam (MD & CEO)


Y. H. Malegam


Pradip Kumar Khaitan


Charles Miller Smith


Shashwat Goenka


Donald W. Layden Jr.


Subrata Talukdar


Grace Koshie


Pradip Roy


V. K. Sharma

Leadership Team

Rajesh Subramaniam
Managing Director & CEO

Dinesh Jain
President & CFO

Venkataraman K. R.
President & CEO,
Healthcare

Shalabh Jain
President & COO,
Customer Management

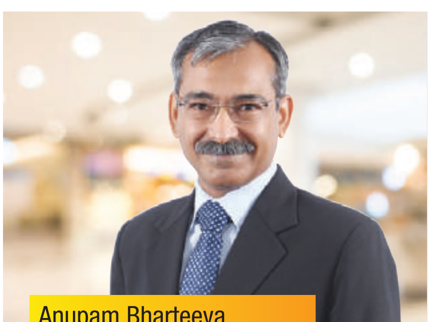
Erik Anderson
President & CEO,
ISGN Solutions

Arjun Mitra
President,
Collections & CM (U.S.)

Arun Tyagi
EVP & Head,
Asia Business Unit

Siddharth Parashar
Chief Revenue Officer,
Customer Management

Soma Pandey
Chief Human Resources Officer



Anupam Bharteeya
Chief Analytics Officer

PeopleFirst

For us, our people are our biggest asset. While our leadership provides the vision to the organisation, it is our people who translate these boardroom discussions into tangible results. We believe our success is primarily because of our people who work in partnership with our clients. Hence, we strive to provide our people with a fulfilling career.

At Firstsource, we take pride in the fact that ours is a people business and we are a people-centric organisation. We are committed to bringing out the best in our people while encouraging them to push their boundaries to outperform their own goals. Additionally, we are dedicated to continually delivering service excellence to our clients.

It is this PeopleFirst approach, that puts Firstsource on a strong footing while building a unified global Firstsource culture that drives business outcomes in a rapidly changing world.

With our workplace culture acting as an enabler for greater collaboration, consistent people practices across the employee lifecycle (Attract-Develop-Engage) and an effective Talent Management Process, helps position Firstsource as an Employer of Choice.

Our workplace culture is rooted in a set of Corporate Values (IIPACE) that is at the heart of everything we do.

- Innovation
- Integrity
- People centricity
- Agility
- Collaboration
- Excellence

Retaining our Ethos

Going back to the basics, the name Firstsource is rooted in the equity the organisation has built over the years and embodies its mission of being the
1) First source of excellence to its customers
2) First source that inspires and drives its people to fulfil their aspirations

Over the years, withstanding challenges we have upheld the Brand core - helping clients outperform by outperforming ourselves - in all honour. As new people join us, we feel it's important to retain and assert our core, hence, the emphasis on high-performance, and service excellence.

Investing in Our People

As an organisation, we are continuously working to ensure we have the right talent at the right time to meet the organisations' goals. Our robust performance and talent management process combined with leadership and management development initiatives help us meet the talent demand.

At Firstsource, we acknowledge their contributions and appreciate their commitment. We have instituted frameworks and curriculums to help them hone their skills, have visibility into other adjacencies so that they get the big picture and have a better understanding of the business.

Performance Management Process

Where there's learning, there's growth. With growth arises the need to scale new heights, the courage to venture into and explore new territories.

The Performance Management Process at Firstsource helps our people perform well. The overarching objective is to set benchmarks for high-performance that are measurable, accurate, tangible and that they are suitably rewarded. We sustain our performance management process by virtue of regular feedback and coaching sessions which help people develop and grow in their roles.

Coaching and feedback are an on-going process. In effect, we strive to create a workplace environment that challenges their creativity, stimulates and directs them to work towards their goals.

Talent Management

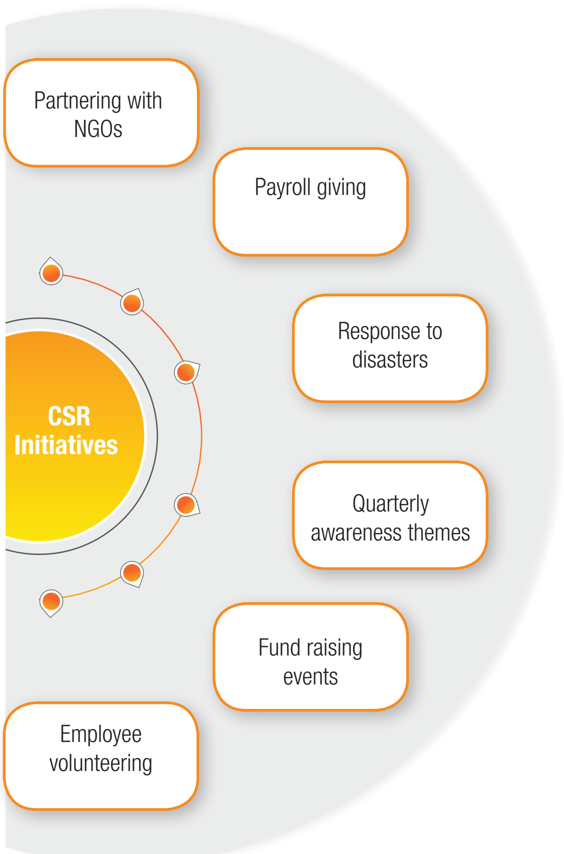
Globalisation and a connected world-economy has changed the dynamics of talent management. At Firstsource, people are our business drivers and we make meaningful investments to facilitate their professional growth.

Simply put, Talent Management is about being able to 1) pre-empt business needs and map talent needs to new roles that market opportunities and emerging trends may throw up in the long term 2) upskill leadership to meet challenges in the near-term.

Ultimately, it boils down to building a leadership pipeline that will help create a more systematic approach of identifying people for succession for business critical roles while developing their competencies.

Caring for the Community

At Firstsource, our corporate social responsibility (CSR) strategy is an integral part of our growth strategy. Our CSR policy is guided by the Group's vision to enable holistic development by serving our customers, shareholders, people as well as the community. Besides, we also involve our people to participate in community development programmes through our various initiatives.



Awards and Accolades

Welsh Contact Centre Awards, 2017
Won Award in three categories including 'Diverse Workplace', 'Trainer of the Year' and 'Special Industry Champion'.

Global HR Excellence Awards, 2017
Won in 'Innovation in Retention Strategy' category. Firstsource was recognised for its' employee retention practices and policies.

European Contact Centre & Customer Service Awards, 2016
Honoured with the Bronze Award in the 'Customer Service Team of the Year' in partnership with our client giffgaff.

U.K. Customer Experience Awards, 2016
Won in the 'Technology & Telecoms' category in partnership with our client NOW TV and received the silver award in the 'Engaging Customers Online' category in partnership with our client giffgaff.

Asia's Best Employer Brand Awards, 2016
Won the 'Best Employer Brand' Award for our excellence in building the Employer Brand as an Employer of Choice.

100 Best Companies for Women in India
Recognised in the 100 Best Companies for 'Women in India' by the 2016 Working Mother & AVTAR Best Companies.

Times Ascent - Asia Pacific HRM Congress Awards, 2016
Recognised in the 'Innovative HR Practices' Award category for our initiatives in Analytics, Talent Management, GES, Wings Within, INSIGHT – Knowledge Capsules, JetSet and Firstsource Academy offerings.

Business in the Community Awards
Honoured as 'Employer of Choice' at the Business in The Community Northern Ireland Awards in Belfast.

Best Adversity Management Stories of Asia, 2016
Secured the 1st Runner-up position at the 'Best Adversity Management Stories of Asia' 2016 Awards for our response to the Chennai floods in Nov-Dec 2015.

Asia's Best Employer Brand Awards, 2016
Recognised in three categories - 'Best B-school Recruiting Programme', 'Organisation with Innovative HR Practices' and 'Best HR Strategy in Line with Business'.

Aer Lingus Viscount Awards
Received 'Employee Champion Award' at the Aer Lingus Viscount Awards in association with Ulster Business in the U.K.

Directors' Report

Dear Members,

Directors of your Company take great pleasure in presenting the 16th Annual Report on the business and operations of your Company and the Audited Financial Statements for the financial year ended 31 March 2017.

FINANCIAL RESULTS:

Pursuant to the notification dated 16 February 2015 issued by the Ministry of Corporate Affairs, the Company has adopted the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules 2015 with effect from 1 April 2016. The performance of the Company for the financial year 2016-17 is summarised below:

(₹ in Millions)

Particulars	Consolidated		Standalone	
	FY 2016-17	FY 2015-16	FY 2016-17	FY 2015-16
Total Income	35,588.15	32,266.97	9,548.51	8,932.03
Profit Before Interest and Depreciation	4,411.95	3,995.31	2,445.43	2,163.23
Interest and Finance Charges (net)	453.16	524.38	67.75	89.08
Depreciation	589.61	608.82	190.32	318.09
Profit Before Tax	3,369.18	2,862.11	2,187.36	1,756.06
Share in net (loss) of associate	(0.01)	-	-	-
Profit from ordinary activities before tax and after share in net loss	3,369.17	2,862.11	2,187.36	1,756.06
Provision for Taxation (including Deferred Tax Charge/ Credit)	576.79	252.86	302.77	243.83
Net Profit After Tax	2,792.38	2,609.25	1,884.59	1,512.23
Profit attributable to:				
Owners of the Company	2,799.96	2,604.87	1,884.59	1,512.23
Non-controlling Interest	(7.58)	4.38	-	-
Total	2,792.38	2,609.25	1,884.59	1,512.23
Balance in Profit & Loss Account	4,439.41	1,830.16	9,647.35	8,135.12
Closing Balance in Profit & Loss Account	7,231.79	4,439.41	11,531.94	9,647.35
Earning Per Share (₹) – Basic	4.14	3.89	2.79	2.26
Earning Per Share (₹) – Diluted	4.08	3.72	2.75	2.16

RESULT OF OPERATIONS:

The consolidated total income increased from ₹ 32,266.97 Million to ₹ 35,588.15 Million, an increase of 10.29% over the previous financial year. The consolidated Net Profit after Tax increased from ₹ 2,609.25 Million to ₹ 2,792.38 Million, a growth of 7.02% over the previous financial year. The detailed analysis of the consolidated results forms part of the Management Discussion & Analysis Report provided separately as part of the Annual Report.

The standalone total income increased from ₹ 8,932.03 Million to ₹ 9,548.51 Million, an increase of 6.90% over the previous financial year. The standalone Profit after Tax increased from ₹ 1,512.23 Million to ₹ 1,884.59 Million, an increase of 24.63% over the previous financial year.

INCREASE IN SHARE CAPITAL:

During the year, your Company issued/ allotted 79,93,425 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 67,33,14,912 shares to 68,13,08,337shares of ₹ 10/- each aggregating to ₹ 6,813.08 Million as on 31 March 2017.

ASSOCIATE COMPANIES AND SUBSIDIARIES:

During the year under review, Company's holdings in Nanobi Data and Analytics Private Limited ("Nanobi") exceeded 20% and the said holdings, post conversion, will be part of the Equity Share Capital of Nanobi.

Accordingly it became an Associate Company pursuant to the provisions of Section 2(6) of the Companies Act 2013.

Further, during the year under review, Firstsource Dialog Solutions (Pvt) Limited, Sri Lanka, a subsidiary of Firstsource Solutions Limited have successfully completed the Assets transfer to Dialog Business Solutions (an entity of Dialog Axiata).

GLOBAL OPERATION CENTERS:

The Company, on a consolidated basis had 48 global operation centers as on 31 March 2017. The centers are located across India, US, UK and Philippines. 20 of the Company's operation centers are located in 13 cities in India, 18 in US, 8 in UK and 2 in Philippines.

During the year, the Company incurred capital expenditure of ₹ 856 Million mainly towards refurbishment and maintenance of operation centers, technology upgrade and setting up of new operations centers.

QUALITY INITIATIVES:

The Company follows the global best practices for process excellence and the quality framework is based on COPC principles. The Company uses innovative techniques like Speech & Text Analytics, Robotic Process Automation and

Intelligent action board to drive improvements across. Also, as part of the Quality Management System, the Company has embraced ISO 9001:2008. The Company continues to follow process improvement methodologies like Six Sigma, Lean and Kaizen.

AWARDS AND ACCOLADES:

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

- **Welsh Contact Centre Awards 2017**
  Won in three categories including Diverse Workplace Award, Trainer of the year and Special Industry Champion.

- **Global HR Excellence Awards 2017**
  Won in Innovation in Retention Strategy category.

- **Asia's Best Employer Brand Awards 2016**
  Won the Best Employer Brand Award for excellence in building the Employer Brand as an Employer of Choice.

- **European Contact Centre & Customer Service Awards 2016**
  Honored with the Bronze award in the 'Customer Service Team of the Year' in partnership with our client giffgaff.

- **100 Best Companies for Women in India**
  Recognised in the 100 Best Companies for Women in India by the 2016 Working Mother & AVTAR Best Companies for Women in India.

- **Times Ascent - Asia Pacific HRM Congress Awards 2016**
  Recognised in the Innovative HR practices award category for initiatives in Analytics, Talent Management, GES, Wings Within, INSIGHT – Knowledge capsules, JetSet and Firstsource Academy offerings.

- **Business in the Community Awards**
  Honored as 'Employer of Choice' at the Business In The Community Northern Ireland Awards in Belfast.

- **Best Adversity Management Stories of Asia 2016**
  Secured the 1st Runner-up position at the 'Best Adversity Management Stories of Asia' 2016 Awards for response to the Chennai floods in Nov-Dec 2015.

- **Asia's Best Employer Brand Awards 2016**
  Recognised in three categories - 'Best B-school recruiting programme', 'Organisation with Innovative HR Practices' and 'Best HR Strategy in line with Business'.

- **UK Customer Experience Awards 2016**
  Won in the Technology & Telecoms category in partnership with NOW TV client and received the silver award in the 'Engaging Customers Online' category in partnership with giffgaff client.

- **Aer Lingus Viscount Awards**
  Received Employee Champion Award at the Aer Lingus Viscount Awards in association with Ulster Business.

CONSOLIDATED FINANCIAL STATEMENTS:

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

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 2016-17.

TRANSFER TO RESERVE:

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

HUMAN RESOURCES:

On a consolidated basis, the Company has 26,116 employees as of 31 March 2017.

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 under review, your Company has not accepted any deposits under Section 73 of the Act, and as such, no amount on account of principal or interest on public deposits was outstanding as of 31 March 2017.

PARTICULARS OF LOANS, INVESTMENTS, GUARANTEES AND SECURITIES:

Particulars of loans given, investments made, guarantees given and securities provided along with the purpose for which the loan or guarantee or security is proposed to be utilized by the recipient are provided in the notes to the standalone financial statements. (Please refer to Note 6 & 31 to the standalone financial statements).

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES:

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

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

The CSR activities, as per the provisions of the Act, may also be undertaken by the Company through a registered trust. Accordingly, "RP – Sanjiv Goenka Group CSR Trust" ("CSR Trust") was formed along with other group companies to pursue CSR activities as mentioned in the CSR Policy of the Company. During the year, the Company has spent an amount of ₹ 30.31 million, being 2% of the average net profits of the Company for the last 3 years on CSR activities as mentioned in the CSR Policy. Out of the said amount, majority of the amount has been contributed by the Company towards the corpus of the CSR Trust, which would be spent by the CSR Trust on the focus areas as mentioned in the CSR Policy of the Company.

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

India:

- The Company participated in the India Smile Challenge 2016 along with hundreds of other corporates during the Joy of Giving week. Also, the Company initiated a Fundraising drive and encouraged employees to contribute to the NGOs identified for this cause i.e.: National Society For Equal Opportunities for the Handicapped (NASEOH) and The Akanksha Foundation. The Company collected a total of ₹ 9.49 Lacs and won the 1st place in the 'New donor count' (5201) and 'Total funds Raised' categories for corporates with over 5000 employees;

- As part of the 'Give India' Payroll Giving Program, on an average 1,400 employees contributed towards various charities on a monthly basis. The total contribution this fiscal year was around ₹ 20 Lacs;

- The Company donated ₹ 2.5 Lacs towards "Light of Life" trust. The sponsorship was used towards covering the cost of a fundraiser event, the proceeds of which will go towards education of children who are school dropouts;

- As part of the CSR Theme "Education" volunteers across centres visited various NGO's. They spent quality time with the children and donated books, stationery items and other essential school supplies. In Mumbai employees raised ₹ 41,502 for "Prem Sadan" - an NGO which supports education of the girl child. The funds raised were donated towards sponsorship of education for 4 girl children; and

- As part of the CSR Theme "Environment", employees participated in various activities such as Tree Plantation Drive, Photography Competition on Environment Theme, Free Emission check for vehicles of employees and "Save the Planet" – Drawing Competition.

Philippines:

- Employees of the Company's office in Manila for more than 3 years in a row have been sponsoring the Chosen Children Village Foundation, Inc., an internationally acclaimed facility geared towards securing the future of the children with special needs. Apart from the yearly donation campaign, a fund raising campaign was launched, where Christmas cards painted by the children of the foundation were sold by the employees in order to help the foundation keep its operations running;

- Another initiative "Dream in a Bag" was launched and the funds raised were used to procure school supplies for Grade two students of chosen school, Almanza Elementary School;

- "Plant-A-Tree for Mother Earth"- as part of the part of the CSR Theme Environment" employees planted approximately 300 tree seedlings in the watershed area in Quezon City. The Company also participated in the "Earth Hour" Campaign where all lights in common areas in the office were switched off for an hour with the rest of the world; and

- On an annual basis since 2012, Company's offices in the Philippines have been participating in the blood donation campaign with the Philippine Red Cross.

UK:

- With over 100 events hosted in the last fiscal year, a total of GBP 33,410.80 was raised internally for over 50 charities. Mentioned below is a brief overview of how funds were raised for the top 5 charities:

  - GBP 6,199.37 was raised for the Prince's Trust Million Makers project in Cardiff through a series of events which included a charity football tournament, silent auctions, raffles, plus ticket sales and more. The most successful event was the Charity Ball, where staff from all levels of the company attended the black-tie function, raising GBP 2,190.50;

  - The Company raised GBP 5,207.19 for Marie Curie's national 'Blooming Great Tea Party', 'Christmas Jumper day' events and a number of Peak Challenge events in 2017 via summer party ticket sales and a sponsored walk in Belfast; which involved staff walking up local mountain ranges;

  - GBP 2,927.31 was raised for Teesside Hospice by staff in Middlesbrough, through a dress down day with a raffle and some games and fundraising in sponsorship of colleagues' participation in a local 5K run;

  - GBP 1,800 was raised for Foyle Search and Rescue, a group of volunteers in Derry who work to protect human life in and around the River Foyle. The amount was raised through fundraising activities including an Easter raffle, a Bake-off competition and a charity football tournament for Company's colleagues;

  - In Derry-Londonderry, employees across levels participated in a charity boxing match in aid of the neo-natal intensive care unit at the local hospital. In total, GBP 1,500 was raised by Company's staff, for spending on new state-of-the-art technology for the ward.

- As part of the Payroll Giving Program 1,537 members of staff made donation pledges to 210 chosen charities, raising a total of GBP 62,814.75;

- In partnership with Business In The Community (BITC) staff from Belfast and Derry helped out with grounds maintenance at a nearby donkey sanctuary and a local country park respectively as part of BITC's 'Give and Gain Day'. They also undertook maintenance at other locations during BITC's 'Be a Saint Day'. Staff in Middlesbrough visited a local home for adults with physical disabilities, spending time with the residents, talking and playing games before they enjoyed their Christmas party;

- In partnership with BITCNI, The Leadership and Management Development (LMD) team provided training to local students. Part of the programme involved running interview skills training, C.V. workshops and a module on Customer Service; and

- A new focus on biodiversity encouraged staff to think about the environment and in particular, the importance of bees and pollination. Members of staff in Northern Ireland were even offered the opportunity to take part in beekeeper training programmes, paid for by the Company.

USA:

- Employees across US office participated in a variety of Fundraising activities and events to support the American Cancer Society Making Strides for Breast Cancer Charity. The Company raised a total of USD 8,891.26 and had 174 walkers participating in this event;

- Colorado Springs office had multiple bake sales and raised USD 2,590 for St. Baldrick's, which is a foundation that funds children's cancer research;

- The Ride for Roswell 2016 – Amherst Employees helped raise USD 1,061 for funding cancer research for Roswell Park Cancer Institute;

- Amherst employees participated in "Help Children Succeed in School" fundraiser in association with Salvation Army. They got school supplies which were filled in backpacks and distributed to the children from low-income group;

- Employees in Rockford office held a Craft and Bake Sale in addition to a 50/50 raffle in order to raise money for local school children in need. The funds collected helped in sponsoring 11 children with School Uniforms. Employees in Tampa donated school supplies and monetary donation of USD 150 for a local school, Crestwood Elementary;

- In Miami employees organised a collection drive for the children at a local homeless shelter, just in time for Halloween. They collected 20 Halloween costumes and 3 large bags of candy which were delivered to the shelter a few days before Halloween. Employees in Louisville collected over USD 300 for Kosair charities to purchase candy and toys for children in the hospital during Halloween;

- During the holiday season employees in Kingston, NY (US) raised USD 250 in cash donations as well as close to 100 toys for the Toys 4 Tots charity and Amherst employees held a 50/50 in which half of the proceeds totalling USD 540 was spent on toys for the Toys 4 Tots charity. The mission of this program is to collect new, unwrapped toys and distribute those toys as Christmas gifts to the less fortunate children in the community;

- In Rockford, IL employees collected non-perishable food items for families in the Rockford area during Christmas. They also adopted 24 people (children and adults) at Christmas time 25 employees bought and wrapped over 100 gifts for these three families;

- Employees in Louisville supported the Franciscan Kitchen to help the homeless. They raised a total of USD 650 and collected 319 blankets, 30 coats/jackets, 30 hats/scarfs and 15 pairs of gloves to help those on the streets keep warm through the winter;

- Employees in Palm Bay office organised a collection drive for a Women's Shelter "Serene Harbor" where they collected clothing, toys, toiletries, books and shoes; and

- Upstate New York Transplant Services (Unyts) blood drive had 32 total donors with a total of 28 whole blood units collected and 13 first time donors and Rockford Payer office blood drive had 31 people donate thus saving 93 lives with the said donations.

RISK MANAGEMENT:

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

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

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

INTERNAL FINANCIAL CONTROLS:

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

WHISTLE BLOWER POLICY:

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

PREVENTION OF SEXUAL HARRASSMENT POLICY:

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

BOARD OF DIRECTORS:

Pradip Kumar Khaitan (DIN 00004821) 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.

Board and Audit Committee Meetings:

During the year, the following 4 Board Meetings and Audit Committee Meetings were held on:

1. 12 May, 2016;
2. 26 July 2016;
3. 27 October 2016; and
4. 31 January 2017.

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 familiarization programmes are put up on the website of the Company at the link: http://firstsource.com/blog/wp-content/uploads/2016/06/fsl-details-of-independent-directors familiarisation-programme.pdf.

BOARD EVALUATION:

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

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

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

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

(ii) Performance Evaluation of Executive Director:

The performance of the Managing Director & 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, productivity & other financial indicators, so as to ensure that the Company achieves its planned results, effective discharge of the functions and roles of the Board, etc.

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

KEY MANAGERIAL PERSONNEL:

During the year under review, Ms. Pooja Nambiar has been appointed as the Company Secretary & Compliance Officer of the Company in Board Meeting held on 31 January 2017. She has been appointed in place of Mr. Sanjay Gupta, who resigned from the post of Company Secretary & Compliance Officer of the Company w.e.f.17 August 2016.

POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION:

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

Appointment criteria and qualifications:

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

2. A person should possess adequate qualifications, expertise and

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

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

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

The Independent Directors in the meeting:

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

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

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

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

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

Audit Committee:
As on 31 March 2017, 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 on 31 March 2017, the Nomination and Remuneration Committee comprised of 3 Independent Directors viz. Y. H. Malegam (Chairman), Charles Miller Smith and Pradip Roy and 1 Non-Independent Director namely Subrata Talukdar.

Corporate Social Responsibility (CSR Committee):
As on 31 March 2017, CSR Committee comprised of Shashwat Goenka (Chairman), Rajesh Subramaniam, Subrata Talukdar and 1 Independent Director namely Pradip Roy.

Stakeholders Relationship Committee:
As on 31 March 2017, Stakeholders Relationship Committee comprised of members viz. Subrata Talukdar (Chairman) and Rajesh Subramaniam.

Investment Committee:
As on 31 March 2017, Investment Committee comprised of members viz. Y. H. Malegam (Chairman), Rajesh Subramaniam and 1 Non-Independent Director namely Subrata Talukdar.

Strategy Committee:
As on 31 March 2017, Strategy Committee comprised of members viz. Shashwat Goenka (Chairman), Rajesh Subramaniam, Subrata Talukdar and 1 Independent Director namely Donald W. Layden Jr..

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

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

Details of Related Party Transactions are given at Note No. 26 to the Standalone Financial Statements. None of the Directors of the Company has any pecuniary relationships or transactions vis-a-vis the Company.

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

SUBSIDIARY COMPANIES:
As on 31 March 2017, your Company has 15 subsidiaries:

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

International Subsidiaries: (14)

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

ISGN Solutions Inc, ISGN Fulfillment Services, Inc. and ISGN Fulfillment Agency, LLC have consequently become subsidiaries of the Company.

During the financial year 2016-17, Nanobi Data and Analytics Private Limited has become Associate Company.

Report on the Performance and Financial Position of Subsidiaries:

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

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

BUSINESS RESPONSIBILITY REPORT:

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

REPORT ON CORPORATE GOVERNANCE:

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

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

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

EXTRACT OF ANNUAL RETURN:

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

STATUTORY DISCLOURES OF PARTICULARS:

A) Conservation of Energy:

The Company continues to make progress towards energy conservation across all its operation centers. The Company is continuously monitoring earlier initiatives of reducing energy consumption within data centre(s) and across its' operation centers. The Company, similar to its previous years initiatives of GREEN IT, continued to replace the normal Desktops and old Thin clients with Mini Desktops in UK Geography 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 helps conserve energy.

B) Absorption of Technology:

The Company has been innovating consistently to absorb newer technology offerings which can benefit business to improve operational efficiency with a cost effective manner. During the year, the Company has reduced considerable resources from onsite to remote support for Desktop, server support and enterprise – email / domain support services for UK and US Geography. The Company has moved on the Horizon migration with migrating about 1500 end points to Horizon Virtual Desktop Infrastructure (VDI). The Company also has used virtualization technology and has successfully implemented this for new customer wins. These new technologies have helped the Company to have a cost effective solution. The Company has also upgraded its gateway/ perimeter security controls across all locations with the deployment of A Next-Generation Firewall (NGFW), an integrated network platform that is a part of the third generation of firewall technology, combining a traditional firewall with other network device filtering functionalities, such as an application firewall using in-line Deep Packet Inspection (DPI), an Intrusion Prevention System (IPS) to ensure a strong perimeter defense and also ensure compliance requirements of the organisation. On the telephony side, the Company has made significant development in migration from Time-division Multiplexing (TDM) to Internet Protocol (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, 59.52% 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 2017	Fiscal 2016
Foreign Exchange Earnings	5,683.29	5,084.05
Foreign Exchange Outgo (including capital goods and imports)	155.59	144.68

SECRETARIAL AUDIT:

Pursuant to the provisions of Section 204 of the Act read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, the Company obtained Secretarial Audit Report from Ms. Amrita D.C. Nautiyal, a Company Secretary in Practice for the financial year 2016-17. The Secretarial Audit Report is annexed to this Report as Annexure V.

STATUTORY AUDITORS AND AUDITORS' REPORT:

As per the provisions of Section 139(2) of the Companies Act 2013, the existing statutory auditors B S R & Co. LLP, Chartered Accountants were appointed by the members of the Company at the last Annual General Meeting to hold the office of the Statutory Auditors upto the date of ensuing Annual General Meeting.

B S R & Co. LLP, Chartered Accountants, have been the Statutory Auditors of the Company since inception i.e. for more than 15 years and had already completed tenure of more than two terms of five consecutive years.

As per the provisions Section 139(1) & (2) of the Companies Act 2013, a listed company shall not appoint or re-appoint an audit firm as the Statutory auditors for more than two terms of five consecutive years with ratification by members at every AGM and therefore in view of above the new Statutory Auditors would be appointed for a period of five years.

The Board as per the recommendation of the Audit Committee and after detailed scrutiny of statement based on the terms and conditions, background of the Firm vis-à-vis requirements of the Company based on the Industry in which it operates and experience of the Firm, has recommended the name of Deloitte Haskins & Sells LLP, Chartered Accountants (Firm Registration No.117366W/W-100018) as Statutory Auditors. As per the provisions of Section 139 of the Companies Act 2013 tenure of Deloitte Haskins & Sells LLP, Chartered Accountants as the Statutory Auditors of the Company will be for a period of five years to hold office from the conclusion of 16th AGM until the conclusion of 21st AGM of the Company to be held for financial year 2021-22, subject to ratification in every Annual General Meeting.

The proposed Auditors have confirmed their willingness and eligibility in terms of provisions of Section 141 and other relevant provisions of the Act.

The Board places on record its appreciation for the services rendered by B S R & Co. LLP, Chartered Accountants, as Statutory Auditors of the Company.

The Notes on financial statements referred to in the Auditors' Report are self-explanatory and do not call for any further comments. The Auditors' Report does not contain any qualification, reservation or adverse remark. However, there is Emphasis of Matter in the Auditors' Report which 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 2016-17:

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; and
4. No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and the Company's operations in future.

DIRECTORS' RESPONSIBILITY STATEMENT:

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

1. In the preparation of the annual accounts for the financial year 2016-17, the applicable Ind-AS accounting standards have been followed and there are no material departures from the same;
2. The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31 March 2017 and of the profit of the Company for year ended on that date;
3. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. The Directors had prepared the annual accounts on a going concern basis;
5. The Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
6. The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

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 – Special Economic Zone 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
5 May 2017

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 2016-17 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 2016-17.

Name & Designation	Remuneration/ Sitting Fees of each Director & KMP for Financial Year 2016-17 (₹)	% increase/ decrease in remuneration in the Financial Year 2016-17	Ratio of remuneration of each Director to median remuneration of employees
A. Directors			
Rajesh Subramaniam, MD & CEO*	4,67,29,901*	10.03%	301.80
Sanjiv Goenka, Chairman, NI-NED	4,00,000	100%	2.58
Y. H. Malegam, I-NED	9,00,000	12.50%	5.81
Charles Miller Smith, I-NED	6,50,000	8.33%	4.20
Donald W. Layden Jr., I-NED	2,00,000	-55.56%	1.29
Pradip Roy, I-NED	7,50,000	25%	4.84
V. K. Sharma, I-NED	4,50,000	-	2.91
Grace Koshie, I-NED	5,00,000	-16.67%	3.23
Shashwat Goenka, NI-NED	5,00,000	42.86%	3.23
Subrata Talukdar, NI-NED	10,00,000	11.11%	6.46
Pradip Kumar Khaitan, NI-NED	3,00,000	-	1.94
B. Key Managerial Personnel			
Dinesh Jain, President & CFO*	1,68,28,567*	18.23%	Not Applicable
Sanjay Gupta, SVP – Corporate Affairs & CS**	24,25,227**	Not Applicable**	Not Applicable
Pooja Nambiar, CS & Compliance Officer***	697,750***	-	Not Applicable

Legends: KMP – Key Managerial Personnel, 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. **Mr. Sanjay Gupta resigned as Company Secretary & Compliance Officer w.e.f. 17 August 2016. Therefore, the remuneration figures of financial years 2015-16 and 2016-17 are not comparable.
3. *** Ms. Pooja Nambiar was appointed as a Company Secretary & Compliance Officer of the Company in Board Meeting held on 31 January 2017. She has been appointed in place of Mr. Sanjay Gupta, who resigned from the post of Company Secretary & Compliance Officer of the Company on 17 August 2016. Therefore, the remuneration figures of financial years 2015-16 and 2016-17 are not comparable.
4. Non-Executive Directors have received only sitting fees and no other remuneration have been paid to them.
5. Median remuneration of all the employees of the Company for the financial year 2016-17 is ₹ 1,54,836.

(iii) The percentage increase in the median remuneration of employees in the financial year 2016-17

Median remuneration of employees during the financial year 2016-17 was ₹ 1,54,836 compared to ₹ 1,43,616 of the previous financial year. This increase in median remuneration by 7.81% was mainly due to increase in the overall remuneration of existing employees and change in mix where the employees drawing lower remuneration were replaced by those drawing higher remuneration.

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

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

As on 31 March 2017, there were 16,334 permanent employees on the rolls of Company on standalone basis.

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

Profit Before Tax increased by 17.72% and Profit After Tax increased by 7.02% on a consolidated basis in the financial year 2016-17, compared to previous financial year. The market projections indicated a hike ranging 7-9%. The average increase of 7.81% in the median remuneration of the comparable employees during the financial year was largely in line with the market projections and performance of the Company. Employees received hikes considering the criticality of the roles they play, their individual performance in the Financial Year 2016-17 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 ₹ 61.71 million in the Financial Year 2015-16 to ₹ 66.68 million in the Financial Year 2016-17, an increase of 8.05%, whereas Profit Before Tax increased by 17.72% and Profit After Tax increased by 7.02% on a consolidated basis in the financial year 2016-17. The remuneration does not include the taxable value of Stock Options exercised by the KMPs during the year.

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

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

a) The market capitalisation as on 31 March 2017 was ₹ 2,844 crore (₹ 2,269 crore as on 31 March 2016).
b) Price Earning ratio of the equity shares of the Company was 9.88 as at 31 March 2017 on a consolidated basis and 9.12 as at 31 March 2016.
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 31 March 2017 was ₹ 41.70 and ₹ 41.75 respectively. The % decrease in share price as on 31 March 2017 at NSE with respect to issue price was 34.80%.

(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 2016-17 other than the MD & CEO was 7.81% and the increase in the salary of the MD & CEO was 10.03%.

The above increase in the salaries of employees was in line with the market projection, the performance of the Company in the financial year 2016-17, 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 2016-17 is as under:

Name	Remuneration of each KMP for FY 2016-17 (₹)	% increase/ decrease in remuneration in the Financial Year 2016-17	Comparison of remuneration of the KMPs against the performance of the Company
Rajesh Subramaniam, MD & CEO	4,67,29,901	10.03%	Profit Before Tax increased by 17.72% and Profit After Tax increased by 7.02% on a consolidated basis in financial year 2016-17
Dinesh Jain, President & CFO	1,68,28,567	18.23%	
Sanjay Gupta, SVP – Corporate Affairs & CS	24,25,227	Not Applicable	
Pooja Nambiar, CS & Compliance Officer	6,97,750	Not Applicable	

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

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

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

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

Annexure II to the Directors' Report

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

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

The Board of Directors of your Company (hereinafter referred to as the "Board") approved the Corporate Social Responsibility ("CSR") Policy of your Company in the 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 a constant endeavour of the Company to work towards building sustainable livelihoods and for the upliftment of the underserved in the society. The Company wish to transcend the boundaries of conventional business and industry modalities and integrate good business practices with community development. The Company seeks to promote and strengthen the trust of its shareholders, other stakeholders and the public; operating in accordance with good corporate governance and CSR practices which is inherent in the Group's Philosophy. The Group has upheld its tradition of community service across the country and reached out to the 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 formalize and institutionalize Company's efforts in the domain of CSR. The CSR Policy shall serve as a guiding document to help identify, execute and monitor CSR projects in keeping with the spirit of the CSR Policy. Our vision is to be recognized for our strong commitment towards the community and to uphold the values of community service. The Company seeks to be a good corporate citizen in all aspects of its operations and activities. The Company seeks to undertake programmes in the areas of Healthcare, Education, Environment, Arts & Culture, Promotion of Sports as well as support initiatives towards Gender Equality and Empowerment of Women. The CSR at the Company is a platform for giving back to the communities in which we live and work. Our CSR Policy focuses on leveraging the full range of the Company's resources - people, skills, expertise and funding - to broaden access to basic facilities for the 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 channeling the resources on a sustained basis:

I. Healthcare:

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

II. Education:

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

III. Environment:

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

IV. Art & Culture:

a. Preservation of ancient Indian manuscripts;
b. Preserve cultural heritage by protecting the monuments, preserving the archival materials and safeguarding the classical, folk and tribal traditions;
c. Maintenance and conservation of the monuments and sites of archaeological and heritage value;
d. Promotion of literary, visual and performing arts and preservation of ancient traditions such as ancient Indian musical instruments;
e. Collaborate with organisations promoting and propagating Indian art and culture;
f. Maintenance, preservation and conservation of archival records and archival libraries; and
g. Promotion and strengthening of regional and local museums.

V. Gender equality and women empowerment:

a. Building and strengthening partnerships with civil society organisations, particularly women's organisations for spreading awareness in rural areas, regarding the equal rights for women in all spheres – political, economic, social, cultural and civil; and
b. Empower women by supporting them in the formation of self-help groups and facilitate establishing linkages with financial institutions for availing loans to start small enterprises.

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

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

2. The Composition of the CSR Committee:

i) Shashwat Goenka, 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: ₹ 1,51,54,50,855

4. Prescribed CSR Expenditure (two percent of the amount as in item 3 above): ₹ 3,03,09,017

5. Details of CSR spend for the financial year:

a. Total amount spent for the financial year: ₹ 3,03,09,017

b. Amount unspent, if any: Nil

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

Sr. No	CSR Projects/ Activities identified	Sector in which Project is covered	Projects or Programs (1) Local area or other (2) Specify the state and district where Projects or Programs were undertaken	Amount Outlay (Budget) Project or programs wise	Amount Spent on the Project or Programs		Cumulative Expenditure up to reporting period (₹ In Million)	Amount spent: Direct or through implementing agency
					1. Direct Expenditure (₹ In Million)	2. Overheads (₹ In Million)		
1	Payroll Giving – admin charges	Education, Women Empowerment	Mumbai (Maharashtra), Bangalore (Karnataka)	-	0.20	Negligible	0.20	1) Through Implementing Agency (Give India) 2) Direct
2	Admin Expenses for India Smile Challenge and salary of CSR resource	-	-	-	-	0.5	0.5	-
3	Light of Life Trust - sponsorship of fundraising event "Deep India"	Education and women empowerment	Maharashtra and Madhya Pradesh	-	0.24	0.01	0.25	Direct
4	Amount spent towards supporting a staff member - state level body building champion	Promotion of sports	Bangalore (Karnataka)	-	0.05	Negligible	0.05	Direct
5	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)	-	28.25	0.49	29.31	1) Through "RP – Sanjiv Goenka Group CSR Trust" @ 2) Direct
	TOTAL				**29.31**	**1.00**	**30.31**	

Note:

@RP – Sanjiv Goenka Group CSR Trust" ("Group CSR Trust") was formed on 17 February 2015 to pursue CSR activities as may be permitted under the Companies (Corporate Social Responsibility) Rules 2014 as amended. During the FY 2016-17, Group CSR Trust has paid a sum of ₹ 25 lacs to JSW Foundation which is engaged in promoting sports activities.

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

5 May 2017

Annexure IIIA to the Directors' Report

THE DETAILS OF REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

1. PURPOSE OF THE POLICY

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

2. OBJECTIVE

The Objective of this Policy is to ensure that-

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

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

3. REMUNERATION TO NON-EXECUTIVE DIRECTORS INCLUDING INDEPENDENT DIRECTORS

A. Remuneration/ Commission:

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

B. Remuneration for Professional Services rendered by any Director:

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

C. Sitting Fees:

The Board of Directors, at its meeting held on 1 August 2014 had decided a sitting fees of ₹ 1,00,000 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 the same to the Company.

G. Premium on Insurance Taken by the Company:

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

Annexure IIIB to the Directors' Report

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

1. PURPOSE

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

2. GRADE STRUCTURE

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

3. PAY PHILOSOPHY

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

4. SALARY STRUCTURE

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

5. ANNUAL VARIABLE PAY STRUCTURE

Some employees get Variable Pay on an annual basis-

- Eligibility:
  - Managers and above: India, Philippines, UK
  - US: GM+ and employees having Annual Variable Pay
- Variable pay is a part of an employee's CTC
- Payout is linked to financial performance of the Company, Business Unit and individual employee's performance

- The Company performance is decided by the Nomination and Remuneration Committee every year
- Variable Pay Pool & Payout is approved by Nomination and Remuneration Committee.

6. LONG TERM INCENTIVE PLANS/ ESOP

a. Eligibility

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

b. Vesting Schedule

- 25% after 1 year
- 12.5% after every 6 months 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 and Remuneration Committee approval.

Annexure IV to the Directors' Report

FORM NO. MGT 9
EXTRACT OF ANNUAL RETURN
as on the financial year ended on 31 March 2017

[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	6 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, India Contact no: (022) 66660888
6.	Whether listed company	Yes
7.	Name, Address & contact details of the Registrar & Transfer Agent, if any.	3i Infotech Limited, Tower #5, 3rd to 6th Floor, International Infotech Park, Vashi, Navi Mumbai – 400 703 Contact no: (022) 6792 8000

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

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

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:

Sr. No	Name the Company	Address of the Company	CIN/ GLN	Holding/ Subsidiary/ Associate	% of Shares held	Applicable Section
1	Spen Liq Private Limited {Wholly Owned Subsidiary (WOS) of CESC Limited}	31 Netaji Subhas Road, PS Hare Street, Kolkata - 700 001, West Bengal	U72900WB1995PTC075089	Holding	54.89%	2(46)
2	CESC Limited**	CESC House, Chowringhee Square, Kolkata - 700 001, West Bengal	L31901WB1978PLC031411	Holding	Nil	2(46)

3	Firstsource Process Management Services Limited (Formerly known as Anunta Tech Infrastructure Services Limited)	3rd Floor, Block 5A & 5B, Pritech Park - SEZ, Marathalli, Sarjapur Outer Ring Road, Bellandur, Bangalore- 560103 Karnataka	U72200KA2010PLC055713	Subsidiary	100%	2(87)(ii)
4	Firstsource Solutions UK Limited	Space One, 1 Beadon Road, London W6 0EA, UK	NA	Subsidiary	100%	2(87)(ii)
5	Firstsource Solutions S.A.	San Martin 344, 4th Floor, Buenos Aires, Argentina	NA	Subsidiary	99.98%	2(87)(ii)
6	Firstsource Group USA, Inc.	National Registered Agents, Inc., 160 Greentree Drive, Dover, Delaware 19904, USA	NA	Subsidiary	100%	2(87)(ii)
7	Firstsource Business Process Services, LLC	National Registered Agents, Inc., 160 Greentree Drive, Dover, Delaware 19904, USA	NA	Subsidiary	100%*	2(87)(ii)
8	ISGN Solutions Inc.	National Registered Agents, Inc., 160 Greentree DR STE 101, Dover, DE, 19904.	NA	Subsidiary	100%*	2(87)(ii)
9	ISGN Fulfillment Services, Inc.	National Registered Agents, Inc., 116 Pine Street - Suite 320, Dauphin County, Harrisburg, Pennsylvania 17101	NA	Subsidiary	100%*	2(87)(ii)
10	ISGN Fulfillment Agency, LLC	National Registered Agents, Inc., 160 Greentree DR STE 101, Dover, DE, 19904.	NA	Subsidiary	100%*	2(87)(ii)
11	Firstsource Advantage LLC	C T Corporation System 111 Eighth Avenue, New York 10011, USA	NA	Subsidiary	100%*	2(87)(ii)
12	One Advantage LLC	C T Corporation System 208 SO Lasalle St, Suite 814 Chicago, IL 60604, USA	NA	Subsidiary	100%*	2(87)(ii)
13	MedAssist Holdings LLC	National Registered Agents, Inc., 160 Greentree Drive, Dover, Delaware 19904, USA	NA	Subsidiary	100%*	2(87)(ii)
14	Firstsource Solutions USA, LLC	National Registered Agents, Inc., 160 Greentree Drive, Dover, Delaware 19904, USA	NA	Subsidiary	100%*	2(87)(ii)
15	Firstsource Transaction Services LLC	National Registered Agents, Inc., 160 Greentree Drive, Dover, Delaware 19904, USA	NA	Subsidiary	100%*	2(87)(ii)
16	Firstsource BPO Ireland Limited	Stokes Place, Saint Stephen's Green, Dublin 2, Ireland	NA	Subsidiary	100%	2(87)(ii)
17	Firstsource Dialog Solutions Pvt. Ltd.	No. 234, Vauxhall Street, Colombo-2, Sri Lanka	NA	Subsidiary	74%	2(87)(ii)
18	Nanobi Data and Analytics Private Limited	1289/1090/E 18th Cross, HSR Layout Sector 3 Bangalore KA 560102	U72200KA2012PTC062235	Associate	21.79%	2(6)

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

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

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

1. Category-wise Share Holding:

Category of Shareholders		No. of Shares held at the beginning of the year [As on 1 April 2016]				No. of Shares held at the end of the year [As on 31 March 2017]				% 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	37,39,76,673	-	37,39,76,673	55.54	37,39,76,673	-	37,39,76,673	54.89	(0.65)
	e) Banks/ FI	-	-	-	-	-	-	-	-	-
	f) Any other	-	-	-	-	-	-	-	-	-
	Sub-Total (A)(1)	37,39,76,673	-	37,39,76,673	55.54	37,39,76,673	-	37,39,76,673	54.89	(0.65)
(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)	**37,39,76,673**	**-**	**37,39,76,673**	**55.54**	**37,39,76,673**	**-**	**37,39,76,673**	**54.89**	**(0.65)**
B.	**Public Shareholding**									
1.	**Institutions**									
	a) Mutual Funds	1,66,14,806	-	1,66,14,806	2.47	1,35,46,896	-	1,35,46,896	1.99	(0.48)
	b) Banks/ FI	3,27,54,735	-	3,27,54,735	4.86	3,30,18,428	-	3,30,18,428	4.84	(0.02)
	c) Central Govt	-	-	-	-	-	-	-	-	-
	d) State Govt(s)	-	-	-	-	-	-	-	-	-
	e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
	f) Insurance Companies	-	-	-	-	-	-	-	-	-
	g) FIIs	6,03,05,916	-	6,03,05,916	8.96	6,25,40,403	-	6,25,40,403	9.18	0.22
	h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
	i) Others (specify)	-	-	-	-	-	-	-	-	-
	Sub-total (B)(1):-	**10,96,75,457**	**-**	**10,96,75,457**	**16.29**	**10,91,05,727**	**-**	**10,91,05,727**	**16.01**	**(0.28)**
2.	**Non-Institutions**									
	a) Bodies Corporate									
	i) Indian	2,71,26,443	-	2,71,26,443	4.03	3,41,81,248	-	3,41,81,248	5.02	0.99
	ii) Overseas	-	-	-	-	-	-	-	-	-
	b) Individual share-holders									
	i) Individual share-holders holding nominal share capital upto ₹ 1 lakh	6,89,78,496	5,954	6,89,84,450	10.25	6,73,64,866	6,454	6,73,71,320	9.89	(0.36)
	ii) Individual share-holders holding nominal share capital in excess of ₹ 1 lakh	9,35,24,071	-	9,35,24,071	13.89	9,63,05,249	-	9,63,05,249	14.14	0.25
	c) Others (specify)									
	Foreign Companies	27,818	-	27,818	Negligible	39,986	-	39,986	0.00	(0.00)
	NBFCs registered with RBI	-	-	-	-	3,28,134	-	3,28,134	0.05	0.05

	Sub-total (B)(2):-	18,96,56,828	5,954	18,96,62,782	28.17	19,82,19,483	6,454	19,82,25,937	29.10	0.93
	Total Public Shareholding (B)=(B)(1)+(B)(2)	29,93,32,285	5,954	29,93,38,239	44.46	30,73,25,210	6,454	30,73,31,664	45.12	0.66
	C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
	Grand Total (A+B+C):-	67,33,08,958	5,954	67,33,14,912	100.00	68,13,01,883	6,454	68,13,08,337	100.00	-

2. Shareholding of Promoters:

Sr. No	Shareholder's Name	Shareholding at the beginning of the year (As on 1 April 2016)			Shareholding at the end of the year (As on 31 March 2017)			% 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	37,39,76,673	55.54	-	37,39,76,673	54.89*	-	(0.65)
	Total	37,39,76,673	55.54	-	37,39,76,673	54.89	-	(0.65)

Note: *There is no change in the total shareholding of promoters between 1 April 2016 and 31 March 2017. The decrease in % of total shares of the Company from 55.54% to 54.89% is due to ESOS allotment of 79,93,425 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 1 April 2016)		Cumulative Shareholding during the year (1 April 2016 to 31 March 2017)	
		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	37,39,76,673	55.54	-	-
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	37,39,76,673	54.89 *	37,39,76,673	54.89

Note: *There is no change in the total shareholding of promoters between 1 April 2016 and 31 March 2017. The decrease in % of total shares of the Company from 55.54% to 54.89% is due to ESOS allotment of 79,93,425 shares.

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

Sr. No	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year (1 April 2016)/end of the year (31 March 2017)		Cumulative Shareholding during the Year (1 April 2016 to 31 March 2017)	
		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	3,20,79,803	4.76		
	Increase/ decrease in shareholding during the year				
	At the end of the year	3,20,79,803	4.71@	3,20,79,803	4.71
2	Jhunjhunwala Rakesh Radheshyam^				
	At the beginning of the year	2,50,00,000	3.71		
	Increase/ decrease in shareholding during the year				
	At the end of the year	2,50,00,000	3.67@	2,50,00,000	3.67
3	Goldman Sachs India Fund Limited				
	At the beginning of the year	1,85,24,562	2.75		
	Increase/ decrease in shareholding during the year				
	Transfer (Market Purchase)	3,23,201	0.02		
	At the end of the year	1,88,47,763	2.77	1,88,47,763	2.77

4	**Steinberg India Emerging Opportunities Fund Limited**				
	At the beginning of the year	1,17,74,000	1.75		
	Increase/ decrease in shareholding during the year				
	Transfer (Market Purchase)	1,00,24,562	1.45		
	Transfer (Market Sale)	-48,98,562	-0.72		
	At the end of the year	1,69,00,000	2.48	1,69,00,000	2.48
5	**Dimensional Emerging Markets Value Funds**				
	At the beginning of the year	62,67,713	0.92		
	Increase/ decrease in shareholding during the year				
	Transfer (Market Purchase)	2,47,990	0.03		
	Transfer (Market Sale)	-23,65,100	-0.34		
	At the end of the year	41,50,603	0.61	41,50,603	0.61
6	**Birla Sun Life Trustee Company Private Limited A/C Birla Sun Life Pure Value Fund***				
	At the beginning of the year	-	-	-	-
	Increase/ decrease in shareholding during the year (3 March 2017)	11,00,000	0.16		
	Transfer (Market Purchase)	30,50,000	0.45		
	Transfer (Market Sale)	-	-	-	-
	At the end of the year	41,50,000	0.61	41,50,000	0.61
7	**Birla Sun Life Trustee Company Private Limited A/C Birla Sun Life Midcap Fund**				
	At the beginning of the year	75,00,000	1.11		
	Increase/ decrease in shareholding during the year				
	Transfer (Market Purchase)	27,76,000	0.40		
	Transfer (Market Sale)	-62,76,000	-0,92		
	At the end of the year	40,00,000	0.59	40,00,000	0.59
8	**Virginia Tech Foundation, INC. Steinberg India Asset Management, Ltd.**				
	At the beginning of the year	32,60,000	0.48		
	Increase/ decrease in shareholding during the year				
	Transfer (Market Purchase)	16,00,000	0.23		
	Transfer (Market Sale)	-13,60,000	-0.20		
	At the end of the year	35,00,000	0.51	35,00,000	0.51
9	**Emerging Markets Core Equity Portfolio (THE PORT-FOLIO) Of DFA Investment Dimension Group INC (DFAIDG)**				
	At the beginning of the year	31,07,259	0.46		
	Increase/ decrease in shareholding during the year				
	Transfer (Market Purchase)	2,14,299	0.03		
	Transfer (Market Sale)	-	-	-	-
	At the end of the year	33,21,558	0.49	33,21,558	0.49
10	**Antara India Evergreen Fund Ltd#**				
	At the beginning of the year	26,64,140	0.40		
	Increase/ decrease in shareholding during the year				
	Transfer (Market Purchase)	1,00,000	0.01		
	Transfer (Market Sale)	-27,64,140	-0.41		
	At the end of the year	Nil	Nil	Nil	Nil
11	**GMO Implementation Fund A Series Of GMO Trust***				
	At the beginning of the year	11,08,203	0.16		
	Increase/ decrease in shareholding during the year				
	Transfer (Market Purchase)	19,20,107	0.28		
	Transfer (Market Sale)	-	-	-	-
	At the end of the year	30,28,310	0.44	30,28,310	0.44
12	**The Emerging Markets Small Cap Series Of The DFA Investment Trust Company#**				
	At the beginning of the year	23,53,285	0.35		
	Increase/ decrease in shareholding during the year				
	Transfer (Market Purchase)	-	-	-	-
	Transfer (Market Sale)	-3,75,430	-0.06		
	At the end of the year	19,77,855	0.29	19,77,855	0.29

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 79,93,425 shares.
3. ^ Out of total 2,50,00,000 shares, Jhunjhunwala Rakesh Radheshyam transferred 15,00,000 shares to his other demat account.
4. # Ceased to be in the list of Top 10 shareholders as on 31 March 2017. The same is reflected above since the shareholder was one of the Top 10 shareholders as on 1 April 2016.
5. * Not in the list of Top 10 shareholders as on 1 April 2016. The same has been reflected above since the shareholder was one of the Top 10 shareholders as on 31 March 2017.

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

Sr. No	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year (1 April 2016)/end of the year (31 March 2017)		Cumulative Shareholding during the year (1 April 2016 to 31 March 2017)	
		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	17,50,000	0.26		
	Increase/ decrease in shareholding during the year				
	ESOS Allotment	30,00,000	0.44		
	Transfer (Market Sale)	-40,00,000	-0.59		
	At the end of the year	7,50,000	0.11	7,50,000	0.11
2	**Y. H. Malegam, Director**				
	At the beginning of the year	62,500	0.01		
	Increase/ decrease in shareholding during the year	-	-		
	ESOS Allotment	5,37,500	0.08		
	Transfer (Market Sale)	-3,87,500	-0.06		
	At the end of the year	2,12,500	0.03	2,12,500	0.03
3	**Charles Miller Smith, Director**				
	At the beginning of the year	Nil	Nil		
	Increase/ decrease in shareholding during the year				
	ESOS Allotment	5,47,840	0.80		
	Transfer (Market Sale)	-5,47,840	-0.80		
	At the end of the year	Nil	Nil	Nil	Nil
B)	**KMPs**				
4	**Dinesh Jain, President & CFO**				
	At the beginning of the year	2,00,000	0.03		
	Increase/ decrease in shareholding during the year				
	ESOS Allotment	6,56,250	0.10		
	Transfer (Market Sale)	-7,56,250	-0.11		
	At the end of the year	1,00,000	0.02	1,00,000	0.02
5	**Sanjay Gupta, SVP-Corporate Affairs & Company Secretary ***				
	At the beginning of the year	1,74,250	0.03		
	Increase/ decrease in shareholding during the year				
	ESOS Allotment	33,750	Negligible	-	-
	Transfer (Market Sale)	-5,000	Negligible		
	As on 17 August 2016	2,03,000	0.03	2,03,000	0.03

Note:

1. The full details of datewise Increase/ decrease in shareholdering of the Directors and Key Managerial Personnels are available at the website of the Company at the link : http://www.firstsource.com/us/investors-corporate-governance.
2. The Directors of the Company who have not held any shares at any time during the year, are not shown in the above list.
3. *Resigned as Company Secretary and Compliance Officer on 17 August 2016.

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 (1 April 2016)				
i) Principal Amount	1,253.88	672.98	-	1,926.86
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	2.74	-	-	2.74
Total (i+ii+iii)	**1,256.62**	**672.98**	**-**	**1,929.60**
Change in Indebtedness during the financial year				
Addition	-	98.82	-	98.82
Reduction	(167.24)	-		(167.24)
Net Change	**(167.24)**	**98.82**		**(68.42)**
Indebtedness at the end of the financial year (31 March 2017)				
i) Principal Amount	1,085.58	771.80	-	1,857.38
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	3.80	-	-	3.80
Total (i+ii+iii)	**1,089.38**	**771.80**	**-**	**1,861.18**

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	4,53,31,031
	(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*	7,59,40,000*
3	Sweat Equity	-
4	Commission - as % of profit - others, specify…	-
5	Others - Club Membership Fees - Residence Maintenance Charges - Gas - Electricity - Medical - Contribution to Provident Fund	 - 1,78,885 5,545 65,440 15,000 10,94,400
	Total (A)	**12,26,69,901**
	Ceiling as per the Act	₹ 109.78 million (being 5% of the net profits of the Company calculated as per Section 198 of the Companies Act 2013, the said calculation excludes the perquisite value of Stock Option)

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

B. Remuneration to other directors:

(Amount in ₹)

Sr. No.	Particulars of Remuneration	Name of Directors						Total Amount
		Y. H. Malegam	Charles Miller Smith	Donald Layden	Pradip Roy	V. K. Sharma	Ms. Grace Koshie	
1	Independent Directors							
	Fee for attending Board and Committee meetings	9,00,000	6,50,000	2,00,000	7,50,000	4,50,000	5,00,000	34,50,000
	Commission	-	-	-	-	-	-	-
	Others, please specify	-	-	-	-	-	-	-
	Total (1)	9,00,000	6,50,000	2,00,000	7,50,000	4,50,000	5,00,000	34,50,000
		Sanjiv Goenka	Subrata Talukdar	Shashwat Goenka	Pradip Kumar Khaitan			
2	Other Non-Executive Directors							
	Fee for attending Board and committee meetings	4,00,000	10,00,000	5,00,000	3,00,000			22,00,000
	Commission	-	-	-	-			
	Others, please specify	-	-	-	-			
	Total (2)	4,00,000	10,00,000	5,00,000	3,00,000			22,00,000
	Total (B)=(1+2)							56,50,000 Refer Note 1
	Total Managerial Remuneration (A+B)							12,83,19,901 Refer Note 2
	Overall Ceiling as per the Act	₹ 241.52 million (being 11% of the net profits of the Company calculated as per section 198 of the Companies Act 2013)						

Notes:

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

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN Managing Director/ Manager/ Whole Time Director:

(Amount in ₹)

Sr. No	Particulars of Remuneration	Key Managerial Personnel			
		Dinesh Jain President & CFO	Sanjay Gupta SVP – Corporate Affairs & Company Secretary#	Pooja Nambiar Company Secretary & Compliance Officer@	Total
1	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-Tax Act 1961	1,62,34,567	23,16,891	6,67,928	1,92,19,386
	(b) Value of perquisites u/s 17(2) Income-Tax Act 1961	39,600	13,500	-	53,100
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-	
2	Stock Option*	1,21,86,438	8,13,764	-	1,30,00,202
3	Sweat Equity	-	-	-	
4	Commission	-	-	-	
	- as % of profit	-	-	-	
	others, specify…				
5	Others				
	– Medical	-	5,685	-	5,685
	- LTA	-	18,196	-	18,196
	- Contribution to Provident Fund	5,54,400	70,955	29,822	6,55,177
	Total	2,90,15,005	32,38,991	6,97,750	3,29,51,746

*Taxable value of perquisite on stock options exercised during the year.
#Resigned on 17 August 2016.
@Appointed on 31 January 2017.

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

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

Annexure V to the Directors' Report

SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2017

[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 compliances 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, 2017, 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 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, 2017 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.

I have also examined compliance with the applicable clauses of Secretarial Standards issued by The Institute of Company Secretaries of India.

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 *save and except appointment and remuneration of its Managing Director and CEO Mr. Rajesh Subramaniam, which was done by passing a resolution by circulation as against at its meeting of Board of Directors as per the requirement of section 179(3) of the Companies Act, 2013. However, the said appointment has been duly regularized by the shareholders of the company at the Annual General Meeting held on 26th July, 2016 before the expiry of his original term.*

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
April 25, 2017

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
April 25, 2017

Business Responsibility Report

INTRODUCTION

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

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

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

Section A: General Information about the Company

1.	Corporate Identity Number (CIN)	L64202MH2001PLC134147
2.	Name of the Company	Firstsource Solutions Limited
3.	Registered address	5th Floor, Paradigm 'B' Wing, Mind-space, Link Road, Malad - West, Mumbai - 400 064 India
4.	Website	www.firstsource.com
5.	Email id	complianceofficer@firstsource.com
6.	Financial year reported	1 April 2016 to 31 March 2017
7.	Sector(s) that the Company is engaged in (industrial activity code-wise)	Name and description of main product/ services: The Company provides BPO services. Description – IT - Enabled Services – BPO. NIC Code of the product/ services: 63999
8.	List three key products / services that the Company manufactures/ provides (as in balance sheet)	Customer Management Services, Revenue Cycle Management Services and Mortgage Processing Services
9.	Total number of locations where business activity is undertaken by the Company Number of international locations (Provide details of major five) Number of national locations	The Company alongwith its 15 subsidiaries has 48 global operation centers of which 20 are located in India, 18 in USA, 8 in UK and 2 in Philippines as per the details given below: **India (20):** Chennai (4), Mumbai (2), Navi Mumbai (1), Bangalore (2) Trichy (2), and 1 each in Kolkata, Pondicherry, Vijayawada, Cochin, Indore, Jalandhar, Siliguri, Bhubaneshwar and Bhopal. **USA (18):** Louisville (2) in Kentucky, Kingston (1) & Amherst (1) in New York, Rockford (1) and Belleville (1) in Illinois, Salt Lake City in Utah (1), Colorado Springs (1), Eugene in Oregon (1), Palm Bay in Florida (1), Rocky Hill in Connecticut (1) and 7 operational hubs of MedAssist. **United Kingdom (8):** Belfast (2), Cardiff (2), Londonderry (1), Middlesbrough (1), Warrington (1) and Derby (1). **Philippines (2):** Manila, Cebu The five major international locations: UK: Cardiff and Londonderry US: Amherst and Colorado Springs Philippines: Manila
10.	Markets served by the Company - Local/ State/ National/ International	The Company is carrying out business activity across all India, US, UK and Philippines.

Section B: Financial Details of the Company

1.	Paid up Capital of the Company	₹ 6,81,30,83,370
2.	Total turnover	₹ 9,40,06,50,000
3.	Total profit after tax	₹ 1,88,45,90,000
4.	Total spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%):	₹ 3,03,09,017 (2% of Average Profit of 3 preceding years)
5.	List of activities in which expenditure in four above was incurred:	Please see below:

Details	Amount (in ₹)
Admin Expenses - salary for CSR resource	4,90,000
Amount spent towards admin charges for Give India (FY2017)	2,02,497
Amount contributed to Light of Life Trust sponsorship of fund raising event Deep India	2,50,000
Amount contributed to Misc activities during India Smile Challenge	10,000
Amount spent towards supporting a staff member state level body building champion	50,000
Contribution to RP-Sanjiv Goenka Group CSR Trust (Projects will be undertaken by the Group CSR Trust in accordance with applicable Rules/ Regulations)	2,93,06,520
Total Amount Spent	**3,03,09,017**

Section C: Other Details

1.	Does the Company have any Subsidiary Company / Companies?	The number of subsidiary companies as on 31 March 2017 is 15. The details of the same are given in Directors' Report.
2.	Does the subsidiary Company / Companies participate in the Business Responsibility Report initiatives of the parent Company? If yes, then indicate the number of such subsidiary company(s).	No.
3.	Does any other entity/ entities (e.g. suppliers, distributors etc.), that the Company does business with, participate in the Business Responsibility Report initiatives of the Company? If yes, then indicate the percentage of such entity/ entities? [Less than 30%, 30-60%, More than 60%]	No. The Company does not mandate its suppliers/ distributors to participate in the Company's Business Responsibility Report initiatives.

Section D: Business Responsibility Report Information

1.	Details of Director/ Directors responsible for Business Responsibility Report	Business Responsibility functions are inter alia, monitored by the Corporate Social Responsibility Committee of the Board of Directors of the Company formed in terms of Section 135 of the Companies Act 2013.

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

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

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

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

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

Notes

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

3. Governance related to BR

1.	Indicate the frequency with which the Board of Directors, Committee of the Board or the CEO assesses the Business Responsibility Report performance of the Company. Within 3 months, 3-6 months, annually, more than 1 year	CEO/ Business heads review the performance of respective policies covering the principle given in the Business Responsibility Report on an annual basis.
2.	Does the Company publish a Business Responsibility Report or a Sustainability Report? What is the hyperlink for viewing the report? How frequently it is published?	No, presently the Company does not publish its Business Responsibility Report or Sustainability Report. SEBI has mandated the requirement of submission of Business Responsibility Report for top 500 listed entities based on market capitalisation at BSE and NSE as on 31 March of every year under Regulation 34(2)(f) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015. This is the first Business Responsibility Report for FY 2016-17. The same is available on website of the Company. The link for Business Responsibility Report is http://www.firstsource.com.

Section E: Principle wise Performance

Principle 1: Ethics, Transparency and Accountability

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

1.	Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/ No. Does it extend to the Group/ Joint Ventures/ Suppliers/ Contractors/ NGOs / Others?	No, it covers employees, suppliers, contractors, service providers and their employees.
2.	How many stakeholder complaints were received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof in about 50 words or so.	The Company has received 1 complaint from the vendor during the period 2016-17. The complaint has been resolved and there was no pending complaint as of 31 March 2017.

Principle 2: Product Lifecycle Sustainability

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

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

Principle 3: Employee Wellbeing

Businesses should promote the wellbeing of all employees:

1.	Total number of employees.	As on 31 March 2017, the strength of the permanent employees on roll workforce stands at a total of 16,334.
2.	Total number of employees hired on temporary/ contractual/ casual basis.	As on 31 March 2017, the strength of employees hired on temporary/ contractual / casual basis stands at a total of 269.

Employment Type	Headcount
Part Time Employees	110
Casual Based	1
Contract Employees	158
Total	**269**

3.	Total number of permanent women employees.	As on 31 March 2017, the strength of permanent women employees stands at a total of 4,946
4.	Total number of permanent employees with disabilities.	As on 31 March 2017, the number of permanent employees with disabilities associated with the Company stands at a total of 50.
5.	Do you have an employee association that is recognized by the Management?	No
6.	What percentage of your permanent employees are members of this recognised employee association?	Not Applicable
7.	Please indicate the number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year	15 complaints were filed during the financial year 2016-17 towards sexual harassment of which 12 were closed and 3 cases were open at the end of the FY which have been subsequently closed as well.
8.	What percentage of your under-mentioned employees that were given safety and skill up-gradation training in the last year? 1. Permanent employees (includes classroom and e-learning) 2. Permanent women employees 3. Casual/temporary/ contractual employees 4. Employees with disabilities	The Company is in the business of services and requires its employees to continuously improve their skill. Accordingly, 100% of the employees have gone through the skill upgrade training.

Principle 4: Stakeholder Engagement

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

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

Principle 5: Human Rights

Businesses should respect and promote human rights:

1.	Does the policy of the Company on human rights cover only the Company or extend to the Group/ Joint Ventures/ Suppliers/ Contractors / NGOs / Others?	Global Ethics Policy covers aspects of human rights and extends to all employees and contractors, group companies, joint ventures and suppliers.
2.	How many stakeholder complaints were received in the past financial year and what percent was satisfactorily resolved by the Management?	No stakeholder complaint was received in FY 2016-17.

Principle 6: Environmental Management

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

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

Principle 7: Public Advocacy

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

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

Principle 8: Inclusive Growth

Businesses should support inclusive growth and equitable development:

1.	Does the Company have specified programmes/ initiatives/ projects in pursuit of the policy related to Principle 8? If yes, provide details thereof	Yes, the Company considers Corporate Social Responsibility as an important aspect of its operations. It has aligned its thrust areas in line with the requirements of Schedule VII to the Companies Act 2013. To oversee implementation of various initiatives, Company has formed a Board Level Committee called Corporate Social Responsibility (CSR) Committee. The details of various CSR initiatives of the Company are given in the Directors' Report.
2.	Are the programmes/ projects undertaken through in-house team/ own foundation/ external NGO/ government structures/ any other organisation?	The projects were undertaken by both the internal teams as well as through/ in-coordination with external agencies like NGOs and Government Institutions.
3.	Has the Company done any impact assessment for its initiative?	The CSR Committee do review impact assessment for its initiatives. Further the RP – Sanjiv Goenka Group CSR Trust" ("Group CSR Trust"), to which the Company has contributed major amount, is also pursuing the CSR activities permitted under the Companies (Corporate Social Responsibility) Rules 2014 as amended.
4.	What is the Company's direct contribution to community development projects (Amount in? and the details of the projects undertaken)?	The Company has spent an amount of ₹ 3.03 Crore in various CSR activities during year 2016-17, out of which ₹ 10,02,497 were already spent by the Company and the balance amount of ₹ 2,93,06,520 has been transfer to the RP- Sanjiv Goenka Group CSR Trust ("CSR Trust") The details of the amount incurred and areas covered are given in Annexure III on Annual Report on Corporate Social Responsibility Activities forming part of Directors' Report.
5.	Has the Company taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in around 50 words	The total spent was contributed to RP – Sanjiv Goenka Group CSR Trust" ("Group CSR Trust") which was formed to pursue CSR activities as may be permitted under the Companies (Corporate Social Responsibility) Rules 2014 as amended.

Principle 9: Value for Customers

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

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

For and on behalf of the Board of Directors

Shashwat Goenka
Chairman, Corporate Social Responsibility Committee

Kolkata
5 May 2017

Management's Discussion and Analysis of Financial Condition and Results of Operations

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

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

Global Economic Outlook

A significant uncertainty on the global front compounded by the domestic volatility around the demonetisation exercise cast a shadow on the economy in general. Muted investments, stagnant global trade and currency volatility has left the global economy in a flux.

However, given the fiscal initiatives undertaken by the major economies to boost growth, the economy is expected to have a modest pickup in the coming years. The projections estimate a 3.3% growth in CY17, 3.5% in CY18 from 3.0% growth in CY16. Although this is quite a modest recovery, it would still leave the global growth, below the historical average of 4%, during the time prior to the economic downturn. This growth is expected to be in pockets, driven primarily by the emerging economies with China and India leading the growth pack; despite lowering of growth guidance by the World Bank for both these economies. Currency movements, especially the continued sharp decline of the British pound against the dollar and other major currencies have an impact on the companies that have operations in the UK or work for UK customers in other geographies.

Collectively, advanced economies are projected to grow by 1.9% in CY17 and 2.0% in CY18. The growth in the US economy is highly dependent on the potential policy changes and potential political stance of the new administration. As per the forecast the US economic growth will increase by 2.3% in 2017 and 2.5% in 2018 from dismal 1.6% growth rate in 2016. A slight recovery in the oil prices and stabilisation of the dollar helped the US economic activity accelerate during the last year. This boost will aid the economic recovery by initiating inventory re-stocking hence, encourage GDP growth.

The outlook for the European economies remains unchanged. They are expected to grow at the same moderate pace as that of 2016. High non-performing loans and labor market slowdown in certain European countries will continue to hold back growth prospects for the Eurozone. The United Kingdom's growth is projected to decline further than its rate in 2016 as rising inflation weighs on the real income and consumption and weak business investment due to the uncertainty about the future trading relations with the Eurozone after Brexit.

Changing policies and shifting priorities under the new administration in the United States and its global spillover, China's global policy and fiscal stimulus and UK's departure from the European Union will be viewed as major catalysts for growth rate revision. Therefore, even as the global economic environment remains challenging, the world is trying to take small steps towards recovery.

Industry Structure and Development

The geo-political rumblings, namely—the Brexit referendum, calls for Border tax in the US, increase in salary wages for H1B visas—the disruptive technology advancement driven by automation, artificial intelligence, analytics and digital, are creating a highly volatile future for the global IT and BPO industries. Today, technology is not only restricted to the traditional corporate sector, but also has crossed over to different segments across a wide spectrum of industries. Enterprises in every sector look towards technology to facilitate their own transformations. Globalisation and the race for competitive advantage have led businesses everywhere to embrace cutting-edge technology. 2016, in particular, has been a year of continued technological disruptions, where technology has been imperative in connecting different business segments. From testing driverless cars on to the use of artificial-intelligence enabled robotics in the mainstream sectors; technology has played a vital role in establishing itself as a unifying force between different segments on one hand and consumers on the other.

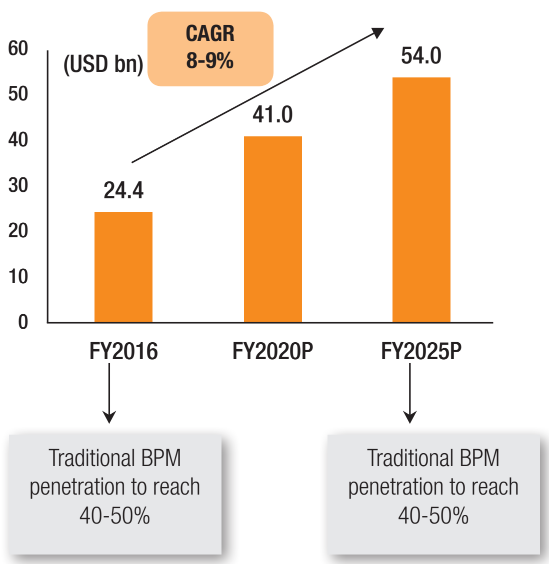
After a few years of stagnation, the global technological industry saw a modest growth recovery of about 4% in 2016. The worldwide IT spending is projected to be USD 3.5 trillion in 2017, which is 2.7% increase from the spend rates in 2016. The Global IT-BPM market in 2016 stood at USD 1.2 trillion. However, the global sourcing growth continues to outperform the IT-BPM spend growth. As for 2016 the growth for sourcing was at 6.7% and stood at USD 173-178 billion. Adoption of digital technologies would act as a key driver for the global IT-BPM industry, where the addressable market is likely to expand to ~USD 4 trillion by 2025 and a CAGR of 3.6%. It is expected that the industry's mix between traditional and digital will change significantly over the next decade.

The Indian IT-BPM industry has been experiencing the impact of the global economic downturn as well as the political developments around the world. According to NASSCOM strategic review 2017, Indian IT services and BPM industry's sectoral revenue is expected to reach USD 200-225 billion in 2020 and revenue of USD 350 billion by 2025. Digital technologies have helped in both disrupting as well as transforming the business. From cloud-based applications to big data analytics, digital disruptions have reached a stage where it is important to adapt and adopt to sustain a business successfully. Digital technologies will play an important role in defining the sector and are likely to have 23% share by 2020 and greater than 38% share in 2025. IT-BPM exports play a key role in India's economy. Its share in India's total service export is over 49% and it accounts for 32% on India's forex reserves.

According to Business wire reports, the global BPM market size is estimated to grow to USD 13.52 billion in 2021, at a CAGR of 14.2% from 2016-2021. The key drivers for the BPM market are the need to improve efficiency and visibility, increased government compliance and overall Return on Investment from the companies.

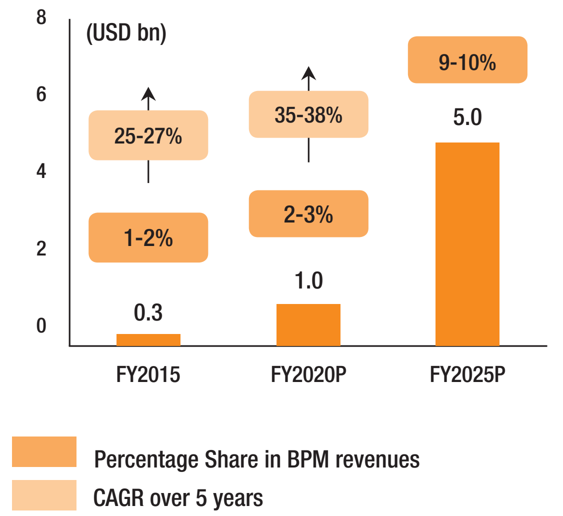
The global business environment is going through fundamental economic, technology, consumer preference and demographic shift. These tectonic shifts have aided the global BPM market to increase enterprise operational efficiencies and gain deeper insight into the business. According to NASSCOM, the global BPM spend in 2016 grew at 4%, a CAGR of (2012-2016) of 8-9% to reach USD 183 billion. Whereas the global BPM sourcing market has grown 7-8% in 2016, with India contributing 37% to the overall BPM sourcing market. Some of the main growth contributors for the BPM sector were emerging verticals such as healthcare and retail, established verticals such as BFSI, manufacturing and telecom contributed significantly due to their higher base. In terms of BPM segments, Process automation, platform / BPaaS / operation mechanisms and analytics were the main growth drivers. BPM solutions are expected to dominate the industry in the next five years due to the growing need of business compliance and their challenges faced by organisations worldwide. The Indian BPM industry has significantly evolved over the years; not only in terms of scale but also matured itself in terms of scope of service offerings, customer segments served and service delivery models, aiding a major transformation with the industry moving ahead from efficiency to effectiveness.

Indian BPM revenues to reach USD 54 billion by 2025



Source: NASSCOM, Industry Sources

BPaaS Revenues: 4X faster growth than traditional BPM services



Source: NASSCOM, Industry Sources

Source: NASSCOM, Company Research

The Indian BPM sector has grown over 1.6 times in the last five years and is expected to cross USD 30 billion in revenues in 2017 at a growth rate of 7.4% over 2016. Over 87% of the revenues of the total Indian BPM market are contributed by exports, while the remaining 13% is from the domestic business. The export market is set to grow 7.5% in 2017 to reach USD 26.3 billion whereas the domestic market is clocking growth of 6.9% to reach 3.8 billion. NASSCOM projects the BPM sector revenues are set to grow to USD 50 billion by the year 2020.

Despite the uncertainty and volatility, your Company grew at an impressive 10.5% in rupee terms and 12.9% in constant currency terms which is among the leading growth rates in the industry.

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 US. The Global Healthcare BPO market is predicted to grow at a CAGR of almost 6% by 2020. Global healthcare IT-BPM market is expected to grow from USD 170.47 billion revenues in 2016 to USD 276.79 billion in 2021. The market drivers for the Healthcare IT-BPO industry are consolidation among and between payers and providers, telemedicine, consumerisation. In addition, the technological advances like robotics process automation, digital transformation and new new operations and billing models, will contribute to the forecasted growth. (Source: NelsonHall)

The Healthcare payer BPM market is segmented into claims processing services, member services, HR services, and finance and accounting services. The health insurance payer market grew by 5.5% in 2016 and is expected to grow to 6.1% in 2020. The impact of regulatory changes and key policy initiatives are key factors boosting the healthcare payer BPM market.

The payer outsourcing sector is positioned to benefit from a number of key macro trends which had been set in motion in the previous years. These trends include escalating costs, widespread consolidation and regulatory complexity, changing business models, payer-provider convergence, and evolution of the patient-centric paradigm. It 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 revamping their existing systems, processes and interfaces. Increasing stringency of regulatory landscape and needs for compliance creating pressure on the profitability of healthcare payers, and focus on value-based care creating challenges for both providers and payers are some of the factors driving adoption of BPO services. While there is still a significant need to reduce costs: administrative and medical, the relationship between healthcare organisations and service providers are expanding beyond cost reduction to quality, engagement and innovation.

During the last couple of years the industry has seen a shift in the market as consumerism, competition, and regulation have driven a broader swathe of clients to new operating models and opened the door to service providers. The client base is expanding to include "Blues" plans and networks, healthcare providers, a broader set of services including member-management, provider-network management, along with health and care management as well as analytics. The solutions are increasingly leveraging third party, service provider tools and platforms to drive outcomes. The contracts are increasingly varied, based on not just headcount, or per member per month (PMPM), but also results.

Technology-led solutions are gaining traction in healthcare BPO, with platform solutions being the most preferred by the buyers. Robotic Process Automation (RPA) is expected to play an impactful role in the future. In commodity areas of sourcing claims and provider data/network management in particular, automation is helping to streamline and speed up processing. There is an increasing expectation among clients that automation is "baked into" the solution. Besides automation, the greatest take-up till date has been the increasing use of technology in call centers, and in web-enabling claims, member-management, and Medicaid Management Information Systems (MMIS). With expanding capabilities of service providers, the service provider landscape is expected to become more competitive.

In the context of Healthcare provider segment such as hospitals, 2017 is expected to be a year full of challenges and opportunities. The market size growth of the provider segment was 3.2% in 2016 and is expected to grow to 5.3% in 2020 at a CAGR of 4.9%. The Healthcare provider services is segmented into medical billing, medical coding, medical transcription, and revenue cycle management. According to the Everest Group, the USD 7.5-8.5 billion Revenue Cycle Management (RCM) outsourcing services market represents a significant opportunity with 11%-14% anticipated CAGR growth. Some of the major drivers of this change include: Outsourcing in the RCM market gaining traction as continuously rising administrative expenses putting significant pressure on the profitability of hospitals.

Several regulatory changes such as MACRA, ICD-10 conversion, and HITECH act are also pushing towards increased use of outsourcing as a solution; consolidation among the payer community is also driving healthcare providers to optimise non-core spend. Additionally, rising cases of bad debt write-offs are also pushing healthcare providers towards more sophisticated technology systems and solutions.

Market for traditionally outsourced RCM functions, such as post-service (medical billing and denial management) getting matured, as over 80% hospitals in the US outsource some part of post-service functions to specialised service providers. However, opportunities in functions, such as pre-service (eligibility verification and appointment scheduling) and service (coding and charge capture), are gaining traction.

Automation is becoming the flavour of the industry with buyers asking for solutions that are integrated across different functions and involve automation. There are a lot of possibilities for leveraging automation software in the rules-based work for utilisation management, and even ways to cut out steps by changing the processes. "Bundles" of care, for example, in packaging a pre-determined set of procedures and associated costs for surgery and recovery are taking root and this type of plan will change the utilisation-management process. Legacy patient accounting and practice-management applications lack the automation and analytics to address new reimbursement models and today's business office challenges. PPACA regulations, ICD-10, and complex processes in billing and collections are resulting in revenue losses while exposing the talent and technology gaps of many providers. For many healthcare finance leaders, a strategy to outsource RCM means resolving near-term cash leakages for long-term revenue integrity.

With all the change happening in the healthcare industry, there's a need to better understand constituents, efficient ways to maximise reimbursements and meet federal regulations, etc., organisations need to aggregate and analyse data efficiently. This represents a significant opportunity that can be realised with analytics.

Firstsource is uniquely positioned to harness this growth opportunity as it works for 3 of the top 5 Payers and over 650 hospitals in the US and it offers an end-to-end suite of services to cater to the Payers and Providers. Its presence across both the segments of this market gives the Company a strong differentiating edge.

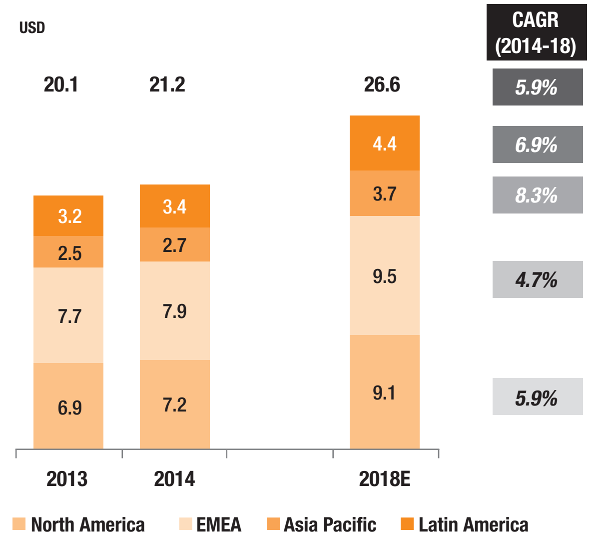
Healthcare segment contributes 35.8% towards the company's total revenue.

Telecommunications and Media (T&M):

Global Customer Management Services (CMS) market is estimated to be USD 62.7 billion and is expected to grow at a CAGR of 5.1% for the period of 2014 - 2019. The CMS market for Telecom is expected to reach USD 26.6 billion in 2018. The North American market for CMS is expected to grow to approx. USD 9.1 billion in 2018, up from USD 7.2 billion in 2014. The EMEA region is expected to have the largest market share in CMS sector as it is poised to grow to USD 9.5 billion in 2018 from USD 7.9 billion in 2014. Another emerging market for the CMS sector is the Latin American market which is expected to be rising to USD 4.4 billion in 2018. (Source: NelsonHall)

According to NelsonHall's latest report, the global telecom operations' market which, is estimated to be around USD 3 billion has the potential to grow to a USD 10 billion market. SMACA (Social, Mobility, Automation, Cloud, Analytics) segment contributes to about 7% to the telecom operations' market and has the potential to reach about 25% of the market size. Although larger telecom companies have been early adopters of the telecom operations services sector, there is a great potential to expand and provide the services to smaller Tier 2 and Tier 3 Telecom companies. With Mobility and Automation are emerging as game-changers for the telecom industry, BPM companies will play a significant role in aiding telecom companies to automate their processes to enable speedy and consistent delivery of their services.

Global - CMS in Telecom Market Size



Telecom Operations As-a-Service will evolve even faster in the next few years than it has so far. The deployment of IoT solutions, the widespread adoption of network rollout management and other new services leveraging design thinking will lead to significant advances in this offering in the near term

Although some telecom companies are still hesitant to replace their legacy systems, service providers have already started building new solution stacks which can replace legacy telco systems. So service providers are making investments in incremental solutions which are designed to work around or integrate with existing physical and technological investments. Greenfield operators, Mobile Virtual Network Operators, who don't have legacy investments, are willing to leapfrog to new technology stacks that present significant opportunities.

With the world connecting with their networks using telecom as their primary channel of communication, telecom companies have access to large quantities of data. Yet, only a handful of companies have adopted big data architecture and analytics technologies to their advantage. However, with increasing number of telecoms considering investments in data science and over 30% companies already making heavy investments in the same, there is great scope for BPM companies to make a foray in this field. Combining its thorough understanding of socio-demographic data, the telecom industry can get valuable insights by applying big data analytics to consumer behaviour and heavy network usage.

The telecom sector continues to be a significant force for growth, innovation and disruption. With the increase of Smartphone usage by the masses, telecom companies have opened new opportunities for IT-BPM companies. One of the emerging areas of focus for the IT-BPM sector is implementation of Internet of Things (IoT) in telecom and media. With the advances in network technology along with higher speeds, IoT technology will help the telecom sector easily deliver content to user screens. Since IoT will push carriers to be frontrunners in the highly competitive environment, business operations and processes have the opportunity to prove their mettle.

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; Fortunately, telcos have a combination of traditional interaction channels (IVR, phone support, SMS, email, paper correspondence) and new-age technology-driven communication channels (webchat, videochat, social media, and virtual-assistants) at their disposal. Investing in 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.

Intelligent Automation leveraging RPA, cognitive and analytics is gaining the interest of telcos. Most of the early automation services in telcos came from either order-management or customer support, but lately automation has gained traction in other telco processes such as network design, billing audits, field-force-management, incident and problem management. Almost all service providers are now offering automation solutions either on their own platforms or leveraging third party solutions.

US and UK Cable Industry:

According to industry estimates, US cable industry's broadband advantage and bundling stance will enhance revenues for the industry from 2016 to 2026. Residential revenues are projected to increase from USD 108.38 billion in 2016 to USD 117.7 billion in 2026 or USD 9.32 billion over the 10-year interval. Contributions from commercial services will help push total industry revenue from USD 130.57 billion in 2016 to USD 140.99 billion in 2026 — USD 10.42 billion growth over the 10-year period.

Over The Top providers like Netflix and Amazon have become serious competition and are finding rewarding niches by serving a library of movies and TV shows. The cable industry's TV Everywhere initiative will play a key role in competitive positioning and subscriber retention. Widespread consumption of video on secondary devices, such tablets, will be driven by the competition between Over the Top providers and TV Everywhere, as well as DVR content and sports programming, which is not available on Netflix.

In an environment where customer retention is more critical than ever, the importance of Quad Play is growing. More companies are looking to bundle additional products and services with the traditional Triple Play to increase ARPU and customer stickiness. Some multiple system operators may seek to build or strengthen partnerships to offer their own version of an expansion of offerings. The traditional Quad Play adds wireless, though other service offerings (e.g. home security) may also be in the running.

While some efficiency has been achieved through technology, there will be another wave of acquisition and consolidation of cable operations. As a result of these shifts, the buying power of Multi-Channel Video programming distributors (MVPDs) will increase and the new scale will allow them to invest in services that compete with the best OTT players. Over the past year, US cable industry reported around USD 126 billion of M&A activity.

Availability of new technologies and innovations will make 2017 the year of digital transformation as many telecoms still heavily rely on manual processes. By investing to provide better data infrastructures and technologies, telecom companies will be able to achieve rapid growth and in turn bring about massive growth for IT/BPM sector as well. With connectivity and mobility becoming firmly embedded in today's society and the ongoing change and innovation in the space of Technology in terms of business processes, 2017 will be an exciting year for the Telecom led IT-BPM sector.

The ability to provide an omni-channel interaction across different product lines through an interplay of digital and analytics provides a distinctive advantage to the Company in this business segment.

Telecommunication and Media segment contributes 32.2% towards the company's total revenue.

BFSI

According to market analysts, the global outsourcing market in the BFSI sector is estimated to grow at a CAGR of ~6% during the period between 2016-2020. With the banking sector witnessing broad structural as well as macro-economic changes, central banks and regulatory bodies have adopted policies to help regulate and impose risk-mitigation measures. Today, the banking and financial sector is in more need of technology integration than ever before. The shift in global economic power to emerging markets has brought about a growing need to replace the traditional banking methods to newer, technologically advanced systems. The increased demand for regulatory compliance and transparency in the Banking and Financial Services sector have increased capital requirements for these firms, adding to their costs.

Following the United Kingdom's vote to leave the European Union, Moody's Investors Service rating agency changed its banking systems outlook to negative. Rising uncertainty around trade policies between the UK and the EU, Moody's expects that the country's banks will suffer weaker credit fundamentals. It expects UK banks' operating environment to weaken and has forecast that the real GDP growth in the UK will slow down to 1.2% in 2017, versus its previous base case expectations of 2.1% in 2017. Therefore, it is expected that the UK banks' asset quality would worsen with problem loans rising from a very low 2.7% of gross loans as of the end of 2015. However, the agency reports that this deterioration will be gradual and will begin only in 2017 as low unemployment levels and low interest rates will mitigate the risk. UK banks have strong funding and liquidity profiles hence, it can be expected that the banks will remain solid for the next few years.

London's exit from the EU couldn't be more ill-timed; should international banks suffer loss of benefits, it will be a big blow to London's image of being a financial technology hub. The economic impact regardless, with UK based banks losing "passporting rights" for the Eurozone that restricts their rights to compete for business in the EU, is expected to have a debilitating impact.

Though technological advancements have made a cross-over to the BFSI sector, it is important to note that Banks and financial institutions are the worst hit by macro-economic volatility. It's already grappling with the host of challenges arising from the Brexit vote, and US policy changes on one end, to low interest rates and a macro-economic slowdown on the other. However, it can be seen that the Fintech revolution has been driving banking sector firms to invest heavily into changing their business processes to a technologically-driven one. These new additions have been able to or are expected to help the banking sector ward off recessionary headwinds by embedding cost-effective technological upgrades. In all likelihood, such a trend would lead to an increase in the outsourcing activity in the medium to long term in the near future.

As the trend towards digitisation accelerates, banks and capital markets firms are expected to deepen their engagement with the Fintech ecosystem. As a result, Cloud-based platforms, robotic process automation, and cognitive technologies are expected to be top priorities for banking and financial services industry. Analysts opine that the BFSI sector is headed towards a more advanced process of robotic process automation. Automation, rather than being a tool of replacing human interaction in the business, is expected to work as a way to increase the effectiveness of the humans in the industry. As the world is now heading towards an environment with omnipresent mobile computing, an exponential growth in data and continuous advances in machine learning and artificial intelligence, it is important for banking and finance to embrace an algorithmically driven industry.

Mortgage Market

According to industry analyst, Home purchase originations will increase again in 2017, an estimated 10% increase over 2016 mainly due to the strong household formation coupled with further job growth, rising wages, and continuing home price appreciation. Even the delinquency rates are steadily dropping due to the rebounding economy; Industry analysts continue to maintain a cautiously optimistic view of the US mortgage market, despite the steep increase in yields which have reduced the refinance market significantly. Therefore, it is expected that the core originations to improve as the economy gathers momentum. Post the implementation of the Dodd Frank legislation, banks are required to comply with a number of regulations during the mortgage loan origination process. Given the rapid frequency of these regulations and their granular impact on origination processes, banks face multiple challenges of timely response, escalating compliance costs, cascading awareness of compliance requirements down the organisation and compliance monitoring. It has become more expensive to be an originator. One of the major reasons being the rising costs of company's processing, underwriting, closing costs and the increasing cost of sales. Additionally, peripheral costs of servicing a loan and servicing borrower are all on an upward trend.

The challenges mentioned above along with the cost take out through labour arbitrage remains a key driver behind the decision to outsource, and the outsourcing industry now support clients from a wide variety of low cost near and offshore operation centers in order to achieve this outcome. Offshore operation remains the prime driver of cost. Other top drivers of mortgage BPO are: Improved compliance to adapt to changing regulations; Data remediation requirements (project work); Low process standardisation and high error rates; Reduced turnaround time (TAT) to meet shorter industry processing deadlines and Lack of process automation or systems to adequately support processes.

The Mortgage outsourcing industry is going through a significant transformation-using a combination of technology platforms, analytical insights, automation, digitisation and other accelerators to re-design processes and drive more value in sourcing engagements.

Most mortgage clients are at the start of their journey on Intelligent Automation-using software and technology to do routine tasks, enhancing it through machine learning and natural language processing, while moving up the curve with artificial intelligence. Robotic process automation (RPA) is seeing a slower uptake in mortgage than other areas of the services industry, as most lenders still have their concerns about regulatory oversight and due diligence.

Analytics is gaining momentum in Mortgage BPO-creating and embedding analytical insights and data into different parts of the mortgage value chain, understanding the key triggers/outcomes in the process. Major areas in mortgage analytics are in predictive modeling for loan origination to help prioritise underwriter-time and understand likelihood to close, predictive loan default and delinquency modeling to determine propensity to default, and loan fraud detection to help the appraisal process. Other examples relate to call centre efficiencies, portfolio, risk and regulatory compliance reporting and analytics, plus managing and improving the data coming from processes.

US Credit card collections:
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. According to figures from the Federal Reserve, total US outstanding consumer debt was USD 3.62 trillion as of May 2016, that figure includes car loans, student loans and revolving debt, but not mortgages. Total US outstanding revolving debt, which is chiefly made up of credit card balances, was nearly USD 1 trillion as of May 2016.

Credit card delinquencies are at their highest rates since 2012. One of the leading reasons for the increase in missed payments and total credit card market debt is an increase of newly issued credit cards for subprime customers with lower credit scores. Credit card delinquency rates have slowly increased in the past few years, and the delinquency rates have reached the highest rate since the 3rd quarter of 2012 although it is still half the rate from 2009 when credit card delinquencies rates peaked. The consumer credit markets have been functioning extremely well the last few years, but an increase in subprime lending has begun to impact delinquency levels for some industries, specifically the auto finance and credit card markets. The combination of 25-basis points rise in Dec 2016 and expected interest rate increase in 2017 along with more subprime borrowers in the consumer lending market will spur delinquency rate rises in 2017 for auto loans and credit cards. Average balances are projected to reach USD 5,509 by the end of 2017. A better employment picture and rising median household income are contributing to an anticipated increase in personal spending, and credit card balances are expected to benefit from those positive economic forces in 2017.

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

Firstsource generates 31.8% of its revenues from this segment working across multiple product lines across the US and the UK. The Company has been able to deploy the latest disruptive interventions in this segment providing a fillip to its goal of delivering transformational value to its customers.

Business Strategy and Competitive Strengths

Continue to differentiate through Innovation, new technological trends and non-linear disruptive service offerings. Develop value enhancing productised solution offerings.
The success of any strategic initiative is measured by the outcomes it generates. The Business Transformation Offerings (BTO) has enabled the Company to build and deploy tangible differentiators that give it the competitive edge to win high-impact deals.

One of the measurable outcomes has been the large 10-year deal wherein Sky UK chose the Company as the sole preferred partner for delivering TV and broadband services. This landmark deal not only reinforces the good work done but also re-affirms the strategic interventions that the Company has taken to differentiate itself in the market.

During FY2017, the Company significantly bolstered its Business Transformation Offerings (BTO). Under the BTO framework, the Company continues to:

- **Build Transformative Productised Solutions through a combination of Robotic Process Automation, Workflow technologies, Digital and Analytics based predictive models.**
  Over the last couple of years, the Company has made significant strides in developing productised "arrowheads" that help clients address the market shifts in their respective industries. Robotics Process Automation (RPA) continues to dominate the marketplace with businesses using various elements of RPA to automate the routine, manual and rule-based activities. Industry analysts estimate that the automation efforts are likely to grow at CAGR of excess of 30% over the next few years. The Company has made significant strides in this direction and has created a Centre of Excellence (CoE) focussed on RPA. It has implemented many RPA projects and delivered significant benefits to its client across the US and the UK geographies in BFSI and Healthcare industry segments. Combining its proprietary 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 are a direct correlation metric to consumer loyalty to our clients' brand and product. Using consumer demographic data, customer interaction journeys across multiple channels (digital, voice, chat, email etc.), and transaction history, the Company has created analytical models to predict future interaction behaviour patterns of consumers. These models help to maximise revenue potential and reduce churn hence, delivering enhanced business outcomes to the clients. Going forward, the Firstsource Analytics Services will continue to be a significant investment area for the Company.

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

  Productisation of services is made possible through inventive technology partnerships, innovative product ideas along with a sound branding and go-to-market strategy. These help to generate significant value to the clients. The Company has an impressive product portfolio comprising of productised solutions in Customer Interaction Analytics (First Customer Intelligence), Web Chat (First Chat), Robotics Process Automation (First Smartomation), Workforce Management (First WF Suite), Complaints Management (First Resolve), the Company Analytics Services and FirstDigital. In the healthcare provider segment, the Company has a Revenue Cycle Management product suite, comprising MRES, MPAT and MBOS, which has generated traction in the healthcare business. In addition, analytics led hospital enrollment and denials-management productised services helped generate non-linear outcome based fees for the Company.

- **Strengthen domain expertise and develop deep industry knowledge by building strong Centres of Excellence (CoEs), aided by forging technology partnerships.**
  The Company has proven and differentiated horizontal capabilities in

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

- **Continue to focus on Customer Management, Financial Services, Mortgage and Healthcare segments**
  The Company has been focusing on expanding its footprint in the customer management and healthcare segments. The acquisition of ISGN Solutions in the US mortgage industry marked its entry in a new market segment, thereby enabling it to expand its mortgage services portfolio in the US markets.

  The Company is bringing together the vertical domain expertise and the horizontal customer management expertise, coupled with RPA and AI to provide industry-oriented transformative solutions to clients. The lift-out deal with a large UK retail bank in commercial lending space and the resultant automation project has helped the Company move forward in its transformative journey to become a higher value services player, provide additional service lines for growth and bring together elements of process transformation, workflow and digital tools. Continued efforts to drive transformative interventions in Mortgage, healthcare and cards through a combination of automation and analytics will help the Company maintain its competitive edge in the market.

- **Unique value proposition for the healthcare industry**
  The Company works with both the Payer and Provider segments of the US 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. With the trends in the healthcare industry through the Payer—Provider convergence and value-based reimbursement fee structure, the value generated by serving both sides of the ecosystem is significant. The partnerships and alliances forged with companies like EBIX, Gaffey Healthcare, DCS Global, have helped the Company become a full services provider in the Payer industry and complete end-to-end RCM services provider to the hospital segment.

- **Retain and consolidate relationships with clients**
  In FY2017, the Company attributes roughly, 95% of its revenue from existing customers. Continuous innovation and provision of value-added services continue to help it retain and improve its wallet share with customers. Delivering enhanced services through robust account plans is a key focus area while strengthening its relationships with clients.

  The Company works with several ‘Fortune 500’, ‘FTSE 100’ and Blue Chip companies in the US, the UK and India. Many of these relationships have strengthened over time as the Company gets on-going work from these clients and gains a greater share of their BPM outsourcing budget.

  The successful extension of the partnership with Sky UK is a testimony to the relationship that the company builds with its clients.

- **Talent management, leadership development and creating a high-performance culture**
  Being a people business, human capital is a core asset for the Company. It has taken various initiatives to improve and strengthen the performance and talent management framework of the organisation, implementing 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.

Competition

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

In the healthcare business the Company primarily competes with:

- Large global IT companies such as Dell, Xerox, HP, CSC, IBM, Accenture;
- Healthcare focused Revenue Cycle Management companies located in the US such as The Outsource Group, Cymetrix, Emdeon, Parallon, Conifer group etc;
- Healthcare focused offshore BPM providers, particularly in India such as Apollo Health Street, Hinduja Global, HOV Services;
- Large global diversified receivable management companies such as NCO Group; and
- BPM divisions of IT companies located in India including Wipro and Cognizant

In Telecommunications & Media business the Company primarily competes with:

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

In the BFSI business segment the Company primarily competes with:

- Large UK based BPM companies such as Capita and Serco;
- Large global IT companies located in the US and Europe such as IBM, Accenture, Dell, Xerox, HP and Capgemini;
- Large global diversified receivable management and collections companies such as NCO Group, and Convergys;
- Credit card collection / recovery focused companies such as iQOR,

GC Services, Outsourcing Solutions Inc. (OSI), Epicenter, Zenta, Teleperformance,

- Mortgage focused companies, largely in the UK such as HML;
- BFSI focused offshore BPM providers, particularly in India such as Genpact, WNS, EXL;
- BPM divisions of IT companies located in India including TCS, Infosys, Wipro, HCL; and
- Captive operations of our clients.

Human Resources

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

Employee Engagement and Retention:

Employee Engagement is the key to competitive performance at Firstsource and has been an integral part of Culture building. Over the years, focus on collaborative engagement has increased and engagement initiatives have been more closely aligned to motivate the company's diverse and multigenerational workforce.

Firstsource has engaged with employees through values (IIPACE), people programmes, rewards and recognition and open communication channels. This year it also strengthened various channels that create awareness, foster dialogue, and provide opportunities for employees to share feedback. Annual Global Employee Survey is the primary means of measuring how connected the employees feel to the organisation, this year the score went up by 2%. Firstsource even strengthened its communication strategy within the organisation by encouraging one – on – one meeting, skip meetings, Let's talk sessions, leadership forums to enable the two way communication.

With commitment to establishing a work environment that promotes, recognizes and rewards our employees for their accomplishments, Firstsource launched a formal recognition program – Global Leadership Awards for middle and senior management employees . These awards recognize and celebrate individuals as well as teams that have achieved exemplary outcomes for business and people, through discretionary efforts.

Fun and celebrations at work is another best motivational driver for employees at Firstsource. Various activities were conducted which included - India Smile Challenge, Back to floor day and People's day, R&R, road safety awareness drive, health check-up camps, independence day celebration, food fiesta, wakeup Mondays, HR Connect, Non CSA connect, Tree plantation drive, Month on month activity. Festival Greeting series were initiated to build the culture of collaboration and taking a step ahead in nurturing diversity and inclusivity.

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

Talent Development

As an organisation, Firstsource team is continuously working to nurture the right talent at the right time to meet organisation's goals. The robust performance and talent management process combined with leadership and management development initiatives help the organisation meet the talent demand.

Performance Management Process

Performance management process at Firstsource is aimed at helping individuals perform their best every single day. The objective is to set right standards of performance, measure them accurately and reward high performance. This is supported through an ongoing process of feedback and coaching that helps individuals develop and grow in their roles. The process begins with goal setting and individual development planning at beginning of financial year. There are ongoing formal reviews – a mid-year review in October and final review in March-April. Coaching and feedback are an ongoing process.

Talent Management

Talent Management process helps the organisation to be future-ready by building leadership pipeline that will help create a more systematic, visible system of identifying candidates for succession for business critical roles along with developing their competencies.

Leadership and Management Development

As an organisation Firstsource foster a culture of continuous learning for all employees. Apart from on-the-job learning, it constantly strives to provide the best-in-class training programs for the employees .

Drawing inspiration from the 'University' approach to learning, the Firstsource Academy was established on the principles of 'focusing on learning rather than training'. The ownership of self-development is therefore vested with individuals. The Academy takes ownership to make learning offerings available. The Academy has adopted the philosophy of making Learning 'Relevant' 'Real-time' and 'Accessible'.

Accordingly, role specific catalogues have been created to offer relevant learning programs based on leadership input and organisation critical themes for the year. Employees are made aware of the organisation's aim to provide a comprehensive learning framework that enables employees to develop 'Leadership Skills' linked to the Breakout Competencies, courses aiding 'personal effectiveness', culture building, domain skills and other function-specific skills.

The offerings are made available across multiple channels like e-learning, classroom learning, webinars, video based learning, etc. to enable ease of access to employees.

Real-time learning interventions are being encouraged by aligning the performance review process with employee development plans. While encouraging managers to make performance reviews an ongoing process, an expectation is set that they identify the resultant development needs and submit Individual Development Plans of their team members. The process of feedback and learning is thus made a continuous one.

Breakout Competencies

Competency building is a natural progression of assessing whether learning objectives are being met. To elaborate, learning objectives describe what the learner should be able to achieve at the end of a learning period. A competency is the capability to apply or use a set of related knowledge, skills 'learnt' as well as abilities required to successfully perform tasks in a defined work setting. At Firstsource, the competency framework of leadership competencies defines what people need to do to be successful at work. It also explains the behaviours that will help people contribute effectively towards the success of the organisation. It's a compilation of seven leadership competencies (Business Foresight, Driving Excellence, Managing Transformation, Working across Boundaries, Fostering Partnerships with Clients, Influencing Others and Leading teams) which are absolutely essential across levels.

Recognition & Awards:

- **Welsh Contact Centre Awards 2017 -** Won in three categories including Diverse Workplace Award, Trainer of the Year and Special Industry Champion.
- **Global HR Excellence Awards 2017 -** Won in Innovation in Retention Strategy category.
- **Asia's Best Employer Brand Awards 2016 -** Won the Best Employer Brand Award for our excellence in building the Employer Brand as an Employer of Choice.
- **European Contact Centre & Customer Service Awards 2016 -** Honored with the Bronze award in the 'Customer Service Team of the Year' in partnership with our client giffgaff
- **100 Best Companies for Women in India -** Recognized in the 100 Best Companies for Women in India by the 2016 Working Mother & AVTAR Best Companies for Women in India.
- **Times Ascent - Asia Pacific HRM Congress Awards 2016 -** Recognized in the Innovative HR practices award category for our initiatives in Analytics, Talent Management, GES, Wings Within, INSIGHT – Knowledge capsules, JetSet and Firstsource Academy offerings.
- **Business in the Community Awards -** Honored as 'Employer of Choice' at the Business In The Community Northern Ireland Awards in Belfast.
- **Best Adversity Management Stories of Asia 2016 -** Secured the 1st Runner-up position at the 'Best Adversity Management Stories of Asia' 2016 Awards for response to the Chennai floods in Nov-Dec 2015.
- **Asia's Best Employer Brand Awards 2016 -** Recognised in three categories - 'Best B-school recruiting programme', 'Organisation with Innovative HR Practices' and 'Best HR Strategy in line with Business'.
- **UK Customer Experience Awards 2016 -** Won in the Technology & Telecoms category in partnership with client NOW TV and received the silver award in the 'Engaging Customers Online' category in partnership with client giffgaff.
- **Aer Lingus Viscount Awards -** Received Employee Champion Award at the Aer Lingus Viscount Awards in association with Ulster Business.

RISKS & CONCERNS, RISK MITIGATION

These have been discussed in detail in the Risk Management 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, 2017 stands at ₹ 6,813.08 million compared to ₹ 6,733.15 million as of March 31, 2016.

The increase in equity share capital of ₹ 79.93 million is on account of allotment of 7,993,425 shares to employees as stock options.

Reserves and Surplus: The Reserves and surplus of the Company increased from ₹ 11,037.01 million to ₹ 13,466.95 million. The details of increase in Reserves and surplus by ₹ 2,429.94 million are as below:

	Amount (₹ million)
Increase on account of :	
Profit for the year less appropriation	2,792.38
Premium received on shares issued during the year	78.34
Effective portion of cash flow hedges	206.15
Employee stock option reserve	38.91
Decrease on account of :	
Actuarial loss on employee benefits	0.52
Exchange Difference on consolidation of non-integral subsidiaries/entities	685.32
Net Increase/(Decrease) in Reserves and surplus	**2,429.94**

Minority Interest

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

Minority interest as of March 31, 2017 is ₹ 11.75 million as compared to ₹ 19.71 million as of March 31, 2016.

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, 2017 were ₹ 3,484.17 million as compared to ₹ 4,017.96 million as of March 31, 2016. The net decrease was on account of repayment of ECB of USD 2.0 million and movement of long term loan from non-current to current liabilities. Unsecured long-term borrowings outstanding as of March 31, 2017 were ₹ 95.77 million as compared to ₹ 79.79 million as of March 31, 2016. The net increase was on account of increase in loan from NBFCs.

Deferred Tax Liabilities

Deferred tax liabilities as of March 31, 2017 were ₹ 2,874.02 million as compared to ₹ 2,224.06 million as of March 31, 2016. This increase is due to higher depreciation and amortization of ₹ 303.76 million and cash flow hedges amounting to ₹ 346.20 million.

Provision for Employee Benefits

Provision for Employee Benefits represent provision for gratuity and compensated absences payable to employees based on actuarial valuation done by an independent actuary. These provisions as of March 31, 2017 were ₹ 287.49 million as compared to ₹ 265.88 million. The increase in long-term provisions from last year is due to increase in provision for compensated absences.

Short-Term Borrowings

Short-term borrowings as of March 31, 2017 were ₹ 5,644.71 million as compared to ₹ 4,809.17 million as of March 31, 2016. The movement is on account of, increase of export finance of ₹ 34.45 million, increase of overdraft from bank of ₹ 516.97 million and increase in current maturities of long term borrowings to the extent of ₹ 284.12 million.

Trade Payables

Trade payables as of March 31, 2017 were ₹ 993.77 million as compared to ₹ 868.68 million as of March 31, 2016.

Other Financial Liabilities

Other Financial liabilities as of March 31, 2017 were ₹ 211.57 million as compared to ₹ 314.62 million as of March 31, 2016. The decrease in other financial liabilities is on account of decrease in book credit.

Other Liabilities

Other current liabilities include amount payable on asset purchases, income advance and other indirect taxes.

Goodwill

Goodwill as of March 31, 2017 was ₹ 19,223.62 million as compared to ₹ 18,994.98 million as of March 31, 2016.

The increase in goodwill during the year was ₹ 228.64 million. This increase was due to addition on account of acquisition of ISGN ₹ 612.35 million offset by effect of restatement of non-integral foreign subsidiaries at year end exchange rate of ₹ 383.71 million.

Fixed Assets

The net block of tangible assets, intangible assets and capital work-in-progress amounting to ₹ 1,497.38 million as of March 31, 2017 as compared to ₹ 1,243.25 million as of March 31, 2016, resulted in a net increase of the assets to the extent of ₹ 254.13 million. This is majorly due to net additions of ₹ 853.72 million offset by depreciation charge for the year amounting to ₹ 589.61 million and downward exchange rate impact of ₹ 9.98 million.

Investments

The investments of the company represent non-current investments of ₹ 105.84 million and current investments of ₹ 1,522.67 million as on March 31, 2017 as compared to ₹ 83.80 million and ₹ 767.74 Million respectively as on March 31, 2016.

Deferred Tax Assets

Deferred Tax assets of the company as of March 31, 2017 were ₹ 4,064.60 million as compared to ₹ 3,702.12 million as of March 31, 2016. This increase is on account of MAT carried forward ₹ 204.39 million and accrued expenses / allowance for doubtful debts ₹ 47.05 million.

Income Tax Assets

Income Tax assets of the company as of March 31, 2017 were ₹ 452.97 million as compared to ₹ 514.80 million as of March 31, 2016.

Other non-current assets

The other non-current assets of the company as of March 31, 2017 were ₹ 1,309.07 million as compared to ₹ 206.59 million as of March 31, 2016. This increase is on account of deferred contract cost incurred during the year.

Trade receivables

Trade receivables amount to ₹ 3,041.27 million (net of provision for doubtful debts amounting to ₹ 243.23 million) as of March 31, 2017 as compared to ₹ 3,040.75 million (net of provision for doubtful debts amounting to ₹ 115.64 million) as of March 31, 2016. 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, 2017 (calculated based on per-day sales in the year) were 31 days, as compared to 34 days as of March 31, 2016. 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, 2017 was ₹ 387.31 million as compared to ₹ 685.76 million as of March 31, 2016.This decrease in cash was due to cash used in investing and financing activities for debt service and towards capital expenditure.

Other Financial Assets

Other Financial Assets as of March 31, 2017 were ₹ 2,284.21 million as compared to ₹ 1,492.98 million as of March 31, 2016. The increase in these assets was on account of increase in unbilled receivables and foreign currency forward contracts.

Other Current Assets

The other current assets of the Company as of March 31, 2017 were ₹ 589.73 million as compared to ₹ 487.64 million as of March 31, 2016. This increase is due to prepaid expenses and current portion of deferred contract cost.

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 2017		Fiscal 2016	
	₹ Million	% of Income	₹ Million	% of Income
Income from services	34,569.11		31,616.56	
Other operating income	986.99		555.97	
Revenue from Operations	35,556.10	100.0%	32,172.53	100.0%
EXPENDITURE				
Personnel Cost	23,834.37	67.0%	21,726.73	67.5%
Other expenses	7,341.83	20.6%	6,544.93	20.3%
Operating EBITDA (Earnings before Interest, Tax and Depreciation)	4,379.90	12.3%	3,900.87	12.1%
Depreciation and amortization	589.61	1.7%	608.82	1.9%
Operating EBIT (Earnings before Interest and Tax)	3,790.29	10.7%	3,292.05	10.2%
Finance charges	453.17	1.3%	524.38	1.6%
Other income	32.05	0.1%	94.44	0.3%
Profit before tax	3,369.17	9.5%	2,862.11	8.9%
Provision for taxation				
- Current tax expense (including MAT)	454.36	1.3%	409.85	1.3%
- Deferred tax charge / (credit)	122.43	0.3%	-156.99	-0.5%
Profit after tax before minority interest	2,792.38	7.9%	2,609.25	8.1%
Minority interest	-7.58	0.0%	4.38	0.0%
Profit after tax	2,799.96	7.9%	2,604.87	8.1%

Income

Income from services

Income from services increased by 9.3% to ₹ 34,569.11 million in fiscal 2017 from ₹ 31,616.56 million in fiscal 2016. 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 partially offset by movement in currency during the fiscal year 2017 as compared to previous fiscal year. The average exchange rate for consolidation of subsidiaries for USD and GBP in fiscal 2017 was ₹ 67.06 per USD and ₹ 87.66 per GBP as compared to ₹ 65.41 per USD and ₹ 98.60 per GBP in fiscal 2016.

Consolidated Revenues by Segment

The Company serves clients for Customer Management, Healthcare, Collections and Domestic Business. Clients from Customer Management accounted for 50.0% (fiscal 2016: 47.1%), clients from Healthcare accounted for 33.0% (fiscal 2016: 36.2%), clients from Collections accounted for 11.2% (fiscal 2016: 10.5%) while clients in Domestic Business accounted for 5.8% (fiscal 2016: 6.3%) of the income from services in fiscal 2017.

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

(₹ In Million)

Business Segment	Fiscal Year	
	2017	2016
Customer Management	17,295.33	14,880.94
Healthcare	11,425.12	11,443.76
Collections	3,857.76	3,304.80
Domestic Business (India)	1,990.90	1,987.06
Total	34,569.11	31,616.56

Consolidated Revenues by Geography

The Company serves clients in North America, UK and India. Clients from North America accounted for 55.3% (fiscal 2016: 54.3%), clients from UK accounted for 38.0% (fiscal 2016: 37.6%), clients from India accounted for 5.8% (fiscal 2016: 6.3%) while clients in Rest of the World accounted for 0.9% (fiscal 2016: 1.8%) of the income from services in fiscal 2017.

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

(₹ In Million)

Geography	Fiscal Year	
	2017	2016
US	19,117.86	17,169.85
UK	13,131.97	11,878.02
India	2,018.50	1,986.82
Rest of the World	300.78	581.87
Total	34,569.11	31,616.56

Consolidated Revenues by Industry

Healthcare, Telecommunications & Media and Banking, Financial Services and Insurance accounted for 35.8%, 32.2% and 31.8% of income from services, respectively, in fiscal 2017 and 38.9%, 37.4% and 23.4% of income from services respectively in fiscal 2016.

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

(₹ In Million)

Industry	Fiscal Year	
	2017	2016
Healthcare	12,363.84	12,301.64
Telecom & Media	11,113.99	11,836.14
BFSI	10,981.91	7,393.14
Others	109.37	85.64
Total	34,569.11	31,616.56

Client Concentration

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

(₹ In Million)

Client Concentration	Fiscal Year			
	2017	%	2016	%
Top client	7,601.92	22.0	6,923.88	21.9
5 largest clients	14,867.49	43.0	13,992.08	44.3
All clients	34,569.11	100.0	31,616.56	100.0

In fiscal 2017, the Company had top client accounting for 22.0% of the income from services compared to top client accounting for 21.9% of its income from services in fiscal 2016.

The Company derives a significant portion of its income from a limited number of large clients. In fiscal 2017, the Company had 13 clients contributing individually over ₹ 500 million each in annual revenues as compared to 12 clients in fiscal 2016. In fiscal 2017 and 2016, income from the Company's five largest clients amounted to ₹ 14,867.49 million and ₹ 13,992.08 million respectively, accounting for 43.0% and 44.3% 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 ₹ 986.99 million in fiscal 2017 pertains to operating income in the nature of grants received in relation to the Company's business in UK of ₹ 43.15 million and exchange gain realised on revenues of ₹ 943.84 million. 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.

Revenue from Operations

The Company's revenue from operations increased by 10.5% to ₹ 35,556.10 million in fiscal 2017 from ₹ 32,172.53 million in fiscal 2016. On constant currency basis, neutralizing the impact of foreign exchange rate movements during the year, the company's revenue from operations improved by 12.9% in fiscal 2017 over fiscal 2016.

Expenditure

Personnel costs

Personnel costs increased by 9.7% to ₹ 23,834.37 million in fiscal 2017 from ₹ 21,726.73 million in fiscal 2016, with the number of employees increasing to 25,871 as of March 31, 2017 from 23,886 as of March 31, 2016. As on March 31, 2017, 10,425 employees were employed outside India and 15,446 employed in India as compared to 9,835 employees outside India and 14,051 employees in India as at end of fiscal 2016. The increase in cost is attributed to increase in number of employees across the globe.

Operating costs

Operating costs for fiscal 2017 amounted to 20.6% of the income for that period, as compared to 20.3% of income in fiscal 2016. Operating costs increased to ₹ 7,341.83 million in fiscal 2017 from ₹ 6,544.93 million in fiscal 2016. 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 ₹ 479.03 million to ₹ 4,379.90 million in fiscal 2017 from ₹ 3,900.87 million in fiscal 2016. Operating EBITDA in fiscal 2017 was at 12.3% of income, same as compared to 12.1% in fiscal 2016.

Depreciation

Depreciation costs for fiscal 2017 amounted to 1.7% of the income for that period, as compared to 1.9% in fiscal 2016. Depreciation decreased year-on-year by 3.2% to ₹ 589.61 million in fiscal 2017 from ₹ 608.82 million in fiscal 2016.

Operating EBIT (Earnings before Interest and Tax)

Operating Earnings before Interest and Tax (EBIT) increased by ₹ 498.24 million to ₹ 3,790.29 million in fiscal 2017 from ₹ 3,292.05 million in fiscal 2016. Operating EBIT in fiscal 2017 amounted to 10.7% compared to 10.2% in fiscal 2016.

Finance cost

Finance cost for fiscal 2017 amounted to 1.3% of income for that period, as compared to 1.6% of income in fiscal 2016. Finance charges decreased by 13.6% to ₹ 453.17 million in fiscal 2017 from ₹ 524.38 million in fiscal 2016, due to repayment of debt during the year.

Other income

Other income decreased to ₹ 32.05 million in fiscal 2017 from ₹ 94.44 million in fiscal 2016. 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.

Profit before tax

Profit before tax increased by 17.7% to ₹ 3,369.17 million in fiscal 2017 from a profit before tax of ₹ 2,862.11 million in fiscal 2016. Profit before tax in fiscal 2017 was 9.5% of the income, as compared to 8.9% of the income in fiscal 2016.

Provision for taxation

Provision for taxation increased by 128.1% to ₹ 576.79 million in fiscal 2017, from ₹ 252.86 million in fiscal 2016. 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 ₹ 454.36 million in fiscal 2017 as compared to ₹ 409.85 million in fiscal 2016.

There was a deferred tax charge of ₹ 122.43 million in fiscal 2017 compared to a deferred tax credit of ₹ 156.99 million in fiscal 2016.

Profit after tax before minority interest

As a result of the foregoing, profit after tax before minority interest increased to ₹ 2,792.38 million for fiscal 2017 from profit after tax before minority interest of ₹ 2,609.25 million in fiscal 2016.

Minority interest

Minority interest is ₹ -7.58 million in fiscal 2017 as compared to ₹ 4.38 million in fiscal 2016.

Profit after tax

As a result of the foregoing, profit after tax increased by 7.5% to ₹ 2,799.96 million in fiscal 2017 from profit after tax of ₹ 2,604.87 million in fiscal 2016. Profit after tax in fiscal 2017 was 7.9% of the income, as compared to 8.1% of the income in fiscal 2016.

Liquidity and Capital Resources

Cash Flows

The Company needs cash to fund the technology and infrastructure requirements in its operation 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, 2017, the Company had cash and cash equivalents of ₹ 387.31 million. This represents cash and balances with banks in India and abroad.

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

(₹ In Million)

	Fiscal Year	
	2017	2016
Net Cash flow from Operating activities	1,981.32	2,971.41
Net Cash flow (used in) / from Investing activities	(2314.86)	(1,011.02)
Net Cash flow (used in) / from Financing activities	35.09	(2,074.44)
Cash and cash equivalents at the beginning of the year	685.76	799.81
Cash and cash equivalents at the end of the year	387.31	685.76

Operating Activities

Net cash generated from the Company's operating activities in fiscal 2017 amounted to ₹ 1,981.32 million. This consisted of net profit before tax of ₹ 3,369.17 million and a net downward adjustment of ₹ 1,387.85 million relating to various non-cash items and non-operating items including depreciation of ₹ 589.61 million; net decrease in working capital of ₹ 1,598.48 million; and income taxes paid of ₹ 566.92 million. The working capital change was due to increase in trade receivables of ₹ 83.01 million, increase in loans and advances by ₹ 1,234.71 million and decrease in liabilities and provisions by ₹ 280.76 million.

Net cash generated from the Company's operating activities in fiscal 2016 amounted to ₹ 2,971.41 million. This consisted of net profit before tax of ₹ 2,862.11 million and a net upward adjustment of ₹ 109.30 million relating to various non-cash items and non-operating items including depreciation of ₹ 608.82 million; net decrease in working capital of ₹ 365.55 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 ₹ 99.98 million and decrease in liabilities and provisions by ₹ 199.22 million.

Investing Activities

In fiscal 2017, the Company invested ₹ 2,314.86 million of cash into its investing activities. These investing activities included capital expenditure of ₹ 853.72 million, including fixed assets purchased and replaced in connection with the Company's operation centers in the UK, the US and India, net purchase of money and debt market mutual funds amounting to ₹ 715.94 million. During the year, company made acquisition payment of ₹ 813.31 million towards ISGN acquisition and increased its investment in Nanobi Data and Analytics Pvt Ltd by ₹ 25.00 million.

In fiscal 2016, the Company invested ₹ 1,011.02 million of cash into its investing activities. These investing activities included capital expenditure of ₹ 857.85 million, including fixed assets purchased and replaced in connection with the Company's operation centers in the UK, the US and India, and net purchase of money and debt market mutual funds amounting to ₹ 11.39 million, made strategic investment in Nanobi Data and Analytics Pvt Ltd of ₹ 25.00 million and paid ₹ 133.84 million as advance 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.

Financing Activities

In fiscal 2017, net cash generated from financing activities amounted to ₹ 35.09 million. This comprised of proceeds from secured loans of ₹ 999.23 million, proceeds from unsecured loans of ₹ 2,465.71 million and proceeds from issuance of equity shares of ₹ 157.78 million. The company repaid secured loan amounting to ₹ 3,136.25 million and paid interest of ₹ 451.39 million.

In fiscal 2016, net cash used in financing activities amounted to ₹ 2,074.44 million. This comprised of proceeds from secured loans of ₹ 118.02 million, proceeds from unsecured loans of ₹ 271.42 million and proceeds from issuance of equity shares of ₹ 117.07 million. The company repaid secured loans amounting to ₹ 1,875.01 million and paid interest of ₹ 705.94 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, 2017, the Company had cash and bank balances of ₹ 387.31 million as compared to ₹ 685.76 million as of March 31, 2016.

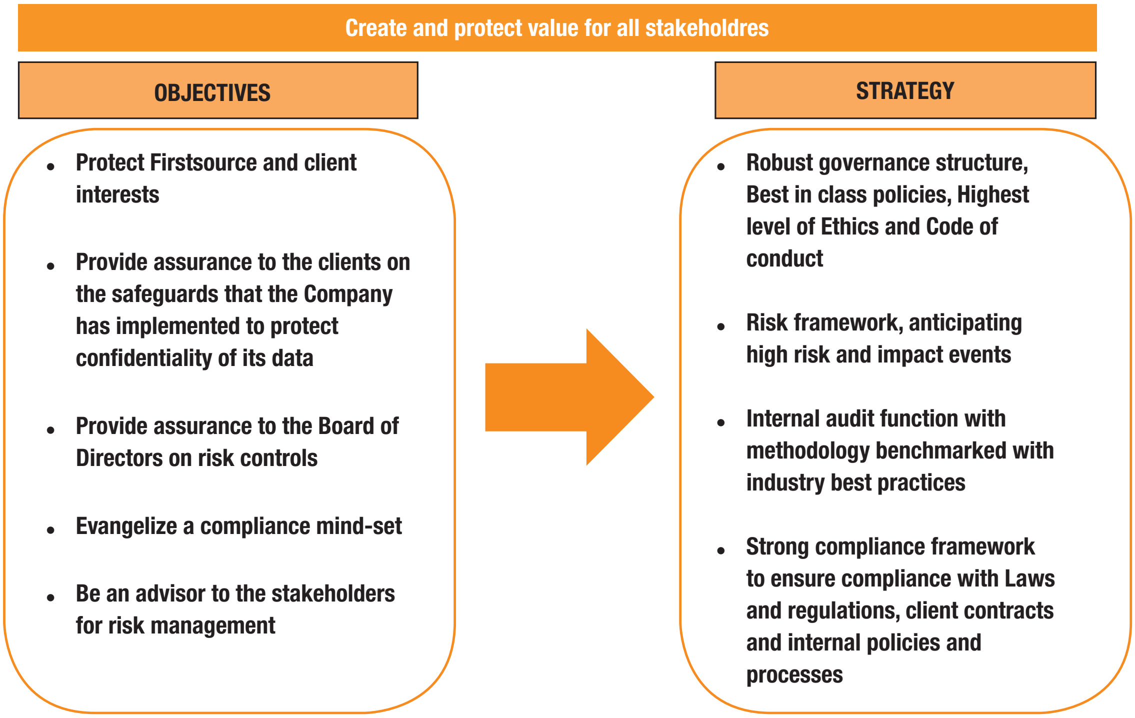
RISKS & CONCERNS, RISK MITIGATION

Risk Management report describes various dimensions of enterprise wide risk management practices in the Company. Readers are cautioned that risk related information outlined here is for information purposes only.

This report contains forward-looking statements, about risks and uncertainties affecting our business objectives. Our business model is subject to uncertainties that could cause results to differ materially from those reflected in the forward-looking statements. Readers are requested to exercise their own judgment in assessing the risks associated with the Company and 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 multiplicity of risks in todays' dynamic world. In an ever-changing risk environment, creating value for our stake-holders requires robust governance and a strong risk management function.

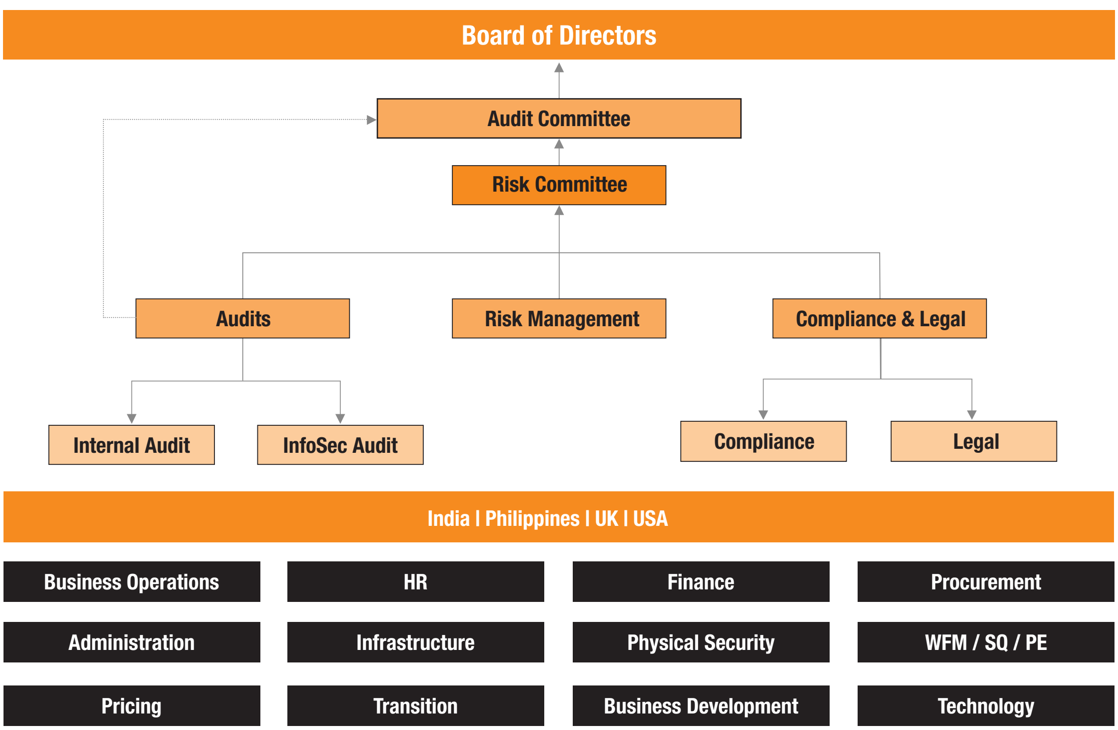
Enterprise Risk Management Strategic Intent



The Company continues to emphasise and build robust risk management culture and processes. It 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.



Roles & Responsibilities

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

Level	Roles and Responsibilities
Board of Directors	• Approve key business objectives and create a mechanism to ensure the executive management effectively manages risks impacting the business.
Audit Committee	• Provides oversight on the internal control environment and review of the independent assurance activities performed by the auditors.
Risk Committee	• The committee assists the Board in fulfilling its corporate governance oversight responsibilities, 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 and publishing risk dashboards.
Compliance	• Drives comprehensive regulatory and contractual compliance management processes, reports exceptions and creates awareness about such obligations. Additionally, compliance drives standards of corporate governance through global ethics, anti-fraud, anti-money laundering and anti-bribery frameworks.
Legal	• Safeguards organisational interests covering contract documentation, litigation management and advisory.
Audits	• Provides independent and objective assurance on the controls to the Board and Audit Committee and enables sharing of best practices across geographies, businesses and functions.

Our Risk Management Framework:

Firstsource's Risk Management framework is designed and implemented on the basis of 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:

I. Risk identification;
II. Risk assessment;
III. Risk response; and
IV. Monitoring & reporting.

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

Emerging Information Risks

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

Key Business Risks & Mitigation

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

Risks	Risk Description
A. Strategic Risks	
Growth risk	The Company's revenue mix is highly concentrated on a 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. The recent advancements in technology driven by consumer preferences has made it imperative for organisations to adapt to newer consumer interaction interventions; i.e. Digital. Trends in Automation led initiatives requires organisations to leverage technology to reduce human effort in various tasks within the enterprise. The Company's growth could be impacted due to these developments. While the revenue mix belongs to specific industry segments, a sizeable portion pertains to the Healthcare industry wherein the services; provided by the Company is not prone to any economic or recessionary cycles. The Company's initiatives over the last couple of years to create "arrowheads" through its Business Transformation Office (BTO) has enabled it to offer differentiated productized services across industry segments. These niche services enable the Company to retain and grow its wallet share with its clients, win new logos and improve its mindshare within its client stakeholders. The contract wins with its largest customer and the UK banking client are examples of these interventions being deployed to deliver client value. The Company's revenue grew at 10.5% over the previous year.
Country risk	The Company has a global footprint with operations in India, the US, the UK and the Philippines to service clients across North America, 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 and the Philippines. 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 has also invested significantly in creating a management structure in these geographies 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 since the financial crisis. While the recovery is evident, it is uneven and downside risks continue to remain. Global economic conditions, such as unemployment rates, economic growth, consumer spending and confidence in recovery affects 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. North America contributed 55.3% of its income, while the UK contributed 38.0% of its income from services in fiscal 2017. The Company believes that it has a well-diversified business model across industries, geographies, clients and 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 challenging times.

Protectionist sentiments in developed countries

There seems to be a trend of "Protectionism" being followed by most matured economies. The response to this rising protectionism has been the increase in legislation aimed at protecting domestic industries and jobs. The issue of companies offshoring services to organisations operating in other countries, such as India, has increasingly become a sensitive topic of intense political discussion in these countries. In the US, there has been anti-offshoring legislations aimed at making offshore outsourcing prohibitive or less attractive. The UK has also witnessed increased resistance from labour unions against the use of foreign labour.

While protectionism is against the spirit of free trade and could also be counter-productive to the US and the UK industries in the long term, the issue is more political than productive. Such protectionist sentiments impact the quantum of work that can be offshored to 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 operational capabilities across the globe. The Company is focused on establishing an operational 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 a multi shore BPM player, with significant local operational presence in the US and the UK.

In a protectionist environment, a well-established onshore presence has helped in winning more business in the US and the UK, which has proven to be a clear differentiator and 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 15	FY 16	FY 17	Trend
Offshore	25.0%	21.1%	21.3%	↓
Onshore* (*includes India domestic business)	75.0%	78.9%	78.7%	↑

Among the Indian pure-play BPM companies, Firstsource was one of the early movers to build strong onshore capabilities. Today, the Company has 18 operation centres in the US, 8 operation centres in the UK and employs 3,661 employees in the US and 5,809 employees in the UK. The Company is one of the largest employers in the UK BPM sector.

Long selling cycle

The Company has a long selling cycle 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 client requires 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.

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 such clients.

Highly competitive environment

The market for BPM services has become highly competitive over the years. The Company competes for business with various organisations in each of its business units. These competitors include third party 'pure-play' BPM providers based largely in India and the Philippines, local / onshore BPM providers in the US and Europe, BPM divisions of global IT companies and in-house captives of potential clients. 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, operations, innovation and a robust transformation framework. Productization is one such initiative where the Company is focusing on creating differentiators. The awards received by the Company are testimony to its efforts to gain mindshare of its clients.

As part of its Productization initiatives, the Company has created various productized services "arrowheads" in areas of Analytics, Automation, Digital strategies and Revenue Cycle Management services. These services help to create strong differentiators for the Company vis-à-vis competition, aiding non-linear growth in revenues and margins.

British Exit (BREXIT) from the European Union	The United Kingdom European Union membership referendum, also known as the "Brexit" referendum that took place on June 23, 2016 in the United Kingdom (UK) resulted in 51.9% of voters voting in favour of leaving the EU. The UK government initiated the official EU withdrawal process on March 29, 2017 and this has put the country on course to complete the withdrawal process by March 30, 2019. While some business leaders see potential for enhanced opportunities, many share concerns about the risks of future economic uncertainty and turmoil in the UK. The "Brexit" referendum has led to a significant devaluation in the value of Pound. This has also led to inflationary pressures and interest rates rise in the UK. Further, negotiations between the UK and the EU are likely to impact the UK banks and financial institutions as they will need to look for alternate locations in the Eurozone to conduct business in the EU. There is also an uncertainty about the residency status and free movement of EU nationals currently residing in the UK and the other way round. These uncertainties could lead to delays/postponements in decision making by clients on outsourcing work to service providers. The currency fluctuation is also likely to have a significant impact on the revenues of the Company.
Policies of the New US Government	The US presidential elections last year was a major political event with Donald Trump taking over office on January 20, 2017. There are a number of directions that US policy could take in the coming years. Immigrations, Repealing the Affordable Care Act in Healthcare, Outsourcing tax and creation of jobs through a slew of protectionist measures. In the US making H1B/L1 and other visa categories more expensive were the key agenda for the elections and these would be the focus areas for the new US government. The new government is also keen to repeal and replace the Affordable Care Act also known as Obamacare, though the first attempt to pass the bill was not successful. If the government is able to successfully pass the new American Healthcare Act, there might be an impact on the Healthcare business. Our strong onshore presence in US geography, coupled with minimal visa impact due to local staff hiring would help us address such political or economic risks.
Consolidation in Indian domestic telecom markets and unpredictable political and economic events	The India domestic telecom market is witnessing entry of low cost telecom operators and a trend of consolidation of existing telecom players. High churn from existing players and consolidation may result in a drop in call volumes to the Company, which in turn may impact the revenues. The existing players are witnessing cost pressures and further market consolidation may trigger downward price negotiations. Further, any unpredicted economic or political event such as demonetisation, which impacts the Indian economy is also likely to impact the performance of the Company.
Volatility in US Interest Rates	The interest rate cycle in the US is indicating a rising trend and is expected to continue further for some time. The rising interest cycle has a potential to impact the Mortgage business unit volumes and such impact is likely to have an adverse effect on the Company's revenues.
C. Financial Risks	
Currency Volatility	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

Fiscal	USD	GBP
FY 2016	65.41	98.60
FY 2017	67.06	87.66
Depreciation/Appreciation	2.5%	-11.1%

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.

The Company has significant operations onshore (within North America and Europe), and over the years the Company has also expanded operations in India for service offerings to domestic clients, with no exposure to the currency exchange risk.

The Company has a dedicated treasury function, which actively tracks the movements in foreign currencies and has an internal risk management policy of proactively hedging exposures. As per the internal guidelines, the Company has been judiciously hedging its net exposures on a regular basis through forward cover contracts.

Revenue concentration risk	The Company relies on a small number of clients for a large proportion of its income, and loss/discontinuance of any of these clients could adversely affect its revenue and profitability. The Company's top client accounted for 22.0% of its income from services and top five clients accounted for 43.0% of its income from services in fiscal 2017. Furthermore, major events affecting the Company's clients, such as bankruptcy, change of management, mergers and acquisitions, change in their business model or regulatory factors could adversely impact its business. Moreover, the Company's revenue is highly dependent on clients concentrated in a few industries, as well as clients located primarily in the North America and Europe. Economic slowdown or factors that affect these industries or the macro-economic environment in these countries could adversely impact the Company's business. The Company constantly strives to mitigate the risk of client concentration through very long term contracts with key clients in order to provide stability to its revenues. In fiscal 2017, revenue concentration from top five clients was 43.0%, as against 44.3% in fiscal 2016. During fiscal 2017, as income from services, the Company derived 32.2% from Telecom and Media vertical, 35.8% from Healthcare vertical and 31.8% income from the BFSI vertical. Geography wise, North America contributed 55.3% of income from services, followed by 38.0% from the UK, 5.8% from India while Rest of the World contributed 0.9%. 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 the Company's dues. This could occur due to various reasons, including adverse economic conditions and, clients' business undergoing challenges, among others. This could have an impact on the Company's cash receivables and the Company may be required to enhance its short-term line of credit temporarily, to continue its operations. The Company addresses this risk through a well-defined governance mechanism to ensure adequate liquidity and solvency.
Expiry of certain tax benefits available in India	The Special Economic Zones Act, 2005, or the SEZ legislation, has introduced an Income Tax holiday scheme for operations established in designated "special economic zones" or SEZs. The tax exemption for SEZ units is 100% of export profits for first five years, 50% of export profits for the next five years and 50% exempt subject to fulfilling other conditions. These tax benefits are available only for the specified period of time and post their expiry, there may be an impact on the tax incidence for the Company. The Company has one operation centre in each SEZ in Bangalore and Chennai, 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, the Company may find it difficult to serve the client at the negotiated price in the future. Increase in employee costs, without corresponding increases in pricing or productivity related improvements would adversely affect the profitability. Alternatively, if the Company is unable to price its contracts as competitively as possible, it may lose business opportunities which shall result in lower revenue growth. Various other external factors, such as technology obsolescence, client facing pressures due to market conditions or regulatory changes and 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 and analysis of technology advancements that impact consumer behaviour are some of the measures that help to improve and favourably position the services provided by the Company to mitigate pricing risks 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 financial performance. Further, the Company uses financial leverage to ensure optimum solvency. Timely borrowing, repayment and raising funds at right cost are important aspects of financial management, which would otherwise lead to adverse impact on profitability and solvency. The Company has implemented a robust Internal Financial Controls framework that helps in mitigating these risks.

D. Operations Risks	
Non-renewal of client contracts	The Company's key personnel continue their efforts to maintain existing accounts and acquire 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 with clients are of varying duration, evergreen and between one and ten 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 and proprietary information. Any leakage of any type of confidential information has an adverse impact on the Company's reputation. The Company addresses this risk through a very strong and robust Information and Data Security process that is applicable to all its offices and employees. Various operation centres are ISO 27001 certified, which is an international standard for 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.
Risks due to natural or man-made disasters	As the industry is highly people centric, any delay in operations 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 during such unforeseen events. Such strategies can help to bring down the effect of these events to some extent on the Company's operations.
Risks due to Operational errors, frauds and internal non-compliances of policies and procedures	The Company has internal policies, procedures and norms for operational activities, process compliance and controls, in place. These norms are specified in order to achieve various control objectives and to prevent frauds and errors. Non-adherence to such internal policies, procedures and norms can therefore lead to operational errors, frauds and internal non-compliance. The Company has strong internal controls in order to check compliances to policies and procedures which are operated by various levels of management. Further, these controls are also subject to risk based internal audits by an independent internal audit team, which helps in timely identification and remediation of gaps.
Reputational Risks	The Company's business is exposed to media scrutiny from time to time. The clients of the Company are big and reputed corporates. The Company's loss of reputation can adversely affect its operations and contractibility. The Company has a process in place to prevent and manage incidents such as data leakages, cyber-attack on confidential data, employee and compliance related matters. Further, the Company has a defined policy in place for Media publications and its control over social media presence.
Legal Risks	The Company has long term contracts with its customers and services under these contracts are delivered from several offices across US, UK, India and Philippines geographies. Apart from several contractual obligations and liabilities arising through these contracts, the Company also needs to ensure compliance with applicable geography laws and regulations, including but not limited to employment laws, tax laws, and environmental laws. Additionally, the Company needs to safeguard its own Intellectual Properties against infringement and ensure compliance with third party licenses which are used in its day to day business. The Company has a legal team in place which apart from advising and ensuring documentary safeguarding, closely works with business and support functions to enable compliance with contractual and/or regulatory requirements.

E. Human Resources Risks	
Risk related to attrition	The BPM industry relies heavily on knowledge management and skilled talent supply. The number of opportunities available in the market, changing needs of a multi-generational workforce and limited supply of employable talent pose a great challenge to retain talented workforce and maintain consistency in performance. This risk is not restricted only to losing talent but also leads to incidence of attrition costs. The Company strives to continuously strengthen its internal processes to retain critical people and create a war-chest of talent. The Company has put in place following measures to mitigate the risks around attrition and attrition costs: • Enhancing and developing skills of the Middle Management; • Focusing on capability building by providing and developing effective training academies and supporting employee development programs; • Devising and implementing innovative ways to engage with employees; • Carving structured and strong career paths and providing opportunities for growth by way of job enlargements, enrichment of responsibilities and internal job movements; • Fostering a culture of transparent and open communication between employees and management that nurtures a sense of community and shared purpose; and • Effective Reward & Recognition program that celebrates successes and efforts.
Risk related to ability to recruit employees and wage costs	The success of BPM organisation depends on its ability to attract and retain employees with right skill sets and experience to meet the organisational goals. With talent shortages and intense competition for skilled individuals, the demand for qualified employees will continue to increase and is expected to remain high. Wage inflation and replacement costs not only bear a potential risk but also result in higher personnel expenses and training costs. The Company has developed innovative recruitment channels and practices to mitigate these risks, which include: • Strong employee referral programmes, which contribute to more than one third of the overall hiring requirements; • Establishing Firstsource as an employer of choice and participating in several career events in order to strengthen the Firstsource brand and getting access to talent; and • Affiliations with colleges at Graduate and Undergraduate level to be the preferred employer in Tier 2 and 3 cities.
Risk related to leadership team	The leadership team drives the Company's vision, mission and inculcates values within the Company to meet its goals. The Company's business continuity, client relations, employee engagement gets affected, in case there is a change in the leadership or if a key resource leaves. Our integrated approach to Talent Development ensures that company has the desired leadership and management capability to meet the demands of business. The integrated approach inter alia comprises of the following: • Biannual comprehensive talent reviews to analyse demand supply gap for talent and develop strategies to attract, develop and retain the right talent; • Succession planning for business critical roles and people growth opportunities in line with their career aspirations; • Development opportunities to build domain / functional programmes and leadership and management development programmes through a mix of e-learning, classroom including virtual classroom training, on the job training, action learning and coaching; • A curriculum focussed on critical skills like Operations Excellence, Design Thinking for Innovation, Performance Coaching, First Time Manager Development, Coaching and Mentoring programmes for middle management among others; and • A total rewards philosophy, which ensures that the compensation is in line with the market standards and it attracts and retains right talent and rewards high performance.
F. Government Reforms and Policies	
Reforms in the US Healthcare Industry	The new US government is keen to repeal and replace the Affordable Care Act. If the government is able to successfully pass the new American Healthcare Act, there might be an impact on the Healthcare business. The uncertainty with respect to states' approach 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 given the strong relations with tenured customers and technology led solutions help mitigate and address impact, if any.
Reforms in compliances governing Financial Services	There is a trend requiring banks and insurers to meet minimum cyber security standards in order to combat cyber-crime and minimise losses to the consumers. These standards lay down requirements on steps that financial firms must take to protect their networks and customer data from hackers and disclose cyber events to state regulators. These rules call for banks and insurers to scrutinise security at third-party vendors that provide them goods and services. The Company is a third party vendor to various banks and insurers. Thus it is subject to incidence of these regulations, associated costs and verification mechanism by clients or regulators. The Company has Compliance and Information Security teams capable of complying with such regulations.

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 and government guidelines. Breach of any of these regulatory provisions can attract regulatory inspection, notices, penalty, and revocation of permits or licenses, among others. Clients will 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 with respect to laws and regulations specific to the country, it operates in and the client specific work in a consistent manner, for its businesses across the globe. 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 level.
H. Technology	
Advent of disruptive technologies	Rapid disruption is underway with the clients seeking to cut additional back-office costs due to continued budget pressures, while suppliers are trying to create additional services and the associated revenues. Technologies such as cloud computing, business analytics software, social media platforms and process automation software are being used within BPM 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 newer 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 (RPA), Digital transformation and Analytics are reducing 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. BPM companies are moving beyond the provision of full-time equivalents by offering additional value-add services through technology enablements, partnerships and alliances. The Company has developed a wide suite of Transformation offerings across areas of RPA, Digital and Analytics as part of its Productization initiatives. A combination of domain and process expertise pared with best in breed technology is helping the Company in pursuing significant opportunities. The Company has already implemented many of these value added interventions across its global customers, impacting client business outcomes like Net promoter scores (NPS), Total cost to serve, Channel deflection and Churn management.

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

BOARD OF DIRECTORS:

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

The Company has an optimum combination of directors on the Board and is in conformity with Regulation 17 of the Listing Regulations. As on 31 March 2017, 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 Board and its Committee meetings are circulated to the Directors/ Members at least 7 days before the meetings, supported with significant information including that as enumerated in Part A of Schedule II of the Listing Regulations for an effective and well-informed decision making during the meetings.

The Board meets at regular intervals to discuss and decide on Company's business policy and strategy apart from other normal business, the maximum interval between any two meetings did not exceed 120 days. The Company adheres to the Secretarial Standards on the Board and Committee Meetings as prescribed by the Institute of Company Secretaries of India. The Board has complete access to any information within the Company. Agenda papers containing all necessary information/documents are made available to the Board/ Committee Members in advance to enable them to discharge their responsibilities effectively and take informed decisions. The information as specified in the Listing Regulations is regularly made available to the Board, whenever applicable, for discussion and consideration. During the year ended 31 March 2017 the Company had 4 Board Meetings. These were held on:

1. 12 May 2016;
2. 26 July 2016;
3. 27 October 2016; and
4. 31 January 2017.

Time gap between any two meetings was not more than 120 days.

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

Name of the Director	Position/ Status	No. of Board Meetings Attended	No. of Equity Shares held as on 31 March 2017	Attendance at previous AGM Held on 26 July 2016 (Y-Yes, N-No)	Directorships in other Public Companies as on 31 March 2017*	Committee Chairmanships/ Memberships/ in other Public Companies as on 31 March 2017**	
						Chairmanships	Memberships
Sanjiv Goenka, Chairman +	NI- NED	4	-	Y	6	2	3
Rajesh Subramaniam Managing Director & CEO	ED	4	7,50,000	Y	1	0	0
Charles Miller Smith	I-NED	3	-	N	0	0	0
Donald W. Layden Jr.	I-NED	2	-	Y	0	0	0
Ms. Grace Koshie	I-NED	3	-	Y	1	1	1
Pradip Roy	I-NED	4	-	Y	8	1	8
V. K. Sharma	I-NED	4	-	Y	3	1	2
Y. H. Malegam	I-NED	4	2,12,500	Y	3	2	3
Pradip Kumar Khaitan	NI-NED	3	-	Y	9	2	5
Shashwat Goenka +	NI-NED	4	-	Y	4	0	0
Subrata Talukdar	NI-NED	4	-	Y	7	2	3

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

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

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

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

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

None of the Directors on the Board is a Member of more than 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 Board has constituted a well-qualified Audit Committee. All the members of the Committee are Non-Executive Directors with majority of them are Independent Directors including Chairman. They possess sound knowledge on accounts, audit, finance, taxation, internal controls, etc.

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

During the financial year 2016-17, following 4 meetings of the Audit Committee were held on:

1. 12 May 2016;
2. 26 July 2016;
3. 27 October 2016; and
4. 31 January 2017.

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 the status of attendance during the year are as under:

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

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

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

1. 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 to be specified in the Director's Responsibility Statement to be included in the Board's Report;
   b. Changes, if any, in accounting policies and practices and reasons for the same;
   c. Major accounting entries involving estimates based on the exercise of judgment by management;
   d. Significant adjustments made in the financial statements arising out of audit findings;
   e. Compliance with listing and other legal requirements relating to financial statements;
   f. Disclosure of any related party transactions; and
   g. Qualifications in the draft audit report.
5. 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; and
   iv. Internal audit reports relating to internal control weaknesses.
7. Invite such of the executives, as it considers appropriate (and particularly the CFO) to be present at the meetings of the Committee, but on occasions it may also meet without the presence of any executives of the Company. The Managing Director & CEO (MD & CEO), CFO, head of internal audit and a representative of the statutory auditors may be present as invitees for the meetings of the Audit Committee;
8. To secure attendance of outsiders with relevant expertise at the meetings of Audit Committee, if it considers necessary;
9. To review with the Management, performance of statutory and internal auditors and adequacy of the internal control systems;
10. Evaluation of internal financial controls and risk management systems;
11. To review and monitor the Auditor's independence and performance & effectiveness of audit processes;
12. To review the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit and reviewing appointment, removal and terms of remuneration of the Chief Internal Auditor;
13. To discuss with internal auditors any significant findings and follow up thereon;
14. To review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
15. To discuss with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
16. To look into the reasons for substantial defaults in the payments, if any, to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors;
17. To direct the Company to establish a vigil mechanism for directors and employees to report genuine concerns to the Audit Committee and to ensure that the vigil mechanism provides adequate safeguards against victimization of persons who use such mechanism and make provision for direct access to the Chairman of the Audit Committee in appropriate or exceptional case;
18. To ensure that the details of establishment of vigil mechanism is disclosed by the Company on its website and in Board's report;
19. To review the functioning of the Whistle Blower/ Vigil mechanism;
20. To approve appointment of CFO after assessing the qualifications, experience & background, etc. of the candidate;
21. Scrutiny of inter-corporate loans and investments;
22. To approve any subsequent modification of transactions of the Company with related parties;
23. To review valuation of undertakings or assets of the company, wherever it is necessary;
24. To investigate into any matter or activity within its terms of reference or referred to it by the Board and for this purpose shall have power to obtain legal or other professional advice from external sources and have full access to information contained in the records of the Company;
25. To seek information from any officer or employee of the Company;
26. To call for the comments of the Auditors about internal control systems, the scope of audit, including the observations of the Auditors and also discuss any related issues with the Internal and Statutory Auditors and the Management of the Company;
27. To carry out any other function as is mentioned in the terms of reference of the Audit Committee or as enumerated in Section 177 of the Act or Regulation 18 of the Listing Regulations with Stock Exchanges or in any subsequent amendment thereto; and
28. To exercise any other power or perform any other function as enumerated in the Act or the Listing Regulations with the Stock Exchanges or in any subsequent amendment thereto.

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

NOMINATION AND REMUNERATION COMMITTEE:

The Nomination and Remuneration Committee's constitution, 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 2016-17, following 4 meetings of the Committee were held on:

1. 12 May 2016;
2. 26 July 2016;
3. 27 October 2016; and
4. 31 January 2017.

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

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

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

This Committee is entrusted with the following powers:

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

Policy for Selection and Appointment of Non-Executive Directors:

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

a) The Non-Executive Directors shall be of high integrity with relevant expertise and experience so as to have a diverse Board with Directors having expertise in various fields namely marketing, finance, taxation, law, governance and general management;
b) In case of appointment of Independent Directors, the N&R Committee shall satisfy itself with regard to the experience, expertise and independent nature of the Directors vis-à-vis the Company so as to enable the Board to discharge its functions and duties effectively;
c) The Nomination and Remuneration 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 Nomination and Remuneration 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; and
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 and reimbursement of expenses for participation in the Board/ Committee meetings. The details of Remuneration Policy for Non-Executive Directors and Independent Directors are given in Annexure IIIA to the Directors' Report forming part of this Annual Report.

Details of sitting fees paid to Non-Executive Directors during the financial year 2016-17:

All the Non-Executive Directors are paid sitting fees of ₹ 1,00,000 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 2016-17 are as under:

(Amount in ₹)

Name of the Director	Sitting Fees		
	Board Meetings	Committee Meetings#	Total
Sanjiv Goenka, Chairman	4,00,000	-	4,00,000
Charles Miller Smith	3,00,000	3,50,000	6,50,000
Donald W. Layden Jr.	2,00,000	-	2,00,000
Ms. Grace Koshie	3,00,000	2,00,000	5,00,000
Pradip Kumar Khaitan	3,00,000	-	3,00,000
Pradip Roy	4,00,000	3,50,000	7,50,000
Shashwat Goenka	4,00,000	1,00,000	5,00,000
Subrata Talukdar	4,00,000	6,00,000	10,00,000
V. K. Sharma	4,00,000	50,000	4,50,000
Y. H. Malegam	4,00,000	5,00,000	9,00,000
Total	**35,00,000**	**21,50,000**	**56,50,000**

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

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

The Company's Remuneration Policy for Key Managerial Personnel and Other employees is driven by the success and the performance of the Company and the individual & industry benchmarks and is decided by the 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 III B to the Directors' Report forming part of this Annual Report.

Remuneration of the MD & CEO:

The Nomination and Remuneration Committee of the Board is authorised to decide the remuneration of the 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 31 March 2017 are as under:

(Amount in ₹)

Salary & Allowances	Performance Bonus	Retirals @	Perquisites#	Total
2,47,06,151	2,06,39,880	10,94,400	2,49,870	4,67,29,901

@ 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 ₹ 7,59,40,000.

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 and 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 2016-17, the MD & CEO was granted 4,50,000 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. Upon termination of employment without notice by the Company, MD & CEO is eligible to receive six month's salary.

STAKEHOLDERS RELATIONSHIP COMMITTEE:

One meeting of the Committee was held during the year 2016-17 on 26 July 2016. The details of composition of the Committee and attendance during the year are as under:

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

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

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

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

The total numbers of complaints received during the year were 8 all of which were resolved and there was no pending complaint as on 31 March 2017. The Company did not receive any transfer requests and hence no request was pending for approval as on 31 March 2017.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE:

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

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

Following 2 meetings of the Committee were held during the year on:

1. 27 October 2016; and
2. 7 March 2017.

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

Name of the Director/ Member	Category	No. of Meetings Attended
Shashwat Goenka, Chairman	NI-NED	2
Rajesh Subramaniam*	NI-ED	1
Pradip Roy *	I-NED	2
Subrata Talukdar	NI-NED	2

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

* Attended the meeting held on 7 March 2017 through Video conference.

OTHER COMMITTEES OF THE BOARD:

Investment Committee:

The Committee reviews the investment decisions made by the Management, ensures adherence to the 'Investment Policy' of the Company and approves modifications to the Investment Policy as may be required from time to time. 1 meeting of the Committee was held during the year 2016-17 on 31 January 2017.

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

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

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

Strategy Committee:

The Committee comprises of members' viz. Shashwat Goenka, as Chairman, Rajesh Subramaniam, Donald W. Layden Jr. and Subrata Talukdar as Members. It deliberates on various strategic initiatives from time to time.

During the year under review no meeting of the Strategy Committee was held.

GENERAL BODY MEETINGS:

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

Meeting and Venue	Day & Date and Time
15th Annual General Meeting: Ravindra Natya Mandir, Sayani Road, Prabhadevi, Mumbai - 400 025	Tuesday, 26 July 2016 3.30 p.m.
14th Annual General Meeting: Manik Sabhagriha, 'Vishwakarma' M. D. Lotlikar Vidya Sankul, Opp. Lilavati Hospital, Bandra Reclamation, Mumbai 400 050	Monday, 3 August 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, 1 August 2014 3.00 p.m.

Details of Special Resolutions passed:

a) 15th AGM held on 26 July 2016

No special resolution was passed

b) 14th AGM held on 3 August 2015

No special resolution was passed

c) 13th AGM held on 1 August 2014:

(i) Approved borrowing powers of the Board of Directors of the Company up to 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 up to an aggregate amount not exceeding ₹ 25,00,00,00,000 (Two Thousand Five Hundred Crores) under Section 180(1)(a) of the Act; and

(iii) Approved amendment of Articles of Association of the Company under Section 14 of the Act.

During said period, no EGM was held.

POSTAL BALLOT:

During last financial year ended 31 March 2017, no resolution under Section 110 of the Companies Act 2013 was passed through Postal Ballot.

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

TRAINING FOR BOARD MEMBERS:

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

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

PERFORMANCE EVALUATION:

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

DISCLOSURES:

i. Related Party Transactions:

The transactions with related parties as per Ind-AS are set out in Notes to Accounts under Note no. 26 forming part of financial statements.

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

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

ii. Disclosures from Senior Management:

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

iii. Compliances by the Company:

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

iv. Whistle Blower Policy/ Vigil Mechanism:

The Company has adopted a Whistle Blower Policy to provide a vigil mechanism to directors, employees, agents, consultants, vendors and business partners to disclose instances of wrongdoing in the workplace. The object of this Whistle Blower Policy is to encourage individuals to disclose instances of any irregularity, unethical practice and/ or misconduct and protect such individuals in the event of a disclosure. The Company is keen on demonstrating the right values and ethical, moral and legal business practices in every field of activity within the scope of its work. 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 disclosures 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. All complaints received under the said policy are reviewed by the Audit Committee at its meeting held every quarter.

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

v. Corporate Social Responsibility Activities:

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

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

The Company has implemented Global Ethics Policy, Gift & Entertainment Policy and Anti Bribery Policy after keeping in mind the regulatory requirements of UK Bribery Act 2010 ("UKBA") and US Foreign and Corrupt Practices Act 1977 ("FCPA"). The Company provides online training to all employees on Ethics AB 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 behavior and bribery.

vii. CEO/CFO Certification:

Certification on financial statements pursuant to Regulation 17(8) of the Listing Regulations has been obtained from the MD & 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://firstsource.com/blog/wp-content/uploads/2016/06/code-of-conduct-2.pdf

ix. Code of Conduct for Prohibition of Insider Trading:

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

x. Compliance Reports:

The Board reviews the compliance reports on all laws applicable to the Company on quarterly basis. The 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 31 March 2017, the Company had 1 domestic subsidiary and 14 foreign subsidiaries. 1 domestic subsidiary and 13 out of 14 foreign subsidiaries are wholly owned by the Company or its subsidiary companies. The Company has no material non-listed Indian Subsidiary Company as defined in Regulation 16 of the Listing Regulations. The same is available on website of the Company viz. http://firstsource.com/blog/wp-content/uploads/2016/06/Material-Subsidiary-Policy.pdf.

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.

During the financial year 2016-17, Nanobi Data and Analytics Private Limited has become an Associate Company.

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/investors/.

xiii. Risk Management & Internal Control:

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

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

xiv. Prevention of Sexual Harassment Policy:

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

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

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

xvi. Management Discussion and Analysis Report:

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

xvii. Independent Directors:

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

xviii. Share Reconciliation Audit:

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

xix. Requirements of Chapter IV of Listing Regulations:

The Company has complied with all applicable requirements of Chapter IV of the Listing Regulation relating to obligation of listed entity which has listed its specified 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 Financial Express and Loksatta newspapers which have wide circulation.

b) Unqualified Audit Report:

The Company adopts best practices to move towards a regime of financial statements with unmodified audit opinion. There are no audit qualifications in the Company's financial statements for the year ended 31 March 2017.

c) Separate posts of Chairman and CEO:

There are separate posts of the Chairman and the 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; and
- Presentations made to institutional investors or the analysts.

GENERAL SHAREHOLDER INFORMATION:

I. Annual General Meeting:

Day, Date & Time	Tuesday, 8 August 2017 at 3.30 p.m.
Venue	Manik Sabhagriha, 'Vishwakarma' M. D. Lotlikar Vidya Sankul, Opp. Lilavati Hospital, Bandra Reclamation, Mumbai 400 050

II. Financial Year:

1 April to 31 March

Financial Calendar (Tentative): FY 2017-18

Q1 ending 30 June 2017	Last week of July 2017 or First/ Second week of August 2017
Q2 ending 30 September 2017	Last week of October 2017 or First/ Second week of November 2017
Q3 ending 31 December 2017	Last week of January 2018 or First/ Second week of February 2018
Q4 and financial year ending 31 March 2018	First/ Second week of May 2018
Annual General Meeting (Financial Year 2017-18)	Last week of July 2018 or First/ Second week of August 2018

III. Dates of Book Closure (both days inclusive):

Tuesday, 1 August 2017 to Tuesday, 8 August 2017 (both days inclusive).

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 2016-17.

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 2016-17 were paid by the Company to NSE and BSE on time.

VI. Custodian Fees to Depositories:

The Company has paid fees for year ended 2016-17 to National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) on time.

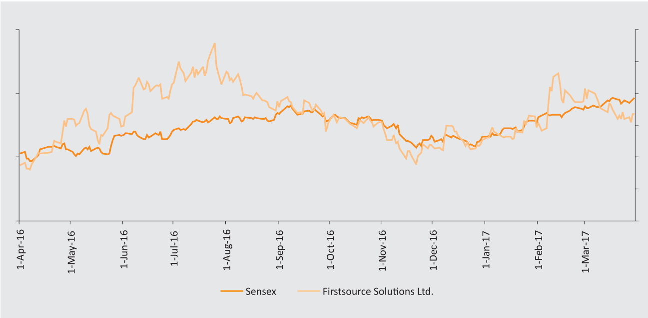
VII. Stock Code / Symbol:

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

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

Month	NSE			BSE		
	Share Price (₹)		No. of shares traded	Share Price (₹)		No. of shares traded
	High	Low		High	Low	
Apr – 2016	41.45	33.00	3,76,29,783	41.40	32.95	72,08,742
May – 2016	43.35	36.50	5,25,11,691	43.35	36.45	1,25,15,101
Jun – 2016	48.85	39.05	9,04,72,615	48.85	39.05	1,90,57,190
Jul – 2016	53.65	45.35	10,83,17,513	53.65	45.50	2,50,70,117
Aug – 2016	49.40	41.60	4,31,16,604	49.40	41.55	98,46,176
Sep – 2016	44.80	37.70	3,02,23,762	46.00	37.85	60,50,649
Oct – 2016	42.75	39.15	2,82,32,075	42.70	39.00	51,93,261
Nov – 2016	40.65	30.85	2,72,91,656	40.95	31.25	80,28,577
Dec – 2016	40.75	35.65	2,60,24,032	40.85	35.70	50,74,183
Jan – 2017	42.25	37.85	2,73,04,504	42.20	37.80	51,60,377
Feb – 2017	49.25	39.15	9,94,37,964	49.30	39.05	1,95,48,067
Mar – 2017	46.55	40.00	4,70,18,288	46.60	40.05	1,11,66,897

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

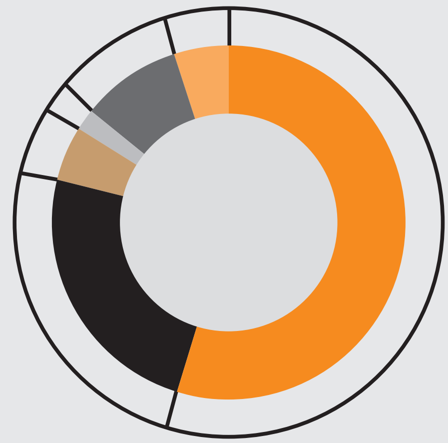
XI. Share Transfer System:

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 lodgement for transfer, sub-division, consolidation etc.

XII. Distribution of shareholding as on 31 March 2017:

Share Holding (Nominal Value)	Shareholders		Nominal Capital	
₹	No.	%	No.	%
Upto 5,000	1,05,457	78.98	17,32,37,240	2.54
5,001-10,000	12,784	9.57	10,92,42,910	1.60
10,001-20,000	6,474	4.85	10,28,36,070	1.51
20,001-30,000	2,484	1.86	6,51,87,970	0.96
30,001-40,000	1,115	0.84	4,10,26,200	0.60
40,001-50,000	1,301	0.97	6,28,71,110	0.92
50,001-1,00,000	1,875	1.40	14,40,49,440	2.11
100,001 and above	2,033	1.52	6,11,46,32,430	89.75
Total	**1,33,523**	**100.00**	**6,81,30,83,370**	**100.00**

The Shareholding pattern as on 31 March 2017 is given as under:



Promoters 373,976,673 Shares	54.89%
Individuals 163,676,569 Shares	24.02%
Bodies Corporate 34,509,382 Shares	5.07%
Mutual Funds 13,546,896 Shares	1.99%
Foreign institutional Investors(FIIs) 62,580,389 Shares	9.19%
Banks 33,018,428 Shares	4.84%

Top 10 Shareholders as on 31 March 2017:

Sr. No.	Name of the Shareholders	Category of Shareholder	No of Shares	%
1	Spen Liq Private Limited	Promoters	37,39,76,673	54.89
2	ICICI Bank ltd	Bank	3,20,79,803	4.71
3	Jhunjhunwala Rakesh Radheshyam	Resident Indian	2,50,00,000	3.67
4	Goldman Sachs India Fund Limited	Foreign Institutional Investor	1,88,47,763	2.77
5	Steinberg India Emerging Opportunities Fund Limited	Foreign Institutional Investor	1,69,00,000	2.48
6	Dimensional Emerging Markets Value Fund	Foreign Institutional Investor	41,50,603	0.61
7	Birla Sun Life Trustee Company Private Limited A/C Birla Sun Life Pure Value Fund	Mutual Funds	41,50,000	0.61
8	Birla Sun Life Trustee Company Private Limited A/C Birla Sun Life Midcap Fund	Mutual Funds	40,00,000	0.59
9	Virginia Tech Foundation,INC. Steinberg India Asset Management, Ltd.	Foreign Institutional Investor	35,00,000	0.51
10	Emerging Markets Core Equity Portfolio (the Portfolio) of DFA Investment Dimensions Group INC (DFAIDG)	Foreign Institutional Investor	33,21,558	0.49
Total			**48,59,26,400**	**70.74**

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 31 March 2017:

	Shareholders		Share Capital	
	No. of Shareholders	% to Total Shareholders	No. of Shares	% to Total share Capital
Dematerialised Form				
NSDL	87,197	65.30	62,42,14,838	91.62
CDSL	46,315	34.69	5,70,87,045	8.38
Total in dematerialised from	**1,33,512**	**99.99**	**68,13,01,883**	**100.00**
Physical Form	**11**	**0.01**	**6,454**	**0.00**
Total	**1,33,523**	**100.00**	**68,13,08,337**	**100.00**

As on 31 March 2017, 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 31 March 2017 are as under:

Particulars	No. of shareholders	No. of shares
Outstanding shares in the Escrow Account with ICICI Bank Ltd. as on 1 April 2016	49	5,521
Investors who have approached the Company for transfer of shares from Escrow Account during the year 2016-17	0	0
Investors to whom shares were transferred from Escrow Account during the year 2016-2017	0	0
Outstanding shares in the Escrow Account as on 31 March 2017	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 31 March 2017.

XV. Operation Centers:

The Company along with its 15 subsidiaries has 48 global operation centers of which 20 are located in India, 18 in USA, 8 in UK and 2 in Philippines as per the details given below:

India (20): Chennai (4), Mumbai (2), Navi Mumbai (1), Bangalore (2) Trichy (2), and 1 each in Kolkata, Pondicherry, Vijayawada, Cochin, Indore, Jalandhar, Siliguri, Bhubaneshwar and Bhopal.
USA (18): Louisville (2) in Kentucky, Kingston & Amherst in New York, Rockford and Belleville in Illinois, Salt Lake City in Utah, Colorado Springs, Eugene in Oregon, Palm Bay in Florida, Rocky Hill in Connecticut and 7 operational hubs of MedAssist.
United Kingdom (8): Belfast (2), Cardiff (2), Londonderry, Middlesbrough, Warrington and Derby.
Philippines (2): Manila, Cebu

XVI. Address for Correspondence:

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

Place: Kolkata
Date : 5 May 2017

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

To,
The Members of
Firstsource Solutions Limited

We have examined the compliance of conditions of Corporate Governance by Firstsource Solutions Limited having its Registered Office at 5th Floor, Paradigm 'B' Wing, Mindspace, Link Road, Malad (West), Mumbai 400 064, for the year ended 31 March 2017, as stipulated in Chapter IV of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 ("Listing Regulations").

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examinations have been limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion of the Financial Statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations as made by the Directors and the Manangement of the Company, We certify that the Company has complied with the conditions of Corporate Governance as stipulated in Chapter IV of the Listing Regulations.

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

For Rathi and Associates
(Company Secretaries)

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

Mumbai
5 May 2017

CERTIFICATION FROM THE MANAGING DIRECTOR & CEO AND THE CFO:

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

A We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:
  (1) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  (2) these statements together present a true and fair view of the listed entity's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

B There are, to the best of our knowledge and belief, no transactions entered into by Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.

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

D The Company have indicated to the Auditors and the Audit committee:
  (1) significant changes in internal control over financial reporting during the year;
  (2) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  (3) instances of significant fraud of which the Company have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

For Firstsource Solutions Limited

Rajesh Subramaniam
Managing Director & CEO

Dinesh Jain
President & CFO

Kolkata
5 May 2017

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
5 May 2017

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 Company"), its subsidiaries and its associate (as per the list appearing in Note 1 to the consolidated financial statements) [collectively referred to as "the Group"], comprising of the consolidated balance sheet as at 31 March 2017, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of cash flows and the consolidated statements of changes in equity 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 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 including other comprehensive income, consolidated cash flows and consolidated changes in equity of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards (Ind AS) prescribed under Section 133 of the Act, read with relevant rules issued thereunder. 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 consolidated 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 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 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 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 and the audit evidence obtained by the other auditors in terms of their reports referred to in Other Matters paragraph below, 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 including Ind AS, of the consolidated financial position of the Group as at 31 March 2017, and its consolidated financial performance including other comprehensive income, its consolidated cash flows and the consolidated changes in equity for the year then ended.

Other Matters

The consolidated financial statements includes the Group's share of net loss after tax of ₹ 0.01 million for the year ended 31 March 2017, in respect of an associate, whose financial statements has not been audited by us. These financial statements have been audited by other auditors whose report has been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of the associate, is based solely on the reports of the other auditors.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below is not modified in respect of the above matter with respect to our reliance on the work done and the reports of the other auditors.

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 (including other comprehensive income), the consolidated statement of cash flows and consolidated statement of changes in equity 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 relevant rules issued thereunder;

e) On the basis of written representations received from the directors of the Company and subsidiary incorporated in India as at 31 March 2017, taken on record by the Board of Directors of the Company and its subsidiary incorporated in India and the reports of the auditor of its associate company incorporated in India, none of the directors are disqualified as on 31 March 2017 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", which is based on the auditor's report of the Company, subsidiary company and associate company incorporated in India; 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 32 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 - refer Note 33 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 Company, its subsidiary and its associate incorporated in India.

iv. The Company has provided requisite disclosures in the consolidated financial statements as regards the holding and dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated the 8 November 2016 of the Ministry of Finance, during the period from 8 November 2016 to 30 December 2016 of the Group as applicable. Based on audit procedures performed and the representations provided to us by the management, we report that the disclosures are in accordance with the relevant books of accounts maintained by the Company, its subsidiary incorporated in India and the reports of the auditor of its associate company incorporated in India for the purpose of preparation of the consolidated financial statements and as produced to us and other auditor by the Management - refer Note 34 to the consolidated financial statements.

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

Rajesh Mehra
Partner
Membership No: 103145

Kolkata
5 May 2017

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 Firstsource Solutions Limited ("the Company") as of and for the year ended 31 March 2017, we have audited the internal financial controls over financial reporting of the Company, its subsidiary company and its associate which are incorporated in India (collectively referred to hereinafter as "the India Group"), as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Company, its subsidiary company and its associate 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 the Institute of Chartered Accountants of India ("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 and the audit evidence obtained by the other auditor in terms of their report referred to in the Other Matters paragraph below, 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 and taking into consideration the reports of the other auditors referred in the Other Matters paragraph below, the India Group 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 2017, 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.

Other Matters

Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to an associate which is incorporated in India, is based on the corresponding report of the auditor of such company 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
5 May 2017

Consolidated Balance Sheet

as at 31 March, 2017

(Currency: In millions of Indian ₹)

Particulars	Note No.	31 March 2017	31 March 2016	1 April 2015
Assets				
Non-current assets				
Property, plant and equipment	4	**878.05**	784.69	610.43
Capital work-in-progress		**42.85**	22.59	28.47
Goodwill on consolidation	5(i)	**19,223.62**	18,994.98	17,959.07
Other intangible assets	5(ii)	**576.48**	435.97	332.19
Financial assets				
Investments	6(i)	**105.84**	83.80	57.55
Other financial assets	7(i)	**714.30**	543.02	618.06
Deferred tax assets	16	**4,064.60**	3,702.12	3,192.59
Income tax assets (net)	16	**452.97**	514.80	570.66
Others assets	8(i)	**1,309.07**	206.59	91.58
Total non-current assets		**27,367.78**	25,288.56	23,460.60
Current assets				
Financial assets				
Investments	6(ii)	**1,522.67**	767.74	676.11
Trade receivables	9	**3,041.27**	3,040.75	2,889.51
Cash and cash equivalents	10	**387.31**	685.76	799.81
Other financial assets	7(ii)	**2,284.21**	1,492.98	1,433.01
Other assets	8(ii)	**589.73**	487.64	255.57
Total current assets		**7,825.19**	6,474.87	6,054.01
Total assets		**35,192.97**	31,763.43	29,514.61
Equity and Liabilities				
Equity				
Equity share capital	11	**6,813.08**	6,733.15	6,662.91
Other equity		**13,466.95**	11,037.01	8,102.33
Total equity attributable to equity holders of the Company		**20,280.03**	17,770.16	14,765.24
Non - controlling interest		**11.75**	19.71	16.31
Total equity		**20,291.78**	17,789.87	14,781.55
LIABILITIES				
Non-current liabilities				
Financial liabilities				
Long term borrowings	12(i)	**3,579.94**	4,097.75	3,943.35
Provisions for employee benefits	14(i)	**287.49**	265.88	281.93
Deffered tax liability	16	**2,874.02**	2,224.06	1,997.12
Total non-current liabilities		**6,741.45**	6,587.69	6,222.40
Current liabilities				
Financial liabilities				
Short-term and other borrowings	12(ii)	**5,644.71**	4,809.17	6,220.51
Trade and other payables		**993.77**	868.68	812.71
Other financial liabilities	13	**211.57**	314.62	310.75
Other liabilities	15	**1,226.84**	1,311.59	1,087.58
Provisions for employee benefits	14(ii)	**82.85**	81.81	79.11
Total current liabilities		**8,159.74**	7,385.87	8,510.66
Total equity and liabilities		**35,192.97**	31,763.43	29,514.61
Significant accounting policies	2			

The accompanying notes from 1 to 37 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
5 May 2017

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

Donald W. Layden Jr.
Director

Subrata Talukdar
Director

Pradip Kumar Khaitan
Director

Pradip Roy
Director

Grace Koshie
Director

Kolkata
5 May 2017

Pooja Nambiar
Company Secretary

Dinesh Jain
President and CFO

Consolidated Statement of Profit and Loss

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

Particulars	Note No.	31 March 2017	31 March 2016
Income			
Revenue from operations	17	**35,556.10**	32,172.53
Other income	18	**32.05**	94.44
Total income		**35,588.15**	32,266.97
Expenses			
Employee benefits expense	19	**23,834.37**	21,726.73
Finance costs	20	**453.16**	524.38
Depreciation and amortization	4&5(ii)	**589.61**	608.82
Other expenses	21	**7,341.83**	6,544.93
Total expenses		**32,218.97**	29,404.86
Profit from ordinary activities before tax and share in net profit/ (loss) of associate		**3,369.18**	2,862.11
Share in net (loss) of associate		**(0.01)**	-
Profit from ordinary activities before tax and after share in net loss of associate		**3,369.17**	2,862.11
Tax expense			
Current tax		**454.36**	409.85
Deferred tax		**122.43**	(156.99)
Profit for the year		**2,792.38**	2,609.25
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of the net defined benefit liability / asset		**(0.52)**	(31.48)
Items that will be reclassified subsequently to profit or loss			
Net changes in fair value of cash flow hedges		**206.15**	(195.94)
Exchange difference on translation of foreign operations		**(693.28)**	793.60
Total other comprehensive income, net of taxes		**(487.65)**	566.18
Total other comprehensive income for the year		**2,304.73**	3,175.43
Profit attributable to:			
Owners of the Company		**2,799.96**	2,604.87
Non - controlling interest		**(7.58)**	4.38
		2,792.38	2,609.25
Total other comprehensive income attributable to:			
Owners of the Company		**2,312.69**	3,172.03
Non - controlling interest		**(7.96)**	3.40
		2,304.73	3,175.43
Earning per equity share			
Weighted average number of equity shares outstanding during the year			
- Basic		**676,262,213**	669,787,584
- Diluted		**685,662,251**	700,591,254
Earning per equity share			
- Basic		**4.14**	3.89
- Diluted		**4.08**	3.72
Significant accounting policies	2		

The accompanying notes from 1 to 37 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

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

Donald W. Layden Jr.
Director

Subrata Talukdar
Director

Pradip Kumar Khaitan
Director

Pradip Roy
Director

Grace Koshie
Director

Pooja Nambiar
Company Secretary

Dinesh Jain
President and CFO

Kolkata
5 May 2017

Kolkata
5 May 2017

Consolidated Statement of changes in equity

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

			Attributable to owners of the Company									
			Reserves and Surplus				Items of other comprehensive income					
	Equity share capital	Share application money pending allotment	Securities premium	Other reserves	Retained earnings	Employee stock option reserve	Effective portion of cash flow hedges	Actuarial gain loss on employee benefits	Exchange differences on translating the financial statements of a foreign operation/ subsidiaries	Total	Attributable to Non-controlling interest	Total equity
Balance as at 1 April 2016	6,733.15	-	1,724.53	30.41	4,435.03	83.96	443.79	(31.48)	4,350.77	17,770.16	19.71	17,789.87
Other comprehensive income for the year	-	-	-	-	-	-	552.35	-	(692.90)	(140.55)	(0.38)	(140.93)
Profit for the year	-	-	-	-	2,799.96	-	-	(0.52)	-	2,799.44	(7.58)	2,791.86
Share based payment	-	-	-	-	-	39.41	-	-	-	39.41	-	39.41
Issue of equity share on excercise of option	79.93	-	78.34	-	-	(0.50)	-	-	-	157.77	-	157.77
Tax effect on hedge reserve	-	-	-	-	-	-	(346.20)	-	-	(346.20)	-	(346.20)
Balance at the end of 31 March 2017	**6,813.08**	**-**	**1,802.87**	**30.41**	**7,234.99**	**122.87**	**649.94**	**(32.00)**	**3,657.87**	**20,280.03**	**11.75**	**20,291.78**

Consolidated Statement of changes in equity

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

			Attributable to owners of the Company									
			Reserves and Surplus				Items of other comprehensive income					
	Equity share capital	Share application money pending allotment	Securities premium	Other reserves	Retained earnings	Employee stock option reserve	Effective portion of cash flow hedges	Actuarial gain loss on employee benefits	Exchange differences on translating the financial statements of a foreign operation/ subsidiaries	Total	Attributable to Non-controlling interest	Total equity
Balance as at 1 April 2015	6,662.91	0.20	1,676.99	30.41	1,830.16	48.00	639.73	-	3,876.84	14,765.24	16.31	14,781.55
Other comprehensive income for the year	-	-	-	-	-	-	(195.94)	-	473.93	277.99	(0.98)	277.01
Profit for the year	-	-	-	-	2,604.87	-	-	(31.48)	-	2,573.39	4.38	2,577.77
Share based payment	-	-	-	-	-	36.46	-	-	-	36.46	-	36.46
Issue of equity share on excer-cise of option	70.24	(0.20)	47.54	-	-	(0.50)	-	-	-	117.08	-	117.08
Balance at the end of 31 March 2016	**6,733.15**	**-**	**1,724.53**	**30.41**	**4,435.03**	**83.96**	**443.79**	**(31.48)**	**4,350.77**	**17,770.16**	**19.71**	**17,789.87**

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
5 May 2017

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

Donald W. Layden Jr.
Director

Subrata Talukdar
Director

Pradip Kumar Khaitan
Director

Pradip Roy
Director

Grace Koshie
Director

Pooja Nambiar
Company Secretary

Dinesh Jain
President and CFO

Kolkata
5 May 2017

Consolidated Statement of Cash Flows

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

	31 March 2017	31 March 2016
Cash flow from operating activities		
Net profit before taxation and minority interest	**3,369.17**	2,862.11
Adjustments for		
Depreciation and amortization	**589.61**	608.82
Provision for doubtful debts / (written back), net	**4.58**	76.89
Gain on sale of property,plant and equipment,net	**(10.44)**	(4.11)
Foreign exchange (gain)/loss, net unrealized	**(251.47)**	(126.06)
Finance costs	**453.16**	524.38
Interest and dividend income	**(16.24)**	(18.74)
Profit on sale/redemption of investments	**(38.98)**	(55.25)
Rent expense on account of Ind AS 109	**7.93**	9.10
Employee stock option cost	**39.41**	36.46
Operating cash flow before changes in working capital	**4,146.73**	3,913.60
Changes in working capital		
(Increase)/ Decrease in trade receivables	**(83.01)**	(66.35)
(Increase)/ Decrease in loans and advances and other assets	**(1,234.71)**	(99.98)
(Decrease) in current liabilities and provisions	**(280.76)**	(199.22)
Net changes in working capital	**(1,598.48)**	(365.55)
Income taxes paid	**(566.92)**	(576.64)
Net cash generated from operating activities (A)	**1,981.32**	2,971.41
Cash flow from investing activities		
Purchase of investment in mutual funds/ government securities (net)	**(715.94)**	(11.39)
Interest and dividend income received	**5.68**	8.21
Purchase of property, plant and equipment and capital advanaces given	**(853.72)**	(857.85)
Proceeds from sale of property, plant and equipment	**87.43**	8.85
Amount paid towards acquisition of ISGN	**(813.31)**	(133.84)
Investment in Nanobi Data and Analytics Private Limited	**(25.00)**	(25.00)
Net cash used in investing activities (B)	**(2,314.86)**	(1,011.02)
Cash flow from financing activities		
Proceeds from unsecured loan - others	**2,465.71**	271.42
Proceeds from secured loan	**999.23**	118.02
Repayment of secured loan	**(3,136.25)**	(1,875.01)
Proceeds from issuance of equity shares and share application money	**157.78**	117.07
Interest paid	**(451.39)**	(705.94)
Net cash generated from / (used in) financing activities (C)	**35.09**	(2,074.44)
Net (decrease) / increase in cash and cash equivalents (A+B+C)	**(298.45)**	(114.05)
Cash and cash equivalents at the beginning of the year	**685.76**	799.81
Cash and cash equivalents at the end of the period	**387.31**	685.76

Consolidated Statement of Cash Flows (cond.)

for the year ended 31 March, 2017

(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 2017	31 March 2016
Cash on hand	**0.04**	0.10
Balances with banks		
- in current accounts	**449.36**	735.89
	449.40	735.99
Less: Current account balances held in trust for customers	**62.09**	50.23
Cash and cash equivalents	**387.31**	685.76

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
5 May 2017

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

Donald W. Layden Jr.
Director

Subrata Talukdar
Director

Pradip Kumar Khaitan
Director

Pradip Roy
Director

Grace Koshie
Director

Pooja Nambiar
Company Secretary

Dinesh Jain
President and CFO

Kolkata
5 May 2017

Notes to the consolidated financial statements

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

1. Company overview

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

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

These consolidated financial statements are approved for issue by the Board of Directors on 5 May 2017.

The list of entities with percentage holding is as below:

Entities	Country of incorporation and other particulars	Percentage of holding by Firstsource	Year of consolidation
Firstsource Solutions UK Limited (FSL UK)	A subsidiary of Firstsource Solutions Limited, incorporated under the laws of United Kingdom.	100%	2002-2003
Firstsource Solutions S.A. (FSL-Arg)	A subsidiary of Firstsource Solutions Limited UK, incorporated under the laws of S.A.	99.98%	2006-2007
Firstsource Group USA, Inc. (FG US)	A subsidiary of Firstsource Solutions Limited, incorporated in the State of Delaware, USA.	100%	2009-2010
Firstsource Business Process Services, LLC (FBPS)	A subsidiary of FG US, incorporated in the State of Delaware, USA.	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
Firstsource Solutions USA 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 6 August 2014.	100%	2014-2015
Medassist Holding LLC (MedAssist)	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
ISGN Solutions, Inc. (ISGN-SOL)	A subsidiary of FG US, incorporated in the State of Delaware, USA, effective 1 April 2016	100%	2016-2017
ISGN Fulfillment Services, Inc. (ISGN-FFS)	A subsidiary of ISGN Solutions Inc., effective 1 April 2016	100%	2016-2017
"ISGN Fulfillment Agency, LLC"	A subsidiary of Fulfillment Services, Inc, effective 1 April 2016	100%	2016-2017
Nanobi Data and Analytics Private Limited (Nanobi)	Associate of the Company, effective 3 October 2016	21.79%	2016-2017

Notes to the consolidated financial statements

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

2. Signigicant accounting policies

2.1 Statement of compliance

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

The Group has adopted all the Ind AS and the adoption was carried out in accordance with Ind AS 101 – First time adoption of Indian Accounting Standards. The transition was carried out from accounting principles generally accepted in India as prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (IGAAP), which was the previous GAAP. Reconciliations and description of the effects of the transition have been summarized in Note 3.

2.2 Functional currency and presentation currency

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

2.3 Basis of Measurement

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

2.4 Basis of consolidation

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

The financial statements of the Company and its subsidiaries have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances or transactions and resulting unrealised profits in full. Unrealised losses resulting from intra-group transactions have also been eliminated unless cost cannot be recovered.Non controlling interest represents part of net profit or loss and net assets of subsidiaries that are not directly or indirectly owned or controlled by the Group and is excluded. The consolidated financial statements are prepared using uniform accounting policies for transactions and other similar events in similar circumstances across the Group. Associates are entities over which the Group has significant influence but not control. Investments in associates are accounted for using the equity method of accounting. The investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the acquisition date.
Non-controlling interects are measured at their proportionate share of the acquiree's net identifiable assets at the date of acquisition. Changes in the Group's equity interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

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

2.5 Use of estimates

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

2.5.1 Critical accounting estimates

a. Income taxes

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

b. Business combinations and intangible assets

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

Notes to the consolidated financial statements

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

c. Property, plant and equipment

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

d. Impairment of goodwill

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

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

2.6 Revenue recognition

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

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

2.7 Government grants

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

2.8 Goodwill

Goodwill represents the cost of business acquisition in excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the Company. When the net fair value of the identifiable assets, liabilities and contingent liabilities acquired exceeds the cost of business acquisition, a gain is recognised immediately in net profit in the statement of profit and loss. Goodwill is measured at cost less accumulated impairment losses.

2.9 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment, if any. Cost includes freight, duties, taxes and incidental expenses related to acquisition and installation of the property plant and equipment. Depreciation on fixed assets is provided pro-rata to the period of use based on management's best estimate of useful lives of the assets as summarized below:

Asset category	Useful life (in years)
Tangible assets	
Leasehold improvements	Lease term or 5 years, whichever is shorter
Computers*	2 – 4
Service equipment*	2 – 5
Furniture and fixtures*	2 – 5
Office equipment*	2 – 5
Vehicles	2 – 5

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

Depreciation methods, useful lives and residual values are reviewed periodically at the end of each financial year.

The Group has elected to apply fair value method on transition to Ind AS for Leasehold improvements as permitted under Ind AS 16 - Property, plant and equipments.

Notes to the consolidated financial statements

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

Borrowing costs are interest and other costs (including exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred by the Group in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are recognised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

2.10 Other intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, from the date that they are available for use. The estimated useful life of an identifiable intangible asset is based on a number of factors including the effects of obsolescence, demand, competition and other economic factors (such as the stability of the industry and known technological advances) and the level of maintenance expenditures required to obtain the expected future cash flows from the asset. Amortization methods and useful lives are reviewed periodically including at each financial year end.

Asset category	Useful life (in years)
Intangible assets	
Goodwill on acquired assets	5 years or estimated useful life, whichever is shorter
Process know-how	4
Domain name	3
Software*	2 – 4
Customer contracts	3

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

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

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

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

2.11 Impairment

a. Financial assets

The Group recognizes loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit and loss. Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime ECL. For all other financial assets, expected credit losses are measured at an amount equal to the 12 month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since intial recognisation.

b. Non-financial assets

i Goodwill

Goodwill is tested for impairment at each reporting period and whenever there is an indication that goodwill may be impaired, relying on a number of factors including operating results, business plans and future cash flows. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the Group's cash generating units (CGU) or groups of CGU's expected to benefit from the synergies arising from the business combination. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment occurs when the carrying amount of a CGU including the goodwill, exceeds the estimated recoverable amount of the CGU. The recoverable amount of a CGU is the higher of its fair value less cost to sell and its value-in-use. Value-in use is the present value of future cash flows expected to be derived from the CGU.

Total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. An impairment loss on goodwill is recognised in net profit in the statement of profit and loss and is not reversed in the subsequent period.

ii Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows

Notes to the consolidated financial statements

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the CGU to which the asset belongs.

If such assets are considered to be impaired, the impairment to be recognised in the statement of profit and loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the statement of profit and loss if there has been a change in the estimates used to determine the recoverable amount. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognised for the asset in prior years.

2.12 Employee benefits

a) Post employment benefits

Gratuity

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

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan are based on the market yields on Government securities as at the balance sheet date. The Group recognises the net obligation of a defined benefit plan in its balance sheet as an asset or liability. Gains or losses through re-measurement of the net defined benefit liability / (asset) are recognised in other comprehensive income and other components are recognise in statement of profit and loss. The actual return of portfolio of plan assets, in excess of yields computed by applying the discount rate used to measure the defined benefit obligation are recognised in Other comprehensive income. The effect of any plan amendments are recognised in 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 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 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. The Group has no further obligation to the plan beyond its monthly contribution.

b) Short- term employee benefits

Short- term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid e.g., under short-term cash bonus, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the amount of obligation can be estimated reliably.

c) Other long-term employee benefits

Compensated absences

Provision for compensated absences cost is made based on actuarial valuation by an independent actuary.

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

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

2.13 Income taxes

Income tax expense comprises current tax expense and the net change in the deferred tax asset or liability during the period. Current tax and deferred tax are recognised in the statement of profit and loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Current income taxes

The current tax payable by the Company and its subsidiaries in India is income tax payable after taking credit for tax relief available for export operations in Special Economic Zones (SEZs).

The current income tax expense for overseas subsidiaries has been computed based on the tax laws applicable to each subsidiary in the respective jurisdiction in which it operates.

Advance taxes and provisions for current income taxes are presented

Notes to the consolidated financial statements
for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

in the balance sheet after off-setting advance tax paid and income tax provision arising in the same tax jurisdiction and where the relevant tax paying units intend to settle the asset and liability on a net basis.

Deferred income taxes
Deferred income tax is recognised using the balance sheet approach. Deferred income tax assets and liabilities are recognised for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount, except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be recognised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be recognised. Deferred income tax liabilities are recognised for all taxable temporary differences except in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be recognised.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be settled.

For operations carried out in SEZs, deferred tax assets or liabilities, if any, have been established for the tax consequences of those temporary differences between the carrying values of assets and liabilities and their respective tax bases that reverse after the tax holiday ends.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the relevant entity intends to settle its current tax assets and liabilities on a net basis.

Deferred tax assets include Minimum Alternative Tax (MAT) paid in accordance with the tax laws in India, which is likely to give future economic benefits in the form of availability of set-off against future income tax liability. Accordingly, MAT is recognised as deferred tax asset in the balance sheet when the asset can be measured reliably and it is probable that the future economic benefit associated with the asset will be recognised.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. Acquired deferred tax benefits recognised within the measurement period reduce goodwill related to that acquisition if they result from new information obtained about facts and circumstances existing at the acquisition date. If the carrying amount of goodwill is zero, any remaining deferred tax benefits are recognised in OCI/ capital reserve depending on the principle explained for bargain purchase gains. All other acquired tax benefits realised are recognised in profit or loss.

2.14 Leases

Finance lease
Assets acquired on finance leases, including assets acquired under sale and lease back transactions, have been recognised as an asset and a liability at the inception of the lease and have been recorded at an amount equal to the lower of the fair value of the leased asset or the present value of the future minimum lease payments. Such leased assets are depreciated over the lease term or its estimated useful life, whichever is shorter. Further, the instalments of minimum lease payments have been apportioned between finance charge / expense and principal repayment. Assets given on finance lease are shown as amounts recoverable from the lessee. The rentals received on such leases are apportioned between the finance income and principal amount using the implicit rate of return.

The finance charge / (income) is recognised 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 arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are recognised as operating lease. Operating lease payments are recognised on a straight line basis over the lease term, unless the increase is on account of / attributable to inflation, in the statement of profit and loss.

2.15 Foreign currency

Transactions and translations
Foreign currency denominated monetary assets and liabilities are translated into the relevant functional currency at exchange rates in effect at the balance sheet date. The gains or losses resulting from such translations are included in net profit in the statement of profit and loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in

Notes to the consolidated financial statements

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

which the transaction is settled. Revenue, expense and cash flow items denominated in foreign currencies are translated into the relevant functional currencies using the exchange rate in effect on the date of the transaction.

The translation of financial statements of the foreign subsidiaries to the presentation currency is performed for assets and liabilities using the exchange rate in effect at the balance sheet date and for revenue, expense and cash flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under other components of equity.

When a subsidiary is disposed off in full, the relevant amount of FCTR is transferred to the statement of profit and loss. However, when a change in the parent's ownership does not result in loss of control of a subsidiary, such changes are recorded through equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate in effect at the balance sheet date.

2.16 Earnings per equity share

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

2.17 Provisions and contingencies

The Group creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and risk specific to the liability.

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

2.18 Financial instruments

2.18.1 Initial recognition

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability.

a) Non-derivative financial instruments

i) Cash and cash equivalents

The Group considers all highly liquid financial instruments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value and having original maturities of three months or less from the date of purchase, to be cash equivalents. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

2.18.2 Classification and subsequent measurement

i) Financial assets at amortised cost

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ii) Financial assets at fair value through other comprehensive income (FVOCI)

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group has made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of equity investments not held for trading.

iii) Financial assets at fair value through profit and loss (FVTPL)

Financial assets are measured at fair value through profit and loss unless it is measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit and loss are immediately recognised in statement of profit and loss.

Notes to the consolidated financial statements

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

iv) Financial liabilities

Financial liabilities are measured at amortised cost using the effective interest method. For trade and other payables maturing within one year from the balance sheet date, the carrying amount approximates fair value to short-term maturity of these instruments.

v) Equity instruments

An equity instrument is a contract that evidences residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments are recognised by the Group at the proceeds received net of direct issue cost.

b) Derivative financial instruments

Cash flow hedge

The Group designates certain foreign exchange forwards as hedge instruments in respect of foreign exchange risks. These hedges are accounted for as cash flow hedges.

The Group uses hedging instruments that are governed by the policies, which are approved by the Board of Directors, which provide written principles on the use of such financial derivatives consistent with the risk management strategy of the Group. The hedge instruments are designated and documented as hedges at the inception of the contract. The effectiveness of hedge instruments to reduce the risk associated with the exposure being hedged is assessed and measured at inception and on an ongoing basis. The ineffective portion of designated hedges is recognised immediately in the statement of profit and loss.

The effective portion of change in the fair value of the designated hedging instrument is recognized in Other comprehensive income and accumulated under Cash flow hedge reserve.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or no longer qualifies for hedge accounting. Any gain or loss recognised in Other comprehensive income and accumulated in equity till that time remains and is recognised in statement of profit and loss when the forecasted transaction is no longer expected to occur; the cumulative gain or loss accumulated in statement of changes in equity is transferred to the statement of profit and loss.

c) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

De-recognition of financial instrument

The Group de-recognises a financial asset when the contractual rights to the cash flows from the financial assets expire or it transfers the financial assets and such transfer qualifies for de-recognition under Ind AS 109. A financial liability (or a part of financial liability) is de-recognised from Group's balance sheet when obligation specified in the contract is discharged or cancelled or expired.

Fair value of financial instrument

In determining the fair value of its financial instrument, the Group uses the methods and assumptions based on market conditions and risk existing at each reporting date. Methods of assessing fair value result in general approximation of value, and such value may never actually be realized. For all other financial instruments, the carrying amounts approximate the fair value due to short maturity of those instruments.

2.19 Business combinations

Business combinations have been accounted for using the acquisition method under the provisions of Ind AS 103, Business Combinations.

The cost of an acquisition is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of acquisition, which is the date on which control is transferred to the Group. The cost of acquisition also includes the fair value of any contingent consideration. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition.

Business combinations between entities under common control is accounted for at carrying value.

Transaction costs that the Company incurs in connection with a business combination such as legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

Business Combinations on or after 1 April 2002

As part of its transition to Ind AS, the Company has elected to apply the relevant Ind AS, viz. Ind As 103, Business Combinations, to only those business combinations that occurred on or after 1 April 2002 In accordance with Ind AS 103, the Company accounts for these business combinations using the acquisation method when control is transfered.

Business Combinations prior to 1 April 2002

In respect of such business combinations, goodwill represents the amounts recognised under the Company's previous accounting framework under Indian GAAP adjusted for the reclassification of certain intangibles.

2.20 Share-based compensation

The Group recognizes compensation expense relating to share-based payments in net profit using fair-value in accordance with Ind AS 102, Share-Based Payment. The estimated fair value of awards is charged to income on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was in-substance multiple awards, with a corresponding increase to share options outstanding account.

Notes to the consolidated financial statements

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

2.21 Cash flow statement

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Group are segregated.

2.22 Onerous contracts

Provisions for onerous contracts are recognised when the expected benefits to be derived by the Group 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.

3. First-time adoption of Ind AS

These consolidated financial statements of the Group for the year ended 31 March 2017 have been prepared in accordance with Ind AS. For the purposes of transition to Ind AS, the Group has followed the guidance prescribed in Ind AS 101 - First Time adoption of Indian Accounting Standards, with 1 April 2015 as the transition date and IGAAP as the previous GAAP.

The transition to Ind AS has resulted in changes in the presentation of the financial statements, disclosures in the notes thereto and accounting policies and principles. The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 March 2017 and the comparative information. An explanation of how the transition from IGAAP to Ind AS has affected the Group's balance sheet and statement of profit and loss is set out in Notes 3.1 and 3.2. Exemptions on first time adoption of Ind AS availed in accordance with Ind AS 101 have also been set out below.

Exemptions availed on first-time adoption of Ind AS 101

Ind AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Group has accordingly applied the following exemptions:

(a) Business combinations

The Company is allowed to choose any date in the past from which it wants to account for the business combinations under Ind AS 103, without having to restate business combinations prior to such date. Accordingly, the Company has applied the standard for all acquisitions.

For all such acquisitions:

a) Intangible assets previously included within Goodwill under IGAAP have been recognized separately in the opening Balance Sheet in accordance with Ind AS 103.

b) Deferred taxes have been recorded on these intangible assets, wherever applicable.

c) Goodwill has been restated in accordance with Ind AS 21, with the corresponding impact in the Other Comprehensive Income in equity.

d) Retained earnings has been adjusted to include the amortization on identified intangibles, that would have been recorded from the date of acquisition till the transition date.

(b) Share-based payment

The Company is allowed to apply Ind AS 102 Share-based payment to equity instruments that remain unvested as of transition date. The Company has elected to avail this exemption and apply the requirements of Ind AS 102 to all such grants under the plan. Accordingly, these options have been measured at fair value as against intrinsic value followed previously under IGAAP.

The excess of stock compensation expense measured using fair value over the cost recognized under IGAAP using intrinsic value has been adjusted in 'Employee stock option reserve', with the corresponding impact taken to Retained earnings as on the transition date.

(c) Property plant and equipment and intangible assets

As per Ind AS 101 an entity may elect to:

(i) measure an item of property plant and equipment at the date of transition at its fair value and use that fair value as its deemed cost at that date.

(ii) use a previous GAAP revaluation of an item of property, plant and equipment at or before the date of transition as deemed cost at the date of the revaluation, provided the revaluation was at the date of their revaluation, broadly comparable to:
- fair value;
- or cost or depreciated cost under Ind AS adjusted to reflect, for example, changes in a general or specific price index.

(iii) use carrying values of property, plant and equipment and intangible assets as on the date of transition to Ind AS (which are measured in accordance with previous GAAP and after making adjustments relating to decommissioning liabilities prescribed under Ind AS 101) if there has been no change in its functional currency on the date of transition.

As permitted by Ind AS, the Group has elected to measure certain items of property plant and equipments (being leasehold improvements) at the date of transition to Ind AS at its fair value as its deemed cost at that date.

Notes to the consolidated financial statements
as at 1 April 2015 and 31 March, 2016

(Currency: In millions of Indian ₹)

3.1 Reconcilation of equity as previously reported under IGAAP to Ind AS

		Balance sheet as at 1 April 2015			Balance sheet as at 31 March 2016		
	Note	IGAAP	Effect of transition to Ind AS	Ind AS	IGAAP	Effect of transition to Ind AS	Ind AS
ASSETS							
Non-current assets							
Property, plant and equipment	f	770.73	(160.30)	610.43	891.85	(107.16)	784.69
Capital work-in-progress		84.68	(56.21)	28.47	78.80	(56.21)	22.59
Goodwill on consolidation	a	23,336.35	(5,377.28)	17,959.07	24,692.41	(5,697.43)	18,994.98
Other intangible assets		332.19	-	332.19	435.97	-	435.97
Financial assets							
Investments		57.55	-	57.55	83.80	-	83.80
Other financial assets		618.06	-	618.06	543.02	-	543.02
Deferred tax assets	e	2,852.94	339.65	3,192.59	3,313.15	388.97	3,702.12
Income tax assets (net)		570.66	-	570.66	514.80	-	514.80
Other assets		91.58	-	91.58	206.59	-	206.59
Total non-current assets		28,714.74	(5,254.14)	23,460.60	30,760.39	(5,471.84)	25,288.56
Current assets							
Financial assets							
Investments		676.11	-	676.11	767.74	-	767.74
Trade receivables		2,889.51	-	2,889.51	3,040.75	-	3,040.75
Cash and cash equivalents		799.81	-	799.81	685.76	-	685.76
Other financial assets	b	2,320.06	(887.04)	1,433.01	2,517.29	(1,024.31)	1,492.98
Other assets		255.57	-	255.57	487.64	-	487.64
Total current assets		6,941.05	(887.04)	6,054.01	7,499.18	(1,024.31)	6,474.87
Total assets		35,655.79	(6,141.19)	29,514.61	38,259.57	(6,496.14)	31,763.43
EQUITY AND LIABILITIES							
Equity							
Equity share capital		6,662.91	-	6,662.91	6,733.15	-	6,733.15
Other equity		14,223.46	(6,121.14)	8,102.33	17,517.65	(6,480.63)	11,037.01
Total equity attributable to equity shareholders of the Company		20,886.37	(6,121.14)	14,765.24	24,250.80	(6,480.63)	17,770.16
Non - controlling interest		16.31	-	16.31	19.71	-	19.71
Total equity		20,902.68	(6,121.14)	14,781.55	24,270.51	(6,480.63)	17,789.87
LIABILITIES							
Financial assets							
Financial liabilities							
Long-term borrowings		3,943.35	-	3,943.35	4,097.75	-	4,097.75
Other liabilities		-	-	-	-	-	-
Provisions for employee benefits		281.93	-	281.93	265.88	-	265.88
Deferred tax liability		1,997.12	-	1,997.12	2,224.06	-	2,224.06
Total non-current liabilities		6,222.40	-	6,222.40	6,587.69	-	6,587.69
Current liabilities							
Financial Liabilities							
Short-term and other borrowings		6,220.51	-	6,220.51	4,809.17	-	4,809.17
Trade and other payables	c	832.76	(20.05)	812.71	884.19	(15.51)	868.68
Other financial liabilities		310.75	-	310.75	314.62	-	314.62
Other liabilities		1,087.58	-	1,087.58	1,311.59	-	1,311.59
Provisions for employee benefits		79.11	-	79.11	81.81	-	81.81
Total current liabilities		8,530.71	(20.05)	8,510.66	7,401.38	(15.51)	7,385.87
Total equity and liabilities		35,655.79	(6,141.19)	29,514.61	38,259.57	(6,496.14)	31,763.43

Notes to the consolidated financial statements

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

3.2 Reconcilation of statement of profit and loss as previously reported under IGAAP to Ind AS

	Note	For the year ended 31 March 2016		
		IGAAP	Effect of transition to Ind AS	Ind AS
INCOME				
Revenue from operations	b	32,302.89	(130.36)	32,172.53
Other income		94.44	-	94.44
Total income		32,397.33	(130.36)	32,266.97
EXPENSES				
Employee benefits expense	c & d	21,721.74	4.99	21,726.73
Finance costs	d	524.38		524.38
Depreciation and amortization	e	661.96	(53.14)	608.82
Other expenses		6,533.01	11.92	6,544.93
Total expenses		29,441.09	(36.23)	29,404.86
Profit before taxation		2,956.24	(94.13)	2,862.11
Tax expense	f			-
- Current tax		405.14	4.71	409.85
- Deferred Tax		(102.97)	(54.02)	(156.99)
Profit for the period		2,654.07	(44.81)	2,609.25
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of the net defined benefit liability / asset		-	(31.48)	(31.48)
Items that will be reclassified subsequently to profit or loss				-
Net changes in fair value of cash flow hedges		(195.94)	-	(195.94)
Exchange difference on translation of foreign operations		793.60	-	793.60
Total other comprehensive income, net of taxes		597.66	(31.48)	566.18
Total other comprehensive income for the period		3,251.73	(76.29)	3,175.44
Profit attributable to:				
Owners of the equity		2,649.69	(44.81)	2,604.87
Non - controlling interest		4.38	-	4.38
		2,654.07	(44.81)	2,609.25
Total comprehensive income attributable to:				
Owners of the equity		3,252.12	(76.29)	3,175.82
Non - controlling interest		(0.39)	-	(0.39)
		3,251.73	(76.29)	3,175.43

Explanations for reconcilation of balance sheet and statement of profit and loss as previously reported under IGAAP to Ind AS

a) Intangible assets in relation to business combinations, which were included within Goodwill under IGAAP, have been recognised separately under Ind-AS with corresponding adjustments to retained earnings and other comprehensive income for giving effect to amortisation expense and exchange gains and losses respectively.

b) On adoption of Ind AS 18, the Group's revenue recognition relating to healthcare claims and collections business resulted in decrease in equity and corresponding decrease in other current assets.

c) The Company took an optional exemption to measure the unvested options at fair value on the transition date and accordingly recognised employee share based payment cost in the statement of profit and loss for the year ended 31 March 2016 of ₹ 36.47 with corresponding credit to Employee stock option reserve.

d) As per Ind AS 19 - Employee Benefits, actuarial gains and losses are recognised in other comprehensive income and not classified to statement of profit and loss in a subsequent period amounting to ₹ 31.48 for the year ended 31 March 2016.

e) As per Ind AS 101, the Group has elected to measure certain items of property plant and equipments at the date of transition to Ind AS at its fair value as its deemed cost at that date.

f) Tax adjustments include deferred tax impact on account of differences between IGAAP and Ind AS, and resultant increase in equity.

Notes to the consolidated financial statements
as at 31 March, 2017

(Currency: In millions of Indian ₹)

4. Property, plant and equipment

	Tangible assets						
	Leasehold improve-ments	Computers	Service equipment	Office equipment	Furniture and fixture	Vehicles	Total
Gross block (at deemed cost)							
As at 1 April 2016	1,803.44	1,530.66	1,365.82	1,353.01	766.17	16.06	6,835.16
Additions / adjustments during the year*	85.55	83.14	39.00	14.68	24.03	(0.33)	246.07
Acquisitions through business combination	-	720.17	-	144.04	-	-	864.21
Deletions during the year	(128.81)	(55.40)	(25.49)	(62.11)	-	-	(271.81)
As at 31 March 2017	**1,760.18**	**2,278.57**	**1,379.33**	**1,449.62**	**790.20**	**15.73**	**7,673.63**
Accumulated depreciation / amortization							
As at 1 April 2016	1,571.02	1,400.08	1,204.75	1,212.63	652.55	9.44	6,050.47
Charge for the year	98.46	81.78	60.45	72.76	30.24	2.67	346.36
Acquisitions through business combination	-	715.85	-	142.93	-	-	858.78
On deletions / adjustments during the year*	(189.68)	(87.25)	(50.93)	(138.04)	6.13	(0.26)	(460.03)
As at 31 March 2017	**1,479.80**	**2,110.46**	**1,214.27**	**1,290.28**	**688.93**	**11.85**	**6,795.58**
Net block							
As at 31 March 2017	**280.38**	**168.11**	**165.06**	**159.34**	**101.28**	**3.88**	**878.05**
As at 31 March 2016	232.42	130.58	161.07	140.38	113.62	6.62	784.69

*Includes adjustments relating to foreign exchange an amount of translation of foreign subsidiaries /operations.

	Tangible assets						
	Leasehold improve-ments	Computers	Service equipment	Office equipment	Furniture and fixture	Vehicles	Total
Gross block (at deemed cost)							
As at 1 April 2015	1,623.64	1,422.64	1,289.91	1,300.89	742.14	13.73	6,392.95
Additions / adjustments during the year*	233.63	142.33	78.94	99.32	24.03	2.33	580.58
Deletions during the year	(53.83)	(34.31)	(3.03)	(47.20)	-	-	(138.37)
As at 31 March 2016	**1,803.44**	**1,530.66**	**1,365.82**	**1,353.01**	**766.17**	**16.06**	**6,835.16**
Accumulated depreciation / amortization							
As at 1 April 2015	1,535.24	1,333.52	1,115.54	1,175.74	616.35	6.13	5,782.52
Charge for the year	79.42	67.62	72.28	64.02	30.07	3.26	316.67
On deletions / adjustments during the year *	(43.64)	(1.06)	16.93	(27.13)	6.13	0.05	(48.72)
As at 31 March 2016	**1,571.02**	**1,400.08**	**1,204.75**	**1,212.63**	**652.55**	**9.44**	**6,050.47**
Net block							
as at 31 March 2016	**232.42**	**130.58**	**161.07**	**140.38**	**113.62**	**6.62**	**784.69**
As at 31 March 2015	88.40	89.12	174.37	125.15	125.78	7.60	610.43

*Includes adjustments relating to foreign exchange an amount of translation of foreign subsidiaries /operations.

Notes to the consolidated financial statements
as at 31 March, 2017

(Currency: In millions of Indian ₹)

The above assets include assets taken on finance lease as follows (also refer note 12(c)):

	Leasehold improvements	Computers	Service equipment	Furniture, fixture and office equipment	Total
Gross block					
As at 1 April 2016	222.73	63.71	255.86	32.43	574.73
As at 31 March 2017	**197.48**	**63.71**	**259.71**	**32.43**	**553.33**
Accumulated depreciation / amortization					
As at 1 April 2016	87.30	63.71	171.39	18.92	341.32
As at 31 March 2017	**108.34**	**63.71**	**160.01**	**19.97**	**352.03**
Net block					
As at 31 March 2017	**89.14**	**-**	**99.70**	**12.46**	**201.30**
As at 1 April 2016	135.43	-	84.47	13.51	233.41

	Leasehold improvements	Computers	Service equipment	Furniture, fixture and office equipment	Total
Gross block					
As at 1 April 2015	116.12	63.71	247.21	32.43	459.47
As at 31 March 2016	**222.73**	**63.71**	**255.86**	**32.43**	**574.73**
Accumulated depreciation / amortization					
As at 1 April 2015	69.14	63.71	129.24	17.35	279.44
As at 31 March 2016	**87.3**	**63.71**	**171.39**	**18.92**	**341.32**
Net block					
As at 31 March 2017	**135.43**	**-**	**84.47**	**13.51**	**233.41**
As at 31 March 2015	46.98	-	117.97	15.08	180.03

Notes to the consolidated financial statements
as at 31 March, 2017

(Currency: In millions of Indian ₹)

5(i). Goodwill on consolidation

	MedAssist	FAL	FR-US	Customer Asset India Limited	ISGN- SOL*	Total
Date of acquisition	**20 September 2007**	**22 September 2004**	**3 September 2003**	**22 April 2002**	**1 April 2016**	
Gross carrying value as on 1 April 2015	**14,779.06**	**1,801.78**	**865.57**	**512.66**	**-**	**17,959.07**
Effect of translation adjustment	887.93	108.25	52.30	(12.57)	-	1,035.91
Gross carrying value as on 31 March 2016	**15,666.99**	**1,910.03**	**917.87**	**500.09**	**-**	**18,994.98**
Addition during the year	-	-	-	-	612.35	612.35
Effect of translation adjustment	(375.80)	33.40	(18.56)	(10.60)	(12.15)	(383.71)
Gross carrying value as on 31 March 2017	**15,291.19**	**1,943.43**	**899.31**	**489.49**	**600.20**	**19,223.62**

*Acquisition of ISGN Solutions, Inc (ISGN- SOL)

Pursuant to 'Share Purchase agreement' ('SPA') dated 28 January 2016 entered into by and among ISGN Solutions, Inc., ISGN Corporation (the "Seller") and Firstsource Group USA, Inc. (the "Buyer"), The Company through its wholly owned subsidiary, Firstsource Group USA, Inc. acquired 100% of the common stock of ISGN Solutions, Inc, a Delaware corporation, including its 100% owned US based subsidiaries for a cash consideration of USD 13.69 and purchase of BPO Division through slump sale agreement with ISG Novasoft Technologies Limited for a consideration of ₹ 30. The effective date of share purchase agreement is 1 April 2016. The seller is in the business of providing business process outsourcing solutions which predominantly focuses on U.S residential mortgage market.

The purchase price has been allocated based on management's estimates and independent appraisal of fair values as follows:

	Acquiree's carrying value	Fair value adjustments	Purchase price allocated
Net assets	357.42	(96.77)	260.65
Intangible assets-customer contracts	-	111.01	111.01
Deferred tax liability on intangible assets	-	(41.97)	(41.97)
Total	**357.42**	**(27.73)**	**329.69**
Goodwill			612.35
Total purchase price			**942.04**
Amount of consideration paid in cash			**942.04**

The transaction cost of ₹ 11.92 related to the acquisition was recognised under legal and professional fees in the consolidated statement of profit and loss for the year ended 31 March 2016.

The chief operating decision maker reviews the goodwill for any impairment at the operating segment level.

Notes to the consolidated financial statements
as at 31 March, 2017

(Currency: In millions of Indian ₹)

5(ii). Other intangible assets

	Domain name	Software	Process know-how	Customer contracts	Total
Gross block (at cost)					
As at 1 April 2016	6.72	1,828.96	51.62	-	1,887.30
Additions / adjustments during the year*	-	214.74	51.62		266.36
Acquisitions through business combination		146.77		111.01	257.78
Deletions during the year*	-	(45.62)	-	(2.94)	(48.56)
As at 31 March 2017	**6.72**	**2,144.85**	**103.24**	**108.07**	**2,362.88**
Accumulated depreciation / amortization					
As at 1 April 2016	6.72	1,437.32	7.29	-	1,451.33
Charge for the year*	-	198.57	7.43	37.25	243.25
Acquisitions through business combination		146.20			146.20
On deletions / adjustments during the year*	-	(54.14)	(0.24)	-	(54.38)
As at 31 March 2017	**6.72**	**1,727.95**	**14.48**	**37.25**	**1,786.40**
Net block					
As at 31 March 2017	**-**	**416.90**	**88.76**	**70.82**	**576.48**
As at 31 March 2016	-	391.64	44.33	-	435.97

	Goodwill	Domain name	Software**	Process know-how	Total
Gross block (at cost)					
As at 1 April 2015	1,054.85	6.72	1,457.97	-	2,519.54
Additions / adjustments during the year*	15.16	-	376.65	51.62	443.43
Deletions during the year	(1,070.01)	-	(5.66)	-	(1,075.67)
As at 31 March 2016	**-**	**6.72**	**1,828.96**	**51.62**	**1,887.30**
Accumulated depreciation / amortization					
As at 1 April 2015	937.36	6.72	1,243.27	-	2,187.35
Charge for the year	119.40	-	165.22	7.53	292.15
On deletions / adjustments during the year*	(1,056.76)	-	28.83	(0.24)	(1,028.17)
As at 31 March 2016	**-**	**6.72**	**1,437.32**	**7.29**	**1,451.33**
Net block					
As at 31 March 2016	**-**	**-**	**391.64**	**44.33**	**435.97**
As at 31 March 2015	117.49	-	214.70	-	332.19

*Includes adjustments relating to foreign exchange an amount of translation of foreign subsidiaries /operations.

**Includes software of net block value of ₹ 19.40 as on 31 March 2015 and which got fully depreciated during the year 31 March 2016.

Notes to the consolidated financial statements

as at 31 March, 2017

(Currency: In millions of Indian ₹)

6. Investments

		31 March 2017	31 March 2016	1 April 2015
(i)	**Non-current**			
	Unquoted			
	Investments carried at fair value through other comprehensive income			
	Investment in associate (refer note 24)			
	1,000 (31 March 2016 : 1,000, 1 April 2015 : 1,000) fully paid equity shares of ₹ 10 each of Nanobi Data and Analytics Private Limited	**0.08**	0.08	0.08
	375,884 (31 March 2016 : 375,884, 1 April 2015 : 375,884) fully paid compulsorly convertible cumulative preference shares of ₹ 10 each of Nanobi Data and Analytics Private Limited	**29.92**	29.92	29.92
	Investments carried at fair value through profit and loss			
	Investment in associate (refer note 24)			
	263,159 (31 March 2016 : 181,159, 1 April 2015 : Nil) fully paid Compulsorly Convertible Cumulative Preference Shares of ₹ 10 each of Nanobi Data and Analytics Private Limited	**50.00**	25.00	-
	Investments carried at amortised cost			
	Philippines treasury bills*	**25.84**	28.80	27.55
		105.84	83.80	57.55
	* These securities have been earmarked in favor of SEC, Philippines in compliance with corporation code of Philippines.			
(ii)	**Investments - Current**			
	Investments carried at fair value through profit and loss			
	Mutual and other funds (unquoted)			
	490,625 (31 March 2016: 671,003, 1 April 2015: 473,425) units of ICICI Prudential Assets Management Co. Ltd.	**110.01**	150.00	98.00
	101,409 (31 March 2016: 60,517, 1 April 2015: 21,838) units of Kotak Mahindra Assets Management Co. Ltd.	**270.02**	150.00	50.00
	1,077,260 (31 March 2016: 673,928, 1 April 2015: 424,365) units of DHFL Pramerica Assets Managers Pvt. Ltd.	**227.54**	132.50	77.00
	Nil, (31 March 2016: Nil, 1 April 2015: 32,348) units of Religare Invesco.	**-**	-	100.00
	Nil (31 March 2016: 24,411, 1 April 2015: 29,656) units of Reliance Mutual Fund	**-**	90.07	101.04
	119,579 (31 March 2016: 50,435, 1 April 2015: 52,016) units of Invesco Assets Managements (India) Pvt. Ltd.	**267.53**	105.09	100.00
	Nil (31 March 2016: Nil, 1 April 2015: 52,016) units of HDFC Mutual Fund	**-**	-	50.00
	Nil (31 March 2016: Nil, 1 April 2015: 32,348) units of SBI Mutual Funds)	**-**	-	100.07
	120,043 (31 March 2016: 67,473) units of L&T Investment Management Ltd	**267.53**	140.08	-
	126,186 (31 March 2016: Nil, 1 April 2015: Nil)) UTI Asset Management Co Pvt. Ltd.	**230.04**	-	-
	83,478 (31 March 2016: Nil, 1 April 2015: Nil) Axis Mutual Fund	**150.00**	-	-
		1,522.67	767.74	676.11
Aggregate book value of unquoted investment		**1,628.51**	851.54	733.66
Invetsment carried at amortized cost		**25.84**	28.80	27.55
Investments carried at fair value through other comprehensive income		**30.00**	30.00	30.00
Investments carried at fair value through profit and loss		**1,572.67**	792.74	676.11

Notes to the consolidated financial statements
as at 31 March, 2017

(Currency: In millions of Indian ₹)

7. Other financial assets

		31 March 2017	31 March 2016	1 April 2015
(i)	**Other non-current financial assets**			
	Deposits	**408.41**	363.39	358.64
	Foreign currency forward contracts	**305.89**	179.63	259.42
		714.30	543.02	618.06
(ii)	**Other current financial assets**			
	Unbilled receivables	**1,520.70**	1,287.87	1,151.50
	Bank deposits	**0.65**	3.34	2.48
	Accrued interest*	**-**	0.28	1.62
	Foreign currency forward contracts	**762.86**	201.49	277.41
		2,284.21	1,492.98	1,433.01
	Total financial assets	**2,998.51**	2,036.00	2,051.07
	Financial assets carried at amortised cost	**1,929.76**	1,654.88	1,514.24
	Financial assets carried at fair value through profit and loss	**1,068.75**	381.12	536.83

* Amount is less than millions

8. Other assets

		31 March 2017	31 March 2016	1 April 2015
(i)	**Other non-current assets** (Unsecured, considered good)			
	Capital advances	**0.44**	2.88	1.25
	Deferred contract cost	**995.75**	-	-
	Unexpired rebate from customer	**175.29**	124.66	-
	Prepaid expenses	**116.37**	48.53	38.76
	Lease rentals receivable, net	**15.25**	20.55	26.17
	Unamortised cost	**5.97**	9.97	25.40
	Foreign currency forward contracts			
		1,309.07	206.59	91.58
(ii)	**Other current assets**			
	Prepaid expenses	**305.42**	235.23	153.21
	Lease rentals receivable, net	**11.80**	14.63	17.06
	Deferred contract cost	**121.09**	-	-
	Service tax credit	**78.14**	19.99	9.15
	Other advances*	**8.43**	161.15	16.15
	Loans and advances to employees	**9.91**	18.26	8.07
	Unamortised cost	**6.21**	5.04	18.59
	Recoverable on sale of subsidiary - Pipal	**48.73**	33.34	33.34
		589.73	487.64	255.57

Deferred contract cost consists of upfront costs incurred for acquiring the contract and are amortised over the term of the contract.
* Included ₹ 133.84 paid during the year ended 31 March, 2016 towards acquistion of ISGN.

Notes to the consolidated financial statements

as at 31 March, 2017

(Currency: In millions of Indian ₹)

9. Trade receivables

	31 March 2017	31 March 2016	1 April 2015
Trade receivables			
(Unsecured)			
Considered doubtful*	**243.23**	115.64	36.71
Less: Impairment allowances*	**243.23**	115.64	36.71
Considered good	**3,041.27**	3,040.75	2,889.51
	3,041.27	3,040.75	2,889.51

Trade receivables are non-interest bearing. No trade or other receivables are due from directors or other officers of the Group either severally or jointly.

For related party receivables, refer note 26.

* Includes doubtful debts amounting to ₹ 129.17 on account of acquistion of ISGN- SOL.

The Group exposure to credit and currency risks, and loss allowances related to trade receivables are disclosed in note 22

10. Cash and cash equivalents

	31 March 2017	31 March 2016	1 April 2015
Cash on hand	**0.04**	0.10	0.39
Balances with banks			
- in current accounts	**449.36**	735.89	827.78
	449.40	735.99	828.17
Less: Current account balance held in trust for customers	**62.09**	50.23	28.36
	387.31	685.76	799.81

11. Share capital

	31 March 2017	31 March 2016	1 April 2015
Authorised			
872,000,000 (31 March 2016: 872,000,000, 1 April 2015: 872,000,000) equity shares of ₹ 10 each	**8,720.00**	8,720.00	8,720.00
	8,720.00	8,720.00	8,720.00
Issued, subscribed and paid-up			
681,308,337 (31 March 2016: 673,314,912, 1 April 2015: 666,291,459) equity shares of ₹ 10 each, fully paid-up	**6,813.08**	6,733.15	6,662.91
	6,813.08	6,733.15	6,662.91

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

	31 March 2017		31 March 2016		1 April 2015	
	Number of shares	**Amount**	Number of shares	Amount	Number of shares	Amount
At the commencement of the year	**673,314,912**	**6,733.15**	666,291,459	6,662.91	666,291,459	6,662.91
Shares allotted during the year- employee stock option scheme	**7,993,425**	**79.93**	7,023,453	70.24		
At the end of the year	**681,308,337**	**6,813.08**	673,314,912	6,733.15	666,291,459	6,662.91

Notes to the consolidated financial statements

as at 31 March, 2017

(Currency: In millions of Indian ₹)

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

	31 March 2017		31 March 2016		1 April 2015	
	Number of shares	**% of total shares**	Number of shares	% of total shares	Number of shares	% of total shares
Spen Liq Private Limited	**373,976,673**	**54.89%**	373,976,673	55.54%	373,976,673	56.13%

c. Shares held by holding company

	31 March 2017		31 March 2016		1 April 2015	
	Number of shares	**Amount**	Number of shares	Amount	Number of shares	Amount
Spen Liq Private Limited	**373,976,673**	**3,739.77**	373,976,673	3,739.77	373,976,673	3,739.77

d Employee stock options

For stock options granted during the period to employees, refer Note 27.

e Shares reserved for issue under options

19,270,187 (31 March 2016: 26,495,617, 1 April 2015: 42,308,052) number of shares are reserved for employees for issue under the employee stock options plan (ESOP) amounting to ₹ 242.36 (31 March 2016: ₹ 264.96, 1 April 2015: ₹ 423.08).

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.

11A Share application money received under ESOP scheme

The Company received ₹ 157.78 (31 March 2016: ₹ 117.07, 1 April 2016: ₹ 112.62) as share application money under ESOP scheme during the year ended 31 March 2017 in respect of which 7,993,425 (31 March 2016: 7,003,453, 1 April 2015: 6,556,583) shares were allotted during the year.

Notes to the consolidated financial statements
as at 31 March, 2017

(Currency: In millions of Indian ₹)

12. Borrowings

		31 March 2017	31 March 2016	1 April 2015
(i)	**Non-current borrowings**			
	Secured			
	Term loan - from banks			
	External commercial borrowings (ECB) - (refer note 'a')	**588.08**	1,102.75	1,165.45
	Term loan - (refer note 'b')	**2,853.39**	2,815.67	2,655.75
	Long term maturities of finance lease obligations	**42.70**	99.54	89.16
	(refer note 'c' and 24)			
	Unsecured			
	Other loans and advances			
	Loan from non-banking financing companies - (refer note 'd')	**95.77**	79.79	32.99
		3,579.94	4,097.75	3,943.35
(ii)	**Short-term and other borrowings**			
	Secured			
	Working capital demand loan - (refer note 'e')	**-**	-	1,875.01
	Unsecured			
	Export finance from banks - (refer note 'f ')	**619.25**	584.80	1,007.07
	Line of credit form banks - (refer note 'g')	**1,457.50**	940.53	278.22
		2,076.75	1,525.33	3,160.30
	Current maturities of long-term borrowings			
	Secured			
	Finance lease obligation - (refer note 'c')	**50.40**	97.01	112.76
	External commercial Borrowring (ECB) - (refer note 'a')	**491.21**	130.86	60.85
	Term loan - (refer note 'b')	**2,920.58**	2,980.28	2,812.50
	Unsecured			
	Loan from non-banking financing companies -(refer note 'd')	**82.94**	54.44	22.91
	Interest accrued but not due on borrowings	**22.83**	21.25	51.19
		3,567.96	3,283.84	3,060.21
		5,644.71	4,809.17	6,220.51

Note:

a External commercial borrowing is a dollar denominated borrowing carrying floating interest rate in the range of 3.20% to 3.75%. 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 Firstsource Solutions Limited.

b The term loans are dollar denominated borrowing availed by Firstsource Group USA, Inc. ("FG US") a 100% subsidiary of the Company carrying floating interest rate in the range of 3.20% - 3.75%. The loans are repayable by March 2019 in quarterly installments. The loans are secured against pari passu charge on all current assets, non-current assets and fixed assets of all US subsidiaries (excluding ISGN-SOL and ISGN-FFS) and Firstsource Solutions UK Limited and guarantee given by Firstsource Solutions Limited.

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

d Loan from non-banking financing companies carries interest in the range of 6.62% - 12.26% for the period of 3 - 4 years from October 2011 to December 2019, repayable in quarterly installments from the date of its origination.

e The working capital demand loan carried interest in the range of @ LIBOR + 300 bps to LIBOR + 350 bps. 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 the Company. The loan was repaid during the year ended 31 March 2016.

f Export finance from banks including post-shipment and pre-shipment, carries interest in the range of 1.30% to 2.50%. The same is repayable on demand / receipt from customers

Notes to the consolidated financial statements
as at 31 March, 2017

(Currency: In millions of Indian ₹)

g Line of credit from bank carries interest in the range of 2.50% to 3.50%.

Aggregate secured borrowings	6,946.36	7,226.11	8,771.48
Aggregate unsecured borrowings	2,278.29	1,680.81	1,392.38
Borrowings carried at amortised cost (excluding accrued interest)	9,201.82	8,885.67	10,112.67

13. Other financial liabilities

		31 March 2017	31 March 2016	1 April 2015
	Other current financial liabilities			
	Book credit in bank account	**211.57**	314.62	310.75
		211.57	314.62	310.75
	Financial liability carried at fair value through profit and loss	**211.57**	314.62	310.75

14. Provisions for employee benefits

		31 March 2017	31 March 2016	1 April 2015
(i)	**Non-current**			
	Gratuity (Refer note 28)	**95.22**	94.49	53.68
	Compensated absences	**192.27**	171.39	228.25
		287.49	265.88	281.93
(ii)	**Current**			
	Compensated absences	**82.85**	81.81	79.11
		82.85	81.81	79.11

15. Other liabilities

		31 March 2017	31 March 2016	1 April 2015
	Other current liabilities			
	Payable on asset purchase	**-**	190.95	184.94
	Value added tax	**347.18**	275.25	198.66
	Tax deducted at source	**34.46**	24.58	16.28
	Employee benefits payable	**714.78**	728.99	575.56
	Income received in advance	**20.44**	57.80	99.50
	Creditors for capital goods	**33.72**	34.02	12.64
	Advance from customer	**76.26**	-	-
		1,226.84	1,311.59	1,087.58

Notes to the consolidated financial statements

as at 31 March, 2017

(Currency: In millions of Indian ₹)

16. Taxation

	31 March 2017	31 March 2016	1 April 2015
Deferred tax asset on account of:			
Business losses and unabsorbed depreciation carried forward	**2,296.66**	2,167.72	1,861.71
Gratuity and compensated absences	**101.78**	119.68	112.13
Minimum alternate tax credit carried forward	**1,565.69**	1,361.30	1,200.54
Accrued expenses / allowance for doubtful debts	**100.47**	53.42	18.21
	4,064.60	3,702.12	3,192.59
Deferred tax liability on account of:			
Cash flow hedges	**346.20**	-	-
Depreciation and amortization	**2,527.82**	2,224.06	1,997.12
	2,874.02	2,224.06	1,997.12
Advance tax and tax deducted at source (net)	**752.70**	705.76	631.37
Provision for tax (net)	**(299.73)**	(190.96)	(60.71)
Income tax assets	**452.97**	514.80	570.66

Income tax expense

Income tax expense in the consolidated statement of Profit and loss comprises:

	Year ended	
	31 March 2017	31 March 2016
Current taxes	**454.36**	409.85
Deferred taxes	**122.43**	(156.99)
Income tax expense	**576.79**	252.86

A reconciliation of the income tax provision to the amount computed by applying the statutory income tax rate to the income before income taxes is summarized below

	Year ended	
	31 March 2017	31 March 2016
Profit before income taxes	**3,369.17**	2,862.11
Enacted tax rates in India	**34.61%**	34.61%
Computed expected tax expense	**1,166.00**	990.52
Tax effect due to non-taxable income for Indian tax purposes	**(382.73)**	(200.83)
Expenses not deductible for tax purposes	**19.49**	37.92
Effect of change in tax rates	**-**	(171.02)
Effect of differential overseas tax rate	**(126.44)**	(135.21)
ESOP cost allowed for tax purpose	**(55.40)**	-
Previous years tax impact	**(9.28)**	(196.11)
Others	**(34.85)**	(72.42)
Income tax expense	**576.79**	252.86

Notes to the consolidated financial statements

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

17. Revenue from operations

	Year ended	
	31 March 2017	31 March 2016
Sale of services	**34,569.11**	31,616.56
Other operating income (refer Note 30)	**986.99**	555.97
	35,556.10	32,172.53

18. Other income

	Year ended	
	31 March 2017	31 March 2016
Profit on sale/redemption of current investments, net	**38.98**	55.29
Foreign exchange (loss)/gain, net	**(42.49)**	3.68
Interest income	**16.24**	18.69
Gain on sale of fixed assets, net	**10.44**	4.11
Miscellaneous income	**8.88**	12.67
	32.05	94.44

19. Employee benefits expense

	Year ended	
	31 March 2017	31 March 2016
Salaries and wages	**21,904.13**	19,997.78
Contribution to provident and other funds	**903.26**	804.56
Staff welfare expenses	**1,026.98**	924.39
	23,834.37	21,726.73

20. Finance costs

	Year ended	
	31 March 2017	31 March 2016
Interest expense		
- on external commercial borrowings and term loan	**392.46**	458.14
- on working capital demand loan and others	**59.07**	59.51
Finance charges on leased assets	**1.63**	6.73
	453.16	524.38

Notes to the consolidated financial statements

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

21. Other expenses

	Year ended	
	31 March 2017	31 March 2016
Rent, net (refer Note 23)	**1,431.63**	1,274.09
Repairs, maintenance and upkeep	**706.15**	610.38
Insurance	**205.91**	201.35
Rates and taxes	**148.16**	132.14
Services rendered by business associates and others	**97.70**	21.68
Legal and professional fees	**669.64**	614.71
Car and other hire charges	**699.40**	604.18
Connectivity charges	**311.23**	314.56
Information and communication expenses	**898.85**	849.17
Recruitment and training expenses	**298.79**	259.62
Electricity, water and power consumption	**361.98**	357.45
Travel and conveyance	**462.99**	453.48
Computer expenses	**371.94**	383.19
Printing and stationery	**89.52**	106.64
Marketing and support fees	**128.05**	94.87
Payment to auditors		
-as audit fees	**18.00**	17.62
-as reimbursement of expenses	**1.37**	0.66
Membership fees and registration fees	**8.36**	7.72
Directors' sitting fees	**5.60**	5.26
Provision for doubtful debts/ bad debts (written-back) / written-off, net	**4.46**	76.89
Bank administration charges	**85.18**	83.58
Contribution to CSR (refer Note 35)	**30.03**	26.29
Title and valuation expenses - mortgage business	**220.70**	-
Miscellaneous expenses	**86.19**	49.40
	7,341.83	6,544.93

Notes to the consolidated financial statements
as at 31 March, 2017

(Currency: In millions of Indian ₹)

22. FINANCIAL INSTRUMENTS:

I Financial instruments by category:

The carrying value and fair value of financial instruments by categories as of 31 March 2017 were as follows:

	Amortized cost	FVTPL	FVOCI	Total carrying amount	Total fair value
Financial assets					
Investments	**25.84**	**1,572.67**	**30.00**	**1,628.51**	**1,628.51**
Trade receivables	**3,041.27**	**-**	**-**	**3,041.27**	**3,041.27**
Cash and cash equivalents	**387.31**	**-**	**-**	**387.31**	**387.31**
Other financial assets	**1,929.76**	**1,068.75**	**-**	**2,998.51**	**2,998.51**
Total	**5,384.18**	**2,641.42**	**30.00**	**8,055.60**	**8,055.60**
Financial liabilities					
Borrowings	**9,201.82**	**-**	**-**	**9,201.82**	**9,201.82**
Other financial liabilities	**-**	**211.57**	**-**	**211.57**	**211.57**
Trade and other payables	**993.77**	**-**	**-**	**993.77**	**993.77**
Total	**10,195.59**	**211.57**	**-**	**10,407.16**	**10,407.16**

The carrying value and fair value of financial instruments by categories as of 31 March 2016 were as follows:

	Amortized cost	FVTPL	FVOCI	Total carrying amount	Total fair value
Financial assets					
Investments	28.80	792.74	30.00	851.54	851.54
Trade receivables	3,040.75	-	-	3,040.75	3,040.75
Cash and cash equivalents	685.76	-	-	685.76	685.76
Other financial assets	1,654.88	381.12	-	2,036.00	2,036.00
Total	5,410.19	1,173.86	30.00	6,614.05	6,614.05
Financial liabilities					
Borrowings	8,885.67	-	-	8,885.67	8,885.67
Other financial liabilities	-	314.62	-	314.62	314.62
Trade and other payables	868.68	-	-	868.68	868.68
Total	9,754.35	314.62	-	10,068.97	10,068.97

The carrying value and fair value of financial instruments by categories as of 1 April 2015 were as follows:

	Amortized cost	FVTPL	FVOCI	Total carrying amount	Total fair value
Financial assets					
Investments	27.55	676.11	30.00	733.66	733.66
Trade receivables	2,889.51	-	-	2,889.51	2,889.51
Cash and cash equivalents	799.81	-	-	799.81	799.81
Other financial assets	1,514.25	536.82	-	2,051.07	2,051.07
Total	5,231.12	1,212.93	30.00	6,474.05	6,474.05
Financial liabilities					
Borrowings	10,112.67	-	-	10,112.67	10,112.67
Other financial liabilities		310.75	-	310.75	310.75
Trade and other payables	812.71	-	-	812.71	812.71
Total	10,925.38	310.75	-	11,236.13	11,236.13

Notes to the consolidated financial statements

as at 31 March, 2017

(Currency: In millions of Indian ₹)

II. Fair value hierarchy:

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of 31 March 2017:

	As of 31 March 2017	Fair value measurement at end of the reporting period using		
		Level 1	Level 2	Level 3
Investments				
Investment in liquid mutual fund units	**1,522.67**	**1,522.67**	**-**	**-**
Investment in government treasury bills	**25.84**	**-**	**25.84**	**-**
Investment in equity instruments	**0.08**	**-**	**-**	**0.08**
Investment in preference instruments	**79.92**	**-**	**-**	**79.92**
Total	**1,628.51**	**1,522.67**	**25.84**	**80.00**
Deposits	**408.41**	**-**	**-**	**408.41**
Derivative financial instruments - foreign currency forward contract	**1,068.75**	**-**	**1,068.75**	**-**

The following table presents fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of 31 March 2016:

	As of 31 March 2016	Fair value measurement at end of the reporting period using		
		Level 1	Level 2	Level 3
Investments				
Investment in liquid mutual fund units	767.74	767.74	-	-
Investment in government treasury bills	28.80	-	28.80	-
Investment in equity instruments	0.08	-	-	0.08
Investment in preference instruments	54.92	-	-	54.92
Total	851.54	767.74	28.8	55.00
Deposits	363.38	-	-	363.38
Derivative financial instruments - foreign currency forward contract	381.12	-	381.12	-

The following table presents fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of 1 April 2015:

	As of 1 April 2015	Fair value measurement at end of the reporting period using		
		Level 1	Level 2	Level 3
Investments				
Investment in liquid mutual fund units	676.11	676.11	-	-
Investment in government treasury bills	27.55	-	27.55	-
Investment in equity instruments	0.08	-	-	0.08
Investment in preference instruments	29.92	-	-	29.92
Total	733.66	676.11	27.55	30
Deposits	358.64	-	-	358.64
Derivative financial instruments - foreign currency forward contract	536.82	-	536.82	-

The fair value of other financial assest and liabilties approximate the carrying value.

The fair value of Mutual and other funds is based on quoted price. Derivative financial instruments are valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in the marketplace. The fair value of government treasury bills is based on quoted prices and market observable inputs. The fair value of equity instruments and preference instruments is based on inputs that are not based on observable market data.

Notes to the consolidated financial statements
as at 31 March, 2017

(Currency: In millions of Indian ₹)

III. Financial risk management:

Financial risk factors:

The Group's activities are exposed to a variety of financial risks: market risk, credit risk, and liquidity risk. The Group's primary focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The primary market risk to the Group is foreign exchange risk. The Group uses derivative financial instruments to mitigate foreign exchange related risk exposures. The Group's exposure to credit risk is influenced mainly by the individual characteristic of each customer and the concentration of risk from the top few customers.

a) Market risk

The Group operates internationally and a major portion of the business is transacted in several currencies and consequently the Group is exposed to foreign exchange risk through its services in the United States, United Kingdom, Philippines and elsewhere, and purchases from overseas suppliers in various foreign currencies. The Group holds derivative financial instruments such as foreign exchange forward and option contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The exchange rate between the Indian rupee and foreign currencies has changed substantially in recent years and may fluctuate substantially in the future. Consequently, the results of operations may be affected as the Rupee fluctuates against these currencies.

The following table analyzes foreign currency risk as of 31 March 2017:

	USD	**GBP**	**PHP**	**Others***	**Total**
Cash and cash equivalents	**6.75**	**33.71**	**4.15**	**4.95**	**49.56**
Trade receivables	**0.23**	**86.01**	**-**	**0.25**	**86.50**
Unbilled receivables	**-**	**30.60**	**-**	**-**	**30.60**
Borrowings	**1,698.14**	**-**	**-**	**-**	**1,698.14**
Other liabilities (capital creditors)	**-**	**-**	**1.10**	**-**	**1.10**
Other current assets	**48.73**	**-**	**-**	**-**	**48.73**

* Others includes LKR, Euro, etc.

The following table analyzes foreign currency risk as of 31 March 2016:

	USD	GBP	PHP	Others*	Total
Cash and cash equivalents	1.62	30.91	28.33	48.84	109.70
Trade receivables	5.66	153.97	-	28.86	188.49
Unbilled receivables	326.12	819.68	-	-	1,145.80
Other current assets	33.34	-	-	-	33.34
Other liabilities (capital creditors)	(0.94)	(22.86)	(1.38)	-	(25.18)
Borrowings	1,818.41	-	-	-	1,818.41

* Others includes LKR, Euro etc.

For the year ended 31 March 2017 and 31 March 2016 every percentage point depreciation in the exchnage rate between the Indian rupees and U.S Dollar(USD),GBP, Euro, PHP, LKR has affected the group's incremental operating Margin by approximately 1.3%

The following table analyzes foreign currency risk as of 1 April 2015:

	USD	GBP	PHP	Others*	Total
Cash and cash equivalents	20.72	70.06	10.72	31.97	133.47
Trade receivables	11.72	181.97	-	35.16	228.85
Unbilled receivables	163.74	843.47	-	-	1,007.21
Other current assets	33.34	-	-	-	33.34
Other liabilities (capital creditors)	(0.04)	(4.64)	(0.54)	(0.18)	(5.40)
Borrowings	2,233.37	-	-	-	2,233.37

* Others includes LKR, Euro etc.

Notes to the consolidated financial statements
as at 31 March, 2017

(Currency: In millions of Indian ₹)

Derivative financial instruments

The group holds derivative financial instruments such as foreign currency forward contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank. These derivative financial instruments are valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in the marketplace.

The following table gives details in respect of outstanding foreign currency forward contracts:

	As of 31 March 2017		As of 31 March 2016	
	In millions	In ₹ millions	In millions	In ₹ millions
Forward contracts				
in USD	65.42	4,355.84	36.96	2,554.35
in GBP	53.90	4,594.10	57.17	5,722.46
Total		8,949.94		8,276.81

The foreign exchange forward contracts mature within twenty seven months.

The table below analyzes the derivative financial instruments into relevant maturity grouping based on the remaining period as of the balance sheet date:

	As of 31 March 2017	As of 31 March 2016
Forward contracts in USD		
Not later than one month	1,686.39	576.04
Later than one month and not later than three months	379.85	268.52
Later than three months	2,289.60	1,709.79
Total	4,355.84	2,554.35
Forward contracts in GBP		
Not later than one month	901.44	1,308.31
Later than one month and not later than three months	393.25	463.57
Later than three months	3,299.41	3,950.58
Total	4,594.10	5,722.46

b) Credit risk

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to ₹ 3,041.27, ₹ 3,040.75 and ₹ 2,889.51 as of 31 March 2017, 31 March 2016 and 1 April 2015 respectively and unbilled revenue amounting to ₹ 1,520.70, ₹ 1,287.88 and ₹ 1,151.51 as of 31 March 2017, 31 March 2016 and 1 April 2015, respectively. Trade receivables and unbilled revenue are typically unsecured and are derived from revenue earned from customers primarily located in the United States, United Kingdom, Philippines and other locations. Credit risk has always been managed by the Group by continuously monitoring the credit worthiness of customers to which the Group grants credit terms in the normal course of business.

The following table gives details in respect of percentage of revenues generated from top five customers:

	Year ended	
	31 March 2017	31 March 2016
Revenue from top five customers	43.01%	44.26%

c) Liquidity risk:

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Group's reputation.

Notes to the consolidated financial statements

as at 31 March, 2017

(Currency: In millions of Indian ₹)

The table below provides details regarding the contractual maturities of significant financial liabilities as of 31 March 2017, 31 March 2016 and 1 April 2016:

	31 March 2017		31 March 2016		1 April 2015	
	Less than 1 Year	**More than 1 year**	Less than 1 Year	More than 1 year	Less than 1 Year	More than 1 year
Trade payables	**993.77**	**-**	868.68	-	812.71	-
Export finance, Line of credit, and working capital demand loan	**2,076.75**	**-**	1,525.33	-	3,160.30	-
Other borrowings	**3,545.13**	**3,579.94**	3,262.60	4,097.75	3,009.02	3,943.35
Book credit in bank account	**211.57**	**-**	314.62	-	310.75	-

23. Leases

Operating lease

The Group is obligated under non-cancellable operating leases for office space and office equipment which are renewable on a periodic basis at the option of both the lessor and lessee. Expenses under non-cancellable operating leases for the year ended 31 March 2017 aggregated to ₹ 549.40 (31 March 2016: ₹ 456.37).

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

	As at 31 March 2017	As at 31 March 2016
Not later than one year	**671.31**	641.64
Later than one year and not later than five years	**1,105.56**	1,186.45
Later than five years	**76.08**	569.07
	1,852.95	2,397.16

The Group also leases office facilities and residential facilities under cancellable operating leases that are renewable on a periodic basis at the option of both the lessor and lessee. Expenses under cancellable operating leases for the year ended 31 March 2017 is ₹ 576.62 (31 March 2016: ₹ 547.66).

The Group has sub-leased office facilities under an operating lease. Amount receivable within one year from the balance sheet date is ₹ 18.28 (31 March 2016: ₹ 24.28, 1 April 2015: Nil).

Finance lease

The Group has acquired certain capital assets under finance lease. Future minimum lease payments under finance lease as at 31 March 2017 are as follows:

	Minimum lease payments	**Finance charges**	**Present value of minimum payments**
As at 31 March 2017			
Amount payable in the period between one year and five years	**54.81**	**4.41**	**50.4**
Amount payable in the period between one year and five years	**45.28**	**2.58**	**42.7**
	100.09	**6.99**	**93.10**
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

Notes to the consolidated financial statements

as at 31 March, 2017

(Currency: In millions of Indian ₹)

The Company has given vehicles on finance lease to its employees as per policy. As at 31 March 2017, the future minimum lease rentals receivable are as follows:

	Minimum lease payments	Finance charges	Present value of minimum lease payments
As at 31 March 2017			
Amount receivable within one year from the balance sheet date	**14.23**	**2.43**	**11.80**
Amount receivable in the period between one year and five years	**17.17**	**1.92**	**15.25**
	31.40	**4.35**	**27.05**
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

24. Investment in associate

In July 2014, the Company entered into a shareholder and subscription agreement with Nanobi Data and Analytics Private Limited (Nanobi), wherein the Company agreed to subscribe to its Equity shares and Compulsory Covertible Preference Shares (CCPS) over a period of time. In October 2016, pursuant to the agreement signed and subscription of shares, the Company now holds 21.79% stake in Nanobi's comprising of equity shares and CCPS.The principal place of business of Nanobi is India.

The aggregate amounts of assets, liabilities, income and expenditure to the extent of the interest of the Group in the above jointly controlled entity are given hereunder:

	As of 31 March 2017
Assets	
Current assets	**28.33**
Non Current assets	**12.90**
Current liabilities	**(27.37)**
Non current liabilities	**(9.84)**
Equity	**4.02**
Proportion of Group ownership in equity shares	**0.04%**
Carrying amount of investment	**0.002**
Income from Operations	**27.05**
Other Income	**0.39**
Total Income	**27.44**
Employee benefit expense	**49.88**
Other expense	**11.12**
Total Expense	**61.00**
Profit / (Loss) before tax	**(33.56)**
Group share in profit / (loss) in associate for the year	**(0.01)**

Notes to the consolidated financial statements

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

25. Related party transactions

Details of related parties including summary of transactions entered into during the year ended 31 March 2017 are summarized below:

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

Particulars of related party transactions

Name of the related party	Description	Transaction value during the year ended		Receivable / (Payable) at	
		31 March 2017	31 March 2016	**31 March 2017**	31 March 2016
Nanobi	Investment in compulsory convertible cumulative preference shares	**25.00**	25.00	**-**	-
	Receipt of services	**5.83**	12.26	**-**	-
CESC Limited	Income from Services	**21.00**	16.32	**1.60**	-
Spencer	Income from services	**7.73**	4.55	**2.02**	2.26
	Receipt of services	**1.91**	3.82	**(0.50)**	(1.20)
New Rising Promoters Private Limited	Recovery of expenses	**1.05**	-	**-**	-
Omnipresent	Income from services	**-**	0.22	**-**	-
Non executive directors	Sitting fees paid	**5.60**	5.25	**-**	-
Key Management Personnel and relatives	Remuneration*	**62.38**	57.80	**-**	-

*Excludes ESOP, gratuity and compensated absences.

The sales to and purchases from related parties are made on terms equivalent to that prevails in arm's length transactions.

	Year ended	
Description	**31 March 2017**	31 March 2016
Rajesh Subramaniam	**45.99**	42.75
Dinesh Jain	**16.39**	15.05

Notes to the consolidated financial statements

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

26. Segment reporting

Operating segments are defined as components of an enterprise for which discrete financial information is available that is evaluated regularly by the chief operating decision maker, in deciding how to allocate resources and in assessing performance. The Group's chief operating decision maker is the Managing Director and Chief Executive Officer.

The Group has identified business segments as reportable segments. The business segments comprise: 1) Customer management, 2) Healthcare, 3) Collections, and 4) Domestic business in India. Revenue and expenses directly attributable to segments are reported under each reportable segment. Expenses which are not directly identifiable to each reporting segment have been allocated on the basis of associated revenue of the segment and manpower efforts. All other expenses which are not attributable or allocable to segments have been disclosed as unallocable expenses.

Assets and liabilities that are directly attributable or allocable to segments are disclosed under each reportable segment. All other assets and liabilities are disclosed as unallocable. Property, plant and equipment that are used interchangeably among segments are not allocated to reportable segments.

	Year ended	
	31 March 2017	31 March 2016
Business segment		
Segment revenue		
Customer management	**17,295.33**	14,880.94
Healthcare	**11,425.12**	11,443.76
Collections	**3,857.76**	3,304.81
Domestic Business (India)	**1,990.90**	1,987.06
Less: Inter Segment Revenue	**-**	-
Net segment revenue	**34,569.11**	31,616.57
Segment results before tax and finance costs		
Customer management	**3,185.84**	2,384.90
Healthcare	**1,676.45**	1,282.80
Collections	**495.69**	375.63
Domestic Business (India)	**136.05**	140.71
Total	**5,494.03**	4,184.04
Finance costs	**(453.16)**	(524.38)
Other un-allocable expenditure, net of un-allocable income	**(1,671.69)**	(797.54)
Share in net (loss) of associate	**(0.01)**	-
Profit before taxation, minority interest and other comprehensive income	**3,369.17**	2,862.11
Taxation	**576.79**	252.86
Minority interest	**(7.58)**	4.38
Profit for the year	**2,799.96**	2,604.87

	31 March 2017	31 March 2016
Segment assets		
Customer management	**4,860.36**	3,526.38
Healthcare	**17,253.82**	17,807.16
Collections	**3,850.46**	3,397.64
Domestic Business (India)	**487.37**	963.95
Unallocated	**8,740.96**	6,068.30
	35,192.97	31,763.43
Segment Liabilities		
Customer management	**2,876.25**	2,314.51
Healthcare	**6,380.68**	6,631.89
Collections	**217.33**	230.36
Domestic Business (India)	**460.84**	255.75
Unallocated	**4,966.09**	4,541.05
Profit for the year	**14,901.19**	13,973.56

Notes to the consolidated financial statements

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

The Group reclassified the segment disclosure as prescribed under Ind AS 108 and accordingly previous period/ year ended disclosure has been restated.

Goodwill acquired in a business combination is allocated to the respective business segments. The chief operating decision maker reviews the goodwill for any impairment at the operating segment level, which is represented through business segments.

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 including its holding Company and 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'). The 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.

Employee stock option Scheme 2003 ('Scheme 2003')

In September 2003, the Board and the members of the Company approved the ICICI OneSource Stock Option Scheme 2003 ('Scheme 2003') effective 11 October 2003. The Scheme would be administered and supervised by the members of the Compensation committee. The key terms and conditions which 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 during the year 2015-16 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
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.

·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).

Notes to the consolidated financial statements

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

· 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%
End of 36 months from the date of grant of options	50%

ESOP 2003

Employee stock option activity under Scheme 2003 is as follows:

Description	Exercise Range	31 March 2017		31 March 16	
		Shares arising out of options	Weighted Average period in months	Shares arising out of options	Weighted Average period in months
Outstanding at the beginning of the year	00.00 - 30.00	**18,049,075**	**77.34**	28,628,602	85.71
	30.01 - 60.00	**7,646,842**	**61.89**	10,760,188	33.75
	60.01 - 90.00	**800,000**	**14.91**	2,919,262	31.57
		26,495,917		42,308,052	
Granted during the year	00.00 - 30.00	**-**			
	30.01 - 60.00	**3,550,000**		3,350,000	
	60.01 - 90.00	**-**			
		3,550,000		3,350,000	
Forfeited during the year	00.00 - 30.00	**795,510**		3,733,250	
	30.01 - 60.00	**816,988**		6,168,646	
	60.01 - 90.00	**60,000**		2,119,262	
		1,672,498		12,021,158	
Exercised during the year*	00.00 - 30.00	**6,601,065**		6,728,453	
	30.01 - 60.00	**1,392,360**		295,000	
	60.01 - 90.00	**-**			
		7,993,425		7,023,453	
Expired during the period	00.00 - 30.00	**-**		117,824	
	30.01 - 60.00	**1,009,807**		-	
	60.01 - 90.00	**100,000**		-	
		1,109,807		117,824	
Outstanding at the end of the year	00.00 - 30.00	**10,652,500**	**66.81**	18,049,075	77.34
	30.01 - 60.00	**7,977,687**	**69.71**	7,646,542	61.89
	60.01 - 90.00	**640,000**	**5.43**	800,000	14.91
		19,270,187		26,495,617	
Exercisable at the end of the year	00.00 - 30.00	**8,652,500**	**63.00**	12,328,100	70.96
	30.01 - 60.00	**2,555,194**	**47.71**	3,882,942	16.77
	60.01 - 90.00	**640,000**	**6.73**	800,000	17.78
		11,847,694		17,011,042	

* The weighted average share price of these options was ₹19.74 and ₹ 16.79 for the year ended 31 March 2017 and 31 March 2016 respectively.

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

	31 March 2017	31 March 16
Dividend yield	**0%**	0%
Expected Life	**5.5-7 years**	5.5-7 years
Risk free interest rate	**6.50% to 9.06%**	6.50% to 9.06%
Volatility	**0% to 75%**	0% to 75%
Model Used	**Black & Scholes**	Black & Scholes

The expense arises from equity settled share based payment transaction amounting to ₹ 39.41 and ₹ 35.49 for the year ended 31 March 2017 and 31 March 2016 respectively.

Notes to the consolidated financial statements
for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

28. Employee benefits

The Group has a defined benefit gratuity plan in India (funded). The Group's defined benefit gratuity plan is a final salary plan for India employees, which requires contributions to be made to a separately administered fund.

The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the Act, Indian employee who has completed five years or more of service is entitled to specific benefit. The level of benefits provided depends on the member's length of service and salary at retirement age. The fund has the form of a trust and it is governed by the Board of Trustees, which consists of an equal number of employer and employee representatives. The Board of Trustees is responsible for the administration of the plan assets and for the definition of the investment strategy.

Each year, the Board of Trustees reviews the level of funding in the India gratuity plan. Such a review includes the asset-liability matching strategy and investment risk management policy. This includes employing the use of annuities and longevity swaps to manage the risks. The Board of Trustees decides its contribution based on the results of this annual review. Generally, investments are in debt mutual funds. Annual contributions are at a level such that no plan deficits (based on valuation performed) will arise.

Gratuity plan

The following table sets out the status of the gratuity plan:

Reconciliation of opening and closing balances of the present value of the defined benefit obligation and fair value of planned assets:

	31 March 2017	31 March 2016
Change in present value of obligations		
Obligations at beginning of the year	**113.20**	84.25
Service cost	**20.56**	22.62
Interest cost	**6.94**	5.41
Actuarial (gain)/loss	**0.33**	36.18
Benefits paid	**(24.33)**	(31.54)
Obligations at the end of the year	**116.70**	116.92
Change in plan assets		
Fair value of plan assets at beginning of the year	**22.43**	30.57
Adjustments to Opening Fair Value of Plan Assets	**0.44**	(0.29)
Return on Plan Assets excluding interest income	**(0.26)**	2.30
Interest income	**1.61**	-
Contributions	**21.60**	21.39
Benefits paid	**(24.33)**	(31.54)
Fair value of plan assets at end of the year,	**21.49**	22.43
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	**116.70**	116.92
Fair value of plan assets at the end of year	**(21.49)**	(22.43)
Funded status being amount of liability recognised in the balance sheet	**95.21**	94.49
Gratuity cost for the year		
Service cost	**20.56**	21.40
Net Interest cost	**5.32**	3.14
Net gratuity cost	**25.88**	24.54
Remeasurements of the net defined benefit liability/ (asset)		
Actuarial (gains) / losses	**0.33**	36.18
(Return)/loss on plan assets excluding amounts included in the net interest on the net defined benefit liability/ (asset)	**0.26**	(2.30)
Total Actuarial (Gain)/Loss recognized in (OCI)	**0.59**	33.88

Notes to the consolidated financial statements

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

	31 March 2017	31 March 2016
Category of Assets	**Total Amount**	Target Allocation %
Gartuity Fund (LIC of India, ICICI Prudential Insurance Company and Birla Sunlife Insurance Co. Ltd	**18.75**	100%
Total Itemized Assets	**18.75**	100%
Assumptions		
Mortality	**IALM (2006-08) Ult.**	IALM (2006-08) Ult.
Interest rate	**6.68%**	8.00%
Rate of growth in salary levels	**5.00%**	5.00%
Employee Attrition Rate	**20% for all ages**	20% for all ages

Since the scheme funds are invested with LIC of India, ICICI Prudential Insurance Company & Birla Sunlife Insurance Co. Ltd. EROA is based on rate of return declared by fund managers

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 ₹ 173.32 (31 March 2016: ₹ 164.94).

Compensated absences

Actuarial assumptions	31 March 2017	31 March 2016
Interest rate	**3.02% - 6.68%**	2.62% - 8%
Rate of growth in salary levels	**1% - 5%**	1% - 5%

Notes to the consolidated financial statements

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

29. Statement pursuant to requirement of Schedule III to the Companies Act, 2013 relating Company's interest in subsidiary companies

Sr no	Name of the entity	Net Assets, i.e., total assets minus total liabilities		Share in profit or loss		Share in other comprehensive income		Share in total comprehensive income	
		As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	Other comprehensive income	Amount	Total comprehensive income	Amount
	Firstsource Solutions Limited	98.59%	19,994.00	67.49%	1,884.59	-37.59%	180.48	89.31%	2,065.07
	Subsidiaries - Indian								
1	Fisrtsource Process Manage-ment Services Limited	0.15%	31.02	0.03%	0.86	0.00%	-	0.04%	0.86
	Subsidiaries - Foreign								
1	Firstsource Group USA, Inc.	57.30%	11,620.95	-24.62%	(687.38)	-6.97%	33.46	-28.28%	(653.92)
2	Firstsource Solutions UK Limited	14.58%	2,956.14	26.31%	734.59	101.96%	(489.47)	10.60%	245.12
3	Firstsource Solutions S.A.	-	-	-	-	-	-	-	-
4	Firstsource Advantage LLC	7.32%	1,484.21	3.09%	86.28	15.91%	(76.37)	0.43%	9.91
5	Firstsource Business Process Services, LLC	7.09%	1,437.16	0.00%	(0.05)	0.00%	0.00	0.00%	(0.05)
7	MedAssist Holding LLC	95.54%	19,375.76	19.71%	550.28	24.82%	(119.16)	18.64%	431.12
8	Firstsource Transaction Services LLC	7.58%	1,538.02	6.57%	183.45	-1.57%	7.53	8.26%	190.98
9	Firstsource Dialog Solutions (Private) Limited	0.22%	45.17	-1.04%	(29.17)	0.37%	(1.75)	-1.34%	(30.92)
10	Firstsource BPO Ireland Limited	1.25%	254.07	0.03%	0.83	4.66%	(22.36)	-0.93%	(21.53)
11	One Advantage LLC	1.74%	352.21	7.11%	198.58	-0.72%	3.44	8.74%	202.02
12	ISGN Fulfillment Services, Inc	0.08%	15.53	-5.40%	(150.74)	-1.05%	5.06	-6.30%	(145.68)
13	ISGN Solutions, Inc.	15.49%	3,140.86	0.45%	12.68	0.00%	(0.55)	0.52%	12.13
	Minority Interests in all subsidiaries	-0.06%	(11.75)	0.27%	7.58	0.08%	(0.38)	0.31%	7.20
	Adjustments	-206.87%	(41,953.33)		-		-		-
	Total	**100%**	**20,280.03**	**100%**	**2,792.38**	**100%**	**(480.07)**	**100%**	**2,312.31**

30. Other operating income

Other operating income includes gain of ₹ 943.84 for the year ended 31 March 2017 (31 March 2016: ₹ 475.83) on restatement and settlement of debtor balances and related gain / loss on forward/option contracts and income of ₹ 43.15 for the year ended 31 March 2017 (31 March 2016: ₹ 54.15) on account of grant income earned by FSL-UK.

31. Computation for calculating diluted earning per share

	Year ended	
	31 March 2017	31 March 2016
Number of shares considered as basic weighted average shares outstanding	**676,262,213**	669,787,584
Add: Effect of potential issue of shares/ stock options *	**9,400,038**	30,803,670
Number of shares considered as weighted average shares and potential shares outstanding	**685,662,251**	700,591,254
Net profit after tax attributable to shareholders	**2,799.96**	2,604.87
Net profit after tax for diluted earnings per share	**2,799.96**	2,604.87
* not considered when anti-dilutive		

Notes to the consolidated financial statements

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

32. Capital and other commitments and contingent liabilities

	31 March 2017	31 March 2016
The estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	**264.13**	303.72
Claims not acknowledged as debts	**1.35**	1.35
Guarantees given to the Government of India, Customs and Central excise department in relation to duty securities.	**18.00**	6.16

Direct tax matters

Income tax demands amounting to ₹1,197.93 (31 March 2016: ₹ 1,280.61) for the various assessment years are disputed in appeal by the Company in respect of which it has favorable decisions supporting its stand based on the past assessment or otherwise and hence, the provision for taxation is considered adequate. the Company has paid ₹ 10.38 (31 March 2016: ₹ 10.38) tax under protest against the demand raised for the assessment year 2004-05, ₹ 12.50 (31 March 2016: ₹ 12.50) tax under protest against the demand raised for the assessment year 2009-10, ₹ 80.00 (31 March 2016: ₹ 80.00) tax under protest against the demand raised for the assessment year 2011-12 and ₹ Nil (31 March 2016: ₹ 28.10) 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 2016: ₹ 172.11) in respect of service tax input credit and FCCB issue expenses is disputed in appeal by the Company. The Company expects favourable appellate decision in this regard.

The Company's pending litigations comprise of claims against the Company and pertaining to proceedings pending with Income tax and service tax. The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed as contingent liabilities where applicable, in the financial statements. The Company does not expect the outcome of these proceedings to have a materially adverse effect on its financial statements.

Guarantees given pertain to guarantees given to the Government of India, Customs and Central Excise department towards duty securities.

33. Long-term contracts

The Group 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.

34. Specified bank notes (SBN)

During the year, the Company had specified bank notes or other denomination notes ('ODN') as defined in the MCA notification G.S.R. 308(E) dated 31 March 2017 on the details of Specified Bank Notes ('SBN') held and transacted during the period from 8 November 2016 to 30 December 2016, the denomination-wise SBNs and other notes as per the notification is given below.

	SBNs	ODNs	Total
Closing cash on hand as on 08 November 2016	11,000	4,643	15,643
(+) Withdrawal from bank accounts	-	10,000	10,000
(+) Permitted receipts	-	435	435
(-) Permitted payments	-	(3,028)	(3,028)
(-) Amounts Deposited in Banks	(11,000)	-	(11,000)
Closing cash on hand as on 30 December 2016	-	12,050	12,050

Amounts in the above table are absolute numbers

Notes to the consolidated financial statements

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

35. Corporate social responsibility (CSR)

As per Section 135 of the Companies Act, 2013, a CSR trust has been formed by CESC Limited, Ultimate Holding Company. The areas identified by the CSR trust includes activities for promoting healthcare, art / culture, sports and education as the four priority areas to be pursued in phases and in a manner aligned with the CSR rules and regulations. The funds have been contributed by the company to the trust and are to be utilized on the activities which are specified in Schedule VII to the Companies Act, 2013.

a) Gross amount required to be spent by the Company during the year is ₹ 30.03 (31 March 2016: ₹ 26.29)

b) Amount spent by Firstsource during the year on:

	Amount paid	Amount yet to be paid	Total
Construction / acquisition of any asset	1.00	-	1.00
On purposes other than (i) above	29.03	-	29.03

36. 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:

	31 March 2017	31 March 2016
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	-	-

37. The Board of directors at its meeting held on 5 May 2017 has approved the financial statements of the company for the year ended 31 March 2017. The Company evaluated subsequent events from the balance sheet date through 5 May 2017 and determined there are no material items to report.

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

Donald W. Layden Jr.
Director

Subrata Talukdar
Director

Pradip Kumar Khaitan
Director

Pradip Roy
Director

Grace Koshie
Director

Pooja Nambiar
Company Secretary

Dinesh Jain
President and CFO

Kolkata
5 May 2017

Kolkata
5 May 2017

Form AOC-I

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Account) Rules, 2014)

Statement containig sailent features of the financial statement of subsidiaries/associate companies/joint ventures

Part "A": Subsidiaries

(Currency: In millions of Indian ₹)

SR. NO.	Particulars	First Source Process Management 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 Ltd	Firstsource-Dialog Solutions (Private) Limited	Firstsource Solution S.	One Advantage LLC	ISGN Fulfillment Services, Inc	ISGN Solutions, Inc.
1	Reporting period for the subsidiary concerned, if different from the holding Company's reporting period	01-04-2016 to 31-03-2017	01-04-2016 to 31-03-2017	01-04-2016 to 31-03-2017	01-04-2016 to 31-03-2017	01-04-2016 to 31-03-2017	01-04-2016 to 31-03-2017	01-04-2016 to 31-03-2017	01-04-2016 to 31-03-2017	01-04-2016 to 31-03-2017	01-04-2016 to 31-03-2017	01-04-2016 to 31-03-2017	01-04-2016 to 31-03-2017	01-04-2016 to 31-03-2017	01-04-2016 to 31-03-2017
2	Reporting currency	INR	Dollar	Dollar	Dollar	Pound	Dollar	Dollar	Dollar	Euro	LKR	-	Dollar	Dollar	Dollar
3	Exchange rate	INR	64.85	64.85	64.85	80.90	64.85	64.85	64.85	69.29	0.43	Nil	64.85	64.85	64.85
4	Paid-up Share Capital	10.50	14.17	-	0.65	229.33	-	-	-	0.00	45.36	Nil	-	-	4.75
5	Reserves & Surplus	20.52	11,606.06	1,437.16	1,118.35	2,726.81	-	18,722.10	1,538.16	254.07	(0.19)	Nil	321.68	15.70	3,136.11
6	Total Assets	32.72	25,513.53	2,635.08	1,462.89	5,903.77	-	20,061.89	1,788.94	260.82	54.68	Nil	374.66	273.38	3,158.26
7	Total Liabilities (excluding Capital and Reserves)	1.70	13,893.30	1,197.92	343.90	2,947.63	-	1,339.79	250.78	6.74	9.51	-	52.98	257.69	17.39
8	Investments (excluding Investments in Subsidiaries)	27.50	-	-	-	-	-	-	-	-	-	Nil	-	-	-
9	Total Income	1.97	1,051.93	-	2,853.15	10,920.86	-	5,221.10	5,882.42	11.30	176.10	Nil	877.51	2,562.25	327.02
10	Profit / (Loss) Before Tax	1.06	(545.40)	(0.05)	84.45	854.36	-	559.00	178.58	3.36	(27.30)	Nil	192.03	(142.82)	12.40
11	Provision for Tax	0.20	83.30	-	-	170.23	-	-	-	2.59	-	Nil	-	0.18	0.13
12	Profit / (Loss) After Tax	0.86	(628.71)	(0.05)	84.45	684.13	-	559.00	178.58	0.78	(27.30)	Nil	192.03	(143.00)	12.26
13	Proposed Dividend (including Tax thereon)	-	-	-	-	-	-	-	-	-	-	Nil	-	-	-
14	% of Shareholding	100%	100%	100%	100%	100%	100%	100%	100%	100%	74%	99.98%	100%	100%	100%

Form AOC-I

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Account) Rules, 2014)

Statement containig sailent features of the financial statement of subsidiaries/associate companies/joint ventures

Part "B": Associates and Joint Ventures: Details of associates as below and the Company has no Joint Ventures

SR. NO.	Particulars	Nanobi Data and Analytics Private Limited
1	Reporting period for the subsidiary concerned, if different from the holding Company's reporting period	01-04-2016 to 31-03-2017
2	Reporting currency	INR
3	Exchange rate	INR
4	Paid-up Share Capital	43.86
5	Reserves & Surplus	(39.84)
6	Total Assets	41.24
7	Total Liabilities (excluding Capital and Reserves)	37.21
8	Investments (excluding Investments in Subsidiaries)	-
9	Total Income	27.44
10	Profit / (Loss) Before Tax	(33.56)
11	Provision for Tax	-
12	Profit / (Loss) After Tax	(33.56)
13	Proposed Dividend (including Tax thereon)	
14	% of Shareholding	21.79%

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

Sanjiv Goenka
Chairman

Rajesh Subramaniam
Managing Director and CEO

Shashwat Goenka
Director

Y. H. Malegam
Director

Charles Miller Smith
Director

V.K. Sharma
Director

Donald W. Layden Jr.
Director

Subrata Talukdar
Director

Pradip Kumar Khaitan
Director

Pradip Roy
Director

Grace Koshie
Director

Pooja Nambiar
Company Secretary

Dinesh Jain
President and CFO

Kolkata
5 May 2017

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 2017, the statement of profit and loss (including other comprehensive income), the statement of cash flows and the statement of changes in equity 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 including other comprehensive income, cash flows and changes in equity of the Company in accordance with accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act, read with relevant rules issued thereunder. 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 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 standalone 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.

While conducting the audit, 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 standalone financial statements are free from material misstatement.

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

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the standalone 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 including the Ind AS, of the financial position of the Company as at 31 March 2017 and its financial performance including other comprehensive income, its cash flows and the changes in equity for the year then ended.

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 standalone financial statements;

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

c) The balance sheet, the statement of profit and loss (including other comprehensive income), the statement of cash flows and the statement of changes in equity dealt with by this Report are in agreement with the relevant books of account;

d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act read with relevant Rules issued thereunder;

e) On the basis of written representations received from the directors as on 31 March 2017 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2017 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 standalone financial statements – refer Note 31 to the standalone 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 – refer Note 32 to the standalone financial statements;

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

iv. The Company has provided requisite disclosures in the standalone financial statements as regards the holding and dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated the 8 November 2016 of the Ministry of Finance during the period from 8 November 2016 to 30 December 2016 of the Company. Based on audit procedures performed and the representations provided to us by the management, we report that the disclosures are in accordance with the relevant books of account maintained by the Company for the purpose of preparation of the standalone financial statements and as produced to us by the Management - refer Note 24 to the standalone financial statements.

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

Rajesh Mehra
Partner
Membership No: 103145

Kolkata
5 May 2017

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 2017, 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 generally regularly deposited during the year with the appropriate authorities. As explained to us, the Company did not have any dues on account of sales tax and duty of excise.

   According to the information and explanations given to us, no undisputed material 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 2017 for a period of more than six months from the date they became payable.

   (b) According to the information and explanations given to us, there are no dues of duty of customs, duty of excise and value added tax which have not been deposited on account of any dispute. However, 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 ₹ (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	65	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 144 C (13)	344	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)	9	2009-10	Income tax Appellate Tribunal
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	Income tax Appellate Tribunal
Income-tax Act, 1961	Assessment under Section 201 (1) and 201 (1A)	31	2012-13	Income tax Appellate Tribunal
Income-tax Act, 1961	Asst u/s 143(3) read with Sec 144C (3)	1	2011-12	Income tax Appellate Tribunal
Income-tax Act, 1961	Asst u/s 143(3) read with Sec 144C (3)	139	2013-14	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 million.

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 debentureholders 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 standalone 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
5 May 2017

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 2017 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") issued by the Institute of Chartered Accountants of India ("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, 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 standalone 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 2017, 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
5 May 2017

Standalone Balance Sheet

as at 31 March, 2017

(Currency: In millions of Indian ₹)

	Note No.	31 March 2017	31 March 2016	1 April 2015
Assets				
Non-current assets				
Property, plant and equipment	4	**292.87**	256.60	301.54
Capital work-in-progress		**16.18**	14.40	0.50
Goodwill	5(i)	**40.14**	-	-
Other intangible assets	5(ii)	**221.71**	132.98	262.50
Financial assets				
Investments	6(i)	**11,954.74**	11,938.28	11,825.33
Other financial assets	7(i)	**642.70**	492.62	573.59
Other assets	8(i)	**134.77**	49.33	66.61
Deferred tax assets (net)	11	**1,596.53**	1,782.77	1,654.98
Income tax assets (net)	11	**604.78**	693.62	625.87
Total non-current assets		**15,504.42**	15,360.60	15,310.92
Current assets				
Financial assets				
Investments	6(ii)	**1,495.17**	740.24	649.11
Trade receivables	9	**3,719.34**	3,195.57	2,335.48
Cash and cash equivalents	10	**157.71**	362.99	258.50
Other financial assets	7(ii)	**1,116.51**	550.01	673.18
Other assets	8(ii)	**687.57**	354.25	388.13
Total current assets		**7,176.30**	5,203.06	4,304.40
Total assets		**22,680.72**	20,563.66	19,615.32
Equity and Liabilities				
Equity				
Equity share capital	12	**6,813.08**	6,733.15	6,662.91
Other equity		**13,180.92**	10,998.07	9,622.66
Total equity	12,B	**19,994.00**	17,731.22	16,285.57
LIABILITIES				
Non-current liabilities				
Financial liabilities				
Long-term borrowings	13(i)	**676.60**	1,159.51	1,214.78
Provisions for employee benefits	15(i)	**117.62**	111.48	73.41
Total non-current liabilities		**794.22**	1,270.99	1,288.19
Current liabilities				
Financial liabilities				
Short-term borrowings	13(ii)	**1,184.98**	770.09	1,130.86
Trade and other payables		**338.53**	243.94	242.59
Other financial liabilities	14	**121.06**	314.62	310.75
Provisions for employee benefits	15(ii)	**41.69**	33.70	38.10
Other liabilities	16	**206.24**	199.10	319.26
Total current liabilities		**1,892.50**	1,561.45	2,041.56
Total equity and liabilities		**22,680.72**	20,563.66	19,615.32
Significant accounting policies	2			

The accompanying notes from 1 to 35 are an integral part of these 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
5 May 2017

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

Donald W. Layden Jr.
Director

Subrata Talukdar
Director

Pradip Kumar Khaitan
Director

Pradip Roy
Director

Grace Koshie
Director

Kolkata
5 May 2017

Pooja Nambiar
Company Secretary

Dinesh Jain
President and CFO

Standalone Statement of Profit and Loss

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

	Note No.	31 March 2017	31 March 2016
Income			
Revenue from operations	17	**9,400.65**	8,748.78
Other income	18	**147.86**	183.25
Total income		**9,548.51**	8,932.03
Expenses			
Employee benefits expense	19	**4,579.96**	4,239.10
Finance costs	20	**67.75**	89.08
Depreciation and amortization	4, 5(ii)	**190.32**	318.09
Other expenses	21	**2,523.12**	2,529.70
Total expenses		**7,361.15**	7,175.97
Profit before taxation		**2,187.36**	1,756.06
Tax expense			
Current tax		**258.36**	194.86
Deferred tax		**44.41**	48.97
Profit for the year		**1,884.59**	1,512.23
Other comprehensive income			
Items that will not be classified subsequently to profit or loss			
Remeasurement of the net defined benefit liability/asset		**(0.52)**	(32.02)
Items that will be classified to profit or loss			
Net changes in fair value of cash flow hedges		**209.97**	(187.19)
Exchange difference on translation of foreign operations		**(28.97)**	(0.91)
Total other comprehensive income for the year		**2,065.07**	1,292.11
Weighted average number of equity shares outstanding during the year			
Basic		**676,262,213**	669,787,584
Diluted		**685,662,251**	700,591,254
Earnings per equity share			
Basic		**2.79**	2.26
Diluted		**2.75**	2.16
Significant accounting policies	2		

The accompanying notes from 1 to 35 are an integral part of these 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

Donald W. Layden Jr.
Director

Subrata Talukdar
Director

Pradip Kumar Khaitan
Director

Pradip Roy
Director

Grace Koshie
Director

Pooja Nambiar
Company Secretary

Dinesh Jain
President and CFO

Kolkata
5 May 2017

Kolkata
5 May 2017

Standalone Statement of changes in equity

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

			Attributable to owners of the Company								
			Reserves and Surplus					Items of other comprehensive income			
	Equity share capital	Share applica- tion money pending allotment	Amalgama- tion deficit reserve	Securities premium	Other reserve	Retained earnings	Employee stock option reserve	Effective portion of cash flow hedges	Actuarial gain loss on employee benefits	Exchange differences on translating the financial statements of a foreign operation	Total
Balance as at 1 April 2016	6,733.15	-	(1,136.72)	1,763.79	30.68	9,647.34	83.96	444.18	(32.02)	196.86	17,731.22
Other comprehensive income for the period							-	556.17		(28.96)	527.21
Profit for the period						1,885.11			(0.52)		1,884.59
Share based payments							39.41				39.41
Issue of equity shares on exercise of options	79.93	-		78.34			(0.50)				157.77
Tax effect on hedge reserve								(346.20)			(346.20)
Balance at the end of the 31 March 2017	**6,813.08**	**-**	**(1,136.72)**	**1,842.13**	**30.68**	**11,532.45**	**122.87**	**654.15**	**(32.54)**	**167.90**	**19,994.00**

Standalone Statement of changes in equity

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

			Attributable to owners of the Company								
			Reserves and Surplus					Items of other comprehensive income			
	Equity share capital	Share applica- tion money pending allotment	Amalgama- tion deficit reserve	Securities premium	Other reserve	Retained earnings	Employee stock option reserve	Effective portion of cash flow hedges	Actuarial gain loss on employee benefits	Exchange differences on translating the financial statements of a foreign operation	Total
Balance as at 1 April 2015	6,662.91	0.20	(1,136.72)	1,716.25	30.68	8,135.12	48.00	631.37	-	197.76	16,285.57
Other comprehensive income for the year	-	-	-	-	-	-	-	(187.19)	-	(0.90)	(188.09)
Profit for the year	-	-	-	-	-	1,512.22	-	-	(32.02)	-	1,480.20
Share based payments	-	-	-	-	-	-	36.46	-	-	-	36.46
Issue of equity shares on exercise of options	70.24	(0.20)	-	47.54	-	-	(0.50)	-	-	-	117.08
Balance at the end of the 31 March 2016	**6,733.15**	**-**	**(1,136.72)**	**1,763.79**	**30.68**	**9,647.34**	**83.96**	**444.18**	**(32.02)**	**196.86**	**17,731.22**

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
5 May 2017

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

Donald W. Layden Jr.
Director

Subrata Talukdar
Director

Pradip Kumar Khaitan
Director

Pradip Roy
Director

Grace Koshie
Director

Pooja Nambiar
Company Secretary

Dinesh Jain
President and CFO

Kolkata
5 May 2017

Standalone Statement of Cash Flows

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

	31 March 2017	31 March 2016
Cash flow from operating activities		
Profit before tax	**2,187.36**	1,756.06
Adjustments for		
Depreciation and amortisation	**190.32**	318.09
Provision for doubtful debts written off / (written back)	**(0.94)**	1.06
(Gain) / loss on sale of fixed assets, net	**(3.80)**	(4.08)
Foreign exchange (gain) / loss, net unrealised	**(195.35)**	(234.68)
Finance costs	**67.75**	89.09
Interest and dividend income	**(15.45)**	(17.67)
Profit on sale / redemption of investments	**(37.01)**	(53.01)
Rent expense	**7.92**	9.15
Employee Stock option cost	**22.79**	23.05
Operating cash flow before changes in working capital	**2223.59**	1,887.05
Changes in working capital		
Decrease / (increase) in trade receivables	**(567.84)**	(822.20)
Decrease in loans and advances and other assets	**26.84**	16.08
Increase in liabilities and provisions	**(537.85)**	110.83
Net changes in working capital	**(1,078.85)**	(695.29)
Income taxes paid	**(365.10)**	(423.28)
Net cash used in operating activities (A)	**779.64**	768.48
Cash flow from investing activities		
Sale of investment in mutual funds / government securities, net	**(717.91)**	(38.61)
Interest and dividend income received	**4.90**	6.35
Purchase of property plant and equipment and capital advances given	**(313.09)**	(161.67)
Sale of fixed assets	**6.45**	8.51
Investment in shares of Nanobi Data and Analytics Private Limited	**(25.00)**	(25.00)
Net cash (used in) / generated from investing activities (B)	**(1,044.65)**	(210.42)
Cash flow from financing activities		
Proceeds / (repayment) from unsecured loan – others	**124.61**	(381.89)
Repayment of secured loan	**(155.97)**	(98.01)
Proceeds from issuance of equity shares and share application money	**157.78**	117.07
Interest paid	**(66.69)**	(90.74)
Net cash generated from financing activities (C)	**59.73**	(453.57)
Net decrease in cash and cash equivalents at the end of the year (A+B+C)	**(205.28)**	104.49
Cash and cash equivalents at the beginning of the year	**362.99**	258.50
Cash and cash equivalents at the end of the year	**157.71**	362.99

Standalone Statement of Cash Flows

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

Notes to the cash flow statement

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

	31 March 2017	31 March 2016
Cash on hand	**0.04**	0.04
Balances with banks	**157.67**	362.95
- in current accounts	**157.71**	362.99
Bank deposits due to mature after three months but before twelve months from the reporting date	**-**	-
Cash and cash equivalents	**157.71**	362.99

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
5 May 2017

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

Donald W. Layden Jr.
Director

Subrata Talukdar
Director

Pradip Kumar Khaitan
Director

Pradip Roy
Director

Grace Koshie
Director

Pooja Nambiar
Company Secretary

Dinesh Jain
President and CFO

Kolkata
5 May 2017

Notes to the Standalone financial statements

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

1. Company overview

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

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

The Company's financial statements are approved for issue by the Board of Directors on 5 May 2017.

The list of entities with percentage holding is as below:

Subsidiaries / Entities	Country of incorporation and other particulars	Percentage of holding by the ultimate parent	Year of consolidation
Firstsource Solutions UK Limited (FSL UK)	A subsidiary of Firstsource Solutions Limited, incorporated under the laws of United Kingdom.	100%	2002-2003
Firstsource Solutions S.A. (FSL-Arg)	A subsidiary of Firstsource Solutions Limited UK, incorporated under the laws of S.A.	99.98%	2006-2007
Firstsource Group USA, Inc. (FG US)	A subsidiary of Firstsource Solutions Limited, incorporated in the State of Delaware, USA.	100%	2009-2010
Firstsource Business Process Services, LLC (FBPS)	A subsidiary of FG US, incorporated in the State of Delaware, USA.	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
Firstsource Solutions USA 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 6 August 2014.	100%	2011-2012
Medassist Holding LLC (Medassist)	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
ISGN Solutions, Inc. (ISGN-SOL)	A subsidiary of FG US, incorporated in the State of Delaware, USA, effective 1 April 2016.	100%	2016-2017
ISGN Fulfillment Services, Inc. (ISGN-FFS)	A subsidiary of ISGN Solutions, Inc., effective 1 April 2016	100%	2016-2017
ISGN Fulfillment Agency, LLC	A subsidiary of Fulfillment Services, Inc, effective 1 April 2016	100%	2016-2017
Nanobi Data and Analytics Private Limited	Associate of the Company, effective 3 October 2016	21.79%	2016-2017

Notes to the Standalone financial statements

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

2. Significant accounting policies

2.1 Statement of compliance

The financial statements of Firstsource Solutions Limited ('the Company') are prepared in accordance with Indian Accounting Standards (Ind AS) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values, the provisions of the Companies Act, 2013 ('Act') (to the extent notified). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

The Company has adopted all the Ind AS standards and the adoption was carried out in accordance with Ind AS 101 - First time adoption of Indian Accounting Standards. The transition was carried out from Indian Accounting Principles generally accepted in India as prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (IGAAP), which was the previous GAAP. Reconciliations and description of the effects of the transition have been summarized in Note 3.

2.2 Use of estimates

The preparation of the financial statements in conformity with Ind AS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amount of income and expenses for the period. Management believes that the estimates made in the preparation of financial statements are prudent and reasonable. Actual results could differ from those estimates. Any revisions to accounting estimates are recognised prospectively in current and future periods. Application of accounting policies that require critical accounting estimates involving complex and subjective judgments and the use of assumptions in these financial statements have been disclosed in Note 2.2.1.

2.2.1 Critical accounting estimates

a Income taxes

The Company's major tax jurisdiction is India. Significant judgments are involved in determining the provision for income taxes, including amount expected to be paid / recovered for uncertain tax positions. Also refer to Note 2.9

b Business combinations and intangible assets

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

c Property, plant and equipment

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

d Impairment of goodwill

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

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

2.3 Revenue recognition

Revenue from contact centre and transaction processing services comprises from both time / unit price and fixed fee based service contracts. Revenue from time / unit price based contracts is recognised as services are rendered and is billed in accordance with the contractual terms specified in the customer contracts. Revenue from fixed fee based service contracts is recognised on achievement of performance milestones specified in the customer contracts. Unbilled receivables represent costs incurred and revenues recognised on contracts to be billed in subsequent periods as per the terms of the contract.

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

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

Notes to the Standalone financial statements

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

2.4 Goodwill

Goodwill represents the cost of business acquisition in excess of the Company's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. When the net fair value of the identifiable assets, liabilities and contingent liabilities acquired exceeds the cost of business acquisition, a gain is recognised immediately in net profit in the statement of profit and loss. Goodwill is measured at cost less accumulated impairment losses.

2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment, if any. Cost includes freight, duties, taxes and incidental expenses related to acquisition and installation of the property, plant and equipment. Depreciation on 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

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

Depreciation methods, useful lives and residual values are reviewed periodically at the end of each financial year.

The Company has elected to apply fair value method on transition to Ind AS for Leasehold improvements as permitted under Ind AS 16 - Property, plant and equipments.

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.

2.6 Other intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, from the date that they are available for use. The estimated useful life of an identifiable intangible asset is based on a number of factors including the effects of obsolescence, demand, competition, and other economic factors (such as the stability of the industry, and known technological advances), and the level of maintenance expenditures required to obtain the expected future cash flows from the asset. Amortization methods and useful lives are reviewed periodically including at each financial year end.

Asset category	Useful life (in years)
Goodwill on acquired assets	5 years or estimated useful life, whichever is shorter
Domain name	3
Software*	2 – 4

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

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

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

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

2.7 Impairment

a. Financial assets

The Company recognizes loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit and loss. Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime ECL. For all other financial assets, expected credit losses are measured at an amount equal to the 12 month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

Notes to the Standalone financial statements
for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

b. Non-financial assets

i Goodwill

Goodwill is tested for impairment on an annual basis and whenever there is an indication that goodwill may be impaired, relying on a number of factors including operating results, business plans and future cash flows. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the Company's cash generating units ('CGU') or groups of CGU's expected to benefit from the synergies arising from the business combination.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment occurs when the carrying amount of a CGU including the goodwill, exceeds the estimated recoverable amount of the CGU. The recoverable amount of a CGU is the higher of its fair value less cost to sell and its value-in-use. Value-in use is the present value of future cash flows expected to be derived from the CGU.

Total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. An impairment loss on goodwill is recognized in net profit in the statement of profit and loss and is not reversed in the subsequent period.

ii Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the CGU to which the asset belongs.

If such assets are considered to be impaired, the impairment to be recognized in the statement of profit and loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the statement of profit and loss if there has been a change in the estimates used to determine the recoverable amount. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

2.8 Employee benefits

a) Post employment benefits

Gratuity

The 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. The Company recognises the net obligation of a defined benefit plan in its balance sheet as an asset or liability. Gains or losses through re-measurement of the net defined benefit liability / (asset) are recognised in other comprehensive income and other components are recognise in statement of profit and loss. The actual return of portfolio of plan assets, in excess of yields computed by applying the discount rate used to measure the defined benefit obligation are recognised in other comprehensive income. The effects of any plan amendments are recognised in statement of profit and loss.

Defined contribution plans

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

b) Short-term employee benefits

Short- term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid e.g., under short-term cash bonus, if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the amount of obligation can be estimated reliably.

c) Other long-term employee benefits

Compensated absences

Provision for compensated absences cost is made based on actuarial valuation by an independent actuary.

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

Notes to the Standalone financial statements

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

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.

2.9 Income taxes

Income tax expense comprises current tax expense and the net change in the deferred tax asset or liability during the period. Current tax and deferred tax are recognised in the statement of profit and loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Current income taxes

The current income tax expense includes income taxes payable by Firstsource and its overseas branch.

The current tax payable is after taking credit for tax relief available for export operations in Special Economic Zones (SEZs).

Advance taxes and provisions for current income taxes are presented in the balance sheet after off-setting advance tax paid and income tax provision arising in the same tax jurisdiction and where the relevant tax paying units intend to settle the asset and liability on a net basis.

Deferred income tax is recognised using the balance sheet approach. Deferred income tax assets and liabilities are recognised for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount, except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be recognised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be recognised. Deferred income tax liabilities are recognised for all taxable temporary differences except in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be recognised.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be settled.

For operations carried out in SEZs, deferred tax assets or liabilities, if any, have been established for the tax consequences of those temporary differences between the carrying values of assets and liabilities and their respective tax bases that reverse after the tax holiday ends.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the relevant entity intends to settle its current tax assets and liabilities on a net basis.

Deferred tax assets include Minimum Alternative Tax (MAT) paid in accordance with the tax laws in India, which is likely to give future economic benefits in the form of availability of set-off against future income tax liability. Accordingly, MAT is recognised as deferred tax asset in the balance sheet when the asset can be measured reliably and it is probable that the future economic benefit associated with the asset will be recognised.

2.10 Leases

Finance lease

Assets acquired on finance leases, including assets acquired under sale and lease back transactions, have been recognised as an asset and a liability at the inception of the lease and have been recorded at an amount equal to the lower of the fair value of the leased asset or the present value of the future minimum lease payments. Such leased assets are depreciated over the lease term or its estimated useful life, whichever is shorter. Further, the instalments of minimum lease payments have been apportioned between finance charge / expense and principal repayment. Assets given on finance lease are shown as amounts recoverable from the lessee. The rentals received on such leases are apportioned between the finance income and principal amount using the implicit rate of return.

The finance charge / (income) is recognised 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 arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are recognised as operating lease. Operating lease payments are recognised on a straight line basis over the lease term, unless the increase is on account of inflation, in the statement of profit and loss.

2.11 Foreign currency

Functional currency

The functional currency of the Company is the Indian Rupee (INR). The numbers are rounded off to millions: one million equals to ten lakhs.

Notes to the Standalone financial statements

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

Transactions and translations

Foreign currency denominated monetary assets and liabilities are translated into the relevant functional currency at exchange rates in effect at the balance sheet date. The gains or losses resulting from such translations are included in net profit in the statement of profit and loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled. Revenue, expense and cash flow items denominated in foreign currencies are translated into the relevant functional currencies using the exchange rate in effect on the date of the transaction.

The translation of financial statements of the foreign branch to the presentation currency is performed for assets and liabilities using the exchange rate in effect at the balance sheet date and for revenue, expense and cash flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under other components of equity.

2.12 Earnings per equity share

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

2.13 Provisions and contingencies

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

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

2.14 Financial instruments

2.14.1 Initial recognition

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability.

a) Non-derivative financial instruments

i) Cash and cash equivalents

The Company considers all highly liquid financial instruments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value and having original maturities of three months or less from the date of purchase, to be cash equivalents. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

2.14.2 Classification and subsequent measurement

i) Financial assets at amortised cost

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ii) Financial assets at fair value through other comprehensive income ('FVOCI')

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.The Company has made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of equity investments not held for trading.

iii) Financial assets at fair value through profit and loss ('FVTPL')

Financial assets are measured at fair value through profit and loss unless it is measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit and loss are immediately recognised in statement of profit and loss.

Notes to the Standalone financial statements
for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

iv) Financial liabilities

Financial liabilities are measured at amortised cost using the effective interest method. For trade and other payables maturing within one year from the balance sheet date, the carrying amount approximate fair value to short-term maturity of these instruments.

v) Equity instruments

An equity instrument is a contract that evidences residual interest in the assets of the company after deducting all of its liabilities.

Equity instruments are recognised by the Company at the proceeds received net of direct issue cost.

b) Derivative financial instruments

Cash flow hedge

The Company designates certain foreign exchange forward, option and future contracts as hedge instruments in respect of foreign exchange risks. These hedges are accounted for as cash flow hedges.

The Company uses hedging instruments that are governed by policies, which are approved by the Board of Directors, which provide written principles on the use of such financial derivatives consistent with the risk management strategy of the Company. The hedge instruments are designated and documented as hedges at the inception of the contract. The effectiveness of hedge instruments to reduce the risk associated with the exposure being hedged is assessed and measured at inception and on an ongoing basis. The ineffective portion of designated hedges is recognised immediately in the statement of profit and loss.

The effective portion of change in the fair value of the designated hedging instrument is recognised in Other comprehensive income and accumulated under the heading Cash flow hedge reserve.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or no longer qualifies for hedge accounting. Any gain or loss recognised in Other comprehensive income and accumulated in equity till that time remains and is recognised in statement of profit and loss when the forecasted transaction is no longer expected to occur; the cumulative gain or loss accumulated in statement of changes in equity is transferred to the statement of profit and loss.

c) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

De-recognition of financial instruments

The Company de-recognises a financial asset when the contractual rights to the cash flows from the financial assets expire or it transfers the financial assets and such transfer qualifies for de-recognition under Ind AS 109. A financial liability (or a part of financial liability) is de-recognised from the Company's balance sheet when obligation specified in the contract is discharged or cancelled or expired.

Fair value of financial instrument

In determining the fair value of its financial instrument, the Company uses the methods and assumptions based on market conditions and risk existing at each reporting date. Methods of assessing fair value result in general approximation of value, and such value may never actually be realized. For all other financial instruments, the carrying amounts approximate the fair value due to short maturity of those instruments.

2.15 Business combinations

Business combinations have been accounted for using the acquisition method under the provisions of Ind AS 103, Business Combinations.

The cost of an acquisition is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of acquisition, which is the date on which control is transferred to the Company. The cost of acquisition also includes the fair value of any contingent consideration. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition.

Business combinations between entities under common control is accounted for at carrying value.

Transaction costs that the Company incurs in connection with a business combination such as finders' fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

Business Combinations on or after 1 April 2002

As part of its transition to Ind AS, the Group has elected to apply the relevant Ind AS, viz. Ind As 103, Business Combinations, to only those business combinations that occurred on or after 1 April 2002 In accordance with Ind AS 103, the Group accounts for these business combinations using the acquisation method when control is transfered to the Group.

Business Combinations prior to 1 April 2002

In respect of such business combinations, goodwill represents the amounts recognised under the Group's previous accounting framework under Indian GAAP adjusted for the reclassification of certain intangibles.

2.16 Share-based compensation

The Company recognizes compensation expense relating to share-based payments in net profit using fair-value in accordance with Ind AS 102, Share-Based Payment. The estimated fair value of awards is charged to income on a straight-line basis over the requisite service

Notes to the Standalone financial statements

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

period for each separately vesting portion of the award as if the award was in-substance multiple awards, with a corresponding increase to share options outstanding account.

2.17 Cash flow statement

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

2.18 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.

3. First-time adoption of Ind AS

These financial statements of Firstsource Solutions Limited for the year ended 31 March 2017 have been prepared in accordance with Ind AS. For the purposes of transition to Ind AS, the Company has followed the guidance prescribed in Ind AS 101 - First Time adoption of Indian Accounting Standard, with 1 April 2015 as the transition date and IGAAP as the previous GAAP.

The transition to Ind AS has resulted in changes in the presentation of the financial statements, disclosures in the notes thereto and accounting policies and principles. The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 31 March 2017 and the comparative information. An explanation of how the transition from IGAAP to Ind AS has affected the Company's balance sheet and statement of profit and loss is set out in Notes 3.1 and 3.2. Exemptions on first time adoption of Ind AS availed in accordance with Ind AS 101 have also been set out below.

Exemptions availed on first-time adoption of Ind AS 101

Ind AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Company has accordingly applied the following exemptions:

(a) Business combination

The Company is allowed to choose any date in the past from which it wants to account for the business combinations under Ind AS 103, without having to restate business combinations prior to such date. Accordingly, the Company has applied the standard for all acquisitions.

For all such acquisitions:

a) Intangible assets previously included within goodwill under IGAAP have been recognized separately in the opening Balance Sheet in accordance with Ind AS 103

b) Deferred taxes have been recorded on intangible assets, wherever applicable

c) Goodwill has been restated in accordance with Ind AS 21, with the corresponding impact in the Other comprehensive income in equity

d) Retained earnings has been adjusted to include the amortization on identified intangibles, that would have been recorded from the date of acquisition till the transition date

(b) Share-based payment transaction

The Company is allowed to apply Ind AS 102 Share-based payment to equity instruments that remain unvested as of transition date. The Company has elected to avail this exemption and apply the requirements of Ind AS 102 to all such grants under the plan. Accordingly, these options have been measured at fair value as against intrinsic value followed previously under IGAAP.

The excess of stock compensation expense measured using fair value over the cost recognized under IGAAP using intrinsic value has been adjusted in 'Employee stock option reserve account', with the corresponding impact taken to the retained earnings as on the transition date.

(c) Property plant and equipment and intangible assets

As per Ind AS 101 an entity may elect to:

(i) measure an item of property plant and equipment at the date of transition at its fair value and use that fair value as its deemed cost at that date.

(ii) use a previous GAAP revaluation of an item of property, plant and equipment at or before the date of transition as deemed cost at the date of the revaluation, provided the revaluation was at the date of their revaluation, broadly comparable to:
- fair value;
- or cost or depreciated cost under Ind AS adjusted to reflect, for example, changes in a general or specific price index.

(iii) use carrying values of property, plant and equipment and intangible assets as on the date of transition to Ind AS (which are measured in accordance with previous GAAP and after making adjustments relating to decommissioning liabilities prescribed under Ind AS 101) if there has been no change in its functional currency on the date of transition.

As permitted by Ind AS, the Company has elected to measures certain items of property plant and equipment (leasehold improvements) at the date of transition to Ind AS at fair value.

Notes to the Standalone financial statements
as at 1 April 2015 and 31 March, 2016

(Currency: In millions of Indian ₹)

3.1 Reconciliation of equity as previously reported under IGAAP to Ind AS

		Balance sheet as at 1 April 2015			Balance sheet as at 31 March 2016		
	Note	IGAAP	Effect of transition to Ind AS	Ind AS	IGAAP	Effect of transition to Ind AS	Ind AS
ASSETS							
Non-current assets							
Property, plant and equipment	d	322.27	(20.73)	301.54	265.49	(8.90)	256.60
Capital work-in-progress		0.50		0.50	14.40		14.40
Other intangible assets		262.50		262.50	132.98		132.98
Financial assets							
Investments	b	11,813.71	11.62	11,825.33	11,913.24	25.04	11,938.28
Other financial assets		573.59		573.59	492.62		492.62
Others non-current assets		66.61		66.61	49.33		49.33
Deferred tax assets (net)		1,654.98		1,654.98	1,782.77		1,782.77
Income tax assets (net)		625.87		625.87	693.62		693.62
Total non-current assets		15,320.03	(9.11)	15,310.92	15,344.45	16.14	15,360.60
Current assets							
Financial assets							
Investments		649.11		649.11	740.24		740.24
Trade receivables		2,335.48		2,335.48	3,195.57		3,195.57
Cash and cash equivalents		258.50		258.50	362.99		362.99
Other financial assets		673.18		673.18	550.01		550.01
Other current assets	a	388.13		388.13	360.19	(5.95)	354.25
Total current assets		4,304.40		4,304.40	5,209.00	(5.95)	5,203.06
Total assets		19,624.43	(9.11)	19,615.32	20,553.46	10.20	20,563.66
EQUITY AND LIABILITIES							
Equity							
Equity share capital		6,662.91		6,662.91	6,733.15		6,733.15
Other equity	a, c & d	9,620.36	2.30	9,622.66	10,976.46	21.61	10,998.07
Total equity attributable to equity share holders of the company		16,283.27	2.30	16,285.57	17,709.61	21.61	17,731.22
LIABILITIES							
Non-current liabilities							
Financial liabilities							
Long-term borrowings		1,214.78		1,214.78	1,159.51		1,159.51
Other liabilities				-			-
Provision for employee benefits		73.41		73.41	111.48		111.48
Total non-current liabilities		1,288.19		1,288.19	1,270.99		1,270.99
Current liabilities							
Financial liabilities							
Short-term borrowings		1,130.86		1,130.86	770.09		770.09
Trade and other payables	c	254.00	(11.41)	242.59	255.35	(11.41)	243.94
Other financial liabilities		310.75		310.75	314.62		314.62
Other liabilities		319.26		319.26	33.70		199.10
Provision for employee benefits		38.10		38.10	199.10		33.70
Total current liabilities		2,052.97	(11.41)	2,041.56	1,572.86	(11.41)	1,561.45
Total equity and liabilities		19,624.43	(9.11)	19,615.32	20,553.46	10.20	20,563.66

Notes to the Standalone financial statements

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

3.2 Reconciliation of statement of profit and loss as previously reported under IGAAP to Ind AS

		Year ended 31 March 2016		
	Note	IGAAP	Effect of transition to Ind AS	Ind AS
INCOME				
Revenue from operations		8,748.78	-	8,748.78
Other income		183.25	-	183.25
Total income		8,932.03	-	8,932.03
EXPENSES				
Employee benefits expense	b & c	4,248.07	(8.97)	4,239.10
Finance costs		89.08		89.08
Depreciation and amortisation	d	329.93	(11.84)	318.09
Other expenses	a	2,523.75	5.95	2,529.70
Total expenses		7,190.83	(14.86)	7,175.97
Profit before taxation		1,741.20	14.86	1,756.06
Tax expenses				-
- Current tax		194.86	-	194.86
- Deferred tax		48.97	-	48.97
Profit for the period		1,497.37	14.86	1,512.23
Other comprehensive income				
Items that will not be subsequently classified to profit or loss				
Remeasurement of the net defined benefit liability/asset		-	(32.02)	(32.02)
Items that will be subsequently classified to profit or loss				
Net changes in fair value of cash flow hedges		-	(187.19)	(187.19)
Exchange difference on translation of foreign operations		-	(0.91)	(0.91)
Total comprehensive income for the period		1,497.37	(205.26)	1,292.11

Explanations for reconciliation of balance sheet and statement of profit and loss as previously reported under IGAAP to IND AS

a) Intangible assets in relation to business combinations, which were included within Goodwill under IGAAP, have been recognized separately under Ind-AS with corresponding adjustments to retained earnings and other comprehensive income for giving effect to amortisation expenses and exchange gains and losses respectively.

b) The Company took an optional exemption to measure the unvested options at fair value on the transition date and accordingly recognised employee share based payment cost in the statement of profit and loss for year ended 31 March 2016 of ₹ 23.05 with corresponding credit to Employee stock option reserve.

c) As per Ind AS 19 - Employee Benefits, actuarial gains and losses are recognized in other comprehensive income and not classified to statement of profit and loss in a subsequent period amounting to ₹ 32.02 for the year ended 31 March 2016.

d) As per Ind AS 101, the Company has elected to measure certain items of property plant and equipment (leasehold improvements) at the date of transition to Ind AS at fair value as its deemed cost at that date.

Notes to the Standalone financial statements
as at 31 March, 2017

(Currency: In millions of Indian ₹)

4. Property, plant and equipment

	Tangible assets						
	Leasehold improvements	Computers	Service equipment	Office equipment	Furniture and fixture	Vehicles	Total
Gross block (at deemed cost)							
As at 1 April 2016	961.84	742.38	504.13	1,006.94	328.84	10.37	3,554.50
Additions / adjustments during the year*	28.13	31.35	3.22	35.68	4.33	(0.21)	102.50
Deletions during the year	(91.71)	(22.12)	(9.85)	(40.80)	(2.39)	-	(166.87)
As at 31 March 2017	**898.26**	**751.61**	**497.50**	**1,001.82**	**330.78**	**10.16**	**3,490.13**
Accumulated depreciation / amortization							
As at 1 April 2016	914.37	711.02	469.48	934.20	263.87	4.96	3,297.90
Charge for the year	17.50	20.68	12.72	40.19	10.52	2.11	103.72
On deletions / adjustments during the year *	(111.58)	(29.89)	(15.07)	(40.24)	(7.58)	-	(204.36)
As at 31 March 2017	**820.29**	**701.81**	**467.13**	**934.15**	**266.81**	**7.07**	**3,197.26**
Net block							
As at 31 March 2017	**77.97**	**49.80**	**30.37**	**67.67**	**63.97**	**3.09**	**292.87**
As at 31 March 2016	47.47	31.36	34.65	72.74	64.97	5.41	256.60

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

	Tangible assets						
	Leasehold improvements	Computers	Service equipment	Office equipment	Furniture and fixture	Vehicles	Total
Gross block (at deemed cost)							
As at 1 April 2015	1,028.95	737.22	503.17	1,008.91	337.39	8.37	3,624.01
Additions / adjustments during the year*	(12.99)	26.00	2.15	25.86	8.34	2.00	51.36
Deletions during the year	(54.12)	(20.84)	(1.19)	(27.83)	(16.89)	-	(120.88)
As at 31 March 2016	**961.84**	**742.38**	**504.13**	**1,006.94**	**328.84**	**10.37**	**3,554.50**
Accumulated depreciation / amortization							
As at 1 April 2015	954.50	712.49	454.37	932.81	265.84	2.46	3,322.47
Charge for the year	28.41	17.27	17.68	45.14	12.01	2.50	123.01
On deletions / adjustments during the year *	(68.54)	(18.74)	(2.57)	(43.75)	(13.98)	-	(147.58)
As at 31 March 2016	**914.37**	**711.02**	**469.48**	**934.20**	**263.87**	**4.96**	**3,297.90**
Net block							
As at 31 March 2016	**47.47**	**31.36**	**34.65**	**72.74**	**64.97**	**5.41**	**256.60**
As at 31 March 2015	74.45	24.73	48.80	76.10	71.55	5.91	301.54

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

Notes to the Standalone financial statements
as at 31 March, 2017

(Currency: In millions of Indian ₹)

The above assets include assets taken on finance lease as follows (also refer note 23):

	Leasehold improvements	Computers	Service equipment	Furniture, fixture and office equipment	Total
Gross block					
As at 1 April 2016	21.98	63.71	103.2	32.43	221.32
As at 31 March 2017	**21.98**	**63.71**	**103.2**	**32.43**	**221.32**
Accumulated depreciation / amortization					
As at 1 April 2016	21.98	63.71	103.2	18.65	207.54
As at 31 March 2017	**21.98**	**63.71**	**103.2**	**19.97**	**208.86**
Net block					
As at 31 March 2017	**-**	**-**	**-**	**12.46**	**12.46**
As at 31 March 2016	-	-	-	13.78	13.78

	Leasehold improvements	Computers	Service equipment	Furniture, fixture and office equipment	Total
Gross block					
As at 1 April 2015	21.98	63.71	103.20	32.43	221.32
As at 31 March 2016	**21.98**	**63.71**	**103.20**	**32.43**	**221.32**
Accumulated depreciation / amortization					
As at 1 April 2015	21.98	63.71	103.20	17.35	206.24
As at 31 March 2016	**21.98**	**63.71**	**103.20**	**18.65**	**207.54**
Net block					
As at 31 March 2016	**-**	**-**	**-**	**13.78**	**13.78**
As at 31 March 2015	-	-	-	15.08	15.08

5(i). Goodwill

Acquisition of BPO division of ISGN Novasoft Technologies Limited through slump sale agreement.

Pursuant to 'Slump Sale Agreement' ('SSA') dated 28 January 2016 entered into by and among ISGN Novasoft Technologies Limited, ISGN (the "Seller") and Firstsource Solutions Limited (the "Buyer"), the Company purchased the BPO division of ISG Novasoft Technologies Limited for a cash consideration of ₹ 30.

The purchase price has been allocated based on the management estimate and independent appraisal of fair values as follows:

Components	Acquiree's carrying value	Fair value adjustments	Purchase price allocated
Net assets	28.32	-	28.32
Fair value adjustment to net assets acquired	-	(38.46)	(38.46)
Total	28.32	(38.46)	(10.14)
Goodwill	-	-	40.14
Total purchase price		-	30.00
Amount of consideration paid in cash			30.00

Notes to the Standalone financial statements

as at 31 March, 2017

(Currency: In millions of Indian ₹)

5(ii). Other intangible assets

	Domain name	Software	Total
Gross block (at deemed cost)			
As at 1 April 2016	6.72	746.47	753.19
Additions / adjustments during the year*	-	174.57	174.57
Deletions during the year	-	(0.08)	(0.08)
As at 31 March 2017	**6.72**	**920.96**	**927.68**
Accumulated depreciation / amortization			
As at 1 April 2016	6.72	613.49	620.21
Charge for the year	-	86.60	86.60
On deletions / adjustments during the year *	-	(0.84)	(0.84)
As at 31 March 2017	**6.72**	**699.25**	**705.97**
Net block			
As at 31 March 2017	**-**	**221.71**	**221.71**
As at 31 March 2016	-	132.98	132.98

	Goodwill	Domain name	Software	Total
Gross block (at deemed cost)				
As at 1 April 2015	**1,006.00**	**6.72**	**685.04**	**1,697.76**
Additions / adjustments during the year*	12.23	-	64.45	**76.68**
Deletions during the year	(1,018.23)	-	(3.02)	**(1,021.25)**
As at 31 March 2016	**-**	**6.72**	**746.47**	**753.19**
Accumulated depreciation / amortization				
As at 1 April 2015	**887.57**	**6.72**	**540.97**	**1,435.26**
Charge for the year	119.40	-	75.68	**195.08**
On deletions / adjustments during the year*	(1,006.97)	-	(3.16)	**(1,010.13)**
As at 31 March 2016	**-**	**6.72**	**613.49**	**620.21**
Net block				
As at 31 March 2016	**-**	**-**	**132.98**	**132.98**
As at 31 March 2015	118.43	-	144.07	**262.50**

The above assets include assets taken on finance lease as follows:

	Software	Total
Gross block		
As at 1 April 2016	68.52	68.52
As at 31 March 2017	**68.52**	**68.52**
Accumulated depreciation / amortization		
As at 1 April 2016	68.52	68.52
As at 31 March 2017	**68.52**	**68.52**
Net block		
As at 31 March 2017	-	-
As at 31 March 2016	-	-

	Software	Total
Gross block		
As at 1 April 2015	68.52	68.52
As at 31 March 2016	**68.52**	**68.52**
Accumulated depreciation / amortization		
As at 1 April 2015	49.12	49.12
As at 31 March 2016	**68.52**	**68.52**
Net block		
As at 31 March 2016	**-**	**-**
As at 31 March 2015	19.40	19.40

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

Notes to the Standalone financial statements

as at 31 March, 2017

(Currency: In millions of Indian ₹)

6. Investments

		31 March 2017	31 March 2016	1 April 2015
(i)	**Non-current**			
	Unquoted			
	Investments carried at cost (Investment in equity instruments of subsidiaries)			
	218,483 (31 March 2016: 218,483, 1 April 2015: 218,483) fully paid-up common stock of USD 1 each of Firstsource Group USA Inc.@ #	**11,716.01**	11,728.27	11,648.68
	2,834,672 (31 March 2016: 2,834,672, 1 April 2015: 2,834,672) fully paid up equity shares of GBP 1 each of Firstsource Solutions UK Limited #	**36.35**	29.67	22.56
	1,050,000(31 March 2016: 1,050,000, 1 April 2015: 1,050,000) fully paid-up common stock of ₹ 10 each of Firstsource Process Management Services Limited	**100.50**	100.50	100.50
	6,823,570 (31 March 2016: 6,823,570, 1 April 2015: 6,823,570) fully paid-up common stock of LKR 10 each of Firstsource Dialog Solutions (Private) Limited	**46.18**	46.18	46.18
	1 (31 March 2016:1, 1 April 2015: 1) fully paid-up common stock of EUR 1 each of Firstsource BPO Ireland Limited	**17.36**	17.36	17.36
		11,916.40	11,921.98	11,835.28
	Provision for diminution in value of investment in Firstsource Process Management Services Limited	**(67.50)**	(67.50)	(67.50)
		11,848.90	11,854.48	11,767.78
	Investments carried at fair value through other comprehensive income			
	Investment in associate			
	1,000 (31 March 2016 : 1,000, 1 April 2015 : 1,000) fully paid equity shares of ₹ 10 each of Nanobi Data and Analytics Private Limited	**0.08**	0.08	0.08
	375,884 (31 March 2016 : 375,884, 1 April 2015 : 375,884) fully paid compulsorly convertible cumulative preference shares of ₹ 10 each of Nanobi Data and Analytics Private Limited	**29.92**	29.92	29.92
	Investments carried at fair value through profit and loss			
	Investment in associate			
	362,318 (31 March 2016 : 181,159, 1 April 2015 : Nil) fully paid compulsorly convertible cumulative preference shares of ₹ 10 each of Nanobi Data and Analytics Private Limited	**50.00**	25.00	-
	Investments carried at amortised cost			
	Philippines treasury bills*	**25.84**	28.80	27.55
		105.84	83.80	57.55
		11,954.74	11,938.28	11,825.33
	* These securities have been earmarked in favor of SEC, Philippines in compliance with corporation code of Philippines.			
	@ includes the value of revaluation impact of ECB on hedging relationship			
	# includes value of ESOP cost pertaining to employees of the foregin entities.			
(ii)	**Current**			
	Investments carried at fair value through profit and loss			
	Mutual and other funds (unquoted)			
	490,625 (31 March 2016: 671,003, 1 April 2015: 473,425) units of ICICI Prudential Assets Management Co. Ltd.	**110.01**	150.00	98.00
	101,409 (31 March 2016: 60,517, 1 April 2015: 21,838) units of Kotak Mahindra Assets Management Co. Ltd.	**270.02**	150.00	50.00
	947,062 (31 March 2016: 534,083, 1 April 2015: 275,699) units of DHFL Pramerica Assets Managers Pvt. Ltd.	**200.04**	105.00	50.00
	Nil (31 March 2016: Nil, 1 April 2015: 32,348) units of SBI Funds Management Pvt Limited	**-**	-	100.00
	Nil (31 March 2016: 24,411, 1 April 2015: 29,655) units of Reliance Mutual Fund	**-**	90.07	101.04

Notes to the Standalone financial statements
as at 31 March, 2017

(Currency: In millions of Indian ₹)

	119,579 (31 March 2016: 50,435, 1 April 2015: 52,015) units of Invesco Assets Managements (India) Pvt. Ltd.	**267.53**	105.09	100.00
	Nil (31 March 2016: Nil , 1 April 2015: 1,712,000) units of HDFC Mutual Fund	**-**	-	50.00
	Nil (31 March 2016: Nil, 1 April 2015: 446,000) units of Birla Sun life Asset Management Co Limited	**-**	-	100.07
	120,043 (31 March 2016: 67,473, 1 April 2015: Nil) units of L&T Investment Management Ltd.	**267.53**	140.08	-
	126,186 (31 March 2016: Nil, 1 April 2015: Nil) UTI Asset Management Co Pvt. Ltd.	**230.04**	-	
	83,478 (31 March 2016: Nil, 1 April 2015: Nil) Axis Mutual Fund	**150.00**	-	-
		1,495.17	740.24	649.11

Aggregate book value of unquoted investments	**13,449.91**	12,678.52	12,474.44
Investment carried at cost	**11,848.90**	11854.48	11767.78
Investment carried at amortized cost	**25.84**	28.80	27.55
Investments carried at fair value through other comprehensive income	**30.00**	30.00	30.00
Investments carried at fair value through profit or loss	**1545.17**	765.24	649.11

7. Other financial assets

		31 March 2017	31 March 2016	1 April 2015
(i)	**Other non-current financial assets**			
	Deposits	**336.81**	312.99	314.17
	Foreign currency forward contracts	**305.89**	179.63	259.42
		642.70	492.62	573.59
(ii)	**Other current financial assets**			
	Unbilled receivables	**204.12**	178.61	212.93
	Bank Deposits	**-**	3.34	2.48
	Accrued interest*	**-**	0.28	0.83
	Foreign currency forward contracts	**912.39**	367.78	456.94
		1,116.51	550.01	673.18
	Financial assets carried at amortised cost	**540.93**	495.22	530.41
	Financial assets carried at fair value through profit and loss	**1,218.28**	547.41	716.36

* Amount is less than millions

8. Other assets

		31 March 2017	31 March 2016	1 April 2015
(i)	**Other non-current assets** (Unsecured, considered good)			
	Capital advances	**0.44**	2.88	1.25
	Prepaid expenses	**10.47**	15.93	13.80
	Lease rentals receivable, net	**15.76**	20.55	26.17
	Unamortised cost	**5.96**	9.97	25.39
	Deferred contract cost#	**102.14**	-	-
		134.77	49.33	66.61
(ii)	**Other current assets**			
	Advances to subsidiaries	**399.58**	163.40	222.01
	Prepaid expenses	**113.13**	87.51	69.71
	Unamortised cost	**6.21**	5.04	18.59
	Lease rentals receivable, net	**11.80**	14.63	17.06
	Service tax credit	**78.47**	19.99	9.15

Notes to the Standalone financial statements

as at 31 March, 2017

(Currency: In millions of Indian ₹)

	Other advances	**8.14**	12.08	10.20
	Loans and advances to employees	**9.38**	18.26	8.07
	Recoverable on sale of subsidiary - Pipal	**48.73**	33.34	33.34
	Deferred contract cost#	**12.13**	-	-
		687.57	354.25	388.13

#Deferred contract cost consists of upfront costs incurred for acquiring the contract and are amortised over the term of the contract.

9. Trade receivables

	31 March 2017	31 March 2016	1 April 2015
Trade receivables			
(Unsecured)			
Considered doubtful	**0.94**	1.06	-
	0.94	1.06	-
Less: Impairment allowance	**0.94**	1.06	-
	-	-	-
Considered good	**3,719.34**	3,195.57	2,335.48
	3,719.34	3,195.57	2,335.48

Trade receivables are non-interest bearing. No trade or other receivables are due from directors or other officers of the Company either severally or jointly. For related party receivables, refer note 26.

The Company exposure to credit and currency risks, and loss allowances related to trade receivables are disclosed in note 22.

10. Cash and cash equivalents

	31 March 2017	31 March 2016	1 April 2015
Cash on hand	**0.04**	0.04	0.22
Balances with banks			
- in current accounts	**157.67**	362.95	258.28
	157.71	362.99	258.50

11. Taxation

	31 March 2017	31 March 2016	1 April 2015
Deferred tax asset on account of:			
Difference between tax and book value of fixed assets	**321.09**	371.23	340.30
Gratuity and compensated absences	**55.97**	50.24	37.91
Carry forward losses	**-**	-	76.23
Minimum alternate tax credit carried forward	**1,565.69**	1,361.30	1,200.54
	1,942.75	1,782.77	1,654.98
Deferred tax liability on account of:			
Cash flow hedges	**346.22**	-	-
	1,596.53	1,782.77	1,654.98
Income tax asset			
Advance tax and tax deducted at source (net)	**604.78**	693.62	625.87
	604.78	693.62	625.87

Notes to the Standalone financial statements
as at 31 March, 2017

(Currency: In millions of Indian ₹)

Income tax expense
Income tax expense in the Statement of Profit and loss comprises:

	Year ended	
	31 March 2017	31 March 2016
Current taxes	**258.36**	194.86
Deferred taxes	**44.41**	48.97
Income tax expense	**302.77**	243.83

A reconciliation of the income tax provision to the amount computed by applying the statutory income tax rate to the income before income taxes is summarized below:

	Year ended	
	31 March 2017	**31 March 2016**
Profit before income taxes	**2,187.36**	**1,756.06**
Enacted tax rates in India	**34.61%**	34.61%
Computed expected tax expense	**757.00**	607.74
Tax effect due to deduction under Section 10AA	**(382.73)**	(200.83)
Expenses not deductible for tax purposes	**10.63**	9.07
ESOP cost allowed for tax purpose	**(55.40)**	-
Others	**(26.73)**	(26.24)
Previous years tax impact	**-**	(145.91)
Income tax expense	**302.77**	**243.83**

12. Share capital

	31 March 2017	31 March 2016	1 April 2015
Authorised			
872,000,000 (31 March 2016: 872,000,000, 1 April 2015: 872,000,000) equity shares of ₹ 10 each	**8,720.00**	8,720.00	8,720.00
	8,720.00	8,720.00	8,720.00
Issued, subscribed and paid-up			
681,308,337 (31 March 2016: 673,314,912, 1 April 2015: 666,291,459) equity shares of ₹ 10 each, fully paid-up	**6,813.08**	6,733.15	6,662.91
	6,813.08	6,733.15	6,662.91

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

	31 March 2017		31 March 2016		1 April 2015	
	Number of shares	**Amount**	Number of shares	Amount	Number of shares	Amount
At the commencement of the year	**673,314,912**	**6,733.15**	666,291,459	6,662.91	666,291,459	6,662.91
Shares allotted during the year- employee stock option scheme	**7,993,425**	**79.93**	7,023,453	70.24	-	-
At the end of the year	**681,308,337**	**6,813.08**	673,314,912	6,733.15	666,291,459	6,662.91

Notes to the Standalone financial statements

as at 31 March, 2017

(Currency: In millions of Indian ₹)

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

	31 March 2017		31 March 2016		1 April 2015	
	Number of shares	**% of total shares**	Number of shares	% of total shares	Number of shares	% of total shares
Spen Liq Private Limited	**373,976,673**	**54.89%**	373,976,673	55.54%	373,976,673	56.13%

c. Shares held by holding company

	31 March 2017		31 March 2016		1 April 2015	
	Number of shares	**Amount**	Number of shares	Amount	Number of shares	Amount
Spen Liq Private Limited	**373,976,673**	**3,739.77**	373,976,673	3,739.77	373,976,673	3,739.77

d. Employee stock options

For stock options granted during the period to employees, refer note 25.

e. Shares reserved for issue under options

19,270,187 (31 March 2016: 26,495,617, 1 April 2015: 42,308,052) number of shares are reserved for employees for issue under the employee stock options plan (ESOP) amounting to ₹ 242.36 (31 March 2016: ₹ 264.96, 1 April 2015: ₹ 423.08).

f. Rights, preferences and restrictions attached to equity shares

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

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

12A Share application money received under ESOP scheme

The Company received ₹ 157.78 (31 March 2016: ₹ 117.07, 1 April 2016: ₹ 112.62) as share application money under ESOP scheme during the year ended 31 March 2017 in respect of which 7,993,425 (31 March 2016: 7,003,453, 1 April 2015: 6,556,583) shares were allotted during the year.

13. Borrowings

		31 March 2017	31 March 2016	1 April 2015
(i)	**Long-term borrowings**			
	Secured			
	Term loan - from banks			
	External commercial borrowings (ECB)-(refer note a)	**588.08**	1,102.75	1,165.45
	Non-current maturities of finance lease obligations	**-**	8.71	16.79
	(refer note 'b' and 23)			
	Unsecured			
	Loan from non-banking financing companies	**88.52**	48.05	32.54
	(refer note 'c')			
		676.60	1,159.51	1,214.78
(ii)	**Short-term borrowings**			
	Unsecured			
	Export finance from banks -(refer note 'd')	**619.25**	584.80	1,007.07
	Current portion of long term borrowings			
	Secured			

Notes to the Standalone financial statements
as at 31 March, 2017

(Currency: In millions of Indian ₹)

		31 March 2017	31 March 2016	1 April 2015
	External commercial Borrowring (ECB) - (refer Note 'a')	**491.21**	130.86	60.85
	Finance lease obligation - (refer note 'b' and 23)	**6.69**	11.56	35.92
	Unsecured			
	Loan from non-banking financing companies - (refer note 'c')	**64.03**	40.13	22.64
	Interest accrued but not due on borrowings	**3.80**	2.74	4.38
		1,184.98	770.09	1,130.86
	Aggregate secured borrowings	**1,085.98**	1,253.88	1,279.01
	Aggregate unsecured borrowings	**775.60**	675.72	1,066.63
	Borrowings carried at amortised cost (excluding accrued interest)	**1,857.78**	1,926.86	2,341.26

a External commercial borrowing is a dollar denominated borrowing carrying floating interest rate in the range of 3.20% to 3.75%. 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.

b Finance lease obligation carries interest in the range of 4% - 12.5% for the period of 3 - 5 years from April 2013 to March 2018, repayable in quarterly installments. This is secured by way of hypothecation of underlying fixed assets taken on lease- refer Note 4.

c Loan from non-banking financing companies carries interest in the range of 6.62% - 12.26% for the period of 3 - 4 years from April 2014 to December 2019, repayable in quarterly installments from the date of its origination.

d Export finance from banks including post-shipment and pre-shipment, carries interest in the range of 1.30% to 2.50%. The same is repayable on demand / receipt from customers.

14. Other financial liabilities

		31 March 2017	31 March 2016	1 April 2015
	Book credit in bank account	**121.06**	314.62	310.75
	Financial liabilities carried at fair value through profit and loss	**121.06**	314.62	310.75

15. Provision for employee benefits - refer note 27

		31 March 2017	31 March 2016	1 April 2015
(i)	**Non-current**			
	Gratuity	**95.22**	90.77	50.58
	Compensated absences	**22.40**	20.71	22.83
		117.62	111.48	73.41
(ii)	**Current**			
	Compensated absences	**41.69**	33.70	38.10
		41.69	33.70	38.10

16. Other liabilities

		31 March 2017	31 March 2016	1 April 2015
	Other current liabilities			
	Amount payable to subsidiary	**-**	-	114.93
	Tax deducted at source	**34.46**	24.54	16.28
	Employee benefits payable	**160.69**	164.37	180.28
	Creditors for capital goods	**11.09**	10.19	7.77
		206.24	199.10	319.26

Notes to the Standalone financial statements
for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

17. Revenue from operations

	Year ended	
	31 March 2017	31 March 2016
Sale of services	**8,408.65**	8,262.12
Other operating income (refer note 29)	**992.00**	486.66
	9,400.65	8,748.78

18. Other income

	Year ended	
	31 March 2017	31 March 2016
Profit on sale/redemption of current investments, net	**37.01**	53.01
Interest income	**15.45**	17.67
Foreign exchange gain, net		
- Exchange gain/(loss) on translation of investments	**(22.28)**	73.28
-Translation gain/(loss) on ECB	**22.28**	(73.28)
-Others	**11.87**	15.80
Gain on sale of fixed assets, net	**3.80**	4.08
Miscellaneous income	**79.73**	92.69
	147.86	183.25

19. Employee benefits expense

	Year ended	
	31 March 2017	31 March 2016
Salaries and wages	**4,212.81**	3,846.04
Contribution to provident and other funds	**281.58**	310.80
Staff welfare expenses	**85.57**	82.26
	4,579.96	4,239.10

20. Finance costs

	Year ended	
	31 March 2017	31 March 2016
Interest expense		
- on external commercial borrowings (ECB)	**40.75**	43.87
- on working capital demand loan and others	**25.37**	41.26
Finance charges on leased assets	**1.63**	3.95
	67.75	89.08

Notes to the Standalone financial statements

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

21. Other expenses

	Year ended	
	31 March 2017	31 March 2016
Rent (refer Note 23)	**685.74**	663.42
Repairs, maintenance and upkeep	**363.69**	350.70
Insurance	**41.36**	37.07
Rates and taxes	**9.15**	2.47
Legal and professional fees	**133.02**	143.06
Car and other hire charges	**369.19**	376.40
Connectivity charges	**125.39**	140.67
Information and communication expenses	**67.01**	67.92
Recruitment and training expenses	**98.90**	106.39
Meeting and seminar expenses	**4.81**	4.39
Electricity, water and power consumption	**253.37**	265.79
Travel and conveyance	**70.28**	73.87
Computer expenses	**190.15**	200.04
Printing and stationery	**18.91**	15.99
Payment to auditors		
- as audit fees	**18.00**	16.00
- as reimbursement of expenses	**1.27**	0.66
Directors' sitting fees	**5.60**	5.26
Provision for doubtful debts/ written off/ (written back), net	**(0.75)**	1.06
Bank administration charges	**0.93**	4.40
Contribution to CSR (refer note 33)	**30.30**	26.29
Miscellaneous expenses	**36.80**	27.84
	2,523.12	2,529.70

Notes to the Standalone financial statements

as at 31 March, 2017

(Currency: In millions of Indian ₹)

22. FINANCIAL INSTRUMENTS:

I Financial instruments by category:

The carrying value and fair value of financial instruments by categories as of 31 March 2017 were as follows:

	Amortized cost	FVTPL	FVOCI	Total carrying amount	Total fair value
Financial assets					
Investments	**25.84**	**1,545.17**	**30.00**	**1,601.01**	**1,601.01**
Trade receivables	**3,719.34**	**-**	**-**	**3,719.34**	**3,719.34**
Cash and cash equivalents	**157.71**	**-**	**-**	**157.71**	**157.71**
Other financial assets	**540.93**	**1,218.28**	**-**	**1,759.21**	**1,759.21**
Total	**4,443.82**	**2,763.45**	**30.00**	**7,237.27**	**7,237.27**
Financial liabilities					
Borrowings	**1,857.78**	**-**	**-**	**1,857.78**	**1,857.78**
Other financial liability	**-**	**121.06**	**-**	**121.06**	**121.06**
Trade and other payables	**338.53**	**-**	**-**	**338.53**	**338.53**
Total	**2,196.31**	**121.06**	**-**	**2,317.37**	**2,317.37**

The carrying value and fair value of financial instruments by categories as of 31 March 2016 were as follows:

	Amortized cost	FVTPL	FVOCI	Total carrying amount	Total fair value
Financial assets					
Investments	28.80	765.24	30.00	824.04	824.04
Trade receivables	3,195.57	-	-	3,195.57	3,195.57
Cash and cash equivalents	362.99	-	-	362.99	362.99
Other financial assets	495.22	547.41	-	1,042.63	1,042.63
Total	4,082.58	1,312.65	30.00	5,425.23	5,425.23
Financial liabilities					
Borrowings	1,926.86	-	-	1,926.86	1,926.86
Other financial liability	-	314.62	-	314.62	314.62
Trade and other payables	243.94	-	-	243.94	243.94
Total	2,170.80	314.62	-	2,485.42	2,485.42

The carrying value and fair value of financial instruments by categories as of 1 April 2015 were as follows:

	Amortized cost	FVTPL	FVOCI	Total carrying amount	Total fair value
Financial assets					
Investments	27.55	649.11	30.00	706.66	706.66
Trade receivables	2335.48	-	-	2,335.48	2,335.48
Cash and cash equivalents	258.50	-	-	258.50	258.50
Other financial assets	530.41	716.36	-	1,246.77	1,246.77
Total	3,151.94	1,365.47	30.00	4,547.41	4,547.41
Financial liabilities					
Borrowings	2,341.26	-	-	2,341.26	2,341.26
Other financial liability	-	310.75	-	310.75	310.75
Trade and other payables	242.59	-	-	242.59	242.59
Total	2,583.85	310.75	-	2,894.60	2,894.60

Notes to the Standalone financial statements

as at 31 March, 2017

(Currency: In millions of Indian ₹)

II. Fair value hierarchy:

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).
The following table presents fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of 31 March 2017:

	As of 31 March 2017	Fair value measurement at end of the reporting period using		
		Level 1	Level 2	Level 3
Investments				
Investment in liquid mutual fund units	**1,495.17**	**1,495.17**	**-**	**-**
Investment in government treasury bills	**25.84**	**-**	**25.84**	**-**
Investment in equity instruments	**0.08**	**-**	**-**	**0.08**
Investment in preference instruments	**79.92**	**-**	**-**	**79.92**
Total	**1,601.01**	**1,495.17**	**25.84**	**80.00**
Deposits	**336.81**	**-**	**-**	**336.81**
Derivative financial instruments - foreign currency forward contract	**1,218.28**	**-**	**1,218.28**	**-**

The following table presents fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of 31 March 2016:

	As of 31 March 2016	Fair value measurement at end of the reporting period using		
		Level 1	Level 2	Level 3
Investments				
Investment in liquid mutual fund units	740.24	740.24	-	-
Investment in government treasury bills	28.80	-	28.80	-
Investment in equity instruments	0.08	-	-	0.08
Investment in preference instruments	54.92	-	-	54.92
Total	824.02	740.24	28.80	55.00
Deposits	312.99	-	-	312.99
Derivative financial instruments - foreign currency forward contract	547.41	-	547.41	-

The following table presents fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of 1 April 2015:

	As of 1 April 2015	Fair value measurement at end of the reporting period using		
		Level 1	Level 2	Level 3
Investments				
Investment in liquid mutual fund units	649.11	649.11	-	-
Investment in government treasury bills	27.55	-	27.55	-
Investment in equity instruments	0.08	-	-	0.08
Investment in preference instruments	29.92	-	-	29.92
Total	706.66	649.11	27.55	30.00
Deposits	314.17	-	-	314.17
Derivative financial instruments - foreign currency forward contract	716.36	-	716.36	-

The fair value of other financial assest and liabilties approximate the carrying value

The fair value of Mutual and other funds is based on quoted price. Derivative financial instruments are valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in the marketplace. The fair value of government treasury bills is based on quoted prices and market observable inputs. The fair value of equity instruments and preference instruments is based on inputs that are not based on observable market data.

Notes to the Standalone financial statements
as at 31 March, 2017

(Currency: In millions of Indian ₹)

III. Financial risk management:

Financial risk factors:

The Company's activities are exposed to a variety of financial risks: market risk, credit risk, and liquidity risk. The Company's primary focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The primary market risk to the Company is foreign exchange risk. The Company uses derivative financial instruments to mitigate foreign exchange related risk exposures. The Company's exposure to credit risk is influenced mainly by the individual characteristic of each customer and the concentration of risk from the top few customers.

a) Market risk

The Company operates internationally and a major portion of the business is transacted in several currencies and consequently the Company is exposed to foreign exchange risk through its services in the United States, United Kingdom and elsewhere, and purchases from overseas suppliers in various foreign currencies. The Company holds derivative financial instruments such as foreign exchange forward and option contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The exchange rate between the Indian rupee and foreign currencies has changed substantially in recent years and may fluctuate substantially in the future. Consequently, the results of the Company's operations may be affected as the Rupee fluctuates against these currencies.

The following table analyzes foreign currency risk as of 31 March 2017:

	USD	GBP	PHP	Others*	Total
Cash and cash equivalents	**1.76**	**33.71**	**4.15**	**-**	**39.62**
Trade receivables	**2,502.51**	**1,088.74**	**-**	**0.25**	**3,591.49**
Unbilled Receivables	**-**	**30.60**	**-**	**-**	**30.60**
Other current assets	**48.73**	**-**	**-**	**-**	**48.73**
Other liabilities (capital creditors)	**-**	**-**	**1.10**	**-**	**1.10**
Advances to subsidiaries	**300.23**	**94.44**	**-**	**4.91**	**399.58**
Borrowings	**1,698.54**	**-**	**-**	**-**	**1,698.54**

*Others includes LKR, etc

The following table analyzes foreign currency risk as of 31 March 2016:

	USD	GBP	PHP	Others*	Total
Cash and cash equivalents	1.62	30.91	28.33	-	60.86
Trade receivables	925.14	1,988.07	-	28.87	2,942.08
Unbilled Receivables	-	36.55	-	-	36.55
Other current assets	33.34	-	-	-	33.34
Other liabilities (capital creditors)	-	-	1.29	-	1.29
Advances to subsidiaries	153.06	(2.93)	-	13.27	163.40
Borrowings	1,818.41	-	-	-	1,818.41

*Others includes LKR, etc.

The following table analyzes foreign currency risk as of 1 April 2015:

	USD	GBP	PHP	Others*	Total
Cash and cash equivalents	20.72	70.06	10.72	-	101.50
Trade receivables	602.94	1,377.37	-	35.17	2,015.48
Unbilled Receivables	-	67.02	-	-	67.02
Other current assets	33.34	-	-	-	33.34
Other liabilities (capital creditors)	-	-	0.42	-	0.42
Advances to subsidiaries	102.50	120.46	-	(0.96)	222.00
Borrowings	2,233.37	-	-	-	2,233.37

*Others includes LKR, etc.

Notes to the Standalone financial statements

as at 31 March, 2017

(Currency: In millions of Indian ₹)

Derivative financial instruments

The company holds derivative financial instruments such as foreign currency forward contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank. These derivative financial instruments are valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in the marketplace.

The following table gives details in respect of outstanding foreign currency forward contracts:

	As of 31 March 2017		As of 31 March 2016	
	In millions	**In ₹ millions**	In millions	In ₹ millions
Forward contracts				
in USD	**65.42**	**4,355.84**	36.96	2,554.35
in GBP	**53.90**	**4,594.10**	57.17	5,722.46
Total	**119.32**	**8,949.94**	94.13	8,276.81

The foreign exchange forward contracts mature within twenty seven months.

The table below analyzes the derivative financial instruments into relevant maturity grouping based on the remaining period as of the balance sheet date:

	As of 31 March 2017	As of 31 March 2016
Forward contracts in USD		
Not later than one month	**1,686.39**	576.04
Later than one month and not later than three months	**379.85**	268.52
Later than three months	**2,289.60**	1,709.79
	4,355.84	2,554.35
Forward contracts in GBP		
Not later than one month	**901.44**	1,308.31
Later than one month and not later than three months	**393.25**	463.57
Later than three months	**3,299.41**	3,950.58
	4,594.10	5,722.46

b) Credit risk

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to ₹ 3,719.34, ₹ 3,195.57 and ₹ 2,335.48 as of 31 March 2017, 31 March 2016 and 1 April 2015 respectively and unbilled revenue amounting to ₹ 204.12, ₹ 178.61 and ₹ 212.93 as of 31 March 2017, 31 March 2016 and 1 April 2015, respectively. Trade receivables and unbilled revenue are typically unsecured and are derived from revenue earned from customers primarily located in the United States, United Kingdom and other locations. Credit risk has always been managed by the Company by continuously monitoring the credit worthiness of customers to which the Company grants credit terms in the normal course of business

c) Liquidity risk:

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation.

The table below provides details regarding the contractual maturities of significant financial liabilities as of 31 March 2017, 31 March 2016 and 1 April 2015:

	31 March 2017		31 March 2016		1 April 2015	
	Less than 1 Year	**More than 1 year**	Less than 1 Year	More than 1 year	Less than 1 Year	More than 1 year
Trade payables	**338.53**	**-**	243.94	-	242.59	-
Export finance, Line of credit, and Working capital demand loan	**619.25**	**-**	584.80	-	1,007.07	-
Other borrowings	**561.93**	**676.60**	182.55	1,159.51	119.41	1,214.78
Book credit in bank account	**121.06**	**-**	314.62	-	310.75	-

Notes to the Standalone financial statements

as at 31 March, 2017

(Currency: In millions of Indian ₹)

23. 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 2017 aggregated to ₹ 435.29 (31 March 2016: ₹ 283.18)

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

	As at 31 March 2017	As at 31 March 2016
Amount due within one year from the balance sheet date	**295.33**	289.32
Amount due in the period between one year and five years	**313.86**	223.20
Amount due in the period beyond five years	**37.58**	-
	646.77	512.52

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 2017 is ₹399.90 (31 March 2016: ₹ 120.90).

The Company has sub-leased office facilities under an operating lease. Amount receivable within one year from the balance sheet date is ₹ 18.28 (31 March 2016: ₹ 24.28, 1 April 2015: Nil).

The Company has acquired certain capital assets under finance lease. Future minimum lease payments under finance lease as at 31 March 2017 are as follows:

Finance lease

	Minimum lease payments	Finance charges	Present value of minimum payments
As at 31 March 2017			
Amount payable within one year from the balance sheet date	**7.34**	**0.66**	**6.69**
Amount payable in the period between one year and five years	**-**	**-**	**-**
	7.34	**0.66**	**6.69**
As at 31 March 2016			
Amount payable within one year from the balance sheet date	13.34	1.78	11.56
Amount payable in the period between one year and five years	9.38	0.67	8.71
	22.72	2.45	20.27

The Company has given vehicles on finance lease to its employees as per policy. As at 31 March 2017, the future minimum lease rentals receivable are as follows:

	Minimum lease payments	Finance charges	Present value of minimum payments
As at 31 March 2017			
Amount receivable within one year from the balance sheet date	**14.23**	**2.43**	**11.80**
Amount receivable in the period between one year and five years	**17.68**	**1.92**	**15.76**
	31.91	**4.35**	**27.56**
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

Notes to the Standalone financial statements
for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

24. Specified bank notes (SBN)

During the year, the Company had specified bank notes or other denomination notes ('ODN') as defined in the MCA notification G.S.R. 308(E) dated 31 March 2017 on the details of Specified Bank Notes ('SBN') held and transacted during the period from 8 November 2016 to 30 December 2016, the denomination-wise SBNs and other notes as per the notification is given below.

Particulars	SBNs	ODNs	Total
Closing cash on hand as on 8 November 2016	11,000	4,643	15,643
(+) Withdrawal from bank accounts	-	10,000	10,000
(+) Permitted receipts	-	435	435
(-) Permitted payments	-	(3,028)	(3,028)
(-) Amounts deposited in banks	(11,000)	-	(11,000)
Closing cash on hand as on 30 December 2016	-	12,050	12,050

Amounts in the above table are absolute numbers

25. 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 including its holding Company and 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'). The 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.

Employee stock option scheme 2003 ('Scheme 2003')
In September 2003, the Board and the members of the Company approved the ICICI OneSource Stock Option Scheme 2003 ('Scheme 2003') effective 11 October 2003. The Scheme would be administered and supervised by the members of the Compensation committee. The key terms and conditions which 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 during the year 2015-16 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	25.00
End of 18 months from the date of grant of options	12.50
End of 24 months from the date of grant of options	12.50
End of 30 months from the date of grant of options	12.50
End of 36 months from the date of grant of options	12.50
End of 42 months from the date of grant of options	12.50
End of 48 months from the date of grant of options	12.50

Notes to the Standalone financial statements

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

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.

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	50.00
End of 36 months from the date of grant of options	50.00

ESOP 2003

Employee stock option activity under Scheme 2003 is as follows:

Description	Exercise Range	31 March 2017		31 March 16	
		Shares arising out of options	**Weighted Average period in months**	Shares arising out of options	Weighted Average period in months
Outstanding at the beginning of the year	00.00 - 30.00	**18,049,075**	**77.34**	28,628,602	85.71
	30.01 - 60.00	**7,646,842**	**61.89**	10,760,188	33.75
	60.01 - 90.00	**800,000**	**14.91**	2,919,262	31.57
		26,495,917		42,308,052	
Granted during the year	00.00 - 30.00	**-**			
	30.01 - 60.00	**3,550,000**		3,350,000	
	60.01 - 90.00	**-**			
		3,550,000		3,350,000	
Forfeited during the year	00.00 - 30.00	**795,510**		3,733,250	
	30.01 - 60.00	**816,988**		6,168,646	
	60.01 - 90.00	**60,000**		2,119,262	
		1,672,498		12,021,158	
Exercised during the year*	00.00 - 30.00	**6,601,065**		6,728,453	
	30.01 - 60.00	**1,392,360**		295,000	
	60.01 - 90.00	**-**			
		7,993,425		7,023,453	
Expired during the period	00.00 - 30.00	**-**		117,824	
	30.01 - 60.00	**1,009,807**		-	
	60.01 - 90.00	**100,000**		-	
		1,109,807		117,824	
Outstanding at the end of the year	00.00 - 30.00	**10,652,500**	**66.81**	18,049,075	77.34
	30.01 - 60.00	**7,977,687**	**69.71**	7,646,542	61.89
	60.01 - 90.00	**640,000**	**5.43**	800,000	14.91
		19,270,187		26,495,617	
Exercisable at the end of the year	00.00 - 30.00	**8,652,500**	**63.00**	12,328,100	70.96
	30.01 - 60.00	**2,555,194**	**47.71**	3,882,942	16.77
	60.01 - 90.00	**640,000**	**6.73**	800,000	17.78
		11,847,694		17,011,042	

* The weighted average share price of these options was Rs19.74 and ₹ 16.79 for the year ended 31 March 2017 and 31 March 2016 respectively

Notes to the Standalone financial statements

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

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

	31 March 2017	31 March 2016
Dividend yield	**0%**	0%
Expected Life	**5.5-7 years**	5.5-7 years
Risk free interest rate	**6.50% to 9.06%**	6.50% to 9.06%
Volatility	**0% to 75%**	0% to 75%
Model Used	**Black & Scholes**	Black & Scholes

The expense arises from equity settled share based payment transaction amounting to ₹ 39.41 and ₹ 36.49 for the year ended 31 March 2017 and 31 March 2016 respectively. The cost related to employee stock options of its subsidiary companies is recognised as addition to investment. Accordingly, the amount of ₹ 4.21, ₹ 7.11 and ₹ 6.68 is recognised as investments in Firstsource Solutions UK Limited for the year 1 April 2015, 31 March 2016 and 31 March 2017 respectively and ₹ 7.42, ₹ 6.30 and ₹ 10.02 is recognised as investment in Firstsource Group USA Inc. for the year 1 April 2015, 31 March 2016 and 31 March 2017 respectively.

26. Related party transactions

Details of related parties including summary of transactions entered into during the year ended 31 March 2017 are summarized below:

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

Particulars of related party transactions:

Name of the related party	Description	Transaction value during the year ended		Receivable / (Payable) at	
		31 March 2017	31 March 2016	31 March 2017	31 March 2016
FSL-UK	Income from services	**1,749.43**	2,307.38	**1,002.85**	1,690.90
	Reimbursement of expenses	**14.44**	1.61	**-**	-
	Recovery of expense	**150.69**	172.26	**176.78**	179.71
	Receipt of services	**460.31**	479.56	**(119.99)**	(40.35)
	Parental guarantee commission	**11.36**	6.59	**11.36**	6.59
FAL	Income from services	**487.96**	480.46	**218.58**	156.84
	Recovery of expense	**29.61**	27.22	**90.19**	39.09
Medassist	Income from services	**101.65**	70.47	**30.02**	16.82
	Reimbursement of expenses	**0.01**	-	**-**	-

Notes to the Standalone financial statements

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

	Recovery of expense	**59.93**	44.02	**77.35**	66.09
FG US	Income from services	**680.81**	783.15	**312.28**	338.46
	Reimbursement of expenses	**0.05**	-	**-**	-
	Recovery of expense	**4.07**	15.98	**46.81**	23.16
	Parental guarantee commission	**57.92**	67.23	**57.92**	67.23
FTS	Income from services	**1,076.27**	931.48	**885.92**	321.54
	Recovery of expense	**57.97**	51.56	**54.59**	37.99
	Reimbursement of expenses	**3.48**	1.67	**-**	-
FSL Ireland	Income from services	**-**	7.24	**-**	-
	Recovery of expense	**-**	-	**-**	7.24
	Parental guarantee commission	**4.13**	6.03	**4.13**	6.03
ISGN - FFS	Recovery of expense	**7.73**	-	**2.52**	-
	Income from Services	**994.64**	-	**976.58**	-
ISGN	Recovery of expense	**15.84**	-	**(8.26)**	-
	Reimbursement of expenses	**5.57**	-	**-**	-
Nanobi	Investment in compulsory convertible cumulative preference shares	**25.00**	25.00	**-**	-
	Receipt of services	**5.83**	12.26	**-**	-
CESC Limited	Income from services	**21.00**	16.32	**1.60**	-
Spencer	Income from services	**7.73**	4.55	**2.02**	2.26
	Receipt of services	**1.91**	3.82	**(0.50)**	(1.20)
New Rising Promoters Private Limited	Recovery of expense	**1.05**	-	**-**	-
Omnipresent	Income from services	**-**	0.22	**-**	-
Non-executive directors	Sitting fees paid	**5.60**	5.25	**-**	-
Key Managerial Personnel	Remuneration*	**62.38**	57.80	**-**	-

	For the year ended	
Description	**31 March 2017**	31 March 2016
Rajesh Subramaniam	**45.99**	42.75
Dinesh Jain	**16.39**	15.05

Advances to subsidiaries consist of the followings amounts advanced to subsidiaries towards reimbursement of expenses and are repayable on demand:

	Closing balance as on		Maximum amount outstanding during the year ended	
	31 March 2017	31 March 2016	**31 March 2017**	31 March 2016
FSL UK	**67.41**	2.07	**193.39**	195.28
FSL Ireland	**4.13**	13.27	**4.90**	13.27
FG US	**109.33**	36.09	**105.07**	76.62
FAL	**90.19**	39.09	**91.08**	50.89
FTS	**54.59**	6.79	**54.16**	44.96
MedAssist	**77.35**	66.09	**76.49**	66.09
ISGN - Solution	**(8.26)**	-	**18.01**	-
ISGN FFS	**4.84**	-	**8.21**	-
TOTAL	**399.58**	163.40		

27. Employee benefits

The Company has a defined benefit gratuity plan in India (funded). The Company's defined benefit gratuity plan is a final salary plan for employees, which requires contributions to be made to a separately administered fund.

The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the Act, Indian employee who has completed five years or more of service is entitled to specific benefit. The level of benefits provided depends on the member's length of service and salary at retirement age. The fund has the form of a trust and it is governed by the Board of Trustees, which consists of an equal number of employer and employee representatives. The Board of Trustees is responsible for the administration of the plan assets and for the definition of the investment strategy.

Notes to the Standalone financial statements

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

Each year, the Board of Trustees reviews the level of funding in the India gratuity plan. Such a review includes the asset-liability matching strategy and investment risk management policy. This includes employing the use of annuities and longevity swaps to manage the risks. The Board of Trustees decides its contribution based on the results of this annual review. Generally, investments are in debt mutual funds. Annual contributions are at a level such that no plan deficits (based on valuation performed) will arise.

a) Gratuity plan

The following table sets out the status of the gratuity plan:

Reconciliation of opening and closing balances of the present value of the defined benefit obligation and fair value of planned assets:

	31 March 2017	31 March 2016
Change in present value of obligations		
Obligations at beginning of the year	**113.20**	81.15
Service cost	**20.56**	21.40
Interest cost	**6.94**	5.15
Actuarial (gain)/loss	**0.33**	36.81
Benefits paid	**(24.33)**	(31.31)
Obligations at the end of the year	**116.70**	113.20
Change in plan assets		
Fair value of plan assets at beginning of the year	**22.43**	30.57
Adjustments to opening fair value of plan assets	**0.44**	-
Return on plan assets excluding interest income	**(0.26)**	(0.01)
Interest income	**1.61**	2.02
Contributions	**21.60**	21.16
Benefits paid	**(24.33)**	(31.31)
Fair value of plan assets at end of the year,	**21.49**	22.43
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	**116.70**	113.20
Fair value of plan assets at the end of year	**(21.49)**	(22.43)
Funded status being amount of liability recognised in the balance sheet	**95.21**	90.77
Gratuity cost for the year		
Service cost	**20.56**	21.40
Net Interest cost	**5.32**	3.14
Net gratuity cost	**25.88**	24.54
Remeasurements of the net defined benefit liability/ (asset)		
Actuarial (gains) / losses	**0.33**	36.81
(Return)/loss on plan assets excluding amounts included in the net interest on the net defined benefit liability/(asset)	**0.26**	0.01
Total actuarial (gain)/loss recognized in (OCI)	**0.59**	36.82
Category of Assets	**Total Amount**	Target Allocation %
Gartuity Fund (LIC of India, ICICI Prudential Insurance Company and Birla Sunlife Insurance Co. Ltd	**18.75**	100%
Total Itemized Assets	**18.75**	100%
Assumptions		
Mortality	**IALM (2006-08) Ult.**	IALM (2006-08) Ult.
Interest rate	**6.68%**	8.00%
Rate of growth in salary levels	**5.00%**	5.00%
Employee Attrition Rate	**20% for all ages**	20% for all ages

Since the scheme funds are invested with LIC of India, ICICI Prudential Insurance Company & Birla Sunlife Insurance Co. Ltd. EROA is based on rate of return declared by fund managers

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.

Notes to the Standalone financial statements

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

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 ₹ 173.32 (31 March 2016: ₹ 164.94).

c) Compensated absences

	31 March 2017	31 March 2016
Actuarial assumptions		
Interest rate	**6.68%**	8.00%
Rate of growth in salary levels	**5.00%**	5.00%

28. Segment reporting

As per Ind AS 108 - Operating Segment, if a financial report contains both consolidated financial statements of a parent that is within the scope of this Ind AS as well as the parent's separate financial statements, segment information is required only in the consolidated financial statements. Accordingly, information required to be presented under Ind AS 108 - Operating Segment has been given in the consolidated financial statements of the Company.

29. Other operating income

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

30. Computation for calculating diluted earnings per share

	For year ended	
	31 March 2017	31 March 2016
Number of shares considered as basic weighted average shares outstanding	**676,262,213**	669,787,584
Add: Effect of potential issue of shares/ stock options *	**9,400,038**	30,803,670
Number of shares considered as weighted average shares and potential shares outstanding	**685,662,251**	700,591,254
Net profit after tax attributable to shareholders	**1,884.59**	1,512.23
Net profit after tax for diluted earnings per share	**1,884.59**	1,512.23
* Not considered when anti-dilutive		

Notes to the Standalone financial statements
for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

31. Capital and other commitments and contingent liabilities

	31 March 2017	31 March 2016
The estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	**93.75**	134.18
Claims not acknowledged as debts	**1.35**	1.35
Guarantees given to the Government of India, Customs and Central excise department in relation to duty securities. and letter of credit given	**14,141.54**	11,402.07

Direct tax matters

Income tax demands amounting to ₹1,197.93 (31 March 2016: ₹ 1,280.61) for the various assessment years are disputed in appeal by the Company in respect of which it has favorable decisions supporting its stand based on the past assessment or otherwise and hence, the provision for taxation is considered adequate. the Company has paid ₹ 10.38 (31 March 2016: ₹ 10.38) tax under protest against the demand raised for the assessment year 2004-05, ₹ 12.50 (31 March 2016: ₹ 12.50) tax under protest against the demand raised for the assessment year 2009-10, ₹ 80.00 (31 March 2016: ₹ 80.00) tax under protest against the demand raised for the assessment year 2011-12 and ₹ Nil (31 March 2016: ₹ 28.10) 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 2016: ₹ 172.11) in respect of service tax input credit and FCCB issue expenses is disputed in appeal by the Company. The Company expects favourable appellate decision in this regard.

The Company's pending litigations comprise of claims against the Company and pertaining to proceedings pending with Income tax and service tax. The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed as contingent liabilities where applicable, in the financial statements. The Company does not expect the outcome of these proceedings to have a materially adverse effect on its financial statements.

Guarantees

	31 March 2017	31 March 2016
Guarantees given for working capital facilities and finance lease on behalf of Firstsource Solution UK Limited (FSL-UK)	**3,950.09**	815.69
Guarantees given for credit facilities and term loans on behalf of Firstsource Group USA, Inc. (FG US)	**10,173.45**	10,580.22
Guarantees given to the Government of India, Customs and Central excise department in relation to duty securities	**18.00**	6.16

32. 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.

Notes to the Standalone financial statements

for the year ended 31 March, 2017

(Currency: In millions of Indian ₹)

33. Corporate social responsibility (CSR)

As per Section 135 of the Companies Act, 2013, a CSR trust has been formed by CESC Limited, Ultimate Holding Company. The areas identified by the CSR trust includes activities for promoting healthcare, art / culture, sports and education as the four priority areas to be pursued in phases and in a manner aligned with the CSR rules and regulations. The funds have been contributed by the company to the trust and are to be utilized on the activities which are specified in Schedule VII to the Companies Act, 2013.

a) Gross amount required to be spent by the Company during the year is ₹ 30.03 (31 March 2015: ₹ 26.29)

b) Amount spent by Firstsource during the year on:

	Amount paid	Amount yet to be paid	Total
Construction/ acquisition of any asset	1.00	-	1.00
On purposes other than (i) above	29.03	-	29.03

34. Micro, small and medium enterprises

Under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, which came into force from 2 October 2006, and on the basis of the information and records available with the Company, the following disclosures are made for the amounts due to the Micro and Small enterprises:

	31 March 2017	31 March 2016
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	-	-

35. Subsequent events

The Board of directors at its meeting held on 5 May 2017 approved the financial statements of the company for the year ended 31 March 2017. The company evaluated subsequent events from the balance sheet date through 5 May 2017 and determined there are no material items to report.

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
5 May 2017

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

Donald W. Layden Jr.
Director

Subrata Talukdar
Director

Pradip Kumar Khaitan
Director

Pradip Roy
Director

Grace Koshie
Director

Pooja Nambiar
Company Secretary

Dinesh Jain
President and CFO

Kolkata
5 May 2017

Notice

NOTICE is hereby given that the 16th Annual General Meeting of the Members of Firstsource Solutions Limited will be held on Tuesday, 8 August 2017 at 3.30 p.m. at Manik Sabhagriha, 'Vishwakarma' M. D. Lotlikar Vidya Sankul, Opposite Lilavati Hospital, Bandra Reclamation, Mumbai 400 050 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 31 March 2017 along with the reports of the Board of Directors and the Auditors thereon; and

   b) the audited consolidated financial statement of the Company and its subsidiaries for the financial year ended 31 March 2017 along with the report of the Auditors thereon.

2. To appoint a Director in place of **Mr. Pradip Kumar Khaitan** (DIN 00004821), who retires by rotation and being eligible, offers himself for re-appointment.

3. **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 and pursuant to the recommendation of the Audit Committee of the Board, **Deloitte Haskins & Sells LLP, Chartered Accountants,** bearing Registration Number: 117366W/W-100018, be and are hereby appointed as the Statutory Auditors of the Company, in place of the retiring Statutory Auditors M/s. B S R & Co. LLP, Chartered Accountants, who shall hold office from the conclusion of this 16th Annual General Meeting for a term of consecutive five years i.e. till the conclusion of 21st Annual General Meeting subject to ratification of their appointment by the members at every Annual General Meeting, as may be required under the applicable provisions of the Companies Act 2013.

   RESOLVED FURTHER THAT the Audit Committee of the Board of Directors of the Company be and are hereby authorised to fix such remuneration and the reimbursement of out-of-pocket expenses for the Statutory Auditors.

   RESOLVED FURTHER THAT the Board of Directors of the Company, be and are hereby authorised to do all such necessary acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

By Order of the Board of Directors

Pooja Nambiar
Company Secretary & Compliance Officer
ACS No.: 14055

Firstsource Solutions Limited
CIN: L64202MH2001PLC134147
Registered Office:
5th Floor, Paradigm 'B' Wing, Mindspace, Link Road,
Malad (West), Mumbai - 400 064
Tel : +91-22-66660888, Fax: +91-22-66660887
www.firstsource.com
Email: complianceofficer@firstsource.com

5 May 2017

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND, ON A POLL, TO VOTE ON HIS BEHALF. [A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES INORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING]. Pursuant to the provisions of Section 105 of the Companies Act 2013, a person can act as a proxy on behalf of members not exceeding 50 and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights. In case a proxy is proposed to be appointed by a member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or shareholder.

2. Corporate members intending to send their authorised representatives to attend the 16th Annual General Meeting ("AGM") are requested to send a certified true copy of the appropriate resolution/ authority, as applicable, authorising their representatives to attend and vote on their behalf at the AGM.

3. The Register of Members and Share Transfer Books of the Company will be closed from Tuesday, 1 August 2017 to Tuesday, 8 August 2017 (both days inclusive).

4. All the documents referred to in the Notice will be available for inspection by the members at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on all working days 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 request/(s) for change pertaining to their bank details, National Electronic Clearing Service (NECS), Electronic Clearing Service (ECS), Mandates, Nomination, Power of Attorney, Change of Address, Change of Name, Email Address, Contact Numbers etc. to their respective Depository Participant (DP). Changes intimated to the DP will then be automatically reflected in the Company's records which will help the Company and its Transfer Agents to provide efficient and better services. The Company or its Registrars cannot act on any such requests received directly from the members holding shares in electronic form.

8. To prevent fraudulent transactions, members are advised to exercise due diligence and notify the Company of any change in address or demise of any member as soon as possible. Members are also advised not to leave their demat account/(s) dormant for long. Periodic statement of holdings should be obtained from the concerned Depository Participants and holdings should be verified.

9. Pursuant to the requirements of Corporate Governance Code under the Listing Regulations 2015, the information/ a brief profile about the Director proposed to be re-appointed at the AGM is given in the Annexure to this Notice.

10. Members desirous of getting any information about the accounts and operations of the Company are requested to write to the Company atleast 7 days before the AGM to enable the Company to keep the information ready at the AGM.

    The Notice of the AGM along with the Annual Report for FY 2016-17 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.

11. Voting through Electronic means:

a) In compliance with the provisions of Section 108 of the Companies Act 2013, Rule 20 of the Companies (Management and Administration) Rules 2014 as amended by the Companies (Management and Administration) Amendment Rules 2015 and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, the Company is pleased to provide to the members the remote e-Voting facility to exercise their right to vote on resolutions proposed to be considered at the Annual General Meeting (AGM). The facility of casting the votes by the members using an electronic voting system from a place other than venue of the AGM ("remote e-voting") will be provided by Central Depository Services (India) Limited (CDSL);

b) The facility for voting through ballot paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through ballot paper;

c) The Members who have cast their vote by remote e-voting prior to the meeting may also attend the meeting but shall not be entitled to cast their vote again;

d) The remote e-voting period will commence on Friday, 4 August 2017 at 9.00 a.m. and will end on Monday, 7 August 2017 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 Tuesday, 1 August 2017 may cast their vote by remote e-voting. The remote e-voting module shall be disabled by CDSL for voting on Monday, 7 August 2017 at 5.00 p.m. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently;

e) The Company has appointed Rathi & Associates, Company Secretary in whole time practice (email: associates.rathi8@gmail.com), to act as the Scrutinizer for conducting the electronic voting process and voting at the AGM in a fair and transparent manner;

(f) The process and manner for remote e-voting are as under:

(i) The shareholders should log on to the e-voting website www.evotingindia.com.

(ii) Click on Shareholders.

(iii) Now Enter your User ID.
a. For CDSL: 16 digits beneficiary ID.
b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID.
c. Members holding shares in Physical Form should enter Folio Number registered with the Company.

(iv) Next enter the Image Verification as displayed and Click on Login.

(v) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.

(vi) If you are a first time user follow the steps given below:

	For Members holding shares in Demat Form and Physical Form
PAN	• Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) • Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and 8 digit of the sequence number in their PAN field.
Dividend Bank Details OR Date of Birth (DOB)	• Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login. • If both the details are not recorded with the depository or company please enter the user id / folio number in the Dividend Bank details field as mentioned in instruction (iii).

(vii) After entering these details appropriately, click on "SUBMIT" tab.

(viii) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is also to be used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

(ix) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

(x) Click on the EVSN of Firstsource Solutions Limited which is 170627010.

(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) Shareholders can also cast their vote using CDSL's mobile app m-Voting available for android based mobiles. The m-Voting app can be downlaoded from Google Play Store. Apple and Windows phone users can download the app from the App Store and the Windows Phone Store respectively. Please follow the instructions as promopted by the mobile app while voting on your mobile.

(xviii) Note for Non – Individual Shareholders and Custodians:

Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.

A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.

- After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
- The list of accounts linked in the login should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.

(xix) Institutional members (i.e. members other than individuals, HUF, NRIs, etc.) are also required to send scanned copy (PDF/JPG format) of the relevant Board Resolution/ Authority Letter etc. together with the attested specimen signature/(s) of the duly authorised signatory/(ies) who are authorised to vote, to the Scrutinizer Rathi & Associates through email at: associate.rathi8@gmail.com with a copy marked to helpdesk.evoting@cdsl.co.in.

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

(xxi) The voting rights of members shall be in proportion to their shares in the paid up equity share capital of the Company as on the cut-off date of Tuesday, 1 August 2017.

(xxii) Any person, who acquires shares of the Company and becomes member of the Company after dispatch of the notice and holding shares as of the cut-off date i.e. Tuesday, 1 August 2017, may obtain the login ID and password by sending a request at helpdesk.evoting@cdslindia.com or to Issuer/RTA.

(xxiii) A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility either of remote e-voting or voting at the AGM through ballot paper.

(xxiv) The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of the Scrutinizer, by use of "Ballot Paper" for all those members who are present at the AGM but have not cast their votes by availing the remote evoting facility.

(xxv) The Scrutinizer shall, after the conclusion of voting at the AGM, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of atleast two witnesses not in the employment of the Company and shall make, not later than three days of the conclusion of the AGM, a consolidated Scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorised by the Chairman in writing, who shall countersign the same and declare the result of the voting forthwith.

(xxvi) The Results declared 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 in writing. The results shall also be immediately forwarded to the BSE Limited and National Stock Exchange of India Limited, Mumbai.

ANNEXURE TO THE NOTICE

BRIEF PROFILE OF PERSON PROPOSED TO BE RE-APPOINTED AS DIRECTOR AT THE ENSUING ANNUAL GENERAL MEETING

Mr. Pradip Kumar Khaitan (DIN 00004821), 76 years, is a B.Com, LL.B. and Attorney-at-law (Bell Chambers Gold Medalist). He has professional Affiliations with Bar Council of India, Bar Council of West Bengal, Indian Council of Arbitration, New Delhi and Incorporated Law Society of Calcutta. Mr. Khaitan is the Senior Partner of Khaitan & Co. and is widely regarded as amongst the most influential legal practitioners in India. With over 50 years of experience, Mr. Khaitan has advised on a wide range of transactions.

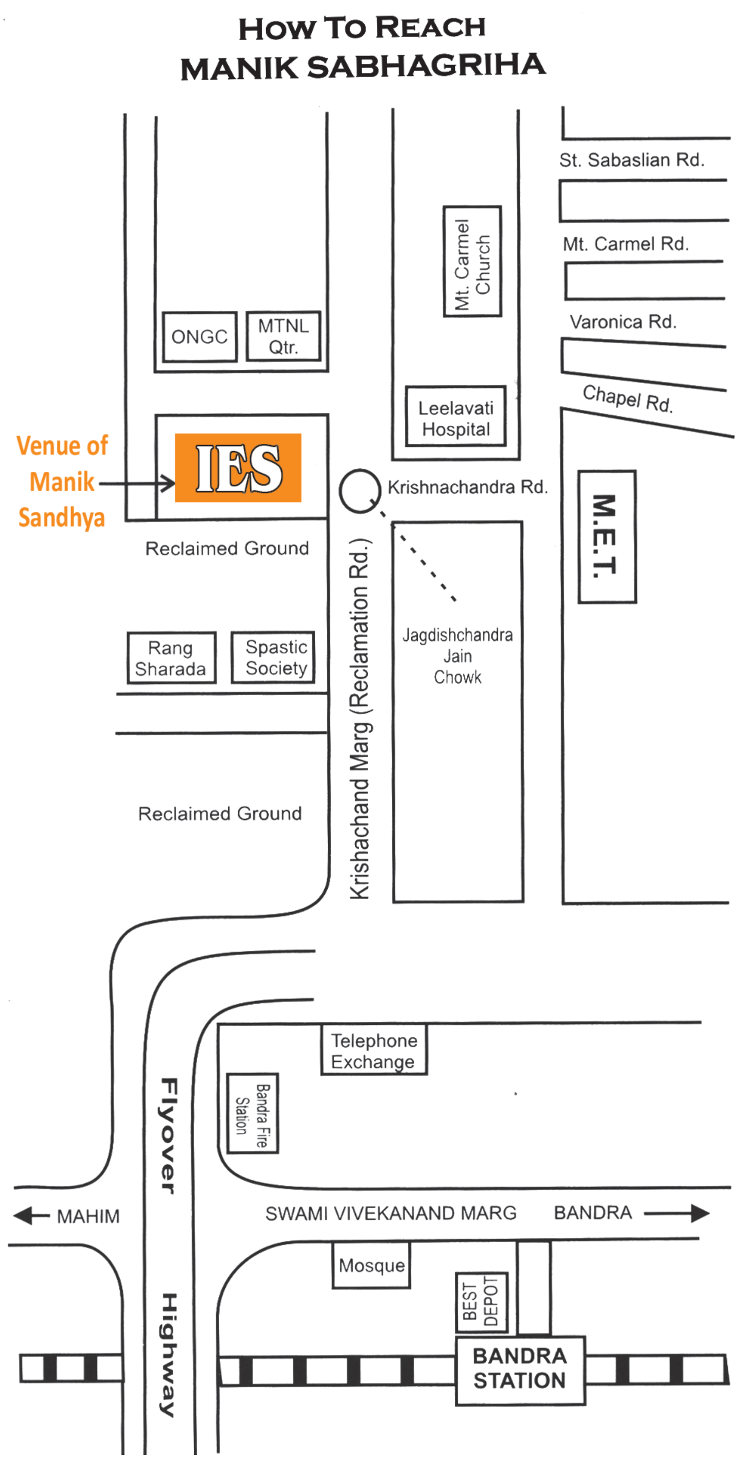
Mr. Khaitan's practice includes advising domestic business houses and International Corporations, Banks, Development Agencies and Governments on all aspects of commercial and corporate laws, taxation, joint ventures, IPOs, mergers & demergers, corporate governance, restructuring and insolvency issues. He regularly advises on strategic decisions and sensitive commercial and legal issues.

Mr. Khaitan represents Spen Liq Private Limited, the Promoter on the Board of Directors of the Company. Mr. Khaitan is a Director on the Board of Directors of several public listed Companies in India namely CESC limited, Dalmia Bharat Limited, Dhunseri Petrochem Limited, Electrosteel Castings Limited, Emami Limited, Graphite India Limited, India Glycols Limited, OCL India Limited and Woodlands Multispeciality Hospital Limited. He is holding Memberships of the following Committees across all Public Limited companies, in which he is Director:

Name of the Company	Name of the Committee	Position held (Chairman/ Member)
CESC Limited	1. Nomination & Remuneration Committee; 2. Finance & Forex Committee; 3. Risk Management Committee; 4. Project Management Committee	Chairman Member Chairman Member
Dalmia Bharat Limited	1. Audit Committee 2. Nomination & Remuneration Committee	Member Member
Dhunseri Petrochem Limited	1. Nomination & Remuneration Committee 2. Corporate Social Responsibility Committee	Member Chairman
Electrosteel Casting Limited	1. Nomination & Remuneration Committee 2. Audit Committee 3. Corporate Social Responsibility Committee	Member Member Member
Graphite India Limited	1. Stakeholders Relationship Committee 2. Nomination & Remuneration Committee 3. Committee for Borrowings	Member Chairman Member
India Glycols Limited	1. Audit Committee 2. Stakeholder Relationship Committee 3. Nomination & Remuneration Committee 4. Corporate Social Responsibility Committee 5. Committee of Directors 6. Risk Management Committee 7. Ethics Committee for Code of Conduct for Directors & Senior Management	Chairman Chairman Member Member Member Member Member
Woodlands Multispeciality Hospital Limited	1. Share Allotment Committee	Chairman

He does not hold any shares or stock options of the Company. He is not related to any other Director of the Company. He attended 3 Board Meetings during the Financial Year 2016-17.

Route map for venue of the 16th Annual General Meeting:
Date: 8 August 2017
Time: 3.30 P.M.



NOTE

NOTE

Corporate Information

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

Statutory Auditors
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
Pooja Nambiar

Committee Details
Audit Committee
Mr. Y. H. Malegam, Chairman
Mr. Charles Miller Smith
Ms. Grace Koshie
Mr. Subrata Talukdar

Nomination and Remuneration Committee
Mr. Y. H. Malegam, Chairman
Mr. Charles Miller Smith
Mr. Pradip Roy
Mr. Subrata Talukdar

Stakeholders Relationship Committee
Mr. Subrata Talukdar, Chairman
Mr. Rajesh Subramaniam

Corporate Social Responsibility Committee
Mr. Shashwat Goenka, Chairman
Mr. Rajesh Subramaniam
Mr. Pradip Roy
Mr. Subrata Talukdar

Investment Committee
Mr. Y. H. Malegam, Chairman
Mr. Rajesh Subramaniam
Mr. Subrata Talukdar

Strategy Committee
Mr. Shashwat Goenka, Chairman
Mr. Rajesh Subramaniam
Mr. Donald W. Layden Jr.
Mr. Subrata Talukdar

Bankers
1 ICICI Bank Limited
2. DBS Bank Limited
3. Citi Bank NA
4. RBL Bank Limited
5. Yes Bank Limited
6. Barclays Bank PLC
7. Deutsche Bank AG
8. Standard Chartered Bank
9. Bank of Philippines Islands
10. Bank of America
11. The PNC Financial Services Group
12. HDFC Bank Limited
13. IDFC Bank Limited

firstsource®

FIRSTSOURCE SOLUTIONS LIMITED
5th Floor, Paradigm 'B' Wing, Mindspace, Link Road,
Malad (West), Mumbai 400 064, India,
CIN: L64202MH2001PLC134147

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