

Firstsource Solutions (FSOL) - REDUCE

Q4FY26 Result Update

Current Market Price (CMP) Rs.243	Fair Value (FV) Rs.225
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Rationale:

- Weaker-than-moderated expectations of growth and in-line profitability.
- Punchy growth outlook for FY27E; lower-end more likely.
- Margin expansion continues; additional 50-75 bps improvement in FY27E.
- For FY27E, the company has visibility of 7.5-8.0% yoy organic c/c growth—depending on pipeline conversion and overall demand evolution, this could be 300 bps higher.
- The growth outlook is not conservative, in our view.
- The company continues to expect 50-75 bps annual EBIT margin expansion.
- Revise FV to Rs225 (from Rs215), valuing it at 15x March 2028E P/E (unchanged). We maintain REDUCE.

👍 Positives:

- EBIT margin expanded 30 bps qoq to 12.2%, led by operating efficiencies & currency tailwinds. Net profit, at Rs205.2 cr, grew 28% yoy.
- Healthy broad-based yoy margin expansion across verticals.
- FSOL's large deal momentum continued during the quarter.
- The company has signed at least four large deals on a quarterly basis for the fifth consecutive quarter.

👎 Negatives:

- FSOL's revenues missed our moderated expectations and exited FY26 with revenue growth below its earlier lowered guidance.

(EBIT: Earnings Before Interest and Tax, EPS: Earnings Per Share, C/C: Constant Currency, PE: Price To Earnings)



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

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- BUY** – We expect the stock to deliver more than 15% returns over the next 12 months
- ADD** – We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE** – We expect the stock to deliver -5% - +5% returns over the next 12 months
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- NR** – **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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- NA** – **Not Available or Not Applicable.** The information is not available for display or is not applicable
- NM** – **Not Meaningful.** The information is not meaningful and is therefore excluded.
- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

FUNDAMENTAL RESEARCH TEAM (PRIVATE CLIENT GROUP)

Shrikant Chouhan
Head of Research
shrikant.chouhan@kotak.com
+91 22 6218 5408

Arun Agarwal
Auto & Auto Ancillary, Building Material,
Cement, Consumer Durable
arun.agarwal@kotak.com
+91 22 6218 6443

Amit Agarwal, CFA
Transportation, Paints, FMCG
agarwal.amit@kotak.com
+91 22 6218 6439

Rini Mehta
Research Analyst
rini.mehta@kotak.com
+91 22 6218 6433

Sumit Pokharna
Oil and Gas, Information Tech
sumit.pokharna@kotak.com
+91 22 6218 6438

Veer Trivedi
BFSI
veer.trivedi@kotak.com
+91 22 6218 6432

Pankaj Kumar
Construction, Capital Goods & Midcaps
pankajr.kumar@kotak.com
+91 22 6218 5498

Amarjeet Maurya
Internet Software & Services
amarjeet.maurya@kotak.com
+91 22 6218 6427

Gaurav Bhandari
Research Analyst
bhandari.gaurav@Kotak.com
+91 22 6218 6440

TECHNICAL RESEARCH TEAM (PRIVATE CLIENT GROUP)

Shrikant Chouhan
shrikant.chouhan@kotak.com
+91 22 6218 5408

Amol Athawale
amol.athawale@kotak.com
+91 20 6620 3350

Sayed Haider
sayed.haider@kotak.com
+91 22 62185458

DERIVATIVES RESEARCH TEAM (PRIVATE CLIENT GROUP)

Sahaj Agrawal
sahaj.agrawal@kotak.com
+91 79 66041701

Prasenjit Biswas, CMT, CFTe
prasenjit.biswas@kotak.com
+91 33 6638 8331

Karan Kulkarni
karan.kulkarni@kotak.com
+91 20 66203350

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