Arihant Capital
Generating Wealth

Q1FY27 - Result Update
13th August 2026

Firstsource Solutions Ltd

Revenue growth maintained; large deal intake reaches four-quarter high

CMP: INR 274

Rating: Buy

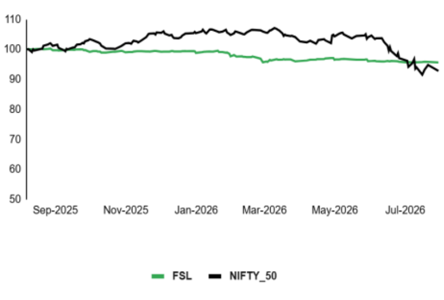
Target Price: INR 334

Stock Info	
BSE	532809
NSE	FSL
Bloomberg	FSOL:IN
Reuters	FISO.BO
Sector	IT Enabled Services
Face Value (INR)	10
Equity Capital (INR Cr)	697
Mkt Cap (INR Mn)	193,910
52w H/L (INR)	381.40/202

Shareholding Pattern % *(As on March, 2026)*	
Promoters	53.66
FII	8.85
DII	25.49
Public & Others	12.00

Stock Performance (%)	1m	6m	12m
FSL	+18.32	+0.70	-16.05
Nifty	+0.84	-4.76	+0.25

FSL Vs Nifty



Abhishek Jain
abhishek.jain@arihantcapital.com
022 67114851

Riddhesh Kadam
riddhesh.kadam@arihantcapital.com

A strong start to FY27 with revenue growth remaining healthy, margins continuing their expansion trajectory and deal momentum sustaining. Reported revenue stood at INR 27,249 Mn, up 22.9% YoY, while constant currency growth was 12.3% YoY and 2.2% QoQ. Revenue growth was led by Banking & Financial Services (33.2% of mix), Healthcare (33.0%) and CMT (20.6%), while North America remained the largest geography contributing 66.4% of revenues. EBIT stood at INR 3,367 Mn, with EBIT margin at 12.4%, expanding 20bps QoQ and 110bps YoY, marking the 7th consecutive quarter of margin improvement. Adjusted PAT stood at INR 2,222 Mn, up 31.2% YoY and 8.3% QoQ. Four large deal wins were secured in Q1FY27, marking the sixth consecutive quarter with four or more large deals, with ACV intake at the highest level in the last four quarters. The company added 12 new logos, including 3 strategic logos, during the quarter. US$1Mn+ clients stood at 145, while US$5Mn+ clients increased 80% over the last two years. Net headcount increased by 670 QoQ to close at 36,875. Management reiterated FY27 guidance of 10–13% CC revenue growth and 12.25–12.75% EBIT margin.

Margin re-rating is structural, with further runway

EBIT margin has expanded for 7 consecutive quarters (11.0% eight quarters ago → 12.4% in Q1FY27) driven by delivery optimisation, increased offshoring/nearshoring (43.5% of delivery mix vs 35% two years ago) and pricing discipline. BFS margin has improved from ~15% to 20%+, supporting management's 50–75bps annual margin expansion thesis. With Q1 margin already above FY27 guidance range (12.4% vs 12.25–12.75%) and a medium-term target of 14–15%, margin-led EPS compounding remains a key growth driver.

Client diversification reduces earnings volatility

Top-5 client concentration has declined for 8 consecutive quarters (34.6% two years ago 27.4% currently) while key accounts continue to grow, indicating broad-based expansion rather than client loss. US$5Mn+ clients are up 80%, with US$10Mn+/US$20Mn+ cohorts also expanding. Lower concentration and deeper wallet share reduce single-client risk and support a valuation re-rating.

AI-led full-stack positioning expands TAM

FSL's shift from a traditional BPO/UnBPO model toward a full-stack AI-enabled operations partner through Kairos is opening new revenue streams across AI services, security/red-teaming, marketing technology and outcome-based engagements. Management highlighted a ~7x TAM expansion, supported by Q1 being the strongest deal-win quarter in five quarters, highest ACV intake in four quarters and multiple US$5Mn+ new-logo wins. This positions FSL closer to an AI-enabled digital operations player rather than a traditional BPO company, creating potential for multiple re-rating.

Outlook and valuation

FSL's transition from a traditional BPS player to an AI-enabled digital operations partner provides a strong foundation for long-term re-rating. Management has reiterated FY27 guidance of 10–13% CC revenue growth and 12.25–12.75% EBIT margin, with Q1 performance already tracking above the lower end of the range (12.3% CC growth and 12.4% EBIT margin). Strong deal wins, expanding wallet share, structural margin improvement and AI-led transformation capabilities support sustainable EPS compounding. While growth is expected to be slightly back-ended due to gradual ramp-up of large deals, a healthy pipeline, increasing large-client base and medium-term margin expansion opportunity provide visibility for continued growth and potential valuation re-rating. Key monitorables remain execution of transformational deals, healthcare volatility and sustaining margin momentum.**We value FSL at a PE of 18x to its FY29e EPS of INR 18.6, which yields a target price of INR 334 per share. We maintain our rating of Buy on the stock.**

Exhibit 1 Financial Performance

Particular	FY25	FY26	FY27E	FY28E	FY29E
Sales	7,980	9,556	10,821	12,294	14,041
EBIT	881	1,122	1,276	1,534	1,833
EBIT Margin	*11.0%*	*11.7%*	*11.8%*	*12.5%*	*13.1%*
Reported PAT	595	674	874	1,067	1,293
PE (x)	*31.7*	*28.2*	*21.9*	*17.9*	*14.8*
EPS	8.6	9.7	12.5	15.3	18.6

Source: Arihant Research, Company Filings

Exhibit 2: Quarterly Performance (Consolidated)

Consolidated (in INR Cr)	Q1FY27	Q4FY26	Q1FY26	Q-o-Q	Y-o-Y
Revenue (Mn USD)	288	283	259	*1.8%*	*11.2%*
Net Revenue	2,725	2,583	2,218	*5.5%*	*22.9%*
Employee cost	1,532	1,477	1,321	*3.7%*	*16.0%*
Other Expenses	742	676	550	*9.7%*	*34.9%*
EBITDA	451	430	347	*4.9%*	*30.0%*
EBITDA margin %	*16.6%*	*16.7%*	*15.7%*	-10bps	91bps
Depreciation	115	116	97	*-1.2%*	*17.9%*
EBIT	336.7	314.3	249.8	*7.1%*	*34.8%*
EBIT margin %	12.4%	12.2%	11.3%	19bps	109bps
Other Income	6	-2	7	-	*-10.5%*
Finance costs	52	52	43	*-0.5%*	*19.1%*
Adj PBT	291.1	260.6	213.2	*11.7%*	*36.5%*
Exceptional item	72	-	-		
PBT	219.4	260.6	213.229	*-15.8%*	*2.9%*
Tax Expense	53	55	44	*-3.5%*	*21.7%*
Effective tax rate %	18.4%	21.2%	20.6%	-289bps	-224bps
PAT	166.0	205.2	169.3	*-19.1%*	*-2.0%*
Non-controling intrest	0	0	-0		
Consolidated PAT	166.2	205.3	169.3	*-19.0%*	*-1.8%*
PAT margin %	*6.1%*	*7.9%*	*7.6%*	-185bps	-154bps
EPS (INR)	2.40	2.97	2.45	*-19.2%*	*-2.0%*
Consolidated (in INR Cr)	**Q1FY27**	**Q4FY26**	**Q1FY26**	***Q-o-Q***	***Y-o-Y***
Banking and Financial Services	905	841	722	*7.5%*	*25.2%*
Healthcare	899	898	742	*0.1%*	*21.2%*
Communication, Media and Technology	561	521	497	*7.7%*	*12.9%*
Diverse Industries	360	352	260	*2.2%*	*38.6%*

Source: Arihant Research, Company Filings

Firstsource Solutions- Q1FY27 Key Takeaways

Guidance: FY27 guidance was reiterated unchanged at 10–13% CC revenue growth and 12.25–12.75% EBIT margin. The original guidance had included around 1–1.5% growth contribution from a healthcare BPAS engagement, which is now being wound down due to a client-side leadership change. However, management expects the impact to be offset by strong Q1 large-deal intake (highest ACV in four quarters) and a healthy exit pipeline. With Q1 CC YoY growth at 12.3% and EBIT margin at 12.4%, performance is currently tracking toward the favourable end of the guided range. Management also reiterated its medium-term EBIT margin aspiration of 14–15% over the next 2–3 years.

Margins: EBIT margin improved to 12.4%, expanding 110bps YoY and 20bps QoQ, marking the 7th consecutive quarter of margin expansion compared with around 11% eight quarters ago, indicating a structural improvement trend. EBITDA margin stood at 16.6%, up 90bps YoY but down 10bps QoQ, partly due to quarterly movements. Management continues to maintain its expectation of around 50–75bps annual EBIT margin expansion. Segment margins have also improved over the last 2–2.5 years, with BFS margin now above 20% compared with ~15% earlier, while Healthcare has moved into low-double-digit margins. Management highlighted that quarterly segment margin fluctuations are mainly due to ramp costs rather than structural weakness. Effective tax rate was around 24% in Q1, with FY27 guidance at 22–24% following the shift to India's new tax regime and MAT credit utilisation.

Deals: Q1 deal wins included a large UK benefits and pensions back-office transformation deal, a US academic medical centre healthcare win focused on insurance follow-up, denials management and complex claims resolution, expansion with a US public health system across patient contact centre and self-pay early-out services, a new US health insurer CX contract, Medicaid eligibility expansion with a US academic health system, a manufacturing marketplace account, UK fibre broadband CX expansion delivered from South Africa, and a European public transport/shared mobility CX mandate. Two of the four large deals signed during the quarter came from Europe.

CMT: CMT grew 6% YoY and 9% QoQ in CC terms, adding two new logos, with revenue contribution increasing to 20.6% from 19.9% in Q4FY26. Reported performance remained impacted by project transitions and work-packet timing among Silicon Valley technology clients. Telecom and cable clients are exploring AI-led improvements in customer service, agent productivity and service assurance, while management expects healthier growth as transitions complete and volumes normalise.

Diverse Industries:

Diverse Industries grew 27% YoY and was broadly flat QoQ, adding one new logo, with revenue contribution at 13.2% versus 13.5% in Q4FY26. Utilities demand remained healthy, supported by cross-selling opportunities from the Pastdue Credit acquisition. Retail demand continues to focus on improving CX, reducing service costs and embedding intelligence into operations.

BFSI:
BFSI grew 14% YoY and 5% QoQ in CC terms, adding five new logos, with revenue contribution increasing to 33.2% from 32.2% in Q4FY26. Demand remained strong across intelligent operations, customer servicing, financial crime, compliance and collections. Higher US consumer debt levels supported elevated collections activity. Mortgage demand remained focused on cost optimisation and servicing efficiency due to high interest rates and weak refinancing activity, supported by the company's mortgage-specific small language model deployed across most mortgage clients.

Wallet Share Expansion:
The company continues to see strong wallet expansion among larger clients. US$5Mn+ clients increased 80% over the last two years, while US$10Mn+ and US$20Mn+ client cohorts increased by three each during the quarter to reach 20 and 10 clients respectively. Although US$1Mn+ clients declined slightly to 145 from 150 in Q4FY26, they are still up 45% over two years, providing a strong pipeline for future larger accounts. Client concentration continued to improve, with top-5 and top-10 concentration declining to 27.4% and 39.2%, respectively, marking the eighth consecutive quarter of reduction.

TAM Opportunity
Management highlighted that the transition from a traditional linear/UnBPO model to a full-stack "Intelligence That Operates" platform has expanded the addressable market opportunity by around 7x. The expanded offering now includes consulting, implementation, operations, AI services, marketing technology stack work, security testing, AI red-teaming and customer journey transformation using Kairos domain-harness IP. Management believes recent deal wins, including new logos exceeding US$5Mn at signing, indicate early validation of the broader TAM opportunity.

Outcome-Based Contracts (UnBPO):
The UnBPO model remains a key growth driver and is now positioned under Kairos, the company's AI-native operating system integrating consulting, implementation and operations. Partnerships with Zendesk and Cresta aim to accelerate vertical-specific AI solutions and real-time AI decisioning capabilities. Management believes deep domain expertise is critical for scaling nonlinear commercial models and maintaining differentiation as the industry moves away from traditional transactional pricing. More than 50% of revenue was previously cited as non-linear, although no updated mix was provided during this call.

Exceptional Items:
Q1FY27 included a ₹717Mn (₹71.7Cr) exceptional charge with a ₹563Mn (₹56.3Cr) net impact after tax. This included ₹357Mn (₹35.7Cr) for healthcare BPAS engagement wind-down, ₹284Mn (₹28.4Cr) for healthcare client regulatory indemnity, and ₹76Mn (₹7.6Cr) fair-value adjustment for Ascensos contingent consideration. Management classified all items as non-recurring and unrelated to core operations.

Healthcare:
Healthcare grew 11% YoY but declined 2% QoQ in CC terms, adding four new logos, with revenue share reducing to 33% from 34.4% in Q4FY26. The major development was the wind-down of the transformational payer BPAS engagement following a client leadership change. Since the program had not reached steady state, reported revenue impact was limited, and the client continues to expand its relationship with the company. Medicare Advantage clients adjusted program scope due to CMS rate changes, which management described as a pacing issue rather than a demand slowdown. Healthcare providers are increasingly adopting AI-driven automation due to reimbursement pressure, rising labour costs and regulatory uncertainty. AI is becoming the first-line platform for denials management, eligibility and patient financial
services, with human intervention for exceptions.

CMT:
CMT grew 6% YoY and 9% QoQ in CC terms, adding two new logos, with revenue contribution increasing to 20.6% from 19.9% in Q4FY26. Reported performance remained impacted by project transitions and work-packet timing among Silicon Valley technology clients. Telecom and cable clients are exploring AI-led improvements in customer service, agent productivity and service assurance, while management expects healthier growth as transitions complete and volumes normalise.

People:
Headcount increased to 36,875, up 670 QoQ and 2,380 YoY. Voluntary attrition stood at 27.5% for the quarter, while TTM attrition increased to 33.1% from 29.7% in Q4FY26. Around 80% of gross additions came from offshore/nearshore hiring, supported by the company's new attrition-risk analytics platform.

Geography:
North America grew 8% YoY and remained flat QoQ in CC terms, contributing 66.4% of revenue compared with 68% in Q4FY26. Europe delivered strong growth of 18% YoY and 6% QoQ, increasing revenue share to 31.7% from 30.6%, supported by two large deal wins and expansion in regulatory and anti-fraud work. South Africa emerged as the fastest-growing delivery location due to nearshore transformation demand, while Australia revenue doubled YoY driven by existing client expansion and new global logos.

Growth Outlook:
Management expects FY27 growth to be more H2 weighted, as several Q1 large wins require time to ramp up. While quarterly growth has been uneven, YoY CC growth improved from 10.6% in Q3FY26 to 11.6% and 12.3% subsequently, supporting confidence in achieving the FY27 guidance range.

Operating Metrics	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27
Revenue by Vertical										
Banking & Financial Services	37.30%	36.40%	34.40%	32.40%	33.40%	32.50%	33.20%	31.70%	32.20%	33.20%
Healthcare	32.90%	35.70%	36.30%	34.00%	33.80%	33.40%	33.50%	32.10%	34.40%	33.0%%
Communications Media & Tech	23.60%	22.30%	21.30%	20.30%	21.00%	22.40%	21.70%	21.20%	19.90%	20.60%
Diverse Industries	6.20%	5.60%	8.00%	13.30%	11.80%	11.70%	11.60%	15.00%	13.50%	13.20%
Revenue by Geography										
US	65.00%	68.20%	68.50%	66.30%	67.70%	68.70%	69.40%	67.20%	68.00%	66.40%
Europe, Middle East, and Africa	34.90%	31.80%	31.40%	33.60%	31.50%	30.10%	29.40%	31.70%	30.60%	31.70%
ROW	0.10%	0.00%	0.10%	0.10%	0.80%	1.20%	1.20%	1.10%	1.40%	1.90%
Revenue by Delivery										
Offshore	31.40%	35.00%	35.80%	40.10%	37.80%	41.20%	41.60%	43.30%	43.00%	43.50%
Onshore	68.60%	65.00%	64.20%	59.90%	62.20%	58.80%	54.40%	56.60%	57.00%	56.50%
Top Clients Revenue										
Top 5 clients (share of total revenues)	36.70%	34.60%	32.50%	29.20%	29.30%	29.60%	28.90%	28.10%	28.00%	27.40%
Top 10 clients (share of total revenues)	52.60%	51.50%	48.60%	43.50%	43.70%	42.60%	42.30%	40.70%	39.90%	39.20%
Other Metrices										
Total employees (end of period)	27940	29231	32898	34144	34651	34495	35997	36689	36205	36,875
Net Addition	1993	1291	3667	1246	507	-156	1502	692	(484)	670
Attrition (TTM)	35.40%	32.00%	30.90%	31.40%	29.80%	28.90%	28.00%	27.40%	29.70%	33.10%
Client Distribution										
US$ 1m+ clients (nos.)	103	100	105	107	116	141	142	141	150	145
US$ 5m+ clients (nos.)	25	25	26	28	30	38	39	41	42	45
US$ 10m+ clients (nos.)	13	13	13	14	15	17	17	18	17	20
US$ 20m+ clients (nos.)	8	9	11	10	10	11	9	9	9	10
US$ 50m+ clients (nos.)	2	2	2	2	2	2	2	2	2	2
Revenue by Currency										
USD	64.80%	67.90%	68.20%	64.90%	65.70%	67.90%	68.50%	66.10%	67.40%	67.40%
GBP	34.40%	31.40%	30.90%	34.20%	32.70%	30.10%	29.20%	31.90%	30.30%	30.30%
Others	0.80%	0.70%	0.90%	0.90%	1.60%	2.00%	2.30%	2.00%	2.30%	2.30%

Source: Arihant Research, Company Filings

Key Financials

Income Statement (INR Cr)

Year End-March	FY25	FY26	FY27E	FY28E	FY29E
Revenue USD term	**944.0**	**1082.0**	**1243.8**	**1397.0**	**1595.6**
Change (%)	-2.9%	14.6%	15.0%	12.3%	14.2%
Revenues	7,980	9,556	10,821	12,294	14,041
Change (%)	25.9%	19.7%	13.2%	13.6%	14.2%
Employee costs	4,996	5,590	6,319	7,155	8,124
Other expenses	1,777	2,410	2,718	3,063	3,471
Total Expenses	**6,773**	**8,000**	**9,038**	**10,218**	**11,595**
EBITDA	**1,208**	**1,556**	**1,784**	**2,076**	**2,447**
EBIDTA Margin	**15.13%**	**16.28%**	**16.48%**	**16.88%**	**17.42%**
Depreciation	327	434	508	542	613
EBIT	**881**	**1122**	**1276**	**1534**	**1833**
EBIT Margin	**11.03%**	**11.74%**	**11.79%**	**12.48%**	**13.06%**
Interest	148	182	193	211	229
Other Income	-1	8	9	11	13
PBT	**732**	**948**	**1,092**	**1,334**	**1,618**
Exceptional Items	-8.81	98.20	-	-	-
PBT after exceptional Items	**741**	**850**	**1,092**	**1,334**	**1,618**
Tax	146	175	218	267	324
Rate (%)	*19.7%*	*20.6%*	*20.0%*	*20.0%*	*20.0%*
PAT	**594**	**674**	**874**	**1,067**	**1,294**
Margin	**7%**	**7%**	**8%**	**9%**	**9%**
Consolidated PAT	**595**	**674**	**874**	**1,067**	**1,293**
Change (%)	*15.5%*	*13.5%*	*29.6%*	*22.1%*	*21.3%*

Balance Sheet (INR Cr)

Year End-March	FY25	FY26	FY27E	FY28E	FY29E
Sources of Funds					
Share Capital	697	697	697	697	697
Reserves & Surplus	3,401	3,688	4,317	5,141	6,190
Non controlling interest	0	0	0	0	0
Total Equity	**4,098**	**4,385**	**5,015**	**5,838**	**6,887**
Loan Funds	**1,533**	**1,937**	**1,927**	**1,916**	**1,904**
Defered Tax Liability (Net)	165	189	208	228	251
Total Liability	**7,922**	**9,320**	**10,108**	**11,145**	**12,434**
Application of Funds					
Gross Block	865	1,041	1,242	1,464	1,704
Less: Depreciation	589	724	861	1,022	1,209
Net Block	276	310	381	442	495
CWIP	49	30	30	30	30
Financial Assets	2,121	2,666	2,999	3,402	3,791
Investments	62	50	50	50	50
Sundry debtors	**1,686**	**2,079**	**2,135**	**2,425**	**2,770**
Cash and bank	167	269	548	660	704
Other Current Assets	289	341	341	341	341
Total Current assets	2,224	2,763	3,097	3,499	3,888
Total Current liabilities	1,238	1,731	1,856	2,035	2,235
Total Non-Current assets	**5,698**	**6,557**	**7,011**	**7,645**	**8,546**
Capital Employed	**7,922**	**9,320**	**10,108**	**11,145**	**12,434**

Cash Flow Statement (INR Cr)

Year End-March	FY25	FY26	FY27E	FY28E	FY29E
PBT	**741**	**850**	**1,092**	**1,334**	**1,618**
Cash From Operating Activities	867	1,467	1,859	1,970	2,311
Tax	52	-218	-10	-11	-12
Net Cash From Operations	919	1,249	1,850	1,959	2,299
Capex	**-439**	**-468**	**-579**	**-602**	**-666**
Cash From Investing	-1,556	-1,020	-929	-1,140	-1,475
Borrowings	728	405	-10	-11	-12
Finance cost paid	**-148**	**-182**	**-193**	**-211**	**-229**
Cash From Financing	616	-127	-642	-707	-781
Net Increase/ Decrease in Cash	**-21**	**102**	**278**	**113**	**44**
Cash at the beginning of the year	**188**	**167**	**269**	**548**	**660**
Cash at the end of the year	167	269	548	660	704

Key Ratios

Year End-March	FY25	FY26	FY27E	FY28E	FY29E
Per share (INR)					
EPS	8.6	9.7	12.5	15.3	18.6
BVPS	59	63	72	84	99
Valuation (x)					
P/E	31.7	28.2	21.9	17.9	14.8
P/BV	4.7	4.4	3.8	3.3	2.8
EV/EBITDA	16.9	13.3	11.5	9.8	8.3
Return ratio (%)					
EBIDTA Margin	15.1%	16.3%	16.5%	16.9%	17.4%
EBIT Margin	11.0%	11.7%	11.8%	12.5%	13.1%
PAT Margin	7.5%	7.1%	8.1%	8.7%	9.2%
ROE	14.5%	15.4%	17.4%	18.3%	18.8%
ROCE	11.1%	12.0%	12.6%	13.8%	14.7%
Leverage Ratio (%)					
Total D/E	0.4	0.4	0.4	0.3	0.3
Turnover Ratios					
Asset Turnover (x)	3.6	3.5	3.5	3.5	3.6
Receivable Days	65	72	72	72	72
Payable days	16	18	20	20	20

Source: Arihant Research, Company Filings

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	**Registered Office**
#1011, Solitaire Corporate Park	
Building No. 10, 1st Floor	6 Lad Colony,
Andheri Ghatkopar Link Road	Y.N. Road,
Chakala, Andheri (E)	Indore - 452003, (M.P.)
Mumbai – 400093	Tel: (91-731) 4217100/101
Tel: (91-22) 42254800	CIN: L66120MP1992PLC007182

Stock Rating Scale	**Absolute Return**
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	**Contact**	**Website**	**Email Id**
INH000002764	**SMS: 'Arihant' to 56677**	www.arihantcapital.com	instresearch@arihantcapital.com

Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800

Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800

Abhishek Jain
Head of Research
Abhishek.jain@arihantcapital.com

Abhishek Chhajed Jain

Digitally signed by Abhishek Chhajed Jain
Date: 2026.08.13 15:40:33 +05'30'