



FIRSTSOURCE SOLUTIONS LIMITED
Q2FY26 EARNINGS CONFERENCE CALL
NOVEMBER 04, 2025

MANAGEMENT:

MR. RITESH IDNANI,
MD & CEO

MR. DINESH JAIN
CFO

Moderator: Ladies and gentlemen, good day and welcome to the Firstsource Solutions Limited Q2FY26 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touch tone phone. Please note that this conference is being recorded.

On this call, we have Mr. Ritesh Idnani – MD and CEO; Mr. Dinesh Jain, – CFO to provide an overview on Company's performance followed by the Q&A.

Please note that some of the matters that we will discuss on this call including the Company's business outlook are forward-looking and as such are subject to known and unknown risks. These uncertainties and risks are included but not limited to what Company has mentioned in its prospectus filed with SEBI and consequent annual reports that are available on its website.

I now hand the conference over to Mr. Ritesh Idnani. Thank you. And over to you, sir.

Ritesh Idnani: Thank you. And hello, everybody. I want to thank each one of you today for joining us to discuss our financial results for Q2FY26. Before I start with the discussion on our quarterly performance, I would like to thank each one of our 35,997 Firstsourcers around the world for their relentless commitment to delivering value to our clients.

Q2 is the sixth straight quarter of double-digit year-on-year revenue growth, and the seventh consecutive quarter of sequential revenue growth for us, despite the continued macroeconomic and geopolitical uncertainties. Our revenue grew by 20.1% YoY and came in at Rs. 23.1 billion. In U.S. dollar terms, the growth was 15.2% YoY and 2.3% QoQ at US\$265 million. On a trailing 12-months basis, our revenues have now crossed a billion dollars. In constant currency terms, our revenue grew 2% QoQ and 13.8% YoY. EBIT margin for the quarter was 11.5%, up 20 basis points, and 70 basis points on a QoQ and YoY basis, respectively. And this marks the fourth straight quarter of margin expansion. Our net profit was Rs. 1.8 billion, and the diluted EPS for the quarter was Rs. 2.54.

In H1FY26, our revenue grew 16.4% in constant currency terms. EBIT grew 27.4% and our PAT grew 27.6% over last year in rupee terms. Coming to the business highlights.

1. Deal Wins

In Q2, we signed four large deals. As you are aware, we consider a deal with an ACV of over \$5 million as a large deal. Let me highlight a few of them.

- We expanded our footprint into the collection services as a top retail bank in the UK, one of our long-standing customers. This is our largest deal for collection services in the UK market.
- We were also selected by one of the top 10 Healthcare payers in North America, an existing client, for claims data capture services using our digital intake platform.
- One of the leading loan subservicing providers in the US selected us for providing first-party collection services.
- We also won additional business from one of the largest communications and media companies in the UK for customer onboarding and account services processes that are currently managed by in-house teams.

During the quarter, we also added 10 new logos, which include 4 strategic logos. As you are aware, we define a strategic logo as one where we see the potential of at least US\$5 million of annual revenue. And we run a structured program to handhold and monitor such relationships to grow them at an accelerated pace.

Let me give you some additional color on this program:

We added 19 strategic logos over four quarters between Q2FY25 and Q1FY26. Of this, in 13 logos, we have been able to hit our aspirational target of a US\$5 million relationship size within these four quarters. Of the balance six, four were added only in Q1, so we still have a couple of quarters of runway ahead of us.

Q2 also marks two years of the strategy refresh we started under the One Firstsource Framework. One of the key objectives of the program was to broad base our client footprint and curate new growth engines. I am happy to report healthy progress on that front. The share of top 5 and top 10 clients has come down by 6.2% and 9% respectively over the last 8 quarters. Importantly, this has happened even as we continue to grow our large accounts.

As I mentioned, two of the four large deal wins in this quarter are additional business from our top five accounts. This gradual but constant dilution reflects the success of our focused account management strategy which is driving a faster growth in our non-top 5 accounts. In fact, more than 50% of the ACV of the 22 large deals we have reported over the past six quarters is from deals with non-top 5 clients. You can also see this in our \$5 million plus accounts that have jumped to 39 in Q2FY26 from 26 in Q2 of last year.

I am also pleased to report that our deal pipeline crossed a billion dollars for the first time in the history of the company. Our continued progress gives me confidence that we are on the right trajectory to deliver sustainable, profitable, and industry-leading growth.

2. Vertical commentary

In Q2FY26, our **banking and financial services** vertical grew 4% QoQ and 11% YoY in constant currency terms. We added three new logos during the quarter.

As you are aware, we have made targeted investments over the past few quarters to strengthen our sales and solutions organization in this vertical, particularly in North America, with the objective of deepening client relationships and expanding into adjacent segments. Our sales teams are now taking a broader technology-enabled capability portfolio anchored around agentic AI, automation, and data-driven transformation. These investments have helped diversify our revenue base and reduce the macro dependency in the business.

In our Mortgage Operations, for instance, we have adopted a consulting-led approach, proactively delivering AI-enabled cost takeouts and process reengineering solutions, especially to our monoliner customers. We are also partnering more closely with regional banks and FinTech customers as they accelerate platform modernization, embed AI across customer journeys, and enhance their digital experience. We are exploring expansion opportunities in large banks as well, leveraging our incumbency and collection services, particularly for compliance and risk management. Our deal pipeline at Q2 exit was amongst the strongest in the past four quarters, giving us confidence in sustaining broad-based growth in the coming quarters in this vertical.

In **healthcare**, we saw a YoY growth of 6% and a QoQ growth of 3% in Q2. We added three new logos during the quarter. Healthcare continues to be a strategic growth vertical for us, and we continue to see a strong traction, especially in our payer business. Recent regulatory changes are expected to significantly increase administrative costs in both the provider and payer segments as the mix shifts from pure volumes to higher complexity workflows.

We believe that our broad execution footprint across the Healthcare value chain, relationships with 12 of the top 15 health plans in the U.S., and an ability to combine technology-first solutions, analytics and domain expertise puts us in the leadership position to address our clients' evolving needs.

We exited Q2 with a pipeline that's almost 2.5x versus last year. Ramp up in our previously won large deals are also progressing well, and we are confident of an accelerating growth trajectory in this vertical over the second half of FY26.

Our **communications, media and technology** vertical delivered a 15% YoY growth in constant currency terms, though it was down by 1% on a sequential basis. We added four new logos in Q2. While project transitions led to an optical quarter-on-quarter volatility this quarter, it remains one of our fastest growing segments, driven by strong engagement with leading consumer tech brands across both our core offerings, as well as newer non-traditional solutions that support the integration of artificial intelligence into the product ecosystems to make the frontier models more solid. We continue to see a well-balanced pipeline there spanning traditional media and communications players, as well as new age tech companies.

Lastly, coming to a **diverse** portfolio, which was flat QoQ in constant currency terms, primarily reflecting the sluggish demand environment in the UK. As you are aware, this portfolio mainly includes our business with utilities and retail accounts in the UK market. We have a healthy deal pipeline in both these verticals. However, we expect the growth in this portfolio to remain modest in the coming quarters as well.

3. Geographical commentary

From a geography standpoint, North America grew at 3% QoQ and 16% YoY in constant currency terms. We expect growth to remain healthy and broad-based across our three core verticals in North America.

Europe continues to be soft. Let me provide you with some color and context around the same. As you know, our business there is largely concentrated in the UK market, where muted economic growth and higher labor costs from recent regulatory changes have pushed many clients to accelerate their move towards offshore and nearshore locations over the past few quarters. We believe that much of that transition amongst our existing clients is now behind us.

We have also been taking proactive steps to make the business more resilient by broadening both our geographical as well as our vertical presence. We have also set up operations in Dubai this quarter to double down on opportunities in the Middle East, and our proposed acquisition of Pastdue Credit will help us further our footprint in the utilities market.

A pitch for transformational programs and nearshore delivery from South Africa has been resonating strongly with customers. For example, in Q2FY26, we renewed our contract with a large media client well ahead of expiration and with an expanded scope. With another large communications and media clients, one of our top five, we have been gaining additional estate, mostly from their in-house teams, leveraging our South Africa delivery capabilities.

As I mentioned earlier, one of our large deal wins in the quarter was net new business from an existing large client. We exited the quarter with a well-qualified deal pipeline. That said, we expect the pace of recovery in the European market to remain gradual as decision-making cycles continue to take longer than usual.

In Australia, we continue to win additional business with existing clients while building a pipeline of new logos. We see Australia as a long-term growth driver for us and continue to make strategic investments in the region. You would have also seen recently the strategic partnership that we have signed with Monash University, one of Australia's leading research and innovation institutions to co-develop next-generation AI solutions across key verticals as well as core AI capabilities.

4. People

On the people front, we had a closing headcount of 35,997 associates, which is an increase of 1,500 people versus the last quarter. Close to 80% of the gross hires were at offshore and nearshore locations. Our trailing 12-month attrition rate declined further to 28%, which translates to almost 12 percentage point decline over the last eight quarters. I am also proud to share that Firstsource was named amongst “India's Best Workplaces for Women” by Great Place to Work® in 2025 and also secured the Infini-T Award in the Visionary Organization Category for our Innovative use of technology and analytics in talent acquisition.

5. Awards/recognitions and sustainability

Firstsource continues to be recognized by leading industry analysts for delivering strong client value and driving innovation through technology-led solutions in our focus markets.

During Q2, we were named the “Horizon 3 Market Leader” amongst the best service providers for mortgage reinvention by HFS Research, recognizing our technology and digital-led transformation capabilities. Everest Group also recognized us as a “Major Contender and Star Performer” in its Financial Crime and Compliance Operations Services Peak Matrix Assessment 2025. Avasant rated us as a leader in its Mortgage Business Process Transformation 2025 RadarView™ 2025. ISG featured Firstsource in its “Booming 15 List” based on the Annual Value of Commercial Contracts awarded over the past 12 months for the fourth consecutive quarter.

I am also pleased to share that Firstsource won the “Golden Peacock Award” for “ESG 2025” and just received the “3rd Prithvi Award” from the “ESG Research Foundation”. These awards reflect not just external validation, but the collective commitment of our teams to drive sustainable and responsible growth.

I will now turn over the call to Dinesh to give a detailed color on the quarterly financials. I will come back to talk about our progress on the strategic priorities and the outlook for FY26.

Dinesh Jain:

Thank you, Ritesh and hello, everyone. Let me start by taking you through our quarterly financials. Revenue for Q2FY26 came in at Rs. 23.1 billion or US\$265 million. This implies a YoY growth of 20.1% in the rupee term and 15.2% in the US dollar term. In constant currency terms, this translates to a YoY growth of 13.8%.

Our operating profit stood at Rs. 2.7 billion, up 28.1% over Q2 of last year, and translates to an EBIT margin of 11.5%, up 20 basis points QoQ. As Ritesh earlier mentioned, this is the fourth straight quarter of sequential margin expansion and translates to a 70bps improvement in the last four quarters. This is in line with our stated objective of a 50-75 bps margin expansion every year.

Our margins improved sequentially despite the annual wage hike during the quarter that covered over 90% of our employees. We were able to achieve this due to our ongoing efforts to right shore talent, optimize delivery structure and proactively bring technology and AI interventions in our execution.

There is an exceptional income of Rs 19 million below the operating line which is the net impact of the gain of Rs 244 million due to fair value adjustment of the contingent consideration and a charge of Rs 225 million due to impairment of intangible assets, both on account of an earlier acquisition.

Profit after tax came in at Rs 1.8 billion, a YoY growth of 30%.

Effective tax rate in Q2 was 20% which is within the guided 19-21% range for FY26.

DSOs inched up marginally to 69 days mainly due to quarter spillover of collections in a few accounts. Our normalized DSOs continue to be in 65-67 days range.

In H1, our revenue grew at 16.4% in constant currency terms and 17.8% in US dollar terms. Our EBIT has grown 27.4% YoY and our PAT has grown 27.6% over last year.

Cash conversion continued to be healthy. Our OCF to EBITDA in H1 was 82% and FCF to PAT was 155%.

Our cash balance, including investment, stood at Rs. 2.9 billion at the end of Q2. Our net debt stands at 10.8 billion as of 30th September, 2025, versus 11.2 billion as of 30th June and 13.2 billion as of 31st March 2025.

Our hedge book as of 30th September was as follows: We had a coverage of GBP 95.3 million for the next 12 months with an average rate of 112.7 per pound. Coverage of US\$196.8 million with average rate of 86.6 to a dollar.

During the last earning call, we have announced a share purchase agreement to acquire Pastdue Credit Solutions in the UK. The transaction is yet to close since we are still awaiting FCA approval for the transaction. As such, our reported Q2 financial do not include Pastdue Credit.

During Q2, we made a strategic minority investment in AppliedAI, an AI company. Ritesh will give you more colour on this.

This is all from my side. I will hand over the call back to Ritesh to talk about our strategic priorities and the outlook for the year. Ritesh, over to you.

Ritesh Idnani:

Thank you, Dinesh. As you are all well aware, enterprises today are navigating through twin challenges of a significantly elevated level of uncertainty in the global economic and geopolitical environment and a concurrent wave of technological disruption that's fundamentally reshaping how businesses operate, compete, and create value. This convergence of unpredictability and transformation requires us to rethink traditional models, accelerate innovation cycles, and build more agile operating structures.

The UnBPO™ playbook we introduced earlier this year is our blueprint of how the new order is taking shape and how we are preparing ourselves to succeed in the same.

The traditional model based on labor arbitrage merely added more people at a lower cost base to reduce the cost of operations without fundamentally correcting the underlying inefficiencies in the process. Even RPA took a similar approach - automating existing workflows rather than fundamentally redesigning them. We believe these models are fast approaching their sell-by date in today's environment, where clients have understood that the value realization of AI is not from incremental productivity gains, but in leveraging it to drive step-change improvements in efficiency, customer experience, and business outcomes. In effect, this is technology arbitrage replacing labor arbitrage.

Our strategic investments in AppliedAI and Lyzr announced earlier today are aligned with this direction. Let me tell you a little bit about both these companies and the investments.

AppliedAI uses a proprietary large work model to learn workflows across functions, identify friction points, and re-engineer them for improved efficiency and business impact. Take the traditional mortgage process as an example. It has multiple teams manually working on reviewing applications, verifying documents and credit histories, and coordinating with underwriters in a workflow that's rule-driven, repetitive, and often prone to delays or errors. RPA and workflow tools have automated fragments of this chain, but the process itself continues to remain inefficient. AppliedAI changes that by rethinking the process end-to-end. From document intake to underwriting to approvals. It identifies friction points like redundant checks or handoffs and re-engineers the process using data-driven intelligence. For instance, AppliedAI can dynamically triage applications, based on risk profiles, route low-risk cases straight to auto-approval, and surface only exceptions for human review.

Lyzr, on the other hand, brings the power of agentic AI, autonomous agents that take inputs from the user or from enterprise systems, process this data using algorithms and machine learning models, and finally execute the appropriate action, all with minimal human input. Continuing with the mortgage example, we are working with Lyzr to build an agent marketplace featuring a document verification agent that extracts and validates applicant data from uploaded documents; a credit analysis agent that pulls credit data by APIs and flags potential risk patterns; a communication agent that interacts with applicants in natural language to request missing documents or scheduling calls, and a compliance agent that ensures every step adheres to regulatory rules as well as maintains an audit trail.

This is UnBPO™ in action, transforming mortgage processing from a manual, linearly sequenced workflow into a self-learning adaptive system that delivers faster approvals, higher accuracy, and superior customer experience, while significantly reducing cycle time and cost of operations.

We are also seeing a clear pattern in how AI is expanding the scope of our client touchpoints and opening entirely new marketplaces, many of which did not exist even 24 months ago. One example of this is the data-as-a-service market. Over the past 2 years, we have built execution expertise on multiple services across modalities, ranging from prompt creation and prompt engineering to training data and model development, as well as ancillary services around data labelling and data annotation.

We now work with 4 of the top 5 consumer tech companies to help make their frontier models better. For example, we are training the AI agent at one of the largest hyperscalers on multilingual text data across 8 languages. For a global marketplace for curated short-term accommodations, we support the onboarding of hosts by validating their credentials to ensure authenticity and trust through advanced AI-based tools.

Overall, I am pleased with the progress we are making on our agenda to leverage the current fault lines created by technology and macroeconomic shifts to drive disproportionate market share gains. Our improved growth momentum has helped us gain 0.5% of market share over the last 8 quarters against a basket of 15 of our closest global publicly traded peers, based on trailing 4 quarters reported revenues.

We continue to see our constant currency revenue growth for FY26 in the 13% to 15% range. This does not include any contribution from Pastdue Credit Solutions, since we are still awaiting regulatory approvals for the transaction. We also continue to see our FY26 EBIT margin in the 11.25% to 12% band in FY26.

This concludes our opening remarks and we can now open the floor for questions.

- Moderator:** The first question is from the line of Girish Pai from BOB Capital Markets. Please go ahead.
- Girish Pai:** Ritesh, I just wanted to get a sense of how the quarter panned out. Was it up to your expectations or was it a tad weaker than what you anticipated to?
- Ritesh Idnani:** Thank you for the question, Girish. Look, the Q2 performance was in line with our expectations for the business as a whole. In specific parts, the growth may have been higher or lower versus estimates, but that's true for every quarter that you end up seeing.
- Girish Pai:** Okay. And in terms of \$20 million plus bucket of clients, you see the number falling from 11 to 9 on a QoQ basis. Were there any specific client-specific issues which led to this?

- Ritesh Idnani:** You know, what I would always recommend here is, suggest to look at the trend in client bucket movement on a YoY basis and over a slightly longer-term time horizon, because the QoQ movement could be misleading or there could be changes that could happen because of currency movement, it could be because of a program ending or as we have been highlighting in some instances due to business shifting, particularly from an onsite delivery to offshore or nearshore, as has been the case for some of our UK-based large clients itself. But I wouldn't read anything further into that.
- Girish Pai:** Can I have the margin walk for the quarter between Q1 to Q2 in terms of puts and takes, I think you had a salary hike plus there must have been some forex movement.
- Dinesh Jain:** I think as we indicated already in my comments, yes, there is some currency movement and also the salary hike, but I think lot of effort gone in the operations efficiency, as well as you can see that as the revenues are growing, we have a lot of accounts where the productivity gains are coming as this progress. So, I think the large contributions are from them, which is offsetting the cost side of it.
- Girish Pai:** Okay. Thank you.
- Moderator:** The next question is from the line of Shradha Agrawal from AMSEC. Please go ahead.
- Shradha Agrawal:** Congratulations on a steady quarter. How should we read the growth cadence for second half, given that you have been indicating that the deals won in FY25 have a staggered wrap-up schedule? This is also in context to the 4% headcount addition that we have seen in this quarter. So, any visibility on how the next 2 quarters should look like?
- Ritesh Idnani:** Thanks for the question, Shradha. I think the way to probably view it is, maybe let me try and connect a few different dots so that you can understand how we are seeing, but I think conceptually, we are expecting that there is going to be an accelerating growth trajectory in H2, and that's one of the first things that I want to state right at the outset. As far as deal wins go itself, I have been highlighting now for the past few quarters that we are now increasingly winning deals that are either sole-sourced or have a non-linear commercial construct. And these are not regular outsourcing deals, but large transformation programs and hence have a staggered ramp or curve that's different from standard deals itself.
- So, what they do is that they improve the visibility from a long-term growth standpoint, but the conversion into reported revenue happens over a slightly extended period in a non-linear fashion itself. And I will give you one example, the Healthcare BPaaS deal that we announced in Q4 is probably the best example of that. As I mentioned in my prepared remarks, we expect it to start showing up in numbers from Q3.
- Some of these deals take time to start because of regulatory reasons or if it requires a certain level of readiness from the client side itself. For example, this quarter itself, the large

collections deal that we won at one of the UK-based retail banking clients will go through the process of FCA approval, given the regulated nature of work before we kick it off.

So, there are multiple factors that will influence that quarter-on-quarter growth itself. But what we try to do is avoid talking about some of these specific factors each time, because they are just a reflection in some sense of how dynamic the operating environment itself is there for us. But what we do want to do is to make sure that we continue to build a business that's resilient, that's on a consistent upward trajectory over a long term. That's what I would probably urge you to look at as you think about how the next half also plays out and where we expect an accelerated growth trajectory itself.

Shradha Agrawal: So, if I get you, Ritesh, right, I think you are indicating that there's been some delay in regulatory approvals on the BPaaS deal, which is why we are expecting a ramp-up more towards 4Q rather than 3Q, which was earlier expectation.

Ritesh Idnani: No, we are saying that we should start seeing the Healthcare BPaaS deal to start contributing revenues from Q3 itself. What I would also urge you to look at is the net headcount addition itself, right. So, if you take the 1,500 people that we have added, it's the highest that we have had in the last 6 quarters as we prepare for an accelerated growth in the second half of FY26.

Shradha Agrawal: Right. And just one question. If I look at your margin guidance, that remains unchanged, but we have already done close to 11.4% EBIT margin in the first half. So, unless we are seeing something which is a headwind in the second half, why didn't we look at narrowing the margin guidance for the year?

Ritesh Idnani: There's no specific reason why we didn't narrow the margin guidance. But I think it's fair to assume that, look, there are always puts and takes in a quarter. We continue to remain very confident of the 50 to 75 basis points guidance that we had started off the beginning of the year as. But as you are aware, as you rightly called out, we are already sitting at H1 with 11.4% year-to-date number. And we feel comfortable that with the margin guidance range, probably trending closer to the higher end of this number and closer to the 12% number than what we see with 11.25% itself.

Shradha Agrawal: Just one related question. We have seen a good jump up in depreciation, and depreciation to sales is almost at 4.7% now. So, how should we look at the run rate in depreciation going ahead?

Dinesh Jain: We got into a larger building within Mumbai. So, we have closed out some of our centres and we moved to a standalone building. So, it's always once you get a new building, the depreciation charge will be higher because we must have given up the old depreciated asset. And that is the reason for increase.

- Shradha Agrawal:** We should expect a similar run rate to continue going ahead?
- Dinesh Jain:** Yes, because now the new base, so I think similar numbers will be continued.
- Shradha Agrawal:** Okay, this is it. Thank you, sir.
- Moderator:** Thank you. The next question is from the line of Manik Taneja from Axis Capital. Please go ahead.
- Manik Taneja:** Hi. Thank you for the opportunity. Both the Healthcare segment and Diverse Industries over the course of time, I would say some of the dilution on Diverse Industries happened with the acquisition last year. Could you help us understand how is the cost optimization program related to that acquired business going, given you also spoke about some growth challenges in general in Europe?
- The second question is with regards to the Healthcare segmental margins. Over there our margins have come up over the course of last 2, 3 years as you are investing in building up the payers business, and as the profile of the business moved away from the provider segment. Given now you have a footprint in almost 12 of the 15 top health plans, what's the roadmap for improvising the margin profile over here, given the kind of margins that some of our peers in this space make?
- Ritesh Idnani:** Thank you, Manik, for those questions. Let me start with the diverse industries and the question that you had with the acquisition that we had done last year of the retail asset, Ascensos. There are clearly opportunities that exist out there that are baked into some of the areas that we have identified, which are part of the 50 to 75 basis points improvement that we can see over this year and the subsequent years itself.
- So, clearly, there are areas that we are working on right now as we speak, whether it's on the G&A side, whether it's related to things that we can do around improving operational parameters, more automation, etc. So, some of those are the elements that we are working on, not very different than some of the standard parameters that we would look at for unlocking value across the company as well.
- What I think is also important to understand is that the retail pipeline continues to be robust in terms of what we are ending up seeing as well. So, we feel good about how the acquisition itself has played out with the capability set that we have acquired, and we feel comfortable with the margin improvement opportunities that exist with the acquisition.
- With reference to Healthcare, I think your observation is right. Our payers business has grown at a faster clip compared to the provider business, and as some of that cost of growth has also played out, some of that potentially diluted the margins. But we see an opportunity for some of the standard operational parameters to improve as well, which the team has

identified and working on. We also see opportunities in some of the areas to drive greater automation. Some of that is baked into the nature of the transformation that we have committed and as some of that plays out, you will start seeing margin unlocks coming in that business as well.

So, again, I would say that there are 2 or 3 contributors. We think that within the Payer business, some of these deals, as you move past the cost of growth phase itself and the transformation benefits kick in, you should start seeing opportunities naturally for the margin profile to improve. Number 2 is the existing value unlocks that we have identified in the business itself should also be net additive on the margin side as well.

Manik Taneja: Thanks, Ritesh. The last question was just a clarification question for Dinesh. This particular asset for which we have reversed the contingent consideration table or the adjustment on that front, if you could help us understand which acquisition does it pertain to?

Dinesh Jain: It was the UK asset which we bought last year.

Manik Taneja: Which was Ascensos.

Dinesh Jain: That's right.

Moderator: Thank you. The next question is from the line of Dipesh Mehta from Emkay Global. Please go ahead.

Dipesh Mehta: Yes. Thanks for the opportunity. A couple of questions. Continuing with the prior question, just want to understand the impairment what we took for the asset which we acquired last year. So, if you can use some contour, whether it's the performance or synergy benefit what we anticipated is not playing out or how to understand that part?

Second question is about the assumption. Now we maintain the guidance range, so if you can help us understand what the lower-end assumption versus upper-end assumption would be. And if you can provide some qualitative aspect, how we expect some of those assumptions to play out.

Last question is about the UnBPO™ approach we are indicating. Is it possible to give some quantitative kind of thing? Let's say how many clients where we are seeing some kind of adoption of the approach? Or it is very wider approach and the way we sell is UnBPO™ approach and difficult to provide some number around it? But if you can provide some qualitative aspects around some of it, that would be helpful. Thank you, sir.

Dinesh Jain: Yes. So, Dipesh, as you are aware that these are some of the revenue estimations which the acquisition should have resulted into, but hasn't happened, which is specific to some customers. And when you do the acquisition, you also create an intangible asset, which is

mainly the customer contracts. So, both are reflecting the same. Since we have a customer contract, where revenue didn't get delivered, and accordingly, we have not paid to the seller that value. And similarly, we reassess the value of intangible and take that charge. So, we can say that both are the same transaction. As the revenue not got achieved, revenue not got paid, we have to reassess the intangible value and take the charge.

Ritesh Idnani:

Yes. Thanks, Dinesh. So, Dipesh, to the second question that you asked, which is related to the guidance and retaining the 13% to 15% guidance for the full year itself. I am not going to specifically comment on the numbers. But as I mentioned a little earlier on the call as well, the guidance obviously builds an accelerating growth trajectory, which we feel comfortable with based on what we see.

And as we have indicated in the past as well, our guidance band is based on a very clear line of sight to the business over FY26 at the lower end of the guidance. And the upper end is based on things like how the pipeline conversion etc., can play out over the guided period itself. What our guidance does not build is any changes to the macro environment. And, you know, our guidance is a range at the end of the day. So, for me to comment very specifically on where we will be in that range itself defeats the whole purpose of the range. But what I think you should take away from it is the fact that we clearly see an accelerated growth trajectory in the second half of FY26.

Related to the third question that you had in terms of UnBPO™ and how one should think about it, we feel very encouraged with the conversations that we are having, both in individual client sessions as well as small industry events that we have been doing, either in a particular vertical or in a particular geography. Some of the takeaways from these events have been very refreshing, because clients clearly see the opportunity to embrace a different mindset, a different way of thinking.

The opportunity to think about their business from a technology arbitrage manner as opposed to just a pure labour arbitrage model is something that they welcome. The ability to shift from what might be a time and material commercial construct, which 75% of the IT Services and BPO industry is on, towards a non-linear commercial construct is something that they welcome because it creates shared alignment. What we are seeing, therefore, is an increasing number of our proposals that are going out today, reflect some of these principles, where even if there is a time and material asked from a customer, we are providing an alternate commercial model which will be on a non-linear commercial construct reflecting some of the UnBPO™ ethos. We are trying to reflect the services-as-a-software play where technology is front and centre in everything we do. We are looking to reimagine the process as opposed to just taking somebody's mess for less. These are some of the clear differences in the approach that is there and these are some of the elements that the UnBPO™ mindset and orientation is all about.

Dipesh Mehta: Ritesh, can you help us understand externally if we want to understand success and we want to monitor externally success on UnBPO™ approach, which 3 variables you would like us to focus on going forward with this?

Ritesh Idnani: Over a period in time, what you should start thinking about is that the traditional causality that existed between revenue and headcount will start getting further removed, whereas historically the way this industry has operated has been very linear that you add headcount, you get revenue. I think some of that will start not existing to the same extent. What I would also think, as we get to the next fiscal, we will start providing some more color on some of these from a number standpoint, but start thinking about the percentage of non-linear commercial constructs that will be a good indicator of how this industry is evolving itself and we expect to lead the charge on that where today already for us, unlike the rest of the peer group where 75% of the industry is still time and material, we have a meaningful number of our contracts which are non-linear and constructs. I think that is one outcome metric that one should think of. The second one that one should also start thinking about is the revenue per headcount, because as you get into more and more of a tech-driven world, the ability to offer a services as a software contract means that technology and humans will coexist, which means your revenue per headcount should start naturally improving as well. So, that is another metric that one should start thinking about as well.

Moderator: Thank you. The next question is from the line of Vibhor Singhal from Nuvama Institutional Equities.

Vibhor Singhal: Congrats on a stable performance, just 2 questions from my side. If you look at our performance in the first 2 quarters, if we remove the contribution from Ascensos acquisition, organically, we have kind of steered more closer to the 8%-9% or 9%-10% kind of growth in the first 2 quarters. As you mentioned, of course, in your earlier remarks that you expect those Healthcare deals and other deals to pick up momentum in the coming quarters. So, on an organic basis, do we envisage that at some point of time, over the next, let us say, 3-4 quarters, do you think on an organic basis, this business we have the potential that we should be able to touch double digit or let us say, somewhere teen growth in terms of an organic basis?

And second question is, what is the status on Pastdue Credit acquisition? What is holding up the integration? And when do we think we can start incorporating the numbers into our financials?

Ritesh Idnani: Thank you for those questions, Vibhor. Let me address the second one on Pastdue Credit and then I will come to the first one on the numbers itself. So, we are awaiting regulatory approval from the FCA. We think it is imminent. It should happen sometime this quarter, but at this stage, because we don't have formal approval yet, we don't have anything baked into any of our numbers at this stage because we don't have a certainty as to what is the timeline itself, but we are fairly hopeful that this quarter it should come through, Vibhor. So, that is

just a quick update. And obviously, at this stage, pending FCA approval, we are still having those conversations with customers and so on and so forth, but we can't commence a formal integration till such point in time that the approvals itself are through. So, that is as far as the acquisition is concerned.

On the first one, what I would say is that I think we have been consistent with our commentary where even in the last quarter, we had said that we expect each quarter to subsequently have a more accelerating growth trajectory. And therefore, even when we think of our business, we do expect that H2 will be on an accelerated growth trajectory. Now, what that does do is, and that is the reason why we feel comfortable in terms of retaining our guidance of the 13%-15% itself. We do think this business and what we are building the business to is industry-leading growth, which we think is a 15% growth number from a trajectory standpoint. So, we are continuing to obviously internally try and hit those numbers. We are trying to set the business up for that itself. And we think the potential exists, especially in this environment where our UnBPO™ proposition, the ability to shift clients towards a non-linear commercial construct, the ability to underwrite business outcomes, the depth in domain, and the ability to bring technology which is very contextual to the domain are all creating competitive moat for us in the focus markets itself. And that is allowing us on one hand to take share from existing incumbents but also expand our share of wallet in our existing customers with a very focused cross-sell upsell program. You heard one data point that we talked about where we added a bunch of strategic logos. And in several of the strategic logos, we have crossed the \$5 million mark from the time that we opened it 4 quarters ago itself. So, I think there are a lot of tailwinds that exist. And we still think that the opportunity and the headroom for growth with our existing client portfolio and the pace at which we are adding new logos gives us the durability to continue to aspire for industry-leading growth.

Moderator: Thank you. The next question is from the line of Abhishek Kumar from JM Financial Limited. Please go ahead.

Abhishek Kumar: I have just one question. You mentioned in your opening remarks that the deal pipeline is now over a billion dollar. If you could just help us put this in context, how much has it increased by? What is typically the win ratio that we have? Our revenue on LTM basis is already close to a billion dollar. So, how do we look at this? And has our win ratio been improving over the last few quarters since the strategy refresh? And should we expect deal momentum or deal TCV to increase substantially going ahead?

Ritesh Idnani: Thank you, Abhishek, for the question. So, what I will say, see, this is the first time we are formally reporting the deal pipeline number itself. And we felt that as we crossed the billion dollars, it was an important milestone for us as a business. But what you can see is that on an average, the pipeline goes up about 5%-10% every quarter itself. So, that is one way to one variable to think about in terms of how we see the pipeline increase quarter-on-quarter itself. Given the fact that in a lot of deals, we are either sole-sourcing those conversations,

or we are shaping the deal itself from a transformation program. Several of these don't necessarily go through a formal RFP process. Now, what that does do is it results in a higher likelihood that we are going to be able to convert the opportunity itself. And given the fact that there is depth and domain itself, so that improves our ability to compete and hold our own in the markets in which we play. So, suffice to say that win rates are good and have improved in the last few quarters, I don't have a specific number on the percentage itself, but I think just to give you the qualitative color in terms of how to view the pipeline and the win rates itself.

Moderator: Thank you. The next question is from the line of Girish Pai from BOB Capital Markets. Please go ahead.

Girish Pai: Just want to discuss the medium-term goals, which is on slide 26 of the presentation. You have given 5 drivers each for both double-digit growth and 50-75 basis points EBIT margin expansion. If you could point out top 2 drivers in each of these categories, in terms of growth, which would be the top 2 drivers for the double-digit revenue growth that you are aspiring for? And even that 50-75 basis points EBIT margin expansion, which would be your top 2 drivers?

Ritesh Idnani: Thank you, Girish, for the question. The way to think about on the growth side, and then I will come to the margin side as well. Today, we have opportunities that exist on account of, if you just take our FSL80, which is a cohort of 80 accounts where we have significant headroom for growth, our share of wallet in several of those accounts leaves ample room for expansion. And that is the reason why we are focusing on them very closely as a cohort itself and tracking the growth in those accounts. You are already seeing ample signs of the fact that our share of revenue from our top 5, top 10 accounts. While the revenue continues to increase, we are able to broad-base the portfolio and grow some of these accounts that are beyond the top 5, top 10 itself.

Second is the number of strategic logos that we are adding every quarter. Because again, one data point that you have seen is over the last 4 quarters, as those strategic logos have come up, our ability to get them to at least a US\$5 million run rate, which was going in assumption, is something that, again, is an opportunity for us to continue to drive growth.

Third is, as we enter new markets, and just take an example of two new markets that we have just launched, which is the Middle East and Canada, both of which we have done exchange filings. These are going to be, as we get into new geographies, that creates a vector from a growth standpoint. Fourth is, if you take markets that we launched last year, as an example, Australia, we are very pleased with the progress in the Australian market from the time that we launched. I was there just last week, and if you look at the number of people that we have locally in that market, it is testament to the kind of growth that we have been able to achieve. So, that is the third vector, which is new geography that creates an opportunity.

The fourth is, if you take Ascensos that we acquired last year as an asset, and we were doing work in the retail market in the UK, extending that capability to other geographies is a logical adjacency, because the skill set and the knowledge of the vertical already exists. So, getting into some of those verticals is clearly an opportunity. Similarly, the same play happens also in the utilities market. As an example, we were very strong in the UK market. It actually gets further solidified once the regulatory approvals for Pastdue Credit come through as well, because they have a sizable number of utilities customers with whom they work, and we can take the rest of our portfolio there. But now extending the utilities capability to markets like North America, as well as Australia, represent additional opportunities. For instance, last quarter, we just onboarded a very senior domain person, a practitioner from the utilities market to spearhead our efforts. And that is already starting to yield results in terms of the traction and the pipeline that we have been able to build up. So, we think that is another lever that exists in terms of opportunity.

And then last is, as we launch new service offerings itself, that creates an additional vector, because you will now have additional capabilities that you can take. For instance, we have been talking about our tech vertical and some of the work we are doing out there to make frontier models better. Some of that is fast growing as the market opportunity there is large, but then the ability to extend that beyond the tech vertical to other enterprise customers is another opportunity. So, these are some of the players that I would say, from a revenue standpoint, we feel good about in terms of what are the drivers for growth itself. To take the margin side, I think we have talked about some of the typical unlocks out there, ranging from what we can do around traditional operational parameters, the standard stuff that one does from a block and tackle standpoint in the account itself. But then over and above that, the transformation opportunities that exist with productivity, automation, AI, and the like, and what you can achieve there in terms of efficiency gains. The third one is in terms of things that we can do to improve our performance in low-margin accounts with a very focused, targeted intervention. The fourth is things around where there might be assumption mismatches between what we signed up for versus what we are delivering today, and those could represent opportunities for either change requests or going back for commercial increases.

And then last but not the least are things that we can do around on the G&A side, whether it is around facilities, where we have some places where there are seats that are available, which have been unutilized. And as we turn them over, those create margin opportunities because the cost goes off the book. Or things that we can do around the HR front, around spans, layering, and things like that, so that we can improve the total talent cost itself and rationalize some of the talent costs where appropriate. So, these are some of the key margin unlocks that we are also looking at to continue to help achieve the 50-75 bps for this year and subsequent years.

Girish Pai:

Ritesh, thanks for the detailed answer. Just one last question. This is regarding demand conditions in the US mortgage business. Are you seeing any kind of uptick there?

Ritesh Idnani:

So, what I will say is, and I am sure all of you would have heard the Fed Chairman talked about when the rate cut happened. I don't know whether there is going to be another rate cut in the December cycle, your guess is probably as good as mine. But I think the way to probably think about it is that the 30-year fixed is still hovering around the 6.25%-6.3% mark, which is still high. So, with inventory still relatively low, and there is not as much volume that is there from a new home buyer to come in, and with interest rates still continuing to be high. On the re-fi side, until you actually see the rates go down to about a 5% mark or thereabouts, you are not going to see as much active interest coming in. And let me just give you one data point out there, which is 88% of all mortgages today are less than 5%. So, that is a sizable number. 80% of all mortgages today are less than 4%. There is no incentive for an existing homeowner who is sitting on rock-bottom rates to go out and do something different when the new interest rate is hovering around the 6% mark. So, there has to be a few more rate cuts for some of this inventory to pick up. So, I would still be on a wait-and-watch mode. I think that is what a lot of our existing clients are also doing. And that is the reason why for us, what we are trying to do is spend a lot of time making sure that we are creating the more-for-less play for them, leading with technology, so that we can allow them to skinny-dip into this as the environment improves, for them to be able to do more-for-less without having to hire as many people and they use tech in a meaningful way itself. So, that is why some of those investments in Lyzr and AppliedAI also come in very handy with some of the things we are trying to do for the mortgage sector.

Moderator:

Thank you. The next question is from the line of Manik Taneja from Axis Capital. Please go ahead.

Manik Taneja:

Ritesh, basically some of your IT services peers have also indicated about strong growth for their BPO business. Just while you have been talking about your UnBPO™ strategy as well, and your numbers have been decent, but it would be great to understand how are you seeing the competitive landscape evolve given the IT plus BPO playbook at one end and the process specialist like yours?

Ritesh Idnani:

Thanks for the question, Manik. I would urge you to look at the Everest Group report that came out about 3 or 6 months ago. What you will see in that report consistently is that the pure play BPO companies are growing at a much faster clip compared to the integrated tech plus BPO players. So, that is just the data point right there in terms of, and that is not me saying it, that Everest Group well-respected research output saying the same. What I would do is probably dwell a little bit into the things that support us. I can't comment on what the other companies are doing or not doing, but I think what helps us is, and that is what we are singularly focused on our business and what we can do to continue to deepen our competitive moat. To me, it still comes down to four things – depth and domain. We are not trying to be everything to everybody. So, we are not a one-size-fits-all and therefore, we are everything to everybody and therefore nothing to anybody. We are very deep in domain and that inch-wide, mile-deep supports us. I think the second thing that works in our favor is we are able to bring technology contextualized to the domain. So, it is not a one-size-fits-all out

there. It is a horses-for-courses kind of a play. Sometimes tech in an existing organization, especially for IT services and a BPO output, can actually be a little bit of a negative because you might think you know it all from a tech standpoint, whereas sometimes you got to go out there, partner, work with the startup ecosystem, to try and bring the best of what is possible to solve a specific complex customer problem. And the third is, I think, the ability to underwrite outcomes. The depth and domain is creating the comfort for us to underwrite outcomes. We know that we probably have an opportunity to lead on that front, and I think that helps. And last is, I think, what really creates, when you put it all together, the ability to be agile and what I call is as 'enterprise scrappy', allows us to move at speed to solve some of these complex problems. When you bring all these 4 things together, I think that creates a competitive moat and we are able to hold our own and that is probably the reason why when Everest is seeing some of the numbers, they see us and some other companies in the space growing at a much faster clip compared to the integrated IT plus BPO players.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question. I would now like to hand the conference over to Mr. Ritesh Idnani for closing comments.

Ritesh Idnani: Thank you all for joining the call and for your questions. I just want to close with a few final points. Our sales engine continues to work well. We had four large deal wins in Q2. This is now the third straight quarter of 4 or more deals and the sixth straight quarter of 3 or more large deals. As I mentioned earlier, our deal pipeline also crossed a billion dollar for the first time. We also closed on a trailing 12-months basis a billion dollars in revenue.

Our net headcount addition was the highest in the last six quarters as we prepare for an accelerated growth over the second half of FY26.

Our free cash conversion was healthy at 117% of PAT.

Our long-term aspirations therefore continue to remain intact. We continue to see our constant currency revenue growth for FY26 in the 13%-15% range that places us in the top decile for the industry and we remain laser focused on improving our margins by 50-75 basis points and bringing them in line with peers over the next 3-4 years.

That is all from our side and we look forward to interacting with you again in the next quarter call. Thank you.

Moderator: Thank you very much, sir. On behalf of Firstsource Solutions Limited that conclude this conference, thank you for joining us.