

## Strong deal momentum supports FY27 outlook...

**About the stock:** Firstsource Solutions (FSL) provides business process services to BFSI, communication, media, tech & healthcare. It has 200+ global clients, including several Fortune-500 & FTSE-100 companies.

**Q4FY26 & FY26 Performance:** Revenues came at US\$ 283 mn, up 3.3% QoQ/ 13.2% YoY (3% QoQ & 11.6% YoY in CC terms). EBIT margins 12.2%, was up ~30 bps QoQ. Reported PAT at ₹205.2 crore, was up 70.6% QoQ/27.7% YoY. For FY26, revenue stood at US\$ 1,081 mn, up 13.6% YoY CC. EBIT margins at 11.7% was up ~70 bps YoY while PAT came in at ₹674.4 crore, up 13.5% YoY.

### Investment Rationale

- Strong deal pipeline supports sustained growth visibility:** FSL reported FY26 revenue growth of 13.6% YoY CC & Q4 growth of 11.6% YoY CC, driven by BFSI & healthcare and Telemedik & PDC acquisitions (~2.6% contribution). Notably, a delayed US healthcare payer deal and UK collections deal are expected to ramp up from Q1FY27. The company added 11 new logos during the quarter, including 6 strategic clients with potential annual revenue run-rate exceeding US\$5 mn each, while also winning 4 large deals. **Management has guided for 10–13% CC growth in FY27 (organic 7.5-10.5%, excluding TeleMedik contribution of 2-2.5%), supported by a record deal pipeline of over US\$1 bn, ramp-up of delayed UK BFS collections programs and scaling of healthcare transformation engagements. Accordingly, we expect US\$ revenue to grow at 10.3% CAGR over FY26–28E.**
- Margin expansion and M&A strengthen medium-term outlook:** FSL reported EBIT margins expansion in both Q4 and FY26 supported by operational efficiencies and improved business mix. **Management has guided for further margin expansion to 12.25–12.75% in FY27, aided by operating leverage and AI-driven productivity gains.** Additionally, the Telemedik acquisition strengthens FSL's nearshore healthcare capabilities in Puerto Rico and enhances its payer-provider positioning, while management remains open to further acquisitions to expand capabilities and support long-term growth. **We have baked in EBIT margins of 12.4%/12.6% for FY27E/FY28E.**
- AI-led operating model expands addressable opportunity:** FSL is witnessing increasing demand for AI-led transformation, workflow orchestration and outcome-based delivery models under its "Intelligence that Operates" strategy. Management highlighted that enterprises are increasingly seeking partners capable of combining domain expertise, AI agents & operational accountability, positioning FSL favourably in the evolving outsourcing landscape. FSL is already embedding AI across customer lifecycle management, collections & healthcare operations, which is driving higher wallet share opportunities and strengthening strategic client relationships across BFSI and healthcare verticals.

### Rating and Target Price

- Given the strong pipeline and healthy guidance, we upgrade to **BUY**, with revised target price of ₹290 ; valuing it at 18x P/E on FY28E EPS.

### Key Financial Summary

₹ crore	FY24	FY25	FY26	5 year CAGR (FY21-26)	FY27E	FY28E	2 year CAGR (FY26-28E)
Net Sales	6,336	7,980	9,556	13.5%	11,073	12,119	12.6%
EBITDA	956	1,208	1,556	14.3%	1,871	2,072	15.4%
EBITDA Margins (%)	15.1	15.1	16.3		16.9	17.1	
Net Profit	515	594	674	13.3%	973	1,115	28.6%
EPS (₹)	7.3	8.5	9.6		13.9	15.9	
P/E	31.3	27.1	23.9		16.6	14.5	
RoNW (%)	13.9	14.5	15.4		19.8	20.1	
RoCE (%)	14.0	13.2	14.9		17.6	18.6	

Source: Company, ICICI Direct Research



### Particulars

Particular	Amount
Market Cap (₹ Crore)	16,126
Total Debt (₹ Crore)	1,937
Cash (₹ Crore)	319
EV (₹ Crore)	17,744
52 week H/L	404/ 202
Equity capital	697.0
Face value	10.0

### Shareholding pattern

	Jun-25	Sep-25	Dec-25	Mar-26
Promoters	54	54	54	54
FII	10	9	9	9
DII	24	25	25	25
Other	13	12	12	12

### Price Chart



### Key risks

- Lower than expected revenue and organic growth;
- Lower than expected margin expansion

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## Performance highlights and outlook

- **Revenue Performance:** FSL reported a revenue growth of 3.3% QoQ/ 13.2% YoY (3% QoQ & 11.6% YoY in CC terms) to US\$ 283 mn. In rupee terms the revenue stood at ₹2,613 crore, up 6% QoQ/ 20.5% YoY. For FY26, revenue stood at US\$ 1,081 mn, up 13.6% YoY CC.
- **Geography performance:** Geography wise on a QoQ basis, US (68% of the mix) grew by 4.5% while UK/EMEA (31% of the mix) was down 0.3%.
  - Notably, **a delayed US healthcare payer deal and UK collections deal are expected to ramp up from Q1FY27.**
- **Segment performance:** Segment wise on a QoQ basis, growth was led by Healthcare (34% of the mix) and BFSI (32% of the mix) which grew by 10.7%, and 4.9% while Others – utilities and retail (13.5% of the mix) and CMT (20% of the mix) declined by 7% and 3%.
- **Margin performance:** EBIT margins at 12.2%, was up ~30 bps QoQ. Reported PAT at ₹205.2 crore, was up 70.6% QoQ/27.7% YoY while. For FY26, EBIT margins at 11.7% was up ~70 bps YoY while PAT came in at ₹674.4 crore, up 13.5% YoY.
- **Guidance/ Outlook:** Management **remained confident of maintaining industry-leading growth in FY27, guided at 10–13% CC revenue growth with EBIT margins of 12.25–12.75%, supported by a record deal pipeline exceeding US\$1 bn, strong large-deal traction and improving conversion of strategic logos into scaled accounts.** The company highlighted that **demand is increasingly shifting towards AI-led transformation, workflow orchestration and outcome-based operating models, which it believes structurally expands its addressable opportunity.** Additionally, the ramp-up of delayed UK BFS collections deals, scaling of healthcare transformation programs and improving mix of strategic clients are expected to support medium-term growth visibility.
- **Deal wins, new logos and pipeline:** The company **won 4 large deals (deal with an ACV over \$5 million) and added 11 new logos, including 6 strategic logos (potential of at least a \$5 million revenue run-rate annually).**
- **Attrition & Employee addition:** The headcount declined by 484 QoQ to 36,205 employees. The attrition stood at 29.7%, up ~230 bps QoQ.

**Exhibit 1: Quarter Performance**

₹ crore	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Comments	FY26	FY25	YoY (%)
Revenue	2,583.5	2,161.5	19.5	2,443.1	5.7	- Revenue grew by 3% QoQ and 11.6% YoY in CC terms (organic 10.3% YoY CC as 1.3% YoY contribution from Telemedik contribution) - Management has provided FY27 CC revenue growth guidance of 10-13%	9,556.4	7,980.3	19.7
Employee expenses	1,476.6	1,351.5	10.2	1,431.2	3.5		5,590.3	4,995.8	11.9
Gross Margin	1,106.8	810.0	36.6	1,011.9	9.4		3,966.1	2,984.5	32.9
Gross margin (%)	42.8	37.5	537 bps	41.4	142 bps		41.5	37.4	410 bps
SG&A expenses	676.4	477.1	41.8	609.3	11.0		2,409.9	1,776.9	35.6
EBITDA	430.4	332.8	29.3	402.7	6.9		1,556.2	1,207.6	28.9
EBITDA Margin (%)	16.7	15.4	126 bps	16.5	18 bps		16.3	15.1	115 bps
Depreciation & amortisation	116.1	90.6	28.1	111.2	4.4		434.1	327.0	32.7
EBIT	314.3	242.2	29.8	291.5	7.8		1,122.1	880.6	27.4
EBIT Margin (%)	12.2	11.2	96 bps	11.9	24 bps	On the margins front, the management expects 50-75 bps expansion every year and has provided a guidance of 12.25-12.75% EBIT margins for FY27	11.7	11.0	71 bps
Other income (less interest)	-53.7	-40.5	32.6	-39.6	35.6		-174.0	-148.7	17.0
PBT	260.6	201.7	29.2	251.8	3.5		948.1	731.8	29.5
Tax paid	55.4	41.0	34.9	31.3	76.6		175.4	146.2	20.0
PAT	205.2	160.7	27.7	120.3	70.6		674.4	594.5	13.5

Source: Company, ICICI Direct Research

**Exhibit 2: Change in estimates**

(₹ Crore)	FY27E			FY28E		
	Old	New	% Change	Old	New	% Change
Revenue (USD mn)	1,204	1,195	-0.7	1,325	1,316	-0.7
Revenue	10,789	11,073	2.6	11,938	12,119	1.5
EBITDA	1,769	1,871	5.8	1,982	2,072	4.6
EBITDA Margin (%)	16.4	16.9	50 bps	16.6	17.1	50 bps
PAT	902	973	7.8	1,050	1,115	6.2
Diluted EPS (₹)	12.9	13.9	7.8	15.0	15.9	6.2

Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 1: Profit and loss statement			₹ crore
(Year-end March)	FY26	FY27E	FY28E
<b>Total Revenues</b>	<b>9,556</b>	<b>11,073</b>	<b>12,119</b>
Growth (%)	19.7	15.9	9.4
Employee expenses	5,590	6,478	7,090
Other Expenses	2,410	2,724	2,957
<b>EBITDA</b>	<b>1,556</b>	<b>1,871</b>	<b>2,072</b>
Growth (%)	28.9	20.3	10.7
Depreciation & Amortization	434	498	545
Other Income	7	18	24
Interest	181	160	140
PBT before Exceptional Items	850	1,231	1,411
Growth (%)	14.7	44.9	14.6
Tax	175	259	296
PAT before Excp Items	674	973	1,115
Exceptional items			
PAT before MI	674	973	1,115
Minority Int & Pft. from asso.	-	-	-
<b>PAT</b>	<b>674</b>	<b>973</b>	<b>1,115</b>
Growth (%)	13.5	44.2	14.6
EPS	9.6	13.9	15.9
EPS (Growth %)	13.5	44.2	14.6

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement			₹ crore
(Year-end March)	FY26	FY27E	FY28E
<b>Profit before Tax</b>	<b>850</b>	<b>1,231</b>	<b>1,411</b>
Dep & Amortization	434	498	545
WC changes	(308)	(182)	(132)
Other non cash adju.	238	(117)	(180)
<b>CF from operations</b>	<b>1,214</b>	<b>1,431</b>	<b>1,644</b>
Capital expenditure	(196)	(111)	(121)
Δ in investments	(10)	-	-
Other investing cash flow	4	18	24
<b>CF from Inv Activities</b>	<b>(452)</b>	<b>(93)</b>	<b>(97)</b>
Issue of equity	(50)	-	-
Δ in debt funds	202	(200)	(200)
Dividends paid	(380)	(438)	(502)
Other financing cash flow	(179)	(160)	(140)
<b>CF from Fin Activities</b>	<b>(667)</b>	<b>(891)</b>	<b>(935)</b>
Δ in cash and cash bank	95	447	612
Effect of exchange rate changes			
Opening cash	167	269	717
<b>Closing cash</b>	<b>269</b>	<b>717</b>	<b>1,329</b>

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet			₹ crore
(Year-end March)	FY26	FY27E	FY28E
Equity	697	697	697
Reserves & Surplus	3,688	4,222	4,836
Networth	4,385	4,919	5,533
Minority Interest	0	0	0
LT liabilities & provisions	1,267	1,267	1,267
Total Debt	1,937	1,737	1,537
<b>Source of funds</b>	<b>7,589</b>	<b>7,924</b>	<b>8,337</b>
Net fixed assets	1,166	871	540
CWIP	30	30	30
Goodwill	4,266	4,266	4,266
Other non current assets	1,096	1,172	1,227
Loans and advances	-	-	-
Current Investments	50	50	50
Debtors	2,079	2,390	2,616
Cash & Cash equivalents	269	717	1,329
Other current assets	364	419	458
Trade payables	558	642	702
Current liabilities	1,040	1,196	1,309
Provisions	132	152	167
<b>Application of funds</b>	<b>7,589</b>	<b>7,924</b>	<b>8,337</b>

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios			
(Year-end March)	FY26	FY27E	FY28E
<b>Per share data (₹)</b>			
EPS-diluted	9.6	13.9	15.9
DPS	4.3	6.2	7.1
BV	64.4	72.3	81.3
<b>Operating Ratios (%)</b>			
EBITDA Margin	16.3	16.9	17.1
PBT Margin	8.9	11.1	11.6
PAT Margin	7.1	8.8	9.2
<b>Return Ratios (%)</b>			
RoNW	15.4	19.8	20.1
RoCE	14.9	17.6	18.6
<b>Valuation Ratios (x)</b>			
P/E	23.9	16.6	14.5
EV / EBITDA	11.4	9.1	7.9
Price to Book Value	3.7	3.3	2.9
EV / Net Sales	1.9	1.5	1.3
Mcap / Net Sales	1.7	1.5	1.3
<b>Turnover Ratios</b>			
Debtor days	79	79	79
Creditors days	21	21	21
<b>Solvency Ratios</b>			
Total Debt / Equity	0.4	0.4	0.3
Current Ratio	1.4	1.4	1.4
Quick Ratio	1.4	1.4	1.4
Net Debt / EBITDA	1.0	0.5	0.1

Source: Company, ICICI Direct Research

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