

Firstsource Solutions Ltd.

Large shareholder Metavante acquired by FINS -
ALERT

- **Fidelity National Information Services (FIS) today announced acquisition of Metavante Technologies (MT) – MT holds 20% stake in Firstsource (FSOL).** The acquisition will create the world's largest provider of integrated payment and financial processing services. FSOL had entered into a strategic partnership with Metavante where Metavante would market FSOL's offshore BPO services as part of their overall service offerings and FSOL would be Metavante's exclusive offshore and preferred onshore BPO service partner.
- **Implications:** We believe that FSOL failed to see any significant traction in the partnership with Metavante, especially due to the severe downturn in the US Banking space. While the acquisition creates a much bigger entity giving FSOL access to a large pool of a relatively underpenetrated segment of US-based mid-size banks, we are unaware of FIS' commitment to the deal signed by Metavante. We believe there is a chance that offshoring BPO work is not the priority for FIS near term given weak financial markets. Further, any decision to sell stake in FSOL could be a technical negative for FSOL stock – we will speak to the company over next few days to get more color on the same.
- **FCCB buyback:** Firstsource has bought back FCCB of face value worth US\$49.7mn at discount of ~50%. FSOL has raised ECB of ~\$25mn (interest cost below 10%) to fund the buyback. While the FCCB buyback should be a sentiment positive for the stock, the quantum is too small (US\$257 million of outstanding FCCB before the buyback) to have any material impact on our FY10/11 EPS estimates, especially because FSOL has taken debt to fund this buyback.
- **Investment view:** We continue to believe that FSOL will see a difficult end-market environment both in financial services and healthcare for FY10, and we remain fundamentally cautious.
- **Note: Fidelity National Information Services Inc is covered by our US analyst Tien-Tsin Huang.**

Neutral

FISO.BO, FSOL IN

Price: Rs16.85

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eBusiness/IT Services

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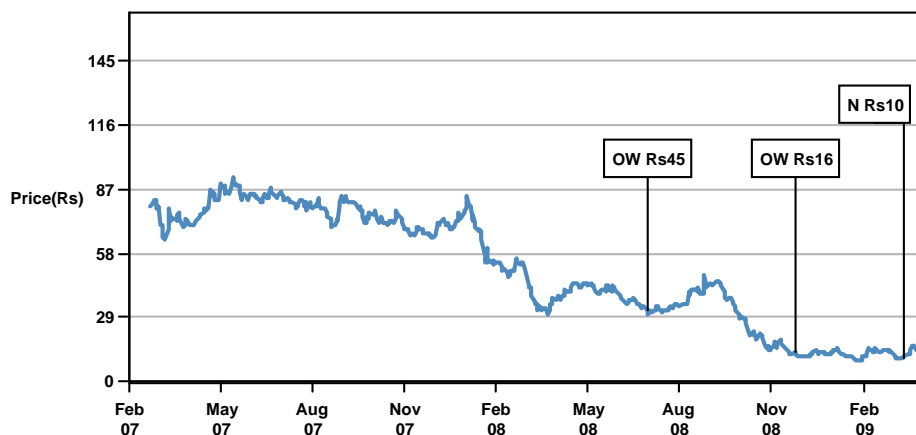
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Firstsource Solutions Ltd. (FISO.BO) Price Chart



Date	Rating	Share Price (Rs)	Price Target (Rs)
01-Jul-08	OW	32.15	45.00
25-Nov-08	OW	12.90	16.00
12-Mar-09	N	10.73	10.00

Source: Reuters and J.P. Morgan; price data adjusted for stock splits and dividends.
 Initiated coverage Jul 01, 2008. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
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