

BUY**TP: Rs 406 | ▲ 15%****FIRSTSOURCE
SOLUTIONS**

| IT Services

| 06 November 2025

Steady 2QFY26, Acceleration likely in 2HFY26

- 2QFY26 revenue tad weaker than expected. EBIT margin in line. FY26 guidance maintained. Revenue acceleration likely in 2HFY26
- Strong top line growth combined with headroom for significant margin expansion to drive Tier-2 leading 32% EPS CAGR over FY25-FY28
- Broadly maintain estimates, Target PE multiple (23.8x, 25% premium to our sector benchmark TCS) and 'BUY' rating. Top pick within Tier-2

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2QFY26 broadly in line: Revenue growth came in at 2% QoQ in CC terms against our estimate of 3% while EBIT margin at 11.5% was broadly in line with our 11.7% estimate.

Guidance for FY26 maintained: The 13-15% constant currency revenue growth guidance for FY26 given 3 months back, was maintained and is quite robust in the context of most of its peers in the Indian IT/ITES industry. This guidance includes 300bps from M&A. The last part will see an uptick as the Pastdue acquisition will likely be closed in 3QFY26. We believe Pastdue will constitute 150-175bps of the revenue growth in FY27.

Will be leading Tier-2 pack with 32% EPS CAGR over FY25-FY28: This will be due to a USD revenue CAGR of 16% and EBIT margin expansion of 280bps. FirstSource's strong performance is because it is taking a different approach with its UnBPO model — using AI, automation, and outcome-based pricing to rethink how services are delivered.

CEO has been a key driver of the UnBPO model: Ritesh Idnani – CEO for 2 plus years in FSOL now, with senior management background in Tech Mahindra and Infosys – has ensured better execution and led FSOL to deliver on its US\$1bn revenue run rate goal 4 quarters in advance. FirstSource CEO has beefed up sales, tech and delivery capabilities both organically and inorganically over the last seven quarters for him to deliver these numbers.

Broadly maintain estimates, Target PE and rating. Top pick in our Tier-2 universe: We broadly maintain our estimates, Target PE multiple at 23.8x on Sept '27 EPS. Target PE multiple is at a 25% premium to that of our benchmark TCS. The PE premium of 25% accounts for the strong EPS performance that we expect from the company over FY25-FY28. We maintain our 'BUY' rating. It is our only BUY under our coverage universe and our top pick in the Tier-2 space.

Key changes

Target	Rating
▲	◀ ▶

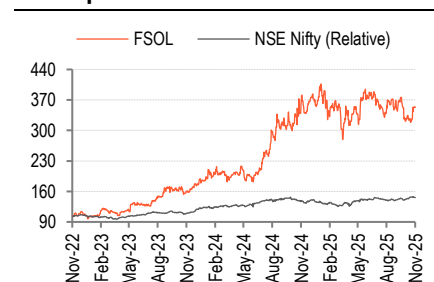
Ticker/Price	FSOL IN/Rs 353
Market cap	US\$ 2.7bn
Free float	45%
3M ADV	US\$ 5.3mn
52wk high/low	Rs 422/Rs 270
Promoter/FPI/DII	54%/9%/25%

Source: NSE | Price as of 4 Nov 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	79,803	94,389	112,819
EBITDA (Rs mn)	12,077	16,162	21,354
Adj. net profit (Rs mn)	5,857	7,941	10,481
Adj. EPS (Rs)	8.4	11.3	14.8
Adj. ROAE (%)	15.0	18.5	22.0
Adj. P/E (x)	41.8	31.3	23.8
EV/EBITDA (x)	20.2	14.9	11.3
Adj. EPS growth (%)	14.9	33.7	31.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance

Source: NSE



Key Points from the quarter and the earnings call

- Revenue stood at US\$265mn growing 2.0% QoQ (against our estimate of 3%) and 13.8% YoY (in CC terms). Revenue crossed US\$1bn on a TTM basis
- EBIT margin stood at 11.5% (against our estimate of 11.7%), up 20 bps QoQ and 70 bps YoY
 - Margin expansion of 70 bps over the past four quarters is in line with the company's target of 50-75 bps margin improvement YoY
 - Margin improvement occurred despite an annual wage hike covering over 90% of employees, due to efforts in right-sourcing talent, optimizing the delivery structure, using AI and technology in execution and currency movement
- The company signed 4 large deals (ACV >US\$5mn) and added 10 new logos
- The company's deal pipeline crossed US\$1bn
 - The pipeline has been growing 5-10% each quarter, with an increasing number of deals being sole-sourced or shaped as transformation programs, rather than through formal RFP processes. Company's win rates are good and have been trending upward over the last few quarters
- Vertical commentary (growth in CC terms):
 - BFS vertical grew 4% QoQ and 11% YoY. The company has invested in strengthening the sales and solutions teams, especially in North America, to expand client relationships and expand into adjacent segments. By focusing on AI, automation, and data-driven solutions, the company has reduced macro dependency and diversified revenue
 - Healthcare vertical grew 3% QoQ and 6% YoY. Healthcare remains a strategic growth vertical, with strong traction in the payer business. Recent regulatory changes will raise admin costs in both provider and payer segments, as the mix shifts from pure volumes to higher complexity workflows. The company's broad execution footprint, strong relationships with top health plans, and ability to combine tech, analytics, and domain expertise position it to lead in addressing evolving client needs. The pipeline is nearly 2.5x larger than last year, and large deal ramp-ups are on track, driving confidence for accelerated growth in 2HFY26
 - CMT vertical grew 15% YoY but declined 1% QoQ due to project transitions. It remains a fast-growing segment
 - Diverse portfolio remained flat QoQ, with growth in utilities and retail in the UK expected to remain modest due to a sluggish demand environment
- Geography commentary (growth in CC terms):
 - North America grew 3% QoQ and 16% YoY. Growth is expected to remain healthy across three core verticals

- Europe remains soft. Business is largely concentrated in the UK market, where muted economic growth and higher labor costs from recent regulatory changes have pushed many clients to accelerate their move towards offshore and near-shore locations over the past few quarters. The company believes that much of the transition among the existing clients is now behind them. The company has also been taking proactive steps to make the business more resilient by broadening both geographic as well as vertical presence
- The company expects the pace of recovery in Europe to be gradual, with decision-making cycles continuing to take longer than usual
- In Australia, additional business from existing clients and a growing pipeline of new logos provide a long-term growth outlook. The company sees Australia as a long-term growth driver and continues to make strategic investments in the region
- Headcount stood at 35,997, net addition of 1,502 employees QoQ, preparing for this accelerated growth in 2HFY26
- Attrition rate stood at 28% compared to 28.9% in 1QFY26
- Acquisition of Pastdue Credit Solutions in the UK is pending regulatory approval (not included in the 2Q financials)
- The company has made strategic investments in Applied AI and Lyzr
 - Applied AI: Uses a proprietary large language model to learn workflows across functions, identify friction points, and re-engineer them for improved efficiency and business impact
 - Lyzr: Focuses on agentic AI, where autonomous agents process data, execute actions, and interact with clients with minimal human intervention
- FY26 Outlook
 - FY26 CC revenue growth in the range of 13% to 15% (does not include any contribution from the Pastdue Credit Solutions acquisition)
 - FY26 EBIT margins to stay between 11.25%-12%
- The 2Q performance met company's expectations
- The company expects an accelerating growth trajectory in 2HFY26, with deals increasingly being large transformation programs, which have a staggered revenue recognition due to their nonlinear commercial structures. These deals provide better long-term growth visibility, though their revenue conversion happens over a longer period
- The increase in depreciation is primarily due to the company moving into a larger standalone building in Mumbai, resulting in higher depreciation charges. Similar depreciation levels are expected to continue going forward
- Diverse industries: The company is actively working on cost optimization. The focus is on improving G&A, operational efficiency, and increasing automation. The

retail pipeline remains strong, and the company is confident about achieving margin improvements from the acquisition.

- Healthcare segment: The payer business has grown faster than the provider segment, which initially led to some margin dilution. However, the company is working on improving operational efficiency and automation within this segment. The transformation benefits are expected to gradually improve margins, particularly as the cost of growth phases out and the transformation initiatives mature
- As for the UnBPO approach, the company is seeing increasing client interest in shifting from traditional labor arbitrage to technology-based solutions. Shift from time and material commercial construct towards a nonlinear commercial construct is gaining traction
- To track UnBPO success, focus on: Nonlinear Contracts: Monitor the shift from time-and-material to nonlinear commercial models; Revenue per Headcount: Track improvements as tech-driven services enhance efficiency
- Medium-term growth Drivers: 1. Expansion in existing key accounts 2. Adding more strategic logos 3. New market entries - geographies like the Middle East, Canada, and Australia are offering new opportunities 4. Vertical Expansion (Retail/Utilities in the US) 5. Services Expansion (for existing verticals)
- Medium term margin Expansion Drivers: Operational efficiency: Focus on traditional improvements (automation, AI) to enhance productivity and lower costs; Low-margin account optimization: Targeted interventions to improve performance; Corporate Initiatives (G&A cost control - Reduce costs by better utilizing facilities to improve margins, rationalize talent costs)
- The U.S. mortgage market is facing subdued demand due to high interest rates. The 30-year fixed rate is currently around 6.25%-6.3%, which is deterring new homebuyers and discouraging current homeowners from refinancing. About 88% of mortgages have rates under 5%, so homeowners have little incentive to refinance with the current high rates. Until rates decrease further, ideally to around 5%, there is limited market activity. As a result, many clients are adopting a wait-and-see approach. Investments in technologies like Lyzr and Applied AI are also aimed at supporting the mortgage sector as the market conditions improve

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 that view with an update on 12th March 2025 (**FY26 unlikely to be better than FY25**). We also put out a recent update (**Uncertainty stays and 'eating the tariff' may impact even FY27**) where we indicate the tariff decisions of 7 July 2025 on 14 countries, post the 90-day pause, prolongs the current phase of uncertainty.

Consequently, we see Tier-1 growth to remain at low single digit level for FY26 and 'eating the tariff' may lead to adverse impact on FY27

While both earnings and PE multiples have corrected since 1 Jan 2025, we believe the industry's structural organic revenue growth from here on will be lower than the ~7% CAGR seen during FY15-FY20, possibly ~5% CAGR over FY25-FY30 in constant currency (CC) terms.

Multiple speed breakers post FY25 drive our Underweight stance

Trump policies raise uncertainty: The tariffs, the higher fiscal deficit from the 'one big, beautiful bill' (OBBA), the crackdown on illegal and legal immigration (the latter through the major new hurdles put in for H1-B visas), etc all point to uncertainty in the coming days which may delay decision making

Higher for longer interest rate environment: Lately, based on inflation prints and fears of a higher fiscal deficit, US 10-year yields have remained firm. There are fears that sustained high interest rates could reduce IT outsourcing demand, particularly in sectors like BFSI and Telecom, and dampen US demand in areas like housing, autos and retail.

Covid-induced pull forward of demand requires a multi-year unwind. We think there were excesses during the compressed transformation phase which are yet to be fully unwound.

Gen AI and GCCs are going to disrupt growth: We also believe that AI/Gen AI will lead to compression of revenue for the industry in the next 24-36 months as companies self-cannibalize to hold on to their existing clients. We also believe that the rapid growth of the GCCs is a threat to outsourcing. While there seems to be collaboration between the 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 those who have lower bargaining power – the 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 compared to FY15-

FY20. This is besides the fact that by FY25, Tier-1 revenue has reached US\$ 85bn, double that in FY15. Due to the higher base now, growth may not be as rapid.

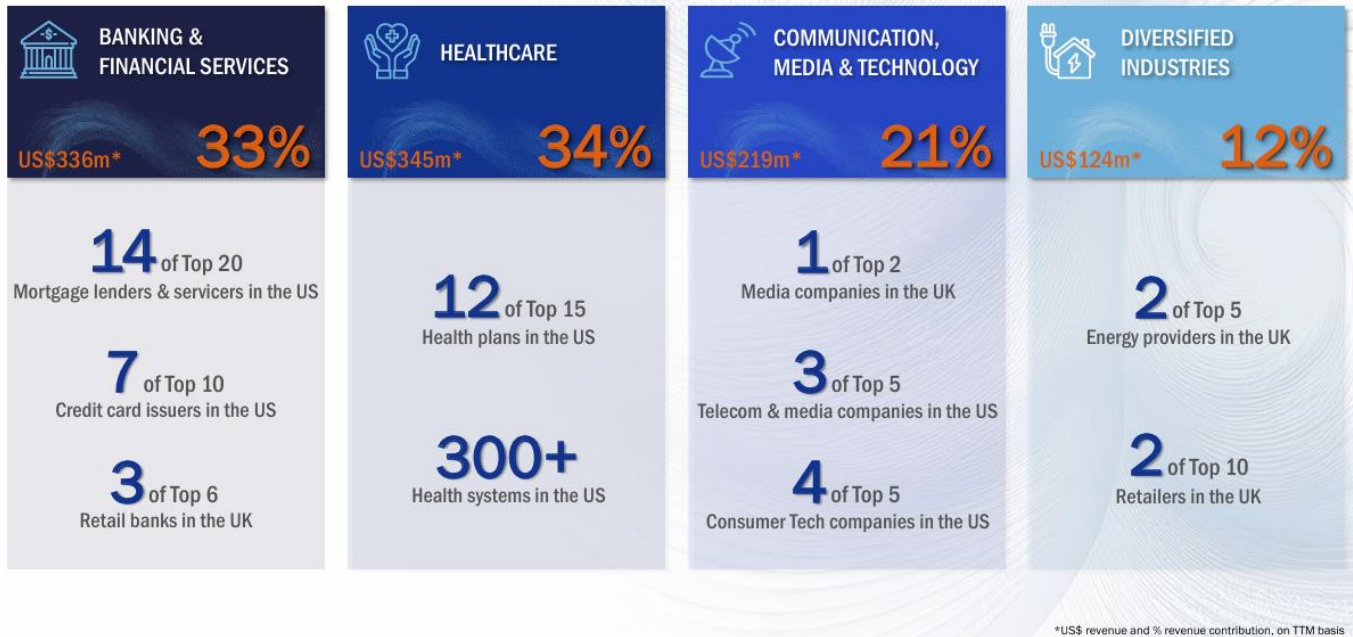
How we are valuing companies: We are using PE methodology and using TCS as our industry benchmark. The target PE used for TCS now is 19x, which is the average PE multiple of TCS over the last 10 years less 1SD. Through our choice of the benchmark Target PE multiple, we seek to capture the probability of downside risks to consensus EPS expectations for FY27.

Tier- 2 valuation reflects growth gap with Tier-1

The Tier-2 set have been taking away market share from the Tier-1 set due to better execution and due to their smaller size. And unlike in the past cycles, they have performed better than the Tier-1 largely due to better management teams.

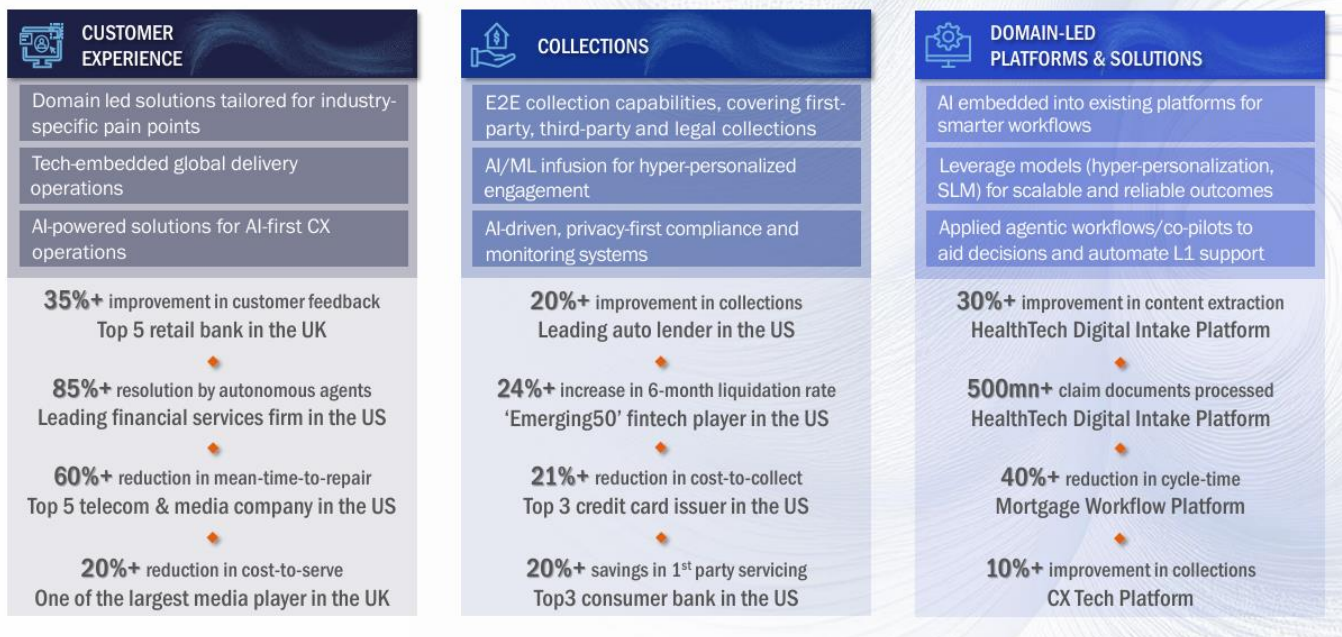
However, the current PE premium to Tier-1s is excessive as we believe that to deliver on the high consensus revenue growth expectations, they may be taking on more cost take-out projects which are likely to impact their margins adversely.

Fig 1 – Vertical mix of FSOL and profile of clients



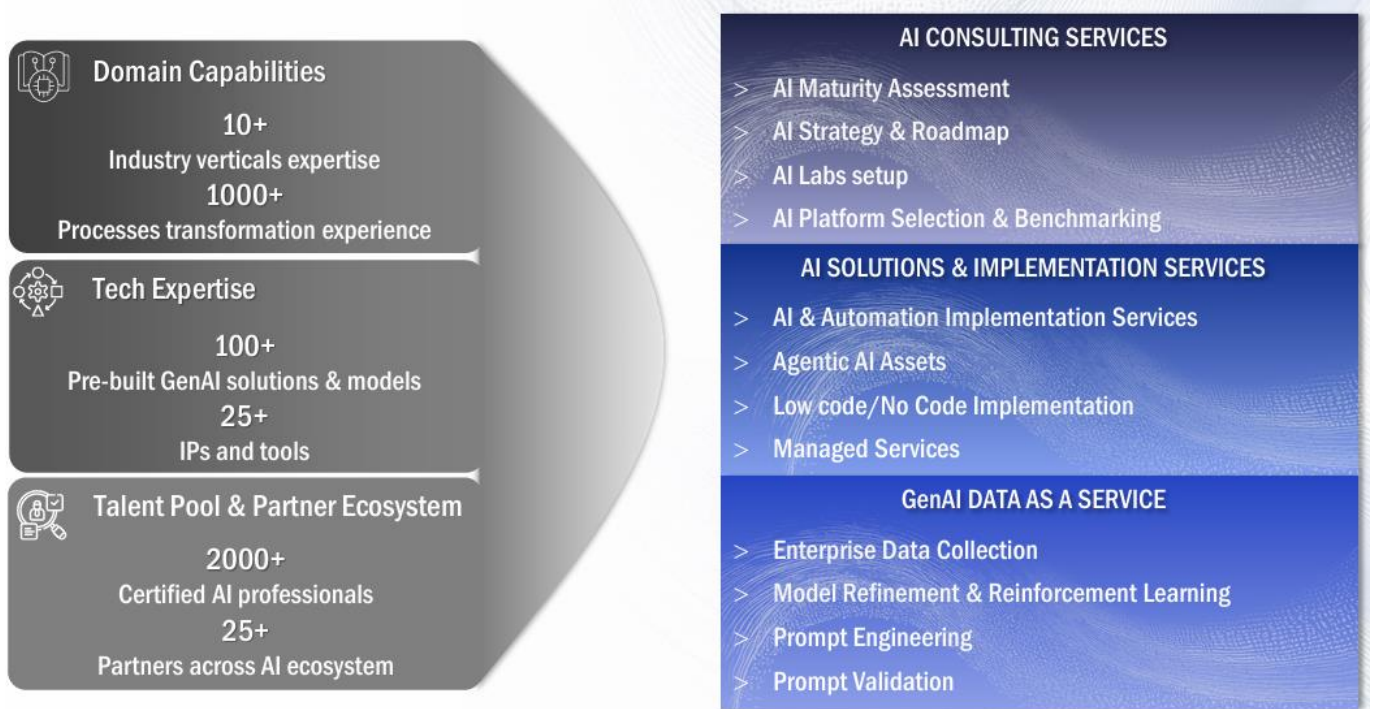
Source: Company

Fig 2 – Outcomes in the UnBPO model that FSOL has been able to deliver to clients



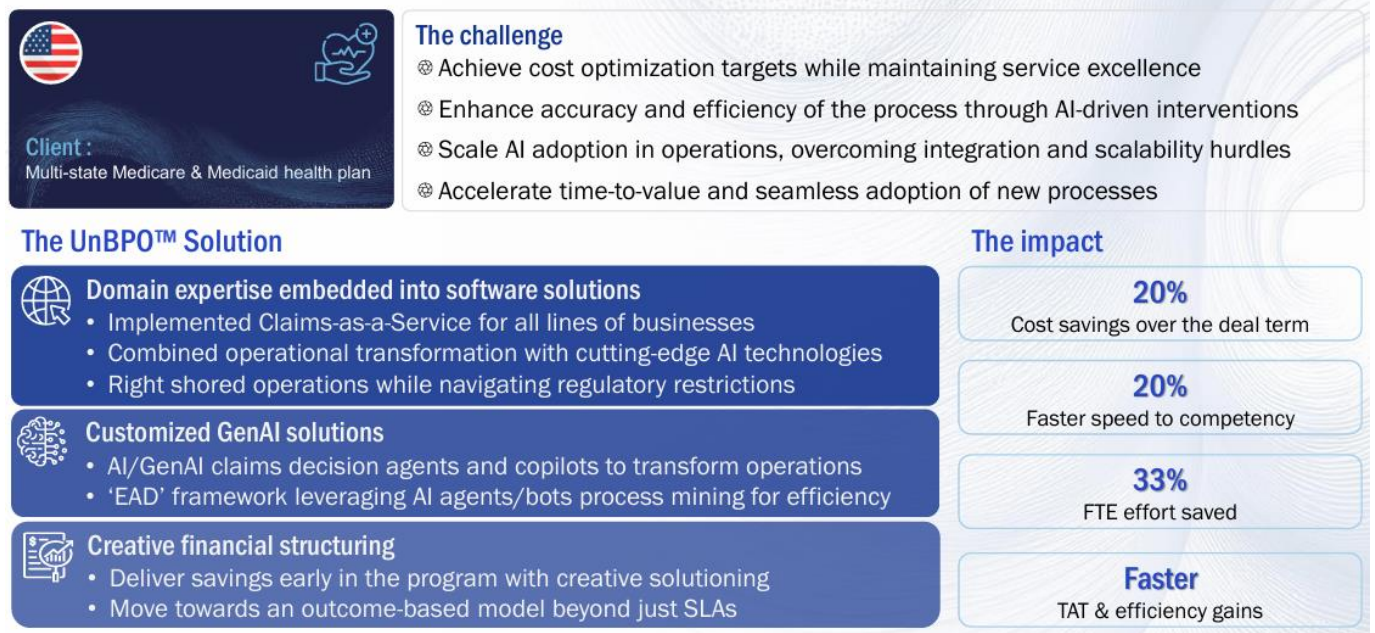
Source: Company

Fig 3 – Leveraging core strengths to expand into AI-native services



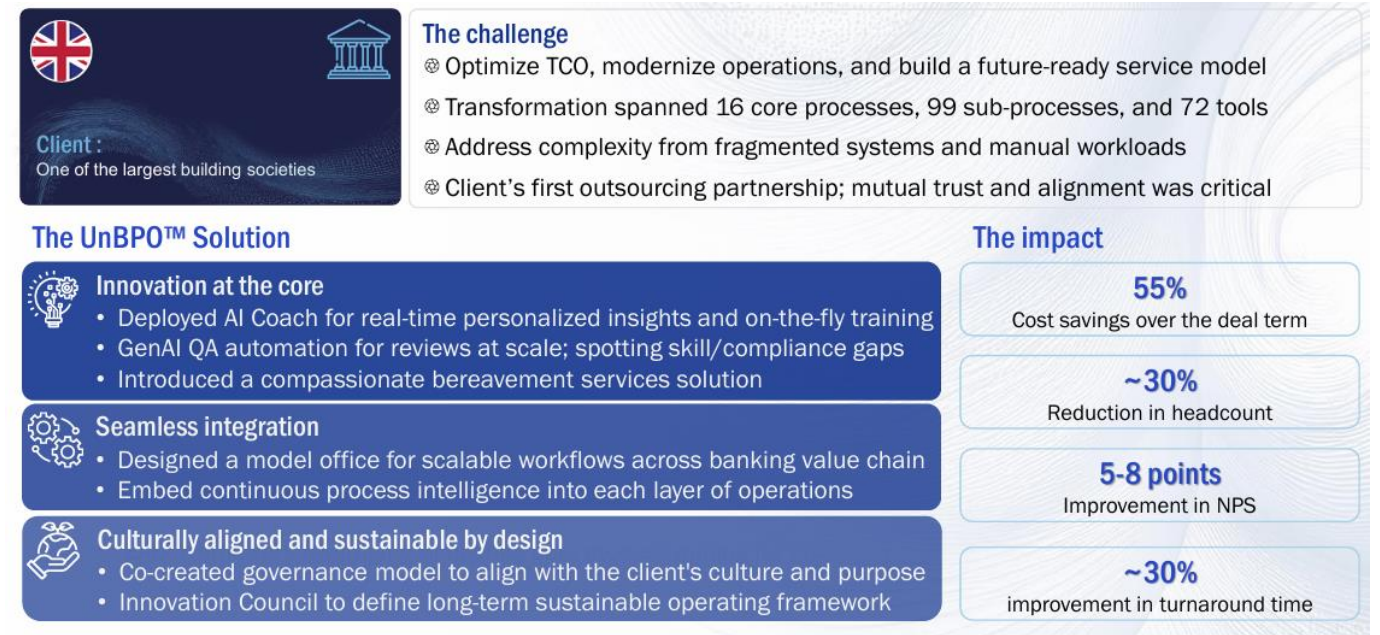
Source: Company

Fig 4 – UnBPO model – Case Study 1



Source: Company

Fig 5 – UnBPO model – Case Study 2



Source: Company

Fig 6 – Medium term revenue and margin goal and their drivers

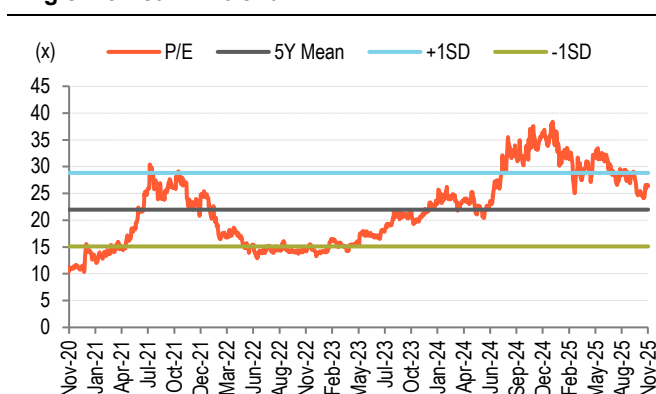


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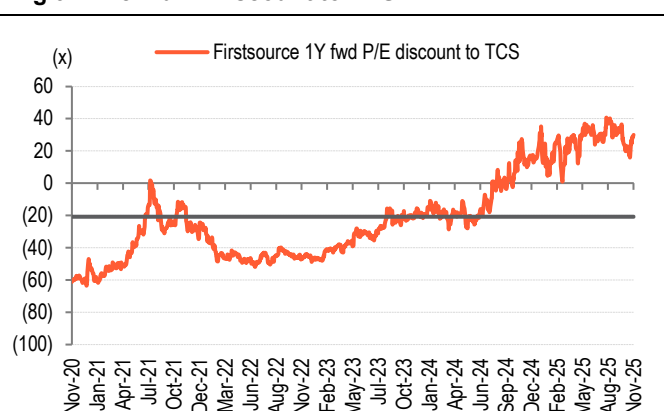
Fig 7 – Quarterly results: Comparison of actuals with estimates

Y/E Mar (Rsmn)	2QFY25	1QFY26	2QFY26	YoY (%)	QoQ (%)	2QFY26	Deviation (%)
Net Sales (USD mn)	230	259	265	15.2	2.3	268	(1.3)
Net Sales	19,254	22,177	23,122	20.1	4.3	23,324	(0.9)
Cost of Sales	16,381	18,706	19,362	18.2	3.5	19,586	(1.1)
% of Sales	85.1	84.3	83.7			84.0	
EBITDA Margin	2,873	3,471	3,760	30.9	8.3	3,739	0.6
% of Sales	14.9	15.7	16.3			16.0	
Depreciation	792	972	1,096	38.3	12.7	1,018	7.6
EBIT	2,081	2,498	2,665	28.0	6.7	2,720	(2.0)
EBIT Margin (%)	10.8	11.3	11.5			11.7	
Interest Expenses	330	434	428	29.6	(1.5)	396	8.0
Other Income	(40)	68	(13)	(67.9)	(118.9)	95	(113.6)
Exceptional Items			19				
PBT	1,711	2,132	2,243	31.1	5.2	2,419	(7.3)
Provision for Tax	328	439	448	36.6	2.1	498	(10.0)
Effective Tax Rate	19.2	20.6	20.0			20.6	
PAT (Reported)	1,383	1,693	1,795	29.8	6.0	1,921	(6.5)
NPM (%)	7.2	7.6	7.8			8.2	(5.7)

Source: Company, BOBCAPS Research

Fig 8 – 5 Year PE trend

Source: Bloomberg, BOBCAPS Research

Fig 9 – Premium/ Discount to TCS

Source: Bloomberg, BOBCAPS Research

Fig 10 – Revised Estimates

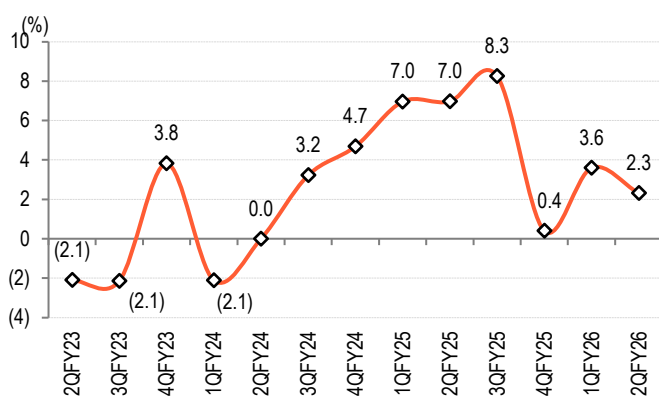
	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
INR/USD	87.3	89.3	91.1	87.2	89.3	91.1	0.1	-	-
USD Revenue (USD mn)	1,083	1,264	1,473	1,087	1,256	1,464	(0.3)	0.6	0.6
USD Revenue Growth (%)	14.8	16.6	16.5	15.1	15.6	16.5			
Revenue (Rsmn)	94,389	112,819	134,112	94,608	112,166	133,337	(0.2)	0.6	0.6
EBIT (Rsmn)	11,499	14,550	18,443	11,396	14,327	17,844	0.9	1.6	3.4
EBIT Margin (%)	12.2	12.9	13.8	12.0	12.8	13.4			
PAT (Rsmn)	7,941	10,481	13,667	8,014	10,441	13,333	(0.9)	0.4	2.5
FDEPS (Rs)	11.3	14.8	19.3	11.4	14.8	18.9	(0.8)	0.2	2.3

Source: BOBCAPS Research

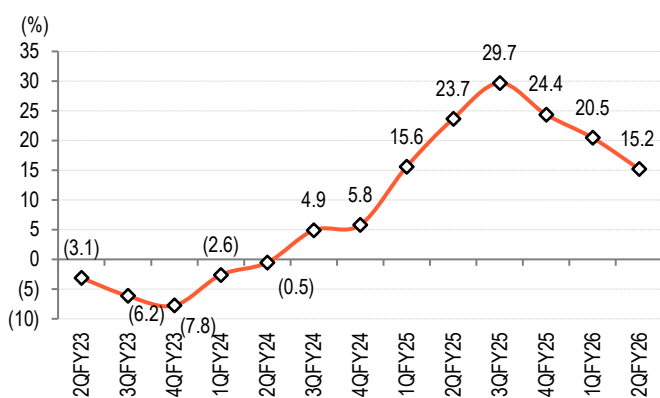
Fig 11 – P&L at a glance

Rs mn	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Average INR/USD	-	-	69.2	70.0	73.5	73.8	79.7	82.8	84.5	87.3	89.3	91.1
Net Sales (USD mn)	0	0	547	578	686	795	751	765	944	1,083	1,264	1,473
-Growth (%)				5.7	18.7	15.9	(5.5)	1.9	23.4	14.8	16.6	16.5
Net Sales	35,556	35,353	38,262	40,987	50,779	59,212	60,222	63,363	79,803	94,389	112,819	134,112
-Growth (%)		(0.6)	8.2	7.1	23.9	16.6	1.7	5.2	25.9	18.3	19.5	18.9
Cost of Sales & Services	31,176	30,763	32,908	34,698	42,790	49,614	51,958	53,797	67,727	78,227	91,464	107,568
EBITDA Margin	4,380	4,590	5,354	6,289	7,989	9,598	8,264	9,566	12,077	16,162	21,354	26,544
% of sales	12.3	13.0	14.0	15.3	15.7	16.2	13.7	15.1	15.1	17.1	18.9	19.8
Depreciation	590	659	745	1,852	2,064	2,495	2,631	2,603	3,271	4,663	6,804	8,102
EBIT	3,790	3,931	4,609	4,437	5,925	71,03	5,633	6,963	8,806	11,499	14,550	18,443
EBIT Margin (%)	10.7	11.1	12.0	10.8	11.7	12.0	9.4	11.0	11.0	12.2	12.9	13.8
Interest Expense	421	338	225	513	496	604	732	1,034	1,383	1,685	1,646	1,646
Other income (net)	(1)	(11)	(26)	17	(13)	(30)	1,251	368	(104)	97	115	181
PBT	3,369	3,581	4,358	3,941	5,416	6,469	6,152	6,297	7,319	9,911	13,020	16,977
-PBT margin (%)	9.5	10.1	11.4	9.6	10.7	10.9	10.2	9.9	9.2	10.5	11.5	12.7
Provision for tax	577	314	581	544	701	1,097	1,015	1,150	1,462	1,970	2,539	3,311
Effective tax rate (%)	17.1	8.8	13.3	13.8	16.2	17.0	16.5	18.3	19.7	19.8	19.5	19.5
Net profit	2,792	3,267	3,777	3,397	4,715	5,372	5,137	5,147	5,857	7,941	10,481	13,667
-Growth (%)		17.0	15.6	(10.1)	38.8	13.9	(4.4)	0.2	13.8	35.6	32.0	30.4
-Net profit margin (%)	7.9	9.2	9.9	8.3	9.3	9.1	8.5	8.1	7.3	8.4	9.3	10.2

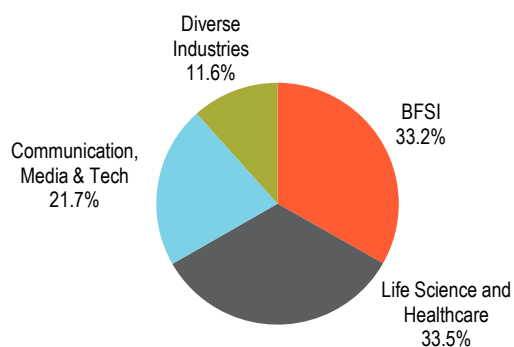
Source: Company, BOBCAPS Research

Fig 12 – US\$ Revenue Growth (QoQ)

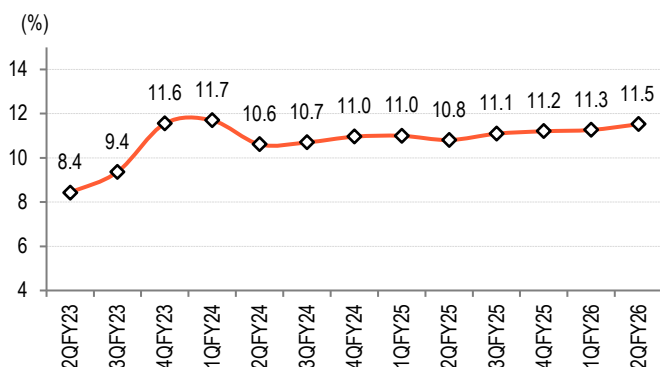
Source: Company, BOBCAPS Research

Fig 13 – US\$ Revenue Growth (YoY)

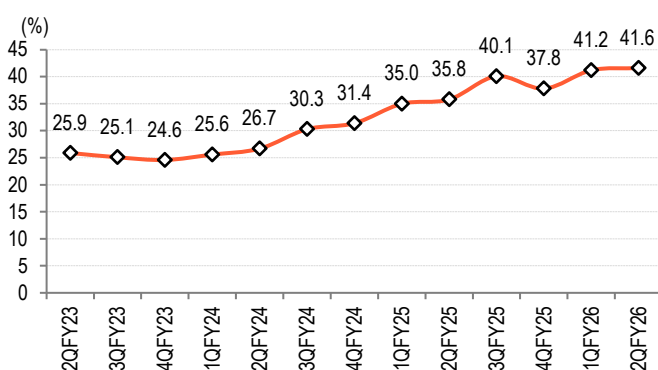
Source: Company, BOBCAPS Research

Fig 14 – 2QFY26 Vertical Revenue Mix

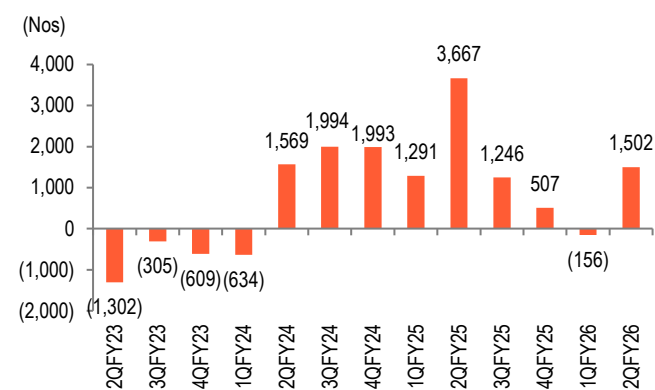
Source: Company, BOBCAPS Research

Fig 15 – EBIT Margin trend

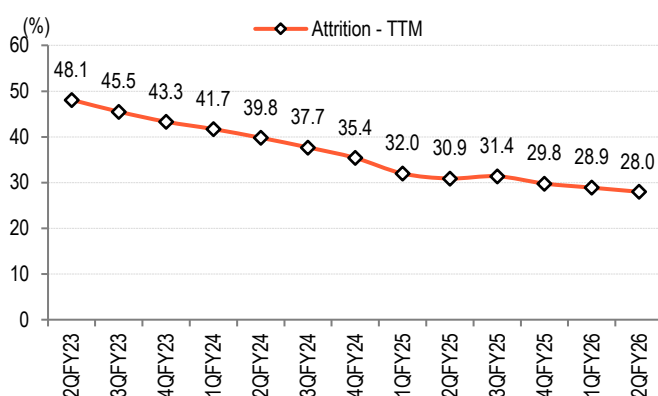
Source: Company, BOBCAPS Research

Fig 16 – Revenue by Delivery – Offshore trend (%)

Source: Company, BOBCAPS Research

Fig 17 – Net Employee Addition (QoQ)

Source: Company, BOBCAPS Research

Fig 18 – TTM Attrition

Source: Company, BOBCAPS Research

Fig 19 – Quarterly Snapshot

Year to 31 March	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
INR/USD	78.8	82.1	81.9	82.1	82.9	83.1	83.0	83.4	83.8	84.4	86.5	86.5	87.3
Revenue (in USDmn)	187	183	190	186	186	192	201	215	230	249	250	259	265
(Rsmn)													
Revenue	14,882	15,049	15,568	15,292	15,400	15,966	16,705	17,911	19,254	21,024	21,615	22,177	23,122
EBITDA	1,917	2,096	2,441	2,402	2,288	2,372	2,504	2,699	2,873	3,177	3,328	3,471	3,760
EBIT	1,254	1,409	1,799	1,789	1,634	1,709	1,831	1,970	2,081	2,333	2,422	2,498	2,665
Other income	482	610	105	6	153	134	75	(11)	(40)	(39)	(14)	68	(13)
PBT	1,549	1,836	1,719	1,552	1,543	1,608	1,594	1,673	1,711	2,007	2,017	2,132	2,243
Tax	255	257	306	293	278	321	258	320	328	404	410	439	448
PAT	1,294	1,579	1,413	1,259	1,265	1,287	1,336	1,353	1,383	1,603	1,607	1,693	1,795
EPS	1.8	2.3	2.0	1.8	1.8	1.8	1.9	1.9	2.0	2.3	2.3	2.4	2.5
YoY Growth (%)													
USD Revenue	(3.1)	(6.2)	(7.8)	(2.6)	(0.5)	4.9	5.8	15.6	23.7	29.7	24.4	20.5	15.2
INR Revenues	4.2	2.8	0.8	3.9	3.5	6.1	7.3	17.1	25.0	31.7	29.4	23.8	20.1
EBITDA	(19.7)	(11.9)	(0.3)	32.7	19.4	13.1	2.6	12.4	25.6	33.9	32.9	28.6	30.9
EBIT	(29.9)	(20.0)	2.7	52.8	30.3	21.3	1.8	10.1	27.4	36.5	32.3	26.8	28.0
Net profit	(4.1)	16.5	6.7	47.9	(2.2)	(18.5)	(5.4)	7.5	9.3	24.6	20.3	25.2	29.8
QoQ Growth (%)													
USD Revenues	(2.1)	(2.1)	3.83	(2.11)	-	3.23	4.69	6.97	6.98	8.26	0.40	3.60	2.32
INR Revenues	1.1	1.1	3.4	(1.8)	0.7	3.7	4.6	7.2	7.5	9.2	2.8	2.6	4.3
EBITDA	5.9	9.3	16.5	(1.6)	(4.7)	3.7	5.6	7.8	6.4	10.6	4.8	4.3	8.3
EBIT	7.1	12.4	27.7	(0.6)	(8.7)	4.6	7.2	7.6	5.6	12.1	3.8	3.1	6.7
Net profit	52.1	22.0	(10.5)	(10.9)	0.5	1.7	3.8	1.3	2.2	15.9	0.3	5.4	6.0
Margins (%)													
EBITDA	12.9	13.9	15.7	15.7	14.9	14.9	15.0	15.1	14.9	15.1	15.4	15.7	16.3
EBIT	8.4	9.4	11.6	11.7	10.6	10.7	11.0	11.0	10.8	11.1	11.2	11.3	11.5
PAT	8.7	10.5	9.1	8.2	8.2	8.1	8.0	7.6	7.2	7.6	7.4	7.6	7.8
SGA	4.5	4.6	4.1	4.0	4.2	4.2	4.0	4.1	4.1	4.0	4.2	4.4	4.7

Source: Company, BOBCAPS Research

Fig 20 – Segmental Analysis

INR mn	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Segment Revenue									
Banking and Financial Services	6,290.9	6,101.9	6,230.2	6,485.4	6,641.6	6,757.8	7,234.5	7,224.9	7,678.9
Healthcare	5,046.0	5,352.8	5,498.3	6,372.5	7,025.2	7,096.0	7,330.2	7,418.4	7,766.2
Communication, Media and Technology	3,273.2	3,585.3	3,931.1	3,975.3	4,117.1	4,245.3	4,560.0	4,970.0	5,017.9
Diverse Industries	807.0	908.3	1,033.2	1,005.5	1,542.3	2,779.4	2,553.0	2,596.0	2,684.0
Total	15,417.1	15,948.4	16,692.9	17,838.7	19,326.1	20,878.5	21,677.7	22,209.3	23,147.0
QoQ Revenue Growth %									
Banking and Financial Services	0.9	(3.0)	2.1	4.1	2.4	1.7	7.1	(0.1)	6.3
Healthcare	1.4	6.1	2.7	15.9	10.2	1.0	3.3	1.2	4.7
Communication, Media and Technology	(1.5)	9.5	9.6	1.1	3.6	3.1	7.4	9.0	1.0
Diverse Industries	10.1	12.6	13.8	(2.7)	53.4	80.2	(8.1)	1.7	3.4
Total	1.0	3.4	4.7	6.9	8.3	8.0	3.8	2.5	4.2
YoY Revenue Growth %									
Banking and Financial Services	(1.6)	(2.5)	(0.7)	4.0	5.6	10.7	16.1	11.4	15.6
Healthcare	(0.8)	4.2	6.3	28.0	39.2	32.6	33.3	16.4	10.5
Communication, Media and Technology	10.6	9.1	13.3	19.6	25.8	18.4	16.0	25.0	21.9
Diverse Industries	170.9	160.2	59.9	37.2	91.1	206.0	147.1	158.2	74.0
Total	4.6	6.1	7.2	16.8	25.4	30.9	29.9	24.5	19.8
Segment results before tax and finance costs									
Banking and Financial Services	892.8	805.3	946.7	962.1	1,013.0	1,170.4	1,336.8	1,499.0	1,469.6
Healthcare	641.3	620.7	535.4	733.5	863.9	1,089.4	1,014.6	905.7	1,037.2
Communication, Media and Technology	616.1	775.2	806.1	700.5	726.8	700.3	712.0	801.5	897.1
Diverse Industries	118.1	161.1	226.7	214.6	175.2	277.3	251.0	232.3	282.5
Total	2,268.4	2,362.3	2,514.9	2,610.6	2,779.0	3,237.5	3,314.3	3,438.5	3,686.4
Margin %									
Banking and Financial Services	14.2	13.2	15.2	14.8	15.3	17.3	18.5	20.7	19.1
Healthcare	12.7	11.6	9.7	11.5	12.3	15.4	13.8	12.2	13.4
Communication, Media and Technology	18.8	21.6	20.5	17.6	17.7	16.5	15.6	16.1	17.9
Diverse Industries	14.6	17.7	21.9	21.3	11.4	10.0	9.8	8.9	10.5
Total	14.7	14.8	15.1	14.6	14.4	15.5	15.3	15.5	15.9

Source: Company, BOBCAPS Research

Fig 21 – Key Metrics

	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
P&L (Rs mn)													
Revenue	14,882	15,049	15,568	15,292	15,400	15,966	16,705	17,911	19,254	21,024	21,615	22,177	23,122
EBITDA	1,917	2,096	2,441	2,402	2,288	2,372	2,504	2,699	2,873	3,177	3,328	3,471	3,760
EBIT	1,254	1,409	1,799	1,789	1,634	1,709	1,831	1,970	2,081	2,333	2,422	2,498	2,665
PAT	1,294	1,579	1,413	1,259	1,265	1,287	1,336	1,353	1,383	1,603	1,607	1,693	1,795
Vertical Mix (%)													
BFSI	43.4	41.8	40.3	40.8	40.8	38.3	37.3	36.4	34.4	32.4	33.4	32.5	33.2
Life Science and Healthcare	34.5	34.2	33.2	32.6	32.7	33.5	32.9	35.7	36.3	34.0	33.8	33.4	33.5
Communication, Media & Tech	20.2	21.6	22.3	21.8	21.2	22.5	23.6	22.3	21.3	20.3	21.0	22.4	21.7
Diverse Industries	1.9	2.4	4.2	4.8	5.3	5.7	6.2	5.6	8.0	13.3	11.8	11.7	11.6
Geographic Mix (%)													
North America	67.2	64.9	63.3	63.5	65.1	65.4	65.0	68.2	68.5	66.3	67.7	68.7	69.4
Europe, Middle East and Africa	31.3	34.1	36.3	36.4	34.8	34.5	34.9	31.8	31.4	33.6	31.5	30.1	29.4
ROW	1.5	1.0	0.4	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.8	1.2	1.2
Delivery (%)													
Offshore	25.9	25.1	24.6	25.6	26.7	30.3	31.4	35	35.8	40.1	37.8	41.2	41.6
Onsite	74.1	74.9	75.4	74.4	73.3	69.7	68.6	65	64.2	59.9	62.2	58.8	58.4
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
Top 5 Client	36.6	38.5	37.4	37.2	35	35.8	36.7	34.6	32.5	29.2	29.3	29.6	28.9
(US\$ mn)													
Revenue	187	183	190	186	186	192	201	215	230	249	250	259	265
EBIT	16	17	22	22	20	21	22	24	25	28	28	29	31
PAT	16	19	17	15	15	15	16	16	17	19	19	20	21
Productivity Metrics													
Per Capita (Annualised)													
Revenue	31,255	30,982	33,018	33,238	31,061	29,599	28,776	29,421	27,965	29,171	28,859	30,033	29,447
EBIT	2,660	2,904	3,816	3,895	3,292	3,171	3,156	3,231	3,020	3,238	3,232	3,349	3,390
PAT	2,745	3,254	2,997	2,741	2,549	2,388	2,303	2,219	2,007	2,224	2,144	2,270	2,284

Source: Company, BOBCAPS Research

Fig 22 – QoQ and YoY growth of various parameters

(in US\$)	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
QoQ Growth (%)													
Revenue	(2.1)	(2.1)	3.8	(2.1)	0.0	3.2	4.7	7.0	7.0	8.3	0.4	3.6	2.3
Geographical Data													
North America	(3.8)	(5.5)	1.3	(1.8)	2.5	3.7	4.0	12.2	7.4	4.8	2.5	5.1	3.4
Europe, Middle East and Africa	1.8	6.6	10.5	(1.8)	(4.4)	2.3	5.9	(2.5)	5.6	15.8	(5.9)	(1.0)	(0.1)
ROW	(2.1)	(34.8)	(58.5)	(75.5)	0.0	3.2	4.7	NA	NA	8.3	703.2	55.4	2.3
Verticals													
BFSI	(8.2)	(5.7)	0.1	(0.9)	0.0	(3.1)	2.0	4.4	1.1	2.0	3.5	0.8	4.5
Life Science and Healthcare	5.2	(3.0)	0.8	(3.9)	0.3	5.8	2.8	16.1	8.8	1.4	(0.2)	2.4	2.6
Communication, Media & Tech	(2.1)	4.6	7.2	(4.3)	(2.8)	9.6	9.8	1.1	2.2	3.2	3.9	10.5	(0.9)
Diverse Industries	32.9	23.6	81.7	11.9	10.4	11.0	13.9	(3.4)	52.8	80.0	(10.9)	2.7	1.4
Delivery													
Offshore	(7.5)	(5.2)	1.8	1.9	4.3	17.1	8.5	19.2	9.4	21.3	(5.4)	12.9	3.3
Onshore	(0.1)	(1.1)	4.5	(3.4)	(1.5)	(1.8)	3.0	1.4	5.7	1.0	4.3	(2.1)	1.6
YoY Growth (%)													
Revenue	(3.1)	(6.2)	(7.8)	(2.6)	(0.5)	4.9	5.8	15.6	23.7	29.7	24.4	20.5	15.2
Geographical Data													
North America	(4.8)	(12.7)	(17.4)	(9.6)	(3.6)	5.7	8.6	24.1	30.1	31.5	29.5	21.3	16.7
Europe, Middle East and Africa	0.8	12.3	21.7	17.8	10.6	6.1	1.7	1.0	11.6	26.3	12.3	14.0	7.9
ROW	(3.1)	(44.8)	(79.5)	(93.5)	(93.4)	(89.5)	(73.6)	(100.0)	23.7	29.7	895.0	NA	1282.6
Verticals													
BFSI	(14.0)	(18.8)	(24.1)	(14.2)	(6.5)	(3.9)	(2.1)	3.1	4.3	9.7	11.4	7.6	11.2
Life Science and Healthcare	12.9	5.9	1.1	(1.1)	(5.7)	2.8	4.8	26.6	37.3	31.6	27.8	12.7	6.3
Communication, Media & Tech	0.4	3.4	8.3	5.1	4.4	9.3	12.0	18.2	24.2	17.0	10.7	21.0	17.4
Diverse Industries	(8.0)	25.1	127.9	233.9	177.5	149.2	56.2	34.9	86.7	202.6	136.7	151.7	67.1
Delivery													
Offshore	(19.0)	(23.5)	(16.0)	(9.0)	2.5	26.7	35.0	58.0	65.8	71.6	49.7	41.8	33.9
Onshore	4	2	(5)	(0)	(2)	(2)	(4)	1	8	11	13	9	5

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	63,363	79,803	94,389	112,819	134,112
EBITDA	9,566	12,077	16,162	21,354	26,544
Depreciation	2,603	3,271	4,663	6,804	8,102
EBIT	6,963	8,806	11,499	14,550	18,443
Net interest inc./(exp.)	(1,034)	(1,383)	(1,685)	(1,646)	(1,646)
Other inc./(exp.)	368	(104)	97	115	181
Exceptional items	0	0	0	0	0
EBT	6,297	7,319	9,911	13,020	16,977
Income taxes	1,150	1,462	1,970	2,539	3,311
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	5,147	5,857	7,941	10,481	13,667
Adjustments	0	0	0	0	0
Adjusted net profit	5,147	5,857	7,941	10,481	13,667

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	3,056	3,976	4,990	5,986	7,058
Other current liabilities	13,353	20,311	20,437	20,437	20,437
Provisions	188	241	297	297	297
Debt funds	42	3,419	3,052	2,052	1,052
Other liabilities	7,188	10,299	10,682	10,682	10,682
Equity capital	6,970	6,970	6,970	6,970	6,970
Reserves & surplus	30,034	34,006	37,706	43,699	51,842
Shareholders' fund	37,004	40,976	44,676	50,669	58,812
Total liab. and equities	60,830	79,222	84,134	90,123	98,338
Cash and cash eq.	1,884	1,670	985	1,714	5,545
Accounts receivables	11,608	16,860	19,305	23,158	27,306
Inventories	0	0	0	0	0
Other current assets	1,881	3,710	4,276	4,276	4,276
Investments	115	115	337	337	337
Net fixed assets	1,641	2,763	3,811	5,219	5,455
CWIP	171	491	91	91	91
Intangible assets	36,889	47,173	47,836	47,836	47,836
Deferred tax assets, net	3,729	3,449	4,109	4,109	4,109
Other assets	2,911	2,991	3,382	3,382	3,382
Total assets	60,830	79,222	84,134	90,123	98,338

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	5,886	8,805	14,266	16,074	20,339
Capital expenditures	126	(1,790)	(2,440)	(3,548)	(1,534)
Change in investments	296	(315)	(301)	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	422	(2,105)	(2,741)	(3,548)	(1,534)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(147)	7,204	(2,058)	(1,000)	(1,000)
Interest expenses	(1,034)	(1,383)	(1,685)	(1,646)	(1,646)
Dividends paid	(2,393)	(2,751)	(3,452)	(4,488)	(5,523)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(3,574)	3,070	(7,195)	(7,134)	(8,170)
Chg in cash & cash eq.	329	(214)	(685)	729	3,831
Closing cash & cash eq.	1,884	1,670	985	1,714	5,545

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	7.5	8.6	11.5	15.2	19.8
Adjusted EPS	7.3	8.4	11.3	14.8	19.3
Dividend per share	3.5	4.0	5.0	6.5	8.0
Book value per share	53.7	59.7	64.7	73.4	85.2

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	3.9	3.1	2.6	2.1	1.8
EV/EBITDA	25.6	20.2	14.9	11.3	9.2
Adjusted P/E	48.0	41.8	31.3	23.8	18.2
P/BV	6.6	5.9	5.4	4.8	4.1

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	81.7	80.3	80.2	80.5	80.5
Interest burden (PBT/EBIT)	90.4	84.1	86.4	89.5	92.1
EBIT margin (EBIT/Revenue)	11.0	11.0	12.2	12.9	13.8
Asset turnover (Rev./Avg TA)	107.9	114.0	115.6	129.5	142.3
Leverage (Avg TA/Avg Equity)	1.6	1.7	1.8	1.7	1.6
Adjusted ROAE	13.9	14.5	17.8	20.7	23.2

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	5.2	25.9	18.3	19.5	18.9
EBITDA	15.8	26.3	33.8	32.1	24.3
Adjusted EPS	0.3	14.9	33.7	31.6	30.4
Profitability & Return ratios (%)					
EBITDA margin	15.1	15.1	17.1	18.9	19.8
EBIT margin	11.0	11.0	12.2	12.9	13.8
Adjusted profit margin	8.1	7.3	8.4	9.3	10.2
Adjusted ROAE	14.6	15.0	18.5	22.0	25.0
ROCE	10.2	10.6	11.9	14.3	16.9

Working capital days (days)

Receivables	67	77	75	75	74
Inventory	NA	NA	NA	NA	NA
Payables	17	18	19	19	19

Ratios (x)

Gross asset turnover	38.6	28.9	24.8	21.6	24.6
Current ratio	0.9	0.9	1.0	1.1	1.4
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	0.0	0.0	0.0	0.0	(0.1)

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

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BUY – Expected return >+15%

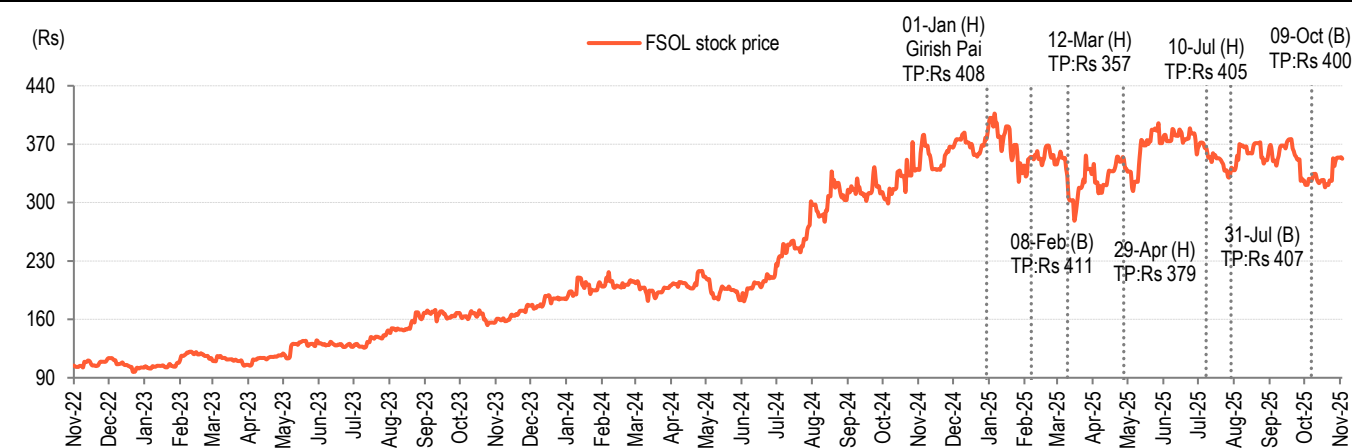
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

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