RP - Sanjiv Goenka Group
Growing Legacies

firstsource

2nd May 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 28th April 2025

Please find enclosed the transcripts of the Analysts earnings call conducted on 28th April 2025, after the meeting of Board of Directors held on 28th April 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

FIRSTSOURCE SOLUTIONS LIMITED

Q4FY25 EARNINGS CONFERENCE CALL

APRIL 28, 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 the Firstsource Solutions Limited Q4 FY25 Earnings Conference Call.

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

On this call, we have Mr. Ritesh Idnani – MD and CEO; Mr. Dinesh Jain, – CFO; and Mr. Pankaj Kapoor – Head of Strategy, Investor Relations and ESG to provide an overview on the Company's performance followed by the question-and-answer session.

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 consequent annual reports that are available on its website.

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

Ritesh Idnani: Thank you and good morning, good afternoon, good evening depending on where you are joining us from. Hello everybody and thank you for joining us today to discuss our financial results for the fourth quarter and full year FY25.

I am pleased to share that this has been a milestone quarter for us; we achieved an annualized revenue run rate of US$1 billion delivering this four quarters ahead of our aspirational goal of Q4FY26. Also, the incremental revenue we added in FY25 was more than double the cumulative addition of the previous three years. We are humbled by these achievements, and I would like to sincerely thank each one of our 34,651 Firstsourcers around the world, who's passion and commitment to consistently deliver value to clients, helped us reach these milestones.

1. Q4 & FY25 Results

Our Q4 revenue grew by 29.4% YoY and came in at INR 21.6 billion. In US$ terms, the growth was 24.3% YoY and 0.4% QoQ at US$250 million. In constant currency, revenue grew 2.1% QoQ to close a tad above US$250 million. The EBIT margin for the quarter was 11.2%; this is higher by 10 basis points and 20 basis points on a QoQ and YoY basis respectively. Our net profit was INR 1.6 billion and the diluted EPS was INR 2.28 for the quarter.

For the full year, our revenues grew by 25.9% in rupee terms and 23.3% in dollar terms. Our constant currency revenue growth was 22.6%, above the higher end of our guided band of 21.8% to 22.3% that we have provided in Q3FY25. Our EBIT margin for FY25 excluding one-offs was 11.1% within our guided range of 11% to 11.5%. Our PAT for FY25 stood at INR 5.94 billion, a growth of 15.5% over last year on reported basis.

2. Deal Wins

In Q4, we signed five large deals. As you are aware, we consider a deal with ACV of over $5 million as a large deal. Overall, we won 14 large deals in FY25, including four deals that are over US$10 million of ACV, this is the highest we have had in the history of the company. Our total ACV intake in FY25 was also the highest ever.

I believe the strength of our deal wins both in numbers and scale, 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's resonating well with clients and prospects.

Let me give you an example of the same:
We won our largest deal in healthcare this quarter from one of the mid-market health plans in North America. This happens to be a new logo for us as well. This is a five-year business process as a service or BPaaS deal for us with an ACV well over $50 million in steady state.

I would like to emphasize that several of our large deal wins, including the BPaaS deal I just referenced are transformative in nature and have a staggered ramp up curve that's different from standard deals. Hence, while they add to our longer range growth visibility, their conversion into reported revenue happens over an extended period of time. You may want to factor this in your annual revenue growth expectations.

Let me now highlight a "Few other notable wins during Q4":

- We won a large deal from a global leader in financial technology solutions in the U.S. for both CX and back-office Services.
- We also won additional business from a trusted provider of employee benefits and pensions administration in the UK with a large deal for transforming their contact center operations.
- We were selected by one of the Top10 healthcare payers in North America, an existing client, for ensuring accuracy and compliance of claims processing.

I have spoken earlier about our plan to leverage the near shore footprint that came to us through the Ascensos acquisition with some of our large existing clients. In Q4, we expanded our relationship with one of the leading media and entertainment companies in the UK and among our top five clients with the large customer support deal that would be delivered from South Africa.

During the quarter, we also added 7 new logos including two strategic logos. As you are aware, we define a strategic logo as one where we see the potential of at least a US$5 million annual relationship. In FY25, we added 43 new logos, which included 12 logos that we consider as strategic.

3. Vertical Commentary

a. Banking and Financial Services

In Q4FY25, our BFS vertical was up 5% QoQ and 12% YoY in constant currency terms. We added one new logo in this vertical in Q4. The growth was driven by ramp up in the recent deal wins and the seasonal strength in our collections business. As you are aware, we have been focusing our efforts in this vertical on broad-basing our presence in existing clients and expanding our footprint into adjacent segments. To support this, we have strengthened our sales and solutions teams and are now bringing a wider set of capabilities to the table. We are starting to see the impact of all of these efforts in the marketplace. The new logo we added in Q4 came through a large deal, and our exit pipeline for the quarter is about 20% higher than where we were a year back. This gives us confidence in sustaining healthy growth in this vertical in FY26.

b. Healthcare

In Healthcare, we saw modest sequential growth in Q4, largely due to the lingering effect of the deal-decision-making pause we mentioned in Q2. The good news is that the momentum is clearly picking back up. We added four new logos in this vertical and closed the quarter with multiple large deal wins, including a couple that are highlighted earlier in the commentary. In fact, Q4 was a record for us in terms of ACV won in this vertical. What's working well here is our ability to proactively stitch together creative, nonlinear deal structures, the kind that really resonate with customers, especially given the tough environments that they're operating in. The BPaaS deal I mentioned earlier is just one illustration of the same. As you will note, even with some softness in the second half, this vertical grew 30% YoY in FY25. We expect that momentum to carry forward into FY26 as well.

c. Communications, Media and Technology (CMT)

Our CMT vertical delivered 6% growth QoQ and 12% YoY in constant currency. We added two new logos in Q4. This has been one of our fastest growing segments, thanks to strong traction amongst leading consumer tech brands, both within our traditional offerings as well as some of our newer non-traditional solutions. We continue to see a well-balanced pipeline here, spanning traditional media and communications players as well as digital-first and new-age tech companies.

d. Diverse

Lastly, coming to our "Diverse Portfolio," which comprises of our Retail and Utilities business. We saw a 9% QoQ decline in constant currency terms, primarily due to seasonal softness in the retail business. We see a healthy deal pipeline in this portfolio in both the retail and utilities verticals, which should translate to a broad-based growth in the coming quarters.

4. Geographical Commentary

From a geography perspective, North America grew at 3% QoQ and 30% YoY in constant currency terms. We expect growth to remain healthy and broad-based across our three core verticals in North America. Europe was down 3% QoQ, mainly due to the seasonal softness in our UK-centric retail business. Clients in the UK are navigating a fair bit of macro uncertainty currently, and that's pushing them to move faster towards offshore or nearshore models. We have secured significant incremental business from two of our large UK clients to be executed out of South Africa over the last two quarters. We're seeing similar interests from others as well, although these conversations typically take time to convert. Our pitch for transformational programs is also resonating well with clients and prospects. I spoke earlier of a large transformational deal win in Q4 from a UK based pensions administrator. Australia continues to perform well for us, with strong growth on the back of recent deal wins. During the quarter, we also opened our onshore delivery center in Melbourne and launched a dedicated AI Innovation Lab. The lab will collaborate with universities on AI, engineering, robotics and digital initiatives. Overall, we are optimistic about our trajectory in this region.

5. People

We ended FY25 with a total headcount of 34,651 Firstsourcers after adding 507 net hires in Q4. For the full year, we brought in 6,711 new hires compared to 4,922 in FY24 which is reflective of the strength of our deal pipeline as well as delivery ramp-up. Offshore and near shore hires made up 80% of our gross additions, which aligns with the demand shifts we have been talking about. Attrition continues to improve; our trailing 12-month attrition rate dropped to 29.8% in Q4, down from 31.4% last quarter and we expect this trend to continue. We're also investing heavily in upskilling. We delivered over 200,000 digital learning hours during the year, covering areas like GenAI, automation and domain-specific skills. Internal talent mobility is another area we have prioritized, and over 2,500 internal moves were made under our internal seeding initiative in FY25. Finally, I am proud to share that Firstsource was recognized among India's top 50 Best Workplaces™ for Building a Culture of Innovation by All by Great Place to Work®. It's a great validation of our people-first approach.

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 Q4, Everest Group recognized us Amongst the Front Runners for Gen. AI in the healthcare sector. ISG once again recognized us Amongst the Booming-15 Based on the Annual Value of Commercial Contracts Awarded in the past 12-Months.

I am proud to report Firstsource was included in the prestigious S&P Global Sustainability Yearbook for the second consecutive year, this time with an even greater impact, earning recognition as an "Industry Mover" and achieving a "Top 5% S&P Global CSA Score" amongst the 7,690 companies assessed during 2024-25. We were also awarded the "Silver Medal" in the 2025 EcoVadis assessment. With an overall score of 71/100 we ranked in the 91st percentile globally, placing us amongst the top 15% of the companies worldwide for excellence and sustainability. These recognitions underscore a collective effort of every member within our organization, and we remain steadfast in our commitment to operate responsibly and sustainably.

With that, let me turn over the call to Dinesh to give a detailed colour on the quarterly and annual financials. I will come back to talk about our progress on the strategic priorities as well as the outlook for FY26.

7. Financial performance

Dinesh Jain: Thank you, Ritesh and hello, everyone. Let me start by taking you through our quarterly financials. Revenue for Q4FY25 came in at INR 21.6 billion or US$250 million. This implies a year-on-year growth of 29.4% in the rupee term and 24.3% in US$ terms. In constant currency, this translates to a YoY growth of 25%. We reported operating profit of INR 2.4 billion in Q4FY25, up 32.4% over Q4FY24 and translates to EBIT margin of 11.2%, up 10 bps sequentially and 20 bps on YoY basis. Profit after tax came in at INR 1.6 billion or 7.4% of the revenue for the quarter. Our Profit after tax grew 22.6% YoY and 6.1% QoQ adjusted for the non-recurring items reported in the earlier quarters.

Annual performance

For fiscal year FY25, our revenue stood at INR 79.8 billion or US$944 million. This implies a Year-on-Year growth of 25.9% in the rupee term and 22.6% in constant currency terms that was a little above our guided band of 21.8% to 22.3%. Our operating profit was INR 8.8 billion, up 26.5% over FY24 and translates to EBIT margin of 11.0%. Adjusted for the one-time charges in Q2FY25, our EBIT margin for FY25 was 11.1%, within the 11-11.5% range we had guided previously. Profit after tax for FY25 stood at INR 5.9 billion. This translates to a year-on-year growth of 21.7% adjusted for non-recurring items.

Other financial highlights

The tax rate was 20.3% for Q4. For FY25, the effective tax rate was 19.7% within the previously guided range of 18-20%. We expect it to be in 19-21% range in FY26.

DSOs stood at 70 days in Q4. There were some delays in collections in a couple of accounts all of these were subsequently collected in the first two weeks of April. Normalized for that, our DSO would be 67 days.

Our cash balance, including investments, stood at Rs 2.2 billion at the end of Q4. This is after the dividend payout of Rs 2.8 billion during the quarter. Our net debt stands at Rs 13.2 billion as of 31st March 2025 versus Rs 10.2 billion as of 31st December 2024 and Rs 6 billion as of 31st March 2024.

We added new seating capacities in Hyderabad, Bangalore, Philippines and Australia in Q4. Our capex in FY25 was more than double that of FY24, as we prepared the execution infrastructure to fulfil the order wins. To give a perspective, we added over 7,000 seats in FY25, versus 2,000 plus we added in FY24. We will continue to invest in creating additional capacities in FY26 as well given the strength of our executable order book and pipeline.

RoCE for FY25 is 15.6% versus 15.4% for FY24.

Our hedge book as of 31st March 2025 was as follows: we had coverage of GBP 74.6 million for the next 12 months with an average rate of Rs 110.3 per Pound and coverage of USD 167.1 million with an average rate of Rs 86.1 per US$.

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

8. Strategic priorities and outlook

Ritesh Idnani: Thanks Dinesh. As you know, the ***One Firstsource*** framework has been a north star for the strategy refresh in the organization over the last six quarters. I am pleased with the progress we are making on each of the seven themes we have defined as parts of this playbook and our success so far in translating this progress into a business outcome is evident in the consistent improvement in key client and deal metrics.

In the last four quarters, we added thirteen clients with over US$1 million in revenue, five with over US$5 million, and two with over US$10 million. The share of revenues from our Top 5 clients has come down to 29.4% versus 36.4% and Top 10 clients to 43.7% from 52.6% in Q4 of last year. Our strategy to position ourselves in new accounts as a challenger to the existing ecosystem by bringing in a differentiated technology-first solution is working well. I would like to highlight that of the 14 large deals we won in FY25, 5 of them were from new logos. This includes the BPaaS deal I spoke of earlier. 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; we ended FY25 with five large deal wins in Q4 after clocking three large deal wins in each of the previous three quarters. The combined ACV of deal wins in FY25 was up over 60% versus last year and our exit deal pipeline is higher by over 30% versus Q4FY24.

Our improved growth momentum has helped us gain almost half a percent of market share over the last four quarters against the basket of fifteen of our closest global publicly traded peers, based on trailing 4 quarters reported revenues. This is a testament to the focus we have put in place over the last 6 quarters to use our strong foundation to take advantage of the market opportunities being created by the ongoing macro and technology shifts.

AI and other emerging technologies have potential to fundamentally reshape the BPO industry, and the macro uncertainties are only accelerating the pace at which enterprises globally are adapting to this change and demanding a similar response from their partners. We believe AI can potentially turn the traditional business model of the BPO industry on its head, because it shifts the axis from labor arbitrage to technology arbitrage. The traditional labor-linked strengths like large scale global delivery centers, optimized employee pyramid and shared services factories could become weaknesses. And just a token use of AI and automation for incremental productivity gains will not help. In our view, companies who will be able to pivot their entire business model to the new axis will be the net gainers from this shift. Thus, size will be a critical success factor. As past experiences show, both very large and sub-scale companies find it difficult to adapt to such transformative changes in the industry model.

At a billion-dollar revenue run-rate, we believe we are at the right scale to be the disruptor. We are large enough to drive a significant impact for our clients, yet agile enough to innovate rapidly. Unlike our larger peers, we are not restrained by excessive bureaucracy or legacy operations, allowing us to proactively capitalize on AI-driven advancements and emerging industry shifts. To this end, we announced last month our UnBPO™ playbook, that is our blue print of how the new order would look like and how we are preparing ourselves to succeed in that.

For example, today, we are proactively creating responses to RFPs with solutions that have AI and automation at the core and where we partner with tech companies to bring the latest platforms to complement our domain and process knowledge. The BPaas deal I spoke of earlier or the work we are doing at ETS are just two examples of this. In my previous conversations with you all, I have highlighted how we have transformed our training program to make it aligned to an individual's learnability instead of a one-size-fits-all structure.

Overall, the UnBPO™ playbook reimagines the BPO business model from every angle with the AI lens through its ten tenets. In the two months since its launch, we have seen a very strong interest from clients and prospects, many of whom have asked for follow-up workshops with their senior leadership teams to explore the tenets and assess their preparedness for the UnBPO™ model. The radical thought process behind UnBPO™ has also improved our visibility with industry analysts, several of whom have published extensively on the concept and are amplifying it with our target audience.

Overall, I am pleased with the progress we have made over FY25 in each of the areas we have identified for a strategy refresh. What I find more encouraging is the growing recognition of our efforts that I see in our deal wins and pipeline and with the UnBPO™ playbook, we are getting mindshare right at the CXO level among our clients and prospects. All these are critical ingredients to build a resilient and durable business with industry leading growth.

Outlook

Finally, to the FY26 business outlook. We expect our revenue to grow in the range of 12% to 15% in constant currency terms and our EBIT margin to be in 11.25% to 12% band in FY26.

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

Moderator: Thank you, sir. The first question comes from the line of Vibhor Singhal from Nuvama Equities. Please go ahead.

Vibhor Singhal: Congrats to the Firstsource team for a very solid quarter yet again. Ritesh, my question was on a couple of remarks that you mentioned in your opening prepared remarks. You mentioned that our size at US$1 billion is probably the perfect size. We are large enough to drive changes in a client's portfolio and yet small to be agile enough. Does this revenue size also work in our favor in an environment like this in which there is an overall macro overhang and more of vendor consolidation? Do you think at this point of time relatively smaller players like us tend to lose out? Or do you think with our capabilities we are able to mitigate that as well?

My second question is basically on the overall demand environment. We are almost one month into Q1, probably one of the most uncertain quarters that this industry has seen because of the tariff situation. Any colour on what the client conversations are looking like, is there more of indecision and delayed decision making?

Ritesh Idnani: Thanks, Vibhor, for your questions. Let me start by addressing the first comment that you made, which is around size. Look, one of the things that we have been consistently saying is that we are not that small that we don't get a seat at the table, and we are not that large that the banks of bureaucracy come back to bite us. And I think that has held true in the way we have operated and executed in the current environment. Again, one of the things we have consistently said is the current environment has scope for divergent growth. We are not immune to macro headwinds, but I think one of the things that we are doing is we are engaging with our clients, highlighting our strengths, keeping our focus on execution. And I think that's what's helping us to continue to win in the marketplace.

In fact, we have been winning consistently against larger players as well as undifferentiated players of which this industry has a longer tail and is gaining market share. For example, the large deal we won, a new logo in Australia was against several large players. What we are doing, and this is what honestly is helping us, is bringing our capabilities to the forefront. Building on the deep domain experience that we had, the inch-wide multi strategy, proactively going to our existing accounts and expanding footprint. Our new logo hunting is also a lot more structured now. And all of this is a combination of all these factors that I think is allowing us to hold our own and we think that opportunity continues to exist in the current environment as well.

Your second question was related to the macro. Let me just state one thing, I think we have been seeing macro duality for some time now. I think it's just the degree that has gone up, particularly over the last four, six weeks or so.

Few things to bear in mind. One is that the BPM services are not as linked to discretionary spend as the traditional IT services. And that would also therefore have an impact on what we see and say about the environment versus what our IT services peers might end up saying. And while clients have been cautious, I also think that we are finding that they are moving actively on programs where they see scope for meaningful cost optimization not just by leveraging, offshoring, but also by reimagining the process itself and bringing elements of technology arbitrage to the forefront.

We have sized that opportunity and continue to engage with both our existing clients as well as new logos with solutions that create value for them. At our scale, we believe that the outcome of such conversations will have a higher impact on our growth than the macros itself.

Vibhor Singhal: Got it. That was really helpful. Also, the weakness that we saw in the retail segment was that very much client and seasonality specific as you called it out? Or was there also some overhang of the tariff related uncertainty that we have seen with other companies in the retail sector?

Ritesh Idnani: No, I think at least from our vantage point and for the cohort of clients that we service, this was just a regular seasonality that you see in the retail business.

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

Ritesh Idnani: Thank you, Vibhor.

Moderator: The next question comes from the line of Girish Pai from BoB Capital Markets. Please go ahead.

Girish Pai: Thanks for the opportunity. So, FY26 guidance of 12% to 15%, how much of this is inorganic? And if you can just look back on FY25, can you just split that into the organic and the inorganic piece?

Ritesh Idnani: So, I think if you look at the guidance itself, I am not going to comment on the math, but let me give you a flavor of what is sitting in the guidance itself, and I think we will get into the specifics out there. We have give or take from our vantage point, the 12% to 15% is the range at which we have provided. That guidance today is based on what we see is our line of sight for the business over FY26 as we see today and it does not build any changes in the macro environment itself. And what also it includes is, you know, it includes some of the deal wins that we have had, but we have also been saying that several of our last deal wins, including the BPaaS deal I spoke about, are transformative in nature and have a staggered ramp-up curve that's different from standard deals. So, those are some of the variables that have gone into the guidance itself. And what I will say is we are not making any assumptions on the macro variables on which we have no influence. But those are some of the things that have gone into the actual numbers itself.

Girish Pai: No, I wasn't, okay, I was asking about inorganic elements to both the FY26 guidance as well as FY25 performance. How much was that?

Dinesh Jain: We have around 3% which have been factored in the FY26 guidance and for FY25 it was around 7% as part of inorganic.

Girish Pai: Okay. Ritesh, how did Q4 of FY25 pan out? I mean, when the quarter started, were you expecting a certain number from a revenue perspective? Did the final actual numbers meet your expectations or were they higher or lower?

Ritesh Idnani: I think we feel good about where we entered the quarter at. And let me just take a step back, I mean, if you look at this in the context of a full year itself basis, our Q4FY25 at a billion dollar run rate business was four quarters ahead of guidance. So, we obviously feel very good about the fact that we exceeded the guidance that we had provided to all of you in terms of performance itself.

The way we looked at Q4, we knew going in that we have a wide portfolio of businesses with a presence across multiple verticals, multiple geographies, each of which has a different rhythm. Example, you might recall we spoke in October last year about the pause in decision-making in the healthcare-payer business ahead of the U.S. presidential elections. And that had a lag effect on the revenues in this vertical in the last two quarters. But if you look at the deal wins and the deal momentum, they were fairly strong. Similarly, if you look at in Europe, we saw a significant interest in shifting work, which again we had talked about, which would cause some deflation in reported revenue growth. Likewise, in retail, we knew that the January to March quarter after the November-December holiday period would be a seasonally soft quarter in the retail market itself.

So, I think we had baked in all these elements when we had provided guidance. And relative to what we have provided in the guidance at the end of Q3, I think we feel good about it because at the end of the day we are trying to build a business which is resilient, which is on a consistent upward trajectory. So, you will see our growth will continue to be at a band which is at the top end of the industry growth rate. And that's what we feel good about.

Girish Pai: Okay. My last question is regarding visibility on the guidance you have given of 12% to 15%. The current ACV or TCV that you have clocked till 4Q, will that be good enough for you to deliver the lower end of the band or do you think you need to win more deals going into FY26 for you to deliver that lower end of the band?

Ritesh Idnani: So, look, the guidance band of course is influenced by multiple things, right? For example, how we see the pipeline converting, the pace of ramp up of deals that we have won, etc. While it would be difficult for me to quantify each variable for you, but what I would like to emphasize is that our guidance is based on what we are seeing today in our business. What we are not making any assumptions as I stated earlier is about the macro variables over which we have no influence. And I am guessing that that's what you are trying to get a flavor, but we feel good about what we see at this stage.

Girish Pai: Okay, thank you.

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

Manik Taneja: Hi, thank you for the opportunity and congratulations once again on a steady performance. I basically had a couple of questions. One was with regards to our segmental margins if I look at the CMT vertical in particular. This is vertical, if I understand correctly, you are going to see significant offshoring at your largest customer and some of which would basically translate to better margins. But if I look at the progression of margins in this vertical through the course of FY25, we have only seen margins come off. So, if you can talk about what's driving that.

And the second question is with regards to our growth outlook across industry segments. If you want to take a stab across which verticals will lead growth, if you could give us some sense in terms of which other industry segment that you would expect to lead in terms of contribution in FY26?

Ritesh Idnani: Thanks, Manik, for your question. On the CMT side, I would just state that some of what we saw out there is the cost of growth. We had a bunch of deals, new logo signings, etc. and some of the initial ramp-ups that need to happen to get the deals in steady state and so on and so forth is really what depressed the margin, if you will. But otherwise, we don't see anything out there that is a cause of concern. I think it will get back to where it needs to. That's the simple response that I would give on CMT.

On the growth outlook for FY26, the first comment I would make is that we are seeing this across the board, all industries, I think will end up growing. And they will grow at a reasonably healthy pace. So, it's not that we are seeing one grow more than any of them being laggards, if you will. We think the healthcare business will provide us meaningful growth. Some of our work in the utility space will grow, but it's on a smaller base, so the percentage growth will appear higher. And that's what we end up seeing in terms of business. But at the same time, financial services will continue to hold steady for us from a growth standpoint, as will be our CMT business as well.

Manik Taneja: Sure. Could you talk about the broad split-up of your CMT vertical across the traditional telecom and media customer base, as well as new consumer tech logos that you basically made inroads in the course of the last 18-24 months? So, my question was with regards to the broad construct of the CMT vertical. Historically, this was a business which was largely related to traditional media and telecom customers. Over the course of the last 18 to 24 months, you have made headway with consumer tech customers. If you could give us some sense as to how the broad split up between these two categories of customers would be right now?

Ritesh Idnani: Got it. So, we don't provide a breakup between the three sub-segments itself, if you will, within the CMT vertical. But what I can tell you is that today we are seeing growth in all the three segments. The tech segment is growing at a faster pace just by virtue of the fact that it's on a smaller base of revenue relative to the telco and the media side of the house. But we have a very active pipeline deal conversion in the telco and the media side of the house as well, apart from growth in existing accounts. So, I think all three segments will grow. Tech will grow at a faster pace.

Manik Taneja: Thank you and all the best for the future.

Ritesh Idnani: Thank you, Manik.

Moderator: The next question comes from the line of Shradha from Asian Market Securities. Please go ahead.

Shradha: Congrats Ritesh, on a very strong execution once again in this quarter. Couple of questions. We have seen through all quarters of FY25 that we followed a beat and raise kind of a strategy wherein we raised guidance all through all quarters of FY25. While I understand that macros are volatile, but given the kind of exit pipeline that we are sitting at, so do you think there is some conservatism baked into our FY26 guidance as well?

Ritesh Idnani: So, again, I just want to provide some element of the philosophy that was there. If you go back in time to FY25, I think it was critical for us to provide and create a degree of predictability and certainty to the business itself. And that kind of played out in the way we started the beginning of the year when we guided it to 10% to 13% and then it ended up being a beat and raise itself. And it was important to create that degree of trust in terms of being able to consistently deliver and eventually achieve industry-leading growth.

Obviously, when we provided guidance in this environment today, what I will say is that we had a good set of deal wins, as you heard from the commentary in Q4. We are exiting the year with a good pipeline. We are confident of converting some of that also in the current quarter trajectory for FY26, but given the transformative nature of some of these deals that flow into the reported revenues will be over several quarters. So, at least what we are trying to do is, you know, when we look at the guidance band, we are trying to say it's influenced by a set of variables for how we see the pipeline converting the pace of ramp up of deals that we have won. It's difficult for me to quantify each and every variable, but what we are trying to do is to ensure that our guidance is based on what we are seeing in our business today.

We are not making any assumptions about macro variables over which we have no influence. And we remain focused on building a business model that's consistent and predictable growth trajectory. And that, in a nutshell, is what has gone into the 12% to 15% number itself.

Shradha: That's helpful, Ritesh. And secondly, on the deals that we have closed in this quarter, and given that you have called out that there is a staggered ramp of schedule of these deals, so just wanted to check, is there any upfront investment or employee takeover kind of a thing also in any of these deals? And how should we look at the margin profile of the large BPaaS deals especially and the other four deals that we have closed? Are they in line with the company average or how should we look at the initial margin flow of these deals?

Ritesh Idnani: Yes, so as is the case with several of the large deals, you end up having some puts and takes, there would be some upfront investments that would come into play, etc. But we do expect that these deals would certainly be in line with the company expectations from a margin standpoint.

Shradha: Right. And in that context, when we talk of almost 100 bps improvement in our FY26 margins, and given the fact that we have already seen a 900 bps improvement in our offshore mix in FY25 itself, so what are the levers in hand that we are trying to pull up to get to the guided margin band in FY26?

Ritesh Idnani: Yes, so Shradha, I think there is a lot of work that we are doing. And if you look back at just the last three quarters, and the thesis that we were executing on FY25 for us, the FY25 storyline was industry-leading growth and range-bound margins because we knew we had to invest in the business itself. And obviously, we were doing cost takeout on the other hand to improve margins, which we could then reinvest back in the business. And that's how the margins ended up being relatively stable itself, if you will.

If you look at the last three quarters, you start seeing an upward trajectory coming in, in the margin story itself where we went from 11% to 11.1% to 11.2% over the last three quarters. And we believe that, you know, there is an opportunity with all the different areas that we are working on to continue to expand the margins itself. Now, where is that going to come from, obviously, we expect some more right-shoring will lead value; we are working on stuff that we can do on the transformation side within our existing accounts itself in terms of what we can do from an automation, AI, process excellence perspective. There is opportunity around the operational parameters itself, things we do around the quality and workforce management side. There are some accounts which are low margin and what we can do to continue to shore up margins in those accounts is an opportunity; how can we rationalize the talent cost; what can we do around pricing and change requests; how can we further bring down attrition and reduce shrinkage in the business, there are some policy changes that we have done; some facilities that we will let go of, which are spare capacity.

So, it's a combination. It's a pretty comprehensive plan. We have got roughly about 37 margin levers which sit under these nine broad buckets that I called out. That essentially is the margin walk, if you will, that we are working on as a company to try and get to be in the 11.25% to 12% range.

Shradha: That's great. Thanks, Ritesh. And if I can squeeze in one last question for Dinesh. So, any thoughts on the debt position? How are we looking at reducing our debt over the next few quarters, a year?

Dinesh Jain: All cash flows to the debt repayment. That's the only thing I can say.

Shradha: Got it, got it. Yes, okay. Thank you.

Moderator: The next question comes from the line of Dipesh Mehta from Emkay Global Financial Services. Please go ahead.

Dipesh Mehta: Thanks for the opportunity. Couple of questions. First, I think I missed the FY26 acquisition contribution, which you said. So, if you can clarify what the number was. On the business side, I think if I look, let's say cash generation, it remained fairly weak, 58% OCF/ EBITDA conversion compared to our traditional closer to 65-75% kind of range. So, if you can provide some sense on how one should look OCF to EBITDA.

Second about healthcare. Provider business was soft for some time. Can you provide some sense about how provider business is doing for us, considering the deal intake as well as pipeline?

Another question is about decision making velocity. We have a very strong deal intake this quarter. But things have worsened in the last few weeks. So, whether we are seeing any implications because of it on decision making velocity, which could have ramifications for Quarter 1, Quarter 2 deal closure? If you can provide some sense around it. Thanks.

Dinesh Jain: Inorganic contribution to the acquisition for FY25 was 7% and for FY26 guidance it will be around 3%. And EBITDA to cash conversion, as I mentioned in my opening remarks, there are two clients where we have a slight delay. Otherwise, our normalize OCF to EBITDA is 65%. And we are confident that I think going forward also, it will be around that level or slightly better.

Ritesh Idnani: And on the remaining two questions, let me give you some flavor on the provider business itself in terms of what we are seeing out there and where the opportunity set could be. So, the first thing to bear in mind is that look, if you take the healthcare overall market in the U.S., then it's just important to bear this in context, right? Roughly about US$4.8 to US$5 trillion of spend, growing at about 5.2%, 5.3% on a CAGR basis for the next 4 to 5 years. And some of those are secular themes, ageing population, increased spend, etc., which is contributing to that growth that is playing out.

If you take the addressable market for us, in that give or take, that's roughly about US$200 billion from a TAM standpoint. Of that US$200 billion, if you break it out, roughly about US$120 billion is on the payer side, about US$80 billion is on the provider side. If you further break that down into the degree of penetration that is there, both the markets, the payer market is a little bit more penetrated at 22% to 24%. The provider market is hovering around 19% to 20% or thereabouts.

The secular theme playing out on the provider side is where a lot of physicians are becoming part of large hospital health systems. So there is an opportunity with our full-service capability in the revenue cycle management side to capture and be a beneficiary in any consolidation efforts that continue to play out because there are very few players who cut across the front office to mid office to back office of the revenue cycle management value chain itself. So that's an opportunity that is there. Second is, we are again 1 of the few players who've got both capabilities on the physician side as well as on the hospital system side as well. A lot of players end up getting indexed to one versus the other. So that gives us an opportunity. And third is we are using a tech-led approach out there for different steps in the value chain, and we think that that again plays to our benefits. Take something like autonomous coding or what we are doing around areas like denials management, where we are using AI-based denial management before something even comes through in the system itself.

Some of these are challenging the traditional labour-intensive methods that have been used. And we think all of that actually plays well for us in terms of growing the business itself. And that's the reason why when I think somebody else asked a question, how do you see growth playing out for FY26? I said we expect all our verticals to grow, but we expect healthcare to lead the way in some sense.

Your next question was related to decision-making. So the commentary I would make is that one, the discretionary side of the house is probably the area where obviously you start seeing almost an immediate impact, but then a substantial part of our business is annuity recurring business of which we have greater visibility. And that's why you might end up hearing commentary which is different than what some of our traditional IT Services peers might be saying. That said, look, we are not immune to any of the macro headwinds. We are watching it very, very closely as well. We are engaged very deeply with all our existing customers. And at this stage, we are trying to see how we can help them and use the current environment actually to our advantage to provide them proposals which allow them to create operational efficiencies further in their business.

At the same time, also use the opportunity to potentially take advantage of some of the technology shifts that are happening, particularly on the AI side, and allow them to be a beneficiary of the same. So that's at least how we are playing the current environment in terms of interacting with our customers. Be very vigilant, stay close to your customers and keep going back to them with ideas on what else they can do. And I think that certainly helps us in the current environment.

Dipesh Mehta: Yes, thanks for detailed answer. I have one question if I can squeeze on the BPaaS deal which you referred. You said about, let's say, it is transformational in nature and that's why ramp up is slightly different. Can you help us understand what the variables are, let's say, as a part of ramp up? And how should one look at it?

Ritesh Idnani: Yes, so this is a unique deal in a way where we'll be managing the core administration processes end-to-end in a BPaaS construct, where we are managing a consortium of partners. And this is in line, again, with the UnBPO™ tenant where we said we can't do it all ourselves, but we will be the orchestrator who's managing a symphony of partners to deliver an end outcome to customers itself. In this context, the customer has 4 lines of business which will transition from their current technology landscape to the one that we are going to build over the next 24 months in a phased manner. The contract has a non-linear construct in the form of a Per-Member Per-Month (PMPM) model. So you will see the revenue flow-through also happen accordingly in this fashion. So that is a little bit of color related to the transaction itself. And that's the reason why, even in my initial commentary, the comment that at least we ended up making is that these deals have a staggered ramp-up curve that's different from standard deals and it's something that you may want to factor, when you are assuming the annual revenue growth expectations itself.

Dipesh Mehta: Thank you.

Moderator: Thank you. The next question comes from the line of Shalini Gupta from East India Securities. Please go ahead.

Shalini Gupta: I have a few questions. One is that what is the view on staff cost? For example, when you hit a top line of US$1 billion plus, then by how much do you expect staff costs will go up? Because I understand you may have a bench and you may want to utilize the bench a little more, things of that sort. So by how much do you expect the staff costs to go up on a broad basis? My second question is what is the utilization rate? And the third question is why is the revenue per employee falling?

Ritesh Idnani: So first and foremost, Shalini, as you said, you may not be completely familiar with the Firstsource business. We would love the opportunity to come and talk to you separately about it, and give you a little bit more color on what we are doing. But let me give you some flavor.

The BPO business, some of the questions that you asked, I know are very pertinent, especially in the context of the IT Services side. But if you take the BPO business, it's a business where you don't keep a bench, typically. You hire only when there is a definitive order on the table. So it's not a business where you're looking at keeping a certain percentage of people on the bench, waiting for business to come through, so on and so forth.

The second is, and therefore, that should address the staff costs and the utilization piece, but also the business model is shifting where the traditional metrics that have been used in the industry around linking revenue to headcount, every person you add in a linear manner creates revenue, those paradigms are shifting meaningfully. We already see a large part of our business being in a non-headcount-based model, which is more outcome-based or some other form of a non-linear construct, whether it's contingency-based, a gain-share model, so on and so forth. And therefore, those metrics may not necessarily hold true.

The third question that you have, which was related to the revenue per employee falling, I have to look at the actual numbers, but if you look at the last 4 to 5 quarters, we have consciously increased the percentage of workforce that we have in offshore and near-shore locations, which come at a lower revenue realization than what you'd see typically in-country in the U.S. or U.K. or Australia itself. So that's by design more than anything else.

Shalini Gupta: Yes. And could you just say by how much do you expect your staff costs to go up in FY26?

Ritesh Idnani: I think we'll come back to you offline on that. I am not sure the context of that specific staff cost to go up. End of the day, we've provided guidance in terms of how much we expect revenue to go up by. We have also provided guidance on our EBIT line as well. So obviously, there is a bearing in terms of how different other components play out itself, but we'll catch up offline on this.

Shalini Gupta: Yes sir. Thank you.

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

Girish Pai: Yes, so we've had 4 good quarters from an order-in-flow perspective, 3 large orders in the first 3 quarters and 5 large orders in Q4. What's the outlook going forward, because you said the pipeline was up quite a bit by the exit quarter of FY25?

Ritesh Idnani: So I think one of the things that you heard me say as well is that over the last 4 quarters, we've been making a very focused effort to rev up our sales engine. I've spoken at length about it as well, and that I think is what has allowed us to build a consistent flow of large deals every quarter. We've been very conscious about also is to exit the quarter with a very healthy pipeline, and we remain focused on improving the odds of conversion itself. So I think just basis that, we feel pretty good about sustaining or in fact, continuing to take advantage of the deal pipeline and hopefully continue to win a meaningful number every quarter as well.

So, I think the other data point that I had also mentioned in my initial commentary is that the combined ACV of deal wins in FY25 was up over 60% versus last year. And our exit deal pipeline is higher by over 30% versus Q4 of FY24. So, if I just look at those as metrics itself, those are good lead indicators of how we see FY26 also playing out.

Girish Pai: Okay. My last question is regarding seasonality. Will there be a 1H versus 2H kind of situation, 1H being better than 2H or something like that?

Ritesh Idnani: See, one of the thing to bear in mind is, in the past, if you look at it, our 2H used to be stronger and our 1H used to be traditionally, if you leave aside FY25, but prior to that, I think what we have tried to do is that, is to build a business that's resilient, that's on a consistent upward trajectory. So you will see that our growth continues to be in a band, which is at the top end of the industry growth rate.

Obviously, some of the retail seasonality will play out in Q4 of every year, just because of the nature of what it is. But I think one of the things that we have tried to do is to ensure that we account for the variations in quarterly performance that would happen, depending on the trajectory in an individual vertical or a geography, and still continue to have growth in a band, which is at the top end of the industry growth rate. I think that in a nutshell is what we are striving towards. So rather than saying 1H or 2H will play out in a certain way, we want to make sure that we are just creating that sequential predictability in the business itself.

Girish Pai: Okay, thank you.

Moderator: The next question comes from the line of Jalaj from Swan Investments. Please go ahead.

Jalaj: So, my first question was with regards to the discussions you've had with the clients in the last one month or so, has there been a difference in the outlook or the way they are discussing the new deals or the ramp ups specifically? And an added question to it would be, has there been a deacceleration of pipelines or growth per se, sizable in the last 15, 20 days or the 1 month?

Ritesh Idnani: So let me respond to the second question first. No, we have not seen a deceleration in the pipeline over the last one month.

On the first question, we continue to remain very, very close with our customers, talking to them every day. I mentioned it a little earlier as well. Our objective is to try and see how we can continue to align with their strategic priorities. There is a degree of uncertainty. Plus several of them operate in businesses which may be subject to some of the macro headwinds more directly. One of the things that I think is important to bear in mind is that the traditional BPM businesses does not have the same kind of discretionary pressures as what the IT Services side has. And therefore, you might end up seeing some of the discretionary projects being the first off the block.

At the same time, there's also a huge AI overhang because everybody knows that they've got to try and get onto the AI bandwagon and re-imagine their entire business model itself and how they run their processes. So those conversations continue in full swing. And I don't think any of that is changing, because I think a lot of clients know that they have to do that to continue to remain relevant.

So from our vantage point, our objective is to continue to take those dialogues to them, on a continuous basis itself. But we've watched this very closely. That's where I will leave it at, at this stage.

Jalaj: Understood, thank you. And this is with regards to margin and when I see that the offshore revenue, there has been a sizable jump in the last two years in the offshore revenue, if I am comparing year on year, basically, still it has not percolated to the margins. So I know partially it is because of the investments, but would you believe that this should start showing up in the coming quarter? Or what would it take to get the margins to move up from there?

Ritesh Idnani: So I think I responded to this a little while back. I talked about some of the levers that are value unlocks that are there from a margin standpoint. And if you look at the year gone by, the thesis was very clear. We wanted to deliver industry-leading growth while keeping range-bound margins, because we knew it was important to invest in the business. So there was almost a conscious effort to do that. And if you look at, as you rightly said, if you're taking more work offshore, it should be margin accretive. But the fact that we were investing in the business, there was a conscious effort to try and use the margins, to try and build out some of the investments that we needed. There was an effort to take out costs, so that we could create and expand the go-to-market team, which in turn is then contributing to the revenue growth that we are enjoying. At the same time, if you look at the last 3 quarters, we've already started to string together a story where there has been consistent margin expansion. The 11% went to 11.1% and 11.2% for Q4 of FY25. And we think with the 37 margin drivers clubbed under 9-odd initiatives, we have a very clear plan on how we can achieve the 11.25% to 12% band that we have provided for as well. So, look, several of the things will play out as I mentioned earlier.

Jalaj: Sure. One last question, so the 12% to 15% growth, what would it take to reach the upper end of the band and the lower end, as in what assumptions have gone in? I understand that macro is not a key variable here, but what are the assumptions for both the ends of it? Just wanted to understand that.

Ritesh Idnani: So look, I am not going to comment on the specific math, but let me give you a flavour again of the guidance philosophy, right? It's based on our line of sight of the business over FY26 as we see today. It does not build any changes to the macro environment. And as far as the deal wins are concerned, one of the things that are there, several of our large deal wins in the recent quarters, including the BPaaS deal I referenced, they are transformative in nature. They have a staggered ramp up curve. And while these deals give you better, longer term growth visibility, their conversion into reported revenue happens over an extended period. So that's one of the things to bear in mind.

We also had a good set of deal wins in Q4. We are exiting the year with a good pipeline. So we are confident of converting some of that also in the current quarter. Those large deal wins give us a good visibility on the growth trajectory for FY26. But given the transformative nature of those deals, their flow-through into the reported revenues will be over several quarters. That's one thing to bear in mind. But I think we feel good about some of the overall metrics that are there in the business itself, with the ACV uptick that has happened, the deal pipeline being substantial, all of which should allow us to give us a good sense of visibility to the 12% to 15% number that we have provided.

Jalaj: Thanks a lot.

Ritesh Idnani: Thank you, Jalaj.

Participant: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Ritesh Idnani for the closing comments.

Ritesh Idnani: Thank you for joining the call and your questions. I just want to close with a few points. We are leading the industry in revenue growth. We closed FY25 at a US$1 billion exit revenue run rate, four quarters ahead of our earlier guidance. Our incremental revenue addition in FY25 is more than double of what we added in the previous 3 years. Our sales engine is working well. We had 5 large deal wins in Q4, including the largest ever deal in healthcare in the history of the company. We totaled 14 large deals in FY25, and our total ACV intake in FY25 was the highest ever. We are adding large relationships and mining our existing relationships better. There is a significant increase in the count of our US$1 million, US$5 million, US$10 million revenue clients from a year back.

Our top 5, top 10 client concentration is down by 7% and 9% respectively over the last 1 year, reflecting the broad-based growth in our portfolio. Our longer-term aspirations are intact. We believe that our FY26 revenue growth guidance of 12% to 15% should keep us in the top decile of the industry. We remain laser-focused in improving our margins by 50 to 75 basis points each year and bringing them in line with our peers over the next 3 to 4 years.

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

Moderator: Thank you, sir. Ladies and gentlemen, on behalf of Firstsource Solutions Limited, that concludes this conference. You may now disconnect your lines.