

**Strong close; billion-dollar milestone achieved.**

**CMP: INR 235**

**Rating: Buy**

**Target Price: INR 315**

**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)	184,790
52w H/L (INR)	404/201

**Shareholding Pattern %**

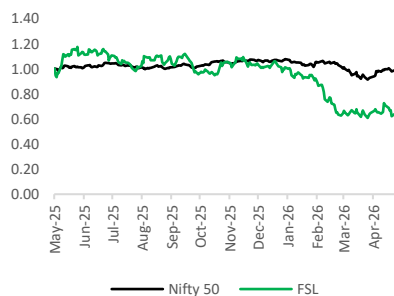
(As on March, 2026)

Promoters	53.66
FII	8.85
DII	25.49
Public & Others	12.00

**Stock Performance (%)**

	1m	3m	12m
FSL	-2.1	-24.7	-31.1
Nifty	4.6	-6.3	-1.4

**FSL Vs Nifty**



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A solid close to FY26 with margins at their highest quarterly level and deal wins sustaining their momentum into the fifth consecutive strong quarter. Reported revenue of USD 283 Mn (up 3.2% QoQ / 13.2% YoY). Constant currency growth of 3.0% QoQ / 11.6% YoY. Reported revenue of INR 25,835 Mn, up 5.7% QoQ / 19.5% YoY. Revenue was led by Healthcare (34.4% of mix), Banking & Financial Services (32.2%) and CMT (19.9%). North America remained the dominant geography at 68.0% of revenues. EBIT of INR 3,143 Mn (12.2%), up 30bps QoQ / 100bps YoY. EBITDA margin expanded 18bps QoQ to 16.7%. PAT of INR 2,052 Mn (7.9%), up 70.6% QoQ / 27.7% YoY. FCF/PAT conversion stood at 116% in FY26 vs. 80% in FY25, reflecting a significant improvement in cash generation quality. Four large deal wins in Q4FY26; fifth consecutive quarter of four or more large deal wins. Exit deal pipeline at USD 1 billion+. Client additions of 11 new logos and 6 strategic logos in Q4FY26. USD 1 Mn+ client count rose to 150, and USD 5 Mn+ clients expanded to 42. Net headcount declined by 484 employees in Q4FY26 to close at 36,205.

**Sustained Deal Momentum** Large deal wins have accelerated from fewer than 8 in FY24 to 17 in FY26, with the pipeline at its highest-ever level above USD 1 billion. Critically, this growth is broad-based rather than top-heavy — revenue share of the top 5 and top 10 clients declined by 8% and 12% respectively over eight quarters, even as those clients continued growing. USD 5 million-plus client additions grew by 12 in a single year, and 50% of strategic logos added over the prior 18 months have already scaled past the USD 5 million threshold. This combination of a growing pipeline, improving win rates in new logos, and accelerating wallet-share expansion in existing accounts supports durable, compounding revenue visibility.

**Domain Depth in Regulated Verticals as a Durable Competitive Moat** FirstSource's concentration in regulated, high-complexity verticals — banking and financial services, healthcare, and utilities — creates a moat that pure-play technology vendors and generalist IT services firms find difficult to replicate at speed. The Kairos platform encodes domain-specific governance guardrails, compliance protocols, and process knowledge accumulated over 25 years into executable AI systems.

**Margin Expansion Runway Remains Intact** EBIT margins have expanded approximately 74 basis points in FY26 and 100 basis points over the last four quarters. The expansion is being funded through a combination of offshore and nearshore delivery mix shift (nearly 80% of gross additions), workflow automation, and AI-led productivity gains — rather than through revenue leverage alone. With FY27 guidance set at 12.25–12.75% and a stated medium-term aspiration of 14–15%, there is meaningful margin upside over the next two to three years.

**Outlook and valuation**

FirstSource enters FY27 with its strongest-ever deal pipeline. Management has guided for constant currency revenue growth of 10–13% and EBIT margin of 12.25–12.75% for FY27, with growth expected to be evenly distributed across quarters. Scaling of 24 strategic logos added in FY26, ramp-ups in recently signed transformative deals, and early commercial traction from the Intelligence that Operates positioning are the primary organic growth drivers. The medium-term EBIT aspiration of 14–15% remains intact, supported by continued offshore mix shift and AI-led productivity gains. **We value FSL at a PE of 17x to its FY29e EPS of INR 18.5, which yields a target price of INR 315 per share. We upgrade our rating to a Buy on the stock.**

**Exhibit 1 Financial Performance**

Particular	FY25	FY26	FY27E	FY28E	FY29E
Sales	7,980	9,556	11,004	12,494	14,479
EBIT	881	1,122	1,306	1,543	1,832
EBIT Margin	11.0%	11.7%	11.9%	12.3%	12.6%
Reported PAT	595	674	898	1,074	1,292
PE (x)	27.2	24.2	18.2	15.2	12.7
EPS	8.6	9.7	12.9	15.4	18.5

Source: Arihant Research, Company Filings

**Exhibit 2: Quarterly Performance (Consolidated)**

Consolidated (in INR Cr)	Q4FY26	Q3FY26	Q4FY25	Q-o-Q	Y-o-Y
Revenue (Mn USD)	283	274	250	3.3%	13.2%
Net Revenue	2,583	2,443	2,161	5.7%	19.5%
Employee cost	1,477	1,431	1,352	3.2%	9.3%
Other Expenses	676	609	477	11.0%	41.8%
EBITDA	430	403	333	6.9%	29.3%
EBITDA margin %	16.7%	16.5%	15.4%	18bps	126bps
Depreciation	116	111	91	4.4%	28.1%
EBIT	314.3	291.5	242.2	7.8%	29.8%
EBIT margin %	12.2%	11.9%	11.2%	24bps	96bps
Other Income	-2	4	2	-	-
Finance costs	52	43	43	20.3%	22.0%
Adj PBT	260.6	251.8	201.7	3.5%	29.2%
Exceptional item	-	100	-		
PBT	260.6	151.7	201.7	71.8%	29.2%
Tax Expense	55	31	41	76.6%	34.9%
Effective tax rate %	21.2%	12.4%	20.3%	879bps	90bps
PAT	205.2	120.3	160.7	70.6%	27.7%
Non-controlling interest	0	-0	0		
Consolidated PAT	205.3	120.3	160.7	70.6%	27.7%
PAT margin %	7.9%	4.9%	7.4%	302bps	51bps
EPS (INR)	2.97	1.74	2.33	70.7%	27.5%
Consolidated (in INR Cr)	Q4FY26	Q3FY26	Q4FY25	Q-o-Q	Y-o-Y
Banking and Financial Services	841	781	723	7.7%	16.3%
Healthcare	898	793	733	13.3%	22.5%
Communication, Media and Technology	521	524	456	-0.5%	14.3%
Diverse Industries	352	370	255	-4.9%	37.9%

Source: Arihant Research, Company Filings

**Firstsource Solutions- Q4FY26 Key Takeaways**
**Revenue & Growth**

Q4 FY26 revenue came in at INR 25,835 million (USD 283 million), growing 19.5% year on year in INR terms and 13.2% in USD terms. Constant currency growth stood at 11.6% year on year and 3% quarter on quarter. The Telemedic acquisition contributed 130 basis points to year-on-year constant currency growth. For the full year, revenue stood at INR 95,600 million (USD 1,082 million), crossing the USD 1 billion milestone, with constant currency growth of 13.6%. Organic constant currency growth for FY26 was approximately 9.8–9.9%, excluding contributions from Asensos, Past Due Credit, and Telemedic.

**Margins & Profitability**

Q4 EBIT margin came in at 12.2%, up 100 basis points year on year and 30 basis points quarter on quarter — the sixth consecutive quarter of sequential margin expansion. FY26 EBIT margin was 11.7%, within the guided 11.5–12% band.

Q4 PAT was INR 2,052 million (7.9% margin), growing 27.7% year on year. Reported FY26 PAT stood at INR 6,744 million; normalized PAT (adjusted for the Q3 exceptional wage item) was INR 7,543 million, up 27% year on year.

ROCE improved to 17.7% in FY26 from 15.6% in FY25.

**Deal Wins & Client Metrics**

FirstSource signed 4 large deals in Q4 (fifth consecutive quarter of 4 or more large deals) and 17 large deals in FY26, up from 14 in FY25 and more than double FY24 levels. Deal pipeline exceeded USD 1 billion and is at its highest-ever level. The company added 47 new clients in FY26, including 24 strategic logos — double the FY25 additions.

- US-based global leader in financial technology solutions (CX redesign)
- Australian regional water utility service provider (matches your "Australia added a new logo")
- US-based digital financial services company

Clients with over USD 1 million in annual revenue grew to 150, up 34 from a year ago. USD 5 million-plus clients increased by 12 and USD 10 million-plus clients by 2 over the same period. Over the past eight quarters, revenue share of the top 5 and top 10 clients declined by 8% and 12% respectively, reflecting broad-based growth

### Vertical Performance

Banking and Financial Services grew 9% year on year and 5% sequentially in constant currency. Demand is centered on regulatory compliance, financial crime, and AI-led outcome-oriented transformation. A key UK collections deal that was delayed due to regulatory approvals has since gone live.

Healthcare grew 16% year on year and 10% sequentially in constant currency. Short-term timing delays in Medicare Advantage program rollouts affected payer revenues in Q4 but are expected to normalize.

CMT grew 3% year on year but declined 4% sequentially, driven by timing of work packets in large consumer tech engagements; management expects a return to healthy growth as transitions complete.

The diversified portfolio (retail, utilities) grew 23% year on year but declined 8% sequentially following the Q3 seasonal retail peak.

### Geography

North America delivered 14% year-on-year and 4% sequential growth in constant currency. Europe grew 4% year on year with deal pipeline up approximately 60% over the last four quarters. Australia added a new logo in Q4 with continued wallet-share expansion.

### People

Headcount stood at 36,205 at end-FY26, a net addition of 1,554 over the year. Offshore and nearshore hiring accounted for nearly 80% of gross additions. Attrition improved to 29.7%, down approximately 6 percentage points over eight quarters. Revenue per employee has grown 12% over the last two years.

### Balance Sheet

Cash and investments stood at INR 3,100 million at end-Q4, after a dividend payout of INR 3,800 million during the quarter. Net debt increased to INR 16,180 million from INR 13,040 million a year ago, largely acquisition-driven. Hedge book covers GBP 54.5 million at an average rate of INR 117 per pound and USD 107 million at INR 91.5 per dollar for the next 12 months. OCF-to-EBITDA stood at ~80% for FY26 and free cash flow to adjusted PAT at 160%.

### FY27 Guidance

Management guided for constant currency revenue growth of 10–13% in FY27, with approximately 2–2.5% contributed by inorganic sources. EBIT margin is guided at 12.25–12.75%. Growth is expected to be broadly even across all four quarters rather than back-ended. The longer-term EBIT aspiration of 14–15% over the next couple of years remains unchanged.

### Strategy

Management retired the UnBPO positioning in favour of "Intelligence that Operates," anchored by its Kairos platform — 25 years of domain expertise encoded into AI governance guardrails and learning loops that allow end-to-end agentic operations in regulated industries. Kairos has demonstrated measurable results including 66% productivity gains in healthcare revenue cycle management and 25% cost savings in financial services KYC/AML processes. The core pitch is a single continuous motion covering design, implementation, and operation under one contract with outcome accountability, differentiated from both pure-play technology platforms and traditional services firms.

Operating Metrics	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26
<b>Revenue by Vertical</b>										
Banking & Financial Services	38.30%	37.30%	36.40%	34.40%	32.40%	33.40%	32.50%	33.20%	31.70%	32.20%
Healthcare	33.50%	32.90%	35.70%	36.30%	34.00%	33.80%	33.40%	33.50%	32.10%	34.40%
Communications Media & Tech	22.50%	23.60%	22.30%	21.30%	20.30%	21.00%	22.40%	21.70%	21.20%	19.90%
Diverse Industries	5.70%	6.20%	5.60%	8.00%	13.30%	11.80%	11.70%	11.60%	15.00%	13.50%
<b>Revenue by Geography</b>										
US	65.40%	65.00%	68.20%	68.50%	66.30%	67.70%	68.70%	69.40%	67.20%	68.00%
Europe, Middle East, and Africa	34.50%	34.90%	31.80%	31.40%	33.60%	31.50%	30.10%	29.40%	31.70%	30.60%
ROW	0.10%	0.10%	0.00%	0.10%	0.10%	0.80%	1.20%	1.20%	1.10%	1.40%
<b>Revenue by Delivery</b>										
Offshore	30.30%	31.40%	35.00%	35.80%	40.10%	37.80%	41.20%	41.60%	43.30%	43.00%
Onshore	69.70%	68.60%	65.00%	64.20%	59.90%	62.20%	58.80%	54.40%	56.60%	57.00%
<b>Top Clients Revenue</b>										
Top 5 clients (share of total revenues)	35.80%	36.70%	34.60%	32.50%	29.20%	29.30%	29.60%	28.90%	28.10%	28.00%
Top 10 clients (share of total revenues)	52.00%	52.60%	51.50%	48.60%	43.50%	43.70%	42.60%	42.30%	40.70%	39.90%
<b>Other Metrics</b>										
Total employees (end of period)	25947	27940	29231	32898	34144	34651	34495	35997	36689	36205
Net Addition	1994	1993	1291	3667	1246	507	-156	1502	692	(484)
Attrition (TTM)	37.70%	35.40%	32.00%	30.90%	31.40%	29.80%	28.90%	28.00%	27.40%	29.70%
<b>Client Distribution</b>										
US\$ 1m+ clients (nos.)	104	103	100	105	107	116	141	142	141	150
US\$ 5m+ clients (nos.)	25	25	25	26	28	30	38	39	41	42
US\$ 10m+ clients (nos.)	13	13	13	13	14	15	17	17	18	17
US\$ 20m+ clients (nos.)	8	8	9	11	10	10	11	9	9	9
US\$ 50m+ clients (nos.)	2	2	2	2	2	2	2	2	2	2
<b>Revenue by Currency</b>										
USD	64.90%	64.80%	67.90%	68.20%	64.90%	65.70%	67.90%	68.50%	66.10%	67.40%
GBP	34.40%	34.40%	31.40%	30.90%	34.20%	32.70%	30.10%	29.20%	31.90%	30.30%
Others	0.70%	0.80%	0.70%	0.90%	0.90%	1.60%	2.00%	2.30%	2.00%	2.30%

Source: Arianth Research, Company Filings

## Key Financials

Income Statement (INR Cr)					
Year End-March	FY25	FY26	FY27E	FY28E	FY29E
Revenue USD term	944.0	1082.0	1264.9	1452.8	1673.9
Change (%)	-2.9%	14.6%	16.9%	14.9%	15.2%
Revenues	7,980	9,556	11,004	12,494	14,479
Change (%)	25.9%	19.7%	15.2%	13.5%	15.9%
Employee costs	4,996	5,590	6,426	7,284	8,427
Other expenses	1,777	2,410	2,764	3,126	3,608
Total Expenses	6,773	8,000	9,190	10,409	12,034
EBITDA	1,208	1,556	1,814	2,085	2,445
EBIDTA Margin	15.13%	16.28%	16.48%	16.68%	16.88%
Depreciation	327	434	508	542	613
EBIT	881	1122	1306	1543	1832
EBIT Margin	11.03%	11.74%	11.87%	12.35%	12.65%
Interest	148	182	193	211	229
Other Income	-1	8	9	11	13
PBT	732	948	1,122	1,343	1,616
Exceptional Items	-	8.81	98.20	-	-
PBT after exceptional items	741	850	1,122	1,343	1,616
Tax	146	175	224	269	323
Rate (%)	19.7%	20.6%	20.0%	20.0%	20.0%
PAT	594	674	898	1,074	1,293
Margin	7%	7%	8%	9%	9%
Consolidated PAT	595	674	898	1,074	1,292
Change (%)	15.5%	13.5%	33.1%	19.7%	20.3%

Balance Sheet (INR Cr)					
Year End-March	FY25	FY26	FY27E	FY28E	FY29E
<b>Sources of Funds</b>					
Share Capital	697	697	697	697	697
Reserves & Surplus	3,401	3,688	4,341	5,172	6,220
Non controlling interest	0	0	0	0	0
Total Equity	4,098	4,385	5,039	5,869	6,917
<b>Loan Funds</b>					
Defered Tax Liability (Net)	165	189	208	228	251
Total Liability	7,922	9,320	10,202	11,230	12,513
<b>Application of Funds</b>					
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	3,126	3,555	3,977
Investments	62	50	50	50	50
Sundry debtors	1,686	2,079	1,960	2,225	2,578
Cash and bank	167	269	849	1,013	1,081
Other Current Assets	289	341	341	341	341
Total Current assets	2,224	2,763	3,223	3,652	4,074
Total Current liabilities	1,238	1,731	1,927	2,114	2,339
Total Non-Current assets	5,698	6,557	6,979	7,577	8,439
Capital Employed	7,922	9,320	10,202	11,230	12,513

Cash Flow Statement (INR Cr)					
Year End-March	FY25	FY26	FY27E	FY28E	FY29E
PBT	741	850	1,122	1,343	1,616
Cash From Operating Activities	867	1,467	2,135	2,013	2,325
Tax	52	-218	22	25	27
Net Cash From Operations	919	1,249	2,157	2,038	2,352
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	-648	-734	-809
Net Increase/ Decrease in Cash	-21	102	580	164	68
Cash at the beginning of the year	188	167	269	849	1,013
Cash at the end of the year	167	269	849	1,013	1,081

Key Ratios					
Year End-March	FY25	FY26	FY27E	FY28E	FY29E
<b>Per share (INR)</b>					
EPS	8.6	9.7	12.9	15.4	18.5
BVPS	59	63	72	84	99
<b>Valuation (x)</b>					
P/E	27.2	24.2	18.2	15.2	12.7
P/BV	4.0	3.7	3.3	2.8	2.4
EV/EBITDA	14.7	11.6	9.6	8.3	7.0
<b>Return ratio (%)</b>					
EBIDTA Margin	15.1%	16.3%	16.5%	16.7%	16.9%
EBIT Margin	11.0%	11.7%	11.9%	12.3%	12.6%
PAT Margin	7.5%	7.1%	8.2%	8.6%	8.9%
ROE	14.5%	15.4%	17.8%	18.3%	18.7%
ROCE	11.1%	12.0%	12.8%	13.7%	14.6%
<b>Leverage Ratio (%)</b>					
Total D/E	0.4	0.4	0.4	0.3	0.3
<b>Turnover Ratios</b>					
Asset Turnover (x)	3.6	3.5	3.4	3.4	3.6
Receivable Days	53	54	65	65	65
Payable days	16	18	22	22	22

Source: Arian Research, Company Filings

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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%

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