FIRSTSOURCE SOLUTIONS LIMITED

Q1FY27 EARNINGS CONFERENCE CALL

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MANAGEMENT:

MR. RITESH IDNANI,
MD & CEO

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CFO

Moderator: Ladies and gentlemen, good day, and welcome to the Firstsource Solutions Limited Q1FY27 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 call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

On this call, we have Mr. Ritesh Idnani, MD and CEO, and Mr. Dinesh Jain, CFO, to provide an overview on the company's performance, followed by a Q&A session. Please note that some of the matters 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 subsequent annual reports that are available on its website. I now hand the conference over to Mr. Ritesh Idnani. Thank you, and over to you, sir.

Ritesh Idnani: Thank you for joining us today to discuss our financial results for Q1FY27. The first quarter reinforces a simple belief for us, sustainable transformation is built on execution. As clients navigate a rapidly evolving business and technology landscape, they are looking for partners who can combine innovation with accountability and deliver measurable outcomes. At Firstsource, we remain focused on doing exactly that, leveraging our domain expertise, digital capabilities, and talented teams to help clients move from intent to impact. I would like to thank each one of our 36,875 Firstsourcers around the world for their relentless commitment to delivering exceptional value to our clients.

Quarterly performance

Let me start with a discussion on Q1 performance. Q1 marks the ninth straight quarter of double-digit year-on-year revenue growth and the eleventh straight quarter of sequential revenue growth. Our revenue grew by 22.9% year-on-year and 5.5% quarter-on-quarter and came in at INR27.2 billion. In US dollar terms, the growth was 11.2% year-on-year and 1.8% quarter-on-quarter to $288 million. In constant currency terms, our revenue grew 12.3% year-on-year and 2.2% quarter-on-quarter. EBIT margin for the quarter was 12.4%, up 110 basis points and 20 basis points on a year-on-year and quarter-on-quarter basis, respectively. Our adjusted net profit was INR2.2 billion, and the diluted EPS for the quarter was INR2.36.

Deal Wins

Coming to the business highlights, I will start with our deal wins and other client-related metrics. In Q1, we signed four large deals. This is the sixth consecutive quarter of four or more large deals for us at Firstsource. As you're aware, we consider a deal with ACV over US$5 million as a large deal. Our ACV intake remained healthy and was, in fact, the highest in the last four quarters.

I am encouraged by the strength of our wins, both in number and scale. This reflects our ability to bring together deep industry and functional expertise, strong technology ecosystem partnerships, and an AI-first automation approach that's delivering clear outcomes for clients, better customer experience, faster decision-making, and a lower cost-to-serve.

I would like to emphasize that several of our wins are transformative and ramp up in phases, unlike traditional steady-state work. So while they strengthen long-term growth visibility, revenue conversion is typically spread over a longer period as transformation and enablement milestones are completed.

Let me now highlight a few of our notable wins during Q1.

- We secured a large, transformative deal with a leading UK-based benefits and pension administration provider for end-to-end back-office transformation and resource optimization.

- We also won a large deal from a leading academic medical centre in the US for insurance follow-up, denials management, and complex claims resolution. This, incidentally, is also a new logo for us.
- We expanded our relationship with a leading public health system in the US for patient contact centre and self-pay early-out services.
- We secured a new deal with a US-based health insurance provider on the customer experience side.
- A leading on-demand manufacturing marketplace in the US selected us to provide account servicing as well as customer experience services.
- A leading international public transport and shared mobility operator selected us for customer service operations across Europe.
- We also expanded our relationship with a UK-based fibre broadband provider for customer experience services delivered from South Africa.

During the quarter, we added 12 new logos, which included three strategic logos. We define a strategic logo as one where we see potential of at least a $5 million-plus annual relationship, and we run a structured program to handhold and monitor such relationships to grow them at an accelerated pace.

Vertical commentary

Let me now turn to our vertical performance, starting with **Banking and Financial Services**. In Q1FY27, our BFS vertical grew 14% year-on-year and 5% sequentially in constant currency terms. We added five new logos during the quarter.

In BFS, client interest remains particularly strong around intelligent operations, customer servicing, financial crime, compliance, and collections use cases. We are progressing several engagements that combine our deep domain expertise with our Kairos Intelligent Context Framework, enabling clients to apply AI within highly regulated environments with the right business context, governance, and operational controls. Within the vertical, collections demand stayed strong as US consumer debt touched record highs, keeping volumes and servicing complexity elevated. In mortgage, higher rates and subdued refinancing kept clients focused on cost take-out, simplification, as well as on servicing efficiency, where our AI-enabled transformation is resonating. We are also expanding with mid-sized banks and fintechs as they modernize platforms and embed AI across onboarding, servicing, and collections. Our Q1 exit deal pipeline in financial services was amongst the strongest in recent quarters, giving us confidence in sustaining growth momentum in this vertical.

In **healthcare**, revenues grew 11% year-on-year but declined 2% sequentially in constant currency terms. However, we added four new logos during the quarter.

Healthcare continues to be a core growth pillar and a key area of strategic differentiation for Firstsource, with a well-diversified footprint across both the payer and provider segments that gives us an end-to-end view of the healthcare value chain. What sets us apart is production-grade AI delivery across the revenue cycle and an outcome-based commercial model, exactly where our payer and provider clients are heading.

In Healthcare Provider, our clients are contending with flat reimbursement, rising labour costs, and regulatory uncertainty from HR1. This is accelerating a structural shift towards AI and automation-led RCM delivery, where transactional volume is increasingly being repriced as a technology service. Our AI delivery is well past proof of concept out here. Outbound voice AI agents are now standard across eligibility, early-out, and patient financial services and are expanding into inbound bad debt and contact centre workflows, which is creating additional opportunities for us. And Denials AI has become our de facto AI-first denials platform with human oversight on exceptions.

On the Healthcare Payer side, Q1 revenue reflected program timing effects as several Medicare Advantage clients recalibrated operational program scope in response to CMS rate adjustments and evolving utilization management requirements. This was a pacing effect, not a demand shift. The underlying client relationships remain intact with a healthy deal pipeline. The regulatory environment creating near-term friction for our clients is the same environment that makes outcome-accountable operational partnerships structurally more valuable.

Within healthcare, I also want to give you some color on one of our transformative BPaaS engagements. As we have consistently said, deals of this nature are non-linear. They ramp over an extended period, and occasionally, if there is a shift in client priorities, they deramp. One of our payer engagements is being wound down following a leadership change at the client's end and a consequent reset of its strategic priorities. This is a client-side decision, and it is consistent with what we might sometimes see across the industry. Importantly, because this engagement was still in the early phase of its ramp and had not reached its steady-state run rate, the impact of this on our reported revenue is limited. Our delivery on the program has been strong. We continue to retain a meaningful footprint in the account. This continues to be a strategic logo for us, delivering more than US$5 million of annual revenue, and our broader healthcare franchise remains among our most strategic and differentiated vertical with a healthy deal pipeline and continued new logo momentum.

Coming to the **CMT** vertical, revenues grew 6% year-on-year and 9% on a quarter-on-quarter basis. We added two new logos during the quarter.

The reported numbers continue to reflect the inherent volatility in this segment, particularly the timing of work packets and program transitions in some of our consumer tech engagements in Silicon Valley. On the telecom and cable side, clients continue to explore AI-led improvements in customer service, agent productivity, and service assurance. We see early adoption of our domain harness approach, where industry-specific knowledge, operational workflows, and AI capabilities are brought together to accelerate deployment and the realization of business outcomes. More broadly across our CMT vertical, we continue to see strong client interest in AI enablement and non-traditional tech-led solutions. We are exiting the quarter with a well-balanced pipeline across telecom, EdTech, media, and technology clients, which gives us confidence to return to a healthier growth trajectory as transitions complete and volumes normalize.

Lastly, our **diverse** portfolio grew 27% year-on-year and was flat sequentially in constant currency terms, with one new logo added during the quarter.

In utilities, the underlying demand remains steady, supported by a healthy pipeline, and we are optimistic on conversion over the coming quarters. In Pastdue Credit, we continue to strengthen our position in the UK utilities ecosystem, which has also opened up cross-sell opportunities across customer operations and collections. In the last quarter, two of the Pastdue Credit clients also expanded their footprint into the customer service and collection side with us.

In retail, demand is centred around improving customer experience, lowering service costs, and enabling more personalized interactions. And our conversations are increasingly about embedding intelligence directly into operational processes, helping clients balance customer growth ambitions with the need for continued efficiency.

Overall, we exited the quarter with a well-qualified, healthy pipeline across both utilities and retail, which gives us confidence in improving momentum as seasonal effects normalize and new wins ramp up.

Geographical commentary

From a geographic standpoint, **North America** delivered 8% year-on-year growth and was flat sequentially in constant currency terms. We continue to see broad-based momentum across our three core verticals in the region and expect to sustain this over the coming quarters. In parallel, we are also incubating new growth opportunities in North America by setting up our sales presence in Canada and by replicating capabilities where we have demonstrated strength in other markets, such as utilities and retail from the UK into the US.

Europe had a strong quarter, growing 18% year-on-year and 6% quarter-on-quarter in constant currency terms, with further upside ahead. We continue to deepen relationships and gain share of wallet in the region. As we have highlighted in the past, we have seen an accelerated move towards offshore and nearshore delivery over the past few quarters with several of our clients. While this may continue in the near term, we believe our proactive steps to make the business more resilient by broadening both our geographic and vertical presence are yielding results. Also, our pitch for transformational programs and nearshore delivery from South Africa has been resonating strongly with clients, and South Africa is our fastest-growing geography today. We also expanded our UK delivery footprint for regulatory work with a new office in Glasgow supporting financial services clients on the financial assistance and anti-fraud services, a strong fit given the city's deep financial services talent ecosystem. Overall, we won two large deals in Europe, and our pipeline continues to build well, supporting our view of a gradually improving growth trajectory in Europe as conversions and ramps play out.

Australia had a strong quarter, with revenue doubling on a year-on-year basis from the additional business, both with existing clients as well as new logos, and we continue to build a very strong pipeline in the region.

People

On the people front, we continued advancing our Intelligence That Operates strategy, building a future-ready workforce through disciplined hiring, stronger workforce intelligence, and AI-enabled people operations. We closed Q1FY27 with a headcount of 36,875 Firstsourcers, a net increase of 670 associates over Q4FY26, with strategic client demand driving growth across our core delivery geographies.

Our voluntary attrition was 27.5% for the quarter. Our offshore and nearshore hiring remained a strategic lever, accounting for close to 80% of gross additions, preserving deep domain expertise while supporting cost and outcome economics. We continue to strengthen workforce stability through predictive workforce intelligence, AI-enabled retention insights, and targeted interventions across critical talent segments.

Let me also share a few interesting developments on how we are applying this thinking inside our own organization. Building on our US early attrition work, we rolled out an early engagement framework across operations and HR with a real-time console that flags attrition risk by process and region before it peaks. We are also embedding AI across people operations to give leaders faster predictive insight. Together, these steps bring Intelligence That Operates to life within Firstsource, using AI not just to automate HR, but also to improve how we lead, engage, and grow our people.

Awards/recognitions

During the quarter, our work continued to earn external recognition. Everest Group named Firstsource a Major Contender in its Revenue Cycle Management Intelligent Operations PEAK Matrix of 2026, and ISG placed us in the Breakthrough 15, which is a US$1 billion to US$3 billion tier, a move up from the Booming 15 as our revenues crossed a US$1 billion.

Our continued investment in employee experience and culture was recognized through four global employer brand awards, including recognition as one of India's Top 100 Best Companies to Work For, alongside Top Inspiring Workplaces recognitions across the UK, US, and Australia, reflecting the strength of our employee value proposition and our ability to attract and retain high-quality talent globally.

I will now turn over the call to Dinesh to give a detailed color on the quarterly financials. I will come back to talk about our progress on the strategic priorities and the outlook for FY27. Over to you, Dinesh.

Dinesh Jain: Thank you, Ritesh. Hi, everyone. Let me start by taking you through our quarterly financial performance. Revenue for the Q1 FY27 came in at INR27.2 billion or US$288 million. In constant currency terms, revenue grew 12.3% year-on-year and 2.2% on quarter-on-quarter basis. This is our 11th straight quarter of the sequential growth.

We delivered EBIT of INR3,367 million or 34.8% increase over the last year, with a EBIT margin of 12.4%. This is also the seventh straight quarter of the margin improvement, with a margin up 110 basis points year-on-year and 20 basis points quarter-on-quarter basis.

On adjusted basis, profit after tax was INR2.2 billion or 8.2% of the revenue, up 31.2% year-on-year and 8.3% sequentially.

During the quarter, we also recognized onetime exceptional charge of INR717 million or INR563 million net of taxes. This comprises of the three items.

- As Ritesh mentioning earlier while discussing the healthcare segment, we recorded a charge of INR357 million or net of tax INR271 million relating to one of the program termination on one of the customer. The resolution process for this program or with the customer in phased manner, with the first phase we already completed, and we have realized the amount. Discussion continues to be constructive and we are actively pursuing recoveries for our balance full contractual entitlement from the client over the coming quarter, including this charge which we have taken on a prudence basis.
- Secondly, we also recorded a charge of INR284 million or net of tax INR216 million relating to the indemnification of a regulatory penalty to a customer arising from a one of the contractual performance matter. We have filed a claim under our insurance policy and are actively pursuing recovery. Based on the policy coverage, we remain optimistic about a favourable outcome. Again, on the prudence basis, we need to account for this charge. Basis certainty of the recovery from the insurance we can recognize the chargeback. So till the time, we have to take this charge.
- Third, we recognized INR76 million relating to a fair value adjustment on contingent consideration, payable in respect of the Ascensos acquisition which we did last year. And this is positive sign because they have delivered over the margin and revenue guidance, and that's the reason this additional charge which we are taking to the profit and loss account.

Including these items, reported profit after tax was INR1.7 billion. These items are non-recurring in nature and do not reflect the underlying operating performance of the businesses.

Our tax rate for the quarter was around 23%. We have moved to the new tax regime this year in India, which let us draw down our MAT credit and save on the cash taxes over the time, and that's the reason the effective tax rate this year going to be between 22% to 24%.

Turning to the balance sheet, our cash and bank balances stood at INR3 billion and net debt was INR17.1 billion versus INR16.3 billion at the end of March 2026.

Normalized DSO continue to be in the range of 67 to 69 days. Our FCF to PAT normalized for subsequent collection - related to exceptional item we talked about, continue to be at around 94%.

Our hedge book as of June 30, 2026 was as follows. We had a coverage of GBP61.6 million for the next 12 months with an average rate between 118 to 120, and coverage of US$119 million with an average rate of INR92.7 to a dollar. And also in the some of the forward week, we also have some option product which are basically to enhance the further rates which we as of today contracted to.

With that, I will hand back to Ritesh to discuss about the strategic priorities and outlook. Ritesh, over to you.

Strategic Priorities

Ritesh Idnani: Thank you, Dinesh. As we close the first quarter, I have been thinking about what separates organizations that talk about transformation from those that are actually in it. It isn't the technology, it isn't even the strategy, it's whether the people inside the business know, without being told, what they're accountable for and why it matters.

We have called this our year of accountability, but accountability isn't something you declare, it's something other people experience. Our clients experience it when we solve the problem they trusted us with. Our colleagues experience it when we follow through on our commitments. And we experience it ourselves when we choose to own the outcome, not just the activity.

That distinction has never mattered more. Every leader we work with is under pressure to deliver meaningful transformation. They're invested in AI, committed to new ways of working, and set ambitious expectations for their organizations. What they're looking for isn't another company to advise them, it's a partner that will help them execute, adapt when things change, and stand behind the outcome. That's the standard we are setting.

This quarter, the story moved from conviction to contact. We took Kairos, our AI-native operating system, to clients across geos, and these were not just product demonstrations. They were conversations with leaders trying to move beyond AI experimentation to real operational change. Across every discussion, one message stood out, technology alone doesn't create business value, execution does.

The same thinking is shaping our work inside Firstsource. Rather than talking about what's possible, we're implementing AI across our entire operations, learning from every deployment, and applying those lessons to help clients move faster and with greater confidence. Every implementation strengthens our own expertise. Every outcome makes us a better partner. And the proof is in production across the domain AI platforms that we now run across mortgage, healthcare intake, and collections, which are not pilots. They are live operations at scale for some of the largest institutions in their markets, delivering measurable outcomes.

Let me make that concrete because the strongest proof isn't a concept, it's what's already running. This quarter for a large US telecom client, we delivered an AI-powered audit engine alongside a suite of real-time GenAI tools. The audit engine integrated with dialers to pre-empt unnecessary technician visits, real-time agent assist driving first-time right resolutions, and AI-led feedback analysis and QA, together delivering meaningful cost reductions and faster, more personalized customer engagement. These aren't isolated experiments. The same model is already in production at scale, where our AI platforms run for 14 of the top 20 US mortgage lenders, 10 of the top 15 US health plans, and top US and UK card issuers. That's the clearest evidence that Intelligence That Operates works.

Executing at this standard is not something we do alone. Our partner ecosystem has become a real growth engine and a competitive differentiator. We have expanded our dedicated partnerships team and deepened collaboration with leading hyperscalers, building momentum on AWS-based AI and automation, and also taking similar opportunities to clients on Google Cloud. Beyond the hyperscalers, we announced three key relationships as well, which show the power of the model.

- Zendesk, we're moving past simple automation to jointly build vertical-specific service solutions, starting with retail, extending into financial services and healthcare, that embed Firstsource domain expertise directly into their AI-native platform. As adoption scales, our role expands from service delivery into platform-enabled recurring value.
- The second one is Cresta, where we have stood up a dedicated AI Centre of Excellence that pairs their real-time AI decisioning with our CX and transformation design, consulting, and implementation services.
- And finally, we've partnered with a bunch of startups from Silicon Valley, which are targeted investments to continue to strengthen our intelligent context framework,

the layer of Kairos that captures how work gets done and turns tribal knowledge into executable intelligence.

Every deployment makes that intelligence stronger. Strategy only compounds when someone owns it. So, this quarter, we put dedicated leadership behind where we believe the next wave of demand is leading. We have stood up five new growth engines, each with a leader whose single mandate is to build and scale it to extend our reach in new geographies the Middle East, South Africa, and Canada. We also introduced three new capability frontiers a US Retail and CPG practice built for the age of agentic commerce; a marketing services offering that closes the growth and retention loops between customer operations and marketing teams; and a security and resiliency services business that brings AI-era security leadership to our industry for the first time.

These are deliberate moves that help our clients embrace AI to grow their business while doing so with the right trust and governance controls. While still at an early stage, these initiatives are creating a healthy pipeline of AI-led opportunities across the region and reinforce our position as a partner capable of combining deep industry expertise, operational excellence, and applied AI to deliver measurable business outcomes.

Let me close with the numbers behind the story. We ended the quarter with 145 clients generating over a million dollars in revenue run rate, and both our US$10 million and $5 million cohorts grew by 3 each in the quarter. The two-year trend, however, is where the signal is the clearest. Our US$5 million-plus clients are up 80% over the past two years, the strongest evidence of wallet deepening and strategic account expansion as clients trust us with their most important work. Underneath that, our $1 million-plus clients are up 45% over the same period, broad-based additions that keep refilling the pipeline of tomorrow's US$5 million-plus conversions.

That broad-basing is deliberate. Over the last eight quarters, the revenue share of our top 5 and top 10 clients has come down. And importantly, that has happened even as our top five clients continue to grow at industry rates, despite a significant onshore-to-nearshore shift in at least a couple of them.

We're also winning more large deals and winning them more consistently. A dedicated team now brings more sharper focus to every large pursuit, covering all the aspects that go into a win, which has allowed us to now report at least four large deals in each of the past six quarters. In Q1, we won 12 new logos and four large deals, and our large deal intake continues to carry a healthy share of new logo wins.

This underlines the strength of our differentiated solutions, the attractiveness of our commercial construct, and a growing client acceptance of us as a disruptor. This is the chapter that we are now writing. Accountability is our standard, execution is our proof, and 'Intelligence That Operates' is what puts Firstsource in a category of one. It gives me confidence that we're on the right trajectory to deliver sustainable, profitable, and industry-leading growth.

Outlook for FY27

I wanted to provide our outlook for FY27. We are reaffirming the full-year guidance we set out at the start of the year. On revenue, we continue to expect constant currency growth of 10% to 13% for FY27. On margins, we continue to guide to an EBIT margin band of 12.25% to 12.75%.

Importantly, our original guidance had factored in roughly about 1% to 1.5% of growth from the healthcare BPaaS engagement that is now being wound down because of a leadership change and an intent to continue with the same technology platform that they earlier had. Even after absorbing that, we are holding our guidance unchanged, a reflection of the underlying strength and breadth of the rest of our portfolio, with large deals ramping, healthy pipeline and continued new logo momentum offsetting it.

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

Q&A

Moderator: The first question comes from the line of Vibhor Singhal with Nuvama Equities. Please go ahead.

Vibhor Singhal: Yes, hi. Thanks for taking my question. Ritesh, a couple of questions from my side. Obviously, on the client contract termination. So, as you mentioned that we were expecting around 1.5% kind of growth from this contract for the full year, which will now not be possible. Can you just help us with what was the impact of this project termination on the growth in this quarter? I'm assuming the decline in the healthcare vertical Q-o-Q in this quarter would also have to do something with that. So, what was the kind of impact in this quarter on the revenue growth?

And the 271 million charge that we have booked under the exceptional items, what does that include? Does that also include some unbilled revenue which we had booked and which we had to reverse? So, the nature of that, and how much of that do you believe is kind of recoverable during our negotiations with the client?

Ritesh Idnani: So, let me start with a little bit of color on the healthcare BPaaS engagement itself. The thing to bear in mind out here is that there was a leadership change that happened at the client's end. As you might be aware, this is not uncommon, you know, when leadership changes, priorities shift. Decisions of this nature, which are often transformational, that might have been made by the previous leadership, may often get unwound and they might choose to stick with what might have been the status quo. So, while the client in this case was looking to transform and modernize the way they run their operations, including implementing a new technology platform, the decision on the part of the client in this case was to continue to maintain the status quo, despite the fact that they were at a fairly advanced stage in terms of completing the implementation itself.

So, it is in some sense a client-side decision, not a reflection of our delivery, which actually has been very strong, and one reflection of that as I provided in earlier commentary as well. This client continues to grow meaningfully with us. It's a strategic logo. We do upwards of US$5 million of annual revenue. We've added more work with them recently. So, we feel pretty good about our relationship, despite the fact that this particular program has wound down.

Specific to the 271 million charge itself -- the way to think about it is that, this program was a complex program. It required working with a set of partners in the ecosystem to deliver the outcomes that the client was looking for. As we were working towards the implementation of the same itself, there are a set of deliverables that each of these vendors had provided as part of their obligations. We are working very closely with the client to ensure that we are able to recover those obligations that those vendors committed. And since we were the single throat to choke, we are also making sure that as we collect those amounts, we are then able to also repay our obligations to those partners. We feel comfortable in terms of how the interactions with the client continue.

And as I provided you color earlier that, we continue to expand our footprint with the client organization itself. So, we feel comfortable about being able to recover these outstandings. And from our vantage point, we did think it was important to be conservative and provide for this since it was an outstanding amount that was there, but at the same time, we feel good about the fact that we will be able to recover the amounts itself.

Vibhor Singhal: Got it. And on the quarter side, the impact of this contract termination would be around 1%-1.5% on Q1 revenue? Would that be a fair assessment?

Ritesh Idnani: Yes, that's about right.

Vibhor Singhal: Got it. And related to that, Ritesh, how should we read the maintenance of the guidance despite this hit? Do we now assume that earlier we might have come closer to the, maybe the top end of the guidance and now we'll probably end up at a slightly midpoint or below that of the guidance? Or do you believe the pipeline that we have is good enough to compensate for the kind of loss that we are facing from this contract, and numerically we might actually be at the same point that we started the year with?

Ritesh Idnani: Yes, I think what you just surmised right at the end is where I will leave it at. But I think the key thing to bear in mind is we had a very strong quarter in terms of pipeline wins. This has been the best quarter that we've had in the last 4 quarters in terms of new deal wins from a pipeline standpoint. And several of these deals are actually ramping up in quick order. So, we think that that provides a strong offset for the 1% to 1.5% that we feel potentially comes off because of this particular client program winding down. And because of that, we do believe that it gives us adequate comfort and confidence to reinforce the guidance, and at the same time, the current pipeline as it stands continues to remain healthy despite the deal wins. So, that gives us comfort also to going out there and supporting the guidance itself that we had earlier provided at the beginning of the year.

Vibhor Singhal: Got it. Just one last question from my side on this one. Should we read this as an isolated incident, or do you think there are some challenges from the lower government payouts and other regulatory challenges in the healthcare segment that this vertical is facing, because of which there might be some churn, some unexpected developments in the healthcare segment going forward as well?

Ritesh Idnani: Vibhor, actually far from that, it's probably the contrary. The client in question that we are talking about continues to expand their footprint. So I would think of it as, this is a very isolated, one-off instance that ends up happening and primarily because, as I said, they had a leadership change.

Let me give you an example. All of us also, any new leader comes into an organization, sometimes what you end up doing is, you end up putting a stop on new programs that might be underway and saying, let's take stock of everything before we decide to do something. That's very natural for any new leader, any new CEO that comes into any organization. I would view it in that context rather than anything else. What should give all of you comfort is the fact that our relationship with that particular client continues to expand. The other point to also bear in mind is if you just look at the healthcare portfolio itself, this quarter, more than a third of our deal wins have come on the healthcare side. If you take the last 5 quarters, on an average, that's again a third of our deal wins have been on the healthcare side, which broadly corresponds to the 33% that we get in terms of revenue from healthcare itself. So, I don't see anything which is a secular theme or anything, so nothing more to read from this other than an isolated, one-off instance on a account of a leadership change in a particular client.

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

Dipesh Mehta: Thanks for the opportunity. Just first question is on the mortgage business. We have indicated MLM model which we have launched. Can you give some sense about, let's say, how many clients might have adopted it? And what kind of traction you are seeing in the mortgage language model so far?

Ritesh Idnani: Yes. So, one is, the mortgage language model, I mean, it's like a small language model that is there, and I think one of the things that we've been able to address with it is it takes into account more than 200-plus scenarios that is there from a document ingestion standpoint, which I think becomes very handy as we are working with clients, particularly in an environment where interest rates continue to remain elevated.

In that context, I think the smart language model has been a significant differentiator, because a lot of our clients, particularly on the origination side, are looking to keep costs under control, because volumes are not necessarily very high for them. And I think from our standpoint, this has gone to pretty much all of our clients, and we use this in the way we are able to deliver throughput to them itself. So, if anything else, I think it's also a reflection of how we've been able to continue to support them as they are continuing to deal with the macro cycles itself.

Dipesh Mehta: Okay. Second question I think on continue with the exceptional items. Now, there are three point which you mentioned. Third is related to transaction or acquisition, but first two, whether it reflect the same client or it is a different client? Second is related to let's say if I go to the ramp-up plan which we announced at that time of signing that deal, in 24 months, we expected it to reach to steady state, which in a way we implied USD50 million run rate kind of thing on annualized basis. Now, the number which you indicated, let me say 1% to 1.5% impact, which is reflecting it is not reaching to that kind of point. So, if you can clarify that part. Second related question is the I think earlier question you answered; this is relate some of the provision which you made is related to partner-related payment because we are the single point of contact and partner-related deliverable is what we have provided for.

In addition to that, let's say whatever revenue which we might have booked in the prior period, whether there would be any kind of reversal happening because of the termination of contract, or we have collected that amount fully so far for our revenue perspective?

Dinesh Jain: So, Dipesh, as far as the revenue and whatever we've accounted for, all money has been received or going to be received. So, as I said in my commentary, that first phase of resolution, we already collected those amounts. There are still some unbilled revenues which we are going to collect and going to bill because those are in a very normal course where we have to charge them on a licenses fees and things like that. So, there is no doubt on those money not to be received. The only question comes, which Ritesh was explaining, because these are a multi-partner ecosystem where we have to pay to the partners and we have to then recover. There are some places, those may be a challenge, and that the reason, on a prudent and conservative basis, we provided this amount.

But contractually, these all amounts are recoverable. And as you're aware that this program, as Ritesh was mentioning, going to go live very soon, and we have all indication contractually that it was running on a track and everything around. So, we don't have a doubt on those, but the accounting is very different where you have very certainty on some of the cases, and that's the reason we have to provide for these amounts.

Ritesh Idnani: Dipesh, I think the other question, while we talked about two exceptional items, one which I think I covered in adequate detail in the earlier question that Vibhor had asked. The second exceptional item is pertaining to a different client. It's a one-time settlement of a commercial dispute in our healthcare operations arising from a specific claims processing issue in a prior period. The underlying process has since been remediated. We are pursuing recovery under our professional indemnity insurance. It is isolated and specific, not a pattern across our operations or client base. We've recognized it purely as an exceptional item purely because it's non-recurring and also not reflective of our underlying operative operating performance.

What I think should also give everybody comfort and confidence here is the fact that this client continues to expand their book of business with us. It's a substantial client for us in terms of our footprint, and we have very solid relationships with all the stakeholders. In fact, just in the last quarters, we continue to expand our book of business with them, and that gives us a high degree of comfort along with a very strong pipeline in that account.

Dipesh Mehta: And just on the last part, in terms of we indicated USD50 million run rate, if let's say by H2 we intend to reach there, 1%-1.5% seems to be lower than the implied trajectory of that deal ramp-up. So, can you provide some clarity around it?

Ritesh Idnani: Yes. So, one of the things to bear in mind is that the 1% to 1.5% is what we had anticipated would be the contribution from this particular client program right in our estimation at the beginning of the year itself, and that was primarily because as you're aware, any complex program implementation, technology platform change, etcetera, has a certain time period from a schedule standpoint that it takes to get done, and we knew that this program was going to take time and effort.

The leadership change only further, I would say, compounded the delay, and then the decision on the part of the leadership to say let's take stock and perhaps not do this at all. So, from our vantage point, we had never anticipated that this current fiscal year would end up having the number that you're referencing. It was only 1% to 1.5% of the total revenues that we had anticipated, and that we feel very comfortable in terms of being able to offset that with the new deal wins that we've had.

Dipesh Mehta: Understood. And last two questions. One is on the guidance, can you give broad thought process on lower end and upper end, what we have assumed, and second question is on the segment margin. If I look our segment margin, now and I'm comparing FY24 versus where we are in Q1FY27, so roughly two, two and a half years journey, there is a significant deviation in margin profile in some of the segment. BFS, which used to operate around 15-odd percentage segment margin, is now upwards of 20%. Healthcare, which used to be mid-teen-plus kind of margin, now it is low double-digit kind of number. Similarly, CMT. Can you give some sense, I understand some of the acquisition happened in the past couple of years, might have some ramifications in trajectory, but do you expect we can go back to let's say where we used to operate in some of the vertical where margin profile has deteriorated? Thank you.

Ritesh Idnani: Yes, let me address the comment that you had on the guidance itself for the year and what gives us comfort. So, as you know, when we provide guidance at any point in time, we do it with the with a very clear line of sight to the lower end of the guidance and with a strong pipeline which reflects how we anticipate getting to the upper end of the guidance itself, along with the deal wins, the pace of ramp of those deal wins when they convert into revenue, and what that might mean, as well as existing client expansions and so on and so forth.

The quantum of the deal wins that we've had in Q1 gives us comfort, along with the fact that several of those deal wins are going to ramp quickly, allows us to support the 10% to 13% guidance that we've provided at the beginning of the financial year itself, and that therefore we see no reason to look at it any differently.

If anything else, the fact that our pipeline continues to be very robust gives us comfort that we can continue to guide to that range itself. Specific to the margin question that you had, I wouldn't read too much into one quarter over the other. These are standard aberrations that would happen. What I would look at is over an extended period of time is there a is there anything which is systemic. Because what does what could end up happening is in a in a particular quarter, if you have a set of clients that might be ramping up, that could in turn, there could be a cost of growth associated with those ramps, which reflect for that particular segment itself, and therefore, might dilute the margin for that particular quarter, but then it automatically trends upwards the subsequent quarters, and so on and so forth.

So, nothing in our mind suggests that there is anything to read into that. At the same time, as you can see at the company level, this has now been our seventh straight quarter of margin expansion. If you just take the last eight quarters, we were at 11% eight quarters back, we're now at 12.4%. So, you're seeing a consistent trend upwards in terms of the margin play itself.

We continue to believe that the 50 to 75 basis point thesis that we'd talked about I think way back when I had joined continues to hold true. We've delivered on that consistently so far, and you can also see from the guidance that we've provided at the beginning of the year for this fiscal, which was 12.25% to 12.75%, at 12.4%, we're already ahead of the lower end of the guidance.

Moderator: The next question comes from the line of Vamsi Krishna with Kotak Securities.

Vamsi Krishna: Hi. So, I have two - one for Ritesh and one for Dinesh. So, Ritesh, this is related to the second exceptional item where you had a dispute with the client. Now that the BPO industry is undergoing a transition from FTE-based to outcome-based projects, at least during this transition phase, do you expect some disconnect in terms of delivery while the broader industry adapts to a new mode of engagement?

Ritesh Idnani: Vamshi, it's a very good question. What I would anticipate is that having a very strong domain orientation will become a prerequisite to be able to offer non-linear commercial models itself. So, I think in some sense, there will be divergence in terms of players who don't necessarily understand the nuts and bolts of a particular sector, and it's not enough to have revenue. You might have 30% revenues coming from a particular industry and yet not know the domain.

So, I think the ability to know processes at the second, third level of detail is what is going to differentiate the folks who are able to transition this smoothly. We feel good about that. You are going to occasionally end up running into in any transaction process, you will end up running into the occasional error here or there, that could be there. That's the nature of the beast, if you will.

And I think the key from our standpoint is to ensure that the requisite degree of controls commensurate with the risk is attributed and ascribed to every operation itself, which is why in our minds this is a one-off, and that's the reason why we continue to see expansion with this particular client from a business perspective itself.

Vamshi Krishna: Understood. And then, Dinesh, just on the hedge losses, I think there was around $25 million of outstanding hedge liability that you had -- that you were carrying from your forward contracts as of last quarter. Can you share what that number would be now, and how that would play out over the next three, four quarters?

Dinesh Jain: Overall, if you ask me, the pound side normally we carry 50% to 75% of the committed books for year one. And the dollar side, the books are around 25% of the committed value. So, it's not a large number from a dollar point, but pound point, as you know that historically always, we have a long-term which we carry.

And that the reason you always have larger books come into the play. For a current year as of June 30th, we have got almost a GBP61.6 million GBP which we have next 12 months, and dollar book is around $119 million. That's the two hedge books which we are carrying.

Vamshi Krishna: And what is the average rate for this?

Dinesh Jain: So, average is for pound is between 118 to 120, and for dollar, this is around 93, but we got some of the option product which is like a buying a pure play put option, so you don't have a downside coming, but you have always upside open for some of the hedge portion. So, around 25% or 30% of the portfolio do have the option, which can fetch me current rates of around 125 to 130. So, those products are also in there. So, I believe the average rate for pound you can consider, if you're doing some math around, maybe around 123 to 124 on an overall portfolio, and for dollar it should be around 94.

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

Girish Pai: Yes, thanks for the opportunity. Ritesh, last quarter, you unveiled a new positioning for the company of being a full-stack intelligence operator vis-a-vis the UnBPO player that you were previously, and you talked about a TAM which is, if I remember correctly, some 7x of what you were addressing previously. So, when has that started showing up in the TCV numbers or in the pipeline? Or when do you think that larger TAM is going to get reflected in in growth?

Ritesh Idnani: I think it's already playing out, Girish. So, thanks for the question itself. So, let me provide a little bit of a flavour of what we intended to do with 'Intelligence That Operates' when we launched it, and we branded our agentic operating system there as Kairos, which is the Greek word for the gap between promise and reality, and we felt that that was important to as a practitioner to help operationalize AI in client enterprise environments itself.

What we also said was going to be critical is this shift from being a services business to being a services-as-a-software business, and part of doing that is to actually have productized capabilities itself of what we're taking to market. What it also meant was that we needed to be a full-stack operator, somebody who advises clients as a practitioner, but doesn't just advise, goes ahead and implements, and implements not just operations, but also technology, and not just implement, but also run, and not just run the operations, but also transform. If you'd asked me this question three years back, we would have probably been slotted for the run and transform side, not so much on the advice and implement side. I think that that is one of the areas that we're seeing a significant amount of opportunity that is there.

Let me give you a few examples of that. Today for one of our clients, we're doing a lot of work on the marketing technology stack. Two years back, we wouldn't have had that from a capability standpoint, but the client entrusts us with what we're doing out there.

For another client, we're doing a lot of work on the pen-testing side, which is on the security services side, to ensure that their operations are going to be secure in an agentic AI world itself. Part of that pen-testing is work scope is also doing work on the red team testing, doing ensuring that the models do not drift. These are all new revenue streams that are starting to evolve as clients are looking to practically implement the same in a production environment itself.

The third example that I would give is a client where we did the entire customer journeys, and the customer journeys were done on the back of what Kairos has from an IP perspective, which is the domain harness. For every workflow that they have, we were able to bring in the context of their own data, which takes in information from multiple signals, including process mining, task mining, conversational records, call intelligence etc., to actually show them areas where there might be fault lines in the way they run their operations itself.

The ability to bring all this together allows us to go ahead and transform the way they run their operations, and we've been able to do that in an outcome-based model. Very different conversation than, again, what would have been a discussion even three years ago or four years ago. So, I think the market is starting to recognize that these are very differentiated discussions. There's a lot of flesh and bone behind this, and I think that's what's allowing us to hold our own and continue to win logos. The best manifestation of this is our deal wins this quarter has been the best in the last five quarters.

We continue to on a steady state win anywhere from 10 to 15 logos every quarter. Some of the new logo wins that we've had have been greater than US$5 million right at the outset, where you're displacing an incumbent. So, I think those are proof points in terms of the fact that these propositions that we're taking to the market are differentiated. The TAM that we are getting called for, or the surface area that we are playing, is wider than before.

Girish Pai: Okay. My last question is regarding revenue growth picture across the next three quarters. You think it's going to be like smooth, or it's going to be like month-loaded towards the end, or how do you kind of foresee revenue growth kind of playing out over the next three quarters?

Ritesh Idnani: We do believe that some of the new wins that are there will take the next three-odd months to continue to ramp up. So, we do expect the second half of the year to be strong, but at the same time, I think, it's broadly going to be in line with our ability to hit the guidance that we've reinforced.

Moderator: Thank you. Ladies and gentlemen. I would now like to hand the conference over to Mr. Ritesh Idnani for the closing remarks.

Ritesh Idnani: Thank you all for joining the call and for your questions. I just want to close with a few final points. Our sales engine continues to work well. We had four large deal wins in Q1, our sixth straight quarter of four or more large deals, as well as the largest ACV deal wins in the last four quarters. Our deal pipeline continues to remain healthy.

Our execution is on track. We are executing well on improving our margins, as you've seen where our margins are now at 12.4%, which is the seventh straight quarter of margin expansion.

Regarding the exceptional items that we talked about, those clients continue to grow with us, and we feel very comfortable with the pipeline as well as the wins that we've had with those clients. Our long-term aspirations continue to remain intact.

We see our constant currency revenue growth for FY27 in the 10% to 13% range, and we remain laser-focused on taking our EBIT margin to 14% to 15% band over the next two to three years. That's all from our side, and we look forward to interacting with you again in the next quarter call.

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