FIRSTSOURCE SOLUTIONS LIMITED

Q2FY27 EARNINGS CONFERENCE CALL

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MANAGEMENT:

MR. RITESH IDNANI,
MD & CEO

MR. DINESH JAIN
CFO

Moderator: Ladies and gentlemen, good day, and welcome to Firstsource Solutions Limited Q2 FY27 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 star then zero on your touch-tone phone.

Please note that some of the matters that we will discuss on this call, including the company's business outlook, are forward-looking statements, which are subject to known and unknown risks. These uncertainties and risks include, but are not limited to, those mentioned in the company's prospectus filed with SEBI and subsequent annual report that are available on its website.

On this call, we have with us Mr. Ritesh Idnani, MD and CEO; and Mr. Dinesh Jain, CFO, to provide an overview on company's performance followed by Q&A. I now hand the conference over to Mr. Ritesh Idnani. Thank you, and over to you, sir.

Ritesh Idnani: Thank you and hello, everybody. Thank you for joining us today to discuss our financial results for Q2 FY27. The second quarter reinforces a simple belief that sustainable transformation is built on execution. Our clients are navigating change faster than any plan can anticipate, and what they want is not another firm telling them what is possible, but a partner who will execute alongside them, adapt as conditions change, and stand behind the result. Last quarter, I called this accountability.

This quarter, our focus moved to what makes it repeatable. When we solve a problem well once, we should be able to solve it well again for a different client in a different market with a different team. That takes systems, not just effort, and those systems are built on what our 39,937 Firstsourcers around the world already know. I would like to thank each one of them for their relentless commitment to delivering value to our clients.

Q2 and H1 Performance

Let me start with the discussion on our Q2 performance. Q2 marks the 10th straight quarter of double-digit year-on-year revenue growth and the 12th straight quarter of sequential revenue growth. Our revenue grew by 22.2% year-on-year and 3.7% quarter-on-quarter and came in at INR 28.3 billion. In US dollar terms, the growth was 11.7% year-on-year and 2.6% quarter-on-quarter to US$296 million. In constant currency terms, our revenue grew 12.3% year-on-year and 2% quarter-on-quarter.

EBIT margin for the quarter was 12.5%, up 100 basis points year-on-year and 10 basis points on a quarter-on-quarter basis, respectively. This is our eighth straight quarter of sequential margin expansion. Our net profit was INR2.3 billion and the diluted EPS for the quarter was INR3.31.

In H1 of FY27, our revenue grew 12.3% in constant currency terms. EBIT grew 33.4% and our PAT grew 14.3% over last year in rupee terms.

Business Highlights

Coming to the business highlights, I will start with our deal wins and other client-related metrics. In Q2, we signed four large deals, two of which came from new logos. As you are aware, we consider a deal with an ACV of over US$5 million as a large deal. During the quarter, we added 17 new logos, one of our highest quarterly additions. It includes six strategic logos.

We define a strategic logo as one where we see the potential of at least US$5 million of annual revenue, and we run a structured program to handhold and monitor such relationships to grow them at an accelerated pace. I continue to remain encouraged by the scale and quality of our wins, reflecting our deep domain expertise, strong technology partnerships, and AI-first approach.

Several of these are transformative programs that ramp up in phases, provide long-term growth visibility, with revenue conversion occurring over a longer period as key milestones are achieved.

Let me now highlight a few of our notable wins during Q2.

- We expanded our relationship with a leading UK-based MVNO for customer experience services across multiple markets, including the transition of their in-house operations to our offshore delivery centers.
- One of the top 10 healthcare payers in North America, an existing client, selected us for their claims processing.
- We expanded our relationship with a leading non-profit managed care organization in the US across multiple health plan operations.
- We were also selected by a leading UK and European bank for managed operations support services. This, incidentally, is a new logo for us as well.
- We also won a deal from a leading US-based student loan provider for legal and third-party collections. This is also a new logo for us.
- We won a large deal from a leading digital bank in the US for CX services.
- We continue to expand our relationship with one of the largest communications and media companies in the UK across customer retention, collections, help desk, and digital support services.

Vertical commentary

Let me now turn to our vertical performance, starting with **banking and financial services**. In Q2 FY27, our BFS vertical grew 19% year-on-year and 9% sequentially in constant currency terms. We added nine new logos during the quarter. Almost every conversation in this vertical now starts in the same place: whether AI can be trusted inside a regulated process.

It comes up in intelligent operations, in customer servicing, and most of all in financial crime and compliance. Our answer rests on the intelligent context framework, part of the Kairos operating system, which gives AI the context it needs to work in a live operation. The right data, the right permissions, the domain knowledge, and the guardrails. AI does the heavy lifting, but a person signs off on anything that affects a customer or a regulator. That is what gives clients the confidence to let AI into these processes. Within the vertical, growth was broad-based. Consumer debt levels and servicing complexity kept demand high. Cost pressure kept clients focused on efficiency.

We also executed well on a large BFS engagement won a few quarters ago, and much of the headcount we added went into its delivery commitments. We continue to expand our footprint with mid-sized banks as well as FinTechs, modernizing onboarding, servicing, as well as their collections operations. We exited the quarter with a healthy pipeline in the BFS vertical.

In **healthcare**, our revenues grew 5% year-on-year, but declined 2% sequentially in constant currency terms. We added four new logos during the quarter and continue to see strong client engagement across both payer and provider markets. Healthcare remains a strategic growth pillar for Firstsource, underpinned by our differentiated presence across the entire healthcare value chain and our ability to combine deep domain expertise with AI-led operations.

On the provider side, rising denials and slower reimbursement are pushing clients towards AI-enabled outcome-based revenue cycle management. A dated catalyst is also building. From January of 2027, under HR1, Medicaid renewals for expansion adults move from annual to six-monthly, phasing in through the year. Our capabilities here are well past the pilot stage.

Voice AI is live across our eligibility, patient access, and collections offerings, and Denials AI continues to gain traction. We already run Medicaid eligibility at scale, so this is extending an operation rather than building one. On the healthcare payer side, we delivered several meaningful scope expansions within existing clients.

Plans are working through elevated medical loss ratios and a more volatile enrollment cycle, and demand continues to remain healthy across member services, claims,

eligibility, and payment integrity. Our Kairos platform, in particular, is gaining traction in the payment integrity side, where clients are increasingly looking to combine AI with operational expertise to drive measurable outcomes.

Overall, healthcare is shifting from labor-led outsourcing to AI-enabled outcome-driven models, and we are one of the few operating at scale on both the payer and the provider side of that shift.

Coming to the **CMT** vertical, revenues grew 6% year-on-year and were flat sequentially in constant currency terms with two new logos added during the quarter.

The vertical continues to grow steadily. As we have highlighted previously, reported revenues can exhibit some quarter-to-quarter volatility driven by the timing of work packets and program transitions within our consumer tech portfolio. During the quarter, we continued to broaden our engagement across existing clients through scope expansion and greater utilization of our nearshore and offshore delivery footprint.

Clients remain focused on improving customer experience while driving productivity and optimizing service costs, and we are increasingly engaged in AI-led transformation initiatives spanning customer service, agent assist, automation, and service assurance. Overall, we exited the quarter with a healthy pipeline across our telecom, cable, media, technology, and digital-native clients, giving us confidence in the medium-term growth trajectory of the business.

And finally, our **diverse portfolio**, comprising of our utilities and our retail business grew 25% year-on-year and was flat sequentially in constant currency terms with two new logos added during the quarter. In utilities, clients remain focused on cost optimization and near shore delivery, while underlying demand and pipeline activity remain healthy.

We also continue to see cross-sell opportunities across customer operations, collections and AI-led transformation initiatives within our existing client base. In retail, demand remains steady, with clients focused on enhancing customer experience, while improving operational efficiency.

Overall, we exited the quarter with a healthy pipeline across both utilities and retail supporting our growth outlook for the segment.

Geographical commentary

From a geographic standpoint, **North America** grew 6% year-on-year and 1% sequentially in constant currency terms. Growth was led by BFS, while healthcare reflected the timing of certain program ramps and transitions that we have discussed earlier. More importantly, client conversations across the region continue to be centered on AI-led transformation, productivity improvement and operating model modernization. We are seeing growing demand for solutions that combine technology, AI and operations expertise and our differentiated capabilities across key verticals position us well to participate in these opportunities. We continue to maintain a healthy pipeline and remain confident in the medium-term growth outlook for the region.

Europe delivered another strong quarter, with revenues growing 27% year-on-year and 7% sequentially in constant currency terms. Growth was led by BFS, with good momentum also emerging in CMT. Our largest client relationships remain healthy and we are increasingly engaging with them on different transformation initiatives, reflecting both the strength of our execution and the relevance of our capabilities. We continue to see strong demand for near-shore delivery, particularly from South Africa, supported by our transformation-led value proposition. We secured two large wins during the quarter and with a healthy and growing pipeline, we remain optimistic about the region's growth trajectory.

Australia delivered a strong quarter, with revenue growing 50% year-on-year, supported by continued momentum across existing relationships and a steadily improving pipeline.

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 Q2 of FY27 with 39,937 Firstsourcers, a net increase of 3,062 during the quarter.

This growth was driven by the transition of associates from a major banking client, alongside program ramp-ups predominantly in our offshore and near-shore delivery geographies, with India and the Philippines accounting for more than 85% of the increase. Together, these reflect growth on both fronts, clients entrusting us with a broader share of their operations and our ability to transform how that work gets done using technology.

Voluntary attrition for associates with more than 180 days of tenure remains steady at 28.4% on a trailing 12-month basis. We remain focused on a range of retention and engagement interventions designed to enhance employee experience. We're also expanding the use of AI and predictive insights across our people operations, from talent acquisition and employee engagement to internal mobility and retention.

Talent assessments, deeper insights into employee exits via interactive bots and forward-looking visibility into attrition risk are enabling earlier, more targeted interventions. In parallel, Unbound, our AI-enabled internal talent marketplace is strengthening skills-based mobility and creating clearer career pathways for our people.

Together, these initiatives bring our bold tech to life within our own organization, combining AI-led analytics with timely human intervention to strengthen workforce stability.

Awards/recognitions

During the quarter, our work continued to earn external recognition.

- HFS featured Firstsource in its non-linearity index as one of the leaders in the shift to services-as-software and named us as first runner-up for best services eating software at its inaugural services as software awards.
- HFS also recognized Firstsource as the Horizon 3 market leader for customer experience services in 2026.
- Firstsource was also recognized as a leader across generative AI and agentic AI services in the ISG provider lens evaluations, underscoring the strength of our AI-led transformation offerings.
- ISG also placed us in the breakthrough 15 in the USD 1-3 billion tier based on the deal wins that we secured.

Our people strategy also continued to earn strong external recognition.

- Firstsource was named among Great Place To Work's Top 50 India's Best Workplaces for Women 2026 for the second consecutive year, reinforcing our commitments and progress we are making in attracting and retaining female talent.
- Our investments in people manager capability and employee experience were recognized through the Brandon Hall Gold Award for the best development program for frontline managers and the Brandon Hall Silver Award for best employee engagement.

Collectively, these recognitions demonstrate the strength of our employee value proposition and our ability to attract, engage, and develop the diverse, digitally skilled talent needed to deliver our bold tech agenda.

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 the remainder of FY27.

Financial highlights

Dinesh Jain: Thank you, Ritesh and hello everyone. Before I take you through the numbers, a quick personal note. This quarter marks Firstsource's 100th quarter and I have had the privilege of being part of every one of them since inception. Over that journey, we have grown from a startup into a company with over US$1 billion in revenue, compounding revenue at a CAGR of 23%. None of that would have been possible without the trust of our clients, the commitment of our people, and the support of our investors.

With that, let me take you through our quarterly financial performance.

Revenue for Q2 FY27 came in at INR28.3 billion, up 22.2% on year-on-year basis. In US dollar terms, it's USD296 million. In constant currency, revenue grew 12.3% year-on-year and 2% on quarter-on-quarter. This is our 12th straight quarter of sequential growth.

We delivered EBIT of INR3.5 billion, a 32.2% increase over last year with an EBIT margin of 12.5%. This is our eighth straight quarter of margin improvement with margins up 100 basis points year-on-year and 10 basis points quarter-on-quarter.

Profit after tax was INR2.3 billion or 8.2% of the revenue, up 29.7% year-on-year and 4.8% sequentially on normalized basis.

For the first half of FY27, revenue was INR55.5 billion or US$584 million, growing 12.3% year-on-year in constant currency. H1 EBIT was INR6.9 billion, up 33.4% year-on-year with a margin of 12.4% and adjusted profit after tax was INR4.5 billion, up 30.4% year-on-year.

Let me also give you a quick update on the exceptional charge item we recognized last quarter relating to our two clients. Our relationships with both clients remain strong. We are actively engaged with them on recovery and we remain optimistic about the outcome.

Our tax rate for the first half was 23.2%. For FY27, we expect our effective tax rate to be between 22% and 24%.

Turning to the balance sheet, our cash and bank balance stood at INR4.1 billion and net debt was INR15.3 billion versus INR17.1 billion at the end of June 2026.

Normalized DSO continued to be in the range of 67 to 69 days.

Our FCF to PAT for the quarter was 150% and for the half year it was 126%.

As on 30th September 2026, our hedge book, we have coverage of GBP69.2 million for the next 12 months with an average rate of INR 116.6 per pound and coverage of USD68.5 million with an average rate of INR95.7 per dollar.

With that, I will hand back to Ritesh to discuss strategic priorities.

Progress on strategic priorities + outlook

Ritesh Idnani: Thank you, Dinesh.

Let me spend a few minutes on a strategic priority that sits at the heart of how we are building the next phase of the Firstsource journey. Over the last 25 years, we built deep expertise by solving complex problems across industries, clients, and workflows. The opportunity before us now is how to make that expertise travel further. How do we take what thousands of people have learned and turn it into capabilities that can be shared, scaled, continuously improved, and applied wherever they create value.

That is the thinking behind our shift from services to productized services.

To be clear, this is not about moving away from services, nor is it simply about automating what we do today. It's about changing how we package, deliver, and scale the expertise we have built. Today, the best way to solve a problem often resides with a specific team or within a specific engagement. Productization gives that expertise a way to travel through repeatable workflows, embedded AI, and human judgment applied where it matters most.

Kairos, our AI-native operating system, serves as the engine for delivering, measuring, and scaling productized services.

Our **domain harness** captures the skills, playbooks, and compliance guardrails of our best operators once and makes them available to our people and AI agents alike, portable across the models and platforms that our clients choose.

Our **intelligent context framework** gives AI the memory behind every decision, and Kairos learns from how work is done so it gets stronger the longer we operate.

Governed autonomy is what makes this work in regulated industries, where every decision is fully explainable and stays within compliance boundaries that no agent can override. Autonomy is earned one task at a time based on evidence, and our people progress from doing the work to supervising it to reviewing only the exceptions.

As we progress on this journey, there are three indicators that we will be watching closely.

First, the repeatability of these solutions across clients. The true test of productization is not the success of the first deployment, but whether the second, third, or 20th deployment becomes easier, faster, and more efficient.

Second, the evolution of our revenue mix. Today, more than 50% of our revenues are already non-linear in nature, which we understand is an industry-leading metric. As we continue to productize our capabilities, our objective is to further increase the share of non-linear, outcome-based, platform-led, and value-linked revenues over time. Ultimately, success for us is not just about growing revenue, but about changing the shape and quality of that revenue.

And **third**, disciplined measurement. While AI is generating significant excitement across the industry, sustainable value requires clear baselines, rigorous metrics, and tangible outcomes. We remain committed to measuring the progress thoughtfully and transparently.

Ultimately, the objective is simple. We're taking the expertise, operational knowledge, and industry experience that Firstsource has built over 25 years and making it more scalable through AI, platforms, and productized delivery. We believe this will strengthen our differentiation, deepen client relationships, and expand our long-term growth opportunity.

The next version of Firstsource will not be built by leaving behind what made us successful. It will be built by making everything we have learned work harder.

Let me close with the **numbers behind the story**.

We ended the quarter with 51 clients generating over $5 million in revenue run rate, six more than last quarter, the largest sequential addition in this cohort on an organic basis or over the past 5 quarters. We added 3 clients to our $10 million plus cohort, taking the total to 23.

The 2 year trend is where the signal is the clearest. Over that period, our $5 million plus clients have almost doubled and our $10 million plus clients are up nearly 80%. That is the strongest evidence of deepening of the wallet as our clients are giving us more of their business and more of the work that matters most to them.

Underneath that, our $1 million plus clients are up 32% during the same time period, a broad base that keeps feeding the large relationships of tomorrow. Think of it as each cohort feeding the next, and this is by design. Over the last 8 quarters, the revenue share of our top 5 and top 10 clients has come down by 6 and 10 percentage points respectively.

Importantly, that is not because our largest clients are shrinking. Our top five relationships go back over 22 years on average, and they continue to grow at industry rate, even with the significant onshore to nearshore and offshore shift in at least a couple of them. We are also winning more large deals and winning them more consistently.

In Q2, we signed four large deals, our seventh straight quarter of four or more, and two of those came from new logos. We also added 17 new logos in the quarter, one of our highest quarterly additions, including six strategic logos. Together, this reflects the strength of our differentiated solutions, the appeal of our commercial constructs, and growing client acceptance of Firstsource as a disruptor.

This is the chapter that we are now writing, where accountability is our standard and repeatability is how we scale it. Intelligence that operates is what puts Firstsource in a category of one.

Outlook for FY27

That brings me to our outlook for FY27. Based on our H1 performance and the visibility we have for the second half, we are raising the lower end of our FY27 revenue guidance.

We now expect constant currency revenue growth of 10.5% to 13%, compared with 10% to 13% earlier. On margins, we are reaffirming our EBIT margin guidance of 12.25% to 12.75%. This revision reflects the underlying strength and breadth of our portfolio.

Large deals signed over the last few quarters are ramping as planned, our pipeline remains healthy, and new logo momentum continues to build, all of which give us greater confidence in our growth for the second half. We believe this places us comfortably in the top decile of growth in our industry.

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

Moderator: Thank you. We will now begin the question and answer session. The first question is from the line of Aditya Gupta from AG Square Capital. Please proceed.

Aditya Gupta: Hi everyone. Thank you for this opportunity. First of all, many congratulations to the management for a good set of numbers. My question pertains to Quarter 3, particularly with respect to expected furloughs or holidays thereof, and any commentary in terms of how that can impact our top line and bottom line due to that?

Ritesh Idnani: I think the simple response to that question, Aditya, is our business is one where we have to process transactions on a continuous basis for our customers across the globe. We run mission-critical operations for them. Pretty much all of that has to run on a continuous basis, and therefore we don't end up anticipating seeing the kind of furloughs that you typically end up seeing on the IT services side.

Aditya Gupta: Understood. That's helpful. The other thing I wanted to really focus on was that our attrition generally has been like significantly higher as compared to what we typically see for IT services. Just wanted to know like, how do you think about it, like more strategically. I can understand that there could be temporary reasons for it, but on a more longer-term basis, how do you think about this? Is this by design or like how does this compare to what the industry standard is? What are your thoughts about it?

Ritesh Idnani: So, we don't run a traditional IT services business, so the attrition numbers for what is an operations business versus an IT business are very different. We feel that our numbers on the traditional operations or the BPO business are in line with where the industry averages are.

We could continue to obviously improve and do more, and that is our endeavor as an organization by increasing employee engagement, seeing what more we can do in terms of removing early-stage attrition. But these businesses are dramatically different.

Aditya Gupta: Understood. So basically you are saying that the attrition rate is kind of comparable to what you would expect in a BPO-like business and that would be the right comparable over here instead of just general IT services?

Ritesh Idnani: That's correct, Aditya.

Aditya Gupta: And just one last question if I might squeeze in. There's a slight dip in the BFSI margin profile. Any commentary on that? Last one from my side.

Ritesh Idnani: No, I wouldn't read anything into any aberrations on a quarter-by-quarter basis. I mean, you have to look at some of these on a more secular annualized basis and I think we are okay on that. We don't see anything which is a cause of concern there.

Aditya Gupta: Okay. Thank you.

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

Vibhor Singhal: Thanks for taking my question, and congrats to Ritesh sir and team for the wonderful performance. Dinesh sir, congrats on 100th quarter. I think it is a number which speaks volumes about the kind of commitment that you have had, and I am sure to imagine that kind of a number. Just two questions on my side. Only on your side, you are right at the bottom end of the guidance, and given the first half of the contract termination that we saw in the first quarter, is it fair to say that we are looking at a stronger second half than the first quarter?

Ritesh Idnani: Yes. If you recall, even in our commentary at the end of the first quarter as well, we had stated right then as well that we expect H2 to be stronger than H1, and if you think about how Q2 has played out and what we have seen across the board, if nothing else, it has only reaffirmed our confidence on how the second half of the year is going to play out, and that is the reason why we have raised the lower end of our guidance to 10.5% to 13% in constant currency from the 10% to 13% earlier.

I think the way to think about it is the reason why we feel good about the second half to be stronger than the first rests on really four key variables. Number one, you know, we have had a bunch of large deals that we have consistently signed over the last several quarters, including four in Q2, and this is now our seventh straight quarter of four or more deals which continue to ramp as planned. Number two is the transition of a major banking client where most of the people were onboarded in Q2 ahead of the revenue, so that is what you see-- in terms of some of the revenue headcount ramp that has also happened.

We have also had 17 new logos in Q2, but you also heard me in my opening commentary around the fact that we now have 51 clients who are above a USD5 million run rate, which is almost double of what it was 2 years ago. At the same time, we -- the pipeline is at its best ever, so we have a healthy pipeline as well. So, I think with all of those put in place, we feel comfortable about how H2 will shape up.

Vibhor Singhal: Got it. Great to hear that. Just a quick question on the healthcare segment. The first quarter, of course, was wide by the project termination. This quarter also, we saw Q1 -- Q decline. Is it safe to say that the healthcare vertical has bottomed out and next quarter onwards we could see this going back into a sequential growth trajectory?

Ritesh Idnani: Look, I think the first thing that I would say is that healthcare remains our most differentiated vertical in terms of what we are doing today. We run a bunch of domain AI platforms for 10 of the Top 15 US health plans. While it grew 5% year-on-year in Q2 and 11% in Q1, one of the things that you have seen is also the fact that we talked about the fact that there was a timing challenge with some of the payer program as Medicare Advantage clients recalibrated scope after some of the CMS rate adjustments.

As you are aware, based on what we discussed also last quarter about the wind-down of the transformative payer BPaaS engagement itself, our view is that, look, some of this is pretty much behind us and that in turn should create the opportunity for the healthcare business to grow going forward. We also added, as I mentioned in my opening commentary, four new logos on the healthcare side in the quarter. On the provider side, flat reimbursement, rising labor costs, and the HR1 changes are accelerating a structural shift to AI and automation-led revenue cycle management.

And that actually is creating a tailwind in terms of some of the opportunities that we are seeing as well. And, you know, one of the things that we are seeing out there is our

outbound voice AI agent stack as well as DenialsAI platform are now in production at scale and that is giving us a fair amount of leverage with our provider clients as well. So, we see opportunities on both the payer and the provider side.

Moderator: The next question is from the line of Moksh Mehta from Ambit Capital. Please proceed.

Moksh Mehta: Hello. Yes, hi. Thanks for taking my question. My first question is in line with the large deal that we have signed. So they have remained in that range of four to five large deals for the past five, six quarters now. So what needs to change for this number to actually increase or are we comfortable with this?

And the second follow-up to this is, are we seeing an increase in terms of the ACV, so 5 million plus is what we usually sign, but are we seeing an increase in terms of the ACV in terms of these deals? Thank you.

Ritesh Idnani: Thank you, Moksh. This is a conversation that we had in the Board meeting to say what else do we need to do to continue to increase, you know, the number of large deal wins itself. What I will say is that look, this has been a steady trajectory that we've been on.

Till about six quarters back, we used to be at about three large deals a quarter. We did that for about three or four quarters. Prior to that, it used to be two large deals or thereabouts in a quarter. So it's been two to three to four. I think the key for us is, you know, how do we get to the five or six and some of which is really the next leap.

Some of it is really a function of continuing to build on more pipeline. Some of it is a function of proactively shaping more deals in the market and I think the market has the appetite to listen and providers who are willing to go out there and front and come up to them with creative solutions and creative commercial constructs certainly have a seat at the table.

I think that's essentially what I'm pushing the sales organization on to try and see what more can we do to, a, increase the pipeline and then increase the number of large deals and then in the process hopefully take the four to a larger number itself.

Moksh Mehta: Okay, thanks for that. And my second question is in terms of margins. So while we've reiterated our margin band for this year, how are we thinking from a medium- to long-term perspective? And what would be the levers for the same? Are we looking at more nearshoring that will help in terms of margins or more SG&A leverage as the investments are largely behind us? So how are we looking at the margins?

Ritesh Idnani: So, Moksh, I think the way to think about this is, look, our Q2 EBIT margin was 12.5%. It was up, you know, 10 basis points quarter-on-quarter, 100 basis points year-on-year. I think we have said this consistently now, you know, in fact when I just joined, I think the first guidance that we provided at that point in time, the message was FY25 would be a year of maintaining margins flat while we invest in the business. And after that, it will be 50 to 75 basis points every year thereafter for the next three years and we felt 14% to 15% would be a steady range that we should be operating at.

What I think we've been able to do consistently, if you look at it, FY25, we hit exactly what we said we would. So our stay-to-quotient there was high. FY26, we ended up hitting about 70 basis points, so we got to that. But more importantly, when we guided for FY27, our guidance was much higher than where we started with the lower end of the guidance being at 12.25 going up to 12.75 as a range, which was based on our exit Q4 run rate and our 12.25 was higher than that Q4 number itself.

One of the things to also bear in mind is this quarter, we've expanded margins despite absorbing the first phase of annual wage increments as well and the cost of onboarding 3,000 people largely ahead of revenue coming in as well. So, you know, despite that, we've been able to actually get the margin expansion.

So the improvement that we are seeing is actually structural, it's broad-based, it's not driven by one single lever. You alluded to right-shoring, so clearly about 80% of the gross hiring that we are doing today is offshore or nearshore. India and the Philippines accounted for about 85% of the Q2 hirings. We are seeing productivity from AI and automation in existing accounts alongside non-linear pricing. We started mentioning the

metric that we are tracking around, you know, more than 50% of our business is non-linear in nature and also the portfolio quality that we are seeing as well, right?

So, what's the path forward? I think we are reaffirming that our FY27 EBIT margin guidance will be 12.25 to 12.75. We do expect that 50 to 75 basis point improvement to continue to play out over the next couple of years as well, while we remain focused on the 14% to 15% band. Where is that going to come from?

I think right-shoring will play a role, automation will play a role, process excellence will play a role, operating parameters, account-level margin improvements, reducing dependence on low margin and loss-making accounts where they exist, talent cost rationalization, pricing and change requests and facility optimization. I mean, I have tried to list. It's not just one single lever, but it's probably a combination of all of these things that will eventually get us to that 14% to 15% number.

Moksh Mehta: Perfect. Thank you. And just one small request. Could we from going forward in FY28 start reporting EBIT margins X of other income because it then becomes more comparable to others?

Dinesh Jain: EBIT already excludes other income, which is below the line. Other operating income will continue to be above the line, as per our accounting.

Moksh Mehta: Okay. Sure. Thank you.

Moderator: Thank you. The next question is from the line of Ankur from IIFL.

Ankur: Hello. Thanks for taking my questions. So, my first question is I wanted to understand the guidance better. So, the guidance implies a 2% to a 5% kind of a CQGR for 2H. Now in 1H, we have already delivered 2% kind of a growth for the last two quarters. And if we are expecting an acceleration in 2H, then why keep the lower range at 2% itself and at the top end the 5%, it's a fairly wide range for just two quarters. So, just trying to understand the mathematics behind the guidance?

Ritesh Idnani: I think I talked a little bit about the lower end of the guidance. And I think one of the things to bear in mind, Ankur, is for us as an organization, when we provide the lower end of the guidance, I think the intent behind that is that we have line of sight to what that stands for as well.

And that's why coming out of the first quarter and coming out of the second quarter, our messaging was very clear that we saw the 10 going to 10.5%. And that reflected the better visibility that we had after H1 itself. We have said, in fact, after our Q1 commentary as well that we expect H2 to be stronger. But you have seen based on the Q2 results why we feel strongly about it. And there are a bunch of parameters that we talked about there, whether it's the large deals, whether it's the transition of a major banking client where most of the people were onboarded in Q2, whether it's the new logos that we've added, 17 of them, or the pipeline which continues to remain healthy.

On the upper end, the only comment I would like to make is that it remains very much in play, which is why we continue to keep that at 13% as well. But getting there depends on how quickly some of the phased transformation programs reach the milestones as well as some of the pipeline conversion that we have over the next 2-3 months itself.

Clearly, we set the guidance with the clear line of sight at the lower end and the pipeline provides the path to the upper end of the guidance. I think the way to think about this is that when we raise the floor, it reflects how much our visibility has improved.

Ankur: Sure. And in terms of the verticals, now although the overall number is fairly good in this quarter, it's largely driven by one vertical, which is the BFS. The other verticals haven't really contributed to that growth. So, where are we expecting this 2H growth like which vertical will now contribute because probably BFS may not be able to sustain this kind of momentum every quarter. So, which vertical will kind of inflect in 2H to accelerate growth from 2H?

Ritesh Idnani: So, Ankur, I think we do expect it to actually be broad-based. I don't know whether you're going to get the same kind of growth from BFS itself, but I think BFS continues to be very strong and resilient for us. At the same time, I do anticipate in this quarter,

you will get the benefits of the retail seasonal ramps that end up happening. So retail should end up doing well for us in Q3 as well as some part of Q4 as well.

And you should get the benefits of some of the ramps also in our telco media and tech business as well. So along with what I talked about, I think when there was a question asked on the healthcare side, I think with the four new logos that we've added as well as the existing account expansions there and the HR1 opportunity that's playing out on the provider side, we think that those should contribute to growth on the healthcare portfolio as well.

Ankur: Thank you. And finally, a bookkeeping question. I heard that this was the first phase of wage hike. So, if you could quantify the impact and if there will be further wage hikes in 3Q as well, that would be very helpful. Thank you.

Ritesh Idnani: We can come back to you on this, but what I will say is that we've broken this down into 2 parts. Number one is the majority of the organization, all our frontline and mid-level associates are the recipients of the wage hike in Q2. The senior folks get their wage hikes in Q3. But everything that we are forecasting from an EBIT standpoint reflects and adjusts for or accounts for the fact that there will be the wage increments and we should still be within the guidance that we have provided.

Ankur: Sure, thank you so much. All the best.

Moderator: Thank you. The next question is from the line of Chirag from Motilal Oswal. Please proceed.

Chirag: Yes, hi, congrats on good set of numbers. Just one question on healthcare segment side. In terms of provider, the market has been consolidating, in terms of number of players in the US. So are we getting business at cost of let's say some of the vendors become now a part of large system or it's like a market share gain which we're getting at cost of competitors?

Ritesh Idnani: What I will say is on the healthcare provider side, the provider side is a very fragmented market. There's a lot of mom-and-pop shops that are still there on the revenue cycle management side. And several of them are very labor-intensive. These are small companies, I mean they could be between $5 to $25 to $50 million in revenue and a lot of them actually are opportunities for us to potentially take out with a tech-led offering itself. So I think as the market consolidates we see the opportunity for us to gain share particularly from some of the mom-and-pop shops who are fragmented players. Number one.

Number two, we see the opportunity to continue to deepen our footprint in our existing customers, and that's where the work that we're doing with our voice agent stack across our eligibility offerings, or for that matter, the work that we're doing on the denials management side, some of those things are resonating and creating opportunity for us.

Chirag: Okay, so, from M&A point of view, are you very aggressive to, you know, acquire assets in this space?

Ritesh Idnani: Without being specific to any particular vertical, Chirag, I think our philosophy on M&A has been consistent if you look at it from a capital allocation standpoint that I've talked about even in previous quarters from a commentary perspective. There are 2 things that we're really looking at, number one, it has to be something which plugs a capability gap. For instance, it could be in healthcare, it could be something that could be in -- we did something on the retail side 2 years back when we acquired Ascensos as an example or it could be something on the distribution access side. So I think those are really the 2 vectors that we're consistently looking at when we're doing M&A itself and that's really been the method of how we've gone ahead and done that.

But what you've also seen since you talked about healthcare is we acquired QBSS about 3 years ago, which gave us a capability in the mid-office or the revenue cycle management side. We acquired TeleMedik earlier part of this year, and that gave us a Puerto Rico footprint, which was very relevant in the context of, you know, having a US territory, which gave a labor arbitrage play compared to the US mainland, particularly for Medicaid operations as well. But it also gave us capabilities on the clinical operations

side, which we've been able to leverage and bolster. So I think some of these, you're seeing in terms of what we've executed on in the past as well.

Chirag: Okay, thank you all for that.

Ritesh Idnani: Thank you, Chirag.

Moderator: Thank you. The next question is from the line of Shraddha from Asian Market Securities. Please proceed.

Shraddha: Hi, First is, one of your peers indicated that because of AI, the deal values are getting smaller and also the deal tenors are getting -- so do we have any comments around this? And also related question is, because of macro environment the decision-making cycles are getting elongated, but AI also has to play a part in terms of decision-making cycles getting elongated much more than what macro environment has done to it. So your comments on these 2 questions would be helpful.

Ritesh Idnani: Yes. I think, the way to think about this is that I think different players are seeing different ways in which this, you know, the opportunities are playing out itself, Shraddha, in the market today. I think the one thing to bear in mind is in, as we have consistently said in a lot of our clients, our opportunity set is often to take share and enhance our share of wallet. And as we do that, even if we go out there and position something, it can potentially translate into deals which are of a larger ACV than otherwise. So, I think that's one thing that we end up saying as we take share and expand our share of wallet, whether it's in the same operations that we run or in adjacent operations to what we run.

The second thing that we are actually seeing in terms of decision cycles, that is the question that you asked, one of the things that I think is resonating really well for us in the marketplace is part of Kairos is what we're taking on the intelligent context framework side. Today, we've been able to attach that to, you know, almost 50% of our top 50 clients, where we are able to provide them insights, and that is very helpful to them in the way they run their operations.

And as a consequence of that, they're willing to open the doors. So, I think to some extent, you know, it's a function of what you're taking to marketplace. Now, why is intelligent context framework relevant to enterprises today?

Because most of them don't have the foundational blocks in place to unlock the true value of AI. So, when we are going out there and saying, we can help you glean insights from your context and show you what's the gap between how work should be done versus how work is actually getting done, and bridge that gap for you. I think that's opening the door for us to get a foot in, start the conversation, demonstrate to them something which is very quick, and then on the back of that, be able to, you know, to open up opportunities that might otherwise not have existed itself.

I'll give you one example of that. We did this for one of our existing customers where from the time we showed them the demo to actually going live, it was a period of 8 weeks. And that's something that was quite heartening for them in terms of the kind of insights that they were able to get, which they had not seen before.

Shraddha: So, this is on the increased scope of work that you're getting from the same client, but on the existing book of business, whenever a new one happens, so do you see that value getting deflated because of AI infusion at the client end?

Ritesh Idnani: So, yes and no. So, it's a little bit more of a nuanced answer. These things are never binary in nature, Shraddha. And let me tell you why, right? Supposing it's an existing book of business and we are going in for a renewal, chances are that if there is more work that is possible for us to take on, either in the same process that we run today for the client or in adjacent business processes, our objective will be to try and see, can we showcase how we could run those operations for them? Maybe provide a nonlinear construct.

And in the process of doing that, make it revenue accretive or even revenue neutral rather than having a deflation because the customer might be expecting something

more from a productivity standpoint or otherwise. But I think we've also been very clear with customers that we will do what is the right thing for them. And I think that approach has helped us. So, in a couple of our existing customers where we've had renewals, I think we've been able to come out of that exercise despite having some deflation in the existing scope of work, still be able to maintain the revenue base at neutral because we've taken on other pieces of work with them.

Shraddha: Sure, Ritesh. That's it. Thank you. This is helpful.

Moderator: Thank you. The next question is from the line of Girish Pai from BOB Capital. Please proceed.

Girish Pai: Yes, thanks for the opportunity. Ritesh, you mentioned productized services and also you mentioned about your aspirational margin of mid-teens. I thought that was a bit unambitious. I would have expected the margins to move up much more substantially because of the focus on productized services. One of your peers is probably working with EBIT margins of closer to like high teens. So, you think that you can look at something like that at some point in time?

Second question is around Kairos. Are you capitalizing any costs connected with development of this platform? And third is regarding competition. Are you coming across any AI-first services related start-ups in the market who are kind of trying to disrupt you?

Ritesh Idnani: Thank you for those questions, Girish. All very good ones. Let me start with the first one. Our view out here is that, look -- this is almost like a little bit of a flywheel that we are executing on, right? It's important to eliminate some of the inefficiencies that might be there in our business and that's what we're focused on to try and expand margins and see where those opportunities are. But a lot of those margin opportunities are not what you're seeing translate straight into the bottom line itself because some of it gets reinvested in capabilities. And I'm a firm believer that if we don't reinvest in capabilities and get in talent which might be different from how firms like ours would have looked 5, 10 years ago, we would not have a business for the future.

So, in some sense, we are trying to balance the present with the future and create a firm not for 1 quarter, 2 quarters, 4-8 quarters out, but create something that has durability itself. So, with that in mind, our objective in some sense is to say, how do we first hit the mark of the 14% to 15% that we've guided to and then go from there?

What you're saying is right. Inherently productized services creates an opportunity where the second implementation, and I've talked about this publicly in an interview that I've done with Phil Fersht. If you get a chance, you should see that where I said the traditional fallacy of the services business has been that the second implementation costs nearly as much as the first one, and so you don't get any operating leverage.

A productized services allows you to recoup some of that because the second implementation should be cheaper than the first one. The third should be cheaper than the second one as you get more learnings itself. Some of it just because of the pace of change that is there. I am also consciously reinvesting back in capabilities as we are trying to build a firm for the future itself.

So, I think that's the lens with which to view this as we are making the pivot as an organization and trying to see how we can codify workflows and then take that to market itself. You had a second question which was related to Kairos.

Dinesh Jain: Yes, we capitalize costs that are directly attributable to it. It is still work in progress. Kairos is not yet fully capitalized as a platform, but there are some costs which we need to capitalize.

Girish Pai: What is the existing capitalized cost number on your balance sheet?

Dinesh Jain: We can do it offline.

Girish Pai: Okay. And this competition from start-ups in the AI-first services side?

Ritesh Idnani: Yes, so I think, Girish, there is an opportunity out here where we can coexist with these folks. The way to think about a lot of the AI-native start-ups is oftentimes they may have

a technology that has got relevance but may not have the domain depth. What we lead with is the depth and vertical domain.

And therefore, there is an opportunity for us to combine forces with them in a few instances, particularly their speed to market that's available to be had itself. So, that's essentially what we've done. What we've actually seen last quarter, as an example, is some of the partnerships that we've done. They've been fantastic to us in terms of referring us to certain clients because they were already the incumbent out there. And actually, in a competitive process, they went out there and stuck their neck out and said Firstsource is the preferred partner for us. One of the large deals that we won this quarter, which is also a new logo, was on the back of this partner, which was an AI-native start-up, referencing Firstsource as the preferred partner itself.

So, I think there is a playbook out here. They need what we have. We have the opportunity to partner with them and create something which can be a win-win and much more symbiotic. And I think that's the way we are approaching it, particularly with several of these clients.

But the simple answer to your question is, yes, you are starting to see the emergence of all kinds of players in the marketplace, not just AI-native start-ups. So, the lines are truly blurring, which is actually one of the things, if you recall, when we launched UnBPO in February 2025, one of the things that I called out at that point in time is the traditional lines between technology and operations will blur.

And I think we are seeing that playing out. The second tenet that we had also called out at that point in time is the partner ecosystem will be critical for success. There, we see an opportunity for a player like Firstsource to be able to orchestrate those partners and deliver an outcome. Oftentimes, the partners are not able to do that because they may not have the domain depth. Our ability to combine our domain depth with the tech and underwrite the business outcome becomes very compelling to customers.

Girish Pai: Okay, thank you.

Ritesh Idnani: Thank you, Girish.

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

Dipesh Mehta: Thanks for the opportunity. I just want to get some clarity about the headcount addition. We indicated some banking client likely to transition certain employee. Can you help us understand whether that ramp-up largely happen in quarter 2 or it will happen in quarter 3? And the number of employees that are part of the transition.

Second question is about the seasonal ramp-up, which you expect in retail. Can you just give us some sense what's usually the seasonality in terms of the headcount planning perspective? And last is about the employee cost. It increased 3% only quarter-on-quarter, where you added, 8-9 percentage headcount during the quarter, and you also have a wage hike. If you can give some sense how to interpret this.

Ritesh Idnani: So, Dipesh, thanks for your questions. We don't divulge specific details of a particular client in terms of what the ramp is or even in terms of what the total headcount ramp is for the retail clients itself. But what you can assume is that some of the headcount ramp that we have done is anticipation of the banking opportunity that we talked about, plus program ramp-ups that have happened in our offshore and nearshore operations.

As I said, India and the Philippines accounted for a substantial part of it, but so did South Africa. And some of it is also for some of our retail clients in anticipation of the seasonality that comes in the current quarter that we are in. I didn't get the last question that you had, Dipesh.

Dipesh Mehta: Yes. So, I am not looking for client-specific information. My question was simple. The transition was already happened in quarter 2, or it will happen in quarter 3?

Ritesh Idnani: So, it has already happened in quarter 2.

Dipesh Mehta: Okay. And the last question I was asking is about employee cost. If I look, it is 3 percentage up in absolute rupee terms. Now you added, let's say, roughly 3,000 odd

employees during quarter 2, as well as you have a wage hike for junior to mid-level employees. So, wage bill increase seems to be lower than some of these things. So, if you can give some sense how to understand it.

Ritesh Idnani: I don't have the specific breakdown to hand. But I think the way you can think of is, on one hand, there is obviously headcount increase and there is wage cost associated with that. But on the other hand, there is also some optimization that has happened from a headcount standpoint. So, there are some of these things which are optimizing. So, you should not look at this in a linear fashion and say there is a certain number of headcount and therefore the wage cost should correspond to that.

Obviously, what you are seeing out here is a classic play that we are executing of, on one hand, investing for what we think is future growth and talent that we need, which may not exist in the company. And number 2 is, at the same time, we are optimizing for inefficiencies that might exist in the business as well.

So, both of those are playing out and therefore, looking at it on a single quarter basis may not necessarily give you an inference or you may end up drawing perhaps not necessarily the right inference on the back of that.

Dipesh Mehta: Understood. And last question. Let's say this quarter, balance sheet, intangible asset under development, there is some number, INR 232 million. Is it pertains to the capitalization part which you referred, or it is something different?

Dinesh Jain: That includes one of those items.

Dipesh Mehta: Understood. Thanks.

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

Ritesh Idnani: Thank you. Thank you for joining the call and for your insightful questions. I just want to close with a few final points.

Our sales engine is working well. We signed four large deals in Q2, which is now our seventh straight quarter of four or more, two of them with new logos. And as I said earlier, we added 17 new logos, one of our highest quarterly additions.

Our execution remains on track. This is our eighth straight quarter of margin expansion, with EBIT margins now up 100 basis points over the last four quarters. Our long-term aspirations continue to remain intact. Based on the confidence, we have raised the lower end of our FY27 revenue guidance and now expect constant currency growth of 10.5% to 13%. We remain laser-focused on taking our EBIT margin to the 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. Thank you.

Moderator: Thank you. On behalf of Firstsource Solutions Limited, that concludes this conference. Thank you for joining us.