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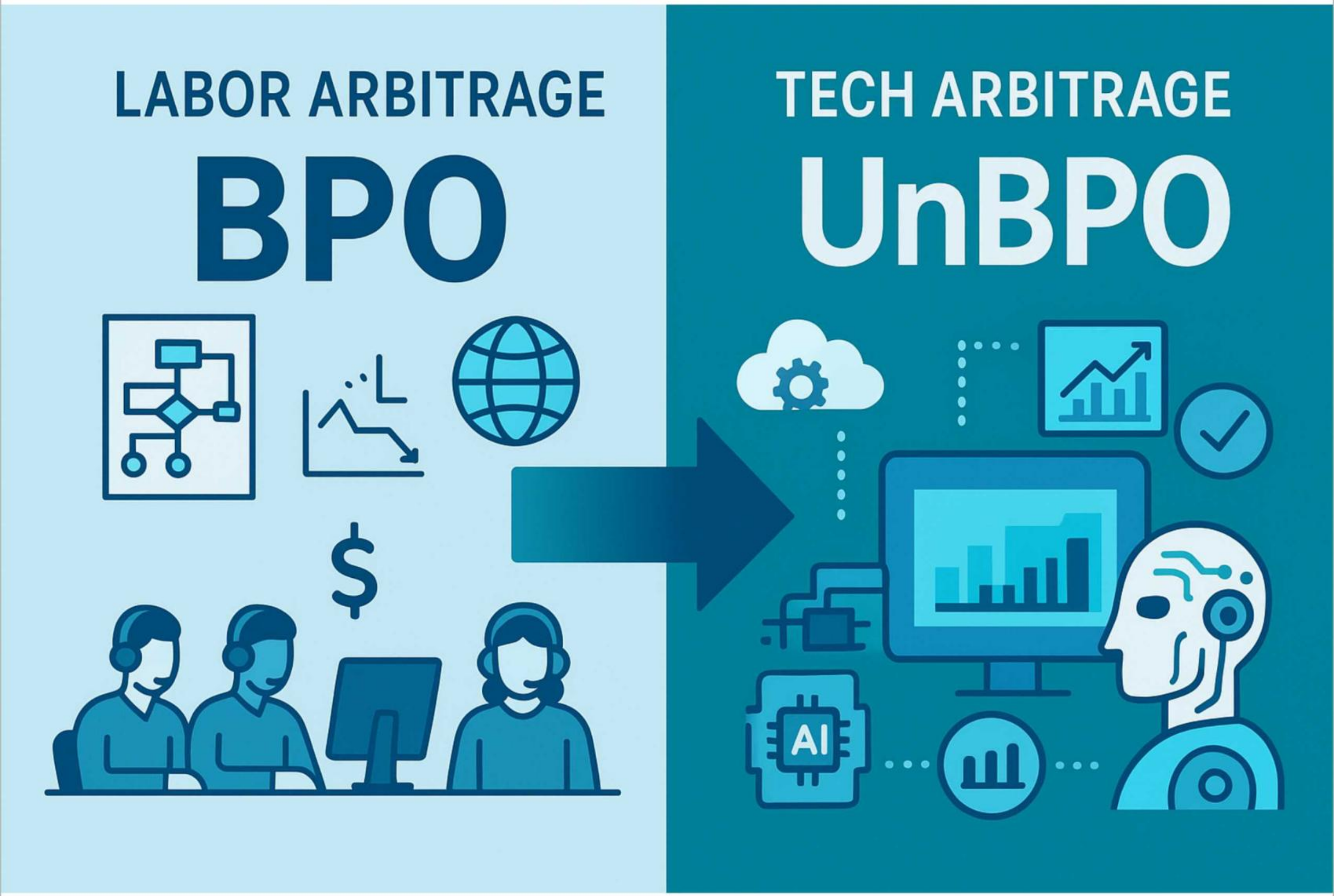
Firstsource

Tech first, Client first, Growth first



Pivot to tech-infused, outcome based engagement models position FSOL well to gain from genAI disruption; market share gains visible

Internal fixes has unlocked growth; we estimate 13% USD revenue/25% EPS CAGR over FY25-28E

Diversified portfolio, zero H-1B dependency should support valuations; Initiate with ADD and INR 370 TP

Table of Contents

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Firstsource, under CEO Ritesh Idnani, has staged a remarkable turnaround. The CEO's initial strategy, called One Firstsource, was to fix internal lacunae and unlock growth potential. The revamped GTM/account-led strategy, 50+ technology partnerships and two consecutive years of record deal wins later, that strategy has worked. Now, under its new "UnBPO" approach, the company is positioning itself to proactively turn genAI from risk to opportunity. Its pivot from labour arbitrage to tech arbitrage, along with 50%+ revenue from outcome based engagements already, should work in its favour. That should help the company sustain its recent market share gains. ADD.

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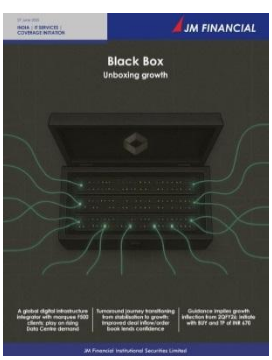
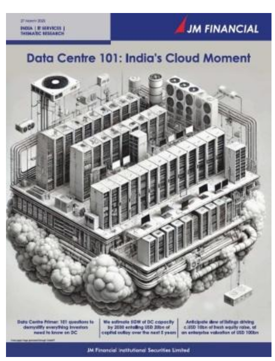


Black Box



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Firstsource

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Firstsource (FSOL IN) is India's largest, and most diversified pure-play BPO service provider. With an ARR of c. USD 1bn, it has strengths across micro-segments (mortgages, collections, payer/providers, media). Despite the diversification, it works with some leading clients in each of its focussed sub-verticals (Exhibit 15), reflecting its "inch-wide, mile-deep" strategy.

FSOL evolved into its current diversified self through multiple acquisitions over the years (Exhibit 58). That resulted in siloed capabilities limiting synergies/cross-sell motion, reflected in growth under-performance over FY15-20 (Exhibit 89). Besides, FSOL, just 2 years back, faced challenges specific to the industry – advent of GenAI, sector – rising Fed rate-led mortgage volume contraction, as well as client – offshoring in top CMT account, compounding matters further.

These concurrent headwinds notwithstanding, FSOL, under Ritesh Idnani, its CEO since Aug'23, has staged a remarkable turnaround. Various tenets of FSOL's turnaround playbook – One Firstsource - specifically address the above-mentioned concerns. Account-led strategy is fostering cross-sell. Addition of adjacencies reduces macro-sensitivity on the portfolio. Brand amplification intends to break-down silos. Technology partnership to infuse AI in its offerings is turning genAI from threat to opportunity. Impressively, unlike other new-CEO-led turnarounds in the sector, Ritesh has unlocked growth first. 0.5% market share gain over FY25 is a testament to that.

Importantly, growth appears sustainable. FY25 ACV was 60% above FY24's record ACV. Strategic logo addition has picked up. Fed rate cycle has turned. Margins are on the mend too, driving our 25% FY25-28E EPS CAGR. We initiate coverage with ADD and a TP of INR 370, valuing the stock at 25x Sep-27 EPS. Higher-than-expected volume deflation due to AI is a key risk.

- **GenAI - Risk or opportunity?** Risk of genAI on BPO is considered to be the highest (Exhibit 26). It promises significant productivity improvement in repetitive tasks, potentially deflating revenue. Counter-intuitively, however, pure-play BPOs have outpaced IT Services' growth since the launch of ChatGPT (Exhibit 42). That is not an anomaly. BPO vendors are integrating AI – through partners and platforms – in their offerings, shifting to outcome-based pricing models and passing-on productivity benefits proactively. This, we believe, has widened their technology arbitrage versus clients' in-house BPO teams, driving higher outsourcing. Outsourcing penetration in BPO is up 120bps over 2021-24 (Exhibit 39). New use cases, e.g., data annotation is helping too.
- **'One Firstsource' for new Firstsource:** Ritesh's One Firstsource strategy addressed structural, cyclical and technological risks facing FSOL. The revamped GTM included assigning dedicated client partners to identify white spaces and proactively build a transformative deal pipeline. He set up a war room for new must-have logos. Technology in everything was a response to the genAI threat. The Chief Digital & AI officer, one of the CEO's first hires, helped onboard 50 tech partners – from hyperscalers to start-ups. FSOL also built adjacencies – both organically and inorganically. It stepped up analysts/advisors engagement to bring unified capabilities to the market, helping break siloes.
- **Unlocking potential:** Ritesh's accounts-centric, tech-led, self-sourced large deal focus was to unlock growth first. Results were immediate. FSOL reported its highest-ever deal ACV in FY24, only to exceed it by 60% in FY25. The average size of large deals rose by 40%, aided by a USD 50mn+ BPaaS deal, reflecting a proactive shift towards outcome-based engagements. FSOL is consistently winning against larger as well as smaller undifferentiated players. These are strong underpinnings for predictable, consistent growth. FY26 organic growth guidance of 10-12% cc, on top of 15% cc organic growth in FY25 underscores this. With initial investments in sales/leadership behind, margins should improve too.
- **Initiate coverage with ADD; TP of INR 370:** We build 13% USD revenue CAGR and 200bps EBIT margin expansion over FY25-28E, driving 25% EPS CAGR. FSOL's diversified and relatively de-risked portfolio lends earnings visibility. We, therefore, value the stock at 25x, in line with listed Indian BPO players, reasonable in our view. We initiate with ADD and a TP of INR 370.

Recommendation and Price Target	
Current Reco.	ADD
Current Price Target (12M)	370
Upside/(Downside)	13.4%

Key Data – FSOL IN	
Current Market Price *	INR326
Market cap (bn) *	INR227.5/US$2.6
Free Float	41%
Shares in issue (mn)	691.1
Diluted share (mn)	712.1
3-mon avg daily val (mn)	INR397.5/US$4.5
52-week range	423/270
Sensex/Nifty	80,365/24,635
INR/US$	88.8

Price Performance			
%	1M	6M	12M
Absolute	-7.0	-4.1	2.2
Relative*	-7.7	-7.6	7.2

*To the BSE Sensex

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	63,362	79,803	94,115	1,05,847	1,19,687
Sales Growth (%)	5.2	25.9	17.9	12.5	13.1
EBITDA	9,564	12,076	15,006	17,522	20,514
EBITDA Margin (%)	15.1	15.1	15.9	16.6	17.1
Adjusted Net Profit	5,147	5,944	7,596	9,406	11,641
Diluted EPS (INR)	7.3	8.4	10.7	13.3	16.5
Diluted EPS Growth (%)	0.2	15.5	26.7	24.9	23.8
ROIC (%)	13.8	14.6	16.0	18.4	21.1
Adjusted ROCE (%)	12.7	11.5	12.4	12.9	12.0
ROE (%)	14.6	15.2	17.8	19.8	21.4
P/E (x)	44.7	38.7	30.6	24.5	19.8
P/B (x)	6.0	5.5	5.1	4.4	3.8
EV/EBITDA (x)	24.2	19.7	15.7	13.3	11.0
Dividend Yield (%)	1.3	1.2	1.4	1.5	1.7

Source: Company data, JM Financial. Note: Valuations as of **29/Sep/2025**

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

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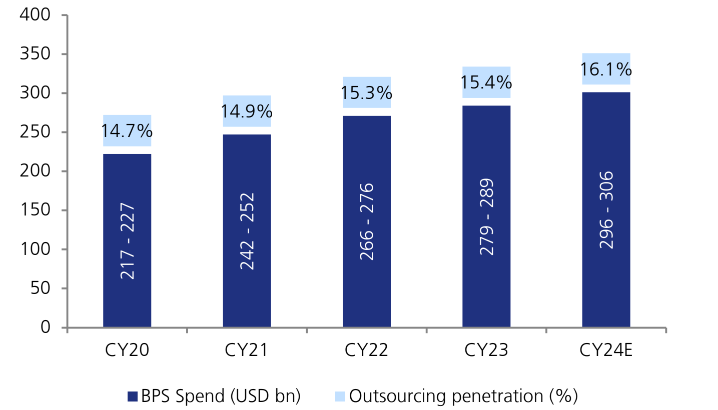
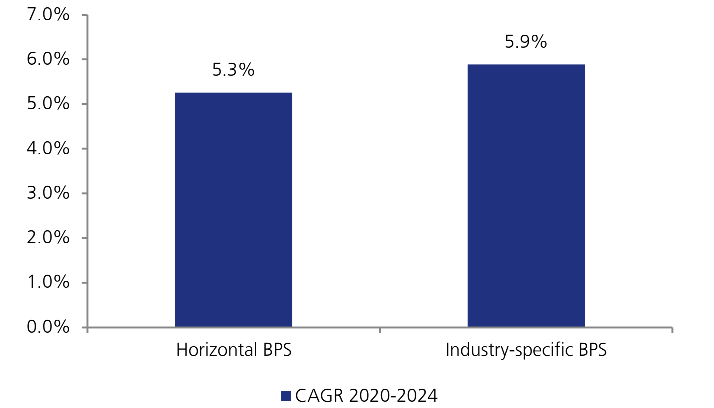
Focus charts

Exhibit 1. BPS spend is growing at a CAGR of 8%, outsourcing penetration has increased 140 bps over CY20-24
Global outsourcing Business Processes services spend (USD bn)



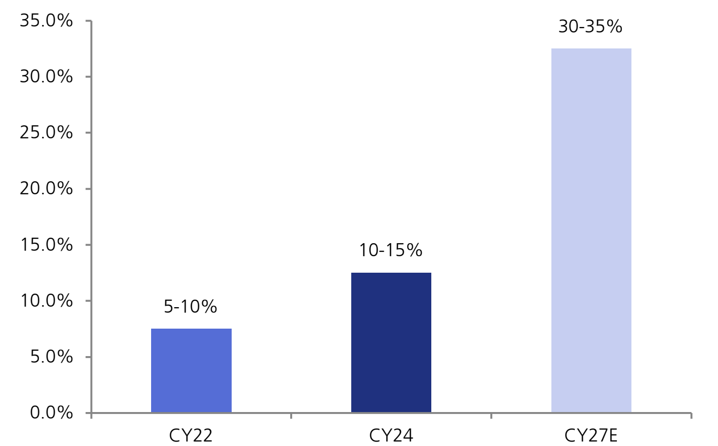
Source: Everest, JM Financial

Exhibit 2. Industry-specific BPO services grew faster as compared to Horizontal during CY20-CY24
Industry-specific vs. Horizontal BPS services revenue growth (%)



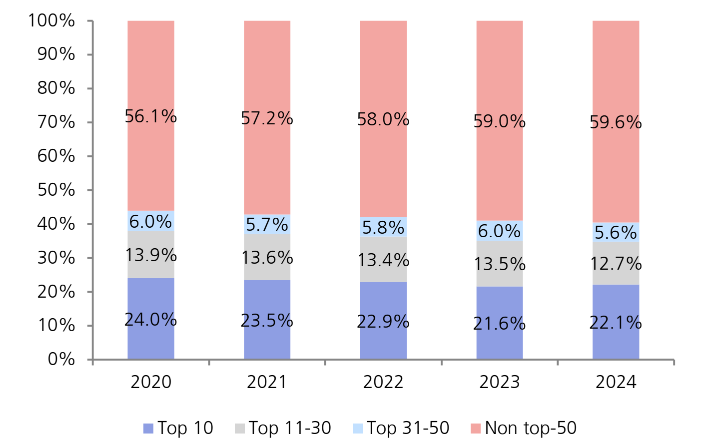
Source: Everest, JM Financial

Exhibit 3. Share of India's BPO revenue linked to outcome-based pricing model likely to become ~2-3x over the next 3 years
India BPO industry % share of rev. from outcome-based pricing



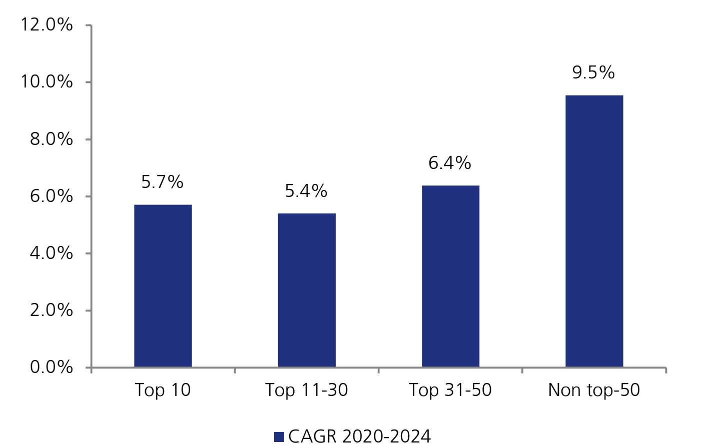
Source: Nasscom, JM Financial

Exhibit 4. While market share of the top-30 BPO players has declined, top 31-50 players were able to maintain their share
Market share across buckets, ranking by 2024 revenue



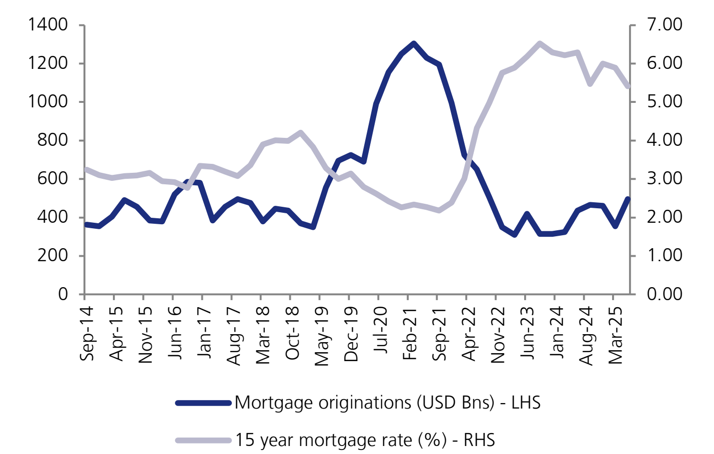
Source: Everest, JM Financial

Exhibit 5. Growth momentum in the global BPO space shifted beyond the top 30 over 2020-2024
Revenue CAGR 2020-24 across buckets, ranking by 2024 revenue



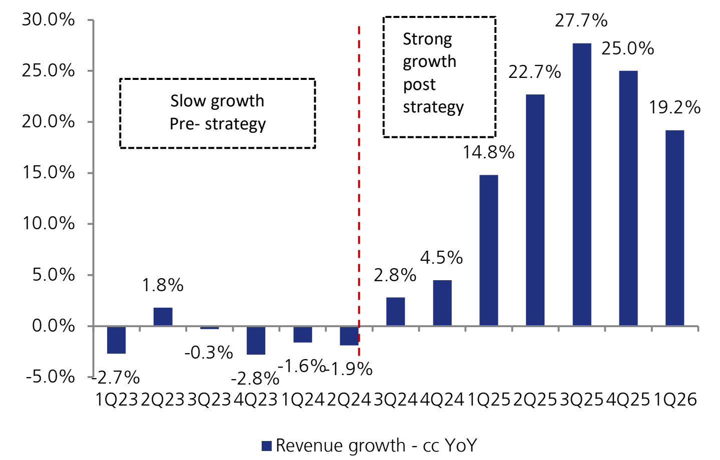
Source: Everest, JM Financial

Exhibit 6. Mortgage activity is set to rise as rates decrease, this will act as a catalyst for growth in Firstsource's BFSI vertical
Mortgage originations - USD bn; 15-year mortgage rate (%)



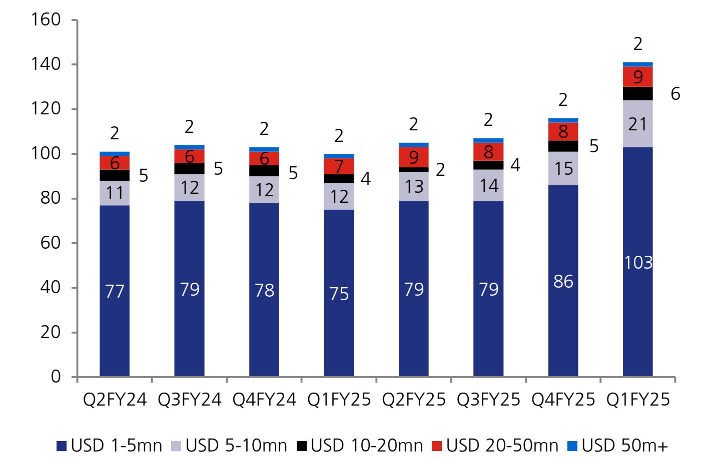
Source: Bloomberg, St Louis Fed, JM Financial

Exhibit 7. Ritesh Idnani's appointment and implementation of strategic initiatives accelerated revenue growth
Revenue growth – cc YoY



Source: Company, JM Financial

Exhibit 8. Firstsource has added clients in each of its five client buckets post implementation of "One Firstsource framework"
No. of clients across client buckets



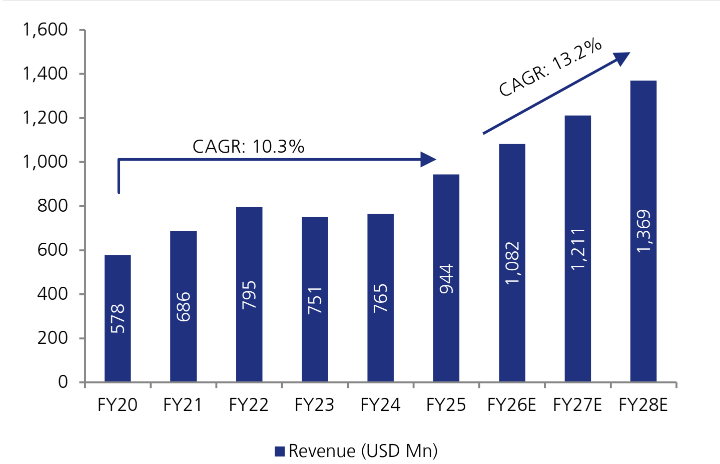
Source: Company, JM Financial

Exhibit 9. Firstsource posted the highest organic growth in FY25 as compared to all peers
Organic revenue growth - YoY

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Indian peers											
Firstsource	**-3.0%**	**-0.9%**	**7.8%**	**3.5%**	**-0.4%**	**5.8%**	**17.8%**	**9.7%**	**-11.3%**	**2.2%**	**15.8%**
Eclerx	11.3%	29.4%	-2.5%	2.2%	1.0%	-0.1%	2.1%	31.6%	16.9%	6.4%	12.4%
Sagility										7.1%	14.7%
IKS									31.1%	16.8%	13.0%
Indegene							42%	66%	22.0%	2.8%	2.9%
Global peers											
Teleperformance	9.90%	7.5%	7.4%	9.0%	9.0%	10.6%	11.6%	25.7%	5.7%	1.7%	2.60%
Concentrix								15.6%	8.2%	4.0%	2.7%
Genpact	6.70%	10.00%	6.0%	7.0%	9.0%	18.0%	6.0%	7.2%	11.1%	3.1%	6.7%
EXL	4.36%	14.60%	11.0%	10.8%	16.0%	13.0%	-1.8%	16.5%	27.3%	15.6%	12.7%
WNS	6.70%	11.0%	15.8%	14.0%	9.8%	13.8%	-6.0%	16.0%	16.0%	9.9%	-3.0%

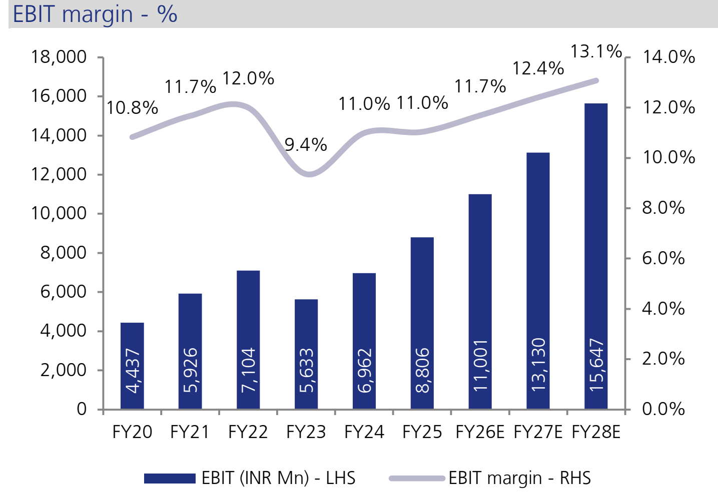
Note: For companies with Y/E Dec 31st, comparison is done with Y/E Mar 31st of next year. Like for like constant currency growth for Teleperformance. Proforma constant currency growth for Concentrix. Constant currency growth for Genpact. Constant currency growth for EXL. Constant currency growth for WNS. Source: Company, JM Financial

Exhibit 10. Topline grew at a CAGR of 10%+ during FY20-25 with growth accelerating in FY25, 13%+ growth likely, going forward
Revenue - USD mn



Source: Company, JM Financial estimates

Exhibit 11. Margin hovered around 15% historically, it is expected to inch up as execution on margin levers play out
EBIT margin - %



Source: Company, JM Financial estimates

Investment thesis, Valuation and Risks

Key investment rationale

Turnaround driving growth momentum

Firstsource has delivered a turnaround, with 23% YoY revenue growth in FY25 (vs. muted trends in FY23-24). On an organic basis, Firstsource grew 15% YoY in FY25, the highest organic growth rate among all listed peers (Exhibit 92). Additionally, its FY26 growth guidance is amongst the highest in the industry at 13-15% (Exhibit 93). Over 2HFY24, the company expanded its sales team by a third and assigned dedicated client partners to strengthen account coverage. It onboarded 50+ strategic and tech partners to augment capabilities (Exhibit 68) and established adjacencies through new operations in Australia, tech-focused acquisitions, and launch of BPaaS healthcare service line. FY25 ACV was 60% above FY24's record ACV, with increased focus on top clients as average size of large deals went up by 40%, aided by the USD 50mn+ BPaaS deal.

AI strategy unlocking differentiation

Firstsource has embedded AI at the core of its transformation, targeting AI infusion in BPS platforms (relAI, AccunAI), AI application in business functions, embedding AI in managed services, and providing AI-as-a-service. It is monetising GenAI through data labelling/annotation and LLM training services, creating adjacencies that expand its TAM. It is increasingly moving towards outcome-based pricing, with 50%+ contracts following a non-linear construct – e.g., pricing as a % of debt collected or % of PMPM savings in healthcare. These initiatives are a part of its UnBPO strategy, which focuses on outcome-driven commercial models, fluid talent models, technology-led leverage over cost arbitrage, and AI infusion in workflows. This positions Firstsource as one of the few leading players with a scalable, monetisable AI play.

Agile mid-tier positioned for share gains

At ~USD 1bn scale, Firstsource sits in the sweet spot of the BPO industry where mid-tier players are growing the fastest (CAGR 2020-24: ~9% vs. ~6% for top 10). These firms are winning share by being agile and embedding GenAI into offerings. BPS outsourcing penetration itself has risen by ~140bps over CY20-24. Firstsource combines industry-specific offerings (notably in healthcare RCM, BFSI, and CMT) with new-gen capabilities – proprietary AI platforms, AI-focused partner ecosystem, and domain-specific LLMs. This allows the company to capture emerging AI-driven budgets. With a c.0.5% market share gain in FY25, we believe Firstsource is well-placed to strengthen its positioning over the next few years.

Sustained growth visibility

We build in 13% USD revenue CAGR over FY25-28E. The management has raised FY26 growth guidance to 13-15% cc (earlier 12-15%), implying ~10-12% organic growth. We build in 14.6% FY26 USD revenue growth, on the back of growth normalisation in the UK from 2Q onwards as offshore transitions are now behind, seasonally strong 3Q (holiday season for retail and uptick in utilities demand due to winters in the UK). Growth visibility is further reinforced by recovery in the mortgage segment (Exhibit 52), a healthy pipeline, and meaningful contribution from the BPaaS deal (USD 50mn+ ACV) starting FY27. Additionally, confidence in large deal wins and negligible exposure to H-1B-related risks provide stability.

Margin levers driving expansion

Margins, earlier constrained by an onsite-heavy mix, are now expanding on the back of right-shoring, automation, and delivery pyramid optimisation. Since the strategy rollout in 2QFY24, EBIT margin has expanded from 10.6% to 11.3% (+70bps). The management has guided for EBIT margin expansion of 50-75bps for FY26. We build in 200bps EBIT margin expansion over FY25-FY28E, driving 25% EPS CAGR. Deleveraging and lower finance costs further support earnings momentum, positioning Firstsource for a valuation re-rating.

Valuation reasonable vis-à-vis peers

We value the stock at 25x 24-M forward EPS, implying 1x PEG. Our target multiple is in line with peer multiples. This, we believe, is reasonable given FSOL's diversified and relatively de-risked portfolio, providing better visibility vis-à-vis peers.

Industry dynamics

GenAI wave expected to have a strong impact on BPO industry: GenAI is reshaping the BPO industry, driving disruption across workforce, operating models, margins, and pricing. Automation of repetitive tasks and AI copilots are reducing headcount intensity while creating demand for re-skilling. Contact centres are undergoing a GenAI-led transformation, with chatbots and AI voice agents already handling ~45% of interactions at high accuracy rates, enabling faster resolution. This shift is pushing the industry away from FTE-based billing towards productivity- and outcome-driven models.

How BPO firms are adapting: The BPO industry is undergoing a structural shift from labour cost arbitrage to technology-driven transformation, with GenAI, analytics, and automation embedded into workflows. Firms are moving up the value chain, addressing complex and high-value problems rather than transactional tasks. Leading players are building proprietary AI products and platforms. Strategic acquisitions, such as Teleperformance's Agents Only, are further strengthening AI and analytics capabilities. Commercial models are also evolving, with outcome-based pricing expected to scale to ~30–35% of India BPO revenue by CY27E. Looking at growth expectations, industry-specific BPS demand and new-gen services are expected to drive BPO growth in 2025.

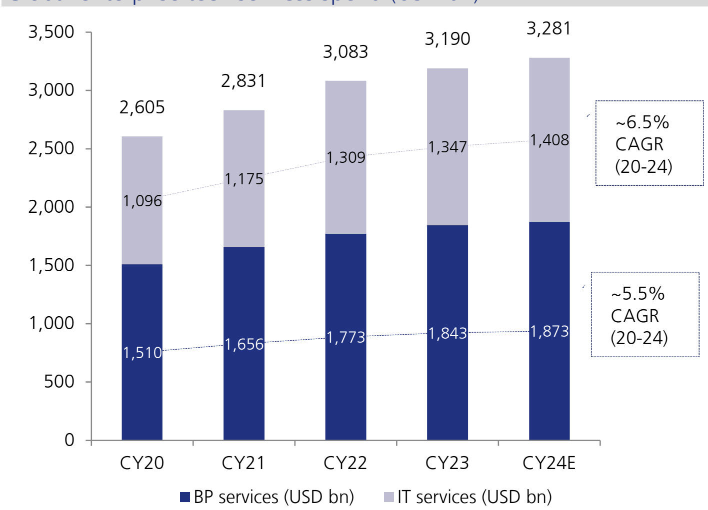
Current market landscape: The global BPO industry is witnessing growth momentum moving beyond the top-30 players to mid-tier firms (ranked 31–50, sub-USD 1bn revenue). These players have delivered fast growth, aided by agility, industry-specific offerings, and faster adoption of emerging technologies. India continues to strengthen its position as the global hub, with BPO exports reaching USD 55bn in FY25 (CAGR 7–8% over FY19-25), contributing ~42-45% of global BPO exports.

Exhibit 12. BPM service providers are moving up the value chain and transitioning from handling transactional tasks to addressing complex, strategic, and high-value problems

	Wave 1: Process Management (Till 2010)	Wave 2: Process Optimization (2010–2022)	Wave 3: Process Transformation (2022 – Future)
Key focus	Handling repetitive, rule-based tasks such as data entry, invoice processing, and basic customer service	Streamlining and optimizing existing processes to enhance efficiency and reduce errors, and leveraging advanced technologies to automate complex processes and provide insights	Addressing high-value, strategic, and complex problems, and focusing on end-to-end process transformation
Value proposition	- Cost reduction	- Improved process efficiency - Enhanced decision-making capabilities	- Driving outcome-based business transformation - Fostering innovation - Solving vertical specific challenges
Tools & technology leveraged	Primarily manual with basic automation	RPA, Workflow automation tools, AI	Gen AI, technology platforms, advanced analytics, cloud computing
Examples	- Invoice processing - Order entry and fulfilment - Customer inquiries and support	- Workflow automation for approval processes - Reduce waste and improve process flows - Forecast demand and optimize inventory	- Designing and managing end-to-end operations - Creating personalized customer experiences

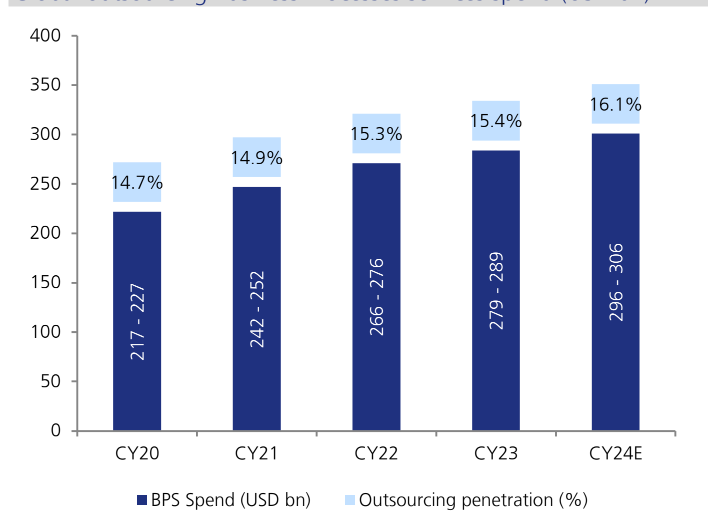
Source: Nasscom, JM Financial

Exhibit 13. While BPS spend witnessed a flattish growth in CY24…
Global enterprise tech services spend (USD bn)



Source: Everest, JM Financial

Exhibit 14. …BPS outsourcing penetration has gradually increased
Global outsourcing Business Processes services spend (USD bn)



Source: Everest, JM Financial

Brief company profile

Firstsource was established in 2001 as ICICI Upstream ltd by ICICI Bank, and expanded rapidly through acquisitions including Customer Asset India (2002), FirstRing Inc. (2004), Pipal Research (2005), RevIT Systems (2005), Business Process Management (2007) and MedAssist (2008). The company further ventured into the mortgage segment with the acquisition of ISGN in 2014. However, these businesses operated in silos, constrained both by regulatory requirements and the absence of a unified culture. Limited integration curtailed cross-selling opportunities, as sales teams remained focused on their own client bases with little incentive to collaborate across subsidiaries.

After taking over as CEO in Sep'23, Ritesh Idnani initiated a transformation at Firstsource under the "One Firstsource" strategy. The framework emphasised simplifying the organisation, driving cross-sell and up-sell in key accounts, expanding capabilities, amplifying the brand, embedding technology in all operations, elevating employee experience, and improving profitability. Along with this, Firstsource also formulated a dedicated AI. Hasit Trivedi was brought on board as the Chief digital and AI officer to lead GenAI initiatives. Firstsource's AI strategy targets four domains: i) AI in business platform offerings, ii) AI in business functions, iii) AI in managed services, and iv) AI as a digital service.

Exhibit 15. Firstsource's offerings across industries

Industry	Offering category	Clients
BFS	Lending Solutions, Mortgages, Fraud & Financial Crime Compliance, Future-ready Customer Experience (CX), Receivables Management & Debt Collections	14 of the Top 20 Mortgage lenders and servicers in the US, 7 of the top 10 credit card issuers in the US, 3 of top 6 retail banks in the UK
Healthcare	Hospital RCM - Patient Access & Pre Service, Coding & Claims Processing, Post Service Revenue Optimization, Consulting & Business Office Management, Digital & Tech Enabled Enhancements	300+ health systems in the US
	Physician RCM - Core RCM Process Services, Eligibility, Benefits & Coding, Denial Management / Prevention, Patient Facing / Financial Engagement, Technology & Intelligence, Specialties	
	Healthcare payer - Intelligent Back Office, Platform Based Services, Data, Analytics & AI	12 of the top 15 health plans in the US
Retail	CX solutions for grocery, general merchandise, fashion & accessories, health & beauty, e-commerce, & electronics & tech retailers	2 of the top 10 retailers in the UK
Tech	GenAI services - Model training and development, Model evaluation, Factuality, LLM safety and responsible AI (RAI), Multimodality, Advanced domain expertise	4 of the top 5 consumer tech companies in the US
	Trust & safety services	

Source: Company, JM Financial

Exhibit 16. Traditional BPO vs. UnBPO approach

Parameter	Traditional BPO Approach	The UnBPO approach
Scope of work	Front, middle and back-office tasks with defined boundaries	'Service-as-a-software'; boundaries between process and IT blurring
Value driver	Labor arbitrage/global delivery are the key assets	'Technology arbitrage' not just for cost, but for leverage
Resourcing model	Labor-based resourcing model; focus on pyramid optimization	Skill-based resourcing; full/part time, gig, and agentic workforce
Delivery model	Shared service delivery models; one size fits all	'Fit-for-purpose' technology contextualized for deep domain
Delivery footprint	Location dispersion driving competitive differentiation	Location dispersion is 'location debt'; AI centres of excellence
Org structure	Hierarchical org. structure; generational workforce	Cross-functional structure; distributed decision-making
L&D	Traditional L&D; traditional incentive structures	Personalized skilling and reskilling; Retooled incentive structures
AI strategy	Leverage AI for point solutions and drive productivity	AI-at-the-core with human-in-the-loop
Partner approach	Use partners to fill technology gaps	Orchestration of specialized partners integrated into the operating model
Business model	Linear revenue model	Disruptive growth with non-linear commercial models

Source: Company, JM Financial

Exhibit 17. Firstsource's offerings in AI across the adoption lifecycle

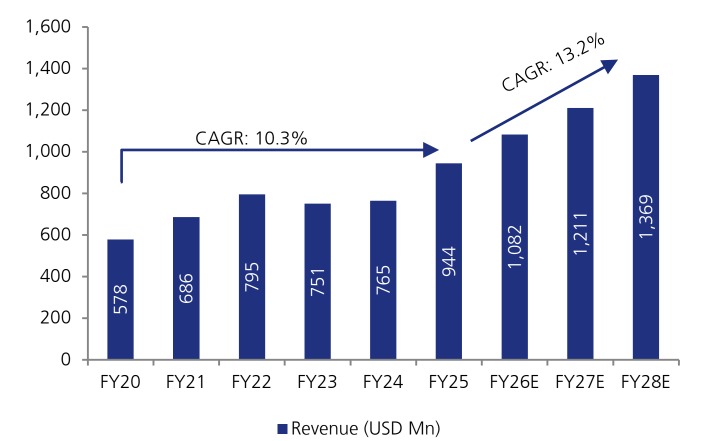
Category	Offerings
Gen AI Solutions	Underwriter Companion, Eligibility Companion, Loan QC Companion, Notification Management, Case Management, Integrated Dialer Solution, First Customer Insight, Document & Page Classifier, Document Zoning & Tagging, Document Summarizer, Call Summarizer, Chat Summarizer
Offerings across adoption lifecycle	
Explore	GenAI Xperiment as a Service (XaaS), AI Lab Setup, Sandbox Setup, AI/Gen AI Model POC, Partner/Client Co-innovation
Expand	AI Factory (POD-based), AI platform stack build, AI monitoring platform build, Reporting, Data Collation & Annotation, Synthetic Data Generation, AI Bot Store
Discover	Strategy & Roadmap, Discovering, COE Setup, AI Maturity Assessment, Enterprise AI Architecture evaluation, Platform Selection & Benchmarking
Propel	AI & BOT Governance, Digital Workforce Monitoring, LLM performance benchmarking, LLM training (RLHF), AI Collaboration platform

Source: Company, JM Financial

Financial trends

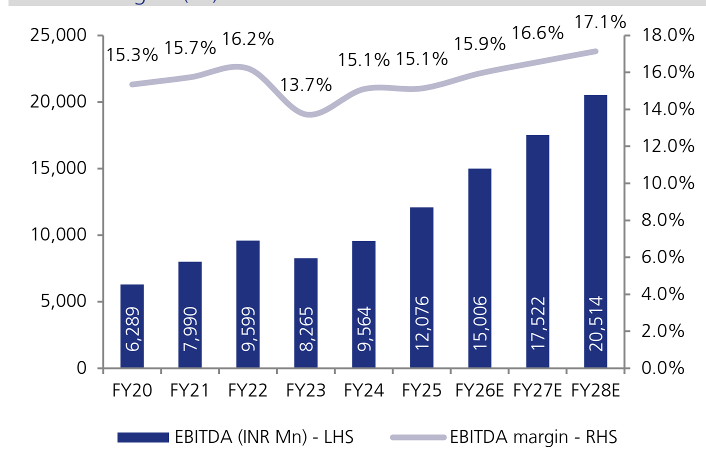
The management has raised FY26 growth guidance to 13–15% cc (earlier 12–15%), implying 10–12% organic growth excluding Ascensos (~3% contribution). We build in 13% cc growth for FY26 and 13.2% USD revenue CAGR over FY25–28E (excluding Past Due Credit Solutions acquisition). EBITDA margin peaked at 16% in FY22 but declined to 13.7% in FY23. Margin has historically been suppressed given the onsite-heavy mix. 1QFY26 saw EBITDA improve to 15.7% (vs. 15.1% in FY25) and EBIT to 11.3% (vs. 11.0% in FY25). The management expects sequential improvement supported by right-shoring, operating leverage, AI/automation, and cost optimisation. PAT delivered 12% CAGR during FY20–25 and is expected to accelerate to 25.1% CAGR over FY25–28E, underpinned by topline momentum and margin expansion. Deleveraging and lower finance costs provide further upside. We expect improvement in return ratios as margins expand and growth sustains. Cash conversion remains healthy, we expect OCF/EBITDA of 0.7x and FCF/PAT of 0.9x over FY25–28E.

Exhibit 18. Topline grew at a CAGR of 10%+ during FY20-25; topline growth accelerated in FY25…
Revenue (USD mn)



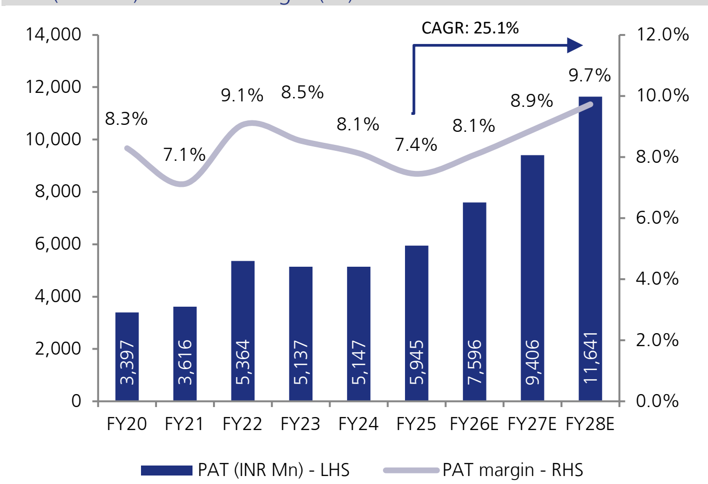
Source: Company, JM Financial estimates

Exhibit 19. …margin has hovered around 15%, it is expected to inch up as execution on margin levers play out
EBITDA margins (%)



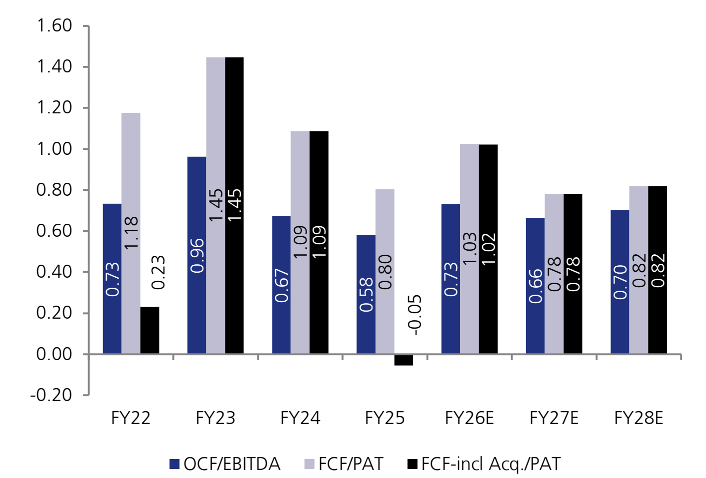
Source: Company, JM Financial estimates

Exhibit 20. PAT grew at a CAGR of 12% during FY20-FY25, this is expected to accelerate with growth and margin expansion
PAT (INR mn) and PAT margin (%)



Source: Company, JM Financial estimates

Exhibit 21. Healthy cash conversion, average OCF/EBITDA has been at 0.74 and FCF/PAT averaged 1.13
OCF/EBITDA and FCF/PAT



Source: Company, JM Financial estimates

Valuations reasonable: Intiate with ADD and a TP of 370

We initiate coverage on Firstsource (FSOL IN) with ADD rating and a target price of INR 370, implying c.13% upside from current levels. We value the stock at 25x 24-M forward EPS, implying 1x PEG (EPS CAGR: 25.1% over FY25-28E). Our target multiple is in line with domestic peers. This, we believe, is reasonable given FSOL's diversified and relatively de-risked portfolio lends better visibility vis-à-vis peers.

We believe the multiple is also justified given the company's growth profile and outlook for margin expansion. Firstsource's organic growth was the fastest in FY25 as compared to all Indian and global peers. It has guided for 13-15% cc growth in FY26 and is also poised to benefit from the strategic initiatives and companywide infusion of Gen-AI solutions (UnBPO approach).

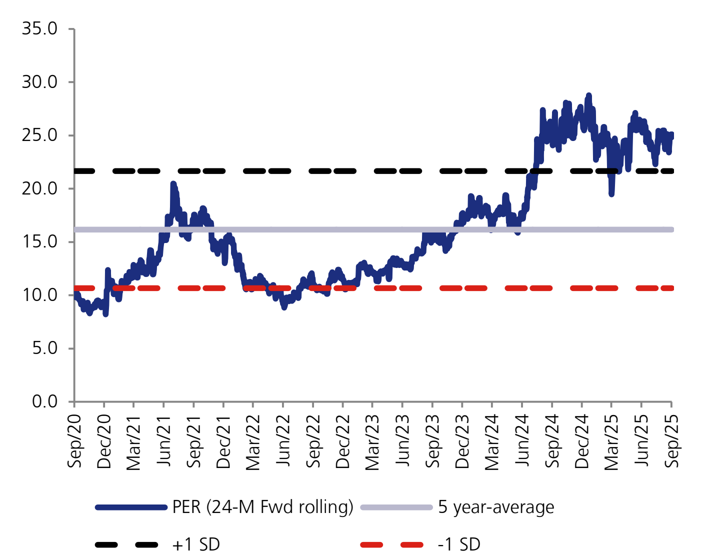
Exhibit 22. Valuation comparables

Name	CMP (LC)	Mcap (LC m)	Mcap (USD m)	P/E FY26	P/E FY27	P/E FY28	PEG	EV/EBITDA FY26	EV/EBITDA FY27	EV/EBITDA FY28	EV/Sales FY26	EV/Sales FY27	EV/Sales FY28
India - BPO													
First source	326	227,463	2,563	30.3x	24.2x	20.2x	1.1x	16.8x	14.3x	12.4x	2.6x	2.3x	2.0x
IKS	1,504	257,995	2,907	38.9x	30.3x	24.3x	1.1x	26.7x	22.2x	18.4x	8.5x	7.2x	6.0x
Sagility	43	201,203	2,267	26.6x	21.4x	17.6x	0.9x	13.1x	11.5x	10.0x	3.1x	2.7x	2.4x
Eclerx	4,049	192,946	2,174	30.3x	25.4x	21.9x	1.5x	18.9x	16.2x	14.2x	4.7x	4.1x	3.6x
Indegene	573	137,600	1,550	29.3x	25.2x	21.7x	1.6x	19.5x	17.1x	15.0x	3.9x	3.4x	3.0x
Average				31.1x	25.3x	21.2x		19.0x	16.3x	14.0x	4.6x	3.9x	3.4x
Global BPO													
Teleperformance	62	3,727	3,949	4.5x	4.1x	3.8x	0.5x	4.0x	3.9x	3.8x	0.8x	0.8x	0.7x
Concentrix	48	3,004	3,004	4.3x	3.9x	3.4x	0.3x	5.1x	4.8x	4.4x	0.8x	0.7x	0.7x
Genpact	42	7,356	7,356	11.9x	10.9x	9.7x	1.0x	8.9x	8.2x	7.4x	1.6x	1.5x	1.4x
EXL	44	7,066	7,066	23.0x	20.3x	17.9x	1.5x	15.7x	14.0x	12.7x	3.4x	3.1x	2.8x
WNS	76	3,267	3,267	16.3x	14.3x	12.8x	1.1x	12.4x	10.8x	10.5x	2.5x	2.3x	2.0x
Reply	121	4,519	4,789	17.5x	16.3x	15.0x	2.0x	9.0x	8.6x	8.0x	1.7x	1.5x	1.4x
Amdocs	82	8,979	8,979	11.7x	10.7x	9.8x	1.2x	8.2x	7.8x	7.4x	2.1x	2.0x	1.9x
TTEC	3	159	159	3.0x	2.4x	2.6x	0.3x	4.9x	4.7x	4.7x	0.5x	0.5x	0.5x
Average				11.5x	10.3x	9.4x		8.5x	7.9x	7.4x	1.7x	1.6x	1.4x

Note: Price and valuation data as on 29th Sept 2025. Source: Bloomberg, JM Financial

Exhibit 23. Firstsource's fwd PER is currently above +1SD and has moved up significantly compared to history…

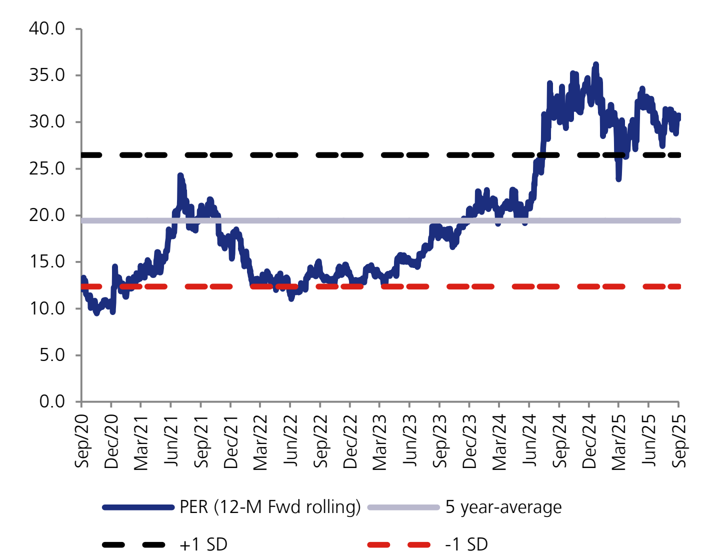
Firstsource 24M fwd PER



Source: Bloomberg, JM Financial

Exhibit 24. …current higher valuations are justified, given the improved growth profile and outlook for margin expansion

Firstsource 12M fwd PER



Source: Bloomberg, JM Financial

Peer comparison

Exhibit 25. Performance across key financial and operational metrics in Firstsource's peer group

		Firstsource	Eclerx	Sagility	IKS	Indegene
P&L Metrics	Revenue (USD Mn)	944	398	658	316	336
	Revenue (INR Mn)	79,803	33,658	55,699	26,640	28,393
	EBITDA (INR Mn)	12,076	8,209	12,979	7,698	5,343
	EBIT (INR Mn)	8,806	6,797	8,310	6,571	4,541
	PAT (INR Mn)	5,945	5,408	5,391	4,861	4,067
	EBITDA Margin	15.1%	24.4%	23.3%	28.9%	18.8%
	EBIT Margin	11.0%	20.2%	14.9%	24.7%	16.0%
	PAT Margin	7.4%	16.1%	9.7%	18.2%	14.3%
Employee Metrics	Revenue per employee (USD)	27,243	20,512	16,704	24,927	66,016
	EBITDA per employee (USD)	4,123	5,005	3,892	7,204	12,423
	No. of Employees	34,651	19,389	39,409	12,661	5,087
DSO	DSO including unbilled	65	81	80	63	90
Change	Revenue– USD- CAGR – FY15-25	6.6%	10.0%	10.8%	46.7%	14.5%
	Organic revenue– USD- CAGR – FY15-25	4.7%	9.4%	10.1%	20.4%	8.0%
	EBITDA margin expansion (FY22-FY25)	-108bp	-676bp	-105bp	-1001bp	77bp
Return Ratios	Return on Equity	15.2%	23.8%	7.3%	37.4%	13.9%
	Return on Capital Employed	17.8%	19.3%	8.3%	29.7%	19.3%
	Return on Invested Capital	14.4%	32.4%	7.0%	33.4%	17.5%
Balance Sheet Metrics	Debt equity ratio	0.37	0	0.10	0.42	0.00
	Total Debt	15,324	0	8,170	7,550	0
	Net Debt	13,654	-7,391	4,732	5,627	-3,746
	Net Debt as a % of total assets	17.2%	0.0%	4.3%	18.4%	-11.3%
	Cash and Cash equivalent	1,670	7,391	3,438	1,923	3,746
	Cash and Cash equivalent as a % of total assets	2.1%	23.5%	3.1%	6.3%	11.3%
	Total Assets	79,222	31,457	110,507	30,518	33,259
Capital	Total Equity	40,980	23,080	83,361	17,897	26,156
	Capital Employed	54,695	27,050	103,400	25,307	27,614
	Invested Capital	54,632	15,688	88,093	23,524	26,156
	Receivables including unbilled	16,860	7,899	12,668	5,537	3,602
Cash Flow Metrics	Free cash flow	4,775	5,395	10,918	2,755	4,119
	Free cash flow - excl. acquisitions	-324	5,395	1,336	2,111	3,006
	OCF	7,011	6,546	12,141	4,340	4,419
	OCF/EBITDA	58.1%	79.7%	93.5%	56.4%	82.7%
	FCF/PAT	80.3%	99.7%	202.5%	56.7%	101.3%
Key Performance Metrics	Revenue share from America	67.6%	76.4%	100.0%	100.0%	69.1%
	Revenue share from BFSI	34.1%	43.3%	0.0%	0.0%	na
	Revenue share from Healthcare	34.9%	nm	100.0%	100.0%	100.0%
	Revenue share from top 10 clients	46.5%	63.0%	90.5%	34.6%	57.7%
Offshore/Onshore	Onshore revenue - %	37.3%	20.6%	nm	nm	nm
	Offshore revenue - %	62.7%	79.4%	nm	Nm	nm

Source: Company, JM Financial

Key risks

Firstsource's risk profile is shaped by the structural shifts in the BPO industry. Rapid technology disruption from GenAI and cloud can impact its positioning unless offset by sustained investments in proprietary platforms and domain expertise. High client concentration (top 5 contribute ~31% of revenue) leaves growth vulnerable to non-renewals and vendor consolidation trends. Meanwhile, cybersecurity and data privacy remain material risks given handling of sensitive BFSI and healthcare data, where breaches or non-compliance can impact client trust. Also, intensifying competition from IT majors, scaled BPOs, and in-house captives is leading to an increase in pricing pressure.

Industry overview

GenAI wave expected to have a strong impact on BPO industry

A. GenAI poised to reshape all facets of BPO

GenAI is set to impact every facet of the BPO industry, from workforce and operating models to margins and pricing structures. With automation driving job redesign, reskilling imperatives, and hybrid human-AI teams becoming the norm, the very nature of service delivery is evolving. GenAI is enabling cost savings, productivity gains, and higher margins through automation.

Exhibit 26. GenAI is driving transformation across all aspects of BPO

Workforce & Jobs
Increasing importance of re-skilling

- Automation of roles: Significant magnitude of BPO jobs could be automated by 2030. One leading **BPO built an AI CoE (120 specialists) and automated 500 roles** in a year
- Job Cuts: **~8% of BPO firms report cutting headcount** due to AI
- Re-skilling: The Philippines' IT-BPO sector still grew 7% in 2024.**"People who use GenAI will replace people who don't,"** noted the Philippine BPO association CEO

BPO Operating Models
Major BPOs scaling AI across processes

- 24/7 AI agents: NLP chatbots manage ~45% of **customer interactions in English with 92% accuracy**, and RPA bots execute 55% of repetitive finance tasks
- Human–AI co-pilots: BPOs are shifting from **pure FTE models to hybrid agent+AI teams**. Even in AI-forward centers, 30–40% of inbound queries still require human judgment
- Increasing AI-dependence: AI "co-workers" handle a large volume of work. They often achieve **~80% first-contact resolution** on routine queries without needing breaks

Margins & Cost Structures
AI driving efficiency gains

- Cost savings & ROI: Intelligent **automation is driving efficiency gains**. One BPO exceeded its cost-reduction target by 50% through automation in first year of transformation
- Margin uplift: Embracing AI is boosting profitability. A mid-tier outsourcer that reaches **~40% automation by 2026 could lift net margins by 8–12%** vs those who delay automation
- Productivity windfall: GenAI is eliminating labor effort at scale – Gartner projects **~USD 80bn in contact-center labor costs will be saved by 2026** due to AI-led automation

Pricing Models & Contracts
Labour-based billing facing pressures

- Outcome-based deals: Pricing is shifting from FTE-hour models to **outcome-based contracts tied to results**. Such deals increased ~30% in prevalence in 2023–24
- Automation-linked pricing: BPOs are introducing **models that share automation benefits**. Some offer resolution-based pricing (e.g. pay per ticket resolved by AI) instead of per-agent rates
- Client-centric contracts: Clients now expect providers to leverage AI, and RFPs explicitly benchmark a BPO's AI capabilities

Source: Bain, Reuters, Yuma.ai, Andreessen Horowitz, Gartner, JM Financial

Across business functions, GenAI is already driving clear efficiency gains. From finance to HR and customer service, companies are seeing faster execution, improved accuracy and significant cost savings as AI handles repetitive, rules-based work. Contact centres, back-office operations and even IT development cycles are being reshaped, with GenAI enabling quicker turnarounds and more personalised outputs.

Exhibit 27. GenAI is driving efficiency gains across business processes

Enterprise function	Sub-area	GenAI Impact
Finance & Accounting	Accounts Payable (Invoice Processing)	AI-driven invoice processing **lowers cost per invoice by ~25%** (through automation and fewer errors)
	Accounts Receivable (Collections)	GenAI-assisted collections **reduce uncollectible accounts by ~43%** (improving recovery rates)
	Financial Planning & Budgeting	GenAI tools (for forecasting, reporting) **cut budget cycle time by ~33%**, accelerating financial planning
Human Resources	Talent Acquisition (Recruiting)	LLMs automate candidate sourcing, screening, and communications, **saving ~20% of recruiters' time**
	HR Administration & Support	GenAI chatbots and assistants handle routine HR queries and paperwork, **cutting admin workload by up to 60–70%**
	Talent & Performance Management	AI summarization of reviews and unbiased analysis provide insights, **yielding ~20% efficiency gains** in performance management processes
Customer Service	Customer Support (Contact Centre)	GenAI agents and assist tools handle inquiries and guide human agents, **boosting customer care productivity by ~30–45%** (equivalent cost savings)
	Technical Support (IT Helpdesk)	AI-driven knowledge bases and chatbots resolve routine issues faster – **service teams save ~45% of time on calls and resolve issues ~44% quicker**
	Customer Self-Service	Always-on GenAI chatbots deflect routine queries (handling up to 80% of common tasks), yielding significant cost reduction - **often ~35% lower support costs**
IT & Software Development	Software Engineering (App Development)	AI coding assistants (e.g. Copilot) speed up coding, testing and debugging – **developer productivity rises ~20–45% and tasks complete ~56% faster in trials**
	IT Service Desk & Operations	AI/GenAI for IT ops (self-service bots, incident automation) **can save up to 60% in IT operating costs** by automating routine management tasks
Marketing	Content Creation & Campaigns	GenAI copywriters and image/video generators accelerate campaign content production, **increasing marketing output by ~5–15%** (in value equivalent to spending)
	Personalization & SEO	AI tools personalize messages and optimize SEO at scale, improving efficiency; e.g. one study estimates **marketing productivity +10% via AI-driven personalization**
Sales	Lead Generation & Outreach	GenAI prospecting (auto-researching leads, drafting emails) frees reps' time – **early implementations show ~3–5% increase in sales productivity**
	Sales Support (Scripts & Follow-ups)	AI-generated call scripts and automated follow-ups improve efficiency; **GenAI can save ~5 hours/week per rep in prep and admin work** (reallocating ~12% of their time)
Procurement & Supply Chain	Sourcing and Procurement Processes	AI (including GenAI) automates manual vendor research, RFP writing, and order processing – **streamlining up to 30% of process hours and cutting procurement costs ~15–45%**
	Demand Planning & Logistics	Generative AI aids "no-touch" planning (forecasting, scheduling) – **leading companies see +1–3% to profit margins from AI-driven supply chain optimizations**
Legal & Compliance	Contract Review & Drafting	AI contract-analysis tools expedite reviews and negotiations – **contract cycle times cut by ~45–90% and review costs drop ~33%** on average
	Legal Research & E-discovery	GenAI assistants research case law and summarize documents, **saving lawyers ~5 hours per week (~32.5 working days per year)** that can be refocused on high-value work
R&D and Engineering	Product R&D (Design & Testing)	GenAI (in generative design, code generation, etc.) accelerates research cycles – **product development productivity rises ~10–15%** (value of overall R&D costs)
	Engineering Simulation & Analysis	AI-generated prototypes and simulations reduce trial-and-error; e.g. lab testing phases completed **~20% faster using GenAI-driven designs** (noted in life sciences)

Source: IBM, Bain, McKinsey, Plivo, ISG, Everlaw, BCG, KPMG, SirionLabs, JM Financial

B. Contact centres are experiencing a GenAI-led transformation

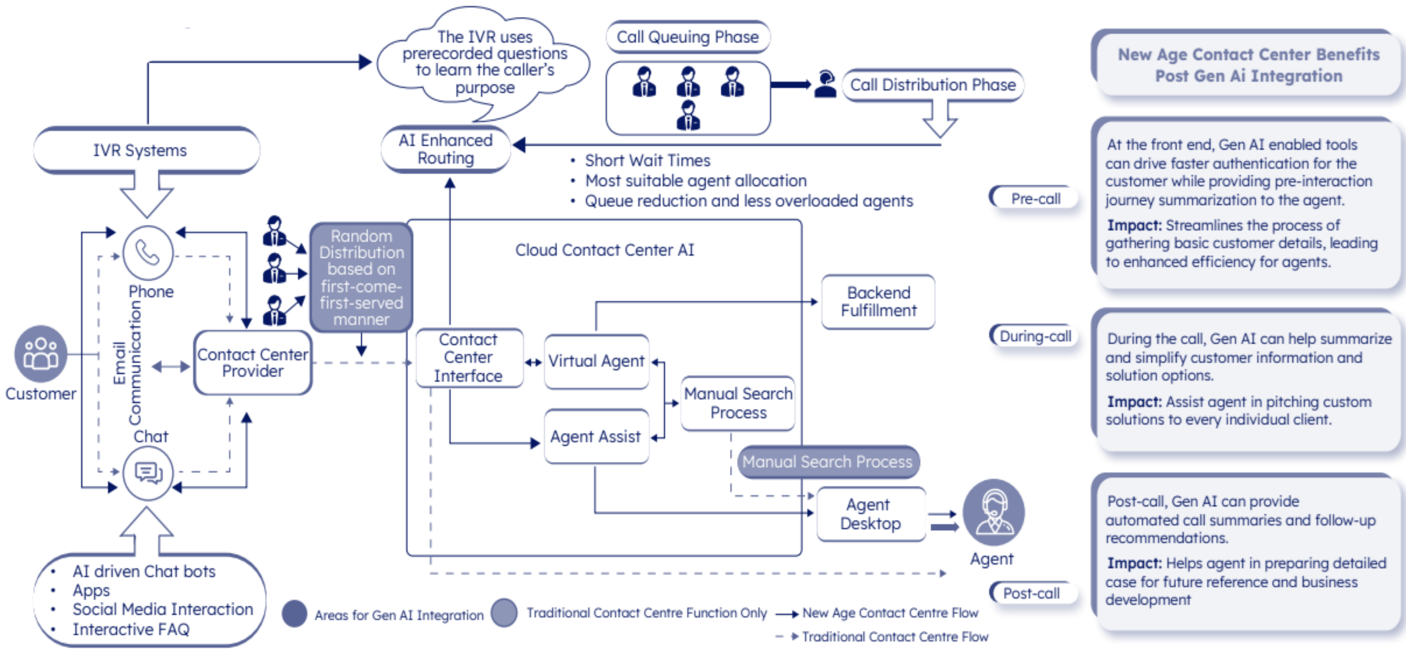
The CX (customer experience) industry has evolved from voice-centric support hubs to AI-powered ecosystems driven by rising customer expectations, digital adoption, and the need for seamless interactions. Chatbots and AI voice agents are increasingly handling routine queries with higher speed, reducing dependency on human agents while allowing them to focus on complex interactions. Enterprises now view CX as a revenue driver, using analytics and AI to extract insights from customer interactions.

Exhibit 28. Evolution of CX industry over the past decades

Traditional contact centres (pre 2010): reactive, single-channel support	Multi-channel contact centres (2010-2020): partial proactive support, low integration	Omni-channel CX (post 2020 and future): proactive, integrated, and AI-driven
- Customer interactions were limited to voice calls, with minimal alternative touchpoints	- Email, chat, SMS, and social media introduced alongside voice calls	- Unified CX across voice, chat, email, social media, and mobile apps
- Contact centres relied on legacy telephony systems (PBX) with limited scalability	- Each channel functioned independently, leading to inconsistent CX	- Predictive analytics, chatbots, and AI-driven recommendations enhance CX
- Service was provided only when customers reached out with issues	- Enterprises began using outbound calls and messages for follow-ups and reminders	- Enterprises migrate to cloud-native solutions for flexibility
- Operations were carried out independently and were siloed in nature	- Shift toward cloud-based solutions for scalability and remote accessibility	- AI-driven insights enable proactive customer engagement before issues arise

Source: Everest, JM Financial

Exhibit 29. GenAI integration is transforming contact centres enabling authentication, interactions, and follow-ups across support channels



Source: Deloitte, Nasscom, JM Financial

C. Pricing is getting competitive

GenAI is reshaping BPO pricing models, pushing the industry away from traditional FTE-based contracts towards productivity and outcome-linked models. As AI delivers measurable efficiency gains – such as faster query resolution, reduced error rates, and automated workflows – clients are demanding that these benefits should be reflected in pricing.

Exhibit 30. Aggressive solutioning is leading to competitive pricing

Contracting - Rise in non-cyclical clauses	Solutioning - Rise in commitments	Pricing
- Longer payment terms and clauses to lock in productivity gains	- Service providers agreeing to high productivity improvement from GenAI	- Competitive dynamics with ensure aggressiveness in solutioning
- Stringent service-level agreement (SLA) regimes	- Productivity conversation becoming table stakes	- Aggressiveness in solutioning will ultimately translate to aggressive pricing.

Source: Everest, JM Financial

How BPO firms are adapting to thrive in the changing environment

The traditional BPO model built on labour cost arbitrage is giving way to a new structure where technology, adaptability and speed define a player's competitiveness. Clients today expect partners to deliver more than low-cost execution – they want intelligent, end-to-end transformation. This has pushed BPOs into a process transformation stage, where GenAI, analytics and automation are being embedded into workflows to unlock agility and scalability. The marks a shift from cost arbitrage to technology arbitrage, demanding fundamental restructuring of BPO business models.

Exhibit 31. BPM service providers are moving up the value chain and transitioning from handling transactional tasks to addressing complex, strategic, and high-value problems

	Wave 1: Process Management (Till 2010)	Wave 2: Process Optimization (2010–2022)	Wave 3: Process Transformation (2022 – Future)
Key focus	Handling repetitive, rule-based tasks such as data entry, invoice processing, and basic customer service	Streamlining and optimizing existing processes to enhance efficiency and reduce errors, and leveraging advanced technologies to automate complex processes and provide insights	Addressing high-value, strategic, and complex problems, and focusing on end-to-end process transformation
Value proposition	- Cost reduction	- Improved process efficiency - Enhanced decision-making capabilities	- Driving outcome-based business transformation - Fostering innovation - Solving vertical specific challenges
Tools & technology leveraged	Primarily manual with basic automation	RPA, Workflow automation tools, AI	Gen AI, technology platforms, advanced analytics, cloud computing
Examples	- Invoice processing	- Workflow automation for approval processes	- Designing and managing end-to-end process operations
	- Order entry and fulfilment	- Reduce waste and improve process flows	- Creating personalized customer experiences
	- Customer inquiries and support	- Forecast demand and optimize inventory	

Source: Nasscom, JM Financial

A. AI-integrated services and expansion into new business lines

Leading BPO firms are actively evolving their offerings through a mix of proprietary products, strategic partnerships, and AI-led capabilities tailored to enterprise needs. Players are rolling out AI-integrated solutions - GenAI-powered credit and knowledge assistants, medical summarisation tools, and CX assistants to assist client operations in areas like finance, healthcare, compliance, and travel. For instance, Genpact continues to scale its "Cora" AI platform across order-to-cash, analytics, and insights workflows; EXL has developed a staffing-focused AI agent for recruitment and talent operations; and Firstsource is positioning itself as a GenAI-first service provider delivering embedded workflows for customer experience. These moves underscore how BPOs are no longer content with delivering labour arbitrage; they now compete on AI-enabled products that embed domain knowledge into outcome-oriented workflows.

Exhibit 32. BPO leaders are expanding services and enhancing capabilities through GenAI-focused products, services, and partnerships

Domain	Task	GenAI product/service/partnerships
Finance & Accounting	AP/AR and controllership	**WNS F&A GenAI Suite** - Insight generators, knowledge miners, augmented assistants built with GenAI models, partners include AWS, Google Cloud, and Microsoft
		Genpact + Advantage solutions partnership - Expand gen-AI across order-to-cash; deductions recovery, contract automation
Human Resources	Recruiting, Staffing, L&D	**EXL HR Staffing Agent** - Sourcing, screening, and scheduling
Customer Service/CX	Agent assist/Knowledge assist	**Genpact Cora Knowledge Assist** - Multilingual gen-AI tool for faster agent resolution
		Concentrix iX Hello - GenAI assistants; integrates Amazon, Google, Meta, Microsoft, OpenAI, Salesforce LLMs
		TaskUs Assist AI (formerly KnowledgeAssist) - Powered by TaskGPT; uses different LLMs on a teammate-facing copilot
		WNS Knowledge Assistant - Travel/CX knowledge engine paired with GenAI, partners include Google Cloud and Microsoft
		eClerx GenAI360 for customer ops - GenAI platform for CX
	Chatbots and Virtual agents	**Concentrix iX Hello** - ~40 pre-built virtual agents
		Genpact Cora ContactUs.ai - Customer service automation using GenAI
		TaskUs - Agentic AI for customer interactions (autonomous, orchestrated workflows combined with human handoff), partners include NVIDIA
		Teleperformance + Kore.ai partnership - LLM-powered virtual assistant
	Healthcare contact centre	**Sagility** - Outlines GenAI to reimagine contact centre (front-office) experiences
		EXL EXLerate.AI - Used across payers/providers for service workflows
	General CX tasks	**Firstsource relAI** - Suite to scale GenAI across CX combined with thought leadership on GenAI in customer experiences
		Reply prebuilt AI apps - Productized agentic apps to raise productivity in information-intensive areas like HR
Sales	Seller assist	**Amdocs amAIz (Telco)** - GenAI sales agent that assists in conversational selling, billing Q&A etc.
Legal & Compliance	Contract analysis, media screening and regulatory review	**WNS Adverse Media Screening** - GenAI for AML/KYC due diligence reports
		WNS Contract Management - GenAI insights and risk detection
		Indegene - GenAI for promo, med-legal-regulatory (MLR) reviews
Research and Analytics	Narratives and Insight generation	**WNS Insight generators and knowledge miners** - Auto reports, commentary, and RAG in restricted settings, partners include AWS/Google/Microsoft
		EXL BA Copilot - GenAI for business analysis and requirements, integrates with Azure OpenAI in EXL programs
	Research drafting and Insight generation	**eClerx SciGen** - Generative research and writing service
	Clinical documentation	**IKS Health Scribble Now** - Ambient GenAI scribe that captures/creates clinical notes

Source: Company reports, Press releases, JM Financial

B. Enhancing capabilities through acquisitions

BPO firms are actively evolving into technology-driven players by strategic acquisition of AI-centered businesses and platforms. For instance, Teleperformance recently acquired Agents Only, an AI-enabled crowdsourcing platform, to rapidly scale its TP.ai offering with on-demand access to certified domain experts and accelerate its GenAI services. WNS has bolstered its tech and analytics stack by acquiring firms like Vuram (hyperautomation), The Smart Cube (market intelligence & analytics), and Kipi.ai (data modernisation). Such acquisitions signal a clear shift in the BPO industry – from traditional labour outsourcing to delivering end-to-end, AI-powered process transformation.

Exhibit 33. Strategic AI-focused acquisitions by leading BPO players in recent years

Company	Acquisition	Target description	Acquisition period
Teleperformance	Agents Only	An AI-enabled crowdsourcing platform that connects enterprises with certified skilled professionals across the globe	Jun-25
Firstsource	AccunAI	The company is a provider of AI development services, their AI data engine has technology companies build and evaluate their AI models	Feb-25
Amdocs	Profinit	Has deep expertise in custom software development, data management, data science and AI having a team of over 500 software developers, data engineers, and mathematicians	Dec-24
Sagility	BirchAI	A healthcare technology company offering cloud-based, GenAI call technology built by experts in transformer-based natural language processing	Mar-24
WNS	Kipi.ai	A leader in data modernization and democratization services focused on the Snowflake platform, Kipi provides strategy, execution, and managed service capabilities across data engineering, advanced analytics, and data science	Mar-25
	The Smart Cube	Provides digitally-led market intelligence and analytics solutions, leverages their proprietary digital AI knowledge management platform called "Amplifi Pro" to help clients drive improved procurement and market intelligence and insight-based decision making	Jan-23
	Vuram	Helps companies accelerate digital transformation by aligning, automating, and optimising processes using a combination of low-code software applications and intelligent automation platforms	Jul-22

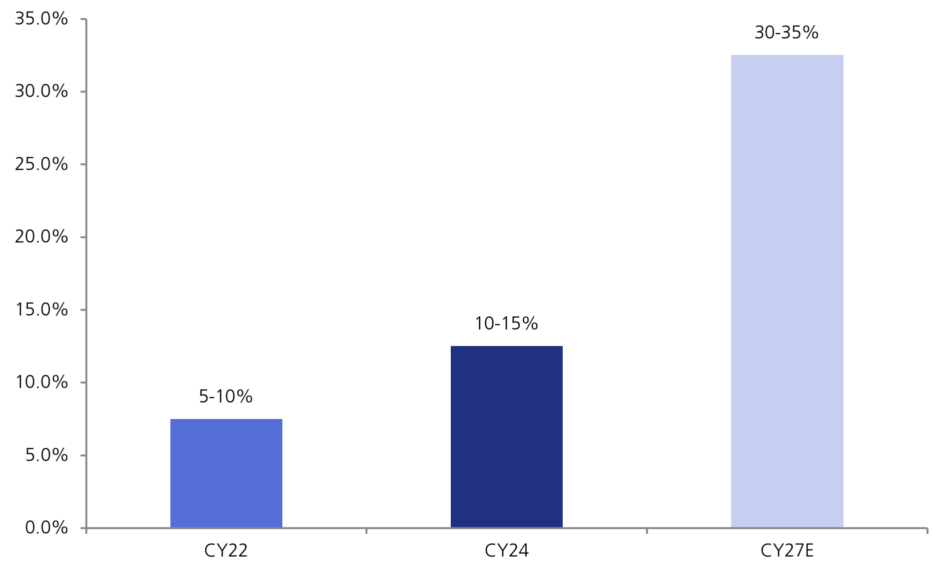
Source: Company reports, Press releases, JM Financial

C. Evolving BPO commercial model

BPO firms are moving away from traditional, effort-based models such as time-and-material, full-time equivalent, or transaction-based pricing, and adopting outcome-based pricing approaches that closely tie revenue to business results. Unlike fixed-fee or per-seat arrangements, outcome-based models link payments to measurable outcomes such as resolved customer queries, cost savings, or efficiency improvements. This shift aligns provider incentives with client goals and drives innovation. For instance, companies in contact centre services are transitioning away from pay-per-minute or pay-per-seat pricing in favour of bundled, outcome-oriented pricing – a shift accelerated by AI's ability to streamline customer interactions and reduce manpower costs. Outcome-based pricing not only reduces the risk of overpaying for under-delivered services, but it also fosters partnership between BPO providers and their clients.

Exhibit 34. Share of India's BPO revenue linked to outcome-based pricing model likely to become ~2-3x over the next 3 years

India BPO industry % share of revenue from outcome-based pricing model



Source: Nasscom, JM Financial

D. Strong focus on industry-specific BPS solutions

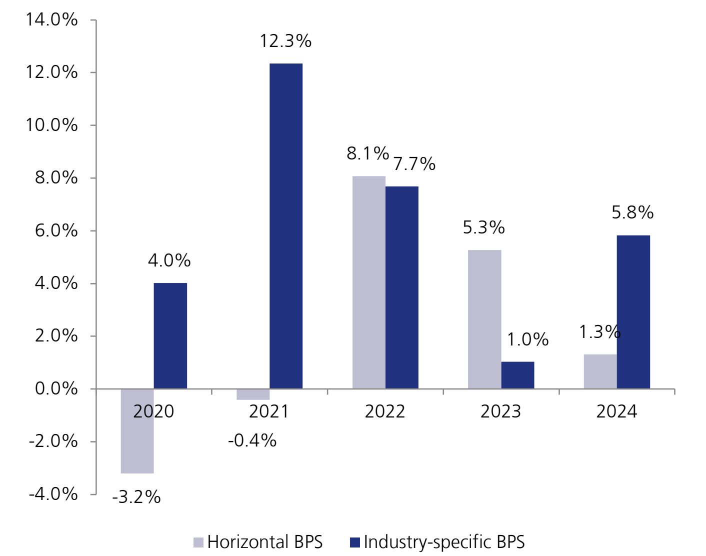
Industry-specific BPS services is expected to be a growth driver for BPO players. Large segments such as mortgage are showing signs of recovery, supported by cost cuts and an uptick in capital market volume, while insurance remains resilient on the back of core modernisation. In healthcare, revenue cycle management (RCM) continues to be a top priority, with sourcing models shifting from labour arbitrage to value-driven, analytics and AI powered solutions. BFSI demand is being reinforced by FCC, cards, and payments subsegments, as well as rising volumes from fintechs, regional banks and non-banks.

Exhibit 35. Most leading BPO players offer industry-specific solutions across BFSI and Healthcare

Service Provider	Industry-specific BPS			
	FS	HLS	Insurance	Others
ADP	✗	✗	✗	✗
TP	✓	✗	✓	✓
Concentrix	✓	✗	✓	✓
Accenture	✓	✓	✓	✓
Paychex	✗	✗	✗	✗
Genpact	✓	✓	✓	✓
TCS	✓	✓	✓	✓
Foundever	✓	✗	✓	✓
Iron Mountain	✗	✗	✗	✗
Altius Link	✓	✓	✗	✗
NTT Data	✓	✓	✓	✓
Cognizant	✓	✓	✓	✓
Conduent	✓	✓	✓	✓
TELUS Digital	✗	✗	✗	✓
EXL	✓	✓	✓	✓
Konecta	✓	✗	✓	✓
Fidelity	✗	✗	✗	✗
Transcosmos	✗	✗	✗	✓
Sutherland	✓	✓	✓	✓
IBM	✓	✗	✓	✓
Alorica	✓	✗	✗	✓
Willis Towers Watson	✗	✗	✗	✗
SD Worx	✗	✗	✗	✗
Firstsource	✓	✓	✓	✓
DXC Technology	✓	✓	✓	✓
Xerox	✗	✗	✗	✗
Wipro	✓	✓	✓	✓
Infosys BPM	✓	✓	✓	✓
TTEC	✗	✗	✗	✓
Atento	✗	✗	✗	✗
TaskUs	✗	✗	✗	✓
CGI	✗	✗	✗	✗
Capgemini	✓	✓	✓	✓
WNS	✓	✓	✓	✓
Sopra Steria	✓	✗	✗	✗
Tech Mahindra	✓	✓	✓	✓
Omega Healthcare	✗	✓	✗	✗
Sagility	✗	✓	✗	✓
Kelly	✓	✓	✓	✓
Intelcia	✗	✗	✗	✓
Mercer	✗	✗	✗	✗
Alight Solutions	✗	✗	✗	✗
Transcom	✓	✗	✓	✓
Allegis Global Solutions	✗	✗	✗	✓
iQor	✗	✗	✗	✓
VXI Global Solutions	✓	✗	✓	✓
Capita	✓	✓	✓	✓
HGS	✓	✓	✓	✓
Exela Technologies	✓	✓	✓	✓
ManpowerGroup	✗	✗	✗	✗

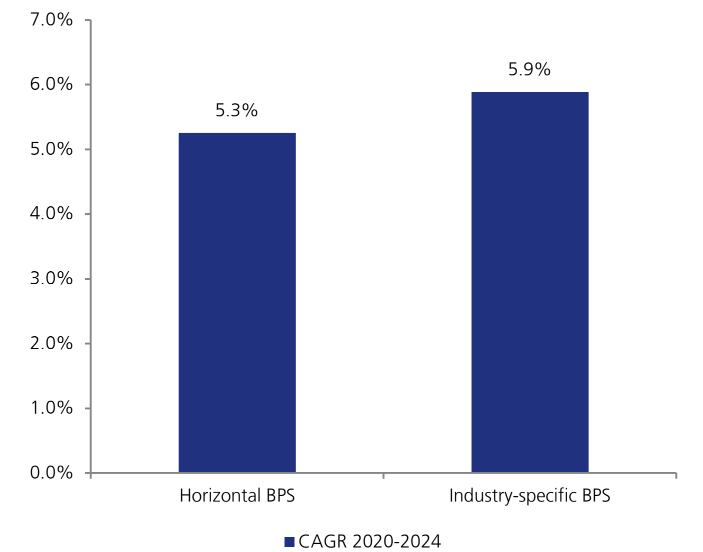
Source: Everest, JM Financial

Exhibit 36. Industry-specific BPO services exhibited strong growth compared to only horizontal during most years…
Industry-specific vs. Horizontal BPS services* revenue growth (%)



Note: Players providing industry-specific services vs players providing only Horizontal BPS services in Everest top 50 players 2019-2024. Source: Everest, JM Financial

Exhibit 37. …leading to stronger growth of players providing industry-specific BPO services over 2020-2024
Industry-specific vs. Horizontal BPS services* revenue growth (%)

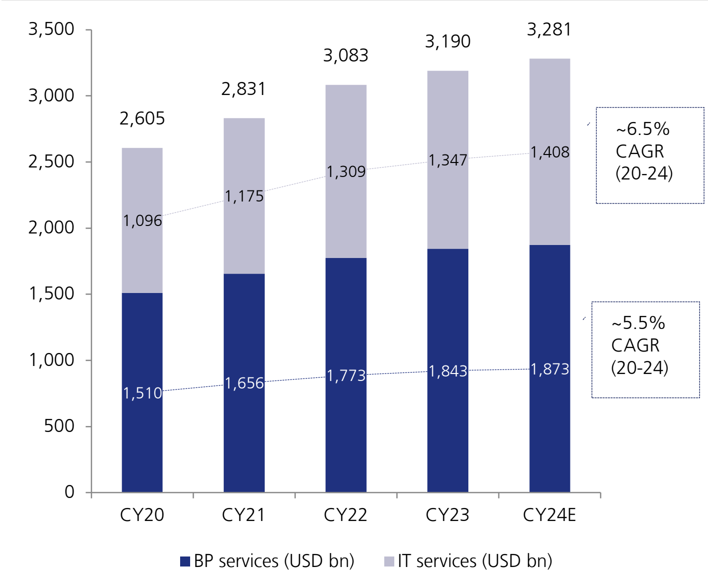


Note: Players providing industry-specific services vs players providing only Horizontal BPS services in Everest top 50 players 2019-2024. Source: Everest, JM Financial

E. Addressing whitespaces and expansion into new service lines

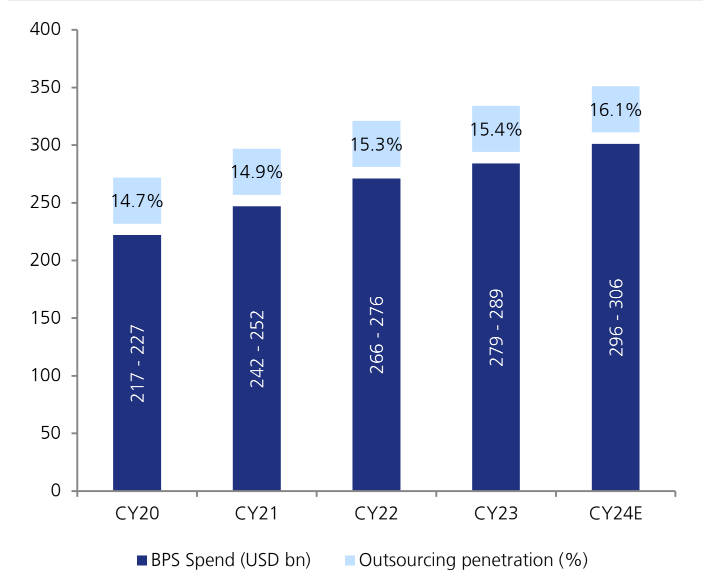
From CY24 onwards, BPO appears to have regained momentum, stabilising after a phase of muted growth. We believe this growth has been underpinned by integration of AI into both delivery and service offerings, allowing firms to plug whitespaces in existing accounts and expand wallet share. BPOs are expanding into new service lines that were previously outside the traditional outsourcing scope. For instance, Acquire Intelligence (formerly Acquire BPO) has rebranded to signal its transformation into a business-process-plus-intelligence firm, introducing AI consulting, automation tools, and RPA under its Acquire.AI division. Players in the Philippines are blending AI into customer experience – like AI-driven agent assist, sentiment workflows, and accent-neutralisation in voice calls.

Exhibit 38. While BPS spend witnessed flattish growth in CY24…
Global enterprise tech services spend (USD bn)



Source: Everest, JM Financial

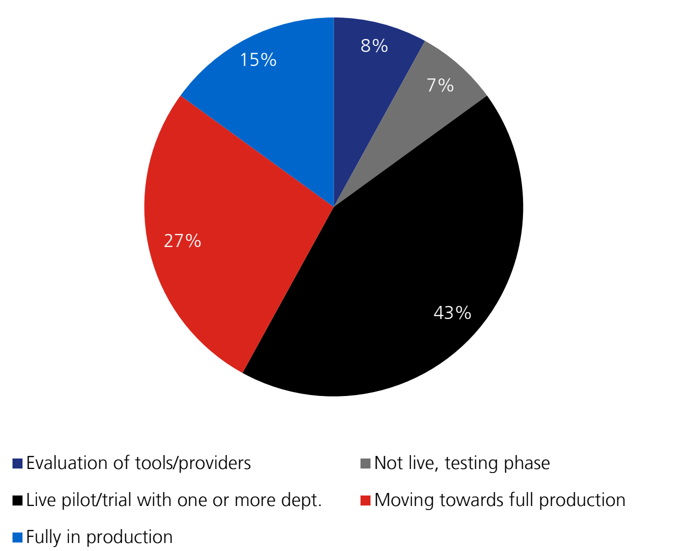
Exhibit 39. …outsourcing penetration grew 140bps over CY20-24
Global outsourcing Business Processes services spend (USD bn)



Source: Everest, JM Financial

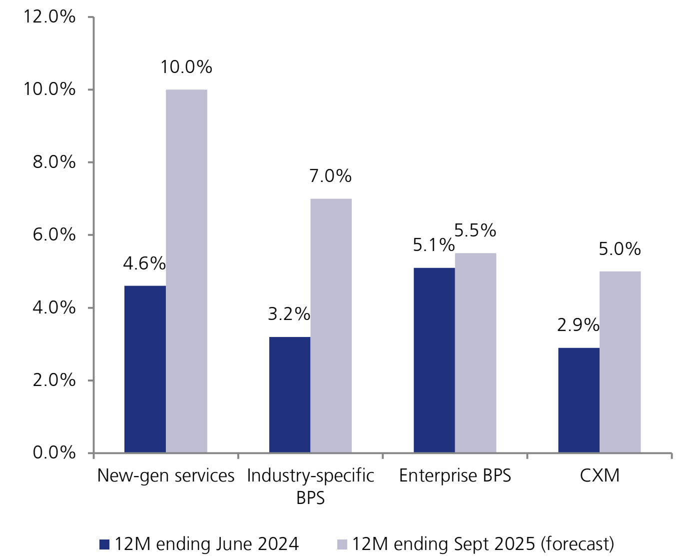
Looking forward, there is meaningful headroom for deeper outsourcing penetration in BPS, especially as GenAI and automation technologies redefine delivery models. Far from being displaced, the sector is evolving expanding into higher-value services, embedding domain expertise, and addressing the process-tech-skills-data (PTSD) debt that constrains enterprise adoption of AI. BPO firms are working towards becoming tech-driven transformation partners and helping enterprises in their AI adoption journey.

Exhibit 40. Only 15% of GenAI initiatives are fully in production, BPOs can bridge this gap
Current status of GenAI initiatives, 2024



Source: ISG survey n=201, JM Financial

Exhibit 41. New-gen and industry-specific BPO services are expected to be strong contributors of BPO growth in 2025
Organic cc growth by service type



Source: Everest, JM Financial

Exhibit 42. BPS has outpaced ITS growth since emergence of GenAI, and this trend is expected to continue
BPS vs. ITS revenue growth (%)

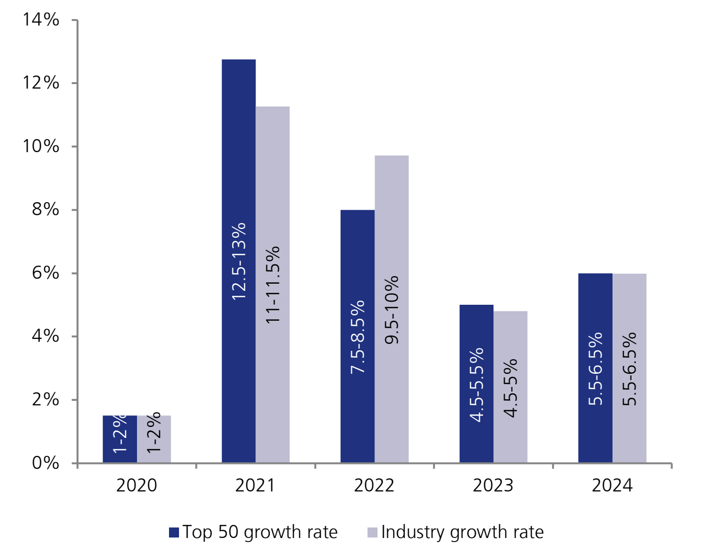
Source: Everest, JM Financial

Current market landscape

A. Agility driving growth in mid-tier BPOs

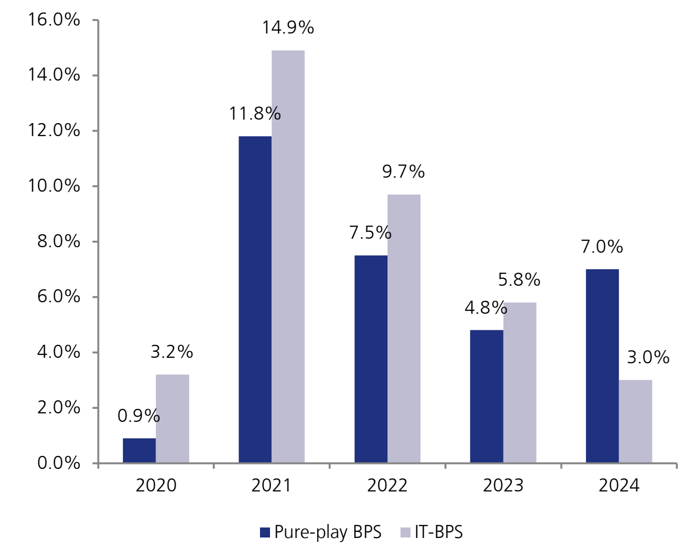
The global BPO landscape is undergoing a structural shift, with growth momentum moving beyond the top 30 players towards the mid-sized segment (top 31-50 players and firms with ~USD 1bn in revenue). These players, while smaller than the large established players, are showing faster growth (5-6% CAGR for top 30 vs. 9-10% CAGR over 2020-24), supported by their agility and investments in emerging technologies. They are gradually gaining market share, aided by their ability to adapt service lines and integrate AI-driven capabilities into offerings.

Exhibit 43. BPO industry growth witnessed an uptick in 2024 after continuously decreasing growth rates over CY21-23…
BPO industry growth rate, Top 50 and overall industry (%)



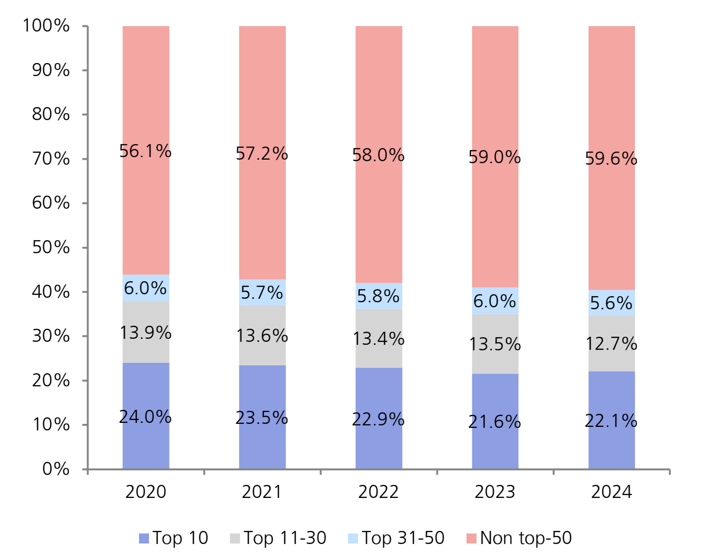
Source: Everest, JM Financial

Exhibit 44. …and this growth was led by pure-play BPO players with 7% YoY growth in CY24
Top 50 players growth rate, Pure-play BPS and IT-BPS (%)



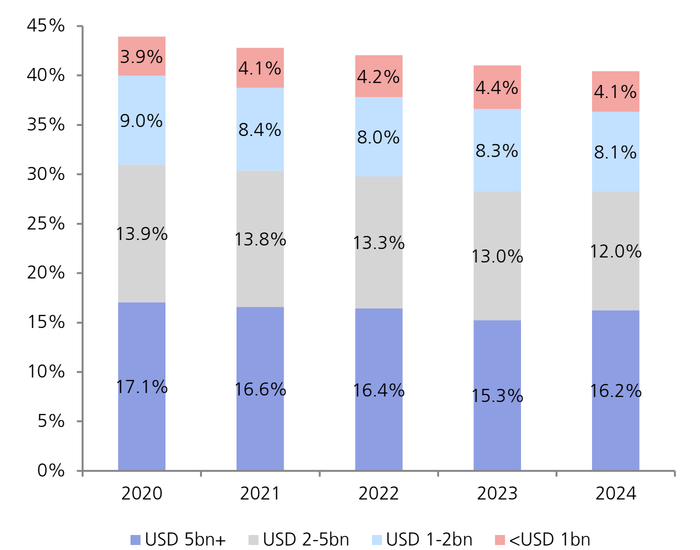
Source: Everest, JM Financial

Exhibit 45. While market share of the top-30 BPO players has declined, top 31-50 players were able to maintain their share
Market share across buckets, ranking by 2024 revenue



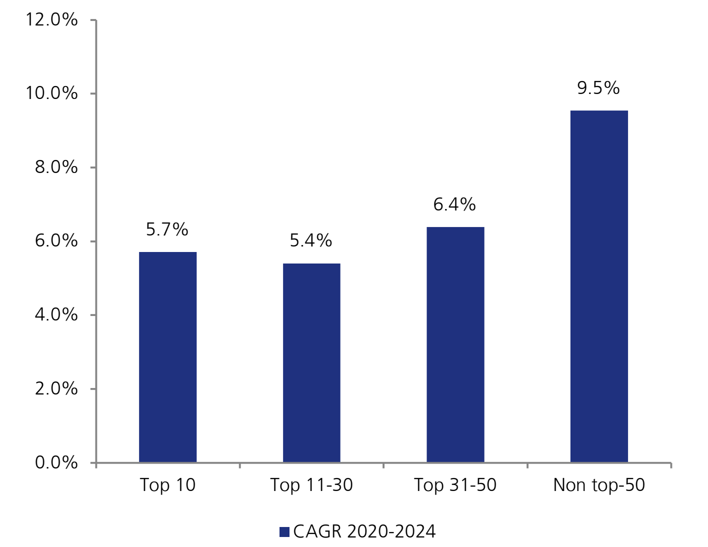
Source: Everest, JM Financial

Exhibit 46. Across the top 50, while market share increased for players having < USD 1bn revenue, it declined across other buckets
Top 50 players market share, by 2024 revenue



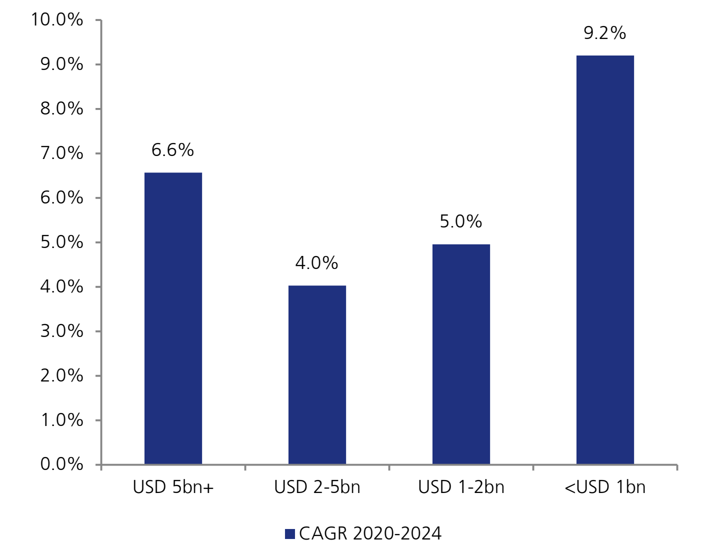
Source: Everest, JM Financial

Exhibit 47. Growth momentum in the global BPO space shifted beyond the top 30 over 2020-2024…
Revenue CAGR 2020-24 across buckets, ranking by 2024 revenue



Source: Everest, JM Financial

Exhibit 48. …with the highest growth in top 50 coming from players having <USD 1bn revenue
Top 50 players CAGR 2020-2024, by 2024 revenue

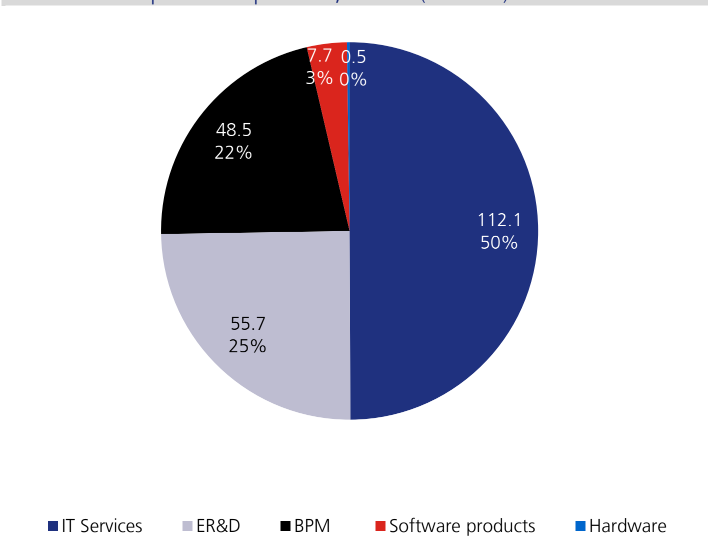


Source: Everest, JM Financial

B. India's rapidly growing BPO market

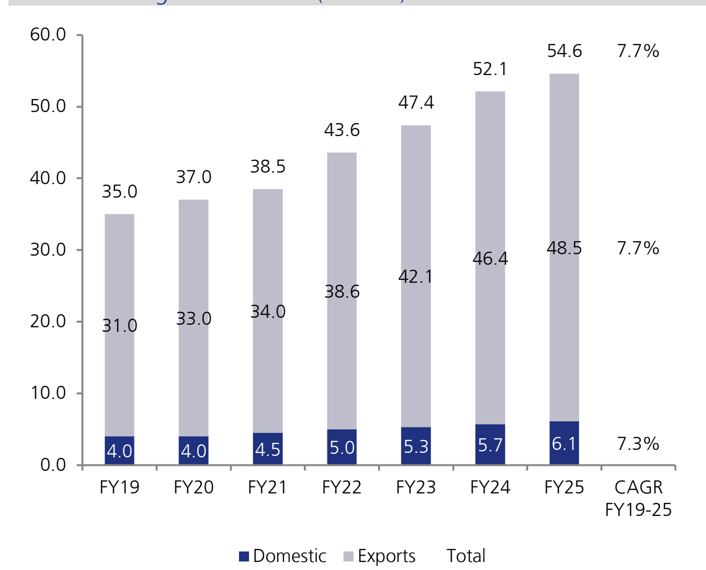
India's BPO industry has emerged as a key pillar of the country's technology exports, contributing 20%+ to the USD 200bn+ tech exports in FY25. Revenue from this segment is projected to reach c.USD 55bn in FY25, up from USD 35bn in FY19, reflecting a CAGR of ~7–8%. Moreover, c.90% of India's BPO revenue has consistently come from exports. India today accounts for ~42–45% of global BPO exports, underscoring its leadership position in the outsourcing value chain. The combination of scale, cost efficiency, and domain expertise has ensured that India remains a key choice for global enterprises seeking to transform service delivery.

Exhibit 49. BPO services have been a meaningful contributor to India's tech exports…
India's tech exports composition, FY25E (USD bn)



Source: Nasscom, JM Financial

Exhibit 50. …and India's BPO exports have grown at 7.7% CAGR over FY19-25
India's BPO segment revenue (USD bn)

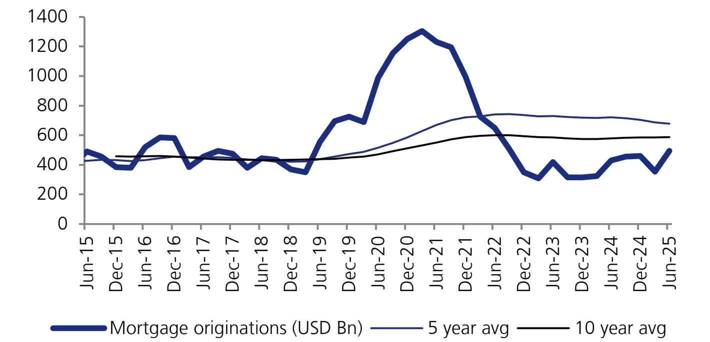


Source: Nasscom, JM Financial

C. Mortgages: Macro-economic indicators turn positive

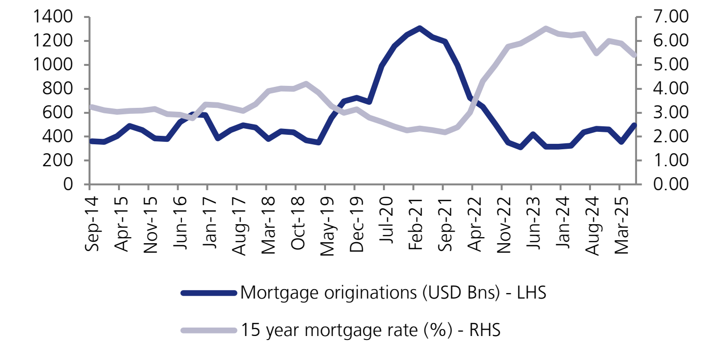
Mortgage activity remains below long-term averages but is poised to recover as rates ease. Mortgage volume has historically shown strong –ve correlation to rates. Many mortgages are currently locked in at c.6%, a decline below these levels could trigger sizeable refinance activity – this is already evident in the recent 108% WoW jump in refinancing applications. Home prices continue their steady uptrend, supporting equity build-up and subsequent HELOC activity. New home sales have also been stable at c.600k, indicating resilient demand and offtake – this should keep demand for mortgages resilient.

Exhibit 51. Mortgage originations are below long-term averages, it is seeing an uptick in recent quarters
Mortgage originations with averages – USD bn



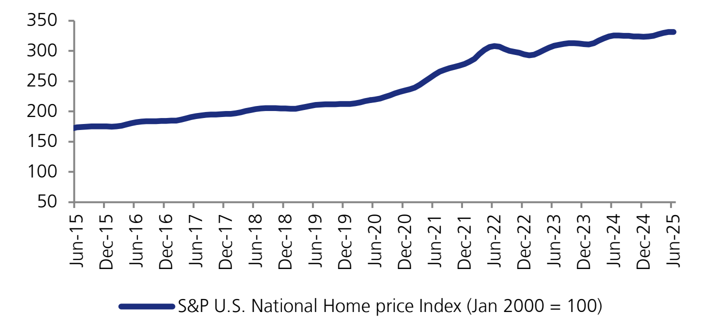
Source: Bloomberg, St. Louis Fed, JM Financial

Exhibit 52. Mortgage originations have –ve correlation with rates; Originations are rising as rates decrease
Mortgage originations- USD bn; 15-year mortgage rate (%)



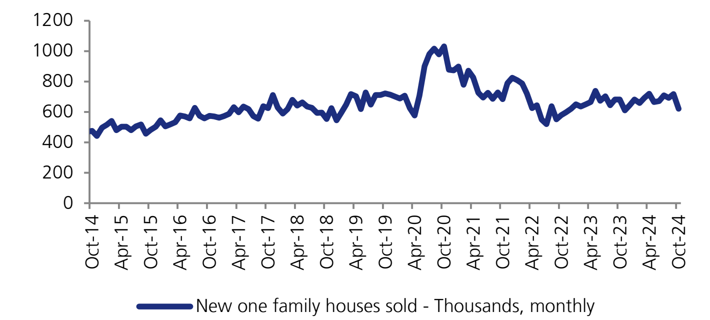
Source: Bloomberg, St Louis Fed, JM Financial

Exhibit 53. Home prices have seen a consistent uptrend, this can drive home equity volumes
S&P US National Home price index



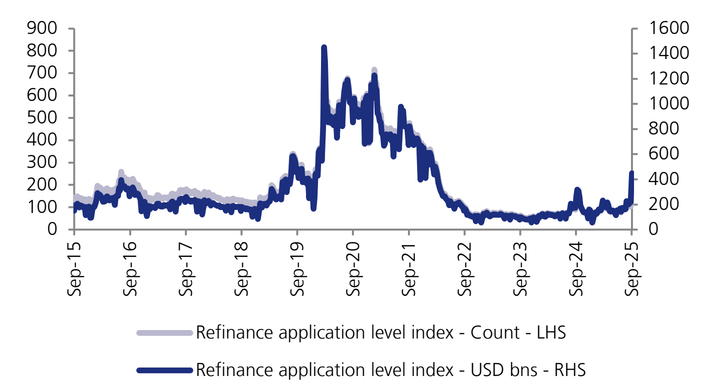
Source: St Louis Fed, JM Financial

Exhibit 54. New home sales stable at 600k, indicating no slowdown in offtake, demand for homes remains stable
New single family houses sold



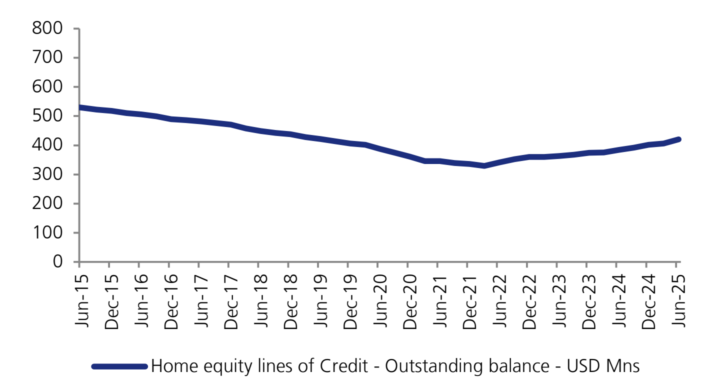
Source: St Louis Fed, JM Financial

Exhibit 55. Refinance activity picked up sharply (+108%) last week with fall in rates, this could shoot up when rates fall below 6%
Refinance application level index, USD bn/Nos.



Source: Fannie Mae, JM Financial

Exhibit 56. HELOC loan activity seeing a consistent growth trend, post the inflection in Dec'21- home prices to drive this higher
HELOC – outstanding balances, USD bn

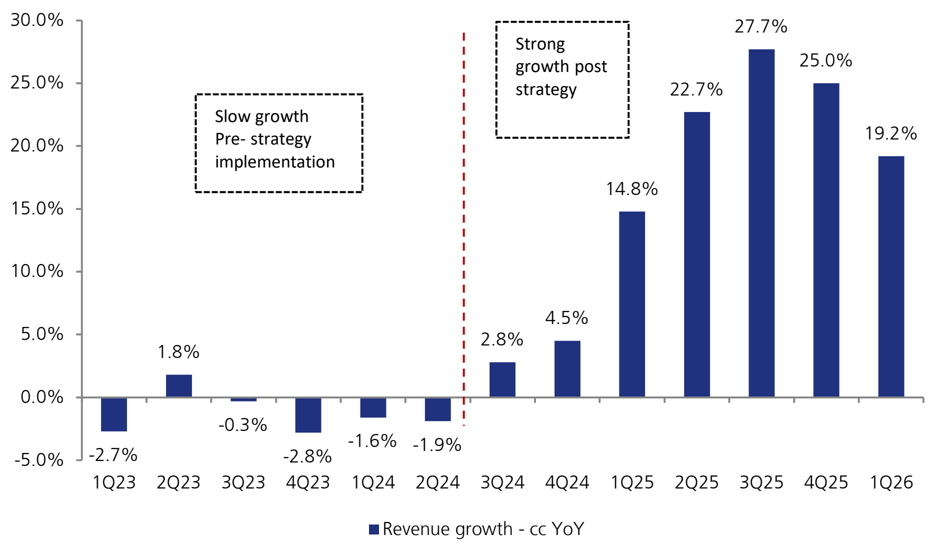


Source: St Louis Fed, JM Financial

One Firstsource strategy: The transformation begins

After taking over as CEO in Sep'23, Ritesh Idnani initiated a transformation at Firstsource under the "One Firstsource" strategy, built around seven strategic pillars. The framework emphasised simplifying the organisation, driving cross-sell and up-sell in key accounts, expanding capabilities, amplifying the brand, embedding technology in all operations, elevating employee experience, and improving profitability. Together, these initiatives were designed to reposition Firstsource for top-quartile revenue growth alongside margin expansion. These efforts have seen noticeable success; there has been an improvement in cross-sell, new client addition metrics, brand visibility, employee metrics and margins. There has also been an acceleration in growth post implementation of the framework.

Exhibit 57. Ritesh Idnani's appointment as CEO and implementation of strategic initiatives accelerated revenue growth to 23% (org. 16%) in FY25 vs. 2% in FY24
Revenue growth - cc YoY



Source: Company, JM Financial

A. Simplify the organisation

A history of acquisitions

Firstsource was established in 2001 as ICICI Upstream ltd by ICICI Bank, and expanded rapidly through acquisitions including Customer Asset India (2002), FirstRing Inc. (2004), Pipal Research (2005), RevIT Systems (2005), Business Process Management (2007) and MedAssist (2008). The company further ventured into the mortgage segment with the acquisition of ISGN in 2014. However, these businesses operated in silos, constrained both by regulatory requirements and the absence of a unified culture. Limited integration curtailed cross-selling opportunities, as sales teams remained focused on their own client bases with little incentive to collaborate across subsidiaries. The One Firstsource strategy attempted to address these challenges - bringing the disparate entities under a single framework, aligning incentives, and driving both revenue growth and margin expansion.

Exhibit 58. Firstsource has expanded through acquisitions, but these acquisitions operated in silos, constraining growth and cross-sell efforts
History of acquisitions - Firstsource

Year	Acquisition	Date of acquisition	Description	Stake acquired	Total consideration	EV/Sales
FY03	Customer Asset India ltd.	01-May-02	Bangalore based contact centre with a wide range of products including inbound and outbound calls, e-mail and chat services	100%	USD 19.3mn	nm
FY04	Firstring Inc.	01-Jul-03	Firstsource acquired customer acquisition and credit card services capabilities through this acquisitions	100%	nm	nm
FY05	Pipal research corporation	26-Jul-04	Pipal research and analytics was engaged in providing business research services to companies in the BFSI industry	51%	USD 3.3mn	nm
FY05	RevIT systems pvt. Ltd	31-Mar-05	Chennai based BPO company. Strengthened transactions processing capabilities and facilitated entry into the healthcare vertical	100%	USD 22.8mn	nm
FY07	Business process management Inc.	29-Dec-06	Transaction processing and claims adjudication services primarily to customers in the healthcare industry	100%	USD 31.5mn	nm
FY08	Medassist	01-Aug-07	Med Assist is a leading provider of RCM to the healthcare provider industry in the USA.	100%	USD 333mn	1.2x
FY17	ISGN's BPO business	19-May-16	ISGN solutions provides mortgage processing outsourcing, mortgage servicing outsourcing, title and settlement services and valuation services	100%	USD 13mn	.5x
FY21	Patient matters LLC (including subsidiaries of Medical advocacy services and Kramer technologies)	22-Dec-20	PatientMatters is a leading Revenue Cycle Management solutions provider with focus on US Healthcare Providers (Hospitals) and provides Patient Advocacy services and Front-end RCM SaaS platform to address the Patient Responsibility and Self-Pay segment	100%	USD 13mn	3.7x
FY22	American recovery services	29-Dec-21	It provides legal collection services to leading BFSI and Fintech clients in USA	100%	USD 53mn	.8x
FY22	Stonehill group	09-Nov-21	It focuses on loan quality control, due diligence and loan origination services to the US mortgage industry	100%	USD 27mn	1.9x
FY25	Quintessance Business solutions and services pvt. Ltd (QBSS)	03-May-24	QBSS and QBSS LLC render revenue cycle management services to the US Healthcare market.	100%	USD 39.3mn	1.7x
FY25	Ascensos	23-Sep-24	Ascensos and its subsidiaries render BPM services for the retail, consumer and e-commerce verticals	100%	GBP 42mn	.7x
FY25	AccunAI	07-Feb-25	AI development service provider	100%	INR 80.3mn	4.7x

Source: Company, JM Financial

A key pillar of the One Firstsource strategy is organisational simplification to eliminate overlaps, strengthen accountability, and accelerate decision-making. The company reviewed enabling functions for centralisation or decentralisation based on business needs, and aligned roles to the most efficient locations. As part of this redesign, North America was realigned into three verticals - Banking & Financial Services, Healthcare, and Communications, Media & Technology – while Europe was structured as a geography-led unit. Capabilities were consolidated into five areas: Collections, Customer Experience, Consulting, Data & Analytics, and Trust & Safety. Each market unit will be taking the full portfolio of capabilities to clients. In parallel, Firstsource strengthened leadership by bringing in senior talent to support execution.

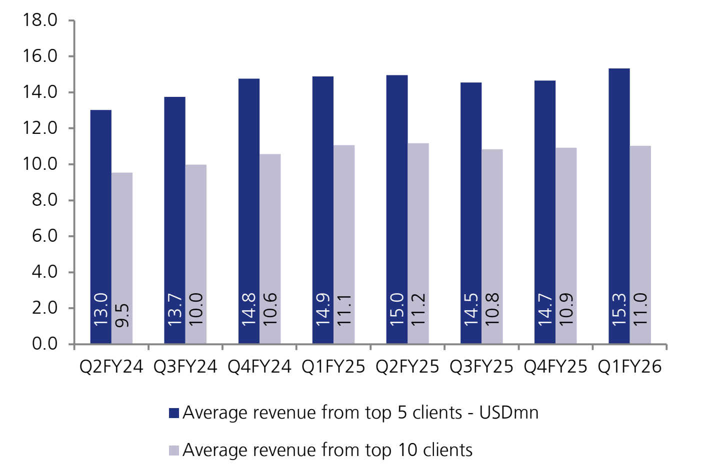
B. Cross-sell/Up-sell into existing accounts

Under the One Firstsource framework, the management sharpened its focus on cross-sell and up-sell to drive deeper wallet share from high-potential accounts. The company identified 50+ priority clients with significant headroom for growth and assigned dedicated client partners with clear ownership for account expansion. These partners are mandated to prepare structured account plans, map white spaces, proactively take proposals to clients, and build a pipeline of large transformational deals. To support execution, Firstsource has broadened its go-to-market coverage, and instituted a governance process where the CEO personally reviews each priority account once a quarter. It has expanded its sales force as well. The management noted in the 4QFY24 earnings call that the sales force had expanded by a third in the preceding 6 months. Early traction in the pipeline reinforces the management's confidence in the initiatives it has taken.

Results so far…

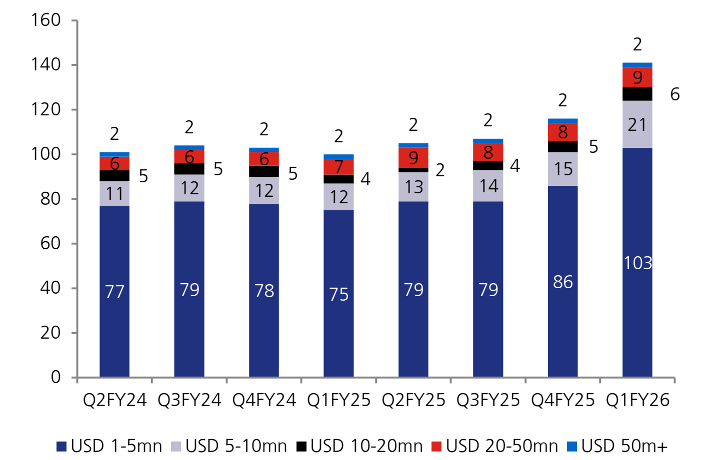
The cross-sell and up-sell strategy has delivered tangible results across client mining, deal momentum and account expansion. Large deal wins (>USD 5mn) have accelerated. Firstsource is now winning 4-5 large deals per quarter (4QFY25-1QFY26). Cross-sell and up-sell efforts drove steady sequential revenue growth of c.5%, led by top 5 and non-top 10 accounts. Additionally, average revenue per top 5 and top 10 clients has trended upwards since the implementation of the new strategy. There has been strong client addition across revenue buckets, 40 new clients (net) were added post implementation of the strategy and 14 clients moved to higher spend brackets. Together, these data points suggest that the strategy has strengthened both the breadth and depth of client relationships, translating into stronger deal flow, improved account penetration and a more resilient revenue base.

Exhibit 59. Average revenue of top 5 and top 10 clients has grown post implementation of "One Firstsource framework"
Average revenue for top 5 and top 10 clients – USD mn



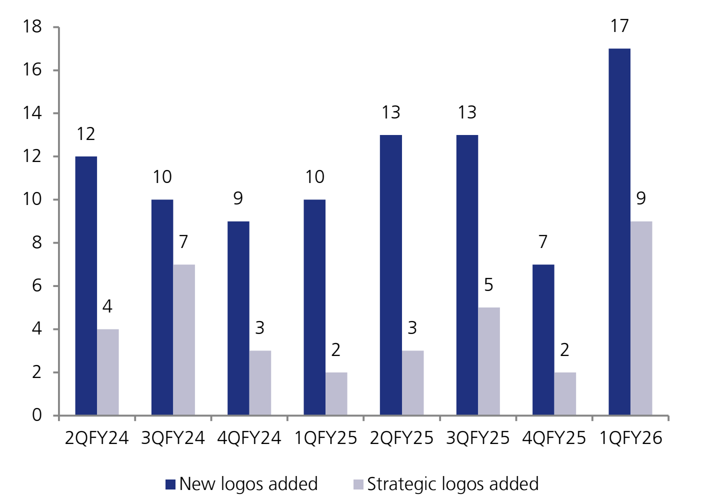
Source: Company, JM Financial

Exhibit 60. Firstsource has added clients in each of its five client buckets post implementation of "One Firstsource framework"
No. of clients across client buckets



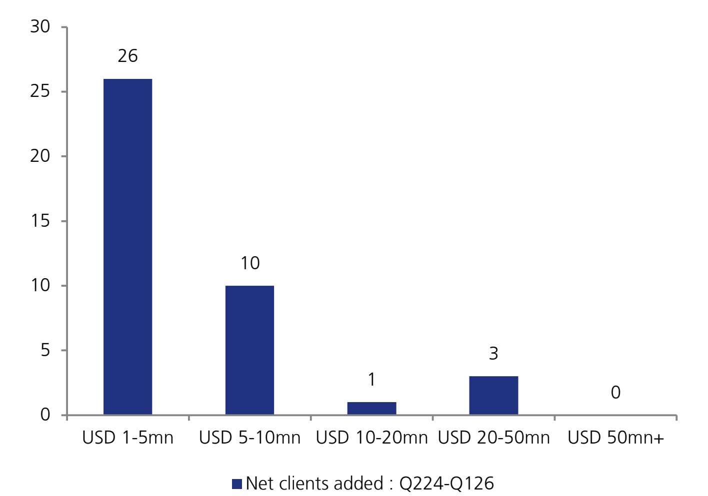
Source: Company, JM Financial

Exhibit 61. Post the strategy's implementation, ~10% of USD 1mn+ clients per quarter come from new logos…
New logo addition and strategic logo addition – Nos.



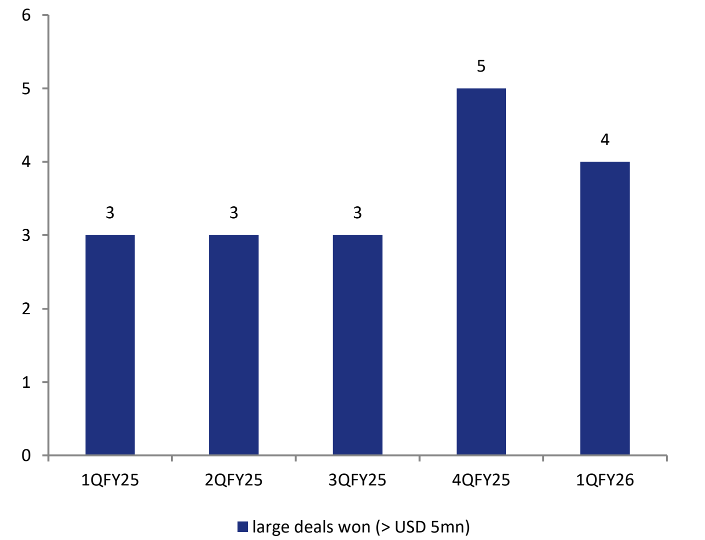
Source: Company, JM Financial

Exhibit 62. …the 7-quarter period witnessed addition of 40 (net) clients, with 14 clients moving up in the spend bracket
Net client addition – Nos.



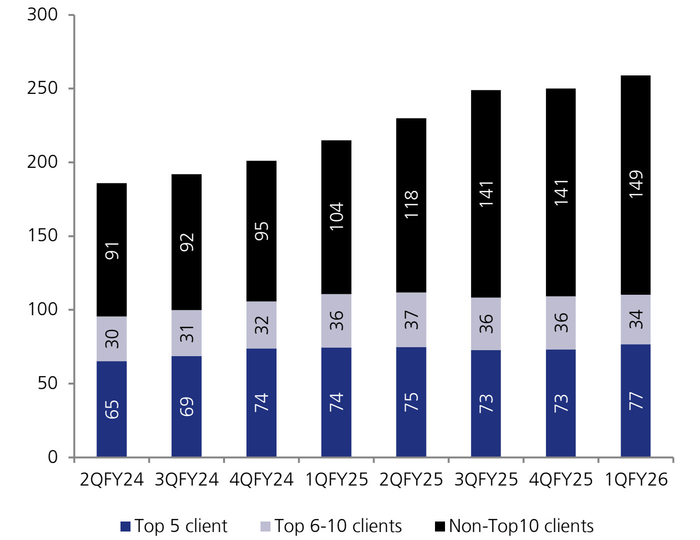
Source: Company, JM Financial

Exhibit 63. Focused efforts resulted in acceleration of large deal wins, management is confident of deal wins going forward as well
Large deals (USD 5mn+) won – Nos.



Source: Company, JM Financial

Exhibit 64. Cross-sell/Up-sell efforts resulted in consistent sequential growth of c.5% (CQGR-USD). Top 5 and Non-top 10 led growth
Revenue by top clients – USD mn

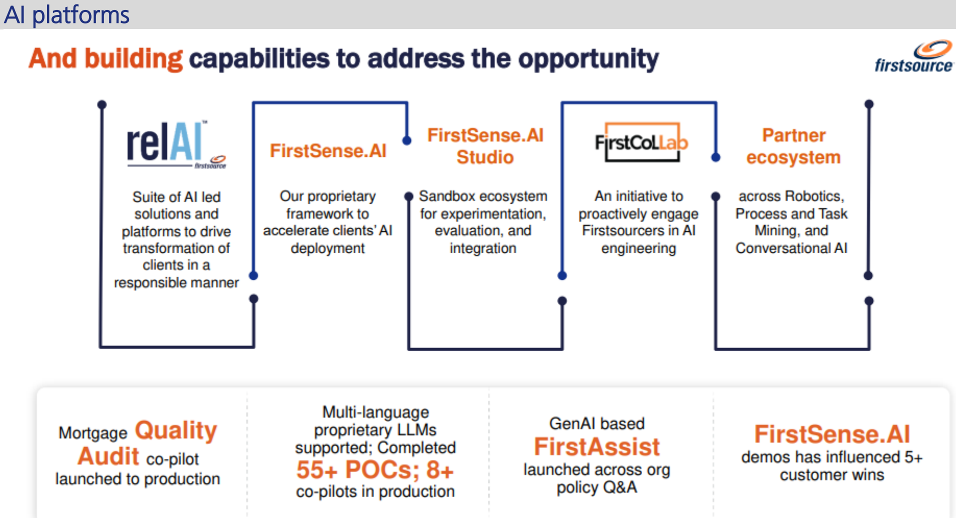


Source: Company, JM Financial

C. Expand capabilities

Firstsource accelerated capability expansion to deepen client engagement and maximise wallet share. The management is focused on building adjacencies across the portfolio through horizontal practice expansion, with consulting positioned as the "tip of the spear" to broaden the sales funnel. Investments are directed at strengthening nearshore delivery in Eastern Europe, South Africa, and Latin America, alongside modernising and scaling AI/ML-led platforms. Key initiatives include infusing generative AI into collections to improve efficiency, developing specialised large language models for the US mortgage market, and adding AI capabilities to health-tech solutions. The company has also launched proprietary platforms such as relAI, FirstSense.AI, and FirstCollab, while leveraging an expanded partner ecosystem spanning startups to hyperscalers. Recent bolt-ons, such as the acquisition of QBSS (adding coding to existing RCM capabilities), further augment the capability stack. Together, these efforts are designed to accelerate cross-portfolio relevance, improve execution, and support large transformational deals.

Exhibit 65. As part of its "Expand capabilities" strategy, Firstsource has launched Proprietary AI platforms



Source: Company, JM Financial

Exhibit 66. Efforts focused on building capabilities to address the AI opportunity

Launched **Firstsource relAI** is a suite of **AI led platforms**, solutions and digital services to drive digital transformation for our clients in a responsible and ethical manner
Strengthening the suite by leveraging our **partner ecosystem** across niche startups to hyperscalers to drive co-creation and **joint go-to-market efforts**
Investment in building a **specialized large language model for the US mortgage market**, **leveraging domain expertise to create a seamless digital process** and significantly reduce cycle times
Infused **digital collection platform with the power of generative AI** to enable empathetic, persona-based communication, **to improve collection efficiency**
Added **AI capabilities to Health-Tech platform** for improved efficiency on claims documentation
Leveraging AI for Operational Impact: AI Coach - in-house agent training program – has **improved speed to competency by 25%**; **100% of internal technology team is AI enabled**
Acquired AccunAI, a GenAI application development startup to **add to the capabilities for AI services**, especially to **technology clients**
Launched Agentic AI Studio, a core element of the relAI suite, in Q4FY25 that empowers businesses to deconstruct work into AI-powered micro-tasks, enabling intelligent, industry-specific transformation

Source: Company, JM Financial

D. Amplify the Firstsource brand

Firstsource has made brand amplification a strategic priority under the One Firstsource agenda, with investments aimed at strengthening visibility and credibility in the marketplace. The management has stepped up engagement with analysts and advisors, constituted an Advisory Board of senior industry leaders, and hosted client events in the US and UK. The company sharpened its go-to-market messaging with a refreshed brand positioning -"We Make It Happen"- that emphasises a more direct and solution-oriented approach. To scale these efforts, Firstsource appointed Aniket Maindarkar as Chief Marketing Officer, and expanded its presence across digital and social channels.

Exhibit 67. The number of industry analyst recognitions has increased post implementation

Prior to One Firstsource framework		Current recognitions	
Industry analyst	Recognition	Industry analyst	Recognition
Everest Peak matrix	Leader in Healthcare Payer operations	Everest Peak matrix	Leader in BPaaS solutions Healthcare Payer market
	Major contender in RCM operations		Major contender and star performer in RCM operations
	Major contender in banking operations - Services		Market leader in lending services operations
ISG provider lens	Leader in Customer experience Services - Intelligent CX (AI and analytics)	HFS horizons	Horizon-1, HCP Services providers
	Leader in Customer experience Services - Social media CX services	Avasant	Leader in mortgage business process transformation
	Leader in Customer experience Services - Hybrid working solutions	ISG	'The Booming 15' - (companies with revenue< USD 1bn)
	Leader in Customer experience Services - Digital operations	Everest group	Front runners : Operationalizing Generative AI- Healthcare Payer market
			Top Riser : Everest group BPS Top 50

Source: Company, JM Financial

E. Technology in everything it does

Under its "Technology in Everything We Do" initiative, Firstsource is embedding technology across client-facing and internal operations to drive competitiveness and differentiation. A key lever has been the rapid expansion of its partner ecosystem. This ecosystem spans vertical partners in Healthcare (Andros, CitiusTech, Emids, Innovaccer), BFS (Digilitics, ScaleCred), and Digital Collections (Prodigal), as well as horizontal partners in automation, analytics, and CX (UiPath, Automation Anywhere, Salesforce, Verint, Observe.AI, Kore.ai). Many of these partners are AI-focused, enabling Firstsource to embed automation and GenAI capabilities into its offerings. For instance, in its credit collections business, Firstsource leverages Prodigal's hyperpersonalisation capabilities, drawing on 200+ personas to deliver tailored collection strategies.

Exhibit 68. As part of its "Tech in Everything" strategy, Firstsource has added AI partners across established platforms and new age start-ups

Partner	Description
Vertical partners	
Healthcare	
xAI	Decision Intelligence platform that automates complex healthcare processes, driving smarter, scalable, and data-driven outcomes.
Andros	Data-driven solutions for provider network management and credentialing, to help healthcare organizations deliver better care efficiently.
Autonomize	AI-powered healthcare data analytics platform for automated insights, decision support, and compliance.
CitiusTech	AI and data-driven healthcare analytics solutions that enhance clinical, financial, and operational outcomes.
Emids	Empowering healthcare's future through seamless platform modernization, AI-enhanced analytics, and always-on support—driving smarter, connected, and transformative digital care.
mPulse	AI-driven healthcare engagement solutions improving patient communication and adherence.
Office Ally	Cloud-based healthcare IT solutions streamlining practice management, EHR, and medical billing workflows.
OMD	Patient outcome tracking software leveraging AI for data-driven clinical decision-making and improved healthcare insights.
Prosper	Conversational AI platform that automates healthcare tasks like scheduling, eligibility verification, and claim denial management over the phone.
Reveleer	AI-powered platform unifying risk adjustment, quality improvement, and member enrolment and management to support value-based care.
RISA	Automates prior authorizations, reducing manual work and turnaround times, with real-time visibility into authorization status for providers.
Simplify Healthcare	Comprehensive provider management—contracts, benefits, data, directories, and network adequacy
Upfront	Personalized patient engagement technology that enhances adherence, care management, and health outcomes.
Banking and Financial services	
Digilitics	AI-driven document processing and mortgage automation software optimizing loan origination and underwriting.
ScaleCred	Intelligent financial analysis software automating risk assessment and fraud detection for lenders.
True	AI-powered lending automation solutions improving loan processing, risk assessment, and decision-making.
Digital collections	
Prodigal	AI-powered collections and loan servicing automation optimizing revenue recovery and customer interactions.
Horizontal partners	
Automation Anywhere	Automation Anywhere offers an end-to-end RPA+AI platform for automating business processes
Five9	Five9 is a leading provider of cloud contact centre software for the digital enterprise
Salesforce	The world's #1 CRM solution, Salesforce connects 150,000+ enterprises to their customers
Zappix	Zappix offers customer service technology for transforming customer care through Visual IVR, On-Demand Apps, Outbound Engagement, and RPA
ShepHertz	ShepHertz provides an enterprise platform for agile digital transformation. Deployed in 9 countries and processing 110+ Billion API Calls,
Qualtrics	Qualtrics offers a subscription software platform- Qualtrics Experience Management (XM) to 11,000+ brands across the globe who rely on them to close experience gaps.
UiPath	UiPath is the world's leading Robotic Process Automation (RPA) software company that develops RPA platforms to deploy software robots with 7,000+ enterprise customers.
Uniphore	A global leader in Conversational Service Automation (CSA), Uniphore combines the power of artificial intelligence, automation technology and machine learning to disrupt the traditional customer service model by enabling businesses to truly listen to their customer's voice.
Celonis	A leader in Execution Management Systems, Celonis uses process mining to simplify system complexity, lift barriers to execution capacity, and maximize business performance across Customer Operations, Finance and Administration, Supply & Distribution, and Products & Services.
Zoho	Zoho is a global technology company with over 100 million users and a 25-year track record of building software that powers businesses of all sizes. Operating in more than 15 countries, Zoho emphasizes privacy, deep engineering, and customer-centric innovation.
Verint	AI-driven customer experience optimization platform that enhances contact centre efficiency and automation.
XSELL	XSELL elevates customer experiences with agent augmentation tools, real-time analytics, and AI to drive personalization, satisfaction, and performance.
Yai	Conversational AI platform automating customer service, sales, and marketing across voice and chat channels.
Cresta	AI-powered real-time coaching software optimizing contact centre agent performance and customer satisfaction.
EvoluteIQ	Low-code/no-code enterprise automation platform accelerating workflow automation and AI-driven business transformation.
Knowmax	AI-powered knowledge management system that accelerates customer service resolutions and self-service automation.
Kore.ai	Enterprise conversational AI enabling businesses to deploy AI chatbots and virtual assistants for customer and employee interactions.
MPX	Intelligent customer communication platform automating personalized messaging, compliance, and omnichannel engagement.
NICE	AI-powered customer engagement solutions that enhance CX, compliance, and fraud prevention for enterprises.
Observe.AI	Observe.AI powers contact centres with conversation intelligence, Auto QA, and VoiceAI to improve performance, reduce costs, and optimize CX.
PAL	AI-based workforce enablement solutions enhancing employee productivity, training, and real-time assistance.
Sanas	Real-time accent translation AI improving global customer support clarity and efficiency.
Soroco	AI-driven process intelligence software that enables automation, efficiency, and digital transformation.
Surfly	Secure co-browsing and digital collaboration technology for real-time customer support and seamless interactions.
TechSee	AI-driven visual support and augmented reality tools that enhance customer self-service and remote assistance.
Upstream Works	Omnichannel contact centre software that improves agent productivity, customer interactions, and workflow efficiency.
V7	AI-powered data annotation and machine learning model training platform for faster AI development.

Source: Company, JM Financial

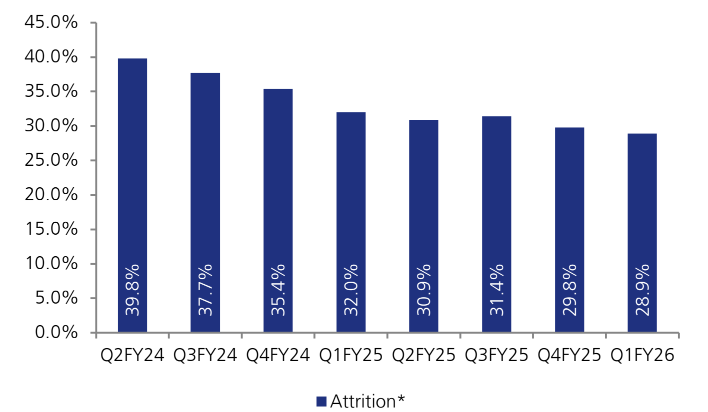
F. Elevate employee experience

A central ambition of the One Firstsource strategy is to create a best-in-class workplace and position the company as an employer of choice across regions. Efforts have focused on improving onboarding for new hires, expanding leadership development programmes, and refreshing skills across levels and functions. A key challenge has been Firstsource's historically onsite-heavy model, shaped by past acquisitions (ISGN, collections, healthcare) and the nature of certain services. For example, revenue cycle management often requires onsite presence in front-office (eligibility and enrolment) and some billing/AR processes, while collections businesses - particularly first-party and third-party - are also more onsite intensive. However, with client acceptance of offshore delivery increasing, the management is actively rebalancing towards offshore, which also aids margin expansion.

Results so far…

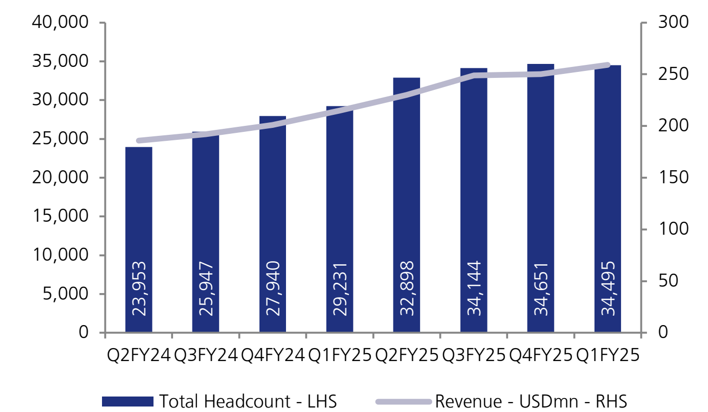
The impact of the strategy is visible in employee and delivery metrics. Attrition has trended down steadily from 37.8% in 2QFY24 to 28.9% in 1QFY26, reflecting improved employee engagement and training initiatives. Headcount has expanded with topline growth but plateaued in recent quarters, partly due to AI adoption driving productivity. Offshore revenue mix has improved by 14ppts since strategy implementation, reaching 41.2% in Q1FY26. Similarly, the share of offshore employees increased by c.900 bps during 1QFY24-4QFY24, underscoring a shift in the delivery model. Together, these trends demonstrate progress in transforming the employee experience while aligning the workforce more closely with the company's strategic priorities.

Exhibit 69. Attrition has trended downward post implementation of the "One Firstsource" framework
Attrition - %



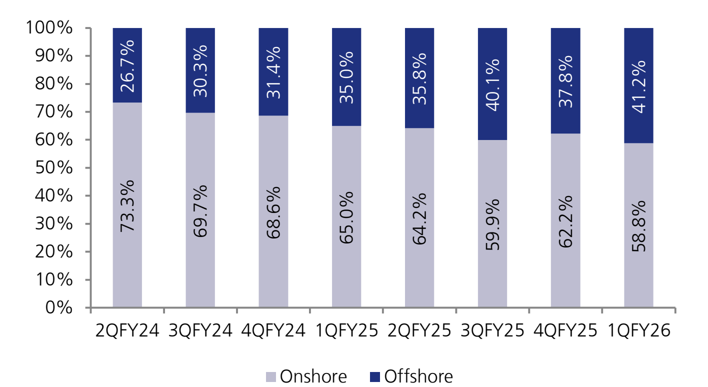
Note: *For employees in employment for more than 180 days. Source: Company, JM Financial

Exhibit 70. Headcount has grown with topline growth; however, it has plateaued in recent quarters likely due to AI implementation
Total headcount



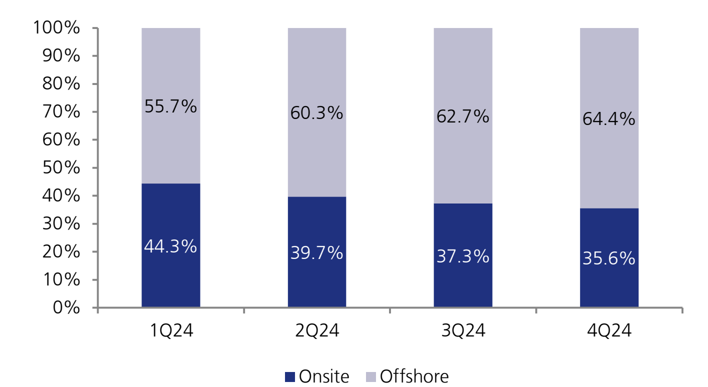
Source: Company, JM Financial

Exhibit 71. Share of offshore revenue has increased by 14ppts since the implementation of the strategy
Revenue based on delivery location - %



Source: Company, JM Financial

Exhibit 72. Share of offshore employees has increased c.900 bps during 1QFY24 - 4QFY24, this is likely to have increased further
Employee mix - Onsite vs. Offshore %



Source: Company, JM Financial

G. Improving profitability

Profitability has been reinforced as a cornerstone of the One Firstsource strategy, with the management pursuing margin expansion even as investments in sales, leadership, and brand were scaled up. Key levers include right-shoring of the delivery model, operating leverage from execution scale, and tight cost control through initiatives such as payroll centralisation, overhead optimisation, and rationalisation of facilities. The management has also emphasised account-level profitability management, identifying sub-optimal accounts for corrective action and focusing on margin improvement in low-yielding contracts.

Over time, the framework has evolved into a structured programme: 24-37 margin levers have been identified, tracked, and bucketed into nine themes such as onsite-to-offshore mix improvement, pyramid and span optimisation, automation, attrition backfill efficiency, and operational excellence. These initiatives are being closely monitored to deliver sustainable gains while accommodating growth investments.

Exhibit 73. Management highlighted 37 margin levers, including operating leverage, right-shoring, cost optimisation and operational excellence

Comments on margin improvement/margin levers by management

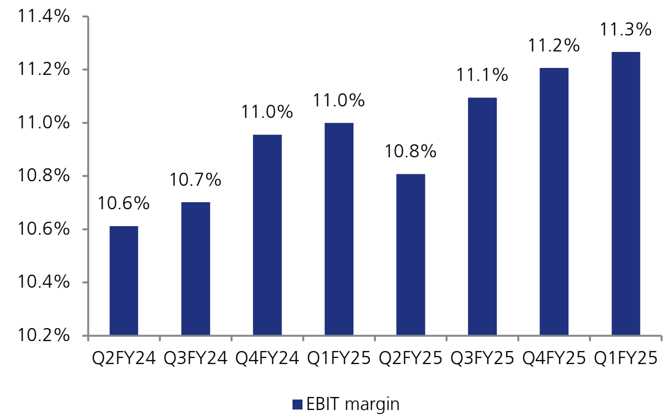
Quarter	Margin Levers Mentioned
Q2FY24	- Laser focus on profit margin expansion - Right shoring the delivery model - Operating leverage
Q3FY24	- Right shoring of delivery model - Optimization of overheads - confident on structural improvement in margins over medium term
Q4FY24	- Improved span of control by a factor of two as hiring was stepped up - consolidated global payroll system to offshore and centralized employee related services - Used costs savings to invest in sales organization
Q1FY25	- Identified 24 specific margin levers with meaningful scope for improvement - Increasing span of control, consolidation of onsite delivery locations - Identifying accounts of sub-optimal profitability and push for corrective steps
Q2FY25	-Margins were kept stable despite rolling out wage hikes in the quarter and continuing to make investments in the business
Q3FY25	- 24 margin levers (tracking) - Guidance on 50-75 bps margin expansion for FY26 - Seeing 5-10 bps improvement QoQ in margin while continuing to make investments
Q4FY25	-37 margin levers in 9 broad buckets. Management is tracking them closely to ensure that margins expand structurally - levers include onsite-to-offshore mix, pyramid and span optimization, automation, attrition backfill, facility rationalization and other operational initiatives
Q1FY26	- 37 margin levers that are being tracked closely - Improvement in onsite-to-offshore mix - Rationalizing facilities - Improving margins in low margin accounts - Intelligent attrition backfilling - Operational excellence

Source: Company, JM Financial

Results so far …

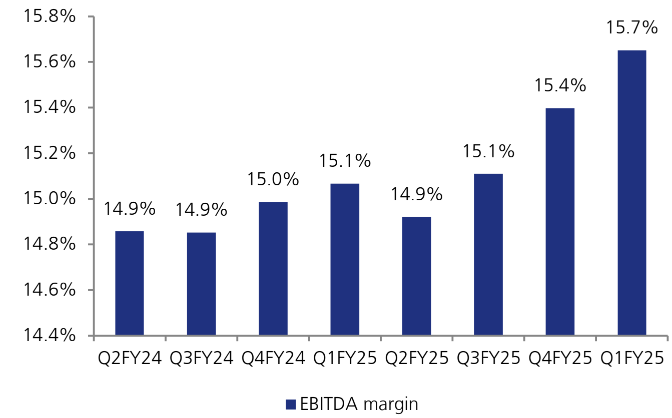
The results are visible in margin trends. Since the rollout of the strategy in 2QFY24, EBIT margin has expanded from 10.6% to 11.3% (+70bps), while EBITDA margin improved from 14.9% to 15.7% (+80bps) by 1QFY26. This expansion has been delivered despite stepped-up spending on salesforce expansion, senior leadership hires, AI-led capability building, and brand amplification, underscoring the effectiveness of the margin discipline embedded in the strategy.

Exhibit 74. EBIT margin has improved post implementation of the strategy despite ongoing investments…….
EBIT margin - %



Source: Company, JM Financial

Exhibit 75. …EBITDA margin also sees a similar trend; EBITDA margin/EBIT margin has expanded 70bps/80bps
EBITDA margins - %



Source: Company, JM Financial

AI infusion strategy outlined in FY24 – alongside "One Firstsource"

Firstsource formulated a dedicated AI strategy along with its One Firstsource transformation effort. Hasit Trivedi was brought on board as the Chief digital and AI officer to lead GenAI initiatives. Firstsource's AI strategy targets four domains; i) AI in business platform offerings – infusing AI in BPS platforms, ii) AI in business functions – Applying AI in internal functions such as HR/finance to improve efficiency, iii) AI in managed services – embedding AI in client processes to drive efficiency, and iv) AI as a digital service – providing standalone AI digital services to clients. Firstsource also targeted new GenAI revenue streams and started providing services such as data labelling/annotation and training of LLMs.

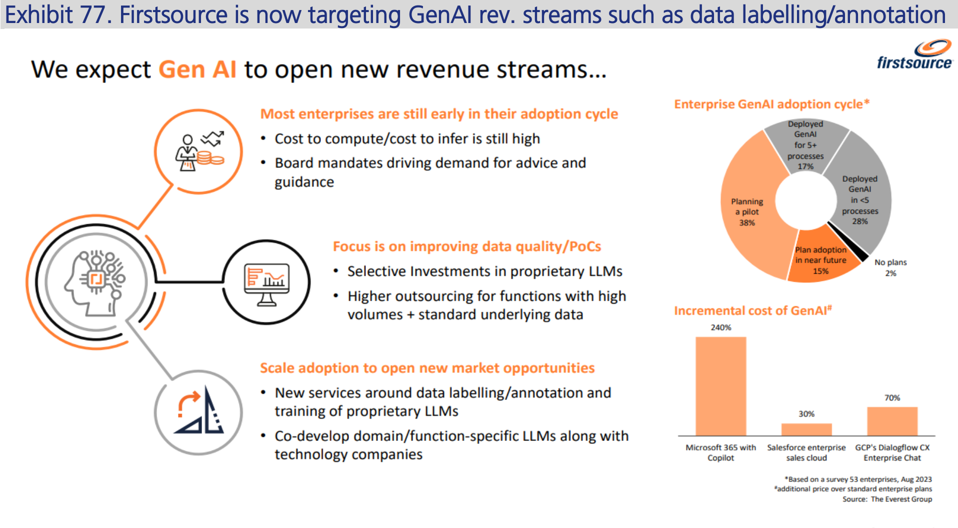
Exhibit 76. Firstsource is leveraging AI capabilities to enhance its platforms, improve delivery efficiency, strengthen internal functions, and offer AI as a standalone service

AI infusion strategy outlined alongside "One Firstsource"

Domains for AI infusion	AI infusion strategy
AI in Business Platform-Based Offerings	Infuse AI into domain-centric BPS platforms to enhance differentiation.
	Sustain competitiveness and elevate platform relevance.
AI in Business Functions	Apply AI across Finance, HR, Procurement, Legal, and Marketing.
	Boost agility, efficiency, and improve employee experience.
AI in Managed Services	Embed AI, automation, and analytics into client core processes.
	Drive efficiency, enable process transformation, and strengthen client competitiveness.
AI as a Digital Service	Offer AI as a standalone digital service beyond BPS.
	Leverage domain expertise and client trust to support AI-led strategic programs.
Emerging AI Trends	Shift from predictive/detection to generative AI (LLMs like ChatGPT).
	Adoption of domain-specific models, 5G/6G, and edge compute for real-time use.
	Focus on AI governance to mitigate risks such as deepfakes.
Scaling AI Capabilities	Expand FirstSense.AI framework with new use cases.
	Strengthen data engineering, annotation, moderation, and intelligent document processing.
	Extend AI models acquired through QBSS into new domains.
	Build IP, attract AI talent, and reskill employees (e.g., prompt engineering, validation).
Building Capabilities	FirstSense.AI (proprietary framework to accelerate client AI deployment).
	FirstSense.AI Studio (sandbox ecosystem for experimentation, evaluation, and integration).
	FirstCoLLab (initiative to proactively engage employees in AI engineering).
	Partner ecosystem (partnerships across robotics, process mining, and conversational AI).
	Target outcomes: POCs, production pilots, and customer wins influenced by AI demos.

Source: Company, JM Financial

Exhibit 77. Firstsource is now targeting GenAI rev. streams such as data labelling/annotation



Source: Company, JM Financial

Changes in management

Post Ritesh Idnani's appointment as CEO, Firstsource undertook a series of senior management changes to sharpen execution and align the organisation with its growth-plus-profitability agenda. The company saw leadership transitions at the COO level and saw the head of the BFS vertical changing, while also adding new capabilities with the hiring of a Chief Marketing Officer and a Chief Digital & AI Officer.

Exhibit 78. Firstsource undertook senior management changes to sharpen focus and drive execution on the new strategy

Change in senior management post appointment of new CEO

FY23		FY24		FY25	
Designation	KMP	Designation	KMP	Designation	KMP
MD & CEO	Vipul Khanna	MD & CEO	Ritesh Idnani	MD&CEO	Ritesh Idnani
CFO	Dinesh Jain	CFO	Dinesh Jain	CFO	Dinesh Jain
COO	Prashanth Nadella	COO	Sohit Brahmawar	COO	Sohit Brahmawar
Chief Digital officer	Sundara Sukavanam	Head-Enterprise transformation office	Sundara Sukavanam	Head-Enterprise transformation office	Sundara Sukavanam
Head- Healthcare & Lifesciences	Venkatgiri Vandali	Head - Healthcare and Lifesciences	Venkatgiri Vandali	Head - Healthcare and Lifesciences	Venkatgiri Vandali
Head- Europe	Rajiv Malhotra	Head-Europe, Middle East and Africa	Rajiv Malhotra	Head-Europe, Middle East and Africa	Rajiv Malhotra
Head-collections	Arjun Mitra	Head-Collections	Arjun Mitra	Head-Collections	Arjun Mitra
Head-CX,IDEA, EdTech & Digital Media	Ashish Chawla	Head-CX and consulting	Ashish Chawla	Head-CX and consulting	Ashish Chawla
Head-BFS	Sameer Ahluwalia	Head-CMT,BFS and emerging Geos	Vivek Sharma	Head-CMT,BFS and emerging Geos	Vivek Sharma
		Chief marketing officer	Aniket Maindarkar	Chief marketing officer	Aniket Maindarkar
		Chief Digital & AI officer	Hasit Trivedi	Chief Digital & AI officer	Hasit Trivedi
		CHRO	Aftab Javed	CHRO	Shamita Mukherjee
		Head-Trust and Safety	Akash Pugalia		

Source: Company, JM Financial

Exhibit 79. Profile of new hires

Name	Designation	Profile
Ritesh Idnani	MD & CEO	Prev. experience: 28+ years in tech/BPM, ex-Chief Revenue Officer at Uniphore, President of USD 1.4bn portfolio at Tech Mahindra, leadership at Infosys, started at Citigroup and PwC. Education: MBA- FMS, PG diploma in Systems (NIIT), B.Com- Narsee Monjee,
Sohit Brahmawar	Chief Operating Officer	Prev. experience: Ex-Chief Delivery Officer, Tech Mahindra (led 50k+ team), headed domestic BPO at vCustomer, began career in Merchant Marine (GE Shipping). Education: MBA (ISB Hyderabad), Mayo College (Ajmer), exec program (Harvard Business School).
Vivek Sharma	President – CMT, BFS & Emerging Geos	Prev. experience: Ex-Chief Revenue Officer at Startek, 15+ years at Infosys BPM in client, growth, and digital roles. B.Tech (IIT Roorkee), MBA (IIM Calcutta), exec management at Stanford.
Aftab Javed	Former CHRO	Prev. experience: HR leader at TCS, Citi BPO, Tata Motors. Alumni of Xavier institute. (Resigned May 2025)
Shamita Mukherjee	CHRO	Prev. experience: 30+ years across HR/entrepreneurship/consulting. Ex-Global CHRO - BPM at Infosys. Education: PG in Personnel Management & Industrial Relations (XLRI Jamshedpur); B.Sc. Math Stats (Lady Shri Ram College).
Hasit Trivedi	President & Chief Digital & AI Officer	Prev. experience: Nearly 30 years' experience building AI, automation and platform businesses. Contributor to IndiaAI, MeitY task forces and UK-India Responsible AI WG.
Aniket Maindarkar	Chief Marketing Officer	Prev. experience: 30 years in Tech/BPO, ran Consumer Goods at Genpact, GM for DXC's global BPS, 16+ years at Infosys/Infosys BPM. Education: MBA (SIBM Pune), B.Sc. Computer Sciences, Data Science/Machine Learning coursework at MIT.
Akash Pugalia	President – Global Trust & Safety	Prev. experience: Global trust and safety leader- Accenture, Teleperformance. Resigned - Oct 2024
Anup Panthaloor	EVP – Healthcare Sales & Account Mgmt (US)	Prev. experience: BPS leader at Cognizant, Vice president, healthcare- UST global, BPS market leader, healthcare BPaaS - Cognizant.
Sonali Parande	Client Partner – Utilities (EMEA) / VP, Client Services	Prev. experience: Client partner - WNS, Executive partner - IBM, BPO sales leader, Utilities and Energy - Cognizant, BPS sales leader - Hexaware
Rajeev Lewis	SVP – Client Services, Europe	Prev. experience: Director strategic accounts Europe and ROW - HCL Tech
Venugopala Dumpala	Practice Head – BFS (EMEA)	Prev. experience: Senior director, Business partner - Cognizant
Ali Prentice	SVP – Client Services, Europe	Prev. experience: Global business development director - Mphasis, director of operations - Standard Life, Head of operations, Services - NatWest group
Martin Pearson	SVP – BFSI & Public Sector, EMEA (Sales)	Prev. experience: Head of global transformation- IQ-EQ, Head of change and delivery - Virgin Money, Management consultant- 10 PA solutions
Tij Nerurkar	SVP – Education Technology / Global Head – EdTech	Prev. experience: P&L head - Education business - Cognizant, President and managing director - Tata interactive systems

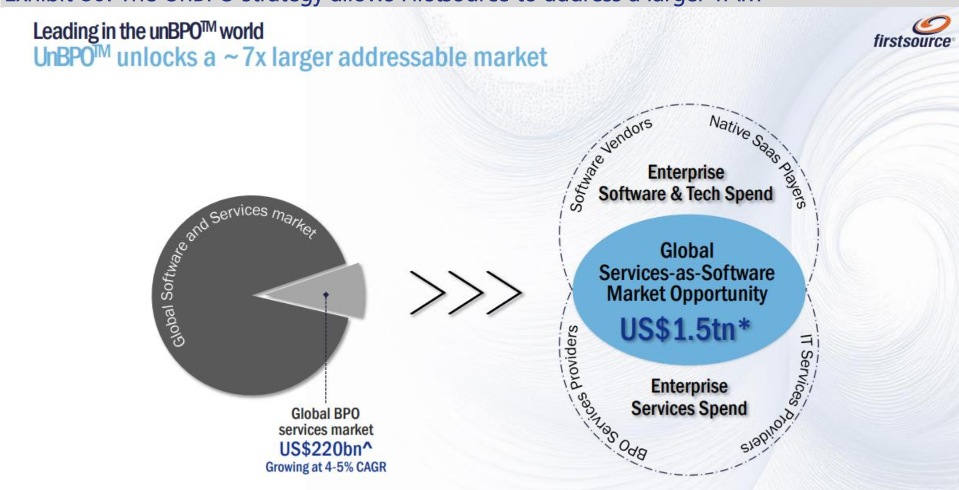
Source: Company, JM Financial

UnBPO: A fundamental rethink

Firstsource's UnBPO strategy is a structural reimagining of traditional outsourcing, shifting the focus from labour arbitrage to technology arbitrage, service-as-a-software constructs, and outcome-driven delivery. By breaking down silos across front, middle, back office, and IT, the framework positions the company as an orchestrator of intelligent, AI-powered operating models. Importantly, it also expands Firstsource's addressable market from the USD 220bn global BPO services market to the USD 1.5trln global Services-as-Software market, unlocking adjacencies in BPaaS, AI-native managed services, and digital platforms.

Ritesh Idnani (current CEO) served as the Chief Revenue Officer at Uniphore, a conversational AI platform company focused on customer service, sales and other business functions. This experience is particularly relevant as it informs Firstsource's transition towards BPaaS, service-as-a-software constructs and outcome-based delivery.

Exhibit 80. The UnBPO strategy allows Firstsource to address a larger TAM



Source: Company, JM Financial

Key tenets of the UnBPO strategy

A. Non-linear, outcome-driven commercial models

UnBPO pivots from linear, effort-linked contracts to outcome-driven frameworks where services are delivered and consumed more like software. This "Service-as-a-Software" construct - or BPaaS - allows clients to buy business outcomes rather than capacity, aligning pricing and delivery to tangible metrics such as speed-to-market, customer experience, and revenue impact. Firstsource is proactively embedding outcome-based pricing constructs as an option in its proposals, ensuring clients can directly link fees to measurable value. For example, pricing can be structured as a percentage of debt collected in collections business or as a percentage of PMPM (per member per month) savings in healthcare engagements.

B. Technology-led leverage over cost arbitrage

Firstsource is embedding AI, automation, and deep domain expertise into BPaaS platforms, enabling structural productivity gains. With cost arbitrage now baseline, sustainable differentiation lies in technology-led leverage. The "Service-as-a-Software" approach reduces integration friction, drives scalability, and accelerates time-to-value - positioning technology arbitrage as the new driver of competitiveness.

C. AI-centric delivery and ecosystem partnerships

Future delivery models will be orchestrated around AI Centres of Excellence and ecosystem alliances. By fusing proprietary AI with hyperscaler and startup partnerships, Firstsource is building modular BPaaS offerings that embed intelligence natively. This reduces "location debt" by enabling global orchestration of talent, tools, and platforms - effectively turning outsourcing into a technology-first, service-as-a-software ecosystem.

D. Workforce redesign and fluid talent models

UnBPO also reimagines how work is structured and delivered. Static hierarchies give way to fluid, task-level orchestration across employees, gig professionals, and AI agents. With AI-enabled BPaaS platforms, work allocation becomes more dynamic and skills are continuously redefined, emphasising digital fluency and cross-functional collaboration. This ensures a future workforce that is both adaptive and seamlessly integrated into the service-as-a-software paradigm.

Exhibit 81. UnBPO shifts focus to BPaaS, outcome based pricing, leverages AI in delivery and reduces headcount dependency
Traditional BPO vs. UnBPO approach

Parameter	Traditional BPO Approach	The UnBPO approach
Scope of work	Front, middle and back-office tasks with defined boundaries	'Service-as-a-software'; boundaries between process and IT blurring
Value driver	Labour arbitrage/global delivery are the key assets	'Technology arbitrage' not just for cost, but for leverage
Resourcing model	Labour-based resourcing model; focus on pyramid optimization	Skill-based resourcing; full/part time, gig, and agentic workforce
Delivery model	Shared service delivery models; one size fits all	'Fit-for-purpose' technology contextualized for deep domain
Delivery footprint	Location dispersion driving competitive differentiation	Location dispersion is 'location debt'; AI centres of excellence
Org structure	Hierarchical org. structure; generational workforce	Cross-functional structure; distributed decision-making
L&D	Traditional L&D; traditional incentive structures	Personalized skilling and reskilling; Retooled incentive structures
AI strategy	Leverage AI for point solutions and drive productivity	AI-at-the-core with human-in-the-loop
Partner approach	Use partners to fill technology gaps	Orchestration of specialized partners integrated into the operating model
Business model	Linear revenue model	Disruptive growth with non-linear commercial models

Source: Company, JM Financial

Exhibit 82. Firstsource has started implementation on UnBPO strategy; it has rolled out claims-as-a-Service in Healthcare, applied AI coach and Agent assist tools in Utilities vertical, built AI prototypes in BFSI and implemented AI powered QA in CMT
Measures implemented by vertical under the UnBPO strategy

Vertical	Measures implemented under UnBPO strategy
Healthcare	Rolled out **Claims-as-a-Service** across Medicare, Medicaid, and Marketplace.
	Embedded **AI/GenAI-powered decision agents, copilots, and process mining** under the EAD (Eliminate, Accelerate, Debottleneck) framework.
	Right-shored operations to balance scalability with regulatory compliance.
	Introduced **creative financial structuring** to deliver early savings.
	Shifted to **outcome-based engagement models** with ownership of business outcomes beyond SLAs.
Utilities	Applied **AI Coach and Agent Assist tools** to improve agent ramp-up and speed-to-competency.
	Introduced **process mining and intelligent interactive dashboards** for root cause analysis, efficiency gains, and cost-to-serve reduction.
	Deployed **speech analytics and automated QA** to track customer sentiment, tariff adoption, vulnerability, and ability-to-pay risks.
	Leveraged **digital enablement** to reduce field service costs and improve customer self-service.
	Adopted an ownership-based complaints model with closed-loop customer intelligence reporting.
	Used advanced propensity models and personalized conversational strategies to manage attrition and reduce churn.
BFSI	Adopted the **"Inch Wide, Mile Deep"** approach to focus on high-impact problem areas in retail banking, applying AI and domain depth to re-engineer processes.
	Built **AI-led prototypes** (e.g., Agentic AI solutions for ISA transfers) to address longstanding operational bottlenecks.
	Initiated **process intelligence mapping** in Economic Crime Prevention (ECP) to reduce false positives and improve alert disposition.
	Scaled **voice-based operations from offshore** and integrated into clients' design authority frameworks - moving up the value chain.
	Established deeper client alignment through Innovation Councils, **embedding AI, automation, and process intelligence** into long-term operating models.
CMT	Shifted client engagements from **efficiency-only to transformation-first** conversations, embedding AI and automation at scale.
	Standardized delivery across geographies to enable **location-agnostic operations**, combining onshore and offshore hubs.
	Introduced **AI-powered accent neutralization, automated QA, and agent-assist tools** to improve customer satisfaction (CSAT) and reduce average handle time (AHT).
	Applied the **"Inch Wide, Mile Deep"** approach in EdTech, focusing on user journey mapping, persona-based design, and AI-first solutions.
	Deployed **gig-based platforms** for scaling test evaluation and content workflows, creating significant cost efficiencies.

Source: Company, JM Financial

Exhibit 83. The UnBPO approach is driving efficiencies across verticals, results include 33% FTE reduction, 100% QA automation, 25% improvement in debt recovery, reduction of abandonment from 30% to 1%

Case studies illustrating implementation of the UnBPO approach

Vertical	Client	Engagement	Result
Healthcare	US-based multi-state Medicare & Medicaid health plan	Full Claims-as-a-Service model across all LOBs (Medicare, Medicaid, Marketplace), using AI/GenAI copilots and decision agents under the EAD framework; right-shoring with creative financial structuring	20% savings over deal term 20% faster speed-to-competency 33% FTE effort reduction Faster turnaround times & efficiency gains
Utilities	Leading UK energy supply company	USD 200m TCV win covering FO, BO, SME ops, debt collections, smart meter health, and complaints. Applied AI Coach, Agent Assist, speech analytics, process mining, interactive dashboards, and attrition management models	>98% resolution of aged complaints in 56 days 25% improvement in debt recovery 20%+ faster agent speed-to-competency with NPS uplift 60% increase in retention & win-back 15% higher CSAT 12% increase in smart meter adoption
BFSI	UK's largest building society	Transformation across Banking & Savings Ops (BSO), Economic Crime Prevention (ECP), and Chat, spanning 16 processes, 99 sub-processes, 72 tools. Focus on cost optimization, process intelligence, and AI prototypes for ISA transfers	55% savings across 3 years 5–8 point NPS improvement Significant headcount reduction Faster turnaround times
BFSI	Leading UK pensions administrator	Strategic transformation roadmap via client Innovation Council, embedding AI/automation and process intelligence into long-term governance	Elevated to strategic transformation partner status Established long-term, outcome-driven operating model
CMT	Truckstop (US freight technology platform)	Unified and streamlined front- and back-office ops across Dallas, India, and Philippines; introduced conversational IVR, AI accent neutralization, automated QA, unified agent UI, and AI Coach	Enhanced CSAT and reduced AHT 100% QA automation Improved FCR and operational resilience
CMT	ETS (Global education testing provider)	Expanded CX support into remote proctoring and test analysis; deployed AI-first persona mapping and user journey redesign	Significant cost savings via gig platforms Expanded service scope into adjacent EdTech processes
CMT	US-based EdTech assessments client	Addressed 30% abandonment, 60,000+ query backlog, and long TATs. Deployed AI chatbots, Visual IVR, Customer Intelligence framework, and agent-assist	Abandonment reduced from 30% to 1% Hold times cut from 20+ mins to <5 mins Cleared 60,000+ backlog cases in 60 days 20%+ YoY CSAT improvement

Source: Company, JM Financial

AI infusion under UnBPO

Firstsource has placed AI at the centre of its transformation roadmap with a structured four-pronged agenda: AI in business platform offerings, AI as a digital service for clients, AI in managed services, and AI in business functions. This framework is being advanced through initiatives such as relAI, the Firstsource AI Studio, AI-enabled BPaaS platforms, and the infusion of AI across internal operations. The strategic intent is to deliver non-linear productivity, enhance margins, and strengthen Firstsource's positioning as an AI-native partner delivering outcome-driven transformation.

A. AI in business platform-based offerings

Under the AI in business platform-based offerings agenda, Firstsource is embedding intelligence directly into its BPaaS platforms to reframe outsourcing as Service-as-a-Software. A cornerstone of this effort is relAI, the company's enterprise-wide AI operating fabric that integrates GenAI models, domain-specific language models, and AI copilots into platform workflows. relAI enables hyper-personalised, real-time decision-making while ensuring a privacy-first and compliant framework, thereby making core business processes more autonomous, scalable, and outcome-driven. Complementing this, Firstsource has deployed Agentic AI - autonomous, goal-oriented AI agents that go beyond task automation to execute multi-step processes, assist human decision-making, and continuously learn from context. Together, relAI and Agentic AI are reshaping BPaaS delivery by reducing turnaround times, improving accuracy, and creating non-linear scalability, directly supporting the UnBPO vision of outcome-based, AI-native operations.

Exhibit 84. relAI is at the core of Firstsource's UnBPO strategy and spans across solutions

Source: Company, JM Financial

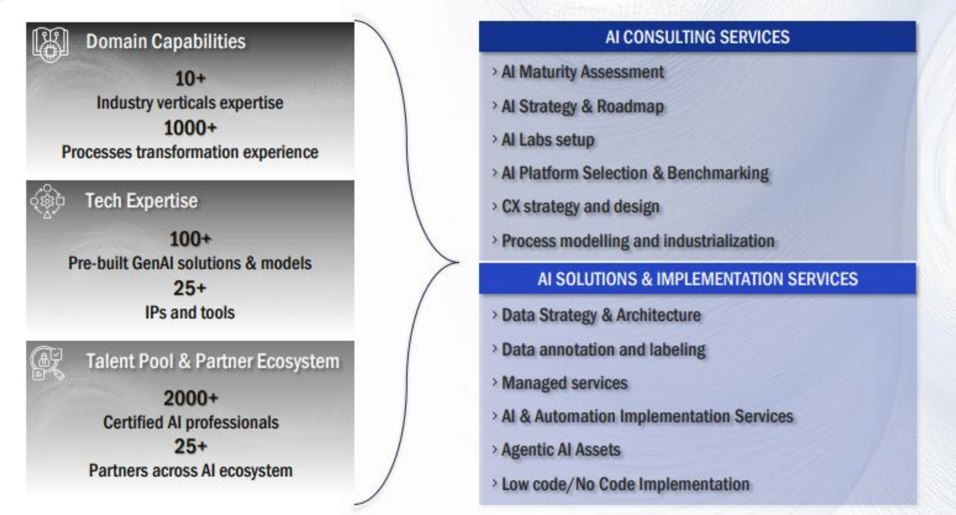
B. AI in managed services businesses

In its managed services business, Firstsource integrates AI, automation, and analytics into client operations to align delivery closely with business outcomes. These efforts are enabled through relAI, which powers transformation across Healthcare, BFS, CMT, and other sectors. The focus is on three core capabilities: deep domain expertise (embedding AI solutions within sector-specific workflows), fusion of applied AI (automating complex processes, reducing cycle times, and personalizing customer interactions), and responsible AI at scale (ensuring transparent, explainable, and compliant deployment). This approach not only drives efficiency and process transformation but also strengthens clients' competitive positioning in dynamic markets.

C. AI as a digital service for clients

Under AI as a digital service for clients, Firstsource is leveraging its deep process expertise and client relationships to position AI as a standalone offering beyond its core BPS engagements. The company has built a robust AI partner ecosystem, spanning hyperscalers, niche platform providers, and tech startups, to accelerate adoption across Healthcare, BFS, CMT, and Digital Collections. A flagship initiative is the development of a mortgage-focused domain-specific LLM within the relAI suite, designed to transform the US mortgage lifecycle through automated classification, recommendation engines, summarisation, digitisation, and receivables management. This enables faster pre-qualification, seamless digital journeys, and smarter AI copilots for mortgage processing. To further scale, Firstsource has partnered with Microsoft Azure, integrating OpenAI Service, AI Search, and AI Language to deliver secure, contextual, and personalised AI-driven client experiences. These efforts underline the company's intent to help clients unlock new business models, improve decision-making, and drive measurable operational efficiencies through intelligent AI services.

Exhibit 85. Firstsource is leveraging its expertise to expand into AI-native services



Source: Company, JM Financial

D. AI in business functions

Under AI in business functions, Firstsource is embedding intelligence across core functions - Finance, HR, Procurement, Legal, and Marketing - to streamline operations, strengthen infrastructure, and enhance the employee experience. The company has invested in next-generation operational ecosystems, including cloud modernisation on Nutanix and Azure, SASE-based network transformation, and AI-enabled monitoring frameworks to ensure secure, scalable, and resilient operations. Process enhancements have been driven through AI-ready enterprise architectures, a modernised HRMS for workforce scalability, and a next-gen IT Service management platform to improve service visibility and accountability. Security has been reinforced via AI-powered endpoint protection, email threat detection, and behavioural risk management, building robust defences against emerging cyber risks. On the employee side, AI has been applied to create personalised learning platforms, unified engagement systems, AI-driven rewards and benefits, and a global alumni engagement program. Collectively, these initiatives improve agility, transparency, and resilience while elevating employee engagement, ensuring Firstsource's internal functions operate with the same AI-first principles it delivers to clients.

Peer Comparison

Firstsource is the largest listed pure-play BPO player with USD 944mn in revenue. It offers a diversified industry presence compared to IKS, Sagility, and Indegene, which are healthcare-focused, and eClerx, which is heavily skewed to BFSI. While eClerx is the closest peer, its scale at USD 398mn is less than half of Firstsource. Margins at Firstsource lag peers due to weak integration of past acquisitions, which has inflated cost, and a structurally higher onsite mix (37% onshore vs. 21% for eClerx). Elevated goodwill on the balance sheet has pressured return ratios and leverage metrics, though these are expected to improve, going forward. Importantly, Firstsource delivers the highest revenue per employee, underscoring stronger productivity and quality of work, and enjoys lower client concentration relative to eClerx, supporting a more resilient operating profile.

Exhibit 86. Peer comparison table

		Firstsource	Eclerx	Sagility	IKS	Indegene
P&L Metrics	Revenue (USD Mn)	944	398	658	316	336
	Revenue (INR Mn)	79,803	33,658	55,699	26,640	28,393
	EBITDA (INR Mn)	12,076	8,209	12,979	7,698	5,343
	EBIT (INR Mn)	8,806	6,797	8,310	6,571	4,541
	PAT (INR Mn)	5,945	5,408	5,391	4,861	4,067
	EBITDA Margin	15.1%	24.4%	23.3%	28.9%	18.8%
	EBIT Margin	11.0%	20.2%	14.9%	24.7%	16.0%
	PAT Margin	7.4%	16.1%	9.7%	18.2%	14.3%
Employee Metrics	Revenue per employee (USD)	27,243	20,512	16,704	24,927	66,016
	EBITDA per employee (USD)	4,123	5,005	3,892	7,204	12,423
	No. of Employees	34,651	19,389	39,409	12,661	5,087
DSO	DSO including unbilled	65	81	80	63	90
Change	Revenue– USD- CAGR – FY15-25	6.6%	10.0%	10.8%	46.7%	14.5%
	Organic revenue– USD- CAGR – FY15-25	4.7%	9.4%	10.1%	20.4%	8.0%
	EBITDA margin expansion (FY22-FY25)	-108bp	-676bp	-105bp	-1001bp	77bp
Return Ratios	Return on Equity	15.2%	23.8%	7.3%	37.4%	13.9%
	Return on Capital Employed	17.8%	19.3%	8.3%	29.7%	19.3%
	Return on Invested Capital	14.4%	32.4%	7.0%	33.4%	17.5%
Balance Sheet Metrics	Debt equity ratio	0.37	0	0.10	0.42	0.00
	Total Debt	15,324	0	8,170	7,550	0
	Net Debt	13,654	-7,391	4,732	5,627	-3,746
	Net Debt as a % of total assets	17.2%	0.0%	4.3%	18.4%	-11.3%
	Cash and Cash equivalent	1,670	7,391	3,438	1,923	3,746
	Cash and Cash equivalent as a % of total assets	2.1%	23.5%	3.1%	6.3%	11.3%
	Total Assets	79,222	31,457	110,507	30,518	33,259
Capital	Total Equity	40,980	23,080	83,361	17,897	26,156
	Capital Employed	54,695	27,050	103,400	25,307	27,614
	Invested Capital	54,632	15,688	88,093	23,524	26,156
	Receivables including unbilled	16,860	7,899	12,668	5,537	3,602
Cash Flow Metrics	Free cash flow	4,775	5,395	10,918	2,755	4,119
	Free cash flow - excl. acquisitions	-324	5,395	1,336	2,111	3,006
	OCF	7,011	6,546	12,141	4,340	4,419
	OCF/EBITDA	58.1%	79.7%	93.5%	56.4%	82.7%
	FCF/PAT	80.3%	99.7%	202.5%	56.7%	101.3%
Key Performance Metrics	Revenue share from America	67.6%	76.4%	100.0%	100.0%	69.1%
	Revenue share from BFSI	34.1%	43.3%	0.0%	0.0%	na
	Revenue share from Healthcare	34.9%	nm	100.0%	100.0%	100.0%
	Revenue share from top 10 clients	46.5%	63.0%	90.5%	34.6%	57.7%
Offshore/Onshore	Onshore revenue - %	37.3%	20.6%	nm	nm	nm
	Offshore revenue - %	62.7%	79.4%	nm	Nm	nm

Source: Company, JM Financial

In scale terms, Firstsource (USD 944mn in FY26) sits in the mid-tier of the overall BPM landscape. Within the pureplay cohort, it is the largest, but it is smaller than the billion-dollar scale IT services peers such as TechM BPM, Mphasis BPM and Infosys BPM. Global peers are much larger scale with Teleperformance, and Concentrix at USD 10bn scale.

Exhibit 87. Firstsource is the largest of the pure-play BPO peers, but small when compared to IT and global peers
Revenue – USD mn

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Indian peers											
Firstsource	**496**	**491**	**530**	**548**	**546**	**578**	**686**	**795**	**751**	**765**	**944**
Eclerx	154	199	194	199	201	200	210	285	333	354	398
Sagility	160	212	265	294	355	378	400	468	536	574	658
IKS			49	62	72	74	75	100	131	220	316
Indegene						90	131	224	288	313	336
Infosys BPM subsidiary	410	434	438	475	561	647	736	896	934	953	1005
TechM- BPM	303	300	301	341	403	479	514	734	892	931	1006
Mphasis- BPM	243	254	212	198	183	209	339	401	331	266	271
Hexaware- BPM								97	137	158	179
Global peers											
Teleperformance	3,668	3,773	4,038	4,721	5,244	5,990	6,561	8,415	8,590	9,024	11,122
Concentrix							5,402	6,608	6,663	7,694	10,407
Genpact	2,279	2,461	2,571	2,737	3,001	3,521	3,709	4,022	4,359	4,477	4,767
EXL	499	629	686	762	883	991	958	1,122	1,412	1,631	1,838
WNS	534	562	603	758	809	928	913	1,110	1,224	1,323	1,315

Note: HGS healthcare division revenue for Sagility between FY15-FY21, MCA data for IKS before FY22. For companies with Y/E Dec 31st, comparison is done with Y/E Mar 31st of next year. Source: Company, JM Financial

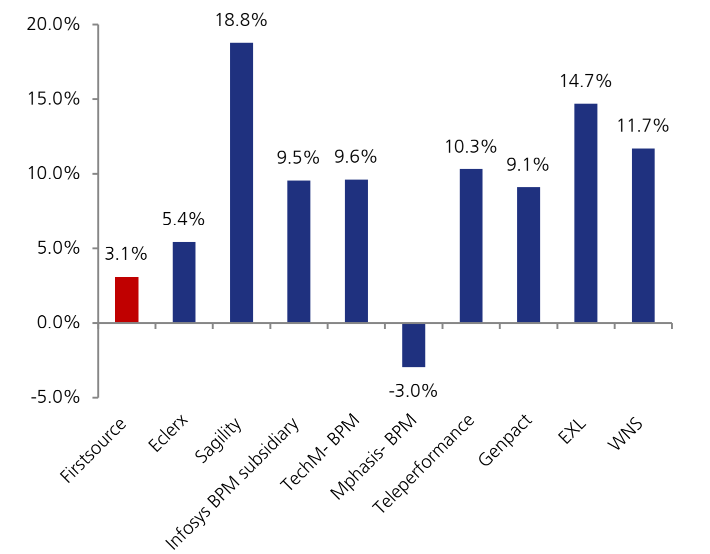
In revenue per employee terms, Firstsource is ahead of most peers. It generates the highest revenue per employee among Indian peers. FIrstsource is well placed even when compared with global peers. EXL is the only pureplay BPO company that has higher revenue per employee than Firstsource. Indegene has higher revenue per employee but it operates in the KPO space rather than the traditional BPO space.

Exhibit 88. Firstsource has the one of the highest revenue per employee among peers
Revenue per employee comparison - USD

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Indian peers											
Firstsource	**19,617**	**20,575**	**20,486**	**29,320**	**29,194**	**27,260**	**24,497**	**29,936**	**32,627**	**27,380**	**27,243**
Eclerx	18,794	22,277	22,035	21,063	21,096	23,444	17,555	19,089	20,630	20,395	20,512
Sagility								3,920	16,065	16,382	16,704
IKS								18,465	19,265	16,582	24,927
Indegene						45,105	42,675	46,389	52,939	61,561	67,692
TechM- BPM	13,352	11,012	10,600	9,982	9,360	10,241	11,140	12,800	14,836	16,777	16,872
Hexaware BPM								12,316	13,337	15,406	15,126
Global peers											
Teleperformance	20,155	19,860	18,609	21,172	17,479	18,152	17,266	20,036	20,952	18,048	18,878
Concentrix							20,008	22,786	21,152	17,485	23,127
Genpact	33,564	34,181	34,277	35,088	34,492	36,482	38,439	36,699	36,663	34,678	34,051
EXL	21,899	36,541	26,385	27,421	30,347	31,271	30,044	30,008	31,102	30,198	30,897
WNS	18,480	17,358	17,737	20,744	20,279	20,959	20,742	21,309	20,489	22,011	20,545

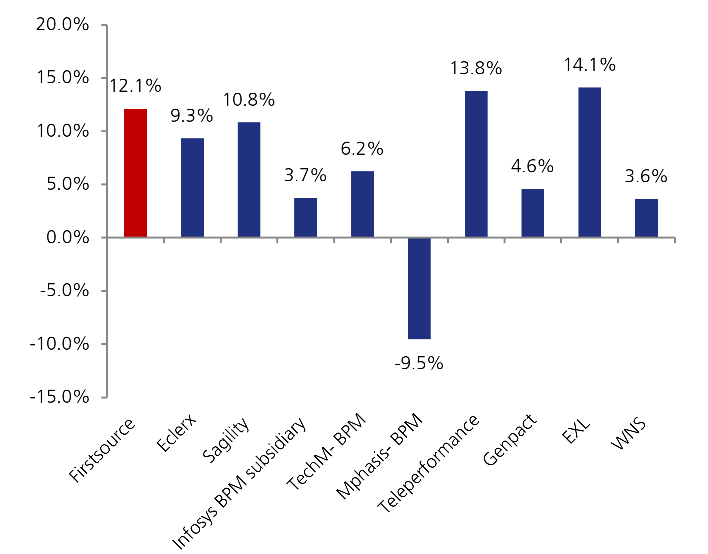
Note: For companies with Y/E Dec 31st, comparison is done with Y/E Mar 31st of next year. Source: Company, JM Financial

Exhibit 89. Firstsource was amongst the slowest growth BPO players due to its acquisitive history and poor integration of acquisitions
Revenue (USD mn) CAGR - FY15-20



Note: For companies with Y/E Dec 31st, comparison is done with Y/E Mar 31st of next year. Source: Company, JM Financial

Exhibit 90. Revenue growth improved to 23.4% (USD) in FY25, leading to a sharp uptick in 2-yr CAGR during FY23-25
Revenue (USD mn) CAGR - FY23-25



Note: For companies with Y/E Dec 31st, comparison is done with Y/E Mar 31st of next year. Source: Company, JM Financial

Firstsource has seen muted growth historically as compared to peers. It has grown at a CAGR of 6.6% between FY15-FY25 vs. the industry (Indian peers) aggregate growth of 9.3% CAGR over the same period. Excluding the sharp growth in FY25, the historical CAGR (FY15-24) comes down further to just 5%. Growth has been subdued due to lack of integration of subsidiaries and growth in silos. However, in FY25, Firstsource was amongst the fastest-growing players in the industry with 23.4% growth. Growth is expected to be better than industry, going forward.

Exhibit 91. Firstsource's growth has been muted historically, FY25 saw very high growth as compared to the industry
Revenue (USD) growth - YoY

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Indian peers											
Firstsource	**-3.0%**	**-0.9%**	**7.8%**	**3.5%**	**-0.4%**	**5.8%**	**18.7%**	**15.9%**	**-5.5%**	**1.9%**	**23.4%**
Eclerx	11.3%	29.4%	-2.5%	2.2%	1.0%	-0.1%	5.0%	35.2%	16.9%	6.4%	12.4%
Sagility		32.4%	25.3%	10.6%	21.0%	6.4%	5.7%	17.1%	14.6%	7.1%	14.7%
IKS				25.3%	16.9%	3.3%	0.5%	33.9%	31.1%	67.5%	43.7%
Indegene							44.6%	71.5%	28.5%	8.8%	7.4%
Infosys-BPM		5.7%	1.1%	8.3%	18.2%	15.3%	13.7%	21.8%	4.2%	2.0%	5.5%
TechM-BPM		-0.9%	0.4%	13.3%	18.2%	18.9%	7.2%	42.8%	21.5%	4.4%	8.1%
Mphasis-BPM		4.6%	-16.6%	-6.2%	-7.5%	13.8%	62.3%	18.2%	-17.4%	-19.4%	1.6%
Hexaware-BPM									41.2%	15.8%	13.0%
Global peers											
Teleperformance	16.1%	23.2%	7.0%	16.9%	11.1%	14.2%	9.5%	28.3%	2.1%	5.0%	23.3%
Concentrix								22.3%	0.8%	15.5%	35.3%
Genpact	7.0%	8.0%	4.5%	6.5%	9.6%	17.3%	5.4%	8.4%	8.4%	2.7%	6.5%
EXL	4.4%	14.6%	9.1%	11.1%	15.8%	12.3%	-3.3%	17.1%	25.8%	15.5%	12.7%
WNS	6.20%	5.3%	7.2%	25.8%	6.7%	14.7%	-1.7%	21.6%	10.3%	8.1%	-0.6%

Note: For companies with Y/E Dec 31st, comparison is done with Y/E Mar 31st of next year. HGS healthcare division revenue for Sagility between FY15-FY21, MCA data for IKS before FY22. Source: Company, JM Financial

Firstsource had the highest organic growth in FY25 as compared to all peers. Global peers saw muted growth in FY25, while all Indian peers saw double-digit growth.

Exhibit 92. Firstsource posted the highest organic growth in FY25 as compared to all peers
Organic revenue growth - YoY

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Indian peers											
Firstsource	**-3.0%**	**-0.9%**	**7.8%**	**3.5%**	**-0.4%**	**5.8%**	**17.8%**	**9.7%**	**-11.3%**	**2.2%**	**15.8%**
Eclerx	11.3%	29.4%	-2.5%	2.2%	1.0%	-0.1%	2.1%	31.6%	16.9%	6.4%	12.4%
Sagility										7.1%	14.7%
IKS									31.1%	16.8%	13.0%
Indegene							42%	66%	22.0%	2.8%	2.9%
Global peers											
Teleperformance	9.90%	7.5%	7.4%	9.0%	9.0%	10.6%	11.6%	25.7%	5.7%	1.7%	2.60%
Concentrix								15.6%	8.2%	4.0%	2.7%
Genpact	6.70%	10.00%	6.0%	7.0%	9.0%	18.0%	6.0%	7.2%	11.1%	3.1%	6.7%
EXL	4.36%	14.60%	11.0%	10.8%	16.0%	13.0%	-1.8%	16.5%	27.3%	15.6%	12.7%
WNS	6.70%	11.0%	15.8%	14.0%	9.8%	13.8%	-6.0%	16.0%	16.0%	9.9%	-3.0%

Note: For companies with Y/E Dec 31st, comparison is done with Y/E Mar 31st of next year. Like for like constant currency growth for Teleperformance. Proforma constant currency growth for Concentrix. Constant currency growth for Genpact. Constant currency growth for EXL. Constant currency growth for WNS. Source: Company, JM Financial

Exhibit 93. Firstsource's guidance for next FY is among the highest in the industry
BPM peers - Guidance for next FY

Company	Type	Guidance	organic guidance
Firstsource	YoY cc	13%-15%	10%-12%
Teleperformance	Like for like revenue growth	lower end of 2%-4% range	
Concentrix	YoY cc	1%-2%	
Genpact	YoY cc	4%-6%	
EXL	YoY cc	12-13%	
WNS (4QFY25 guidance)	Rev. less repair payments (cc)	7-11%	5%-9%

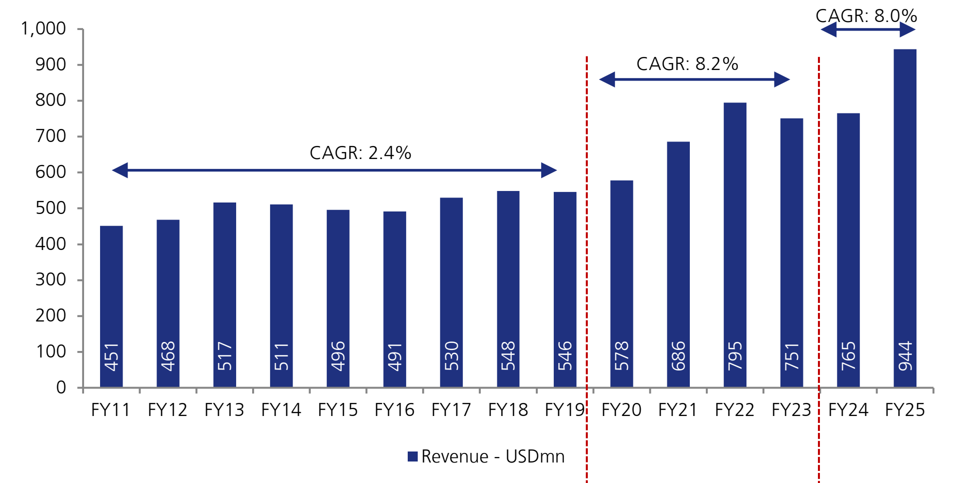
Source: Company, JM Financial

Financial Analysis

Revenue - historical analysis

During FY11–19, Firstsource posted muted revenue growth of 2.4% CAGR, constrained by an acquisitive approach with limited integration. Acquired businesses operated in silos, with minimal cross-sell, and regulatory restrictions added further drag. Growth revived during FY20–23, supported by rising mortgage activity and industry-wide post-Covid acceleration, but plateaued again in FY23–24. With the appointment of Ritesh Idnani as CEO in FY24 and the launch of the One Firstsource strategy, operations were unified, collaboration improved, and execution sharpened. This drove an inflection, with FY25 revenue (USD) up 23% (c.15% organic).

Exhibit 94. Organisational silos led to muted revenue growth historically, this changed post Covid due to industry-wide growth; in FY25, CEO-led initiatives drove a sharp surge
Revenue – USD mn

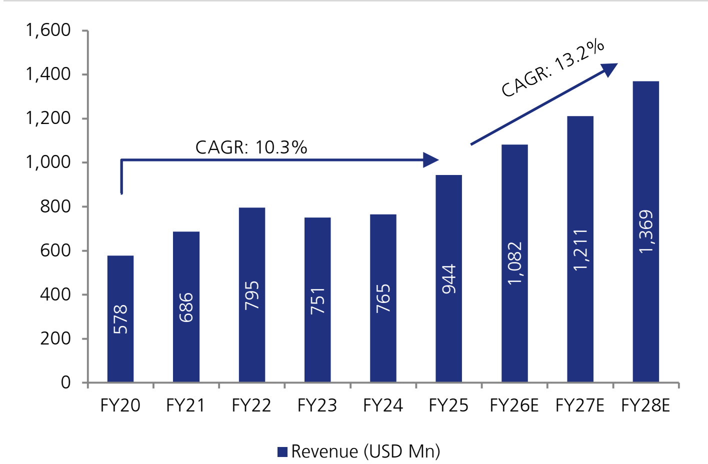


Source: Company, JM Financial

Revenue - forecast

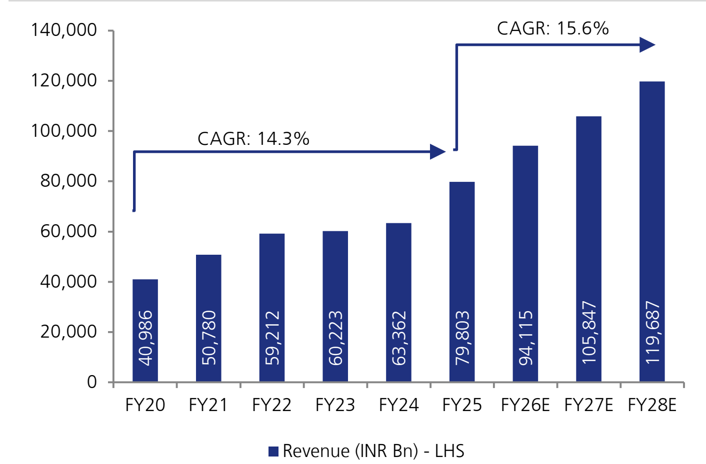
The management has raised FY26 growth guidance to 13–15% CC (earlier 12–15%), implying 10–12% organic growth excluding Ascensos (~3% contribution). We build in 13% CC growth for FY26 and a 13.2% USD revenue CAGR over FY25–28E (excluding Past Due Credit Solutions acquisition). Key drivers include continued momentum from One Firstsource, scaling of the UnBPO strategy, genAI-led growth in BPO and contact centres, and traction in vertical-specific BPS solutions.

Exhibit 95. Topline grew at a CAGR of 10%+ during FY20-25; growth accelerated in FY25...
Revenue - USD mn



Source: Company, JM Financial estimates

Exhibit 96. …is expected to further accelerate as the strategic initiatives implemented gain traction
Revenue – INR mn

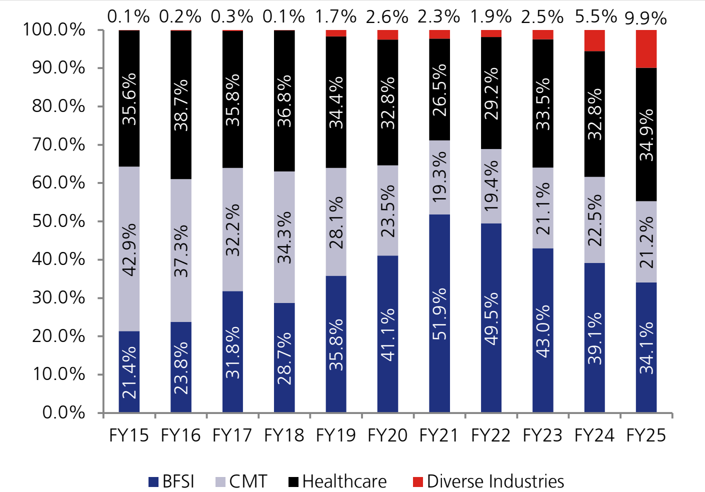


Source: Company, JM Financial estimates

Verticals and Geographies

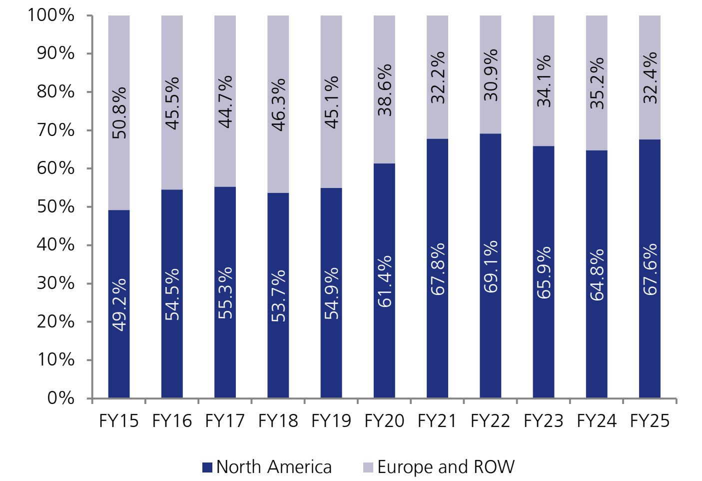
In the recent past, BFSI vertical has been impacted by muted mortgage activity, while Healthcare has delivered strong traction as outsourcing gains share amid cost pressures. CMT has grown on the back of GenAI services. Looking ahead, BFSI should recover gradually as mortgage activity revives (with rate cuts) and offerings diversify. Healthcare momentum is expected to sustain, led by deal wins in the payer space, while CMT should continue its strong trajectory with a robust pipeline and AI-led growth. The Diverse vertical is positioned to grow on the back of deal wins in retail and utilities. North America's share has risen, with higher growth in the healthcare vertical and growth in CMT vertical led by tech logos.

Exhibit 97. CMT and Healthcare have gained share in recent years, while Diverse has seen a sharp uptick driven by acquisition
Revenue by vertical -%



Source: Company, JM Financial

Exhibit 98. Share of North America has increased with growth in Healthcare and new tech/media logos
Revenue by geography - %

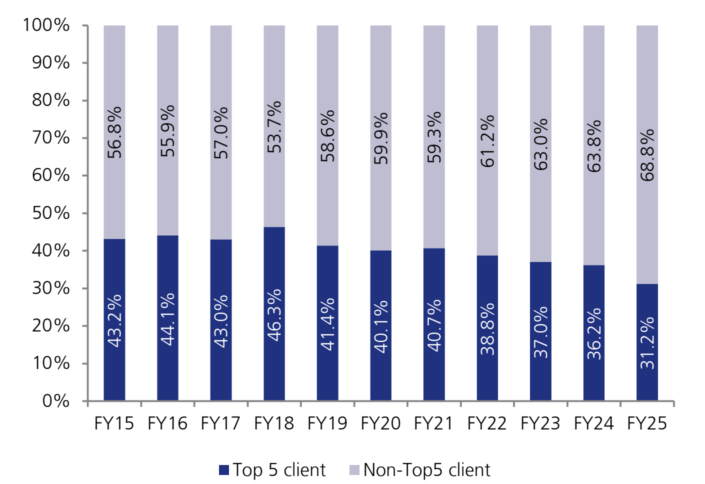


Source: Company, JM Financial

Onshore/Offshore and Top clients

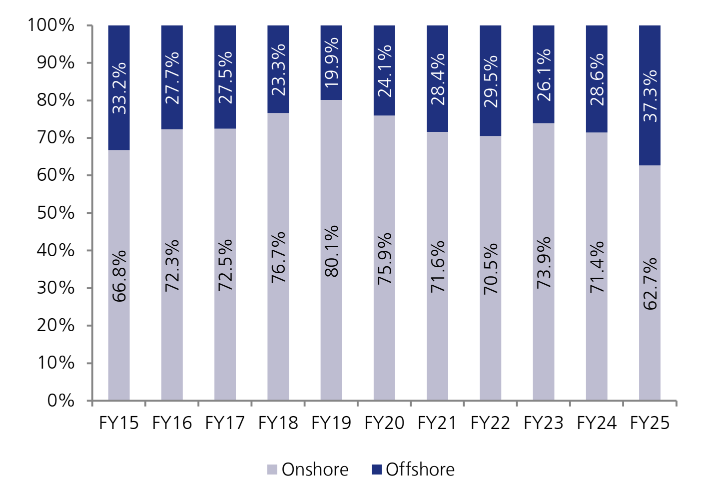
Revenue concentration has moderated, with top-5 and top-10 client share down c.6pps over the last 2 years. This reflects the management's conscious effort to broaden growth and add new engines, supported by 40 new client additions in the last 7 quarters. Growth in non-top-10 clients has driven this diversification. Offshore mix has risen as the management pushes offshoring to expand margins, in line with client preference amid cost pressures. Offshoring will remain a key structural lever for margin expansion.

Exhibit 99. Share of top 5 clients has declined as a result of initiative to broad-base revenue growth and increase in client addition
Revenue by client cohorts - %



Source: Company, JM Financial

Exhibit 100. Share of offshore revenue is rising as Firstsource leverages right-shoring to expand margins
Revenue by delivery location -%

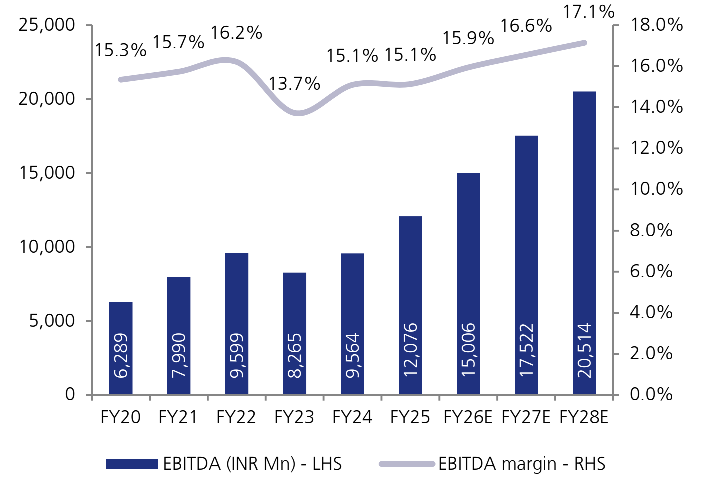


Source: Company, JM Financial

Margins

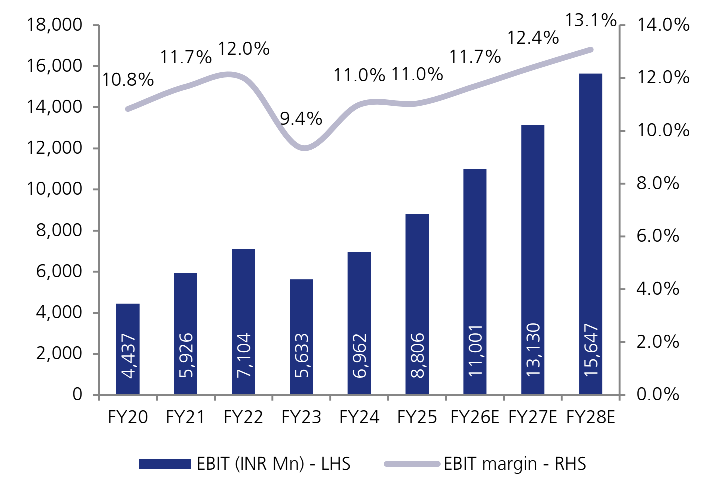
EBITDA margin peaked at 16% in FY22 but declined to 13.7% in FY23, with EBIT hitting a trough of 9.4% in FY23. Margins have historically been suppressed given the onsite-heavy mix. 1QFY26 saw EBITDA improve to 15.7% (vs. 15.1% in FY25) and EBIT to 11.3% (vs. 11.0% in FY25). The management expects sequential improvement supported by right-shoring, operating leverage, AI/automation, and cost optimisation. It has guided for 11.25-12.0% EBIT margin in FY26; we model 11.0% for FY26 and 70bps annual expansion through FY26-FY28E.

Exhibit 101. Margin has hovered around 15%, it is expected to inch up as execution on margin levers play out…
EBITDA margin -%



Source: Company, JM Financial estimates

Exhibit 102. ...levers include right-shoring, operating leverage, cost optimisation, Automation/AI and pricing
EBIT margin -%

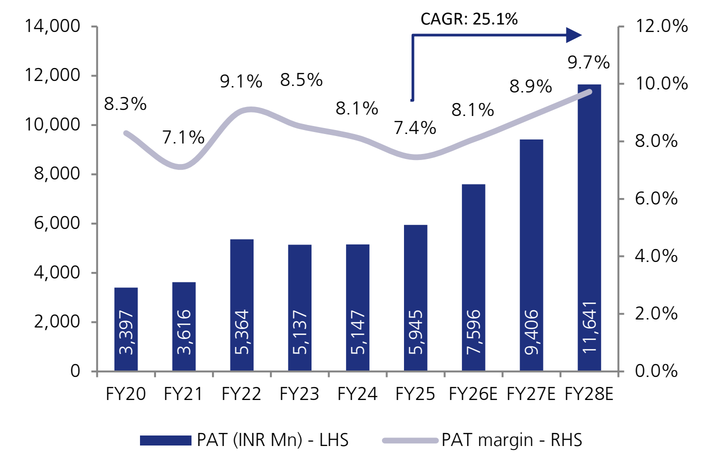


Source: Company, JM Financial estimates

PAT and EPS

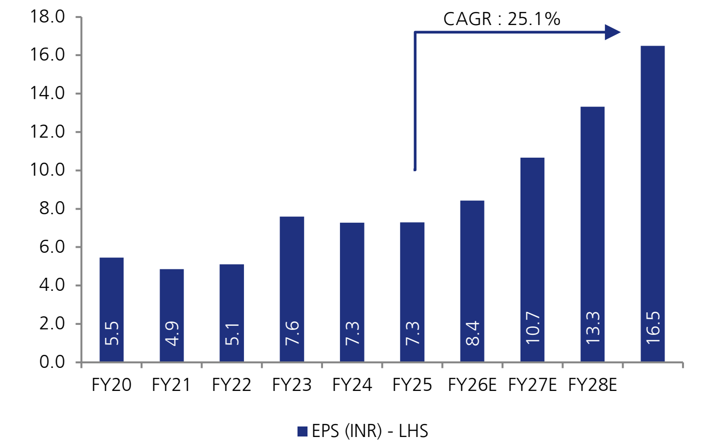
PAT delivered 12% CAGR during FY20–25 and is expected to accelerate to 25.1% CAGR over FY25–28E, underpinned by topline momentum and margin expansion. Deleveraging and lower finance costs provide further upside to estimates.

Exhibit 103. PAT grew at a CAGR of 12% during FY20-FY25, this is expected to accelerate with growth and margin expansion
PAT (INR mn) and PAT margin – FY20-28E



Source: Company, JM Financial estimates

Exhibit 104. EPS is expected to grow at a similar rate as PAT, we build in EPS CAGR of 25.1% during FY25-28
EPS (INR)- FY20-28

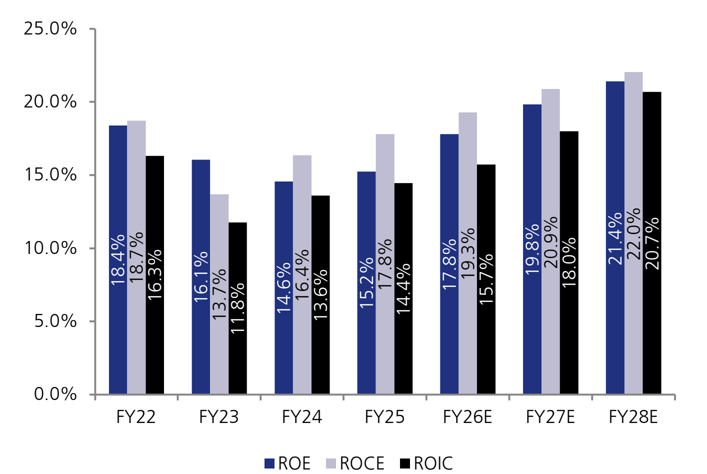


Source: Company, JM Financial estimates

Return ratios and cash conversion

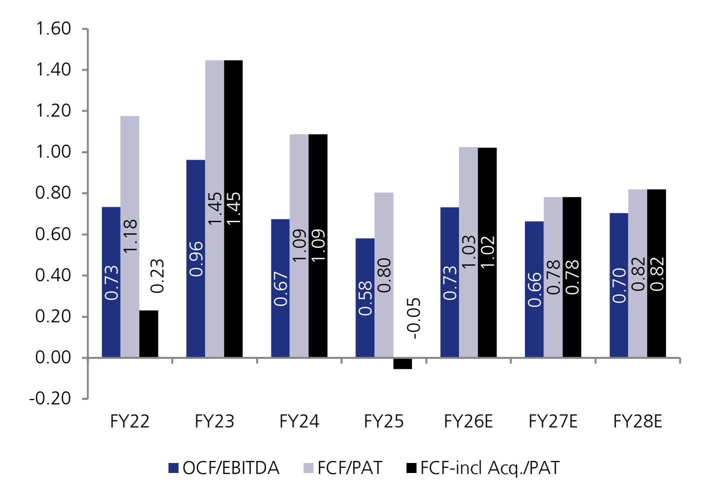
Return ratios are suppressed and lie in the middle of the pack when compared to peers. Return ratios are lower due to lower margins and high goodwill on the balance sheet. We expect improvement in return ratios as margins expand and growth sustains. Cash conversion remains healthy: OCF/EBITDA averaged 0.8 and FCF/PAT 1.28 during FY20–25. We model OCF/EBITDA of 0.7x and FCF/PAT of 0.9x over FY25–28E.

Exhibit 105. Return metrics are depressed due to lower margin and high goodwill; they are poised to improve with margin expansion
ROE, ROCE and ROIC-% - FY20-28E



Source: Company, JM Financial estimates

Exhibit 106. Healthy cash conversion, average OCF/EBITDA has been at 0.74 and FCF/PAT averaged 1.13
OCF/EBITDA and FCF/PAT – FY25-28E



Source: Company, JM Financial estimates

Exhibit 107. Key assumptions table

	FY23	FY24	FY25	1QFY26E	2QFY26E	3QFY26E	4QFY26E	FY26E	FY27E	FY28E
USD/INR	80.19	82.83	84.54	85.62	87.40	87.40	87.40	86.97	87.40	87.40
Revenue										
Revenue - USDmn	**751**	**765**	**944**	**259**	**266**	**275**	**282**	**1,082**	**1,211**	**1,369**
Change YoY/QoQ	-5.53%	1.86%	23.40%	3.60%	2.84%	3.07%	2.78%	14.63%	11.92%	13.08%
BFSI- USDmn	323	300	322	84	86	87	89	347	382	425
Change YoY/QoQ	-17.99%	-6.93%	7.08%	0.81%	2.00%	1.50%	2.50%	7.76%	10.13%	11.46%
Communication, media and technology - USDmn	158	173	200	58	61	62	64	245	281	322
Change YoY/QoQ	2.50%	9.10%	15.82%	10.51%	4.50%	2.50%	3.50%	22.56%	14.48%	14.75%
Lifesciences and healthcare	251	252	329	87	89	93	95	364	406	460
Change YoY/QoQ	8.26%	0.17%	30.76%	2.37%	2.50%	5.00%	2.50%	10.41%	11.68%	13.13%
Diverse	19	42	93	30	31	32	33	127	143	163
Change YoY/QoQ	24.89%	126.85%	120.56%	2.72%	3.00%	3.00%	3.00%	36.24%	12.55%	13.94%
Revenue - INRmn	**60,223**	**63,362**	**79,803**	**22,177**	**23,280**	**23,995**	**24,663**	**94,115**	**105,847**	**119,687**
Change QoQ/YoY	1.71%	5.21%	25.95%	2.40%	8.20%	19.50%	18.40%	17.93%	12.47%	13.08%
Expenses										
Gross Profit	21,548	24,274	29,845	8,970	9,312	9,538	9,890	37,709	43,022	49,767
Gross margin	35.78%	38.31%	37.40%	40.45%	40.00%	39.75%	40.10%	40.07%	40.65%	41.58%
Total other expenses	13,283	14,710	17,769	5,499	5,587	5,699	5,919	22,704	25,500	29,254
-As a % of revenue	22.06%	23.21%	22.27%	24.79%	24.00%	23.75%	24.00%	24.12%	24.09%	24.44%
EBITDA	**8,265**	**9,564**	**12,076**	**3,471**	**3,725**	**3,839**	**3,971**	**15,006**	**17,522**	**20,514**
EBITDA margin	**13.72%**	**15.09%**	**15.13%**	**15.65%**	**16.00%**	**16.00%**	**16.10%**	**15.94%**	**16.55%**	**17.14%**
Depreciation and amortization	2,632	2,602	3,270	972	1,006	1,000	1,027	4,005	4,392	4,867
-As a % of revenue	4.37%	4.11%	4.10%	4.39%	4.32%	4.17%	4.16%	4.26%	4.15%	4.07%
EBIT	**5,633**	**6,962**	**8,806**	**2498.39**	**2,719**	**2,840**	**2,944**	**11,001**	**13,130**	**15,647**
EBIT margin	**9.35%**	**10.99%**	**11.03%**	**11.27%**	**11.68%**	**11.83%**	**11.94%**	**11.69%**	**12.41%**	**13.07%**
Finance cost	790	1,034	1,479	434	412	414	415	1,675	1,556	1,564
-As a % of revenue	1.31%	1.63%	1.85%	1.96%	1.77%	1.73%	1.68%	1.78%	1.47%	1.31%
Other income	1,309	368	-9	68	39	56	77	240	332	653
-As a % of revenue	2.17%	0.58%	-0.01%	0.31%	0.17%	0.23%	0.31%	0.25%	0.31%	0.55%
Profit before tax	**6,152**	**6,297**	**7,318**	**2,132**	**2,346**	**2,481**	**2,605**	**9,565**	**11,906**	**14,736**
PBT margin	10.22%	9.94%	9.17%	9.62%	10.08%	10.34%	10.56%	10.16%	11.25%	12.31%
Tax expense	1,015	1,150	1,462	439	483	511	536	1,969	2,500	3,094
Tax as a % of PBT	16.50%	18.26%	19.98%	20.59%	20.59%	20.59%	20.59%	20.59%	21.00%	21.00%
Profit after tax	**5,137**	**5,147**	**5,856**	**1,693**	**1,863**	**1,970**	**2,069**	**7,596**	**9,406**	**11,641**
Growth YoY	-4.23%	0.20%	13.78%	5.38%	10.03%	5.76%	5.01%	29.70%	23.83%	23.77%
Balance sheet assumptions										
DSO	51	63	65	69	70	71	72	72	75	75
Payable days	12	9	16	21	21	21	21	21	21	21
Short term lease liabilities as a% of rev. (LTM)	2.0%	2.4%	2.9%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
Long term lease liabilities as a% of rev. (LTM)	7.4%	9.0%	10.1%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%
Other current assets - % of rev. (LTM)	2.5%	2.3%	3.6%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%
Other current liabilities - % of rev (LTM)	24.5%	24.8%	29.4%	27.3%	27.3%	27.3%	27.3%	27.3%	27.3%	27.3%
Other long term liabilities - % of rev (LTM)	9.7%	11.3%	2.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%
Provisions - % of rev. (LTM)	1.6%	1.4%	1.3%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%
Fixed asset turns	7.8x	7.2x	5.9x	6.5x	6.5x	6.6x	6.6x	6.6x	7.x	7.3x

Source: Company, JM Financial estimates

Key threats and challenges

- Technology disruption: The BPO industry is rapidly being reshaped by AI, GenAI, cloud adoption, and automation. Competitors are embedding AI-powered copilots, chatbots, and agent-assist platforms across customer service, finance, and healthcare verticals. Without accelerated investment, Firstsource risks being seen as a traditional, labour-arbitrage-driven BPO firm rather than a tech-enabled partner. Additionally, disruptive technologies can shorten the shelf-life of traditional BPO contracts. Providers unable to pivot quickly towards digital-first service models can lose deal opportunities.

  The pace of disruption demands continuous technological investments. AI platforms require significant upfront spending on proprietary LLM training, data pipelines, and cloud infrastructure. Furthermore, the rapid commoditisation of AI tools (e.g., Microsoft Copilot, Salesforce Einstein, Google Dialogflow) means differentiation must come from domain expertise and proprietary technology.

- Customer concentration risk: In FY25, ~31% of Firstsource's revenue came from its top five clients. This dependence creates vulnerability: non-renewal, downsizing, or pricing renegotiations by even one of the top clients can disproportionately impact overall revenue and profitability. The long tenure of client relationships (often spanning over a decade) provides some stability, but it also ties Firstsource's growth trajectory to a few accounts. Moreover, in industries like BFSI and healthcare, vendor consolidation by large enterprises is increasing; meaning clients could shift spending to fewer, larger partners, raising renewal risks for Firstsource.

- Macroeconomic volatility: Firstsource's delivery model depends heavily on offshore delivery from India and the Philippines, leaving it exposed to geopolitical shifts. In the US and the UK, rising protectionist sentiments have led to stricter visa regimes, limiting deployment flexibility and mandates promoting local hiring. Moreover, with a majority of revenue coming from overseas markets, Firstsource is highly exposed to exchange rate fluctuations, particularly USD/INR and GBP/INR. Although the company adopts hedging strategies such as forward contracts, these only provide partial protection. A sharp INR appreciation could significantly impact margins.

- Cybersecurity and data privacy: Given Firstsource's exposure to healthcare and BFSI – both highly regulated and data-intensive verticals – Firstsource handles sensitive personal and financial information. This makes the sectors a target for cyberattacks, risks include – data breaches exposing medical/financial records, non-compliance with global regulations such as – HIPAA, GDPR, and PCI-DSS, and increasing sophistication of ransomware and phishing attacks. While Firstsource has invested in controls like endpoint detection, penetration testing, and third-party security certifications, the rising incidence of cyberattacks and stricter enforcement of privacy norms means risk remains significant.

- Intensifying industry competition: The IT-enabled services (ITES) and BPO industry is becoming highly competitive, with pressure from – (i) Tier-1 IT majors (Accenture, TCS, Infosys, Wipro, HCL Tech) increasingly bundling BPM into integrated IT-BPO contracts, (ii) Pure-play BPO players scaling aggressively with AI-led transformation solutions, and (iii) In-house captives of global enterprises, especially in BFSI and healthcare, building offshore centres in India, Philippines, and Mexico to retain control.

Appendix

Firstsource solutions by industry

Exhibit 108. Offerings in the BFS vertical

Category	Offerings	Clients
Lending Solutions	Comprehensive lending management covering origination to collections; supports secured loans (equipment, estate, auto) and unsecured loans (credit cards, personal loans). Uses digital platforms, analytics and GenAI to accelerate approvals, reduce costs and improve compliance.	-14 of the Top 20 Mortgage lenders and servicers in the US - 7 of the top 10 credit card issuers in the US - 3 of top 6 retail banks in the UK
Mortgages	End-to-end mortgage outsourcing: origination, underwriting, title & settlement, post-closing document services, servicing and collections. Uses automation, ML/RPA and rightshoring to reduce cycle time, ensure compliance and improve borrower experience.	
Fraud & Financial Crime Compliance	Front-line customer service (suspicious transactions, disputes, fraud calls); back-office monitoring (real-time alerts, fraud detection, AML investigations); advisory & technology deployment (identity mgmt, transaction auth). KYC/AML services: Customer Due Diligence, Ultimate Beneficiary Owner checks, sanctions/Politically Exposed Persons checks, transaction monitoring, Suspicious activity reporting.	
Future-ready Customer Experience (CX)	Six CX services: (1) Strategy & Design Advisory (journey redesign, onboarding, workflows); (2) Omnichannel CX (voice, chat, SMS, email, AI-human support); (3) Sales & Revenue Ops (lead gen, CRM integration, account expansion); (4) CX Analytics (sentiment, behaviour, fraud/AML insights); (5) Automation & Digital Enablement (AI, self-service, conversational bots); (6) Risk, Fraud & Compliance (real-time monitoring, AI-driven risk controls).	
Receivables Management & Debt Collections	Digital collections (white-labelled platforms, multi-channel, analytics, RPA, risk management, customer-journey mapping); Pre-charge-off collections (early delinquency, minimum-due/save-based strategies, compliance, RPA); Post-charge-off recoveries (late-stage liquidation, workflow mgmt, negotiation); Legal collections (end-to-end coverage, compliance and privacy-first design).	

Source: Company, JM Financial

Exhibit 109. Offerings in the healthcare vertical

Category	Offerings	Clients
Hospital RCM		
Patient Access & Pre-Service	Scheduling; Insurance Verification; Prior Authorization; Medicaid Enrolment; Pre-Registration / Financial Clearance	300+ health systems in the US
Coding & Claims Processing	Medical Coding; Claims Scrubbing; Claims Submission & Clearinghouse	
Post-Service Revenue Optimization	Insurance / Accounts Receivable (A/R) Follow-Up; Denials Management; Self-Pay Early Out; Bad Debt Collections	
Consulting & Business Office Management	Full cycle revenue assessment; workflow redesign / provider assessment; implementation advisory; design of patient / financial front end to reduce denials etc.	
Digital & Technology-Enabled Enhancements	Intelligent Automation; AI platform (Firstsense AI Platform); Digitally Empowered Contact Centre; Digital Engineering to streamline billing, improve accuracy, reduce costs	
Physician RCM		
Core RCM Process Services	Billing & Transmission; Payments Posting; Accounts Receivable (AR) Recovery; Account Management	300+ health systems in the US
Eligibility, Benefits & Coding	Eligibility and Benefits Verification; Coding; Coding Audits & Compliance	
Denial Management / Prevention	Denial Management (handling claims that are denied); Denial Prevention (processes to reduce denials)	
Patient-Facing / Financial Engagement	Patient Balance (managing what patients owe); Patient Data Management; Payments Posting	
Technology & Intelligence	Advanced / AI-enabled tech that works with EMRs and practice management systems; analytics & reporting & insights; tools to improve efficiency and scale	
Specialties	Support across many specialties (e.g. radiology, cardiology, internal medicine, behavioural health, etc.) depending on the practice	
Healthcare Payer		
Intelligent Back Office	Claims Operations; Member Enrolment and Billing; Member and Provider Services; Credentialing and Provider Data Management	12 of the top 15 health plans in the US
Platform-Based Services	Digital Intake / Digital Mailroom / Data Capture; Digital Post Office Solution; Medicaid Redetermination (MReD); Core Admin BPaaS	
Data, Analytics & AI	AI first health plan operations integrating AI decision agents and Co-pilots, Personalized member engagement, financial analytics, Quality management reporting and compliance	

Source: Company, JM Financial

Exhibit 110. Offerings in the retail vertical

Category	Offerings	Clients
Retail	In the Retail vertical Firstsource provides personalised customer experience through its CX platforms, Agentic AI solutions and flexible services. Ascensos acquisition has helped Firstsource strengthen their offerings in the Retail vertical	-2 of the top 10 retailers in the UK
-Grocery	For grocery retailers Firstsource provides seamless customer experiences across the entire customer lifecycle, from credit card support and bill payments to product inquiries, order tracking, and delivery resolution.	
-General Merchandise	For general merchandise retailers, Firstsource provides omni-channel customer experience including recommendations, targeted offers and loyalty programs. They handle order tracking, returns, refunds and exchanges	
-Fashion and Accessories	Support in this segment spans product availability, sizing guidance and seamless handling of returns and exchanges	
-Health and Beauty	Support in this segment spans website and in-store shopping journeys, product inquiries and medical queries and billing	
-E-commerce	Provides dynamic personalization, helping customers discover relevant products and offers. Support is provided for billing and exchange	
-Electronics and Tech	In this space Firstsource elevates customer experience by resolving complex product inquiries, troubleshooting issues and managing warranties. They also offer backend operations such as billing, returns and inventory coordination	

Source: Company, JM Financial

Exhibit 111. Offerings in the tech vertical

Category	Offerings	Clients
GenAI Services	Data sourcing, annotation, model validation and alignment solutions. Firstsource supports every stage of LLM and agentic AI development	-4 of the top 5 consumer tech companies in the US
- Model training and development	Building, refining and deploying GenAI-models	
- Model evaluation	Comprehensive model evaluation services focused on performance, reliability and responsible outcomes for LLMs	
- Factuality	Ensuring factuality of LLM outputs	
- LLM safety and responsible AI (RAI)	Ensuring safety, fairness, transparency, accountability and compliance	
- Multimodality	Enabling processing and reasoning across multiple modalities such as text, images, audio and video	
- Advanced domain expertise	Specialize LLMs for domain specific applications by leveraging industry knowledge	
Trust and Safety	Workflow automation and advanced tooling ensuring misinformation/malicious content detection, Predictive analytics to detect trends and get ahead of breaches. Firstsource blends human and technological expertise to deliver its services	

Source: Company, JM Financial

Firstsource solutions across capabilities

Exhibit 112. Key offerings in collections and results achieved

Section	Details
Approach	Digital-first collections with automation + AI/ML + analytics + human touch
	Data-driven approach leveraging proprietary technology
	Blend of technology with human touch to boost compliance, satisfaction & recovery
Key Offerings	White-labelled digital debt collections: multi-channel empathetic approach, prevent delinquencies, minimize defaults, maximize recovery
	Compliance & risk management: rigorous compliance, speech analytics, associate monitoring, complaint management
	Customer journey mapping: customer-centric interactions, sensitive engagement
	Understand customer voice & drive empathetic collections
	Superior compliance & brand protection
	Industry-specific solutions: BFSI, Education, Auto-financing
Industries Served	Industries covered: Banking, Auto Financing, Education, Insurance, Utility, Telco
	Fortune 50 clients
Results	25+ years of US debt recovery experience
	1,500+ debt collection professionals
	USD6 Billion in annual inventory
	USd683 Billion active inventory managed per month
	40 Million+ cash collected monthly
	2.8 Million delinquent accounts saved monthly
	2.1 Million+ first-party customer interactions monthly

Source: Company, JM Financial

Exhibit 113. Framework for deployment and delivery details in the CX space

Section	Details
Framework	
Discover	Market & user research, competitor analysis, persona creation, journey mapping, pain/gain & error analysis, stakeholder workshops
	Capture user experience through empathy
	Developing customer personas and mapping journeys
Define	Identify themes/patterns & consumer-centric problem statements
	Brainstorming, prioritization of ideas
	Constraint identification
Design	Omni-channel CX design, service design, process mapping
	UX & visual design, technology architecture, automation interventions
	Proof-of-concept development
Deploy	User/QA testing, A/B testing
	Business metrics definition, analytics framework, SLA framework
	Implementation roadmap, continuous improvement models
IDEA	Insights, Design Experience & Advisory (IDEA) - strategy made real
	Leverages expertise in millions of interactions & deep ecosystem knowledge
	Helps simplify processes, optimize costs & deliver delightful experiences
Delivery	
Pillars of execution	Analytics: use real relationship data to understand journeys end-to-end
	CX Advisory: human-centric design putting in customer’s shoes
	Automation: deliver support quickly & free agents for meaningful interactions
	Accountability: define CX metrics & take responsibility for outcomes
Outcomes delivered	Branded experience: end-to-end journeys aligned with brand values
	Revenue lift: faster transactions, better cross-sell/up-sell
	Operational efficiency: automation & straight-through processing
	Customer retention: higher NPS, improved renewal rates
	Employee experience: improved engagement alongside CX outcomes

Source: Company, JM Financial

Firstsource is now offering AI related services and digital transformation offerings. It offers CoE, AI implementation and Transformation advisory services

Exhibit 114. Offerings in the IT and Services domain

Offerings	Description
AI & Automation	Transformation Advisory
	Automation Centres of Excellence (CoEs)
	AI & Automation Implementation Services
	Managed Services
	Process Intelligence
	Intelligent Data Processing (IDP)
Data and Analytics	Enterprise Data Management
	Data Enrichment
	Cloud BI Solutions
	Data Strategy & Architecture
	Sales & Marketing Analytics
	Risk & Compliance Analytics
	Customer Experience Analytics
Digital Engineering	Product Engineering
	Application Development, Support & Migration
	Cloud Transformation
	Systems Integration
	Low-code/No-code Implementation
	Product Professional Services

Source: Company, JM Financial

Exhibit 115. Offerings in the digital platforms

Section	Details
Value proposition	Modernize processes, unlock business insights, and elevate customer experience
	Transformative digital solutions for next-gen operations
	Purpose-built solutions combining domain workflows with automation, AI, ML, analytics
	Infuse intelligence into end-to-end processes, synthesizing structured/unstructured data
Offerings	Platform-based solutions: intelligent, purpose-built, cloud/mobile-first
	Intelligent Automation: fuse automation with AI to handle structured/unstructured data
	Analytics: replace bias with data-driven insights across BFS, Healthcare, Insurance, T&M
Platforms	Sympraxis – intelligent platforms to drive agility, flexibility, scale
	i-Leverage – 360-degree customer view, omnichannel
	firstCustomer Intelligence (FCI) – map journeys, deep insights
Outcomes	2 Billion back-office transactions & 200 Million customer interactions

Source: Company, JM Financial

Exhibit 116. Offerings under trust and safety services

Section	Details
Threat Areas Covered	Deceptive & Fraudulent Behaviour: Fraud, impersonation, cybersecurity threats, IP/copyright infringement, defamation, fake reviews
	Community-specific Rules: Format deviations, non-compliance with restrictions, transaction rule-breaking, privacy & data protection abuse
	Violent & Criminal Behaviour: Dangerous organizations, extremism, violent content, human/sexual exploitation, illegal/non-consensual sex acts, child abuse & nudity
	Illegal or Regulated Goods & Services: Weapons, drugs, alcohol & tobacco, gaming & gambling
	Offensive & Objectionable Content: Slurs (race, religion, sexual orientation), graphic/violent material, nudity & pornography
	User Safety: Misinformation, frauds & scams, self-harm content, harassment & bullying
	Scaled Abuse: Spam, malware, inauthentic behaviour
Monitoring Process	Audit: Review to identify policy/queue gaps
	Redesign: Optimize workflows to reduce manual work
	Review: Enforce rules & compliance, feedback loop ensures quality
	Adapt: Use data, insights & ML to optimize workflows; adopt automation/tooling
Why Firstsource	Unique strengths: Global scale + local understanding; human moderation + automation; predictive analytics; regulatory compliance; bespoke dashboards; employee wellness; 15-25% cost savings

Source: Company, JM Financial

Exhibit 117. Firstsource's Offerings in AI across the adoption lifecycle

Category	Offerings
Gen AI Solutions	Underwriter Companion, Eligibility Companion, Loan QC Companion, Notification Management, Case Management, Integrated Dialer Solution, First Customer Insight, Document & Page Classifier, Document Zoning & Tagging, Document Summarizer, Call Summarizer, Chat Summarizer
Offerings across adoption lifecycle	
Explore	GenAI Xperiment as a Service (XaaS), AI Lab Setup, Sandbox Setup, AI/Gen AI Model POC, Partner/Client Co-innovation
Expand	AI Factory (POD-based), AI platform stack build, AI monitoring platform build, Reporting & Visualization, Data Collation & Annotation, Synthetic Data Generation, AI Bot Store
Discover	Strategy & Roadmap, Discovering, COE Setup, AI Maturity Assessment, Enterprise AI Architecture evaluation, Platform Selection & Benchmarking
Propel	AI & BOT Governance, Digital Workforce Monitoring, LLM performance benchmarking, LLM training (RLHF), AI Collaboration platform

Source: Company, JM Financial

Promoter background

RPSG Ventures Limited, along with its subsidiaries, operates a diversified portfolio of businesses including IT services, business process management (BPM), FMCG including, ayurvedic formulations, real estate and sports. As a standalone entity, RPSG Ventures Limited's core business consists of IT services, being provided to certain group companies operating in the power sector. All other businesses are carried out through various subsidiary companies. As of 30th Jun'25, RPSG ventures hold c.54% stake in Firstsource.

Board of Directors profile

Exhibit 118. Background of the Board of Directors

Name	Designation	Profile
Dr Sanjiv Goenka	Chairman, Non-Executive, Non-Independent Director	He is the chairman of the RPSG Group, a multinational conglomerate with diverse interests including power, retail, media, IT, and education. He's the Chairman of CESC Limited and chairs the boards of a number of companies such as Phillips Carbon Black Limited and Spencer's Retail Limited.
Shashwat Goenka	Vice Chairman, Non-Executive, Non-Independent Director	He has joined the Board of Directors of Firstsource Solutions Limited after having worked with companies like Nestle India Limited and KPMG India. He has graduated from The Wharton School, University of Pennsylvania with a Bachelor of Science in Economics, specializing in Finance, Marketing and Management.
Ritesh Idnani	Managing Director & CEO, Executive Director	Ritesh brings expertise in enterprise B2B across both services (applications, infrastructure, and business process) and products (SaaS/ BPaaS/PaaS/ AI and ML) with 28+ years of experience. Most recently, Ritesh was with Uniphore, an enterprise grade, AI native company where he was the Chief Revenue Officer. He was part of the leadership team at Infosys, where he helped scale the business from USD 100mn to USD 8bn in revenue. He spent his formative years in Citigroup and PwC. He has an MBA with a specialization in Finance and Marketing from the Faculty of Management Studies, University of Delhi. He also has a postgraduate honors diploma in Systems Management from NIIT. He did his undergraduate studies in accounting and economics from Narsee Monjee College of Commerce and Economics, University of Mumbai.
Pradip Kumar Khaitan	Non-Executive, Non-Independent Director	Pradip Kumar Khaitan is the Senior Partner of Khaitan & Co., with 40+ years of experience, he has advised on a wide range of transactions. He is on the Board of Directors of several public listed companies in India and regularly advises on strategic decisions and sensitive commercial and legal issues. He is a B.Com., LL.B. and Attorney-at-law (Bell Chambers Gold Medallist). He has professional affiliations with Bar Council of India, Bar Council of West Bengal, Indian Council of Arbitration and Incorporated Law Society of Calcutta.
Subrata Talukdar	Non-Executive, Non-Independent Director	Subrata Talukdar is the Executive Director (Finance) and CFO of CESC Limited. He has been associated with the group for over two decades and has been instrumental in CESC's success. A Chartered Accountant by profession, he began his career at the Indian arm of Coopers Lybrand, before switching over to the manufacturing sector, handling the finance portfolio. He is a commerce graduate and an alumnus of the Kellogg School of Management, USA.
Vanita Uppal	Non-Executive, Independent Director	An educator for over thirty-seven years, (thirty-one in international education) Ms. Vanita Uppal OBE is the Director of The British School New Delhi. She holds a Master's and Bachelor's degree in History from St. Stephens College, Delhi University, and she is a University topper both in her Master's degree and in her teaching degree from Central Institute of Education, University of Delhi.
Rekha Sethi	Non-Executive, Independent Director	Rekha Sethi is the Director General of the All India Management Association (AIMA), the apex body for management in India. Prior to joining AIMA, she worked with India's premier industry organisation, the Confederation of Indian Industry (CII) for over 17 years. She started her career with the Centre for Development of Telematics (C-DoT). She is an alumnus of St Stephens College, Delhi University.
Dr Rajiv Kumar	Non-Executive, Independent Director	Dr. Rajiv Kumar is the Chairman of Pahle India Foundation, a non-profit making research think tank. He is the former Vice Chairman of NITI Aayog. He started his academic career in Indian Council for Research on International Economic Relations (ICRIER) as a Researcher during 1977-1982. He later became the Director & CEO of ICRIER between 2006 and 2011. He was a Professor at the Indian Institute of Foreign Trade (IIFT) and a Senior Fellow at the Centre for Policy Research (CPR), Delhi. He has a Ph.D in Economics from Lucknow University and a D.Phil from Oxford University.
Sunil Mitra	Non-Executive, Independent Director	Mr. Sunil Mitra retired in June 2011 from the office of Revenue & Finance Secretary, Government of India. After completing his term of public service, he chaired a Committee in the Planning Commission between October 2011 and August 2012. Till late 2016, He was engaged in leading a team for a Consortium led by M/s IPE Global Limited, New Delhi that designed and managed a 'Knowledge Partnership Programme' for the Department for International Development of the United Kingdom Government.
Utsav Parekh	Non-Executive, Independent Director	Utsav Parekh is an Investment Banker and an entrepreneur with thirty five years of experience. He is one of the main Promoters and Chairman of SMIFS Capital Markets Limited. He is Commerce Graduate. As an entrepreneur, he has recently diversified into Real Estate and is developing a few high end residential real estate projects in Kolkata.
T C Suseel Kumar	Non-Executive, Independent Director	T C Suseel Kumar retired as the Managing Director of Life Insurance Corporation of India (LIC) in January 2021 after a career spanning close to 4-decades, during which he headed several major portfolios of LIC. Well experienced in the field of insurance, finance and related fields, he has held positions on the Boards of several valuable companies including LIC, Axis Bank, LIC Lanka Limited, National Mutual Fund Mauritius, National Insurance Academy, LIC HFL, LIC Pension Fund, LIC Mutual Fund and LIC PF Trust.

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	63,362	79,803	94,115	1,05,847	1,19,687
Sales Growth	5.2%	25.9%	17.9%	12.5%	13.1%
Other Operating Income	0	0	0	0	0
Total Revenue	**63,362**	**79,803**	**94,115**	**1,05,847**	**1,19,687**
Cost of Goods Sold/Op. Exp	0	0	0	0	0
Personnel Cost	39,089	49,958	56,405	62,825	69,920
Other Expenses	14,710	17,769	22,704	25,500	29,254
EBITDA	**9,564**	**12,076**	**15,006**	**17,522**	**20,514**
EBITDA Margin	15.1%	15.1%	15.9%	16.6%	17.1%
EBITDA Growth	15.7%	26.3%	24.3%	16.8%	17.1%
Depn. & Amort.	2,602	3,270	4,005	4,392	4,867
EBIT	6,962	8,806	11,001	13,130	15,647
Other Income	368	-9	240	332	653
Finance Cost	1,034	1,479	1,675	1,556	1,564
PBT before Excep. & Forex	6,297	7,318	9,565	11,906	14,736
Excep. & Forex Inc./Loss(-)	0	88	0	0	0
PBT	6,297	7,407	9,565	11,906	14,736
Taxes	1,150	1,462	1,969	2,500	3,094
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	5,147	5,944	7,596	9,406	11,641
Adjusted Net Profit	**5,147**	**5,944**	**7,596**	**9,406**	**11,641**
Net Margin	8.1%	7.4%	8.1%	8.9%	9.7%
Diluted Share Cap. (mn)	706.0	706.0	712.1	706.0	706.0
Diluted EPS (INR)	**7.3**	**8.4**	**10.7**	**13.3**	**16.5**
Diluted EPS Growth	0.2%	15.5%	26.7%	24.9%	23.8%
Total Dividend + Tax	2,849	2,759	3,136	3,405	3,746
Dividend Per Share (INR)	4.2	4.0	4.5	5.0	5.5

Source: Company, JM Financial

Cash Flow Statement (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	6,297	7,407	9,565	11,906	14,736
Depn. & Amort.	2,602	3,270	4,005	4,392	4,867
Net Interest Exp. / Inc. (-)	1,024	1,452	1,503	1,224	911
Inc (-) / Dec in WCap.	-2,404	-4,944	-2,517	-3,391	-2,980
Others	-353	1,045	121	0	0
Taxes Paid	-718	-1,219	-1,693	-2,500	-3,094
Operating Cash Flow	**6,448**	**7,011**	**10,983**	**11,631**	**14,439**
Capex	-850	-2,236	-3,197	-4,271	-4,904
Free Cash Flow	5,597	4,775	7,787	7,360	9,535
Inc (-) / Dec in Investments	357	-160	-531	0	0
Others	-87	-5,063	155	332	653
Investing Cash Flow	**-580**	**-7,459**	**-3,572**	**-3,939**	**-4,251**
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	-2,406	-2,759	-3,136	-3,405	-3,746
Inc / Dec (-) in Loans	-291	6,787	-1,334	0	0
Others	-2,945	-3,802	-2,663	-1,193	-1,077
Financing Cash Flow	**-5,642**	**226**	**-7,133**	**-4,598**	**-4,822**
Inc / Dec (-) in Cash	**226**	**-222**	**278**	**3,093**	**5,365**
Opening Cash Balance	1,522	1,764	1,575	1,857	4,950
Closing Cash Balance	1,748	1,542	1,853	4,950	10,315

Source: Company, JM Financial

Balance Sheet (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	37,004	40,976	44,420	50,421	58,316
Share Capital	6,970	6,970	6,970	6,970	6,970
Reserves & Surplus	30,034	34,006	37,450	43,451	51,346
Preference Share Capital	0	0	0	0	0
Minority Interest	4	4	4	4	4
Total Loans	8,049	15,327	14,038	13,438	12,838
Def. Tax Liab. / Assets (-)	-1,450	-1,090	-1,309	-1,309	-1,309
Total - Equity & Liab.	**43,606**	**55,218**	**57,153**	**62,554**	**69,849**
Net Fixed Assets	38,701	50,427	51,426	52,284	53,417
Gross Fixed Assets	7,996	11,889	13,673	15,204	16,911
Intangible Assets	30,534	38,047	37,753	37,080	36,507
Less: Depn. & Amort.	0	0	0	0	0
Capital WIP	171	491	0	0	0
Investments	415	731	1,274	1,274	1,274
Current Assets	18,719	25,330	28,499	35,234	43,983
Inventories	0	0	0	0	0
Sundry Debtors	11,608	16,860	18,565	21,749	24,593
Cash & Bank Balances	1,748	1,542	1,857	4,950	10,315
Loans & Advances	137	128	129	129	129
Other Current Assets	5,226	6,800	7,948	8,406	8,946
Current Liab. & Prov.	14,229	21,270	24,046	26,239	28,825
Current Liabilities	8,769	12,626	15,370	17,093	19,125
Provisions & Others	5,460	8,644	8,676	9,146	9,700
Net Current Assets	4,490	4,060	4,453	8,996	15,158
Total – Assets	**43,606**	**55,218**	**57,153**	**62,554**	**69,849**

Source: Company, JM Financial

Dupont Analysis

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	8.1%	7.4%	8.1%	8.9%	9.7%
Asset Turnover (x)	1.3	1.3	1.4	1.4	1.5
Leverage Factor (x)	1.4	1.5	1.6	1.5	1.5
RoE	14.6%	15.2%	17.8%	19.8%	21.4%

Key Ratios

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	54.3	59.5	63.7	74.0	85.6
ROIC	13.8%	14.6%	16.0%	18.4%	21.1%
ROE	14.6%	15.2%	17.8%	19.8%	21.4%
Net Debt/Equity (x)	0.2	0.3	0.2	0.1	0.0
P/E (x)	44.7	38.7	30.6	24.5	19.8
P/B (x)	6.0	5.5	5.1	4.4	3.8
EV/EBITDA (x)	24.2	19.7	15.7	13.3	11.0
EV/Sales (x)	3.6	3.0	2.5	2.2	1.9
Debtor days	67	77	72	75	75
Inventory days	0	0	0	0	0
Creditor days	21	21	25	26	26

Source: Company, JM Financial

APPENDIX I

JM Financial Institutional Securities Limited

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return >= 15% over the next twelve months.
ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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