RESULT REVIEW

BOBCAPS
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TP: Rs 324 | ⮝ 10%

FIRSTSOURCE SOLUTIONS | IT Services | 07 August 2026

Inline operationally, One-offs hit PAT

- **Revenue growth and EBIT margin in line. One-offs hit PAT. These may be reversed. Strongest order inflow in last 5 quarters**
- **Revenue and margin guidance maintained despite loss of 100-150bps of revenue. Traction seen in its new positioning of Intelligence operator**
- **Tweak up estimates. Increase Target PE (premium to benchmark raised from 15% to 25%). Downgrade from Buy to Hold on price move**

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Provisions hit 1Q revenue and PAT. But guidance maintained: While operationally 1Q was in line, PAT disappointed as FSOL took Rs717 provision for one-offs (details inside). Revenue growth (QoQ) would have been 100-150bps higher too. The stock on 6 August 2026 corrected by ~13% on the back of one-offs. While we believe the sharp rise of ~50% in the last 60 days was a bit excessive, the sharp down move post results also seems an overreaction as some of the provisions may be reversed. The FY27 revenue guidance of 10-13% CC growth with EBIT margin of 12.25-12.75% has been maintained despite this one off.

The pivot to 'Full stack Intelligent operator' is visible. Current size and low margins give it headroom: Post 4QFY26 FSOL unveiled a pivot from the UnBPO positioning to 'Full stack intelligent operator' positioning. This pivot (which expands TAM by 7x) requires it to take a bigger role as a consultant, IT implementer, operations and transformation partner all rolled into one. Its small size and current low margin structure gives FSOL the leeway to attempt this dramatic pivot. FSOL says that the pivot is already resulting in bigger flow of business.

Will be a challenger in many contracts and has less of legacy business to defend: We believe there is a lot to do in building capabilities on the consulting and IT services implementation side in the coming days which we believe it will attempt both organically and through tuck in M&A. Believe it can use the lack of legacy business on the IT services side and Advanced AI capabilities to its advantage. Clients seem receptive to new propositions from vendors.

Raise FY28-FY29 EPS. Raise Target PE multiple but lower rating on strong near-term stock performance: We have raised EPS estimates (by 4-6%) for FY28-FY29 on slightly better EBIT margin. In our 9 July 2026 sector note (**'Show me the growth'**) we changed our valuation methodology or the sector. We raise Target PE multiple from 16.2x to 17.6x by increasing the premium on the benchmark for a likely ~26% EPS CAGR during FY26-FY29. It is among our top picks in the Tier-2 space. A significant part of our positive view is a bet on the CEO, Ritesh Idnani, executing the intelligence operator pivot successfully.

Key changes

Target	Rating
▲	▼

Ticker/Price	FSOL IN/Rs 294
Market cap	US$ 2.1bn
Free float	45%
3M ADV	US$ 14.2mn
52wk high/low	Rs 381/Rs 202
Promoter/FPI/DII	54%/8%/25%

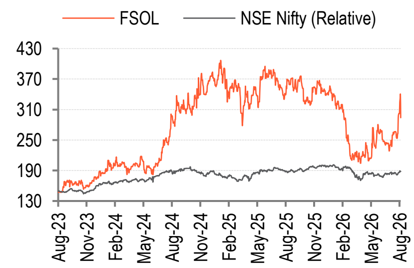
Source: NSE | Price as of 6 Aug 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	95,564	115,325	132,415
EBITDA (Rs mn)	15,562	19,201	23,002
Adj. net profit (Rs mn)	7,726	9,646	12,187
Adj. EPS (Rs)	9.6	12.7	17.3
Consensus EPS (Rs)	9.6	13.5	15.7
Adj. ROAE (%)	18.2	20.9	23.6
Adj. P/E (x)	30.7	23.1	17.0
EV/EBITDA (x)	13.0	10.7	9.1
Adj. EPS growth (%)	13.4	32.9	36.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Key Points from the quarter and the earnings call

- Revenue stood at US$288mn, growing 2.2% QoQ (in line with our estimate) and 12.3% YoY in CC terms
- EBIT margin was 12.4% (in line with our estimate), up 20bps QoQ and 110bps YoY
- Signed four large deals in 1QFY27, marking the sixth consecutive quarter with four or more large deals. Large deal defined as ACV above US$5mn. ACV intake remained healthy and was the highest in the last four quarters
- Several deal wins are transformative and ramp in phases, with revenue conversion spread over a longer period as transformation and enablement milestones are completed
- PAT was impacted by a one-time exceptional charge of INR717mn, or INR563mn net of tax. Exceptional charge comprised three items
    - Recorded a charge of INR357mn, or INR271mn net of tax, relating to the termination of one healthcare program. Resolution process for the terminated programme is progressing in phases, with the first phase completed and related amount already realized
    - Recorded a charge of INR284mn, or INR216mn net of tax, relating to indemnification of a regulatory penalty to a customer arising from a contractual performance matter. Filed an insurance claim for the regulatory penalty and remains optimistic of a favourable recovery based on policy coverage
    - Recognized a charge of INR76mn relating to fair value adjustment of contingent consideration payable for the Ascensos acquisition. Higher contingent consideration reflects Ascensos delivering above revenue guidance and margin expectations
- Closed 1QFY27 with headcount of 36,875, a net addition of 670 employees QoQ; Attrition (TTM) was 33.1%
- BFS revenue grew 14% YoY and 5% QoQ in CC terms
    - Client interest in BFS remained strong across intelligent operations, customer servicing, financial crime compliance and collections
    - Collections demand remained strong as record-high US consumer debt kept volumes and servicing complexity elevated
    - High mortgage rates and subdued refinancing kept mortgage clients focused on cost takeout, simplification and servicing efficiency, where AI-enabled transformation is resonating
    - Expanding relationships with mid-sized banks and fintechs as platforms are modernized and AI embedded across onboarding, servicing and collections
    - Exited the quarter with one of the strongest banking and financial services deal pipelines in recent quarters, supporting confidence in sustaining growth momentum

- Healthcare revenue grew 11% YoY but declined 2% QoQ in CC terms
  - Differentiation driven by production-grade AI delivery across the revenue cycle and outcome-based commercial models aligned with payer and provider priorities
  - Healthcare providers continue to face flat reimbursement, rising labour costs and regulatory uncertainty from H.R.1, accelerating the shift towards AI and automation-led RCM delivery
  - AI delivery has moved beyond proof of concept
  - Healthcare payer revenue reflected program timing effects as several Medicare Advantage clients recalibrated operational program scope following rate adjustments and evolving utilisation management requirements. Program timing impact represented a pacing effect rather than a demand shift, with client relationships remaining intact and the deal pipeline remaining healthy
  - Regulatory uncertainty creating near-term friction for clients is also increasing the value of outcome-accountable operational partnerships
  - One transformative BPaaS healthcare engagement is winding down following a leadership change at the client and a reset in strategic priorities. Revenue impact from the BPaaS engagement is limited as the programme was still in the early ramp phase and had not reached steady-state run rate. Delivery execution on the programme remained strong and a meaningful footprint continues within the account. Account remains a strategic logo generating more than US$5mn in annual revenue
- CMT revenue grew 6% YoY and 9% QoQ
  - Reported CMT performance continued to reflect volatility from timing of work packets and program transitions in consumer technology engagements in Silicon Valley
  - Telecom and cable clients continue to explore AI-led improvements in customer service, agent productivity and service assurance
  - Communications, media and technology clients continue to show strong interest in AI enablement and non-traditional technology-led solutions
  - Exited the quarter with a well-balanced pipeline across telecom, EdTech, media and technology, supporting confidence in returning to healthier growth as transitions complete and volumes normalize
- Diversified portfolio grew 27% YoY and remained flat QoQ in CC terms
- Utilities demand remained steady with a healthy pipeline and optimism around conversion in the coming quarters
  - With Pastdue Credit, the company continued strengthening its position in the UK utilities ecosystem, creating cross-sell opportunities across customer operations and collections

  - Retail demand remained focused on improving customer experience, reducing service costs and enabling more personalised interactions
  - Exited the quarter with a healthy and well-qualified pipeline across utilities and retail, supporting improving momentum as seasonal effects normalize and new wins ramp
- North America grew 8% YoY and remained flat QoQ in CC terms
  - Broad-based momentum continued across the three core verticals in North America with expectations to sustain over coming quarters
  - Building new growth opportunities in North America through a sales presence in Canada and by replicating utilities and retail capabilities from the UK into the US
- Europe grew 18% YoY and 6% QoQ in CC terms
  - Continued to deepen client relationships and increase wallet share in Europe
  - Accelerated client shift towards offshore and near-shore delivery continued over recent quarters
  - Broader geographic and vertical diversification initiatives are improving business resilience
- South Africa is currently the fastest-growing geography
- Australia revenue doubled YoY driven by additional business from existing clients and new logos
- FY27 Guidance maintained.
  - CC revenue growth guidance of 10%-13%
  - EBIT margin guidance of 12.25% to 12.75%
  - Original FY27 guidance had included approximately 1% to 1.5% revenue growth contribution from the healthcare BPaaS engagement that is now winding down following a client leadership change and decision to continue with its existing technology platform. FY27 guidance remains unchanged despite the BPaaS engagement wind-down, supported by the strength of the broader portfolio
- FY27 guidance is based on clear visibility to the lower end, with the upper end supported by a strong pipeline, expected deal wins, ramp-up timing and existing client expansions
- Management expects 2HFY27 to be stronger as recent deal wins ramp up
- Healthcare BPaaS engagement was wound down following a leadership change at the client, with the new leadership choosing to retain the existing operating model and technology platform rather than proceed with the transformation program. Program was at an advanced stage of implementation before the client decided to discontinue it. Client relationship remains strong, continues to be a strategic

account generating more than US$5mn in annual revenue, with additional work won during the last month

- INR357mn exceptional charge relates to obligations associated with the healthcare BPaaS program involving multiple ecosystem partners. Program involved multiple vendor deliverables, with recovery discussions ongoing with the client for contractual obligations committed by ecosystem partners. Management expects to recover the outstanding amounts from the client and subsequently settle obligations with ecosystem partners. Exceptional charge was taken on a conservative basis despite confidence in recoverability
- Healthcare BPaaS programme wind-down is viewed as an isolated one-off event rather than an indication of broader challenges in the healthcare vertical. More than one-third of 1QFY27 deal wins came from the healthcare vertical. Healthcare has contributed around one-third of total deal wins on average over the last five quarters.
- Healthcare BPaaS program termination reduced 1QFY27 revenue by ~1.5%
- Pipeline remains healthy even after the recent deal wins, supporting confidence in reaffirming FY27 guidance
- Mortgage Small Language Model incorporates more than 200 document ingestion scenarios, improving processing across mortgage workflows. Mortgage Small Language Model has been a key differentiator, particularly as elevated interest rates keep origination volumes subdued. Mortgage clients, especially on the origination side, remain focused on controlling costs due to lower volumes
- Transition from FTE-based to outcome-based commercial models increases the importance of deep domain expertise. Strong domain orientation and detailed process knowledge are prerequisites for successfully delivering non-linear commercial models
- Kairos was launched to help enterprises operationalize AI. Strategic focus is shifting from a traditional services business to a services-as-software model through productized capabilities
- Positioning as a full-stack operator spans advisory, implementation, operations and transformation. Advisory and implementation capabilities are emerging as meaningful growth opportunities compared with three years ago. Management believes differentiated propositions are driving continued new logo wins

We have an Underweight stance on Indian IT Services

We reinitiated coverage on the Indian IT Services with an Underweight stance through a report on 1 January 2025 (**Slow is the (new/old) normal**) and reiterated our view with updates on 12th March 2025 (**FY26 unlikely to be better than FY25**), 10th July 2025 (**Uncertainty stays and 'eating the tariff' may impact even FY27**) and 12 January 2026 (**A fourth slow year?**).

While both earnings and PE multiples have corrected since 1 Jan 2025, the industry's structural organic revenue growth from here on will be much lower vs ~7% CAGR seen during FY15-FY20; possibly ~2-3% CAGR over FY25-FY30 in constant currency (CC) terms.

We believe the release of advanced AI models will cause significant disruption to the industry rendering the sector to be a 'value trap'. We wrote about this in our 17 February 2026 report (**Existential threat, value trap or Temporary blip**) and through our 6 April 2026 report (**Narrative of FY27 being modestly better, set for its first test**).and the 9 July 2026 one (**'Show me the growth' phase will keep valuations compressed**)

Multiple speed breakers drive our Underweight stance

Gen AI and GCCs are going to disrupt growth: We believe that AI/Gen AI will lead to compression of revenue for the industry in the next 12-24 months, as companies self-cannibalize to hold on to their existing clients. Rapid growth of the GCCs is a threat to outsourcing. While there seems to be collaboration between outsourcers and their clients in setting up these GCCs, there will be growth discontinuity when the business is insourced at some point.

Massive hyper scaler AI capex should accentuate re-alignment in IT spend: Software players, including hyper scalers, are increasing capex on AI-related data centres. This will drive higher pricing, forcing enterprises to allocate more IT spend to Cloud/SaaS and move it away from the ones with lower bargaining power – global IT Services players.

Higher competition: Indian Tier-1 companies now face higher competition from Accenture, Tier-2 players and Cognizant, likely slowing their growth vs FY15-FY20. This is besides the fact that by FY26, Tier-1 revenue has reached US$ 85bn, double that in FY15 (6.5% CAGR). Due to the higher base now, growth may not be as rapid. In AI reinvention services we see a new set of competitors come in the forms of AI deployment companies from Anthropic, Open AI, Microsoft, Google etc. While professional services companies of software players did not make much of an impact in the past, we believe the situation could be different this time. With the requirement of a large army of offshore bodies being taken away by AI models, we believe players with high technical skills and deep domain and workflow expertise will become competitors. We will have several players from other industries as well senior management personnel from current incumbents to step out and startup companies and compete with the incumbents.

How we are valuing companies: We are using PE methodology. However, we are moving away from the earlier stance that we had taken of using TCS as our industry benchmark and using 16.8x (average PE multiple of TCS over the last 10 years less 1.5SD) as the Target PE multiple. We have been giving subjective premium/discount to this benchmark target PE to arrive at target PE multiples for the rest of our coverage

Considering the underperformance of TCS in terms of growth in FY26 and the likelihood of that repeating in the foreseeable future we have decided to shift from using TCS as the benchmark and move to Tier-1 PE multiple based valuation. That too using the valuation seen in the FY15-FY20 timeframe when the Tier-1 USD revenue CAGR was ~7% in organic terms. Our analysis indicates that Tier-1 (consisting of TCS, Infosys, HCLT, Wipro and Tech Mahindra) were collectively trading at mean multiple of 17.6x forward EPS with an SD of 1.7. We are using 14.1x as the benchmark multiple for the basis of valuation which is mean multiple of Tier-1 companies during this period less 2SD. We have been giving subjective premium/discount to this benchmark target PE to arrive at target PE multiples for the rest of our coverage

Our target PE multiples are lower than those used by consensus/competitors**.** Through our choice of the benchmark target PE multiple, we seek to capture the mortality and relevance risk that players face in this era of advanced AI models.

Tier- 2 valuation reflects growth gap with Tier-1

Tier-2 set has been taking away market share from the Tier-1 set, due to better execution as well as their smaller size. And, unlike previous cycles, they have performed better than the Tier-1 set, largely on better management teams.

However, current PE premium to Tier-1s is excessive for certain stocks, because to deliver on the high consensus revenue growth expectations, they may be taking on more cost take-out projects that are likely to impact margins adversely.

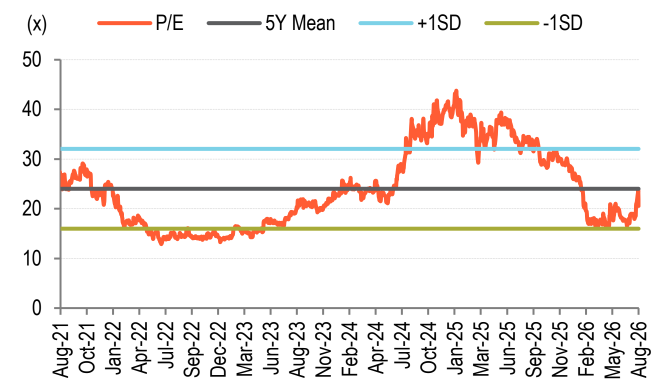
Also, some of the Tier-2s have been underperforming on the growth front, being discretionary project-oriented businesses struggling to pivot to a cost-take-out-driven demand environment.

Fig 1 – Quarterly results: Comparison of actuals with estimates

Y/E Mar (Rsmn)	1QFY26	4QFY26	1QFY27	YoY(%)	QoQ (%)	1QFY27E	Deviation (%)
Net Sales (USD mn)	**259**	**283**	**288**	**11.2**	**1.8**	**289**	**(0.3)**
Net Sales	22,177	25,835	27,249	22.9	5.5	27,362	(0.4)
Cost of Sales	18,706	21,530	22,736	21.5	5.6	22,802	(0.3)
% of Sales	84.3	83.3	83.4			83.3	
EBITDA Margin	3,471	4,305	4,513	30.0	4.8	4,560	(1.0)
% of Sales	15.7	16.7	16.6			16.7	
Depreciation	972	1,161	1,146	17.9	(1.2)	1,163	(1.4)
EBIT	**2,498**	**3,144**	**3,367**	**34.8**	**7.1**	**3,397**	**(0.9)**
EBIT Margin (%)	**11.3**	**12.2**	**12.4**			**12.4**	
Interest Expenses	434	520	518	19.2	(0.5)	609	(15.0)
Other Income	68	-17	61	(10.1)	(457.7)	69	(10.9)
Exceptional Items							
PBT	2,132	2,606	2,910	36.5	11.7	2,857	1.9
Provision for Tax	439	554	688	56.7	24.3	607	13.4
Effective Tax Rate	20.6	21.2	23.6			21.2	
Adjusted PAT	1,693	2,053	2,222	31.2	8.2	2,250	(1.2)
Margin (%)	7.6	7.9	8.2			8.2	(0.8)
Exceptional Items	0	0	563			-	
PAT (Reported)	**1,693**	**2,053**	**1,659**			**2,250**	**(26.3)**
Margin (%)	**7.6**	**7.9**	**6.1**			**8.2**	

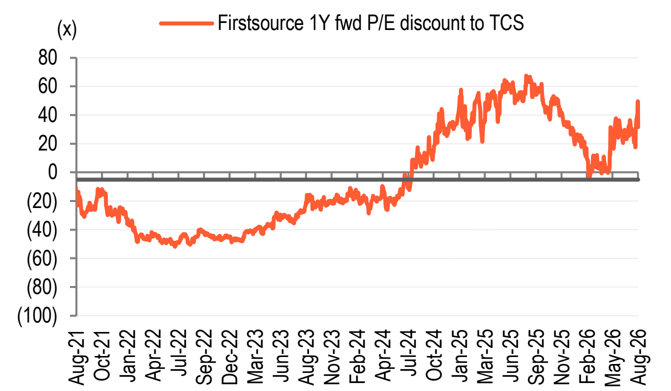
Source: Company, BOBCAPS Research

Fig 2 – 5 Year PE trend



Source: Bloomberg, BOBCAPS Research

Fig 3 – Premium/ Discount to TCS



Source: Bloomberg, BOBCAPS Research

Fig 4 – Revised Estimates

	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
INR/USD	96	97	98	95	96	97	0.9	0.9	0.9
USD Revenue (USD mn)	1,205	1,366	1,549	1,213	1,372	1,548	(0.6)	(0.4)	0.1
USD Revenue Growth (%)	11.5	13.4	13.4	12.2	13.1	12.8			
Revenue (Rsmn)	115,325	132,415	151,650	115,314	131,820	150,253	0.0	0.5	0.9
EBIT (Rsmn)	14,259	17,110	20,784	14,174	16,737	20,410	0.6	2.2	1.8
EBIT Margin (%)	12.4	12.9	13.7	12.3	12.7	13.6			
PAT (Rsmn)	9,646	12,187	15,152	9,500	11,585	14,640	1.5	5.2	3.5
FDEPS (Rs)	12.7	17.3	21.6	13.5	16.4	20.8	(5.7)	5.6	3.9

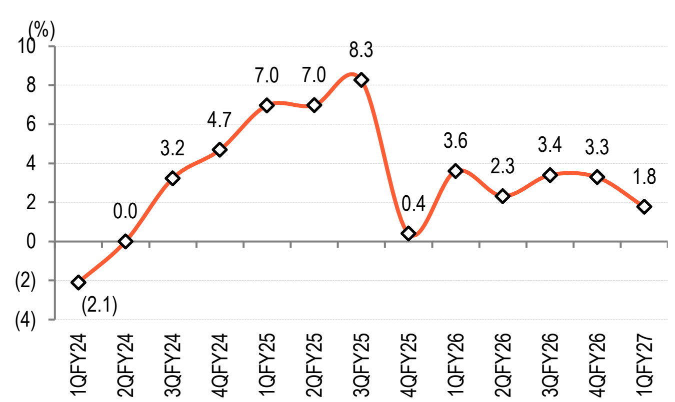
Source: BOBCAPS Research

Fig 5 – P&L at a glance

(YE March) Rs mn	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Average INR/USD	-	-	69.2	70.0	73.5	73.8	79.7	82.8	84.5	89.1	95.9	96.9	97.9
Net Sales (USD mn)	**0**	**0**	**547**	**578**	**686**	**795**	**751**	**765**	**944**	**1,081**	**1,205**	**1,366**	**1,549**
-Growth (%)				**5.7**	**18.7**	**15.9**	**-5.5**	**1.9**	**23.4**	**14.5**	**11.5**	**13.4**	**13.4**
Net Sales	35,556	35,353	38,262	40,987	50,779	59,212	60,222	63,363	79,803	95,564	115,325	132,415	151,650
-Growth (%)		-0.6	8.2	7.1	23.9	16.6	1.7	5.2	25.9	19.7	20.7	14.8	14.5
Employee Expenses	23834	23955	25572	27736	34673	39468	38675	39088	49957	55903	65655	75780	87388
Gross Margin	11722	11398	12690	13251	16106	19744	21547	24275	29846	39661	49670	56635	64262
% of sales	33.0	32.2	33.2	32.3	31.7	33.3	35.8	38.3	37.4	41.5	43.1	42.8	42.4
Employee expense (% of sales)	67.0	67.8	66.8	67.7	68.3	66.7	64.2	61.7	62.6	58.5	56.9	57.2	57.6
Operating expenses	7,342	6,809	7,336	6,962	8,117	10,146	13,283	14,709	17,769	24,099	30,469	33,633	36,636
Operating expense (% of sales)	20.6	19.3	19.2	17.0	16.0	17.1	22.1	23.2	22.3	25.2	26.4	25.4	24.2
EBITDA Margin	4,380	4,590	5,354	6,289	7,989	9,598	8,264	9,566	12,077	15,562	19,201	23,002	27,626
% of sales	12.3	13.0	14.0	15.3	15.7	16.2	13.7	15.1	15.1	16.3	16.6	17.4	18.2
Depreciation	590	659	745	1,852	2,064	2,495	2,631	2,603	3,271	4,341	4,942	5,892	6,843
EBIT	**3790**	**3931**	**4609**	**4437**	**5925**	**7103**	**5633**	**6963**	**8806**	**11221**	**14259**	**17110**	**20784**
EBIT Margin (%)	**10.7**	**11.1**	**12.0**	**10.8**	**11.7**	**12.0**	**9.4**	**11.0**	**11.0**	**11.7**	**12.4**	**12.9**	**13.7**
Interest Expense	421	338	225	513	496	604	732	1,034	1,383	1,814	2,126	1,646	1,646
Other income (net)	(1)	(11)	(26)	17	(13)	(30)	1,251	368	(104)	74	388	647	892
PBT	3,369	3,581	4,358	3,941	5,416	6,469	6,152	6,297	7,319	9,481	12,521	16,112	20,030
-PBT margin (%)	9.5	10.1	11.4	9.6	10.7	10.9	10.2	9.9	9.2	9.9	10.9	12.2	13.2
Provision for tax	577	314	581	544	701	1,097	1,015	1,150	1,462	1,754	2,875	3,924	4,879
Effective tax rate (%)	17.1	8.8	13.3	13.8	16.2	17.0	16.5	18.3	19.7	20.6	24.4	24.4	24.4
Net profit	**2,792**	**3,267**	**3,777**	**3,397**	**4,715**	**5,372**	**5,137**	**5,147**	**5,857**	**7,726**	**9,646**	**12,187**	**15,152**
-Growth (%)		**17.0**	**15.6**	**(10.1)**	**38.8**	**13.9**	**(4.4)**	**0.2**	**13.8**	**31.9**	**24.8**	**26.3**	**24.3**
-Net profit margin (%)	**7.9**	**9.2**	**9.9**	**8.3**	**9.3**	**9.1**	**8.5**	**8.1**	**7.3**	**8.1**	**8.4**	**9.2**	**10.0**
Adjusted PAT	2,792	3,267	3,777	3,397	4,542	5,372	5,137	5,147	5,875	7,523	9,492	12,187	15,152
Adjusted PAT Margin (%)	7.9	9.2	9.9	8.3	8.9	9.1	8.5	8.1	7.4	7.9	8.2	9.2	10.0

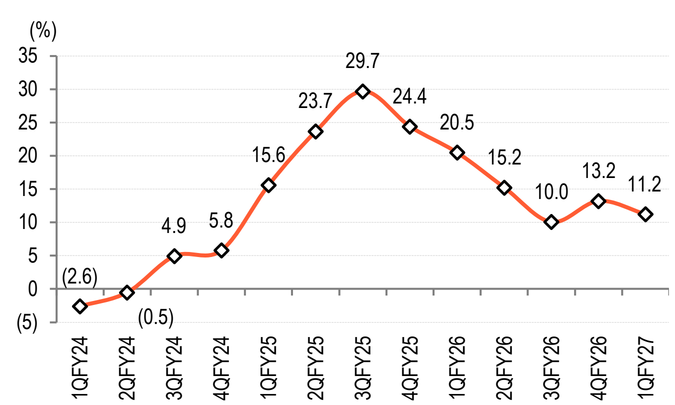
Source: Company, BOBCAPS Research

Fig 6 – US$ Revenue Growth (QoQ)



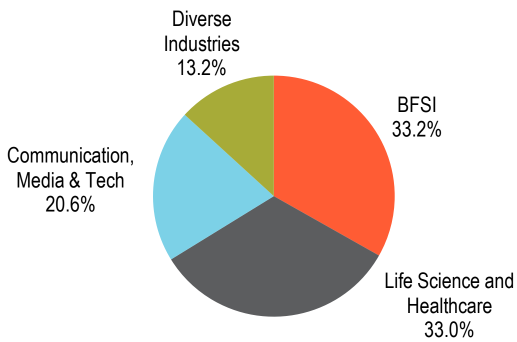
Source: Company, BOBCAPS Research

Fig 7 – US$ Revenue Growth (YoY)



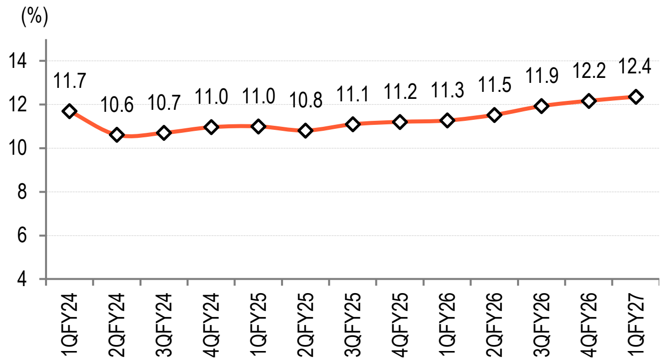
Source: Company, BOBCAPS Research

Fig 8 – 1QFY27 Vertical Revenue Mix



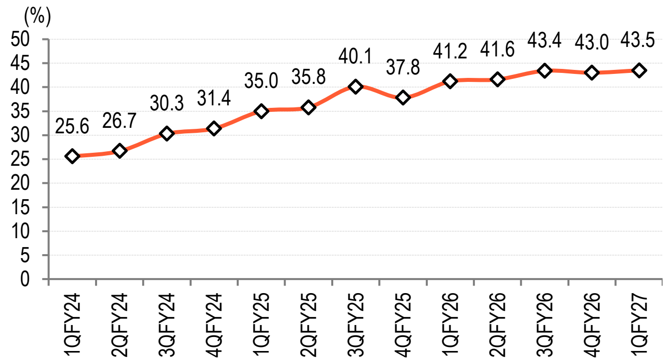
Source: Company, BOBCAPS Research

Fig 9 – EBIT Margin trend



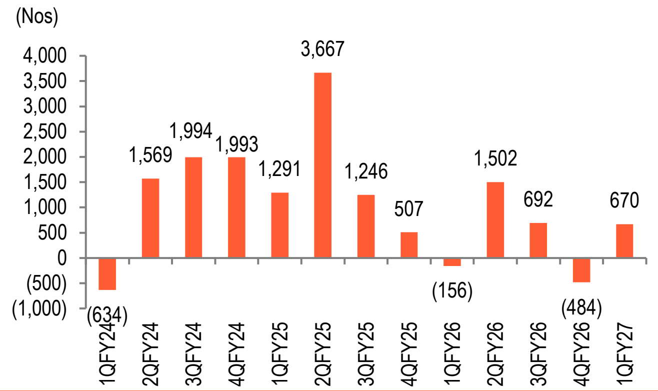
Source: Company, BOBCAPS Research

Fig 10 – Revenue by Delivery – Offshore trend (%)



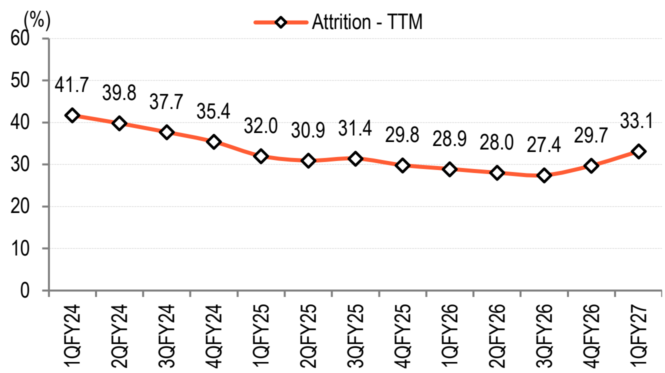
Source: Company, BOBCAPS Research

Fig 11 – Net Employee Addition (QoQ)



Source: Company, BOBCAPS Research

Fig 12 – TTM Attrition



Source: Company, BOBCAPS Research

Fig 13 – Quarterly Snapshot

Year to 31 March	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
INR/USD	82.1	82.9	83.1	83.0	83.4	83.8	84.4	86.5	86.5	87.3	90.1	92.3	95.5
Revenue (in USDmn)	186	186	192	201	215	230	249	250	259	265	274	283	288
(Rsmn)													
Revenue	15,292	15,400	15,966	16,705	17,911	19,254	21,024	21,615	22,177	23,122	24,430	25,835	27,249
Gross Margin	6,055	6,000	6,073	6,147	6,643	7,150	7,953	8,100	8,970	9,504	10,119	11,069	11,933
EBITDA	2,402	2,288	2,372	2,504	2,699	2,873	3,177	3,328	3,471	3,760	4,026	4,305	4,513
EBIT	1,789	1,634	1,709	1,831	1,970	2,081	2,333	2,422	2,498	2,665	2,914	3,144	3,367
Other income	6	153	134	75	(11)	(40)	(39)	(14)	68	(13)	36	(17)	61
PBT	1,552	1,543	1,608	1,594	1,673	1,711	2,007	2,017	2,132	2,243	1,516	2,606	2,193
Tax	293	278	321	258	320	328	404	410	439	448	313	554	534
PAT	1,259	1,265	1,287	1,336	1,353	1,383	1,603	1,607	1,693	1,795	1,203	2,053	1,659
Number of shares	699.4	702.8	699.2	703.2	704.7	705.6	706.0	704.8	705.5	706.7	703.4	705.5	703.0
EPS	1.8	1.8	1.8	1.9	1.9	2.0	2.3	2.3	2.4	2.5	1.7	2.9	2.4
YoY Growth													
USD Revenue	(2.6)	(0.5)	4.9	5.8	15.6	23.7	29.7	24.4	20.5	15.2	10.0	13.2	11.2
INR Revenues	3.9	3.5	6.1	7.3	17.1	25.0	31.7	29.4	23.8	20.1	16.2	19.5	22.9
EBITDA	32.7	19.4	13.1	2.6	12.4	25.6	33.9	32.9	28.6	30.9	26.7	29.3	30.0
EBIT	52.8	30.3	21.3	1.8	10.1	27.4	36.5	32.3	26.8	28.0	24.9	29.8	34.8
Net profit	47.9	(2.2)	(18.5)	(5.4)	7.5	9.3	24.6	20.3	25.2	29.8	(24.9)	27.8	(2.0)
QoQ Growth													
USD Revenues	(2.11)	-	3.23	4.69	6.97	6.98	8.26	0.40	3.60	2.32	3.40	3.28	1.8
INR Revenues	(1.8)	0.7	3.7	4.6	7.2	7.5	9.2	2.8	2.6	4.3	5.7	5.7	5.5
EBITDA	(1.6)	(4.7)	3.7	5.6	7.8	6.4	10.6	4.8	4.3	8.3	7.1	6.9	4.8
EBIT	(0.6)	(8.7)	4.6	7.2	7.6	5.6	12.1	3.8	3.1	6.7	9.4	7.9	7.1
Net profit	(10.9)	0.5	1.7	3.8	1.3	2.2	15.9	0.3	5.4	6.0	(33.0)	70.7	(19.2)
Margins (%)													
Gross Margin	39.6	39.0	38.0	36.8	37.1	37.1	37.8	37.5	40.4	41.1	41.4	42.8	43.8
EBITDA	15.7	14.9	14.9	15.0	15.1	14.9	15.1	15.4	15.7	16.3	16.5	16.7	16.6
EBIT	11.7	10.6	10.7	11.0	11.0	10.8	11.1	11.2	11.3	11.5	11.9	12.2	12.4
PAT	8.2	8.2	8.1	8.0	7.6	7.2	7.6	7.4	7.6	7.8	4.9	7.9	6.1
SGA	23.9	24.1	23.2	21.8	22.0	22.2	22.7	22.1	24.8	24.8	24.9	26.2	27.2

Source: Company, BOBCAPS Research

Fig 14 – Segmental Analysis

INR mn	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
Segment Revenue									
Banking and Financial Services	6,485.4	6,641.6	6,757.8	7,234.5	7,224.9	7,678.9	7,811.4	8,413.1	9,137.8
Healthcare	6,372.5	7,025.2	7,096.0	7,330.2	7,418.4	7,766.2	7,925.1	8,981.0	9,080.5
Communication, Media and Technology	3,975.3	4,117.1	4,245.3	4,560.0	4,970.0	5,017.9	5,237.2	5,212.1	5,662.0
Diverse Industries	1,005.5	1,542.3	2,779.4	2,553.0	2,596.0	2,684.0	3,700.8	3,524.3	3,637.2
Total	17,838.7	19,326.1	20,878.5	21,677.7	22,209.3	23,147.0	24,674.5	26,130.5	27,517.5
QoQ Revenue Growth %									
Banking and Financial Services	4.1	2.4	1.7	7.1	(0.1)	6.3	1.7	7.7	8.6
Healthcare	15.9	10.2	1.0	3.3	1.2	4.7	2.0	13.3	1.1
Communication, Media and Technology	1.1	3.6	3.1	7.4	9.0	1.0	4.4	(0.5)	8.6
Diverse Industries	(2.7)	53.4	80.2	(8.1)	1.7	3.4	37.9	(4.8)	3.2
Total	6.9	8.3	8.0	3.8	2.5	4.2	6.6	5.9	5.3
YoY Revenue Growth %									
Banking and Financial Services	4.0	5.6	10.7	16.1	11.4	15.6	15.6	16.3	26.5
Healthcare	28.0	39.2	32.6	33.3	16.4	10.5	11.7	22.5	22.4
Communication, Media and Technology	19.6	25.8	18.4	16.0	25.0	21.9	23.4	14.3	13.9
Diverse Industries	37.2	91.1	206.0	147.1	158.2	74.0	33.1	38.0	40.1
Total	16.8	25.4	30.9	29.9	24.5	19.8	18.2	20.5	23.9
Segment results before tax and finance costs									
Banking and Financial Services	962.1	1,013.0	1,170.4	1,336.8	1,499.0	1,469.6	1,409.1	1,717.2	2,030.1
Healthcare	733.5	863.9	1,089.4	1,014.6	905.7	1,037.2	1,076.0	1,262.1	1,015.9
Communication, Media and Technology	700.5	726.8	700.3	712.0	801.5	897.1	1,063.6	1,092.3	1,426.0
Diverse Industries	214.6	175.2	277.3	251.0	232.3	282.5	472.5	371.5	252.4
Total	2,610.6	2,779.0	3,237.5	3,314.3	3,438.5	3,686.4	4,021.2	4,443.1	4,724.4
Margin %									
Banking and Financial Services	14.8	15.3	17.3	18.5	20.7	19.1	18.0	20.4	22.2
Healthcare	11.5	12.3	15.4	13.8	12.2	13.4	13.6	14.1	11.2
Communication, Media and Technology	17.6	17.7	16.5	15.6	16.1	17.9	20.3	21.0	25.2
Diverse Industries	21.3	11.4	10.0	9.8	8.9	10.5	12.8	10.5	6.9
Total	14.6	14.4	15.5	15.3	15.5	15.9	16.3	17.0	17.2

Source: Company, BOBCAPS Research

Fig 15 – Key Metrics

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
P and L (Rs mn)													
Revenue	15,292	15,400	15,966	16,705	17,911	19,254	21,024	21,615	22,177	23,122	24,430	25,835	27,249
EBITDA	2,402	2,288	2,372	2,504	2,699	2,873	3,177	3,328	3,471	3,760	4,026	4,305	4,513
EBIT	1,789	1,634	1,709	1,831	1,970	2,081	2,333	2,422	2,498	2,665	2,914	3,144	3,367
PAT	1,259	1,265	1,287	1,336	1,353	1,383	1,603	1,607	1,693	1,795	1,203	2,053	1,659
Vertical Mix (%)													
BFSI	40.8	40.8	38.3	37.3	36.4	34.4	32.4	33.4	32.5	33.2	31.7	32.2	33.2
Life Science and Healthcare	32.6	32.7	33.5	32.9	35.7	36.3	34.0	33.8	33.4	33.5	32.1	34.4	33.0
Communication, Media & Tech	21.8	21.2	22.5	23.6	22.3	21.3	20.3	21.0	22.4	21.7	21.2	19.9	20.6
Diverse Industries	4.8	5.3	5.7	6.2	5.6	8.0	13.3	11.8	11.7	11.6	15.0	13.5	13.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Geographic Mix (%)													
North America	63.5	65.1	65.4	65.0	68.2	68.5	66.3	67.7	68.7	69.4	67.2	68.0	66.4
Europe, Middle East and Africa	36.4	34.8	34.5	34.9	31.8	31.4	33.6	31.5	30.1	29.4	31.7	30.6	31.7
ROW	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.8	1.2	1.2	1.1	1.4	1.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Delivery (%)													
Offshore	25.6	26.7	30.3	31.4	35	35.8	40.1	37.8	41.2	41.6	43.4	43	43.5
Onsite	74.4	73.3	69.7	68.6	65	64.2	59.9	62.2	58.8	58.4	56.6	57	56.5
Total	100	100	100	100	100	100	100	100	100	100	100	100	100
Clients Concentration (%)													
Top 10 Client					51.5	48.6	43.5	43.7	42.6	42.3	40.7	39.9	39.2
Top 5 Client	37.2	35	35.8	36.7	34.6	32.5	29.2	29.3	29.6	28.9	28.1	28	27.4
Employee Number	22,384	23,953	25,947	27,940	29,231	32,898	34,144	34,651	34,495	35,997	36,689	36,205	36,875
Net Addition	(634)	1,569	1,994	1,993	1,291	3,667	1,246	507	(156)	1,502	692	(484)	670
(US$ mn)													
Revenue	186	186	192	201	215	230	249	250	259	265	274	283	288
EBIT	22	20	21	22	24	25	28	28	29	31	32	34	35
PAT	15	15	15	16	16	17	19	19	20	21	13	22	17
Productivity Metrics													
Per Capita (Annualised)													
Revenue	33,238	31,061	29,599	28,776	29,421	27,965	29,171	28,859	30,033	29,447	29,873	31,266	31,241
EBIT	3,895	3,292	3,171	3,156	3,231	3,020	3,238	3,232	3,349	3,390	3,528	3,762	3,822
PAT	2,741	2,549	2,388	2,303	2,219	2,007	2,224	2,144	2,270	2,284	1,456	2,456	1,884

Source: Company, BOBCAPS Research

Fig 16 – QoQ and YoY growth of various parameters

(in US$)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
QoQ Growth (%)													
Revenue	-2.1	0.0	3.2	4.7	7.0	7.0	8.3	0.4	3.6	2.3	3.4	3.3	1.8
Geographical Data													
North America	(1.8)	2.5	3.7	4.0	12.2	7.4	4.8	2.5	5.1	3.4	0.1	4.5	(0.6)
Europe, Middle East and Africa	(1.8)	(4.4)	2.3	5.9	(2.5)	5.6	15.8	(5.9)	(1.0)	(0.1)	11.5	(0.3)	5.4
ROW	(75.5)	0.0	3.2	4.7	NA	NA	8.3	703.2	55.4	2.3	(5.2)	31.5	38.1
Verticals													
BFSI	(0.9)	0.0	(3.1)	2.0	4.4	1.1	2.0	3.5	0.8	4.5	(1.3)	4.9	4.9
Life Science and Healthcare	(3.9)	0.3	5.8	2.8	16.1	8.8	1.4	(0.2)	2.4	2.6	(0.9)	10.7	(2.4)
Communication, Media & Tech	(4.3)	(2.8)	9.6	9.8	1.1	2.2	3.2	3.9	10.5	(0.9)	1.0	(3.0)	5.3
Diverse Industries	11.9	10.4	11.0	13.9	(3.4)	52.8	80.0	(10.9)	2.7	1.4	33.7	(7.0)	(0.5)
Delivery													
Offshore	1.9	4.3	17.1	8.5	19.2	9.4	21.3	(5.4)	12.9	3.3	7.9	2.3	3.0
Onshore	(3.4)	(1.5)	(1.8)	3.0	1.4	5.7	1.0	4.3	(2.1)	1.6	0.2	4.0	0.9
YoY Growth (%)													
Revenue	(2.6)	(0.5)	4.9	5.8	15.6	23.7	29.7	24.4	20.5	15.2	10.0	13.2	11.2
Geographical Data													
North America	(9.6)	(3.6)	5.7	8.6	24.1	30.1	31.5	29.5	21.3	16.7	11.5	13.7	7.5
Europe, Middle East and Africa	17.8	10.6	6.1	1.7	1.0	11.6	26.3	12.3	14.0	7.9	3.8	10.0	17.1
ROW	(93.5)	(93.4)	(89.5)	(73.6)	(100.0)	23.7	29.7	895.0	NA	1282.6	1110.4	98.1	76.1
Verticals													
BFSI	(14.2)	(6.5)	(3.9)	(2.1)	3.1	4.3	9.7	11.4	7.6	11.2	7.7	9.1	13.6
Life Science and Healthcare	(1.1)	(5.7)	2.8	4.8	26.6	37.3	31.6	27.8	12.7	6.3	3.9	15.2	9.9
Communication, Media & Tech	5.1	4.4	9.3	12.0	18.2	24.2	17.0	10.7	21.0	17.4	14.9	7.3	2.3
Diverse Industries	233.9	177.5	149.2	56.2	34.9	86.7	202.6	136.7	151.7	67.1	24.1	29.5	25.5
Delivery													
Offshore	(9.0)	2.5	26.7	35.0	58.0	65.8	71.6	49.7	41.8	33.9	19.1	28.8	17.4
Onshore	(0)	(2)	(2)	(4)	1	8	11	13	9	5	4	4	7

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**79,803**	**95,564**	**115,325**	**132,415**	**151,650**
EBITDA	12,077	15,562	19,201	23,002	27,626
Depreciation	3,271	4,341	4,942	5,892	6,843
EBIT	8,806	11,221	14,259	17,110	20,784
Net interest inc./(exp.)	(1,383)	(1,814)	(2,126)	(1,646)	(1,646)
Other inc./(exp.)	(104)	74	388	647	892
Exceptional items	0	0	0	0	0
EBT	7,319	9,481	12,521	16,112	20,030
Income taxes	1,462	1,754	2,875	3,924	4,879
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**5,857**	**7,726**	**9,646**	**12,187**	**15,152**
Adjustments	0	0	0	0	0
Adjusted net profit	**5,857**	**7,726**	**9,646**	**12,187**	**15,152**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	3,976	5,579	6,665	7,616	8,702
Other current liabilities	20,311	29,206	30,488	30,488	30,488
Provisions	241	1,140	1,171	1,171	1,171
Debt funds	3,419	1,897	(750)	(1,750)	(2,750)
Other liabilities	10,299	11,534	10,909	10,909	10,909
Equity capital	6,970	6,970	6,970	6,970	6,970
Reserves & surplus	34,006	36,875	41,606	47,917	55,810
Shareholders' fund	40,976	43,845	48,575	54,887	62,780
Total liab. and equities	**79,222**	**93,200**	**97,059**	**103,321**	**111,299**
Cash and cash eq.	1,670	2,693	4,570	6,904	10,491
Accounts receivables	16,860	20,786	22,839	26,097	29,818
Inventories	0	0	0	0	0
Other current assets	3,710	4,144	5,505	5,505	5,505
Investments	115	658	657	657	657
Net fixed assets	2,763	3,103	3,847	4,517	5,187
CWIP	491	299	299	299	299
Intangible assets	47,173	52,565	52,118	52,118	52,118
Deferred tax assets, net	3,449	4,806	4,397	4,397	4,397
Other assets	2,991	4,146	2,827	2,827	2,827
Total assets	**79,222**	**93,200**	**97,059**	**103,321**	**111,299**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**8,805**	**14,711**	**14,708**	**17,418**	**21,005**
Capital expenditures	(1,790)	(1,410)	(1,345)	(1,620)	(1,620)
Change in investments	(315)	(429)	(343)	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**(2,105)**	**(1,839)**	**(1,687)**	**(1,620)**	**(1,620)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	7,204	4,048	38	(1,000)	(1,000)
Interest expenses	(1,383)	(1,814)	(2,126)	(1,646)	(1,646)
Dividends paid	(2,751)	(3,802)	(4,839)	(5,876)	(7,259)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	**3,070**	**(1,569)**	**(6,927)**	**(8,522)**	**(9,905)**
Chg in cash & cash eq.	**(214)**	**1,023**	**1,877**	**2,334**	**3,588**
Closing cash & cash eq.	**1,670**	**2,693**	**4,570**	**6,904**	**10,491**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	8.6	9.8	12.9	17.6	21.9
Adjusted EPS	8.4	9.6	12.7	17.3	21.6
Dividend per share	4.0	5.5	7.0	8.5	10.5
Book value per share	59.7	63.4	70.3	79.4	90.8

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	2.5	2.1	1.8	1.6	1.4
EV/EBITDA	16.8	13.0	10.7	9.1	7.8
Adjusted P/E	34.9	30.7	23.1	17.0	13.6
P/BV	4.9	4.6	4.2	3.7	3.2

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	80.3	79.4	75.6	75.6	75.6
Interest burden (PBT/EBIT)	84.1	75.7	82.8	94.2	96.4
EBIT margin (EBIT/Revenue)	11.0	11.7	12.4	12.9	13.7
Asset turnover (Rev./Avg TA)	114.0	110.8	121.2	132.2	141.3
Leverage (Avg TA/Avg Equity)	1.7	2.0	2.0	1.8	1.7
Adjusted ROAE	14.5	15.4	18.4	22.2	24.1

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	25.9	19.7	20.7	14.8	14.5
EBITDA	26.3	28.9	23.4	19.8	20.1
Adjusted EPS	14.9	13.4	32.9	36.5	24.3
Profitability & Return ratios (%)					
EBITDA margin	15.1	16.3	16.6	17.4	18.2
EBIT margin	11.0	11.7	12.4	12.9	13.7
Adjusted profit margin	7.3	8.1	8.4	9.2	10.0
Adjusted ROAE	15.0	18.2	20.9	23.6	25.8
ROCE	10.6	10.9	12.1	13.9	15.9
Working capital days (days)					
Receivables	77	79	72	72	72
Inventory	NA	NA	NA	NA	NA
Payables	18	21	21	21	21
Ratios (x)					
Gross asset turnover	28.9	30.8	30.0	29.3	29.2
Current ratio	0.9	0.8	0.9	1.0	1.2
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	0.0	0.0	(0.1)	(0.2)	(0.2)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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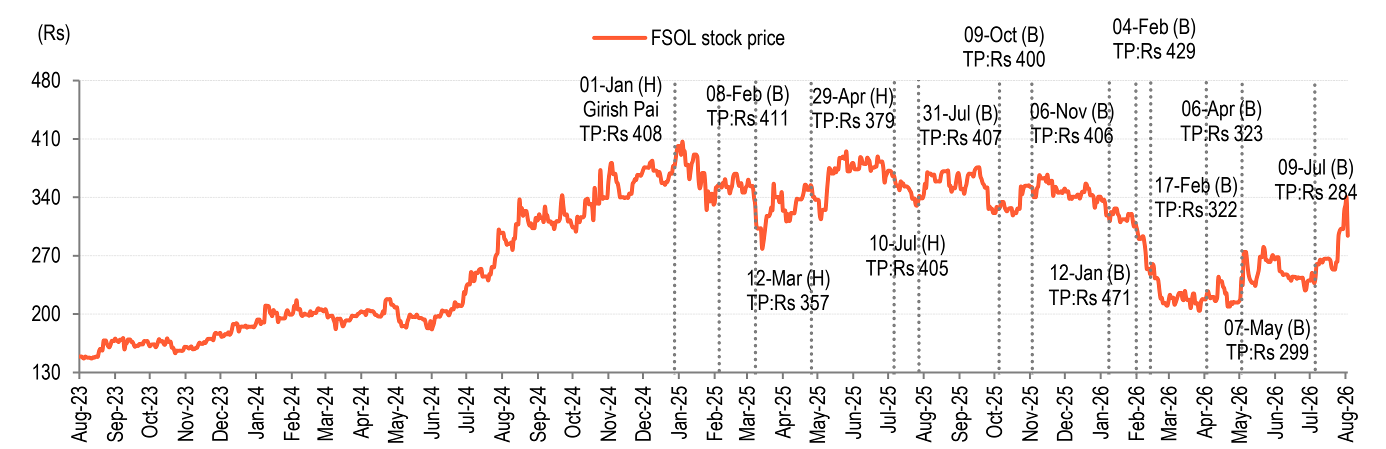
Ratings and Target Price (3-year history): FIRSTSOURCE SOLUTIONS (FSOL IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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