FIRSTSOURCE SOLUTIONS LIMITED

Q3FY26 EARNINGS CONFERENCE CALL

FEBRUARY 03, 2026

MANAGEMENT:

MR. RITESH IDNANI,
MD & CEO

MR. DINESH JAIN
CFO

Moderator: Ladies and gentlemen, good day and welcome to Firstsource Solutions Limited Q3FY26 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; and Mr. Dinesh Jain – CFO to provide an overview on Company's performance, followed by 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 subsequent 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: Hello, everybody. Thank you for joining us today to discuss our financial results for Q3FY26. Before I start with the discussion on our Q3 performance, I would like to welcome our colleagues from Pastdue Credit and TeleMedik who have joined the Firstsource team over the last two months. I would also like to thank them and each one of our 36,689 Firstsourcers around the world for their relentless commitment to delivering value to our clients.

Q3 marks the seventh straight quarter of double-digit YoY revenue growth. Our revenue grew by 16.2% YoY and came in at Rs 24.4 billion. In US$ terms, the growth was 10.2% YoY and 3.6% QoQ to US$274 million. In constant currency terms, our revenue grew 10.6% YoY and 4.6% QoQ. These numbers are inclusive of the Pastdue Credit acquisition, which we integrated during the quarter, and contributed to about 2% to our YoY growth in constant currency terms. EBIT margin for the quarter was 11.9%, up 80 basis points and 40 basis points on a YoY and QoQ basis, respectively. It is also the fifth straight quarter of margin expansion and the increase over the trailing 12 months has been ahead of our guided band of 50 to 75 basis points expansion every year. Our net profit adjusted for exceptional items was Rs 2 billion and the diluted EPS for the quarter was Rs 2.87.

1. **Deal Wins**

In Q3, we signed five large deals. As you are aware, we consider a deal with an ACV over 5 million as a large deal. Some of the deal wins include:

- A leading on-demand manufacturing marketplace in the US, selected us to provide account servicing and customer experience services.

- We gained additional business from one of the largest communications and media companies for customer onboarding and account service processes that are currently managed by in-house teams.
- We were also selected as a global operations outsourcing partner by a leading UK-based MVNO to support account servicing, billing, and customer inquiry management across multiple markets. This is also a new logo for us.
- One of the leading global online fashion retailers also selected us to drive customer operations. This again is a new logo for us.
- In Australia, we won a large onshore customer experience engagement with a leading health insurer focused on member services.

During the quarter, we added 9 new logos, which included 5 strategic logos. As you are aware, we define a strategic logo as one where we see the potential of at least a $5 million revenue run rate annually, and we run a structured program to handhold and monitor such relationships to grow them at an accelerated pace. As I mentioned, two of the five large deals in Q3 were from new logos. In fact, we have been able to hit our aspirational target of a $5 million relationship size in 10 of the 20 strategic logos that we added over the past four quarters, including Q3. This conversion is about 60% if we consider the 33 strategic logos we added over the past eight quarters.

2. Vertical commentary

In Q3FY26, our **banking and financial services** vertical grew 9% YoY and was flat sequentially in constant currency terms. We added five new logos during the quarter. From a demand perspective, clients are increasingly prioritizing regulatory adherence, customer experience, and cost efficiency, which play directly to our strengths. We see a strong client interest in our tech-enabled capability portfolio, anchored around AI automation and data-driven transformation.

For example, our consulting-led mortgage transformation offerings are resonating very strongly with clients, seeking low origination and refinance volumes given a prolonged high-interest rate environment. They are looking for structural cost reduction, productivity uplift, and end-to-end process simplification. Our consulting-led model, deploying AI-enabled optimization and workflow redesign, particularly for monoliner mortgage customers who are operating under sustained margin pressure, is finding good acceptance. This approach has enabled us to move beyond pure execution and play a more strategic role in reimagining mortgage operations across several accounts.

We are also partnering more closely with midsize banks and fintechs as they accelerate platform modernization, embed AI across customer journeys, and enhance their digital experience, especially across onboarding, servicing, and collections workflows. Our Q3 exit deal pipeline was amongst the strongest in recent quarters, with at least one large deal in advanced stages of closure, giving us confidence in sustaining growth momentum in this vertical.

In **healthcare**, the revenue grew 6% YoY but were flat sequentially in constant currency terms. We added one new logo during the quarter. Healthcare continues to be a core growth pillar and a key area of strategic differentiation for Firstsource. We are amongst a few companies with a strong and well-diversified presence across both the payer and provider segments, giving us a unique end-to-end view of the healthcare value chain. While clients across both segments are navigating similar macro pressures of rising costs, increasing regulatory complexity, and the need to deliver better experiences and outcomes, we believe payers and providers are at very different stages of their transformation journeys and therefore require differentiated approaches.

To sharpen our focus on these distinct needs, dynamics, and growth opportunities, we have created dedicated leadership roles for both the payer and the provider segments. Matthew Barlow and Scott Schrader each bring over two decades of industry experience, deep client relationships, and they will drive our UnBPO™ approach to build domain-led, technology-enabled solutions that help health plans and health systems respectively, operate smarter, scale responsibly, and adapt faster to change.

Ramp ups in our previously won large deals are progressing well, and we see a healthy deal pipeline. This gives us the confidence to bring forward the planned rationalization of low-margin, low-growth accounts, particularly in the provider segment, aligned with the recent leadership changes. While this may weigh on the optical growth in this vertical in the short term, it gives us a strong push-up on our medium-term margin aspirations.

Coming to the **communications, media and technology (CMT)** vertical. Revenues grew 14% YoY and 2% on a QoQ basis. We added two new logos during the quarter, and three of our large deal wins in Q3 came from this segment. Q3 tends to be seasonally soft due to the holiday period, which affects the timing and flow of work packets, particularly across our consumer technology clients. That aside, CMT remains one of our fastest-growing verticals. Growth continues to be driven by deepening engagements with leading consumer tech companies, spanning both our core service offerings as well as a growing set of non-traditional technology-led solutions that support the integration of AI into client-product ecosystems.

We exited the quarter with a well-balanced and healthy pipeline, covering opportunities across both traditional media and telecom clients as well as the new-age technology companies, giving us confidence in the sustained growth momentum of this vertical.

Lastly, coming to the **diverse** portfolio that grew 21% YoY and 37% QoQ in constant currency terms. As you are aware, this portfolio includes our businesses with utilities and retail clients, mainly in the UK. We have a healthy deal pipeline across both retail and utilities verticals. With the Pastdue Credit capabilities, we plan to double down, especially in the utility segment, where the acquisition adds several large and new logos to our portfolio. We are also optimistic about growth in our retail portfolio, where we have been able to expand our footprint, as well as win additional business with several clients during recent renewals.

3. Geographical commentary

From a geographic standpoint, **North America** delivered 1% sequential growth and 13% YoY growth in constant currency terms. We continue to see broad-based momentum across our three core verticals in the region and expect to sustain this over the coming quarters. In parallel, we are also incubating new growth opportunities in North America by setting up our sales presence in Canada and by replicating capabilities where we have demonstrated strength in other markets, such as utilities and retail from the UK.

Europe grew 14% QoQ and 2% YoY in constant currency terms. As we have highlighted in the past, we have seen an accelerated move towards offshore and nearshore delivery over the past few quarters with several of our clients. While this may continue in the near term, we believe our proactive steps to make the business more resilient by broadening both our geographic and vertical presence are yielding results. Our pitch for transformational programs and nearshore delivery from South Africa has been resonating strongly with clients. During Q3, we also renewed our contract with a UK banking-based client, one of our largest and oldest clients, and we have now been recognized as the primary partner for both onshore and offshore work. We believe this places us well to further deepen and expand our relationship with this client. With another large communications and media client, we continue to gain additional estate mostly from their in-house teams. We also won three large deals in Q3, and our pipeline continues to build up well. In fact, it is up about 40% over the last four quarters. We see an improving growth trajectory in this market, though the pace could be gradual.

In **Australia**, we continue to win additional business with existing clients while building a pipeline in new logos. One of the largest deal wins in Q3 was in this market.

4. People

On the people front, we close the quarter with a headcount of 36,689 Firstsourcers, which is a net increase of about 690 employees over the last quarter. Offshore and nearshore hires accounted for close to 80% of gross additions. Our trailing 12-month attrition continued to trend down to 27.4%, marking an improvement of almost 10 percentage points over the last 8 quarters.

During the quarter, we laid the foundation for a fundamental shift from a role-based to a skills-first organization with the launch of unBound, our skills and talent platform, enabling every Firstsource employee to build a unique skill profile to support internal mobility, targeted development, and future work post-planning. This transformation was reinforced through nearly 44,000 learning hours delivered globally, focused on building capability in AI and data fluency, leadership, and cognitive skills. We also further strengthened our people operations backbone by improving onboarding speed and accuracy, scaling HR platforms across geographies, and reinforcing payroll and statutory governance to support seamless business continuity.

Our people-first culture was further reflected in recognitions earned this quarter, including being named amongst the India's Top 25 Best Workplaces for IT and IT BPM in 2025, Honors of the Great Manager Awards 2025, and a repeat Great Place to Work Certification across India and the Philippines.

5. Awards/recognitions and sustainability

From an awards recognition and sustainability standpoint, Firstsource continues to earn strong recognition from leading industry analysts for delivering strong client value and driving innovation through technology-led solutions in our focus markets.

During Q3, NelsonHall named Firstsource as a 'Leader' in Banking for both Operation Services and Process Automation Services, and a 'Leader' in CX Services transformation. Everest Group recognized us as a 'Leader' and 'Star Performer' in its Banking Operations Services Peak Matrix Assessment of 2025. Additionally, ISG positioned Firstsource as a 'Leader' in both Generative AI services and Contact Center CX services. ISG also featured Firstsource in its "Booming 15" list - based on the annual value of commercial contracts awarded over the past 12 months, for the fifth consecutive quarter.

I am also proud to share that Firstsource achieved an ESG and CSA score of 87 by S&P Global Sustainable1 Assessment, our third year of significant improvement, rising from 61 in FY23 and 81 in FY24 to 87 in FY25. This performance positions Firstsource as the #1 ranked company globally in the professional services sector. These recognitions reflect not just external validation, but the collective commitment of our teams to driving sustainable and responsible growth.

6. TeleMedik Acquisition

Let me talk a little bit about the TeleMedik acquisition, which we announced this last month. As you are aware, TeleMedik is a Puerto Rico-based pioneer with close to three decades of operations, well-aligned with the fast-growing Medicaid, Medicare Advantage, and dual-eligible segments, including Spanish-speaking and underserved communities. Its service portfolio spans clinical operations, utilization management, telehealth-enabled care, and contact-center solutions. This acquisition meaningfully strengthens our end-to-end clinical and utilization management capabilities and expands our on-ground presence in the payer market in Puerto Rico.

With that, let me 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, as well as the outlook for FY26. Over to you, Dinesh.

Dinesh Jain: Thank you, Ritesh and hello, everyone. Let me start by taking you through our quarterly financials.

Revenue for Q3FY26 came in at Rs 24.4 billion or US$274 million. This implies a YoY growth of 16.2% in the rupee term and 10.2% in US$ terms. In constant currency, this translates to a YoY growth of 10.6%.

Our operating profit stood at Rs 2.9 billion, up 24.9% over Q3 of last year and translates to an EBIT margin of 11.9%, up 40bps QoQ. As Ritesh earlier mentioned, this is the fifth straight quarter of sequential margin expansion and translates to a 80bps improvement in the last four quarter. This is a little above our stated objective of a 50-75bps margin expansion every year.

Effective tax rate in Q3 was 21% and for nine months it was 20%, which is within the guided 19-21% range for FY26.

As I mentioned, there is a one-time charge of Rs 914 million on account of increased provisioning for gratuity and leave encashment in accordance with the new Labour Code announced by the Government of India. There is also an exceptional item related to provision of Rs 88 million for diminution in the value of a legacy investment.

Profit after tax, adjusted for these exceptional items, came in at Rs 2 billion, a YoY growth of 26%.

DSO was 67 days for the quarter versus 69 days in Q2. Tighter working capital days helped on improved cash conversion. Our OCF to EBITDA was 93% and FCF to adjusted PAT was 164% for the quarter.

For nine months, our revenue grew at 14.3% in constant currency terms and 15.1% in USD terms. Our EBIT has grown 26.5% YoY and adjusted PAT has grown 27% over last year. Cash conversion continues to be strong. Our OCF to EBITDA for nine months was 86% and FCF to adjusted PAT was 159%.

Our cash balance including investments stood at Rs 4 billion at the end of Q3. Our net debt stands at Rs 11.7 billion as of 31st December 2025 versus Rs 10.8 billion as of 30th September 2025 and Rs 13.2 billion as of 31st March 2025.

Our hedge book as of 31st December was as follows: we had coverage of GBP 95.3 million for the next 12 months with an average rate of Rs 113.9 per Pound and coverage of USD 178.2 million with an average rate of Rs 88.6 per US$.

During the quarter, we paid Rs 2.2 billion towards the acquisition of Pastdue Credit for which we received regulatory approval during the quarter. As we have reported earlier, we acquired a 100% stake in the company at a purchase consideration of GBP 22 million which includes GBP 4.4million as earnouts linked to achieving pre-defined milestones.

I am pleased to share that the Board has declared an interim dividend of Rs 5.5 per share.

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

Ritesh Idnani: Thank you, Dinesh.

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 broad base our client footprint and curate new growth engines. Let me give you a few data points. We closed Q3 with 141 clients with over US$1m revenue run-rate, an addition of 34 clients over Q3FY25. During this period, our US$10m+ and US$5m+ clients increased by 4 and 13 respectively.

Over the last 8 quarters, the revenue share of Top5 and Top10 clients has come down by 8% and 11% respectively. Importantly, this has happened even as our Top5 clients continue to grow at industry growth rate despite a significant onshore to nearshore delivery in atleast a couple of them. As you may have noticed, we had back-to-back large deal wins in the form of additional business in one of our largest clients over the past two quarters. So, the broad basing of growth that you see is a result of focused account management strategy which is driving a faster growth in our non-Top5/Top10 accounts, in many cases through large deals.

We are now winning a higher number of large deals and doing so, more consistently. We now have a dedicated team to bring more focus to our efforts and ensure we are covering all the aspects that go into a large deal pursuit. This has helped us report at least four large deals in each of the past four quarters with five deals in the current quarter. Importantly, despite the strong closure, our deal pipeline has stayed above US$1bn. Let me give you some additional insights. We have won 13 large deals in the first nine months of FY26, versus 14 wins in the entire FY25 and close to double the number of wins in FY24. Not just that, while previously our large deals almost always came from existing clients, six of the large deals this year so far came from new logos versus 5 in FY25. This underlines the strength of our differentiated solutions, attractiveness of our commercial construct and a growing client acceptance of us as a disruptor. This gives me confidence that we are on the right trajectory to deliver sustainable, profitable and industry-leading growth.

As you can see, we have delivered continued improvement in our sequential growth rates throughout the course of FY26, in line with our initial commentary. This has given us the confidence to bring forward the account rationalization program, especially in the healthcare provider segment, to coincide with the recent leadership changes in that vertical, that I mentioned earlier.

As such, we now expect our constant currency revenue growth for FY26 to be in 13% to 14% range. This does not include the recent Pastdue Credit Solutions and TeleMedik acquisitions. Including these two acquisitions, we expect our FY26 constant currency revenue growth to be in 14.5% to 15.5% range. We also raise our EBIT margin guidance for FY26 to 11.5% to 12% range.

This concludes our opening remarks, and we can now open the floor for questions. Operator, over to you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Vibhor Singhal from Nuvama Equities. Please go ahead.

Vibhor Singhal: Ritesh, a couple of questions from my side on the business side. Basically, in the healthcare segment, we have very recently heard of a lot of concerns about the government spending that was supposed to be, is much lower, just increased by 0.5% on a YoY basis as compared to general expectations around 5%. So, how does that play out in terms of our overall demand environment? What kind of businesses do we have because of which we do get impacted or do not get impacted because of this lower increase in spend that has come out to be?

And similarly, in the BFSI segment, what are we seeing on the mortgage business side at this point of time? As you mentioned that we have some very niche capabilities, which is helping us, our clients, especially in higher interest rate regimes. Are we seeing any revival in that business from industry point of view? And how are we kind of placed to take care of that?

Ritesh Idnani: Thank you, Vibhor, for those 2 questions. Let me respond to the first one on the healthcare side. Clearly, all of us have seen the recent CMS proposal to keep the Medicare Advantage rates largely unchanged. What I would say is that it is a little early to give a specific view because the final rates will only come out in a few months from now. But what I can say, based on conversations that we have been having is, this is obviously adding to the pressure on margins for the payers, which are already under stress from rising medical and utilization costs. You guys saw the stock market reaction last week with most of the payers probably reporting a decline of anywhere from 10% to 20% in stock price in response to some of the proposals itself.

Our view is that, this should lead to not just more outsourcing, but also more offshoring and clients looking for more transformational programs that give them a structural uplift in their cost structure. So, we think it is a net positive in terms of a tailwind.

But let me also give you one more data point, which I think strengthens our own position. So, our recent acquisition of TeleMedik in Puerto Rico is a potential advantage in this environment. Recognizing fully well that the Medicaid work cannot move outside the four shores of the US itself, Puerto Rico, being a US territory, has a structural cost advantage compared to the rest of the US mainland itself. And for organizations, the healthcare payers that are looking to potentially get the benefit of that, they now have a viable alternative available in terms of scaling up on the island itself.

So, we think that these two points, one is what it does do to their cost structure and how we can benefit from that in terms of supporting their transformation journeys, but the other is the location benefit that we might be able to bring. We are already having conversations around how that can act as a competitive advantage for healthcare clients itself.

On the mortgage side, the business itself, from our perspective, has been stable. But you guys have been probably reading the same commentary that I have. You have the president of the US asking for the Fed Chairman to drop rates down. I heard, I saw last week, as low as a percentage point or whatever else. But if you look at the 30-year mortgage rate, it's still been hovering around the 6.1% to 6.25% for the past few weeks. And while on a secular basis, this has been trending down, to have a more meaningful impact on the refinance market, I think you start seeing some tailwinds or some early green shoots emerge once you start hitting the 5% mark or thereabout. Given the fact that you still have close to 88% of all existing mortgages below 5%.

So, I think what we have been doing, at least in terms of response and which has been yielding results, is broad-basing our portfolio both in terms of the profile of clients that we are going after and also the offerings that we are taking to the clients as well. And there we have seen opportunities emerge on both the origination and the servicing side. And that is the reason why what you are seeing is that we are able to get a stable growth in this part of our portfolio without any macro support.

Vibhor Singhal: Indeed, in fact, despite no macro support, I think our BFSI has held very well. So, full points on that. Just a bit on the BFSI segment again, Ritesh. We had heard a few weeks back the announcement by, again, the US President about capping the interest rate on credit card late payment fees. Now, given that we had acquired this company, ARSI, which was probably in the recovery business, I know it is still a statement. I don't know what is the stage of that being implemented, but how are you seeing that as a development? Is it adverse for our business? How does this impact our business going forward, if eventually it is enforced?

Ritesh Idnani: So, it is a little too early to react to it because, as I understand, as I am sure you are also seeing this, this is still a proposal at this point in time. Details on the implementation and compliance requirements associated with this are still awaited. So, at least from a near-term impact standpoint, I don't see any challenges to the business itself. But from a medium-term perspective, as far as I know with our interactions with banks as well as Fintechs, banks are putting their point of view across since the APR has a wider linkage to the overall unit economics of the card business itself. And there are talks that obviously a cap will lead to lower credit limits, tightening of underwriting, and so on and so forth. Some banks may also pull back from riskier segments. At this stage, there's a lot of chatter and there's a fair amount of ambiguity at this point in time. And what I can only tell you is, as of now, it's not come up specifically in our client conversations. So, we don't see any business impact yet. If anything else, what I will say in the Collections business, we have been doing some very interesting stuff around the agentic AI side in terms of creating virtual collectors and how that can change the profile of how this business itself has rendered itself. And that's receiving broad-based acceptance both amongst banks as well as fintechs itself. So, if anything else, that's creating differentiation for us in the marketplace and allowing us to win more.

Vibhor Singhal: Got it. Just one last bookkeeping question on my side. Our offshoring has increased very smartly to around 43.4% in this quarter, up by almost 13%, 14% points over the last 9 to 10 quarters. Do you think we still have room to go from current levels? Or do you think we will plateau out or maybe find an equilibrium close to these levels?

Ritesh Idnani: So Vibhor, I will give you 1 data point. The first data point is that if you look at our gross hiring, 80% of our gross hiring is still happening offshore and nearshore. We don't see that changing. So, if we have to go out there and continue to hire, that will continue to be the nature of how this business evolves. And if that plays out, my sense is that this ratio should continue to improve towards more offshore and nearshore versus onshore.

Moderator: Thank you. The next question is from the line of Abhishek Bhandari from Nomura.

Abhishek Bhandari: Congrats on a good execution in the quarter, especially on margins. I had 2 questions. First is, if I look at your guidance now, on the organic side, ex of Pastdue, at the midpoint, we are talking about 13.5% compared to 14%, which was the Q2 exit number. So, in the context of the large deals what we had announced in Q1, which was anchored or associated with an IT company, if you can just tie the 2, is there any delay in that ramp up? Or we are probably going to be slightly towards the midpoint. That's the new assumption.

Ritesh Idnani: So, I am not going to comment on the specific numbers itself. But 1 of the things that we stated even in the last earnings call, if you recall, is to say that directionally, the guidance has built on improved growth in the second half of FY26. You have seen that with Q3, where the growth rate was sequentially better than what it was in Q2. And obviously, the guidance builds directionally on the fact that there will be an improved growth in Q4 as well. It's consistent with the commentary that we have provided right from the start of the year that we expect an upward trend in our QoQ growth through the course of the year itself.

I am going to reiterate one comment from what we have said all along. Our guidance band is based on a clear line of sight to the business of over FY26 at the lower end of the guidance, and the upper end is based on how things pan out, particularly with pipeline and so on and so forth. And at the same time, the guidance does not assume anything from a macro perspective itself. So, that's broadly the philosophy that we have still continued to follow as it pertains to what you see in the numbers itself, with specific reference to the large deal wins, et cetera. We don't see anything which has changed from that standpoint.

Abhishek Bhandari: I got it. Thanks, Ritesh. My last question is on the margin side, now that we are exceeding what we initially thought in terms of annual expansion of margin, how should one think about the path from here on? Would you be reinvesting some of the incremental gains? Or you would let the margins expand in the natural way?

Ritesh Idnani: So, let me go back to what we had said in the beginning of FY25. We had said at that point in time in FY25 that our margins for that fiscal year would be flat, as we were looking to make investments in the business from both a go-to-market as well as a capability standpoint to ensure that we were competitive. And then we said that we would look to do 50 to 75 basis points margin expansion in FY26, FY27, and FY28, respectively, such that we would be in a 14% to 15% band, which we felt would be relevant in terms of where we think this business should be at. We have not deviated from any of that. We still stand true to that. And as you can see from an execution perspective, you have seen the first 3 quarters, we ended up at 11.6% YTD, which is roughly about 60 basis points, and clearly ahead of the low. And that is the reason why we upped the lower end of the guidance from 11.25% to 11.5%.

At the same time, what I will say is that while we feel good about the 50 to 75 basis points going forward as well, the environment around us continues to evolve. This is probably the most relevant platform and technology shifts that we are all going to experience in our lifetimes. And therefore, in that context, where it's appropriate, we are continuing to make the necessary investments, accepting that we are able to manage those investments while we are continuing to drive out efficiency in the business itself. So, the investments will continue to happen as appropriate. But I don't think it's going to come in the way of the margin guidance that we have outlined.

Moderator: The next question is from the line of Dipesh Mehta from Emkay Global.

Dipesh Mehta: Thanks for the opportunity. A couple of questions. First, about the data perspective, can you share how many headcount addition happened because of the PDC acquisition? I believe TeleMedik is not yet integrated at the end of December, so there might not be any addition from it, but you can clarify that part also.

Second question is about just to get a sense about this account rationalization on provider side which you highlighted. Can you help us understand what would be the end outcome which you are expecting from it and what would be the impact on revenue margin which you can envisage, based on the action which we are taking currently?

If I can squeeze 1 more question, on the PDC business, I think, can you help us understand our profitability of that business and any seasonality in that business because Firstsource Collection business do have some seasonality in quarter 4, so whether PDC also has some seasonality there. And PDC-related amortization impact seems to be missing this quarter, so if you can maybe help us understand that part. Thank you.

Ritesh Idnani: Thank you, Dipesh. Let me try and take a stab at addressing the first 3, and then I will turn it over to Dinesh on the PDC amortization bit.

The first point that you had was related to headcount. On the total headcount that we added, roughly about 300 plus people came from the PDC acquisition itself, so that's data point 1.

The second comment, question that you had was related to the tail account rationalization itself in Q3. The impact in Q3 was about a couple of million dollars. We think it will be a little higher in Q4, so roughly about 50 basis points on our FY26 revenue growth itself. What I can say is that the visible impact of trimming of any of these tail accounts will typically be visible in the first couple of quarters, 2 to 3 quarters or so, and thereafter it's critical. But what was important for us is, with the leadership changes we brought forward, some of the account rationalization, particularly for low margin, low growth accounts itself, which we felt was critical from a business standpoint itself.

What was the third question, Dipesh?

Dipesh Mehta: Yes, so another question was about PDC business, any seasonality and profitability.

Ritesh Idnani: No, there isn't a typical seasonality to that business itself. So, we do end up seeing a more secular trend play out across the 4 quarters itself. That's a simple response to that business itself. And profitability is in line with company numbers itself.

Dinesh, you want to take on the fourth point on the amortization?

Dinesh Jain: So, Dipesh, you are looking about the amortization value on the PDC acquisition?

Dipesh Mehta: I am referring to depreciation and amortization, absolute number, QoQ, not much change.

Dinesh Jain: Yes, it will not be enough, with a small acquisition, like GBP 22 million acquisition, probably the amortization cost will be GBP 2 million or GBP 2.5 million. It's not going to be a large number. You are not able to see the change because the charge which is coming in the balance sheet will be larger than the increase which is added. So, I don't think it will matter, but the number is around GBP 2.5 million for a 4-year amortization.

Moderator: Thank you. The next question is from the line of Shraddha Agarwal from AMSEC.

Shraddha Agarwal: Yes, hi. Two questions from my side. Congratulations Ritesh, on a good execution on margins. But on growth, how would you rate this quarter versus your expectations at the beginning when you got into the quarter?

Ritesh Idnani: Thank you, Shraddha, for the question. Q3 was broadly in line with our expectations at the start of the quarter, except for the trimming of the tail accounts in the provider segment, which we decided to bring forward in the quarter itself.

Shraddha Agarwal: Okay. And if you look at the guidance, I know there's a seasonality in the Collections business that we see every year in Q4. But even if we exclude that, there's a huge ask rate implication for 4Q to get to the full year guided numbers. So, what gives us confidence of a 4% plus organic number in 4Q, despite incremental impact of carving out some portion of Healthcare business?

Ritesh Idnani: Yes. So, I think one of the things that we have stated right at the outset, when we provided the guidance at the beginning of FY26 was we expected an upward trajectory in our QoQ growth through the course of the year itself. And if you look at how this has played out from Q1 to Q2 to Q3, we pretty much delivered against the same itself. So, we expect the same trend line to continue. We had line of sight to how this was going to play out itself. So, you are right, directionally, this is building on an improved growth in Q4 itself. But what you also had seen now consistently in terms of how we have performed over the last several quarters, not just in this fiscal, but before, our guidance is based on a clear line of sight to the lower end itself and the upper end is based on a bunch of other variables which can create upside, whether it's related to pipeline conversion and so on and so forth.

Again, the guidance is conservative to the extent that it does not factor in any impact of macro. So, those are the variables that we have considered. And therefore, with that context, I know the ask translates to a 4% QoQ growth at the lower end. We feel comfortable with what we see at this point.

Shraddha Agarwal: Right. And just one last question. The new deals that we have been announcing in the last 1 or 2 quarters, do they also follow a staggered ramp-up schedule like the deals that we had announced in 1Q and 4Q of 2025?

Ritesh Idnani: So, it's a mixed bag. So, not every deal has a similar execution pattern. There's one deal where we have got to finish the implementation first, and then there is a ramp that happens on the part of that. It's an implementation of a contact center transformation platform as a case in point. There are a couple of other deals which follow a standard, more linear ramp that is there. And that's part of the wins that's reflected.

Moderator: Thank you. The next question is from the line of Ankur Pant from IIFL Capital Services Limited. Please go ahead.

Ankur Pant: Yes. Hi, Ritesh. Thank you for taking my question, and congrats on good execution this quarter. I am saying that the growth was primarily driven by the diverse vertical and BFSI, Healthcare, CMT, all other verticals were not really that strong. Understand that some of the impact would be because of the account rationalization you have done, but we also had the BPaaS deal ramping up. So, just wanted your thoughts on how you saw the quarter. Was this the expected outcome?

Ritesh Idnani: So, I think Shradha asked the same question, was the quarter in line with what we saw? I will repeat the same comment first and then talk a little bit about the diverse business itself. Broadly, the quarter was in line with our expectations. At the start of the quarter, barring the trimming of the tail accounts that we talked about in the provider segment, which we decided to move forward during the quarter itself. But I think one comment that I would state right at the outset there is, don't think of just the diverse portfolio itself, that's probably not the right way to look at the overall numbers.

One of our main differentiators is that we run a range of segments, a portfolio of different businesses in which different segments have push and pulls at various points in time in the year. For example, if you take retail, there is a seasonal strength that is there, but at the same time, typically Q3, which is the October to December quarter, tends to be a weak quarter for our Technology business, because most of them are looking to take decisions in Q1 itself. So, you will see a little bit of those puts and takes playing out itself. So, that's why what I would recommend is look at this from an overall portfolio standpoint, because when you think about these on a YoY basis, over a four-quarter time horizon, you will see a much more representative view of the portfolio itself rather than just a QoQ view.

Ankur Pant: Understood. And the other question, so hypothetically, if the 10% cap does go through, then what is the likely impact on our business in that case? How much of it would be linked to credit card volumes in that sense?

Ritesh Idnani: You know, I think at this point in time, there is no foreseeable impact that we end up seeing as I stated earlier also. This is a tweet. The President tweets a bunch of things and details of implementation, compliance requirements, et cetera are still awaited. And from a business perspective, therefore, I am not seeing any impact. There's no conversation that we are having with clients today on this topic at this stage at all. And as I said also earlier, from a medium-term perspective, banks at this point in time and fintechs are putting across their point of view to the government since the APR has a wider linkage to the unit economics of the Cards business itself.

So, given the fact that this can result in lower credit limits, tightening of underwriting, when on one hand the President also wants a lower interest rate environment to drive greater growth, there may be a little bit of a paradox out there. So, that's creating the ambiguity in terms of how this is the case. So, that's why from at this point in time, given the fact that it's not featuring in any of our client conversations, we are not seeing any business impact at all.

Ankur Pant: Thank you so much for clarifying. Just one last bookkeeping question. This PDC integration was for the entire quarter or part of the quarter?

Ritesh Idnani: Was for the entire quarter.

Moderator: Thank you. The next question is from the line of Sushovon from Anand Rathi.

Sushovon: Hi. So, thank you for the opportunity, and congrats on the good execution. Just a bookkeeping question regarding the tax rate? What we think will be the steady state tax rate? And when do you think these tax breaks will basically see the sunset? That's basically the question as such. Thanks.

Dinesh Jain: So, we looked into the budget highlights, which have been just now announced. And I think there will be no choice for Firstsource not to move to a new regime, because there is a MAT credit available in the company. And I think the going forward rate will be, around 1% plus or minus, before we do the detailing. But it seems to be that we should be within the range of 1% higher or lower to the current guided rate, which is 21%.

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

Girish Pai: Yes, thanks for the opportunity. Ritesh, if you look out over the various verticals over the next 12 months, how does the overall demand look to you, compared to say how it was say 12 months back at the beginning of calendar year 2025? That's my first question.

Ritesh Idnani: So, Girish, I think from our vantage point, it's fairly broad based. We are still seeing demand across all our verticals. When I look at our pipeline and the composition of the pipeline, I think we see almost even distribution +/-3% to 5% points in terms of the distribution across different vertical segments itself. I will only caveat it by putting 1 data point to you, which is, see, as we are opening more and more growth engines, what it does do is sometimes just by virtue of starting up a new growth engine, example, when we acquired Ascensos, we got the retail industry in the UK. But now as we are trying to build up our footprint in retail in the US, just by virtue of having hands and feet on the ground, you will start seeing pipeline out there that you were not necessarily the beneficiary of in the past, because the focus was not there.

Similarly, if you take utilities in the UK, we are translating that capability into the US market. And therefore, we are seeing additional pipeline that we otherwise would not have seen just because the focus was restricted to a few other verticals. So, that's the only additional data point that I would throw out there. But if anything else, UnBPO is creating a significant amount of traction in the marketplace. I think people are looking for an alternative. They want to move away from the traditional linear contracts. They want to have a tech-first play. They want somebody who can guide them in that journey. And I think all those elements we play well too. So, that's creating demand for both reactive as well as places where we can proactively put proposals on the table.

Girish Pai: Okay. Now that you are discussing UnBPO, your play that you have, what percentage of revenue currently comes from non-T&M or non-fixed price related, which are seats oriented towards the outcome-based or any other new commercial structure?

Ritesh Idnani: So, while we will start providing some more details in terms of some of these metrics going forward as we get into the next fiscal year itself and beyond, what I will state is upwards of 50% of our business today is non-linear in construct.

Girish Pai: Okay. One last question, bookkeeping. Did I hear right when you said Pastdue constitute were there for all the 3 months of the quarter, and TeleMedik got consolidated when?

Ritesh Idnani: So, TeleMedik will be integrated in Q4FY26 and Pastdue was for all 3 months of Q3FY26.

Moderator: Thank you. The next question is from the line of Manik Taneja from Axis Capital.

Manik Taneja: Hi, thanks for the opportunity. Basically, you mentioned about the fact that for the course of FY26, you have had a significant shift, both related to offshoring and nearshoring with some of your larger customers. Would be great to get some perspective, how much of that would have been a headwind to growth and similarly a tailwind to margin?

And a related question to that one, even through the course of FY26, you have spoken about an accelerated growth trajectory over the course of the year. How should we be thinking about that rhythm from an FY27 standpoint, given the visibility that we enjoy right now?

And the final question was basically a clarification question. While Pastdue, you have spoken about the number of employees that came through the Pastdue Credit Solutions acquisition. From an on-site offshore revenue standpoint, would PDC be included with offshore and near shore or there will be some element of contribution even from onshore revenue contribution for that business?

Ritesh Idnani: Yes. So, I will give you one data point to your first question, which is our UK onshore headcount has come down by about 40% over the last four quarters, while the corresponding headcount in South Africa during the same period is up by about 50%. So, that will give you a little bit of the trade-off that is playing out as you are optically shifting work from a high cost, high revenue geography towards a low cost, lower revenue geography. But that's one data point that will hopefully amplify what we have seen while we continue to grow the business.

Manik Taneja: Sorry to interrupt you, any sense on absolute sizes, because until and unless we know what your US onshore or UK onshore headcount was, we can all keep on guessing? So, because this would have had some revenue deflationary impact as well. So, it will be good to understand how much of that onshore to nearshore shift may have impacted your revenue performance?

Ritesh Idnani: I do not have those data points, but in some sense, I think the way to think about it is from our vantage point, at least the way we are tracking this is we know that some of these things will continue to be opportunities that our clients will potentially look to take advantage of, especially when you look at the economic condition of markets like the UK and given the macro out there. So, the fact that you have a muted economic growth, the fact that there's higher labour costs, I think it's forcing customers to continue to do that. So, I know where you are going with that question in terms of trying to model it for what this might play out. I think it's very hard to say because sometimes the regulatory situation might counterintuitively force you to continue to keep the work in the market, whether it's in the UK or in the US. For instance, in Australia, we have got a couple of customers where the work has to be done onshore in Australia itself, as a case in point for regulatory reasons.

So, that's been our strength as a business, where we can deliver this work end-to-end. We understand what it takes to work in regulated markets and do that. But at the same time, the way to think about it is 80% of our gross hiring is offshore and nearshore locations. That we don't expect to change, which means to your second question that you asked, you will continue to see just as you saw a 57%-43% mix, you will continue to see that continue to trend directionally in the same way that it has been over the last 6 to 8 quarters itself.

Your third question was related to PDC. We already have active interest from several of the PDC logos towards doing work in South Africa. So, for them, what is the big benefit is the fact that with the Firstsource portfolio and the footprint, they now have access to many more locations than just being in Scotland itself, which is where they were headquartered. So, I think that's an opportunity that I think we see as a competitive advantage for the PDC portfolio.

Manik Taneja: Sure. And the last 1 was just a clarification question with regards to some of the rationalization that you have spoken about on the provider side. If I understand correctly, when the business used to have a higher provider mix, the segment margins for healthcare used to be higher. And then over the course of time, when you finish up the payer business, the margins have got diluted. So, just trying to understand in that regard, when you are talking about rationalization of provider accounts, how does that essentially play in terms of impacting margins that you see?

Ritesh Idnani: Yes, but the other way to think about it is the accounts that we are rationalizing are essentially low growth, low margin accounts. So, yes, it will have a bearing on improving the margins for the provider portfolio itself. But given the fact that we are talking of a smaller base, I think that's one way to think about it in terms of, is it going to have a material impact? Probably not. But you will see some of this playing out in the next two to three quarters also as we continue to execute on this itself.

Manik Taneja: Okay. The last clarification question with regards to onshore to nearshore shift. Was that limited to probably 2 of your large UK customers? And how should we be thinking about segmental margins in that regard?

Ritesh Idnani: I don't want to comment on specific clients, but what you will see is that a bunch of our UK as well as the US customers are very interested in South Africa as a location, and particularly Cape Town. And we continue to benefit from that being one of the largest local employers out there. So, I think you are seeing this more broad-based than just restricted to 1 or 2 clients.

Moderator: Thank you very much. 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. Over to you, sir.

Ritesh Idnani: Thank you all for joining the call and for your questions. I want to close with a few final comments. Our sales engine is working well. We had 5 large deal wins in Q3, which now is the fourth straight quarter of four or more large deals. At the same time, our deal pipeline continues to remain robust over a billion dollars.

Our execution is on track, as you can see with the fact that we have executed well on improving our margins. Our EBIT margins have increased by 80 basis points over the last four quarters. Our cash conversion has been strong. Our OCF to EBITDA for the 9 months of the year is 86%, and our free cash flow to adjusted PAT is 159%.

Our long-term aspirations continue to remain intact. As I stated in my opening remarks, we see our constant currency revenue growth for FY26 in a 14.5% to 15.5% range, including the recent acquisitions that place us in the top decile for the industry. And we also remain laser-focused on taking our EBIT margin to the 14% to 15% band over the next 3 to 4 years. That's all from our side, and we look to interacting with you again in the next quarter call. Thank you all.

Moderator: Thank you. On behalf of Firstsource Solutions Limited, that concludes this conference. Thank you all for joining us today, and you may now disconnect your lines.