10th February 2025

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 7th February 2025

Please find enclosed the transcripts of the Analysts earnings call conducted on 7th February 2025, after the meeting of Board of Directors held on 7th February 2025, 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 SURESH NAMBIAR
Digitally signed by POOJA SURESH NAMBIAR

Pooja Nambiar
Company Secretary

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(CIN: L64202MH2001PLC134147)

“FIRSTSOURCE SOLUTIONS LIMITED

Q3FY25 EARNINGS CONFERENCE CALL”

February 07, 2025

MANAGEMENT:

MR. RITESH IDNANI,
MD & CEO

MR. DINESH JAIN
CFO

MR. PANKAJ KAPOOR
HEAD STRATEGY, IR & ESG

Moderator: Ladies and gentlemen, Good Day and Welcome to Firstsource Solutions Limited Q3FY25 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 this conference, please signal an operator by pressing "*" and 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; Mr. Pankaj Kapoor - Head of Strategy, Investor Relations and ESG to provide an overview on the Company's performance followed by Q&A.

Please note that some of the matters that will be discussed 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 the subsequent Annual Report 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 to discuss our Financial Results for the third Quarter of FY25.

Before I start with the discussion on our quarter performance, I would like to thank each one of our 34,144 Firstsourcers around the world whose passion and commitment to consistently deliver value to clients helped us report yet another strong quarter.

1. Q3 Results

Our revenue grew by 32% YoY and came in at Rs. 21 billion. In U.S. dollar terms, the growth was 30% YoY and 8.4% QoQ at US$ 249 million. In constant currency, revenue grew 7.6% QoQ. This is the fifth straight quarter where we have delivered over 3% QoQ constant currency revenue growth. EBIT margin for the quarter was 11.1%. This is broadly stable both on a QoQ and YoY basis. Our net profit was INR 1.6billion and the diluted EPS was INR 2.27 for the quarter.

2. Deal wins

In Q3, we signed three large deals. As you are aware, we consider a deal with ACV of over 5 million as a large deal. This is the third straight quarter of at-least three large deal wins and despite that, our Q3 exit deal pipeline was among the highest ever. This gives us confidence in sustaining the accelerated momentum in deal wins in the coming quarters. I believe that the strength of our deal wins and pipelines reflects our success in leveraging our deep industry and functional expertise, our partnerships in the technology ecosystem, and our ability to proactively bring automation and AI into the mix that is resonating well with our clients. I would also like to highlight that several of these deals, including those in the pipeline, are transformative in nature with a staggered ramp-up curve that is different from standard deals and hence will translate into reported revenue over an extended period.

Let me highlight a few notable wins in Q3

- We were selected by one of the top 10 healthcare payers in North America, an existing customer, to process their entire claims operations.
- One of the top three consumer tech companies in North America also selected us for providing GenAI services. As part of the deal, we will be helping in developing and evaluating content across multiple different domains and validating and optimizing their GenAI model.
- We also expanded our business with one of the largest utility companies in the UK, another existing client with additional business across their customer support and collections operations.

During the quarter, we also added 13 new logos, including five strategic logos. We defined a strategic logo as one where we see the potential of at-least US$5 million of annual revenue.

3. Vertical Commentary

a. Banking and Financial Services

In Q3FY25, our BFS vertical was up 1.6% QoQ and 8% YoY in constant currency terms. We added seven new logos in this vertical in Q3. As I have highlighted earlier, we have invested over the last few quarters in strengthening our sales and solutions team in this vertical, particularly in North America, to broad base our presence in existing clients and expand our footprint into adjacent segments. We are now taking a much wider and integrated capability portfolio to clients and prospects, which is visible both in our sequentially improving revenue trajectory over the last three quarters and buildup in our deal pipeline.

b. Healthcare

Q3FY25 was expectedly a modest quarter. Our revenues were flat quarter-on-quarter, they were up 31% year-on-year in constant currency terms. We added five new logos in the vertical. You may recall we highlighted a temporary softness in the payer segment due to the typical slowdown in deal decision making ahead of the open enrollment period and the impending US presidential elections in our last earnings call. Deal conversations have resumed actively over the last few weeks, and we expect closures on several of these deals in Q4.

c. Communications, Media and Technology (CMT)

We saw a 3% QoQ and 14% YoY growth in this vertical in constant currency terms. We added one new logo in Q3. This has been one of our fastest growing verticals driven by expansion amongst marquee consumer tech logos with both traditional and non-traditional service propositions. During Q3, we added one of the largest consumer tech companies as a client for our AI services through a large deal. We now work with four of the top five consumer tech companies in the US. Overall, we see a healthy deal pipeline in this vertical that is well diversified across traditional media and communication players as well as new age tech companies.

d. Diverse

Our diverse portfolio grew 80% QoQ and 193% YoY in constant currency terms due to the full quarter impact of the Ascensos acquisition. We see a healthy deal pipeline in this portfolio in both the retail and utilities verticals which should translate into a broad-based growth in the coming quarters.

4. Geographical Commentary

In Q3, growth was well distributed with North America growing at 1.3% QoQ and 28% YoY in constant currency terms and Europe at about 22% QoQ and 28% YoY. We expect growth to remain broad-based across our three core verticals in North America. In the UK, companies are facing significant cost pressure that has led to clients increasingly exploring offshore or nearshore delivery options. We are seeing strong interest from clients to leverage our expanded nearshore capabilities in South Africa and Romania, with two of our existing large clients signing up in Q3. We are also seeing increased conversations around carve-out sales, leading to a significant build-up in our deal pipeline in Europe. During Q3, we also started execution on our deals with a telco major in Australia. We continue to see a strong deal pipeline in Australia and are optimistic on the growth in this region.

5. People

On the people's front, we added 1,246 net hires in Q3, ending with a total headcount of 34,144 firstsourcers. We have now added a total of 6,204 hires in the first nine months of FY25, compared to 2,929 during the same period last year. This robust hiring underscores our ability to meet business demands while maintaining a strong talent pipeline. Our trailing 12-month attrition rate inched up marginally to 31.4% from 30.6% reported in the last quarter. During Q3FY25, we launched an enterprise-wide initiative to enhance skills on the GenAI and digital transformation side, where to date, employees have completed close to 150,000 learning hours. I also take pride in sharing that Firstsource continues to thrive as a diverse and inclusive workplace, with women comprising 46% of our workforce.

6. Awards/recognitions and sustainability

I am happy to share that Firstsource continues to be positively recognized by leading analysts for bringing significant value to clients and offering innovative technology solutions in our focus markets. During Q3, Avasant rated Firstsource as one of the top

5 leaders amongst 15 top tier providers offering Mortgage Business Process Transformation services. ISG recognized us amongst 'The Booming 15' based on the annual value of commercial contracts awarded in the past 12 months. I am also proud to report that Firstsource achieved an ESG score of 81 by S&P Global that puts us in the top 99th percentile of the Dow Jones Sustainability Index of 2024 and amongst the top five in our peer group that includes both Indian and global IT and ITES services companies.

7. AccunAI

Today, we have also announced a small tuck-in acquisition of a firm called AccunAI. Dinesh will provide you the financial details of the same. AccunAI is a Jaipur-based startup that is doing excellent work in the areas of AI development services. Their AI data engine has technology companies build and evaluate their AI models. We have been partnering with them for the past few months and decided to bring the platform in-house. We believe this improves our competitive positioning in the fast-growing market.

I will now turn over the call to Dinesh to give a detailed colour on the quarterly financials and related matters. I will come back to talk about our progress on the strategic priorities and the outlook for FY25.

8. Financial Performance

Dinesh Jain: Thank you, Ritesh, and hello everyone. Let me start by taking you through our quarterly financials. Revenue for Q3FY25 came in at Rs. 21,024million or US$ 249 million. This implies a YoY growth of 32% in rupee terms and 30% in US$ terms. In constant currency, this translates to a YoY growth of 28%. This is the highest growth YoY in terms of constant currency in the last 14 quarters. Our constant currency revenue growth over the nine-month period for FY25 is 22%.

Our operating profit was Rs. 2,333 million, up 37% over Q3 of last year, and translates to EBIT margin of 11.1%, same as normalized margin in Q2. We continue to keep our reported margin in a narrow band despite continued investment in our businesses. Our normalized margin in nine months for FY25 is also 11.1%, which is within our guided band for FY25.

Profit after tax came in at Rs. 1,603 million or 7.6% of the revenue for the quarter, implying a 16% QoQ and 25% YoY growth.

Our Q3 reported profit includes a net one-time gain of Rs. 88 million. This includes a writeback of Rs. 651 million for adjustment on contingent consideration payable for earlier acquisitions. While our combination is working well and the businesses are meeting their financial targets, the earn out was also linked to certain non-revenue or profit target which are unlikely to be met, hence this write-back. We also taken a charge of Rs. 284 million for change in estimate useful life of intangible assets from earlier acquisitions, and a one-time cost for a potential credit loss of Rs. 130 million with respect to certain customer contracts, and a special bonus provision of Rs. 150 million has been also done.

Other financial highlights

The tax rate was 20% for the quarter. For nine months also, we are about 20%, which is in line with our earlier guidance.

Reported DSO was slightly higher at 67 days in Q3, which is normally the soft collection quarter, especially in the US, versus 65 days in the Q2. We expect it to normalized by Q4.

We had a strong cash conversion in this quarter. Our FCF to PAT was 159% in Q3 and 78% for 9MFY25. Our cash balance, including investment, stood at Rs. 2.5 billion and our net debt was Rs. 10.2 billion at the end of Q3.

We continue to invest in expanding our execution infrastructure. In Q3, we have added new seat capacities in Bangalore, Hyderabad, Mumbai, and the UK.

Our hedge book as of 31st December was as follows: We had coverage of GBP 74.9 million for the next 12 months, with an average rate ranging from Rs. 106 to Rs. 114 per pound, and coverage of US$168 million, within a range of Rs. 85.5 to Rs. 88.5 to the dollar.

As Ritesh mentioned earlier, we announced a small tuck-in capability acquisition today. We have acquired a 100% stake in AccunAI, a provider of AI development services based out of Jaipur, India. It is a startup which is also a vendor to Firstsource for AI development services and crowdsourcing. We liked their capabilities and decided to bring them in-house for a total purchase consideration of Rs. 80 million, and this was a 100% acquisition.

I am also pleased to share that the Board has declared an interim dividend of Rs. 4 per share.

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

9. Strategic priorities and outlook

Ritesh Idnani: Thanks, Dinesh. As you know, the ***One Firstsource*** framework has been our north star for the strategy refresh in the organization over the last five quarters. I am pleased with the progress we are making on each of the 7 themes we have defined as part of this playbook and our success so far in translating this progress into business outcomes.

Let me highlight a few client metrics. Over the last 12 months, our count of clients with over $1 million, $5 million, and $10 million revenues has gone up to 3, 3, and 1 respectively. The share of revenues from our top five clients has come down to 29.2% versus 35.8%, and our top 10 clients to 43.5% from 52% in Q3 of last year. These are visible signs of the success of our initiatives to broad-base our revenues and build multiple growth engines. Our deal engine continues to do well; Q3 marked the third consecutive quarter where we clocked three large deal wins. Our improved growth momentum is helping us gain market share against the basket of our closest globally publicly traded peers based on trailing four quarters reported revenues.

I have previously talked about our initiatives to reinvigorate our sales engines, our efforts to cross-sell or upsell our entire service portfolio, and how we are taking technology-led solutions to our clients. This quarter, I would like to share the progress we are making in expanding our capabilities and improving the visibility of Firstsource with analysts and prospects, both of which are critical to build resilient and durable business with industry-leading growth.

Over the past five quarters, we have made a meaningful realignment of our capability portfolio. This includes both identifying adjacent spaces to expand, organically and inorganically, as well as reimagining the market-facing value proposition of our existing capabilities with an anchor of being 'technology first'. Let me give you examples of each. We established our operations in Australia last year to expand our geographical footprint beyond the traditional markets of the US and the UK. We have seen early success; you will recall our multi-tower large deal win from one of the largest telco companies in Australia. We followed it up with a win from one of the largest healthcare insurers in Q3 and have a healthy deal pipeline in the region. We expanded our near-shore delivery capabilities through the acquisition of Ascensos announced in September last year. It positions us very well with our clients and prospects, both in the UK and the US, who are actively exploring economical outsourcing capacities in the same time zone and adds the capability to offer multilingual support to several of our large global clients, especially those in the consumer tech space. Ascensos also enables us to jump-start our presence in retail, a strategically important and fast-growing vertical.

At a relatively smaller but strategically equally important scale, our latest acquisition of our AccunAI expands our capabilities for AI services, especially to our consumer tech clients. We have also done a refresh of our CX portfolio with components of AI tech-enabled CX to drive a 10x improvement in both the customer experience and outcome delivery.

In healthcare, we expanded our capabilities by building a BPaaS service line that combines our operational capabilities with technology and systems integration capabilities of our partner ecosystem to provide a comprehensive and a solid value proposition to our payer clients. We have been able to build a strong deal pipeline in this area and are hopeful of meaningful conversions in the coming quarter.

While we make improvements to our frontend and execution capabilities, it is equally important to consistently highlight these to industry analysts and our clients and prospects. We have been making significant investments in amplifying the Firstsource brand. To give you a perspective, we received 10 recognitions from five leading industry advisory firms for our market leadership in our chosen domain in CY24. This is twice of the five recognitions from three advisors we received in CY23.

What is more, we are going beyond the traditional set and amplifying our value proposition through innovative channels. For example, we have set up an Advisory Board comprising of industry veterans across business units to leverage their collective knowledgebase and take their help to amplify the Firstsource brand across their access network.

We also hosted our first-ever client event in the UK that saw close to 100 CXOs participating over two days. We are now gearing up for a similar event this month for our US-based clients.

Overall, I am pleased with the progress we have made over the last four quarters in each of the areas we have identified for a strategy refresh. What I find more encouraging is the growing client recognition of our efforts that I see in our deal wins and pipeline.

Business Outlook for FY25:
We now expect our revenue to grow in the range of 21.8% to 22.3% in constant currency terms. For operating margins, we expect a normalized FY25 EBIT margin, excluding one-time charges related to the acquisitions, to be in the 11 to 11.5% band.

This concludes with 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. Anyone who wishes to ask a question may press "*" and "1" on their touchstone telephone. If you wish to remove yourself from the question queue, you may press "*" and "2". Participants are requested to please use handsets while asking a question. Ladies and gentlemen, we will now wait for a moment while the question queue assembles. We have the first question from the line of Manik Taneja from Axis Capital. Please go ahead.

Manik Taneja: Thank you for the opportunity. I wanted to get your sense with regard to you made a remark that while you continue to win some of the larger deals, the ramp-up may not be in line with the way these deals have progressed in the past. It would be great to essentially understand in detail about that point.

And the second question was for Dinesh. Some of these reversals as well as one-time costs that we have incurred in the current quarter, if you could dwell deeper into which acquisition does this impairment charge relate to? And similarly also talk about the special bonus that has been accounted for in the current quarter. Thank you.

Ritesh Idnani: Thank you, Manik. Let me just give you a flavor of some of the deal wins. So, if you go back in time, right, I think over the last five quarters, we have consistently had a series of large deal wins, and our pipeline has consistently trended upwards itself. The deal wins that we got in Q3FY24 and Q4FY24, some of them started to yield results, and you started to see that in the revenue numbers come with maybe a one, two quarter lag, depending upon the specific nature of those deals itself. Each of these deals is different. Sometimes it requires an upfront assessment and implementation. Sometimes it's a gradual ramp. Several of these deals have commercial models which are linked to the outcomes itself. So, they don't necessarily follow always a linear path.

What we feel encouraged about is the momentum that we have with the large deal wins, and we think that it will follow a similar pattern to what's laid out for the deal wins that we saw in FY24 in the later part, second half, translating into the kind of momentum and growth that we saw in FY25. And some of the deal wins that we are seeing now, moving pretty much the same way going into FY26 as well.

Dinesh, you want to take the second question?

Dinesh Jain: Yes. So, Manik, this reversal which we are talking about, it pertains to the QBSS acquisition which we announced in the last quarter of FY24. And Board is happy with the performance and they are considering to give a special bonus this time to the employees across organization.

Manik Taneja: And the impairment charges also relate to QBSS?

Dinesh Jain: Impairment charges pertain to previous acquisition which we had done. So, it's not an impairment technically, its reassessing the intangible pertains to the customer contract and reassess every point of time. It's like reassessing a goodwill, and I think the reassessment is already three years before acquisition, so we felt that some of their customers have not been got, what has to be delivered. But I think overall, all the acquisitions are delivering better than what we have thought of originally, except the mortgage acquisition, which you all are aware that due to the industry level changes, this has undergone a slight change. Otherwise, all are performing better, including the ones where we are taking a reversal, I think businesses are delivering more than what we estimated as revenue.

Manik Taneja: And the last one from my side, before I get back into the queue, we had in the past, we have been speaking about possibly targeting between 50 to 75 bps of annual margin expansion beyond the phase of investment that we have done over the last 12-18 months. Does that outlook still hold true for FY26? Is that how we should be thinking about? And also the expectation was that second half of FY25, we should start to see some of these margin gains play out. So, would be great if you could talk about that as well. Thank you.

Ritesh Idnani: So, let me first state at the outset that we do expect the 50 to 75 basis points playing out in FY26. So, in line with what we have consistently stated. And, what you are also seeing is the fact that with the kind of momentum that we are experiencing in the marketplace and the growth that's there, some of the investments that we made, we had to continue to move forward some of the investments that we are seeing with the growth that is there, some of it is the cost of growth etc. as well. But if you also see pretty much over the last two quarters, you are seeing about a 5/10 bps improvement QoQ from a margin standpoint while we continue to make those investments itself.

So, I think what you will see from us is, and I want to almost take a sneak peek into how we are thinking about potentially next year, we want to have industry-leading growth, but while we continue to expand margins as well, and I think that will be the storyline how we are thinking about the business going forward.

Manik Taneja: And also, probably second half should, the pace of expansion should continue, even in second half.

Ritesh Idnani: That's right.

Manik Taneja: Thank you, and all the best.

Moderator: We have the next question from the line of Dipesh Mehta from Emkay Global. Please go ahead.

Dipesh Mehta: Yes, thanks for the opportunity. Couple of questions. First about the growth size, whether missing Ascensos, any seasonality because of the exposure to some of the vertical where December is usually strong quarter, because it is first time we integrated for the quarter, if you can view any seasonality playing out in this business?

The second question is about the vertical wide. If you can help us understand healthcare, we earlier indicated about some softness and delay in decision making. Are we witnessing now healthcare is doing better and between payer, provider, how things are playing out for us? And same if you can provide some sense about BFS, particularly sub-segment level, if you can give some further detail about the demand outlook across various segment where we operate and how things are playing out.

And the last question is about margin. Partly you answered, but if one want to understand usual collection business seasonality playing out, typically between Q3, Q4 kind of thing, or do you think it can be a margin lever entering into Q4? Thank you.

Ritesh Idnani: Thank you, Dipesh. Those were a lot of different questions but let me try and get to the verticals first and then I will come to the margin side. So, first and foremost, we are not splitting the revenue separately, but one of the things that you can see is that Ascensos, from a revenue standpoint, was there for the full quarter. What I can tell you is the revenue run rate in Q3 was similar to the previous quarter itself from Ascensos' standpoint. What you will also see is, as we are trying to build a business, given that we have a wide portfolio of businesses with presence across multiple verticals and multiple geographies, each of which has a different rhythm itself. So, there could be variations in quarterly performance depending on the trajectory in an individual vertical or geography itself. For example, we highlighted last quarter some of the pause in decision-making in the payer business ahead of the US presidential election. Some of those factors make it create temporary volatility itself. In Europe, given the current macroeconomic factors, we are seeing a significant interest in shifting work offshore. So, there are multiple factors that are influencing the kind of growth and what we are seeing in each industry vertical itself.

So, at the outset, what I just want to give everybody comfort out here is we are trying to build a business that's resonant, which is on a consistent upward trajectory. And you will see our growth will continue to be at a band, which is at the top end of the industry growth rate and I think we have demonstrated that again in the quarter itself.

Now, specific to the healthcare business itself, I want to just give you a few data points in terms of how we are thinking about the business itself, right? And I think it's just important to understand the healthcare business because the way we are approaching that vertical is interesting in a way. First and foremost, one of the things to bear in mind is that for us, one of the key guiding principles has been to have a balanced footprint between the payer and the provider side. And we think in terms of how we have built that business itself, that's one of the things that we have perhaps one of the best in the marketplace, that it's balanced between the payers and providers.

Number two, within each segment, it is broad-based across customers so that there is no dependency on a few clients. We are not a two-trick pony or a three-trick pony or stuff like that, but it is broad-based across multiple clients itself.

And number three, we are bringing tech and AI-induced capabilities to solve customer problems. That is what has fueled the growth that we have experienced in the healthcare vertical by over 31% YoY this year so far. And we have had multiple large deal wins in this space. We continue to see a very strong and healthy deal pipeline that's well distributed across clients. We talked about the introduction or modernizing of the offering that we had around the BPaaS side, and that's another area that we think is going to see some convergence in the quarters to come and those are some of the areas that we feel pretty good about from the Healthcare standpoint. Going to the financial services business itself, one of the things if you recall again, we wanted to try and see how we can minimize the dependence on the macro itself. So, while we can't eliminate the impact of the macro, but as you can see, interest rates have continued to hold pretty high. The 30-year mortgage since the end of September has continued to rise up again. It's now holding close to 7%. If you look at the Fannie Mae data, about 80% of the outstanding fixed rate mortgage loans are still at 5% or less from an interest rate standpoint. So, it's very clear that refi volumes are unlikely to come back very quickly, and anybody else who is selling you otherwise is probably smoking something else. But if you look at the new housing market, affordability continues to remain stretched. So, overall the macro environment continues to remain uncertain. So, what have we tried to do? We have tried to broad-based our portfolio, both in terms of the profile of our clients and the nature of the work that we do for them. They're consciously working to increase, for instance, the share of servicing in our portfolio, which had a higher indexation to the origination side. We have tried to cross-sell from our collection service line into other areas of the business, both on the asset and liability side of the P&L, and that's yielding results. We are adding more new logos and we have built out for instance, the financial services team in North America and that's yielding results. And you will see some of that again. It's probably also the reason why we have added several new logos in the financial services vertical as well. So, overall, I think from a vertical standpoint, we feel good about what we see right now across the growth and that's why you are seeing more broad-based growth across the industry verticals itself.

So, just remind me the question on the margin side.

Dipesh Mehta: So, typically on margin collection business, seasonality we used to see in the past, which helps your BFS business into this quarter. So, whether those kind of seasonality benefit also likely to play out?

Ritesh Idnani: You know, this is one we continue to have a very strong and robust capability on the collection side of the house. And it's one of the reasons why I think our integrated capability across first party collections, third party collections, legal collections, all underpinned through a digital collections platform, which is AI and ML infuses yielding results and is allowing to win many logos in the marketplace, as well as expand our footprint in existing accounts. What I will say though is that, I mean, if you take the US market, the US consumer is continuously very resilient. So, you expect that with delinquencies having gone up and all those macro indicators that I am sure you are tracking far better than we are, there should be a bearing on the business itself, but it's interesting how some of these things don't necessarily play here. What we are trying to do therefore is to say, can we continue to expand our footprint in the collections business, can we continue to add new logos, and some of that is what is playing out and also contributing frankly to the growth that we're seeing also in the financial services vertical as well.

Dipesh Mehta: Thank you. Dinesh just one question on cash generation. If I look 9 months, our EBITDA growth and OCF growth, OCF growth is far more muted compared to EBITDA growth. If you can help us understand puts and takes there. Thank you.

Dinesh Jain: I think it was the impact of the first quarter where DSO was very high. I think that was one of the reason.

Dipesh Mehta: Whether that impact will persist even for the full year or because that time you said it will reverse, but 9 months is still weaker, so you expect it to reverse in Q4 or that impact will be there in the full year?

Dinesh Jain: No, I think it will get normalized in Q4.

Dipesh Mehta: For the full year, OCF to EBITDA will be normalized kind of thing?

Dinesh Jain: Yes.

Moderator: We have the next question from the line of Vibhor Singhal from Nuvama Equities. Please go ahead.

Vibhor Singhal: Yes, hi. Thanks for taking my question and congrats on another solid quarter performance, Ritesh, to you and your team. Ritesh, my question was, I think you partly tried to answer that and I am sure we did this a lot on the overall impact that we are expecting of, let's say, the GenAI and of course the new versions that are coming up in the market in a very frequent manner. I think the initial understanding was that yes, a lot of the BPO transactions or work might be impacted because of the GenAI adoption, but our growth has definitely kind of outshone that and definitely I think it's proven that even in this business there are multiple things that we can do. How are you seeing the trajectory going forward? I mean, in terms of client conversations, are we able to basically get incremental more work like data centralization and all, which is helping us grow in that business? And do you believe that in some part of that cycle, maybe not in the next few quarters, maybe sometime, let's say, maybe over the next 1, 2, 3 years, there would be some cannibalization of revenue. Net-net, we might again go back and grow again in revenues, but do you see some cannibalization of revenue happening to our business or the industry business at some point of time. Any color on that is really helpful?

Ritesh Idnani: So, thanks, Vibhor, for the question. You are right, the buzz over DeepSeek over the last 2 weeks, I think, crystallized for many people a few important trends that I think have been happening in plain sight.

1. China is catching up to the US in the generative AI side with implications for the AI supply chain.
2. Open-weight models are commoditizing the foundation model layer, which creates opportunities for application builders. And that's what creates in some sense, I think the competitive mode and a source of differentiation.

3. And scaling isn't the only path to AI progress, so despite the massive focus and hype around processing power, I think what we're also seeing is that algorithmic innovations are rapidly pushing down trading costs.

So, my sense is that if you think about this from a broader AI perspective, and then I will talk a little bit about DeepSeek itself specifically. AI is going to continue to blur the line between BPS and technology services itself and as in the case of any industrial revolution, we are in the early stages of adoption. What we are seeing today is that a human who leverages AI for their day-to-day work will replace a human who doesn't use AI. So, that's why for us, from our vantage point, making sure that our entire workforce is AI ready becomes extremely critical. We also think that some of the routine simple tasks, the lower end of BPS services will potentially get cannibalized, but new business opportunities as is the case with any technology revolution will be far bigger. We are already seeing that with data, AI, ML operations, analytics will be our new frontiers to expand our business using AI. And today, for instance, in fact, one of the reasons why we brought in the capability that AccunAI brought in-house is precisely because of this data is a lifeblood of artificial intelligence, but a lot of the data is unstructured, AI systems find it difficult to use that data straight off the bat. So, there is a big demand for services to provide enterprises with data that have been correctly annotated prime for training models itself. And today I think we're seeing significant growth with three of the top five consumer tech companies in the world for AI services. In Q3, we added a fourth logo to that list. What we are doing, Vibhor, is we are bringing consciously AI and automation in every solution. At our size and scale, what it allows us to do is to be the challenger to incumbents, and the combination of deep domain and technology contextualized to the domain, I think is allowing us to take, share, and win against the larger players. At the same time, if you just take the CX market as an example, a large part of that addressable market is still in-source. So, our view is that the percentage of outsourcing will go up there, but it will happen in a nonlinear fashion. And I think that creates an opportunity for deep domain tech players like us to lead and potentially grow at a faster pace.

The last point I would also call is that we have been modernizing our existing platform, infusing them with AI. So, in the last earnings call, you might recall, I talked about how we have a digital collections platform where we have infused AI to drive hyper-personalization with empathy first mindset. Last quarter, we also talked about an investment in building a mortgage domain-centric language model specific to the mortgage process. And this is the kind of stuff that is, I think, creating competitive differentiation and also allowing us to win in the market place. So, for instance, the language model that we have got specific to mortgages is actually reducing the cycle time related to pre-qualification formal loan applications. So, it's allowing us to use that combination of domain and tech to win against undifferentiated players at the smaller end of the spectrum and larger players who may be reluctant to move as quickly from an agility standpoint. Specific to the developments of the last two weeks, we take DeepSeek as an example. We are a services provider, we work with multiple technology platforms and partners itself. We work with some of the closed models, we work with some of the open-source models as well. And I think there we are seeing a significant amount of traction. We're also doing a lot of interesting work now around the agentic AI side as well. So, we have got an inventory of use cases where we think the agentic AI capabilities can be brought to the forefront. Earlier this week, I was with a customer where we showcased which parts of the processes can be done using AI agents. Now that's the kind of thought leadership that I think is creating a difference also in the marketplace. Overall, we continue to be net positive with everything that's happening because we think we can move rapidly and nimbly and respond to the developments in the marketplace and have specific solutions which build up our domain.

Vibhor Singhal: Got it. So, would it be also correct to say that the, if I look at the vertical wise, the verticals which are more B2C focused, like you mentioned consumer tech or the BFSI or even retail, these are the verticals which are probably ahead in the race of using the, I mean, trying to implement these solutions than the typical Manufacturing and the other Energy B2B segments from the industry knowledge that you would have, not just sticking to the process?

Ritesh Idnani: So, let me just give you a flavor. Certainly, a lot of the consumer-facing industries, there are opportunities that are there, and it comes down to every individual customer and their level of maturity in that AI adoption curve itself. But if you think about two broad flavors of how we are playing that market:

1. Number one, through the capabilities that we have from our crowdsourcing and the data engine, ingestion that we are able to do, we are able to support a lot of the consumer tech companies who have their own AI models and we are able to provide the necessary data that feeds into those models. So, that's one way to play it, what I will call is loosely the AI infrastructure side.
2. The other is the AI for business, which is the application layer itself. And that's where you'll have different combinations of things that we are seeing. You might do examples of something maybe in healthcare or maybe the claims side of the house. And you say, hey, maybe some of this can be touchless, no human in the loop for certain parts of the value chain. You might be able to do something on the provider side around appointment scheduling.

So, I think there is an inventory of use cases that we're working with and we're taking those propositions to the marketplace. Several of them either in the B2C or the B2B2C side, which are I think resonating deeply with our customers and prospects.

Vibhor Singhal: Got it. And just lastly, it would be fair to say that we are well past the POC stage and many of the projects in this AI as well as agentic AI space are already revenue generating?

Ritesh Idnani: So, what I will say is almost everything that we are responding to today in the marketplace has AI embedded in it as a capability. Some of the deals that we are winning and the consistency with which we are winning these large deals is because we have AI embedded in the way we are going to reimagine the process and transform the operation for our customers.

Vibhor Singhal: Got it. Thanks for taking my questions. And wish you all the best.

Ritesh Idnani: Thank you, Vibhor.

Moderator: Thank you. The next question is from the line of Rahul from Dolat. Please go ahead.

Rahul: Hi. Thanks for the opportunity. I think a similar question has been asked, but it would be good if you could help me out in terms of understanding a slight bit of seasonality for the Ascensos business, because it seems you are saying the run rate has remained similar, but if you look at some of the metrics, it suggests there is a far bit more traction. So, is there something more that we should calibrate from a seasonality point of view or it is more a uniform business from a sequential basis?

Ritesh Idnani: No, I think look there has been some seasonal uplift in volume, but then there is also some of the business that was there in the UK itself which is more near shore etc. which kind of neutralized it, so I wouldn't read anything further into that which is why from our vantage point we are seeing from a run rate standpoint, it is pretty much in line with what you saw the previous quarter.

Rahul: And the growth profile of the business was not really exciting when we acquired this business. So, is there anything meaningful that you would have done to stimulate that?

Ritesh Idnani: So, let me take a step back and talk about the rationale of the acquisition from the Ascensos stanpoint and what it brought to them and where we are starting to see value levers for growth. So, number one, if you look at the Ascensos service delivery footprint, it was UK, South Africa, Romania, Trinidad, and Turkey. They did not have a footprint in India, Philippines, Mexico. I think that is an opportunity that has gotten created where the ability to take some of those newer locations where we have critical mass and scale has been an opportunity for the clients of Ascensos. I think that's an opportunity.

The second one has been centered around some of the front-end consulting capabilities that we have been able to bring to the Ascensos customers. I will give you an example, we're doing a lot of work around journey mapping and re-imagining the process for several of those clients itself. And that I think is yielding results just in terms of positioning Ascensos even more as a valued partner to those customers. I mean, they were doing phenomenal work with these clients. They were great at the brilliant basics. And now I think we're able to showcase that additional value add for them to change or rethink the way these processes are run. And here I am talking about the end clients.

The third is I think on the technology front, and I think just the inventory of things that we have, our GenAI studio, the ability to talk about agentic AI for different parts of the retail value chain. Where's my order? What are you doing on the refunds and cancellation side? Some of that thought leadership is also percolating across to the Ascensos client base as well. So, a combination of all of these elements, I think is creating momentum to the Ascensos client portfolio as well.

Rahul: Yes. And given that we would be doing a very strong organic growth as well in this year, other than, of course, the inorganic contribution. Going into 26, you think there is a need for the constant inputs coming from the inorganic side of the strategy, or you think for now it could be more about consolidating what we have and grow on its own?

Ritesh Idnani: What I will say is that it can never be one or the other. It's always an and kind of strategy. So, obviously we want to continue to grow the business organically, but you can't build a business based on acquisitions only. So, it's not like we are going out there and saying we are going to hit growth numbers based on acquisitions. I think you start with organic growth, but at the same time, keep looking for opportunities that come either proactively or reactively on your plate and then saying, hey, is there a fit? Is there something that's relevant, so on and so forth. I think that's the way we are trying to architect and build a business. What I will say is that we're not looking to do acquisitions for revenue sake. If you look at all the three acquisitions that we have done in the last one year, each one of them has addressed a specific capability which has been accretive or value accretive to us. And that will continue to remain the philosophy going forward as well.

Rahul: Right. I mean the question was more in the context that it's like almost three in one year. So, one thing is that it is an important, do we see it as an important thing? I am sure nobody do acquisition for sake of it. My question is, is it like a, it's an important tool that your strategy has to boost the growth? And wherein the organic opportunity and inorganic opportunity both need to be seen to understand what should be the growth compounding from a 3, 4-year perspective. Or it could say acquisition would be more a chance event and organic growth is a more defined strategy?

Ritesh Idnani: So, again, as I said, when we are architecting a business plan and we're planning for not just next year, but two years out, three years out, etc., our growth strategy is completely centered around what we can drive in the business organically. That being said, acquisitions are binary in nature. Either they happen or they don't happen. You can't plan for a business and a target and a goal based on acquisitions itself happening. So, I think the safe way to think about it is that we will continue to build the business with organic growth. At the same time, acquisitions will be relevant if they plug a capability gap, etc. but as I am sure you understand, a lot of stuff has to come together for an acquisition to happen, it is not just about a capability gap. There has to be a value and a cultural alignment, and so on and so forth. So, these things are binary in nature. So, from my vantage point, I am thinking about this, and our entire leadership team is thinking about this more in the context of saying can we build an industry-leading business and do it on the back of organic strategy, and at the same time keep looking opportunistically if there's something that allows us to continue to build out our capability gaps, if any, so that we continue to be relevant in the domains in which we operate.

Rahul: Right. And last one from my side, from a profitability improvement perspective, we are seeing that there is going to be a certain increase in profitability that we see. But just to see from a more comforting area of leverage that you see, can you highlight one or two easy picking for you where you say, okay, these are areas where you can straight away see a margin improvement will happen going into next fiscal?

Ritesh Idnani: So, I want to give you one example straight away of how we are thinking about margins, right. And it's probably important to take a step back and say over the last four or five quarters, what have we been doing? We have invested in broadly three areas. The first was in expanding our sales and account team, and our sales team has grown by over 50% over the last 12 months. We have largely done in this area. So, we will continue to add or make changes as we see the need. The second is on the capability side, where we are doing both leadership hires as well as beefing up our solutions team. In fact, we have accelerated some of these investments, especially around modernizing our services portfolio by infusing AI and automation. We talked about some of this in the last quarter when we detailed specifics around RelAI, and our language model of our mortgage services.

The third area that we're doing, spending time on and investing heavily is in amplifying the brand in expanding our relationships and visibility in the industry analyst and advisor community itself. This does not change the trajectory of the 50 to 75 basis point improvement that we expect every year over the medium term from next year. But if you think about one lever, just I want to take you back to Q2 of last year, where our onshore revenue was roughly about 74% and our offshore revenue is about 26%. If you look at where we are today, for Q3 of FY25, that's changed to 60% coming from onshore and 40% going from offshore and nearshore side. That is a meaningful shift. And we think that there is still an opportunity out there. As that plays out, I think you are going to get margin expansion. We're also looking at our employee pyramid and how we staff our project delivery teams. Technology, AI, and automation are changing the way support functions get done. And I say support functions in the context of the work we render to our customers. This is not about the corporate support functions. There are opportunities there to centralize, automate, offshore roles that are relevant as well. We're using automation and AI in our onboarding and training processes to improve speed to competence. All of these, when they all come together, I think among other areas, and I am not even detailing all the value levers, but we have got about 24 value levers that we are tracking closely, which I think gives me a high degree of comfort on the 50 to 75 basis points.

Rahul: Right. Just double-clicking on the point, you mentioned. So, one thing is, of course, the mix of the new business that we have acquired as a very big offshore or near-shore kind of a thing. But the thing on the like-to-like basis also are business that used to have before this. We'll also see a meaningful shift on the offshore delivery side.

Ritesh Idnani: I think if you look at this, a lot of our existing customers, a substantial part of that incremental growth is coming offshore and nearshore. The service delivery capabilities that we have, the geographical footprint that we now have is a tremendous asset. At the same time, I think one of the things that hold us in good stead is the end-to-end capability that we can offer, particularly in the regulated markets in which we operate. So, I don't want to take away from the in-country US, UK, Australia footprint that we have, because I think there is a strategic value to that. But at the same time, I think the ability to increase the offshore and nearshore business at a much faster clip, I think it gives operating leverage.

Rahul: Sure. Thank you for the elaborate answer. That's it from my side.

Moderator: Thank you. Ladies and gentlemen. We have the next question from the line of Girish Pai from BOB Capital Markets. Please go ahead.

Girish Pai: Thanks for the opportunity. Ritesh, you mentioned that if I heard you right, you said that FY26, you are going to have industry-leading growth, and I think that you are talking about organic growth here. Industry growth itself, now that the budgeting cycle is probably done for 2025 amongst your clients, do you think it will be 1.1x, 1.3x, or 1.5x? What is the kind of industry growth pickup that you see in 2025 or FY26? That's question number one. Second, you mentioned that you are going as a challenger in the GenAI projects and taking away projects from incumbents. Are the incumbents not self-cannibalizing or not pushing back or providing their own set of solutions through platforms and stuff like that? Just these two questions.

Ritesh Idnani: Let me quickly respond to the first one, which is, I think we have not made any specific comments about FY26, but I think we will provide more color once we come up with the Q4 numbers and close out FY25. And at that point in time, I think we will provide more perspective. But I gave you a directionally how we're thinking about FY26. Related to the second question, Girish, we are seeing some interesting dynamics playing out. In some instances, the larger incumbents may not be agile and nimble and as responsive to client needs at the point when they arrive. Sometimes it's because they want to be mindful about protecting their existing business, so they're playing on defense and they're reluctant to cannibalize their own revenues. And that could be one of the factors. Some of the larger players that we're dealing with are going through their own internal trials and tribulations with large acquisitions that they have done and they haven't necessarily sorted through all the post-merger integration challenges that come with it. And that forces a lot of these organizations to be insular as opposed to market inside out rather than being outside in. I think these are just two anecdotal things that we're seeing out there in the marketplace that is allowing us to compete, hold our own, and punch above our weight against some of the larger players.

Girish Pai: Okay, thank you very much.

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

Abhishek Kumar: Hi, good evening. Ritesh, just one question from my side. You mentioned that in the payer segment within your healthcare vertical, there was some slowdown because of the open enrollment period. I mean, that is a bit contrary to what some of your other pure play healthcare peers have said, I mean, they're generally a volume pickup because of the open enrollment period. So, I am just trying to understand the contrast here. Are we into different service lines which doesn't get any benefit from the pickup in volume in Q3? Any color will be helpful here. Thank you.

Ritesh Idnani: Thank you, Abhishek for the question. I am not going to comment on other companies, but I do want you to understand that different companies have different business priorities and different operating spaces in which they run their business. And I talked a little bit about this in terms of giving some perspective. Our intent for our healthcare business is

1. To build a portfolio that is balanced between the payers and the providers
2. Within each segment it is broad-based across clients so that there is no dependency on a few clients
3. We are able to bring tech and AI induced capabilities to solve client problems

This has helped us grow our business by over 31% YoY this year so far. And we have had multiple large deal wins in this space. We continue to see a strong deal pipeline that's well distributed across clients, and so on and so forth. There are segments within this vertical like open enrollment, and you are right, where that naturally gives an uptick in volumes, but we have taken a conscious call to keep our exposure calibrated because volumes in this space could be unpredictable, right, and create a seasonality element to it. What I also want to add is that we can afford to do so because we don't have a concentrated client portfolio.

Our business is far more diverse in terms of the playing field itself. So, we have a choice, and that choice allows us to play the market more selectively than maybe some of our peers are able to do. And I think that's what I think is probably the operative word in terms of how we have seen the segment play out. But which is why we feel very good about the vertical. We see a very strong pipeline. We think there are going to be some very interesting conversions in this space. So, we feel pretty good from an outlook perspective.

Abhishek Kumar: Thank you and all the best.

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

Ritesh Idnani: Thank you for joining the call and for all your questions. I just want to close with a few points. We are on track with our revamped go-to-market strategy. You are seeing that in the numbers. We continue to remain laser focused on building a resilient, durable business with industry-leading growth. And our growth, as you can see, will be industry-leading in FY25.

Our sales engine is working well. We had three large deal wins in each of the last three quarters. And in spite of that, our Q3 closing deal pipeline was amongst the highest ever. We are adding larger relationships and mining our existing relationships better. There is an increase in the count of our 1 million, 5 million, 10 million plus revenue clients from a year back. Our revenue concentration with our top 5 and our top 10 clients is also down by 7% and 9% respectively, and broad basing that revenue and adding strategic logos, we think creates more opportunities and more headroom for growth.

Our improved and expanded capabilities portfolio is resonating well with our clients and prospects. And finally, our revised FY25 revenue growth guidance of 21.8% to 22.3% keeps us in the top decile for the industry. That's all from our side. I look forward along with my colleagues to interacting with you again in the next quarter call. Thank you again for joining the conversation.

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