

4<sup>th</sup> May 2024

To:

**National Stock Exchange of  
India Limited (Scrip Code: FSL)**

Exchange Plaza,  
Plot no. C/1, G Block,  
Bandra-Kurla Complex  
Bandra (East),  
Mumbai - 400 051

**BSE Limited (Scrip Code:  
532809)**

Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai - 400 001

Dear Madam/ Sir,

**Sub: Transcripts of the Analysts Earnings call conducted after the meeting of Board  
of Directors on 3rd May 2024**

Please find enclosed the transcripts of the Analysts earnings call conducted on 3<sup>rd</sup> May 2024 for the meeting of Board of Directors held on 3<sup>rd</sup> May 2024, for your information and records.

This information is also hosted on the Company's website, at <https://www.firstsource.com/investor-relations/>

The audio/video recordings of the Analysts earnings call are also made available on the Company's website, at <https://www.firstsource.com/investor-relations/>

We request you to take the above on record.

Thanking you,

For **Firstsource Solutions Limited**

**Pooja Nambiar**  
**Company Secretary**

Firstsource Solutions Ltd.

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(CIN: L64202MH2001PLC134147)



“FIRSTSOURCE SOLUTIONS LIMITED  
Q4FY24 EARNINGS CONFERENCE CALL”

MAY 03, 2024

**MANAGEMENT:**

MR. RITESH IDNANI,  
*MD & CEO*

MR. DINESH JAIN  
*CFO*

MR. PANKAJ KAPOOR  
*HEAD STRATEGY & IR*

**Moderator:** Ladies and gentlemen, good day and welcome to the Firstsource Solutions Limited Q4 FY24 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 touchtone phone. Please note that this conference is being recorded.

On this call, we have Mr. Ritesh Idnani - MD & CEO; Mr. Dinesh Jain - CFO and Mr. Pankaj Kapoor - Head of Strategy and Investor Relations 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 the Company has mentioned in its prospectus filed with SEBI and subsequent Annual Report that are available on its website.

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

**Ritesh Idnani:** Thank you. Hello, everybody. Thank you for taking the time to join us today to discuss our “Financial Results” for the 4th Quarter and full year of FY24.

My name is Ritesh Idnani, and I am the MD and CEO at Firstsource.

I would like to start this call by thanking each one of our 27,940 Firstsourcers, whose passion and commitment to consistently deliver value to customers has indeed been our true superpower. It helped us report yet another strong quarter with industry leading revenue growth that was broad based and well distributed across verticals and geographies. I am also pleased to report that we ended FY24 with the highest ever net new ACV wins in a single year. Despite that, we exited FY24 with a very robust and healthy deal pipeline, giving us confidence in sustaining the momentum over the coming quarters as well.

Let me now give you some details of our Q4 and FY24 performance:

### **1. Financial Performance**

Our revenue grew by 7.3% year-on-year and came in at Rs. 16.7 billion in U.S. dollar terms. The growth was 6.2% year-on-year and 4.9% quarter-on-quarter at U.S. \$201 million. In constant currency, the revenue grew at an industry-leading 4.2% quarter-on-quarter after growing 3.4% quarter-on-quarter in the third quarter. We have now had two consecutive quarters of industry-leading growth. EBIT margin was 11%. This is broadly stable quarter-on-quarter and lower by 60 basis points versus Q4 of last year, but up 30 basis points was Q3 of this year. Our net profit was Rs. 1.3 billion and the diluted EPS was Rs. 1.9 for the quarter. For FY24, our revenue grew by 5.2% year-on-year and came in at Rs. 63.4 billion. In U.S. dollar terms, the growth was 2% year-on-year to U.S. \$765 million. In constant currency terms, the revenue growth was 1.1% within our guided range of 0.5% to 1.5%. EBIT margin was 11%, up 160 basis points versus last year and again within our guided band of 11% to 11.5%. Our net profit was Rs. 5.1 billion and the diluted EPS was Rs. 7.34.

## 2. Deal Wins

As you will note, FY24 has been a story of two halves for us. While our revenues were largely flat in the first half, I am pleased with the growth acceleration we have seen in the second-half of the year. Further, we have picked up on our participation on the cost optimization, revenue generation and technology and process transformation agendas of our clients. We are also proactively hunting for sole sourced opportunities both in our existing portfolio of accounts as well as a new set of logos. The success of our strategy is evident in our deal wins in FY24 that was the highest ever in ACV terms. Once more, in each of the last 3 quarters, including Q4, we have had at least one large deal win. We also added 9 new logos during Q4, bringing the total count to 41 new clients in FY24.

Further, while we enter and expand the nature of our business implies the concentration of deal wins from existing clients, I am also encouraged by the fact that new logos are coming at deal sizes that are over 60% higher than last year.

Let me highlight a few notable wins we had in Q4.

- We have been selected by a large cooperative financial institution in the UK for services in the areas of financial crime and compliance. This is a significant sized deal and a net new logo for us.
- We also secured additional business from a large retail bank which is an existing client to provide customer support and back-office services.
- We added one of the oldest and largest education services company for their transformation initiatives.
- We also want new business for management of low dollar claims denials and follow up of unpaid insurance claims from one of the top ranked hospitals in the US.
- We were selected by a major player in the US Healthcare Delivery System to manage claims operations spanning their commercial, Medicare and Medicaid divisions.

## 3. Vertical Standpoint

Our focus on creating value for our clients even as we continue to work on scaling new sub segments in our chosen set of focused verticals helped us with a fairly broad-based revenue growth in Q4. Let me now give you a deep dive into our performance and outlook for each one of our verticals:

### a. Banking and financial services (BFS)

In Q4 FY24, our BFS vertical was up 1.7% quarter-on-quarter in constant currency terms, though it was down 3.3% year-on-year due to the base effect on our mortgage portfolio.

Elevated interest rates remain an overhang in the sector, but we do find clients who are focused on cost optimization initiatives to drive efficiency in their entire operations. As I have highlighted earlier, we have been investing in strengthening our sales and solutions team in this vertical to broad base our footprint in existing clients as well as expand of footprint into adjacent segments. I am pleased with the progress we have made in this direction during Q4.

For example, in our mortgage business, our technology led proposition is resonating well with customers who are increasingly exploring non-linear execution models to prepare for potential cyclicality in the business. We also find several of our large clients in this space increasingly amenable to entrusting us with end-to-end responsibilities for functions versus the component based model of the past. There is also a growing acceptance for offshore based structures.

We also saw increased volumes in our collection services with card issuers. With credit card spending reaching record highs and delinquencies also on the rise, we are seeing a positive momentum in our efforts to add new logos in this segment.

As you know, we have a very strong presence among retail and commercial banks where we work with several of the top banks in the US and UK, a large transformational deal from one of our longstanding clients that we had announced in Q3 is well on the way for ramp up. We also successfully renewed a large engagement with this client in Q4. We are also engaging more actively with advisors and industry analysts to amplify our value proposition in the segment. We are seeing an encouraging response to our efforts in this regard.

We are also targeting new segments within the Financial Services vertical with specialized service offerings in the areas of financial crimes and compliance. We are also making strides in building societies, next generation banks and fin-tech players. During the quarter, we added six new logos in this vertical. While there could be seasonal moderation in business with the card issuers in Q1, we expect it to be marginal. Overall, we are seeing a good buildup in our deal pipeline and outlook for this vertical.

#### **b. Healthcare**

In Q4 FY24, our Healthcare vertical was up 5% year-on-year and 3% quarter-on-quarter in constant currency terms. We had two large deals in this vertical in Q3 from our existing customers. These deals have ramped up well. We also added two new logos in this vertical in Q4.

As you may be aware, the US healthcare industry saw its most severe cyber attack earlier this year at one of the largest clearing houses that left stakeholders grappling to address vulnerabilities in their operations and mitigate financial damages. Our teams worked overtime to support our clients manage their processes during this unprecedented disruption. While we saw a minor impact in our provider business due to a sudden drop in transactions in Q4, it was more than offset by increased volume on the player side due to changes in regulatory preferences and strengthening of cyber security measures across the industry.

At a more structural level, the US Healthcare market is in a transition phase working through post pandemic dynamics in both the workforce and the way patients utilize care. This is driving up costs and affecting the revenue of provider organizations who are concurrently also facing growing pressure on reimbursements from payers. As a result, their ability to survive and thrive is increasingly dependent on their efficiency, productivity and optimizing revenue capture. The market for revenue cycle management solutions is estimated at US \$25 billion and is growing at a fast pace of double digits per year on a CAGR basis. We are taking a tech led offshore centric approach to gain share in this market from the traditional RCM players who have largely built a people-based business. Our acquisition of QBSS announced today is in line with that strategy. I will talk more about this acquisition later.

In the payer segment too, falling reimbursement rates have been putting significant pressure on the P&L of major health plans. Consequently, we are seeing a large uptake in transformative initiatives within the payer segment that is reflected in a 60% jump in our ACV wins in this segment in FY24 and our pipeline gives us confidence that the momentum should sustain in FY25 as well.

We are also seeing a substantial interest in our generative AI based solutions within the payer sector, and while the provider sector has historically been slower to adopt GenAI initiatives, we anticipate client's involvements to increase in the coming quarters.

Overall, we expect growth to stay strong in the vertical in the near term.

**c. Communications, media and technology (CMT)**

Our CMT vertical was up 9% year-on-year and 8% quarter-on-quarter in constant currency terms in Q4. While there has been an ongoing transition from onshore to offshore operations in our top client, we continue to win additional business. We had equally strong growth outside of our top client as well with other logos. For us, this vertical is made of three broad segments, Telecom and Digital Media, EdTech and Consumer Tech.

Let me give you a little bit of color on each one of these sub segments:

We are seeing a healthy momentum in our Telecom and Media business. As you know, companies in this segment are large, but also mature outsourcers. As such, we are focusing on their transformation agenda and bringing in our entire service portfolio. Our proposition as a disruptive challenger brand is resonating well both within our existing customers as well as new logos. We are seeing a healthy deal pipeline buildup in this segment.

In EdTech, our engagement with ETS is scaling well. We continue to actively engage with multiple providers in this segment globally with differentiated solutions that cover the entire learner life cycle from admissions to graduation. We are encouraged by the progress thus far and the traction that we are seeing with our pipeline conversions. We added one new logo in this segment in Q4.

In Consumer tech, we continue to expand our footprint amongst the marquee consumer tech logos with the non-traditional service proposition that are seeing good traction in the marketplace. We have a healthy deal pipeline and are hopeful of converting some deals in the coming quarter in this sub segment.

In summary, while movement of specific processes from onshore to offshore and our top client could remain an optical headwind in the near term, we see a healthy trajectory in the overall vertical given the strong deal pipeline.

**d. Diverse**

Our diverse vertical, which mainly comprises energy and utilities, grew almost 50% year-on-year and 7% quarter-on-quarter in constant currency terms. We continue to see a strong demand in the utilities and energy market even as we make fresh inroads with our existing clients in this vertical.

#### **4. Geography**

We had a well distributed growth in terms of geographies within the US and Europe with both growing at 4% quarter-on-quarter respectively in constant currency terms. In FY24, our business in the US grew 1% year-on-year and Europe grew 5% as the optical impact of onsite to offshore shift in our top client was offset by a ramp-up in other large clients.

We expect the growth to remain broad based across both geographies in the coming quarters given an equally strong portfolio of deal wins and pipelines across the board. We have strengthened our sales teams in both geographies who are working with a dedicated focus on client acquisition as well as expanding our share of wallet within existing accounts. From the macro perspective, companies in the UK are facing the dual challenges of an economic slowdown and rising national minimum wages. As such, there is growing recognition of the need to pivot towards offshoring and outsourcing. We are also expanding our sales effort in the public services sector in the UK and are making selective moves in continental Europe also supporting the European operations of our large UK clients. In the US, we expect the growth to be driven by healthcare, communications, media and technology, as well as BFS given the strength of our FY24 exit deal pipeline.

#### **5. People**

Coming to our people in Q4 FY24, we welcomed 1993 new colleagues bringing our total employee count to 27,940 as of 31st March 2024. Similar to the last quarter, our addition was across geographies. As you may note, we have added 25% to our base over the last three quarters. This is amongst the highest in the industry and reflects the strength of our executable order book. Also two-thirds of our gross addition over the last three quarters has been an offshore underlying the shift in demand patterns that I have highlighted earlier. Our trailing 12 month attrition rates for the quarter stood at 30.8% offshore and 42.5% onsite compared to 33.8% and 43.3% in Q3 and 42.3% and 44.9% respectively in Q4 FY23. We anticipate these metrics to continue trending downwards in the coming quarter, albeit at a more moderated pace, supported by the positive outcomes of our employee value focused initiatives.

#### **6. Awards and Recognitions**

In Q4, Firstsource was named as a leader as well as an innovator in the “2024 NelsonHall NEAT Vendor Assessment” for “CX Services Transformation” underscoring our capabilities and harnessing the latest in technology and GenAI to drive efficiency, add value and build an enhanced customer experience for the end customers of our clients. Another analyst, the Everest Group, rated us as a “Major Contender” in their “Intelligent Process Automation PEAK Matrix Assessment in 2024”. We were also recognized by Microsoft amongst the “First Movers in AI for our FirstSense AI platform”. I am also proud to report that Firstsource is featured as a “Member of the S&P Global Sustainability Yearbook in 2024”. Over 9400 companies were assessed for this, and yet only 759 companies were included in the 2024 Sustainability Yearbook globally, of which we were one of them. We remain steadfast in our commitment to operate responsibly and sustainably. During the quarter, we also signed up for the United Nations Global Compact UNGC Declaration.

## 7. Acquisition of QBSS

Expanding capabilities by adding adjacencies across our services portfolio is integral to the strategy redesign. Our acquisition of QBSS fits squarely year. QBSS gives us an expanded scale to play in the mid and back-office revenue cycle management market that is growing at double digits per annum and is seeing a rapid adoption of offshoring by healthcare providers looking to optimize their cost structure in the post pandemic world.

QBSS brings us strengths in areas such as medical coding, denial management, AR follow-up, and clinical documentation. It also gives us access to the physician billing market, which is a new market segment for FSL. The combination will give us an unmatched ability to offer lower cost, technology led, higher efficiency, end to end, revenue cycle management services for hospitals, physician practices and large integrated health systems. This will also allow us to capture the next wave of outsourcing of revenue cycle management, which is going to be technology and AI led and disrupt other traditional people-based RCM players in the marketplace.

With that, let me turn over the call to Dinesh, who will provide a detailed color on our quarterly and annual financials and related matters. I will come back to talk about our strategic priorities, our long-term growth aspirations, as well as our FY25 outlook.

**Dinesh Jain:**

Thank you, Ritesh and hello, everyone.

### Quarterly Performance

Revenue for Q4 FY24 came in at Rs. 16,705 million or U.S. \$201 million. This implies a year-on-year growth of 7.3% in the rupee term and 6.2% in a dollar term. In constant currency, this translates to a year-on-year growth of 4.5%. It follows the 2.8% growth we reported in Q3. This is in line with our previous commentary of the growth acceleration over the second-half of FY24.

We reported operating profit of Rs. 1,830 million in Q4 FY24 up 1.7% over Q4 FY23 and this translate to EBIT margin of 11% is down 60 bps on year-on-year basis. This is up 30 bps sequentially from 10.7% we reported in Q3FY24 as the seasonal drag from our annual compensation hike and promotion effected in Q3, which got normalized in Q4.

Profit after tax came in at Rs. 1,335 million or 8% of the revenue for the quarter.

### Annual Performance

For fiscal year FY24, the revenue stood at Rs. 63,362 million or U.S. \$765 million. This implies a year-on-year growth of 5.2% in the rupee term and 1.1% in the constant currency term. This was within our guidance of 0.5% to 1.5% band.

Our operating profit was Rs. 6,962 million or 23.6% over FY23 and translated to EBIT margin of 11% adjusted for onetime charge which we had in Q2 FY24. Our EBIT margin for FY24 was 11.1% within the 11% to 11.5% range we guided previously.

Profit after tax for FY24 stood at Rs. 5,147 million. As you will recall, we had other income of Rs. 1,342 million in FY23 on account of changes in the fair value of the liabilities for purchases of a non-controlling interest and contingent consideration. Adjusted for that, our net profit for FY24 is higher by 26.8% on a year-on-year basis.

Coming to the other financial highlights for the quarter and the year:

The tax rate was 16.2% for Q4. For FY24, the effective tax rate was 18.3%, which is the lower end of the previously guided range of 18% to 20%.

DSO was stable quarter-on-quarter at 62 days in Q4. Cash balances including investment stood at Rs. 2,081 million at the end of Q4. This is after the dividend payout of Rs. 2,406 million.

Our net debt stood at Rs. 6,042 million as of March 31st, 2024, versus Rs. 4,398 million as of 31<sup>st</sup> December 2023 and Rs. 6,159 million as of 31<sup>st</sup> March 2023 implying increase of Rs. 1,644 million during the quarter and reduction of Rs. 117 million during the year.

We also stepped our CAPEX, especially in the second-half of FY24 as we prepared for the education infrastructure to fulfill the recent order wins. We have added new seating capacities in Bangalore, Mumbai and Mexico in Q4. We continue to invest in creating additional capacity given the strength of our dollar wins.

ROCE for the FY24 is 15.4% versus 13.4% for the FY23.

Our hedge book as of 31<sup>st</sup> March was as follows. We had coverage of GBP 67.2 million for the next 12 months with an average rate of 106 to the pound and coverage of US \$62.5 million with the average rate of Rs. 84.52 to the dollar.

Let me now share some detail about the acquisition of QBSS, which we announced today.

QBSS reported revenue of U.S. \$14.6 million in FY24 that has grown at CAGR of 23% over the last two years. We are acquiring a 100% stake in the company at a purchase consideration of \$39.2 million. This included upfront payment of \$25.9 million, a deferred compensation of \$5.6 million and annual base payment of \$7.8 million, which is linked to achieving predefined milestone to be paid over a period of 2 years from the date of closure of the transaction. We plan to integrate this acquisition during the current quarter itself. We will be funding the transaction through internal accruals. QBSS primary delivering services from offshore, as such, it will be both margin and EPS accretive.

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

**Ritesh Idnani:**

Thank you, Dinesh. Our FY24 results reflect the deep trust our clients have in us. During the year, we extended our contract with our top client as their primary outsourcing partner for another 10 years. Another of our longstanding clients, one of the top five banks, expanded their relationship by selecting us for a large transformational program, making it one of the largest deal wins for Firstsource in the last 5 years. While these are only two headline examples, we have been gaining new business at an accelerated pace across all our clients.

I attribute this to two key drivers:

- First, our scale is just right to gain from the discontinuities caused by the macro shifts. As our clients move from a growth playbook to a growth and efficiency playbook, they are looking for a partner who has a deep understanding of their operating environment, has the ability to bring technology and operations together to deliver business outcomes and has the scale to execute effectively and efficiently. We pick all the three boxes. Unlike our scale peers, we are not constrained to proactively leverage technology to disrupt existing people-based execution models. At the same time, we have the advantage of having end-to-end capabilities and a strong referral network of our clients, some of whom are amongst the largest players in their respective verticals and our household brands. We today see the opportunity to benefit from taking share from both scale players as well as undifferentiated smaller players in the market by virtue of our position in the market.
- Second, our revamped go to market strategy has been resonating well with our customers. As I mentioned in the last earnings call also, we have been doubling down on our investments to reinvigorate our sales engine. Over the last six months, we have expanded our sales team by a third and assigned a dedicated client partner for a defined set of accounts where we see significant headroom for growth. The client partner has clear ownership to identify white spaces, develop a structured account plan, take proactive proposals to customers and work with them to develop a pipeline of large transformational opportunity. The current strength of our deal pipeline gives us confidence that we are indeed on the right track.

You will recall reinvigorating our sales organization is one of the themes of the One Firstsource framework I had outlined as the playbook for strategy refreshed across the organization when I had joined. During Q4 of FY24, we have made meaningful progress across several of these initiatives. Let me highlight a few of them.

One of the key themes of the One Firstsource playbook is to bring technology in everything we do. We are institutionalizing the process of evaluating how we can leverage technology in every aspect of our business, whether it be customer facing or internal functions. This includes building technology led propositions to disrupt incumbents in our target set of accounts and infusing our existing frameworks and platforms with the latest technologies to continue to improve their relevance and attractiveness in the marketplace. During Q4, we also hired Hasit Trivedi as our Chief Digital & AI Officer to lead our efforts in this area.

Expanding capabilities by adding adjacencies across our services portfolio is integral to the strategy redesign. I have spoken already about our acquisition of QBSS. During Q4, we also hired Akash Pugalia to lead our expansion plans in the Trust & Safety services market.

We continue to invest in amplifying the Firstsource brand. Our new brand positioning, we make it happen that we are announcing today reflects the reinvigoration in our go-to-market strategy that is now more direct, proactive and laser-focused on solving the client's business challenges by combining our domain centric team with cutting-edge tech, data and analytics. We have also stepped up our engagement with industry analysts and advisors. We are putting increased focus on driving thought leadership in the respective domains and capabilities that we excel in. I would encourage each one of you to read the research blogs our team has put out on our website.

Our commitment to make Firstsource a great place to work for our employees and be an employer of choice remains a top priority. We continue with heightened employee engagement through personalized interaction, while also doubling the frequency of town halls to facilitate greater leader employee engagement across different levels in the organization. We are also placing a strong emphasis on internal talent development where we have started a program to identify and train employees who can be tasked to seed and build delivery teams for new engagements. The program fostered over 750 internal moves across various roles through such seeding initiatives in FY24. We are also streamlining our internal processes to improve the onboarding experience of new hires. We continue to work on a skilled refresh across levels and expand our leadership training and development program. This concerted effort yielded a remarkable double-digit reduction in the overall trailing 12 months attrition coupled with an impressive over 40% reduction in the early attrition rate in Q4 FY24.

As you are aware, we have also been working diligently on cost optimization and driving operational efficiencies over the last 6 months as part of the One Firstsource framework. To give you some examples, we have improved our span of control by a factor of two over the last 6 months even as we stepped up our hiring. We have consolidated our global payroll system to offshore and centralize employee related shared services. We are using the cost savings that come from several of these initiatives to fund our investments in expanding the frontend sales organization, upscaling our account management teams, building capabilities and amplifying the Firstsource brand. As we also mentioned in our last earnings call, we have brought forward some of these investments given the strength of our pipeline and our client conversations. Having said that, our intent is to fund these investments mainly through internal cost optimizations and efficiency gains, as such, while the interplay of various puts and takes can have our impact on our margins in any specific quarter, we expect that to be in a narrow band and we remain confident of a structural improvement in margins over the medium term.

In Summary:

We believe that the quality of our client relationships, our market leadership in chosen verticals and the passion and commitment of our workforce provide us a solid foundation to take advantage of the opportunities caused by the macro and technology shifts. I am also pleased with the progress we have made over the last two quarters in each of the areas we have identified for a strategy refresh. Our organization structure is now streamlined, key leadership is in place and our sales engine is executing well. We also remain laser-focused on driving efficiencies in our operations while investing prudently for growth.

This gives us confidence to aim for a US \$1 billion exit revenue run-rate by FY26 on an organic basis and expand our EBIT margin at an annual run rate of 50 to 75 basis points each year over the medium term post the initial investment phase.

For FY25, we expect our revenue to grow in the range of 10% to 13% in constant currency terms. This is net of the impact of residual offshore shift in our top account and the contribution from the QBSS acquisition. We also expect our FY25 EBIT margin to be in the band of 11% to 12%, including the upfront investments we are making in our business.

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 Shradha from AMSEC. Please go ahead.

**Shradha:** So, just a couple of questions. Growth in FY24 in the second half was strong. But if you look at the overall growth in FY24 it was broadly led by just one vertical CMT and on a smaller base by diverse industry, should we look at growth strategy in FY25 in terms of whether it will be a broad base growth across verticals, will this still last in favor of one or two verticals?

**Ritesh Idnani:** Thank you Shradha for the question. If I look at the outcome from Q4 of FY24. One of the elements that I talked about in my opening remarks was the fact that our growth in the quarter was broad based across verticals and geographies. Number two, we have added several new logos across industry verticals and not just restricted to one or the other. And number three, we have had good client traction as well as wins in existing accounts across all industry verticals itself. That gives us confidence that the growth that we will see in FY25 will be broad based across verticals and geographies.

**Shradha:** Right. And in terms of if I can deep dive into BFS, how to catch sub segments like mortgage playing out, we have seen some stability in the mortgage sub segment over the last two quarters, but incrementally what are you picking up in terms of growth rates for this particular sub segment in FY25 and beyond?

**Ritesh Idnani:** So, without getting into specifics Shradha, what I will say is our mortgage business segment was largely stable in Q4. That may be the typical quarterly volatility in that part of our portfolio, but if you look at what we have been seeing, we have been making concentrated efforts to proactively increase our footprint, both from a market segmentation standpoint, beyond mono liners to mid-tier and regional banks, as well as expand our service portfolio into the servicing and HELOC market. And even venturing into adjacencies on the real estate vertical side. We feel that our efforts in those areas are getting results with some of the wins that we have had in the last two quarters. So, while there may be quarterly aberrations which are difficult to call out, we think we are well on track in terms of weather proofing our business from a longer term perspective, and continue to be encouraged by the wins that we are seeing in the financial services side, including the mortgage segment.

**Shradha:** Fair enough. And just one last question if I could, on this acquisition, what incremental capabilities are we getting from what organically we provide in the RCM sub segment in the healthcare provider sub space?

**Ritesh Idnani:** So, if you look at where we historically played, we derived a bulk of our business in the revenue cycle side on the front end of the revenue cycle value chain around the eligibility front. And then on the back end around, the AR follow up and collections side of the house. What the QBSS acquisition gives us is, actually three sets of things, number one, it gives us capabilities in the mid to back off back end of the revenue cycle value chain, particularly around coding, denials management, clinical documentation, improvement, so on and so forth. Number two, it gives us about close to about 1800 people who are all offshore based, and allows us to enter a segment of the market which is the physician market that we weren't historically playing in. So, now we can provide this combined set of capabilities which is really end-to-end across hospitals, the physician segment as well as the large integrated health systems. And third, what I am very enthused by also is the technology capabilities that come with the acquisition because a lot of those are tech and AI led which allow us to disrupt the traditional revenue cycle management and some of the competitors in the

space who have largely built people based models. So, we think this combination allows us to compete very strongly in the marketplace.

**Shradha:** That's helpful. And just one last question, strong cash flow position, our debt numbers haven't changed much vis-à-vis FY23. So, what does the debt repayment schedule look like for us?

**Ritesh Idnani:** Dinesh, you want to take that.

**Dinesh Jain:** Year-on-year we have reduced the debt by almost 117 million, although the last quarter it has increased. And we believe normally these are all working capital debt which we used to take for the support of the businesses. Probably this will remain around similar levels for the next year.

**Moderator:** Thank you. The next question is from the line of Vibhor Singhal from Nuvama Equities. Please go ahead.

**Vibhor Singhal:** Ritesh two questions from my side. In your long-term guidance in your basically, the mid to long term guidance that you have given in terms of \$1 billion exit rate by FY26, just wanted to harp upon what is the kind of assumption that you are building upon while giving this guidance. So, is it basically just driven by the company level deal wins and the execution that you expect or is there also a bit of an element of favorable macro that comes into play, either on the mortgage side or on the healthcare side or any other businesses that you might be working in?

**Ritesh Idnani:** So let me start by saying that when I came on board in the very first earnings call, one of the first comments that I ended up making was that we are trying to build a business that's resilient and durable over the long term as opposed to being exposed to any cyclical or macro elements and try and minimize that to the extent possible. As we have provided our medium term guidance and said that we are looking to get to a billion dollar exit run rate in FY26. The intent behind that is reflecting the same design principle which is, we want to minimize the impact of the macro. And if there is a macro tailwind, that's a net positive, that's icing on the cake.

Our guidance is today based on how we see the business shaping over FY25 as of today, I'm happy with the way actually today we are navigating the macro uncertainties keeping our focus on supporting our clients proactively in their transformation agenda and identifying opportunities to expand our footprint both within our existing clients as well as our new logos. And, I also feel confident of our revamped go to market strategy and the rigor that we are bringing in our execution. It's a combination of several of those things.

So, if you look at the consistent theme that we have seen over the last two quarters, and little more that I've been here, we have had a consistent uptick in our wins, we exited this fiscal year with the highest deal wins from an ACV standpoint, we still feel very comfortable with the pipeline and the quality of the pipeline that we have. We have had three consecutive quarters of headcount addition, and as in this business we don't build a proactive bench. So, what we see in our headcount addition reflects the pickup in our deal momentum, and is a proxy for the strength of our executable order book. So, I will leave it at that but those are really the variables that make us feel comfortable about providing you the guidance of exiting FY26 with a billion-dollar run rate business.

**Vibhor Singhal:** Got it, that was very helpful. And since you touched upon the employee addition, in this quarter the employee addition through the entire year of course has been very strong for us. How do you see that going forward, we have got a very good guidance for next year in terms of the revenue growth that we are expecting, do you believe these are similar run rate of net headcount addition might continue or given by what we are targeting the growth that we are expecting the headcount addition might accelerate?

**Ritesh Idnani:** Look, it's not a very straightforward question to respond Vibhor. But, because our business also has a lot of there are elements which might require headcount addition, and there are elements where you are able to deliver on the back of the technology platforms that we use to render our services itself which, so when you look at that combination that is there, while we do expect on one hand, we will continue to add headcount going forward also to support the growth that we have forecast for FY25. It's very hard to say whether or how it is going to compare in terms of what we saw this quarter or thereabouts. But what we do feel very comfortable about at this stage is the fact that, is the guidance that we have provided for FY25, and we think we had come to support that guidance.

**Vibhor Singhal:** Got it that was really helpful. On the margins just to basically understand again the medium-term guidance of 50 to 70 basis points expansion each year, post the investment phase. So, how do we define the investment phase, is there a time period that we are looking at or are there any milestone that when we reach, this much of investment, or this is the capability that is when the investment phase ends, and that unfolds that we are looking for that kind of expansion?

**Ritesh Idnani:** So, let's start by the guidance that we have provided for FY25, we have given an EBIT range of 11% to 12%, which in some sense is reflective also the fact that we do see opportunities for expanding the margin on one hand, but on the other hand also if you recall what we have tried to do in the business is based on the quality and the strength of the deal pipeline, and what we are seeing in the marketplace, we have also brought forward some of the investments that might have otherwise, probably played out over a slightly longer period itself, we think that those puts and takes will continue, in the near term as well. But let me give you a broader perspective of how we are thinking about margins. I am very confident about improving our margin trajectory over the medium term, without compromising on our growth aspirations or the investment plans. We have multiple levers for that, and we are laser focused on tracking the progress on all the same on a regular basis.

For example, the onsite offshore shift is an obvious one where we have been focusing on for a while now. And you have seen some of that right in our offshore revenue share that's gone up by close to 6% in the last four quarters, including this quarter. Also, two-third of the gross addition that we have had in headcount in the last three quarters has been at offshore.

So, there is a clear shift in demand patterns that we are taking advantage of. We are also working to optimize our sourcing and staffing strategies, we are closely looking at our employee pyramid, and how we staff our project delivery teams, we are also looking at right-shoring the resources across operations and operations support functions.

Technology, AI, and automation is something we have been looking at actively across the lifecycle of an engagement to drive further efficiencies. And we have also been actively looking at opportunities to centralize, automate, and offshore roles where relevant and support functions. I had also highlighted in my

opening commentary about how we are using automation and AI in our onboarding and training process to improve the speed to competency. So, given all of these different levers that are in place, I'm actually very confident that we will be able to improve our margins over the medium term with the numbers that I cited of 50 to 75 basis points per year.

**Vibhor Singhal:**

Got it. If I may just squeeze one last industry level question. We announced this acquisition in the healthcare industry. We have been doing really well in the industry any which ways. There are lot of other players also, not just our direct competitors in the industry, but in the broader IT industry itself. Everybody is focusing a lot on the healthcare segment. Do you believe that the competition in this industry is becoming very, very high at this point of time, especially given that everybody expects the healthcare spends to go up post COVID. So, do you see competition going very high and do you believe this spend is going to continue or could it be just some pent-up demand post COVID that is being addressed at this point of time. And in a couple of years' time it might just maybe plateau out and we are left with not that bigger demand, but too many players who are competing for that pie?

**Ritesh Idnani:**

So, let me start by giving a macro comment on the US healthcare industry right. You all know the numbers better than I do, but if you look at the amount of money that's spent in US healthcare that's give or take about one sixth of the US GDP and continue to go up considerably. One of the reasons why that ends up happening is because of inefficiencies, waste and abuse in the system that's there. And a lot of the root cause of that is incentive misalignment between different players in that ecosystem itself. At a more structural level, this market is in a transition phase, we are working through post pandemic dynamics in the workforce, as well as the way patients utilize care itself. This in some sense is driving up cost, and affecting the revenue provider organizations who are facing significant pressure on reimbursements from payers.

If you look at the healthcare provider market, most of these companies are either losing money or are very low single digit margin shops, and therefore their ability to survive and thrive, in some sense is increasingly dependent on their efficiency, productivity and optimizing revenue capture. That's where we have an opportunity with what we bring to bear to impact the provider side of the equation.

Now, if you take the payer side, different set of issues, Medicare rates just came down, so there is this constant theme of falling reimbursement rates. And that's putting significant pressure on the P&L of major health plans. So, our ability to impact the MLR and ALR of the healthcare payers, is creating opportunities, in terms of the transformation initiatives that a lot of these payer organizations are driving, that in some senses is what is contributing to also the ACV wins that we have in the segment, but also the quality and quantity of our pipeline and therefore we feel comfortable that, that momentum should sustain through this current financial year as well.

Now, your other comment was that look, a lot of players are showing interest to space, what I think holds us in good stead, is what I will go back to an opening comment that I made when I just joined, what differentiates Firstsource more than anything else is the fact that we are not trying to be everything to everybody, we have a set of verticals that we play in, where we are an inch wide and a mile deep. We want to remain in that swim lane and continue to double down where we build deep domain, end-to-end capabilities, front to back, lead with technology, data and analytics. Our ability to bring all of these attributes consistently creates a competitive moat, and differentiation for us in the healthcare space. And that's the reason we are able to hold our own against players in the marketplace. The other element that

also helps us is the fact that we can move nimbly and at speed to respond to the business challenges that our customers in the space are facing and that creates differentiation also. So, therefore, we feel comfortable with what we are seeing in the healthcare vertical, both across the payer and the provider side.

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

**Dipesh:** Couple of questions. So, I just want to get a sense on trust and safety. Now, we have a leader also for the scaling that business. If you can give some sense about the focus area in that business and the focus area which we identify to scale it what would be the addressable market for the identified pocket of the trust and safety space. The second question is about platform automation and analytics, the service line which we report, if I look the overall narrative of tech lead team, the softness is a bit puzzling. So, if you can give some sense why platform automation analytics service line is showing some kind of softness. Third question is about investment, partly you alluded but I'm yet not clear. So, I just try to get more clarity. How long do you expect this investment phase to last because you indicated post that phase 50 to 70 bps expansion in EBIT margin. So, whether it is one year, two-year, three-year investment kind of phase, if you can give some sense on it. I have one data question, but first you answer these three, then I can have the data related question subsequently. Thanks.

**Ritesh Idnani:** All right. Thanks, Dipesh for the question. Let me start by talking a little bit about the trust and safety space and how excited we are with the addition of Akash Pugalía to lead the trust and safety vertical. I want to give you a little bit of color on Akash. He comes to us from Teleperformance where he was running a \$1.2 billion business and managing the trust and safety vertical globally. And before that, he was at Accenture where he led the global trust and safety business. I'm excited that he has come on board to help spearhead our efforts and create a disruptive challenger brand in the trust and safety space. The trust and safety market is a fast growing market. More than \$50 billion in TAM and if you look at the way this market has evolved about five to seven years back this market didn't exist and as we came into vogue with the emergence of the big tech players Facebook and Google and Apple and a few other names Twitter, et cetera who wanted support from a content moderation standpoint. So, a lot of the work that was done at that point in time was largely people reviewing different content across different media to see whether something was objectionable, abusive, so on and so forth.

With the advent of tech lead solutions and AI, we are firmly in the realm of trust and safety 2.0. Our opportunity out here is on two counts.

1. This is no longer in the realm of just big tech, but it's a cross industry play every brand and every industry is looking to monitor the content that comes from a reputational risk standpoint, as it pertains to their brand itself, we see an opportunity there across all industry verticals.
2. The entire place now tech lead, so our ability to offer a disruptive proposition out here allows us to capture the TAM that's there with all industries, but also disrupt some of the traditional players who have built a business which is again being people based. And this combination allows us to build what would be a very credible business.

So, that's my response to trust and safety and why we feel excited about the opportunity there.

The second question that you had was around platforms, automation, and analytics. I wouldn't read anything into any specific quarter from a numbers standpoint or a percentage contribution, what I will say is that, technology and everything we do is a firm part of the agenda that manifests itself in every deal that we respond to, every existing client that we do work for where we are trying to see where the opportunities are for us to continuously transform the way we run their operations. And that, in a nutshell is why we feel comfortable about it. What we have also done in this space, is as you recall one of my first hires when I came on board was getting head of partnerships to be the custodian of all the work we do with a startup ecosystem. And we are seeing some very good results working with several startup companies who bring some of their IP which allows us to deliver cutting edge solutions which solve specific problems that our clients are facing in each of their domains. One proxy of some of the work that we are doing in the platform's automation and analytics side is the recognition that Microsoft just gave us as being an AI first mover. So, in some sense, it's a proxy, but also a good reflection of the work that we are doing which is now getting recognized across the board as well. That would be my response to your second question. If you wouldn't mind, could you repeat the third question again?

**Dipesh:** Sir investment phase, which you indicated how long it will last, post which you said 50 to 70 bps expansion?

**Ritesh Idnani:** Yes, so let me take a little bit of a step back and tell you where we are making the investments first. So, we are making investments in broadly three areas.

1. In expanding our sales and accounting, and I spoke about how our sales teams have grown by a third over the last six months.
2. On the capability side where we are doing both leadership hires as well as beefing up our solutions teams. For example, we hired Hasit as our Chief Digital and AI officer to modernize our services and platforms by continuing to infuse them with the latest technologies. Akash, who we talked about earlier, joined us with a mandate to grow our trust and safety practice.
3. Amplifying the Firstsource brand. Aniket Maindarkar who joined us earlier this year is leading our efforts to expand our relationships, and visibility in the industry analysts and advisors community. And you have also seen the refresh in our brand positioning, that's more dynamic and in line with our larger aspirations.

Our original intent was to space these investments over a period in time, but seeing the positive feedback that we are receiving from customers, we have decided to bring forward some of these. At the same time, we remain prudent and mindful of our intent on margin management and also some of these investments would be ongoing so it's difficult to call out the exact quarter by when we will be done making investments because the landscape around us continues to evolve. But I do believe a large part of this is front loaded.

**Dipesh:** No, I was not looking from a quarter perspective, but I'm looking from year perspective is it a two year journey, three year journey, if you can give some sense around it?

**Ritesh Idnani:** So, what I would say is that in the medium term which I would define as a three to four year time horizon, our expectation is that we should be able to get 50 to 75 basis points each year in the medium term itself in the next three to four years, so it's not about and which would probably play out starting in the next 12 to 18 months itself, you will start seeing some of that playing out.

**Dipesh:** So, in a way let say this year we are closer to 11, if somebody is looking for FY27, one should look 50 into number of years, that is one way to look at it?

**Ritesh Idnani:** I don't want to get into specific guidance. But what you should think about here is that, in a medium term time horizon we do think there is an opportunity to get margins up 50 to 75 basis points every year. And our current year guidance is also reflective of that and the fact that we do expect it to be between 11% to 12% from an EBIT standpoint.

**Dipesh:** Fair point. And last two things, trust and safety you said content moderation. Now there are multiple areas right data security, cyber security, conduct behavior, all those we would be largely restricting ourselves into content moderation and it is text or video and all those things covered there?

**Ritesh Idnani:** It would be all of that.

**Dipesh:** Okay, great. And last is about data related thing maybe Dinesh can help me out, on the acquisition, amortization related charges. How once should look at it?

**Dinesh Jain:** We have not done the allocation analysis on this one. So, I will come back to you exactly how much we are looking at because this required a purchase price allocation study to be conducted which will be done in this quarter. So, then I will come back about the value of amortization.

**Moderator:** The next question is from the line Manik Taneja from Axis Capital. Please go ahead.

**Manik Taneja:** Ritesh, I just wanted to get your thoughts on a couple of things. One is that you have been talking about new client deals being significantly higher than what we have seen in the past. If you could dwell a little deeper into it, is this basically driven by clients need for optimization or a function of our proactive pursuits, that's question number one. The second question was with regards to the increase in the offshore delivery mix that we are seeing for you as well as for industry. If you could give us some broad sense as to how should we be thinking about the profitability metrics between the local and onshore delivery that we have been accustomed to in the past versus offshore delivery mix and how should we be thinking about this mix probably over a three-to-five-year period.

**Ritesh Idnani:** Thank you, Manik. So, let me address the first question that you had on new client wins. What I will say is, there are two or three themes that are playing out. Number one, is the fact that in several of these discussions where we are taking a proactive proposal which addresses the cost optimization, process transformation and revenue growth agendas of our clients, we are seeing strong receptiveness. That is contributing to some of the wins that we are seeing at a much larger value than what we might have seen in the past where we may not have necessarily taken those proposals at the same velocity itself.

The second thing that we are also seeing is, is one of the comments that I made, is in a lot of accounts where we may not be there, but maybe some of our scale peers are there or some of the other smaller undifferentiated competitors might be there as incumbents in those accounts where we may not be present. Our opportunity to provide a truly disruptive proposition as a challenger brand, is also yielding results because we are playing on offense and our ability to go out there and win on the back of that is certainly supported with the kind of innovative solution that we are taking to the marketplace itself. Third, what is

also helping us in several of these new wins is what are the attributes of what Firstsource really stands for. In the verticals in which we play we are deep domain; we are end-to-end with tech data and analytics lead. And that combination, is allowing us to provide unique solutions that can help address the expectations of our customers itself and therefore when we go to any new clients situation, that secret sauce is helping us. These are the three things that are contributing to the value of the deals that we are seeing amongst the new logos that we are winning in the marketplace itself.

Your second question was related to the offshore, onshore mix and how should one think about it. I will say one thing which is, if you look at the last three quarters, the contribution from offshore has gone up by almost six percentage points. And we expect that some of that will continue to play out going forward as well, in terms of how we see the outlook for the business. What we do see also at the same time and this might sound seem a little paradoxical, but I do think it's a competitive advantage having the local footprint in the US and UK, or in the primary markets in which we operate is actually a source of competitive advantage. Because several of these clients, increasingly, are caught in an environment where they want to work with a provider who is culturally sensitive and attuned to the local environment. They are mindful of the implications of going out there and offshoring right at the outset. And they might look for somebody to help transform the way they work and then move work offshore as well. So, our local footprint actually, in several instances is serving as a source of competitive advantage. So, while I do expect as a secular team, we will continue to see progress on the contribution from offshore. We do think the footprint that we have onshore is also serving as an advantage. Third is, we are also trying to with our existing customers, where we may have some sort of an onshore footprint, also trying to increase the amount of work that we do offshore and therefore increase our share of wallet in those accounts. And that endeavor is also yielding results. So, it's really a combination of all of these three, it's not one or the other.

**Manik Taneja:**

Sure. Basically, when one thinks about the CX opportunity over there, over the course of last 12, 18 months, you have seen consolidation amongst the bigger players, is that driving some sort of growth opportunity for midsize players like us, given the client vendor concentration risk that customers may see with some of the large CX players, that's question number one. And the second related question was, in our case we have historically had limited presence in Philippines. Do we see this dynamic change over the course of the next few years?

**Ritesh Idnani:**

Yes, so let me address that Manik. So, we see opportunities playing off on three fronts on the CX side. Number one, what we are taking in the CX market, which is deep domain for a particular vertical itself, and let me give you examples of that. When we are talking to an EdTech customer we are talking about the learner experience and what we can do there. When we are talking to a healthcare payer, we are talking about a member experience and what that means. When we go to a media company we are talking about a subscriber experience. Each one of these is very, very deep from a domain standpoint, and that ability to combine it with the CX capabilities with technology allows us to benefit from the opportunity set that's out there. The second thing to just bear in mind is also the CX markets still, even though it's the largest part of the TAM for the global BPO industry, it is still sufficiently under penetrated from a outsourcing and offshoring standpoint. There's still a significant part of that business, which is almost two third, which is still in source. What I do expect to play out over the next three to five years, is the fact that that percentage of outsourcing and offshoring will go up. It may not necessarily happen in a linear fashion, but in a nonlinear fashion, taking advantage of some of the technologies that are available in the marketplace. And we think we can be a beneficiary in that expanded TAM, that ends up playing out in that market. So, that's the second

comment I want to make. The third comment I want to make is, we also see opportunities to benefit at both ends of the spectrum, on one hand we expect to benefit from the large, pure play CX players who may have grown by bulking up and doing all acquisitions where as you rightly call it out there could be concentration risk. And several enterprise clients are citing that as a cause of concern where they may look to diversify. The second thing that also is playing out with some of the large players is they may not be moving fast enough to bring the necessary benefits from a transformation standpoint, and therefore playing on defense as opposed to playing on offense. At the same time, at the other end of the spectrum, the CX market also has a long tail of smaller undifferentiated players who are trying to be everything to everybody. We see an opportunity to take share from both ends of the spectrum and that in turn will contribute to the growth of our business which will allow us to build a resilient, durable tech lead CX business itself, and that's something that we feel comfortable with.

Your second question was related to Philippines. We do expect our footprint in the Philippines to continue to scale up. In fact, we have just taken an additional facility out there to support some of the deal wins and the pipeline that we have seen in the Philippine market itself. So, certainly that's in line with that expectation.

**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 for joining the call and your questions. I just want to close with a few final comments. As I have highlighted in the past, the discontinuity is caused by the ongoing macro and technology shifts are creating market opportunities. And my focus is to use our strong foundation to take advantage of these opportunities.

Our revamped sales engine is working well. This is reflected in our deal wins in FY24 that were at an all-time high and we have now had at least one large deal win for three successive quarters. Our Q4 closing pipeline is up 25% year-on-year and gives us confidence for the guidance that we have provided. We are also executing well and we had another quarter of robust hiring.

I'm particularly excited by the QBSS acquisition that enables us to upscale our play in the fast-growing offshore revenue cycle management market.

Overall, I'm satisfied with the progress on the strategy refresh under the One Firstsource framework. And we are optimistic about realizing our long-term growth aspirations.

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

**Moderator:**

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