

30<sup>th</sup> October 2024

To:

**National Stock Exchange of India  
Limited (Scrip Code: FSL)**

Exchange Plaza,  
Plot no. C/1, G Block,  
Bandra-Kurla Complex  
Bandra (East),  
Mumbai - 400 051

**BSE Limited (Scrip Code:  
532809)**

Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai - 400 001

Dear Madam/ Sir,

**Sub: Transcripts of the Analysts Earnings call conducted after the meeting of Board  
of Directors on 28th October 2024**

Please find enclosed the transcripts of the Analysts earnings call conducted on 28<sup>th</sup> October 2024, after the meeting of Board of Directors held on 28<sup>th</sup> October 2024, for your information and records.

This information is also hosted on the Company's website, at <https://www.firstsource.com/investor-relations/>

The audio/video recordings of the Analysts earnings call are also made available on the Company's website, at <https://www.firstsource.com/investor-relations/>

We request you to take the above on record.

Thanking you,

For **Firstsource Solutions Limited**

POOJA SURESH NAMBIAR Digitally signed  
by POOJA  
SURESH NAMBIAR

**Pooja Nambiar**  
**Company Secretary**

**Firstsource Solutions Ltd.**

5<sup>th</sup> Floor, Paradigm 'B' Wing, Mindspace, Link Road, Malad (West), Mumbai - 400 064 India.  
Tel: +91 (22) 6666 0888 | Fax: +91 (22) 6666 08887 | Web: [www.firstsource.com](http://www.firstsource.com)

(CIN: L64202MH2001PLC134147)



**“FIRSTSOURCE SOLUTIONS LIMITED  
Q2FY25 EARNINGS CONFERENCE CALL”**

**OCTOBER 28, 2024**

**MANAGEMENT:**

**MR. RITESH IDNANI,**  
*MD & CEO*

**MR. DINESH JAIN**  
*CFO*

**MR. PANKAJ KAPOOR**  
*HEAD STRATEGY, IR & ESG*

**Moderator:** Ladies and gentlemen, Good Day and Welcome to the Firstsource Solutions Limited Q2FY25 Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "\*" then "0" on your touchtone phone. Please note that this conference is being recorded.

On this call, we have Mr. Ritesh Idnani - MD & CEO; Mr. Dinesh Jain – CFO, and Mr. Pankaj Kapoor - Head of Strategy, Investor Relations and ESG to provide an overview on company's performance followed by Q&A.

Please note that some of the matters that we will discuss on this call, including the company's business outlook are forward-looking and as such are subject to known and unknown risks. These uncertainties and risks are included, but not limited to what the Company has mentioned in its prospectus filed with SEBI and subsequent Annual Report that are available on the website.

I now hand the conference over to Mr. Ritesh Idnani. Thank you, and over to you, sir.

**Ritesh Idnani:** Hello, everybody. Thank you for joining us today to discuss our Financial Results for the second quarter of FY25. My name is Ritesh Idnani, and I am the CEO at Firstsource.

Before I start with the discussion on our quarter performance, I would like to welcome our colleagues from Ascensos or the A-Team as they are known who joined us last month. I would also thank them and each one of our 32,898 Firstsourcers around the world for their relentless commitment to deliver value to our clients that has driven our growth to the top decile of the broader tech and tech-enabled services industry over the last four quarters including Q2.

### 1. Financial Performance

I am happy to report yet another strong quarter from a revenue growth standpoint. Our operating margins excluding the one-off costs related to the Ascensos' acquisition was stable, and we sustained the accelerated momentum in deal wins with three large deals again in this quarter. Our deal pipeline continues to remain healthy.

Let me now give you some more details on our quarterly performance:

Our revenue grew by 25% YoY and came in at Rs. 19.3 billion. In U.S. dollar terms, the growth was 23% YoY and 7.1% QoQ at \$230 million. In constant currency, revenue grew at 6.9% quarter-on-quarter. Adjusted for one month of Ascensos' revenue, our growth was 4.2% in constant currency terms. As you may note, this is the fourth straight quarter where we have delivered over 3% QoQ constant currency revenue growth.

EBIT margin for the quarter was 11.1%, excluding one-time charges related to the Ascensos' acquisition. This is broadly stable, both on a QoQ and a YoY basis. Our net profit was Rs. 1.4 billion and the diluted EPS was Rs. 1.96 for the quarter.

## **2. Deal Wins**

We continue to participate actively in the process transformation agendas of our clients. In Q2, we repeated our success of Q1 by signing three strategically large deals. As you are aware, we consider a deal with ACV of over \$5 million as a large deal. We expect these deals to ramp up in a phased manner over the coming quarters.

We also added 13 new logos during the quarter, the highest in the last two years. What I find most satisfying is that in both Q1 and Q2, we have added a new logo through a large deal. I believe this underlines our success in leveraging our deep industry and functional expertise, our partnerships in the technology ecosystem, and our ability to proactively bring automation and AI into the mix that's resonating well with our clients.

Let me highlight a few notable wins during Q2:

- We won a large deal from one of the largest telco companies in Australia. This is a new logo for us and is a cross-tower deal
- We were selected by one of the top 5 mortgage companies in the US, one of our long-term existing clients, for a 5-year deal to power enterprise-wide transformation initiatives
- We expanded our footprint and wallet share in one of the top 5 Healthcare insurance companies in the US for claims processing
- And we won an additional large deal from a large cooperative financial institution in the UK for services to their retail customers

## **3. Vertical Commentary**

Let me now provide you a deep dive into our performance and outlook for each of our industry verticals:

### **a. Banking and Financial Services:**

In Q2FY25, our BFS vertical was up 1% QoQ and 3.3% YoY in constant currency terms. We added 5 new logos in this vertical in Q2. We had healthy deal wins in Q2 in this vertical, including a large deal win from a top 5 home mortgage company in the US that I referenced earlier.

We continue to make good progress in our efforts to broad base our portfolio in this vertical, both in terms of market segments as well as our service offerings. For example, our AI-infused digital collection platform is seeing growing interest among customers.

Recently, we also announced our investment in building our own domain-centric, large-language model specific to the mortgage industry.

Overall, we expect a sequentially improving growth trajectory in this vertical over FY25.

**b. Healthcare**

For Healthcare, Q2 was again a strong quarter. Our revenues grew 10% QoQ and 38% YoY in constant currency terms. Growth was well distributed across both the payer and the provider segments. We added five new logos in this vertical. The payer segment has seen the typical slowdown in decision-making ahead of the open enrollment period and the impending U.S. presidential elections. That said, we continue to see a very active and healthy pipeline on the payer side.

The integration of QBSS acquisition is on track and it has also been rebranded as Firstsource Provider Services. We have redrafted our revenue cycle management services catalogue to include QBSS capabilities and build a technology-first proposition, leveraging both our proprietary technology assets as well as our partner ecosystem. This is resonating well with both industry analysts and clients.

We had two joint deal wins in Q2, including a new logo. We expect a steady and distributed growth in this vertical in the coming quarters.

**c. Communications, media and technology (CMT)**

We saw a 1% QoQ and a 22% YoY growth in this vertical in constant currency terms. We added two new logos in Q2 in this vertical. In the Communications and Media business, where most clients are large but mature outsourcers, our strategy to position ourselves as a challenger to the existing ecosystem by bringing in our entire service portfolio, helped us win a large deal in a new logo that I mentioned earlier.

In the technology segment, we continue to expand our footprint among the marquee consumer tech logos with both traditional and non-traditional service propositions. One of the new logos we added in this vertical is one of the fastest growing online marketplaces in the U.S. We continue to see a strong deal pipeline in this vertical.

**d. Diverse**

Lastly, coming to our diverse portfolio that grew 49% QoQ and 85% YoY in constant currency terms. This includes the retail vertical that came through the Ascensos' acquisition and our traditional business from utilities companies. We see a healthy deal pipeline in this portfolio in both the verticals, which should translate to a broad-based growth in the coming quarters.

**4. Geographical commentary**

Let me now provide you a commentary from a geography standpoint:

From a geography perspective, growth in Q2 was driven by the US, with an 8.3% QoQ and a 30% YoY growth in constant currency terms. We expect the growth to get more distributed across verticals in the second half in the US

Europe grew 3.6% QoQ, our organic revenues excluding Ascensos' were down about 4% QoQ. However, companies in the UK are facing significant cost pressure that has led to them increasingly exploring offshore or nearshore delivery options even in some of the previously awarded deals. This caused some delays in ramp-ups in some of the strategic deals, which is normalized now. We are also seeing increased conversations around cardboard deals leading to significant and healthy build-up in our deal pipeline in Europe. We expect revenue growth to improve over the next two quarters as we had outlined earlier as well.

## **5. People**

On the people front, we ended Q2 with a total headcount of 32,898 Firstsourcers. Our trailing 12-month attrition rate for the quarter was 31%, a reduction from 32% in Q1FY25 and 39.8% in Q2 of last year. We anticipate this downward trend to continue in the coming quarters, though at a more gradual pace driven by the success of our employee value-focused initiatives, aimed at improving retention and satisfaction.

I am also pleased to report that Firstsource is now certified as a great place to work across four key geographies, India, the Philippines, UK and the U.S., underscoring our commitment to creating an environment where every Firstsourcer feels valued, empowered and motivated to contribute their best.

I am also proud of the diversity of our workforce. Women employees form 46% of our workforce and with Ascensos in Australia now coming into the fold, we now have employees working across 10 countries in the world.

## **6. Awards/recognitions and sustainability**

Let me now turn your attention to some of the awards, recognitions that we received during the quarter as well as update you on our initiatives on the sustainability front.

I am happy to share that Firstsource continues to be positively recognized by leading analysts for bringing significant value to clients and offering innovative tech solutions in our focus markets. To mention a few, in Q2, Firstsource was named as a 'Leader' by Everest Group in their assessments for Healthcare payer BPaaS solutions and a 'Major Contender' and 'Star Performer' for the Healthcare provider Revenue Cycle Management Operations. Everest also ranked Firstsource as a 'Leader' for the lending services operations.

Last month, we also released our ESG report for FY24 along with our very first TCFD report. Both these reports are live on our website, and I would encourage each one of you to look through them.

## 7. Ascensos acquisition

Let me now provide you a little bit of a brief on our acquisition of Ascensos that we announced last month. Let me start by giving you a brief background of the Company:

Ascensos was founded in 2013 and is headquartered in Scotland, UK. It is focused on providing BPM services to clients in retail, consumer and e-commerce verticals. Its services portfolio covers the full front, middle and back-office spectrum that includes customer experience services management, digital transformation and customer insights and analytics. It has close to 2,500 employees spread across the UK, South Africa, Romania, Trinidad and Tobago and Turkey and has capabilities of providing customer support across 11 different languages including languages as varied as Arabic, Mandarin and Lithuanian. It has deep and long-standing relationships with some of the top high street retail brands in the UK and the average tenure of the top 5 clients is more than four years.

Coming to the strategic rationale for this acquisition. As you are aware, expanding our footprint in high-growth markets and strengthening our capabilities are key pivots to our strategy refresh under the One Firstsource framework. Our acquisition of Ascensos aligns to this objective at multiple levels.

- i. Ascensos enables us to jumpstart our presence in the retail and e-commerce segments, a strategically important and fast growing vertical. This market is a \$35 billion market globally from a TAM standpoint, which is growing at double digits every year. Ascensos adds some of the most iconic UK retail brands to our client list and broad bases our revenue portfolio, our key tenet or the One Firstsource Playbook.
- ii. Ascensos brings to us a scale presence in several strategically important global delivery locations. For example, its presence in South Africa improves our attractiveness to the clients and prospects in the UK who are actively exploring economical outsourcing capacities in the same time zone. In fact, one of our existing clients in the UK has already awarded us additional business in South Africa post the acquisition.
- iii. And equally importantly, Ascensos provides us with delivery capabilities in 11 non-English languages. This fills a critical gap in our portfolio and now positions us very well to offer multilingual support to several of our large global clients, especially those in the consumer tech space.
- iv. And last but not the least, the culture fit between the two organizations was exceptionally good. Both organizations are nimble, agile, scrappy, and are customer obsessed. And that was one of the primary reasons, amongst the others, that drew us to Ascensos.

Over the medium term, we see significant revenue synergies from the combination of Ascensos' deep domain knowledge in retail and e-commerce and Firstsource's capabilities in AI, automation and transformation.

With that, I will turn the call over to Dinesh to give a detailed color on the quarterly financials and related matters. I will come back to talk about our progress on the strategic priorities and the outlook for FY25. Dinesh.

## 8. Quarterly Financial Performance

**Dinesh Jain:**

Thank you, Ritesh, and hello, everyone.

Let me start by taking you through our "Quarterly Financials" numbers:

Revenue for Q2FY25 came in at Rs. 19,254 million or US\$230 million. This implies a YoY growth of 25% in the rupee term and 23.4% in the dollar term. In constant currency, this translates to a YoY growth of 22.7%.

We have consolidated Ascensos from September 1st, so we have one month contribution from Ascensos in the quarterly numbers. I am happy to report that our constant currency revenue growth excluding Ascensos' contribution was 19.6% in Q2. This is the highest growth YoY in constant currency terms in last 12 quarters.

Our operating profit was Rs. 2,081 million in Q2, which is up 27.3% over Q2 of last year. This translates to an EBIT or operating margin profile of 10.8%. This includes 30 bps impact of one-time charges related to Ascensos' acquisition. Excluding that, our normalized EBIT margin in Q2 was 11.1% versus the 11% which we reported last quarter. We have been able to keep our margin stable despite giving out the annual wage hike to our employees effective 1st July and continuing to make investment in our businesses. Our normalized margin in H1 is 11%, which is our within-guided band of FY25.

Profit after tax came in at Rs. 1,382 million or 7.2% of the revenue for the quarter.

Coming to the other Financial Highlights for the quarter.

The tax rate was 19.2% for the quarter, which is within the guided range of 18-20%. Reported DSO came down to 65 days in Q2 from 68 days in Q1 as I spoke last time that there are some of the one-off delays which have got normalized this quarter.

We have a healthy cash conversion this quarter. Our OCF to EBITDA was 79% and FCF to PAT was 101%. Our cash balances including investments stood at Rs. 2.3 billion at the end of the quarter 2. Our net debt stands at Rs. 12 billion as of September 30th, 2024.

We have paid Rs. 3 billion to our Ascensos' acquisition during this quarter. As we have reported earlier, we have acquired 100% stake in a company at a purchase consideration of GBP 42 million, which includes 9.5 million GBP as an earn-out linked to achieving predefined milestone in the next two years.

We continue to invest in expanding our execution infrastructure in Q2. We have added new seat capacities in Chennai, Hyderabad, Philippines and Mexico.

Our hedge book as of September 30th was as follows. We have coverage of £75.6 million for the next 12 months with an average rate of 109.3 to the pound and coverage of \$141.3 million with an average rate of Rs. 85 per dollar.

This is all from my side. Now I will hand it back to Ritesh to talk about strategic priorities and the outlook. Ritesh, over to you.

#### **9. Progress on strategic priorities**

**Ritesh Idnani:**

Thanks, Dinesh. As you know, the One Firstsource framework has been our North Star for the strategy refresh in the organization over the last four quarters. I am pleased with the progress we are making on each of the seven themes we have defined as part of the playbook and our success so far in translating this progress into business outcomes.

I have regularly highlighted our initiatives to build a world-class sales engine that is visible in the continuous improvement in our clients and deal metrics over the last four quarters. To highlight, the number of clients with over \$1 million of revenue has gone up by 4 to 105 in Q2 from 101 a year ago. During the same period, the number of clients with whom we get over \$20 million of revenue has increased from 8 to 11. Similarly, we are now clocking three large deal wins in the quarter versus just about one deal a year back.

This quarter, I would like to take you through the progress we are making in areas that are under the hood but equally critical for realizing our aspiration to build a resilient and durable business with industry-leading growth.

One of the foundational tenets of the *OneFirstsource* Playbook is to institutionalize our efforts to cross-sell, up-sell our entire service portfolio into both our existing accounts as well as to take them proactively to new prospects. I believe multi-tower relationships are critical for us to grow ahead of the industry by gaining wallet share in our large clients.

Let me give an example of what we are doing with our collections business. As you know, Firstsource is one of the top companies globally with end-to-end capabilities ranging from first-party collections to third-party collections and legal collections. Traditionally, our portfolio was centered on debt collections for large U.S. credit card issuers. However, over the last four quarters, we have made considerable progress both in expanding in adjacent market segments as well as non-BFS verticals. For instance, we are working with some of the top fintech companies in the U.S. and UK that are major brands in the areas of personal lending, BNPL, and personal finance.

We have also been making steady progress in cross-selling collection services to our existing non-BFS clients in verticals such as Healthcare, communications and media and utilities. One of the large deal wins that we had in Q2 is a multi-tower deal that included both customer experience and collection services.

Another theme of the *OneFirstsource* Playbook is to bring technology in everything we do. This includes building technology-led propositions to disrupt incumbents in our target set of accounts and infusing our existing frameworks and platforms with the latest technologies to improve their relevance and attractiveness in the marketplace. In Q2, we announced a partnership with Microsoft under which we will be leveraging Azure OpenAI services to provide generative AI-powered solutions and platforms to our clients. We are also making accelerated progress with relAI, our suite of AI-led offerings, solutions and platforms introduced in the last quarter to drive digital transformation of clients in a responsible and ethical manner.

Last week, we also announced an investment in building our own domain-centric large language model specific to the mortgage industry that leverages our deep domain expertise to tailor-make sector-specific AI-driven services and platform offerings. This LLM would significantly reduce the cycle time for pre-qualification and formal loan applications, creating a seamless digital end-to-end process for loan application and fulfillment. Another example is of our digital collections platform where we have infused AI to drive personalization at scale with an empathy-first mindset. We engage with the customer using the most effective channel at the most effective time of the day with a personalized and dynamic payment plan. And we have used AI for persona-based segmentation to make our communication emotionally intelligent. While these are early days, we have already seen more than a 10% uplift in our collection efficiency with the revamped platform.

Overall, I am pleased with the progress we have made over the last four quarters in each of the areas we have identified for a strategy refresh. What I also find encouraging is the growing client recognition of our efforts. We recently hosted our first-ever client event in the UK that saw close to 100 CXOs participating over two days, and each one of them shared positive feedback on our relationship.

Turning to the business outlook. For FY25, we now expect our revenue to grow in the range of 19.5% to 20.5% in constant currency terms. This includes about 5% contribution from Ascensos over the 7 months in FY25. For operating margins, we expect our normalized FY25 EBIT margin, excluding one-time charges related to the acquisitions, to be in the 11% to 11.5% band.

This concludes our Opening Remarks, and we can now open the floor for questions. Operator, over to you.

**Moderator:** Thank you very much, sir. We will now begin with the question-and-answer session. The first question is from the line of Manik Taneja from Axis Capital. Please go ahead.

**Manik Taneja:** Congratulations to the leadership for another solid quarter. I just wanted to probe you with regards to the outlook or the revised outlook both on an organic basis as well as including the acquisition. Given the growth trajectory that you have been showing in the first half of this year, as well as how the deal wins and which once again gets consistent, would be interesting to know why our implied ask rate for the guidance actually remains very conservative, practically very modest growth through the next few quarters, next couple of quarters. That's my question number one.

The second question is a bookkeeping question with regards to the headcount for the quarter. If you could help us understand how much of the incremental headcount team in the quarter was aided by the Ascensos' consolidation?

**Ritesh Idnani:** Thanks, Manik, for your questions. Let me first provide some color on the outlook. You know, before we started Q1 or FY25 itself, our guidance was 10% to 13%. If you realize at the end of Q1, we updated the guidance to 11.5% to 13.5%. And the question that I was asked then also is, what's your view on the outlook? And I am going to reiterate some of the points I made then because it's kind of consistent in a way.

When we provide guidance, it's based on our line of sight on the business at that point in time and at this stage over the next two quarters of FY25 as it stands today. So, I don't want to qualify it in any manner or comment on what this might translate into in terms of QoQ growth calculations. But what I have said earlier and which continues to remain consistent is our guidance does not build any changes in the macro environment. And if there is something out there, that's potentially an upside.

We are also keeping our focus at this stage on supporting our clients proactively in their transformation agendas and identifying opportunities to expand our footprint, both within our existing clients as well as new logos. Our sales engine is chugging well. I feel confident of our revamped go-to-market strategy as well as the rigors that we are bringing in our execution. And that's frankly what gave us confidence to raise the guidance to 14.5% to 15.5% organically, excluding the 5% contribution that we expect from Ascensos for the rest of the year. So, I will leave it at that in terms of what I end up seeing.

Your second question was related to the headcount. Ascensos gave us close to about 2,500 people. The rest of it is all organic. And that's in terms of the breakdown of the headcount that we added through the bottom.

**Manik Taneja:** And if I can just ask one more, you had spoken about the aspiration to get to a billion dollar mark sometime in FY26. And now with this Ascensos' acquisition, I would reckon we will probably hit that mark much earlier. Do you want to revisit that timing?

**Ritesh Idnani:** So, again, my comment would be fairly simple in some sense that at this stage, this is the visibility that we have and we are not going out there to update what might be a guidance at the end of every quarter itself. As you know, this was a medium-term aspiration that we had put out there, which is that we would look to hit a billion-dollar run rate business by Q4 of FY26. Obviously, we have had good growth in the first two quarters, but I would leave it at that and probably come back as the environment around us becomes more visible.

**Manik Taneja:** And the last question was with regards to this qualitative commentary that you shared on BFS, something that you even alluded to during the prior quarter's earnings call, at that point of time also mentioned that one should expect a sequentially improving growth trajectory in BFS through the rest of the year. Just to understand that better, does that mean basically sequential growth rates will see further improvement or exploration or is that just suggesting that you expect to see growth in the vertical for the subsequent quarters?

**Ritesh Idnani:** So, Manik, firstly, let me just state that one of the things that we talked about specific to BFS itself, is in the quarter, we added five new logos. So, we had pretty good new client additions as well as existing client expansion as well. And that is what we feel good about as we look at the rest of the financial year also in terms of the outlook for BFS. That said, macro environment continues to be uncertain as you know. While the FED lowered interest rates, if you look at just the last 30-year mortgage rates over the last three weeks, it has actually gone up from the initial drop from 6.08% to 6.44%. You also look at Fannie Mae data about 80% of outstanding fixed rate mortgage loans are at 5% or less from an interest rate standpoint. So, on one hand, we feel good about the logos we have added, we feel good about the existing clients from an expansion standpoint and yet there does end up being some of the macro uncertainty that is there. So, I think that is where I would leave it at, but I think we feel good about what we end up seeing in the BFS space right now.

**Moderator:** Thank you. We will take the next question from the line of Shradha from AMSEC. Please go ahead.

**Shradha:** Coming on the guidance bit again, if I look at the implied ask rate for the organic guidance would essentially imply a decline in revenue over the next 2 quarters and given the typical seasonality that we see in our business every year due to collections and also because you are talking about pipeline built-up being very strong in other verticals. So, what essentially is driving that seasonal weakness in the implied guidance for the next 2 quarters on an organic basis purely?

**Ritesh Idnani:** I want to reiterate one of the comments that I made upfront itself that our revised guidance is based on our line of sight on the business over the next two quarters of FY25 as it stands today, right. We obviously had a set of deal wins. We added 13 new logos in the quarter that went by and all of that obviously is a net positive, but there is

always the timeline by which deal ramps happen and so on and so forth and we are just mindful in terms of what we see visible at a point in time. I think that is one part of the question. The second is, I think the way we are trying to build the business also is to minimize the impact of the macro, as I have stated earlier as well, and therefore in some sense, we continue to see the benefits of that, just take collections as an example. If you look at credit card delinquencies, on one hand, they have continued to trend upwards, but the US consumer as an example has continued to remain resilient. So, I don't end up seeing any causality out there one way or the other. So, what we are trying to do is to build a business in each one of our industry verticals, which is independent and minimizing the impact of the macro itself. And that is the way we see it at this stage. So, what I am essentially saying is today, the guidance that we are providing is based on the data that we are visible as of now and at the same time, it does not bear in mind any impact of the macro itself. So, if anything else, that is an upside.

**Shradha:** And Ritesh, if I got you right, did you mention that the UK business declined organically for us in this quarter?

**Ritesh Idnani:** Excluding the Ascensos, that is right.

**Shradha:** So, is it more to do because of the offshoring impact in the large UK account or is it to do with the BFS UK being weak? So, any colors on the UK business would be helpful?

**Ritesh Idnani:** I think I had mentioned this even when we did the Q1 commentary that we expect Europe to be soft in Q2 as well. But at the same time, we also said that this is going to pick up in the second-half of the year and if you look at several of our recent large deal wins, they are not the regular headcount centric deals, but these are more strategic deals where we are participating in the transformation agendas of our clients by bringing in AIML, automation, including our partner ecosystem. Some of these deals are also sole sourced where we have gone in and shaped the deal composition and structure and ramp up in some of these deals follows a very different trajectory compared to a regular RFP led deal itself and that is the reason why we have been highlighting and you may recall my comments earlier also that these deals will reflect in the revenues in a phased manner and not necessarily in a linear way. But we feel pretty good about the pipeline that we have in Europe as well as the deal wins that we have had in the last couple of quarters.

**Shradha:** And any particular comments would you like to make around the top account in UK? Is it trending as per expected lines or any weakness outline is there, anything there?

**Ritesh Idnani:** So, Shradha, if you recall, starting Q1 of this year, we stopped commenting on a specific account itself, but suffice to say that we continue to have a very deep relationship with our top account.

**Moderator:** Thank you. We will take the next question from the line of Jalaj from Svan Investments. Please go ahead.

**Jalaj:** I just wanted to understand one thing for the acquisition, which is the Ascensos acquisition. If I see the last 3 years numbers for the topline, it has been more or less stable. So, could you give us a broad outline, so you did mention the rationale behind the acquisition, but is it a slow-growing business or is it a matured business per se? How do you see it? And what sort of synergy do you foresee coming from here?

**Ritesh Idnani:** So, let me start by again reiterating the rationale for when we acquired Ascensos. As I said upfront, it broad bases our footprint, which is in line with what we had outlined in the One Firstsource framework and Ascensos has a very large footprint with leading High Street retailers in the UK that was very attractive to us. There is zero overlap between the businesses, and it is a complete complementarity, if you will. They have a very large nearshore footprint in locations like South Africa, Romania, Trinidad & Tobago and Turkey, all of which are locations that Firstsource is not in and at the same time they also have deep relationships as well. So, these were obviously some of the elements that prompted us to look at the combination itself. At the same time, over the last 3 years or so, they have increasingly gone from being a business that had a large footprint in the UK to increasing their footprint in the offshore and nearshore locations itself, and that is one of the reasons why what you might have gleaned in terms of their financials was relatively flat. We feel actually pretty good about the outlook for the business. The pipeline is healthy and at the same time, we do believe that the retail and e-commerce vertical is a vertical that has significant tailwinds. The target addressable market is about 35 billion. So, it is a meaningful size, and I think coupled with some of the capabilities that we can bring to bear, it actually gives us the opportunity to potentially grow that business as well.

**Jalaj:** And what sort of margin profile does the company bring in?

**Dinesh Jain:** Your question is around the margin profile for Ascensos?

**Jalaj:** Yes.

**Dinesh Jain:** Yes, it is, I think it is slightly lower than what our margin, but I think in the similar lines only, not that materially different.

**Jalaj:** And one last question if I may, so if I were to see the revenue growth per se from the buckets of the clients, it looks like that majority of growth has come from ex of top 10, at least for this quarter, if I were to compare sequentially, what explains that with the new logos which are helping us grow faster, some light onto that or some flavor on that?

**Ritesh Idnani:** If anything else, that is probably validation of what we are trying to do with the One Firstsource framework. If you look at one of the tenants for the One Firstsource

framework, it is cross selling and up selling into our existing accounts. We had also identified about 50 strategic relationships where we would have the opportunity to increase our wallet share and that is one of the things that we feel really good about because as we scale up as a business and start seeing the outcomes of some of these measures itself, the fact that you are actually broad basing growth and it is not just restricted to the top 5 or the top 10 accounts, is validation of the execution of the strategy. One of the other comments that I also talked about is the fact that take the number of \$20 million accounts that we have, the fact that that has gone up, the number of \$1 million accounts has gone up, I think I feel very encouraged by some of those bottom up metrics because they are truly validation of the success of the strategy that we are executing on.

**Jalaj:** And one last question quickly. So, UK, you mentioned that ex of the acquisition, there was a degrowth per se, so is it just the macro environment there per se or something specifically is happening in the geo because your acquisition again comes from the same geography?

**Ritesh Idnani:** We feel that the UK economy, the companies out there, are under a significant amount of pressure to re-examine their cost structures as well as the opportunities that might be available to them to be competitive. And that creates a play for us to partner with them in their transformation agendas, whether it is around their cost competitiveness, whether it is around improving their revenue growth or whether it is around the process transformation itself. Our pipeline in Europe continues to be very robust and we have a number of large strategic deals also in the pipeline and we also expect that some of the deal wins that we have had in the first 2 quarters will start bearing fruit in the second-half of the year as we had outlined even at the end of Q1. So, I wouldn't read anything further into the Q2 number there.

**Moderator:** Thank you. We will take the next question from the line of Pratyush from White Oak Capital. Please go ahead.

**Pratyush:** Ritesh, I wanted to circle back on the collections part that you were speaking, so please elaborate more on sort of the disconnect because delinquency rates, at least in credit card loans are going up and up for the last 5, 10 and 12 quarters, right? So, is there more that lead lag effect here or is there something nuanced here and why our collection business is not like the correlated to the delinquency rate?

**Ritesh Idnani:** First and foremost, Pratyush, thanks for the question. I think the collections business for us continues to grow and I think one of the reasons is because we play end to end across first party, third party and the legal collection side and underlying all of it is the digital collections platform itself. The comment I was just making on the macro is that if you look at the last several quarters, not just related to this quarter or otherwise, credit card delinquencies have consistently picked upwards, and you would think that is just a net positive for the business itself, but the US consumer in particular has been fairly

resilient. So, it is not like the delinquency has translated to a loss that loss has in turn resulted in a charge off and so on and so forth. But that being said, look, I think what we have been able to do is through our competitiveness in this marketplace itself, through the capabilities that of our digital collections platform, which is now infused with AI and ML and is truly cutting edge and in fact we don't run into the traditional IT services or BPO players in this space, but more SaaS players from the Silicon Valley. I think what we are able to do is to offer something that is truly aligned to what enterprise customers are looking for and that is what I think is driving our growth. So, again, it goes back to the tenants that I earlier talked about that we are in some sense trying to minimize any impact of the macro, but instead try and continue to grow our business in a broad-based fashion and I think that is bearing out here as well.

**Moderator:** Thank you. The next question is from the line of Aayush Rastogi from B&K Securities. Please go ahead.

**Aayush Rastogi:** I just wanted to pick your brains on the healthcare segment. So, you called it out that you are kind of facing some kind of tepidness on the payer side of the segment. So, when shall we expect this recovery to be there because our healthcare business has shown good results on QoQ basis, so just trying to understand what is the sort of demand we are seeing in the payer side of the business, and when do we expect that it should be getting bounced back?

**Ritesh Idnani:** So, as I mentioned in my opening comments, healthcare has been a key driver of growth for us in the recent quarters led by the payer segment. In Q2, we saw more distributed growth with both the payer and the provider segments doing equally well. Also on the payer side, our strategy to focus on our key strategic accounts is playing really well and we have a healthy pipeline, but typically, in Q2 and Q3, what you end up starting to see is some of the decision timelines on these deals gets pushed out because of open enrollment on one hand as well as this year, because of the typical uncertainty that you have seen on account of the US presidential elections. But again I am not too fussed about it one way or the other. I think we expect it to bounce back just because of the quality and quantity of the pipeline as well as the deals that are in advanced stages to come back in the next quarter itself. On the provider side, we continue to broad base our portfolio. So, we are quite excited actually by the offshore revenue cycle management market where the QBSS acquisition is helping us to compete with the technology led end to end capabilities and so far we have had four joint deal wins since the announcement of the acquisition itself, which is in a way of validation of the rationale for acquiring QBSS in the first instance.

**Aayush Rastogi:** And second is on communication media and tech vertical, so if I see for like starting from 3Q FY22 to 3Q FY24, so we have been posting one of the good set of numbers in 3Q for the communication media and tech in 3Q FY22 or 3Q FY23 or 3Q FY24. So, should we assume that the same trajectory is kind of a thing that one can expect for this vertical? I am not asking for any sort of numbers, but in terms of trajectory, if one

has to map, then should we expect the same kind of bump for the same vertical in future?

**Ritesh Idnani:**

Let me take a step back and probably provide you a little bit of color on each of the communications, media and the technology verticals. The only reason I am doing that is because I think each one of these sub segments has different attributes or characteristics itself. In the communication/telecom space, that is a very mature crowded market. Our positioning out there is as a challenger who is coming out there to disrupt the traditional ways of working and using that with the tech first AI led approach in terms of how processes are getting reimaged and so on and so forth and that is yielding results as you saw even in Q2. We actually entered the Australia & New Zealand market with one of the largest deals in the telecom space and that came on the back of a disruptive strategy itself.

If you take the media side of the house, a lot of the media companies are struggling to make the pivot from a paper-based environment to more of a digital environment itself. There is also a significant amount of issue in terms of subscriber base and whether they can actually go out there, not just acquire, but also retain their existing subscribers. And a lot of those companies, particularly newspapers, publishers, etc., are looking for a full transformation agenda to help revamp the way they run their business itself. Our storyline there to help them change their business model make the pivot and do that in a manner that allows them to impact both the revenue as well as the bottom line is extremely attractive to them along with the proven track record of executing against that and we continue to see pipeline to work with several newspapers and publishers along those dimensions.

The tech space is a little different. Here we work with two kinds of players. On one hand, we work with several companies which are themselves trying to disrupt traditional industries, whether it is on the EdTech side, one of the wins that we had last quarter was with the company, which was in the freight and logistics space, but was disrupting traditional freight and logistics providers with the SAS platform and several of these companies are again looking for a full-fledged transformation agenda. The second part of the tech space that we work with is with several companies in Silicon Valley and a lot of the work that we are doing out here is providing the plumbing that is required to ensure that they can have the right trained data sets that feed into the foundational models itself. A lot of this work is project based. It has quick turnaround times. It requires significant critical thinking skills and it requires to work in close tandem with these big tech companies because the nature of work is first time, but at the same time it has a significant runway in terms of growth itself. So, we see today across all of these segments pipeline that is very attractive and we feel good about therefore the opportunity that is there. Also, given the size of this unit for us, I think the opportunity to grow exists just on account of what we have from a pipeline perspective. Hopefully that addresses your question.

**Moderator:** Thank you. The next question is from the line of Rahul Jain from Dolat Capital. Please go ahead.

**Rahul Jain:** So, my question is that Ritesh, don't you see the need for upgrading the guidance on the organic basis because there is no point doing it, given the historical precedence or to say that is there an upside risk to the current guidance because you are baking in the potential downside, but if things are smoother than what you are thinking, you could eventually do better than that? So, that is question number one. Question number two is also to understand the need for investment in the business because it seems we are in a decent business trajectory and a double digit organic growth may sustain beyond FY25, so will that be accretive by nature or there could be some conflicts in terms of margins going forward as well? And lastly, on the ETR, if you could give a flavor in terms of how it should pan out in FY26 and FY25?

**Ritesh Idnani:** Sorry, could you repeat the third question again, Rahul?

**Rahul Jain:** Third one was basically an effective tax rate if you could guide for near to medium term?

**Dinesh Jain:** I think our band was 18%-20%, we did 19.2% in current quarter, but we see that it will be within that range for the full year.

**Ritesh Idnani:** So, Rahul, let me reiterate the comments that I made on the guidance front, right? Before we started the fiscal year FY25, our guidance was 10%-13% because that is what we had visible at that point in time from a line-of-sight standpoint. At the end of Q1, when we saw the demand environment being significant in terms of what we saw plus the fact that we had very strong Q1, we upgraded the guidance to 11.5%-13.5%. At the end of Q2, we are back out here with a good set of numbers in Q2 as well and again, we are at the point where we have upgraded our organic guidance given what we have today from an environment perspective. It is based on a line of sight of the business over the next 2 quarters as of today as we see it, I am not getting into qualifying it in any manner or comment on the Q-on-Q growth calculations or what it means. But what I will say again is our guidance does not build any changes in the macro environment that represents potentially an upside. Our simple objective is to keep your focus on supporting clients proactively on their transformation agendas and identifying opportunities to expand our footprint, both within the existing accounts as well as landing new logos. What I also feel good about is the fact that our sales engine is chugging well. I feel confident of our revamped go-to-market strategy and the rigor we are bringing in our execution and that is what gave us the confidence to raise the guidance to 14.5%-15.5% excluding the 5% contribution we expect from Ascensos for the year. I will leave it at that. What was your second question?

**Rahul Jain:** Yes, that was more on the margins to understand it. Do we see there are needs for investment in some which could be beyond this year, or you think the margin profile should be accretive going forward if the growth sustainability stays?

**Ritesh Idnani:** So, I will just say one thing. Let me give you some background. If you look at some of the investments that we have made, there have been broadly 3 areas, right. The first has been an expanding our sales and marketing team and our account management teams itself, right, I spoke about how our sales team has grown by over 40% in the last 6 months. We largely over in this area, though, we will keep adding a few people as we see the need. The second is on the capability side where we have beefed up our leadership team as well as the solution that hires. We have accelerated some of our investments, especially around investments in modernizing our services portfolio by infusing AI and automation, some of which I talked about earlier. But I talked about rely and also more specifically about the investment in the mortgage specific large language model as well. So, while we continue on one hand to drive cost optimization initiatives to fund these investments, given some of the accelerated investment plan on the capability modernization also in the coming quarters, the way to think about this is that the optical flow through of those into reported margins that we were expecting could get pushed out, but we expect our margins could remain in a band. And at the same time, I also want to reiterate this does not change the trajectory of the 50 to 75 basis point improvement that we expect every year over the medium term from FY26.

**Moderator:** Thank you very much. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Ritesh Idnani for closing comments. Over to you, sir.

**Ritesh Idnani:** So, firstly, thank you all for joining the call and for your questions. I just want to close out with a few final comments. We are making steady progress on our revamped go-to-market strategy and remain laser focused on building a resilient and durable business with industry leading growth. Our sales engine is working well. We have had three large deal wins in each of the last two quarters as well as our Q2 closing pipeline has been healthy. There is an upward movement in the number of clients across all the revenue markets. The Ascensos acquisition gives us a strong near-shore footprint, which we plan to leverage well with some of our existing large UK as well as US clients. Our solid growth in H1 gives us a good base to raise our FY25 revenue growth guidance to 19.5%-20.5% which we believe should place us in the top decile of the industry in terms of revenue growth. That is all from our side and we look forward to interacting with you again in the next quarter call. Thank you all and I wish you a very happy and festive season. Thank you once again.

**Moderator:** Thank you, members of the management. Ladies and gentlemen, on behalf of Firstsource Solution Limited, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.