



Sagility India Ltd.

Q3 & 9M FY25 Earnings Webinar
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MODERATOR	<ul style="list-style-type: none">• Siddharth Rangnekar – CDR India
QUESTIONERS	<ul style="list-style-type: none">• Abhishek Kumar - JM Financial• Manik Taneja - Axis Capital• Ruchi Mukhija - ICICI Securities• Vikrant Gupta - PGIM India Mutual Fund• Bhavik Mehta – JP Morgan• Ankur Pant - IIFL Securities• Bharat Sheth - Quest Investment Advisors• Akshat Agarwal – Jefferies• Deekshant Boolchandani - DB Wealth• Sushovan Nayak - Anand Rathi• Venkat Subramanian

Siddharth Rangnekar:

Good evening, Good evening, ladies and gentlemen, and welcome to the Q3 & 9M FY '25 Earnings Webinar of Sagility India Limited. This is Siddharth Rangnekar from CDR India, and I shall be your moderator for the event today.

As a reminder, all attendee lines will be in the listen-only mode and there shall be an opportunity for you to ask questions after the presentation concludes. Please note that this webinar is being recorded. To introduce the management we have with us today, Mr. Ramesh Gopalan, Managing Director and Group CEO; Mr. Sarvabhoushan Srinivasan, Group Chief Financial Officer.

Before we begin, I would like to state that some of the statements made on today's discussion could be forward-looking in nature and may involve certain risks and uncertainties. A detailed statement in this regard is available in the Q3 & 9M FY '25 results presentation that has been uploaded to the stock exchanges.

I would now like to hand over the forum to Mr. Ramesh Gopalan to begin the proceedings of this webinar. Over to you.

Ramesh Gopalan:

Thank you, Siddharth. Good evening and thank you everyone for joining our Q3 earnings call. As you would have seen, we are pleased to report another very strong quarter, which is led by growth across our client portfolio. In addition, we announced the acquisition just last week. We acquired BroadPath, which will also be accretive to our earnings. And we'll talk a little more about that in our call. Our clients continue to give us more business and this is fuelled, both by our operational excellence and our investment in automation, analytics and GenAI. And these capabilities have helped us differentiate ourselves in the marketplace and also helped drive growth in all of our clients.

Let's get started with the financial summary. We are pleased to report in Q3 FY '25, we registered a year-on-year growth of 15.3% in rupee terms and is 14% in constant currency terms. During Q3 FY '25, our revenues were \$172 million and ₹14,531 million in INR terms. And this is a 9.7%, Q-on-Q growth in INR and about a 9% Q-on-Q growth in constant currency. However, like we've mentioned in the past, we'd like to remind you that, there is a seasonality to our business. The open enrolment which runs all through the Q3 quarter as well as beginning of Q4 drives a large volume of business our way. So a Q-on-Q comparison may not be the best way to look at our performance. So we would encourage you strongly to look at year-on-year performance and not too much on the Q-on-Q numbers. Having said that, it was a very strong Q-on-Q performance this quarter.

During the quarter, our Payer vertical grew 13.1% year-on-year and contributed about 89.3% of our total revenue. And the Provider business

grew much higher at 38% and contributed to about 10.7% of our total revenues.

Now if you switch to the YTD results, we are pleased to report that we grew our YTD '25 compared to YTD '24 at 15.3% in INR terms and 13.9% in constant currency terms. The actual revenues, YTD were \$476.5 million in dollar terms, which translates to about ₹40,014 million in INR terms.

Now talking about, margins for the quarter, we delivered an adjusted EBITDA of \$54.1 million which is ₹4,567 million in INR terms, which is year-on-year growth of 67.3%. This reflects an adjusted EBITDA margin of 31.4%. And this is a pretty high margin, which is essentially expected in the open enrolment season.

And the factors driving it are one, higher revenues, better operational efficiencies, like I said, both organically as well as through use of technology and process improvements. Also, there's been some tailwind basis favourable foreign exchange movements. We also reported higher other income in the quarter driven by Forex gains, which further boosted our adjusted EBITDA.

Our consolidated adjusted profit after tax for the quarter stood at ₹2,626 million which is again a year-on-year increase of 67.6%. And, like we mentioned before, our ongoing reduction of debt is further going to help us enhance our PAT margins. On a YTD basis, our adjusted EBITDA of ₹11,104 million grew 30.2% year-on-year, while our adjusted PAT of ₹5,709 million grew 34.5% year-on-year. Now if you look at our people metrics, our total headcount at the end of the year stood at 39,595. We added about 1,215 employees during Q3. And this is a large addition, like we mentioned in the past. We add headcount during the open enrolment season. However, attrition has been at 21.8%, which continues to be very low, compared to the previous year. So overall, a very good performance operationally as well as financially as you can see. Some of the KPIs, I'll just pause for a few seconds for you to take a look at the numbers, and we've covered all of these numbers in my commentary.

Now jumping into the acquisition that we did, last week. The company's name is BroadPath Healthcare Solutions. The company was founded in 2008 and it's headquartered in Tucson, Arizona. It is, like us, it's a Healthcare services focused company. And like I've told, many of you in the past, our M&A strategy was both focused on capability acquisition as well as looking for Healthcare specific clients which can get us a large client base. And BroadPath fits in the second category.

What we get, in terms of services – a large part of the services do overlap with our services, but they also bring in specific capabilities in member acquisition, especially in the Medicare and Medicaid segments, which is a

capability that we didn't have before. So it also brings addition to our service portfolio. But the most interesting part of this acquisition as far as we are concerned is the access that it gives to several mid-market clients.

As I've mentioned in the past, diversification from our large client base into the mid-market is one of our stated strategy. And so the BroadPath acquisition clearly helps us in that regard. The other thing, in our due diligence, we found that, they are a great customer advocacy. Their NPS with customers were very high. And one unique operating feature of BroadPath is the fact that, they started as a work from home company, even before COVID. And that's been possible because of a platform called Bhive that they have. And this is a proprietary platform that, not only enhances employee engagement, but it also helps optimise operational metrics in a remote environment.

So it's a good acquisition, for us. And, we had put out a one page rationale for the acquisition. And just to touch upon the key aspects, one, it, increases our presence in our top 10 Payers. As you know, we had five of the top 10 Payers as our clients. This adds a sixth client to that list. And it also increases our footprint in two of our existing top 10 clients.

So essentially, it enhances our leadership position in the top 10 payer segment, which is a large part of the market. Financial synergies, this acquisition is EPS accretive from day one. It's been funded 100% from internal cash. And we also believe that synergy is not only from the cross sell, but also opportunities to reduce administrative cost will help us improve margins going forward.

In terms of the client base, like I said, it's a very diversified client base, more than 30 mid-market clients, and it gives us an opportunity to cross sell the broader Sagility portfolio of services into this new client's segment.

The Bhive, which is a unique value proposition, we intend to use Bhive broadly across our delivery geographies. And integrating Bhive with our GenAI solutions, we believe we can further enhance operational efficiencies. Like I said, they also bring in some new capabilities, especially the member acquisition, in both Medicare and Medicaid as well as enrolment services.

And from Sagility's point of view, given that we have multi-shore operations, that will be a great capability for us to take to their clients. And in terms of talent acquisition, it comes with about 1,600 employees, strong operational expertise, and it also comes with a very strong client facing team, sales marketing, account management team, which will be a great addition to us.

So overall, it's roughly about a \$70 million top line. And like I said, it's EPS accretive from day one and funded 100% from cash. With that, let me hand it over to Sriniv to walk you through, the financial highlights in more detail.

Sarvabhoushan Srinivasan: Yeah. Thank you, Ramesh. Firstly, welcome all to the December '24 earnings call. Like Ramesh mentioned, we had an exceptional quarter and a good year so far. Our financial performance has been consistent in the last few years, and we expect this trend to continue forward.

I want to reiterate that our business has seasonality. Again, Ramesh stressed on this. Our H2, which is the second half of the year is slightly more pronounced than the first half due to the open enrolment season. So I will not labour much on the revenue, EBITDA, and PAT numbers. What is more attractive here is the operating cash flow. We generated close to ₹9,132 million in the first nine months of the year, and that represents 94% of our reported EBITDA. And that actually helped us to fund the acquisition that Ramesh mentioned.

Next, this slide gives the impact of our seasonality in the business. We hire for seasonality starting Q3 with headcount picking in December and then gradually reducing from Jan through March.

Moving on to Slide 10. We have provided the numbers. We have provided the key numbers, financial metrics, both for short term and long-term. This slide just talks about the Q3 over the previous years. And all green here, nothing much to really call out, and this presentation is also available.

The next slide will be on the cumulative nine-month performance. It's more a longer term view, where we have provided FY '23, FY '24 and the first nine months of the current year and also shown the comparison to the previous years. Again nothing much to really call out. I don't want to read out these numbers, all green and we hope to continue this trend.

These are some critical financial indicators, and I would want to bring to your notice that our EPS has been gradually improving. And what you see in the last column is the trailing 12 months EPS for December '24. On the return on capital employed, it continues to be healthy at the mid-40s, and it's largely driven by a robust operating performance. Our free cash flow stood at 82.5% of EBITDA, reflecting a very strong cash generation. You will also notice that there has been a consistent reduction in the debt. I'm referring to the last graph on the slide. And as of 31st of December, our net debt including lease liabilities is at 0.55x of trailing 12 months EBITDA.

Slightly a busy slide. This gives you a quick snapshot on our revenues and profitability. And you will actually notice that there are two adjustments, adjusted EBITDA and adjusted PAT. I'll explain that to you in the next slide.

The first adjustment on EBITDA is on account of the earnouts under the acquisition agreements pertaining to the DCI and Birch, which the two companies which we acquired earlier in FY '24. And these are nonrecurring costs in nature and hence adjusted in the EBITDA. FY '26 will be the last year for these earnouts, and we have shown these details in Slide 16 after two slides.

The second adjustment to the EBITDA pertains to the share based payments awards provided to the leadership team, which are linked to the shares of Sagility B.V., our parent company. These share based payment awards are not cash payouts from a company standpoint as they are directly settled by Sagility B.V., and there is no obligation on the company or there is no liability on the company, and there's no dilution to the shareholders as well.

The details of the same are also provided in Slide 18. Coming on to the PAT, the above two EBITDA adjustments adjusted for tax, plus we also have an additional adjustment towards amortisation on the intangibles. This intangible was created during the acquisition of Sagility by EQT, and they are not operational in nature. The purchase consideration paid by EQT was significantly higher than the fair value of assets. And hence, we created customer relationships in the U.S. at \$265 million which was to be amortised over 16 year period. And there was also another intangible that got created, which was for \$85 million towards customer contracts in India, which got completed. The amortisation of that got completed by 31st of March, 2024. And these are noncash in nature, and these are also non-operational in nature.

Next slide, please. Here, we have shown the go forward positions in terms of what is our gross debt. What is the debt repayment? What's the likely interest payment? Because these are rupee denominated loan, and we have very clear repayments schedule as provided in the prospectus as well.

These interests are at 8% coupon rate. We have also shown the expense P&L hit that you will see from a share based payment awards. Like I mentioned earlier, these are not a cash expense for the company, nor a liability for the company, but it flows through the P&L. The adjustments on the EBITDA, as I mentioned on the earn outs to Birch and DCI acquisitions, they get over in FY '26. So in FY '25, we will have ₹486 million and the next year, its ₹348 million.

Moving on to the balance sheet, a very strong balance sheet as you would see. Cash at ₹7,263 million, our trade receivables are extremely under control, and DSOs have improved from 82 to 78 days. And we had a CapEx spend for the nine months ended December at ₹1,122 million. And overall, a very good balance sheet. And, it remains very healthy and very low leverage as well. Good cash conversion, cash generation. And any specific questions we'll be happy to take during the Q&A session. Over to you, Ramesh.

Ramesh Gopalan:

So, as we've discussed, we had a very strong quarter in Q3 and this is driven by our continuing growth with all of our existing clients and our attempt to expand in the mid-market. Like I said, BroadPath is an acquisition that we believe will give us access to the mid-market, which was a stated strategy in terms of our client diversification.

So looking ahead to Q4, we hope to continue the strong positive performance. And looking at the full FY '25, we believe our growth will in INR terms will be very similar to the YTD growth for the nine months that you've seen. Overall, longer term, we believe that we will continue to grow in the low-to-mid-teens like we've committed. And our PAT margins, like I said, thanks to reduction in debt has improved. And so we expect to perform along similar lines.

With that, happy to take questions.

QUESTION-AND-ANSWER SESSION

Moderator:

Thank you. We will wait for a moment for the question queue to assemble. Participants are requested to click the raise hand icon on the bottom panel. We have the first question from Abhishek Kumar of JM Financial. You've been asked to unmute.

Abhishek Kumar:

Yeah, hi. Good evening, thanks for taking my question. Great quarter. First is, on revenue, it is two part question. One is, the growth in nine months and this quarter especially has been above the range that we have spoken about, which is likely growth over the medium term. So, question is, did the growth come above our quarter beginning expectation, because of the open enrolment period, etc? Related question is, how does it exactly help? Does it help you, the open enrolment period when there are more number of members joining the insurers or payers that you are serving? Or irrespective of that, just because of the churn, there is an increase in volume?

Ramesh Gopalan:

Okay. So let me answer your second question first. So our open enrolment like we discussed, that's a season where most of the insurers renew or add new members. And so the plan for the open enrolment is discussed, much in advance because we need to ramp up, to meet those volumes,

right? So essentially, the growth in open enrolment volumes does not reflect the underlying strength of our client's addition to membership. So these are planned additions for which, typically clients pay us.

And to answer your first question, yes. The growth was marginally higher than what we had anticipated at the beginning of the quarter. And, like I said, while most of the additions is anticipated, well ahead of the start of the quarter, there are always some additional volumes, that come in, that we might have handled during the quarter, which leads to increased revenue. So yes, the performance was slightly better than we had anticipated at the beginning of the quarter.

Abhishek Kumar:

Great. Second question is on the Provider side. You did mention at the beginning of your presentation that the growth on the Provider side was much stronger. I couldn't find it on the PPT, but I remember it was 30% plus. So is that a conscious strategy to expand more, penetrate deeper the Providers? And also, does the open enrolment period benefit Providers as well like they do Payers? Thank you.

Ramesh Gopalan:

Yeah. The open enrolment doesn't, make a big difference on the Provider side like it does on the Payer side. So that's not the reason for the growth. And to answer your first question, as you know, our Provider business is much smaller than the Payer business. So sometimes, I mean, it has grown faster than the Payer business in the past. So sometimes, because of the smaller base that the growth numbers are higher.

But broadly in terms of strategy, we want to grow, both the Provider and the Payer segments. Payer segment, like I said, is a much larger segment with a lot more large and more tenured clients. Whereas we are much smaller in the Provider segment even compared to some of the Provider only companies, that are out there. So our strategy is to grow both the Payer and the Provider businesses.

Abhishek Kumar:

Sure. That's helpful. I'll come back in the queue. Thank you so much.

Ramesh Gopalan:

Thank you.

Moderator:

Thank you, Abhishek. We now move on to the next question. Manik from Axis Capital, you have been requested to unmute.

Manik Taneja:

Hi, good evening. Thank you for the opportunity. While the seasonality on the business front or from a revenue standpoint is well understood, I wanted to quiz you with regards to the way we have seen margins expand in the current quarter, and especially given the fact that if I'm looking at your historical financials for last year, we didn't see the sequential improvement in margins last year. This time around the sequential improvement in margins or even if one looks at margins on a year-on-year

basis, it probably seemed to be very, record margins. So if you could delve deeper into what's driven that and the sustainability of the margin profile on a go-forward basis.

Ramesh Gopalan:

Yeah. One, operational performance had been extraordinary in this quarter with additional volumes of the top line that we picked on the way through directly to the margins. Two, we had a good exchange benefit, which got added almost close to about ₹44 crores of other income we got on account of exchange gain.

And I would say largely, it's tighter operations and the benefits of all the technology that we had invested in the past are slowly yielding to sales. But again, the extra volumes on account of the open enrolment that we got as top line, which flowed directly to the margins has significantly contributed to the margins.

Manik Taneja:

It would be possible to quantify the benefit of these incremental volumes to the margins and also give us some sense as to what maybe the sustainable margin profile looking at margins at 30% in the current quarter. Is that the new benchmark that we're looking at versus the 24%, 25% that we've seen in the past?

Ramesh Gopalan:

No. If you look at on an annualised basis, the guidance that we gave around the 24%, 25% still continues to hold good, right? So that's why we constantly encourage not only year-on-year comparisons, but also looking at it from more cumulative YTD numbers and full-year numbers.

Some quarters, because like Srini said, additional volumes because of open enrolment for which some of the hiring and ramp cost would have been incurred earlier, will result in either margin increases or margin dips in one quarter or another. But overall, steady state margins on an annual basis will still be around the numbers that we guided.

Manik Taneja:

The last one from my end, basically, if you could talk about the sensitivity of margins to currency, given that almost 94% plus of our workforce has been based in India and Philippines, and also some timelines on the integration of the recently announced acquisition. Thank you and all the best.

Ramesh Gopalan:

Thank you. Currency on margins, do you want to take the question?

Sarvabhoushan Srinivasan:

Yeah. The delta between the revenue growth in dollar terms and constant currency is about 1%, 1.5% so that has flowed directly into the margins.

Manik Taneja:

Srini, just a clarification on the margin front. What I'm trying to understand is with the way USD/INR or USD/Philippine peso move, if you could help us understand a percentage move in any of these exchange rates, how does that impact your EBITDA margins?

- Sarvabhousman Srinivasan:** See, I wouldn't really worry too much on the movement if rupee or peso are to appreciate much. But if they hold at steady levels, I'm sure we are most likely to hit our 25% plus margin profile that we guided earlier.
- Manik Taneja:** Thank you. I'll take it offline.
- Ramesh Gopalan:** And your second question on BroadPath integration, like I said, just to give you more colour, BroadPath, most of the delivery is in the U.S. with a very small footprint in the Philippines. So that's another point I wanted to guide on. So their margins are much lower than Sagility's margins.
- Having said that, the opportunity to cross sell into the clients, the opportunity to offer the clients, other geographies where we have presence and the administrative side cost synergies, we believe will help us improve their margins on a go-forward basis. So there is a very detailed integration plan that is being worked on. Both, like I said in terms of taking our services to their clients as well as taking some of their specific capabilities and member acquisition to Sagility's clients as well as integrating some of the shared service functions across the two companies.
- Manik Taneja:** Sure. Wish you all the best.
- Ramesh Gopalan:** Thank you.
- Moderator:** Thank you. That was Manik Taneja from Axis Capital. We now move on to the next question from Ruchi Mukhija. I've unmuted your line. Ruchi, you may go ahead.
- Ruchi Mukhija:** Good evening, and very congratulations on a strong set of numbers. Ramesh, could you help us understand for a BroadPath, the margin profile and plans around the leadership retention?
- Ramesh Gopalan:** Ruchi, I just did talk about the margins in response to Manik's question. Like I said, they are mainly onshore based delivery, because of which their margin profile is lower than Sagility's profile. It's in the lowest double-digit EBITDA margin numbers. But with the combination of both client level synergies and administrative cost synergies, we believe that we can improve those margins over the next two to three years. So that was question one and sorry what was the other question?
- Ruchi Mukhija:** Leadership retention?
- Ramesh Gopalan:** So, while the existing CEO and Chairman haven't moved over, the next set of leaders, who are basically both in the sales and client facing roles as well as operational roles, they've moved over as part of the acquisition.

And there is a plan in place, in terms of their retention. So we're very confident of retaining the leadership. And we're very happy to have them on board because they come with very good credentials.

Ruchi Mukhija: Okay. Now coming to the seasonality, we understood, how Q3 turns out to be seasonally strong quarter for Sagility. Does the seasonality flow into Q4 as well for us?

Ramesh Gopalan: It does. To early part of Q4, it does flow through. But just in the early part of Q4, right? So starting mid-Jan, towards second half of Jan, we start ramping down. So to that extent, there is some carryover effect from Q3 into Q4.

Ruchi Mukhija: Now last question, this is more around the hedging, and also partly relate to Manik's question. Could you help us understand, how the hedge position is for us, guide on the near term profitability and how should we read into this sharp INR depreciation, its influence on margin?

Ramesh Gopalan: On our hedging, about/close to 60% of our inflows into India and Philippines are hedged. And these are at, very close to present conversion rates in the sense present level is at INR85/PHP50-ish. So we are reasonably insulated. That's why I was trying to explain Manik that even, we don't anticipate and nobody can anticipate how rupee would move, but we don't anticipate it to significantly reduce. In the sense like, we are expecting it to hold or for rupee to depreciate further.

So having said that, we are very confident of holding our margins. So our hedge position, we've slowed down on taking forward covers, because one thing, we are not getting attractive premiums the way we want, and also, we want to wait and watch and not really jump the gun and do too much of hedging as well.

Ruchi Mukhija: And lastly, Ramesh, if you could comment how we see near term growth visibility spread between our large account and accounts beyond the top 10.

Ramesh Gopalan: I can't give you specific numbers, but what we are seeing is a broad growth across our client portfolio. Like we've discussed in the past, our large accounts continue to grow, and they continue to grow as a portfolio in the high-single digits, right? So and some of the non-top five, top 10 accounts are growing slightly faster.

So our overall revenue guidance as well as by the different client groups, the way we've guided in the past is still pretty much our guidance into the future as well.

Ruchi Mukhija: Got it. Thank you and all the best.

- Ramesh Gopalan:** Thank you.
- Moderator:** Thank you, Ruchi. We move next to the question from Vikrant Gupta of PGIM. Your line has been unmuted.
- Vikrant Gupta:** Yes. I have three questions. I'll just ask all of them. So firstly, I was just looking at the earnings of couple of your large clients. They seem to be talking about medical costs continuing to go up and probably 2025 also being a repeat of 2024. So if you could comment on how that impacts your business opportunities both positively and negatively?
- Secondly, in terms of the acquisition, the synergies that you have mentioned in your presentation highlight largely cross sell and probably the addition of a new capability. But you have not talked about offshoring given the high on-site presence of this workforce. So is that something that is not likely to play out?
- And the third one would be the margin guidance that you have given 24% to 25%. This is excluding other income, and the two adjustments are largely the ones that are in the presentation, the share based awards and the acquisition payouts. Those were the three questions. Thank you.
- Ramesh Gopalan:** Okay. Thank you. Thanks for your question. First on the medical costs, I think we've covered this in earlier presentations, right? So the business that we are in, which is more supporting our clients in their day-to-day operations that doesn't largely get impacted by some of the challenges, that you've mentioned that our clients face.
- So in a way, if their volumes and their membership grows, we stand to gain. But even in times where they're under cost pressure, we both from virtue of the relationship and as well as the expectation of clients on us, we have opportunities to help them further reduce cost by taking on more of the functions that they are currently doing in house. So given both the aspects, it doesn't directly impact us, if based on some of the challenges that you spoke of that are some of our clients have expressed.
- Secondly, on the acquisition, I did talk about offshore. I mean, I may not have used the word offshore, but I said, one of the synergies is the fact that they are primarily onshore and we have multiple delivery geographies and so they could leverage additional geographies. Like I've mentioned in the past, the choice of a geographies is left to the client. And so some of the work from a regulatory point of view may have to stay onshore or more from a client preference. They may want to keep it onshore. But obviously, the fact that BroadPath is now part of Sagility opens up the option of, all of our offshore locations to their clients. And some of the cross sell that we intend to do, we believe will get delivered from offshore locations.

And thirdly, on the margin guidance, yes, the 24%, 25% that we guided is not accounting for any additional other income gains, that we might get. But it's adjusted for the things that Srini spoke about, which is earn outs and amortisation of intangibles and the share based compensation.

Vikrant Gupta:

Okay. I just have one quick follow-up to the first question, you would classify that as a net positive or largely a neutral event, the medical cost going on?

Ramesh Gopalan:

I would say they don't have a direct impact either way, right? So if the question is, does cost pressures on your client impact your revenues negatively? Definitely, they don't impact us negatively. Obviously, even in the existing work that we do for our clients, our clients expect us to bring in more efficiency and take cost out, but which is a pressure even in good times.

But the only added bonus, like you said is when they are under pressure, they do expect us to help them out by taking on more of the functions that they do in house. So net-net, that could end up being positive, but it's definitely not a concern for us.

Vikrant Gupta:

Okay. Thank you.

Moderator:

We take the next question from Bhavik Mehta from JP Morgan. Bhavik, your line has been unmuted.

Bhavik Mehta:

Hi, thank you. So couple of questions. Firstly, on both growth and margins, is it possible to quantify the impact of the open enrolment seasonality you typically see in a year? Just so that we can understand what is the underlying growth and margin predicting the whole quarter.

And the second question is, on the acquisition. I think you said it's a low-double digit margin business. So with the synergies around administration cost, offshoring or cross selling, where can these margins go up to over the next two to three years?

Ramesh Gopalan:

On the open enrolment, Bhavik, I don't know if there's anything additional, we can say. I think that question has been asked and we've tried to answer. But, if there's any more clarity that you need, probably we can take it offline.

On the acquisition front, yes, it is a low-double digit. Over the next two, three years with purely from the synergies and improvement in efficiencies, we believe that those margins can move up 600, 700 basis points.

Bhavik Mehta:

Okay. Thank you.

- Moderator:** Thank you. We move to the next participant. The question comes from Ankur Pant of IIFL. Your line has been unmuted.
- Ankur Pant:** Hi, congratulations on a good set of results, and thank you for taking my questions. I have a few questions. First is on your stated strategy that you would look to penetrate more into mid-tier Pharma companies as well as look to crack complex deals, probably improve your deal structure as well, deal pricing, etc. Any improvement on that front that we have seen?
- Ramesh Gopalan:** So first of all, it's not Pharma. It's more health plans, health play companies. Targeting the mid-market in addition to growing the large clients, like I said, it's a stated strategy. And, we organically continue to do that, right? Some of the logos that we won in the last few years have also started to grow year-on-year. And, like I said, BroadPath also comes in with its own set of mid-market clients, which are not existing clients for Sagility. So that gives us additional room to sell our services.
- So, yes both organically and through the acquisition, that strategy is playing out. In terms of the larger deals, yes, the BPaaS deals is something that is still work in progress. We have a few conversations, that we're having as we speak. But, yes that's something that is still to play out and we hope to do that over the next few quarters.
- Ankur Pant:** Thank you. And then on BroadPath acquisition, I'm sorry if I missed it, but have you specified the growth that BroadPath has been seeing over the last few years? Because I could only find that it's \$70 million in revenue. But how has the growth been in recent times?
- Ramesh Gopalan:** So BroadPath, like I said, it started as a work from home company, even before COVID, right? So they had a low growth rate. But then during COVID, they got substantial volumes, essentially because a lot of existing service providers, couldn't move from a work from office to a work from home location. So the two, three years of COVID, really saw a huge surge in volumes for them. Those volumes, post COVID have gone down, right? So, essentially looking at the growth over the last two, three years would not be indicative of that longer term growth. But over the long-term, the growth has been in the high single to low-double-digit numbers.
- Ankur Pant:** Sure. And any light you can shed on the valuations, the discussion on valuations for this particular company because the valuations seem to be quite attractive on a headline basis. So anything that you can share how you arrived at it or anything like that?
- Ramesh Gopalan:** So like we mentioned in the press release, we paid \$58 million. All of it was funded in cash. And I've also told you that the EBITDA margins are low double-digits, right? So that will give you an indication of the multiples.

- Ankur Pant:** Sure. And lastly on the U.S. change in government, anything that you're worried about or anything that you're looking forward to or something that could impact on the regulatory front that we should keep an eye on?
- Ramesh Gopalan:** Look, we are continuing to watch that space every day, every week. As on date, we don't see anything that's going to impact our business, either positively or negatively. But, we will keep you posted as we get to hear more things. But at this moment, there is no change, basis whatever we know.
- Ankur Pant:** Sure. Perfect. Thank you so much.
- Ramesh Gopalan:** Thank you.
- Moderator:** Thank you. We move to the next question from the line of Bharat Sheth from Quest Investment Advisors. Your line has been unmuted, sir.
- Bharat Sheth:** Hi, thanks for the opportunity, and congratulations on good set of number. When you are talking about the in-house as well as outsourcing business, can you give us little more colour on our client? How much are they currently outsourcing and how much they are doing from in-housing? The second question related to that is, are we in some kind of a conversation in terms of when the cost pressures go high on them, so would they try to move certain part of the businesses to outsourcing. And how do we see it over next couple of years, for this trend to move?
- Ramesh Gopalan:** So good questions, Bharatji. So first, in the DRHP also we had spoken about; we had a report from Everest which spoke about the whole outsourcing penetration in the Healthcare space across Payers and Providers. So basis that, numbers, if you look at it, across Payers and Providers, the current penetration is in the low-20s, right. So, if I remember right, it was 19%, 20% in Payers and maybe a couple of 100 basis points higher for Providers.
- That is expected to increase by 500 to 600 basis points over the next five years according to Everest, right? So overall as an industry, the propensity to outsource more is going to increase. Specifically, if you ask about our existing clients, I mean, obviously, some of our large clients have outsourced more as a percentage of their total operations versus some of the mid and small market where the percentage outsourcing may be much, much smaller. So that varies, client-to-client. But as an industry as a whole, according to Everest, it's in the low-20s, likely to move up to high 20s, over the next five years.
- And to your question on cost pressures, like I answered an earlier question, cost pressures do provide an opportunity for us to help our clients with moving more work to us, because we can deliver it, not only

at a lower cost to start with, but we can also bring about additional efficiencies over the contract period. So those are conversations we continue to have with our existing clients and yes, cost pressures in a way induce them to move on some of these initiatives faster.

Bharat Sheth: And second question, if you can give some colour on how much arbitrage our client will have, while doing in-house versus outsourcing, so which can be a more interesting business or where a good opportunity can open up in near term?

Ramesh Gopalan: Oh, I mean, this is not something new, right? So, obviously...

Bharat Sheth: Correct. But what kind of opportunity I mean, arbitrage, our client will have while doing in-house versus outsourcing?

Ramesh Gopalan: Yeah. Depends on which geography they want us to deliver from. So it could range anywhere from a 30% savings to almost 50%, 60% savings for them.

Bharat Sheth: And is that a meaningful size for them? I mean, from an overall expenses ratio?

Ramesh Gopalan: Yes. Obviously, I mean, if you look at it apples-to-apples, given that a lot of them are working in low-single-digit margins. Those kinds of savings are very meaningful. Having said that, we've discussed in the past that the overall administrative spend is roughly about 15% to 20% of the total premium. So large part of it is medical cost. While we do have services which can help them reduce the medical cost, that's not purely on the basis of doing work in a different geography, right? But on the administrative side, dollar-to-dollar, like I said, the savings could be anywhere between 30% to 50%, 60%.

Bharat Sheth: Thanks for your answer.

Ramesh Gopalan: Thank you.

Moderator: We take the next question from Akshat Agarwal from Jefferies. Akshat, your line has been unmuted.

Akshat Agarwal: Thanks a lot for the opportunity and congratulations on a great set of numbers, sir. I have a couple of questions. Firstly, I just wanted to understand the trajectory of your other expenses. So when I look at your revenues from operations, they've grown up at a healthy pace of 15%, but your other expenses have been flat year-on-year. So has there been a meaningful change in the trajectory? And is it not linked to revenues? And should we build this at a similar run rate going forward? Because that's contributed to a massive margin expansion this quarter. That's the first one. I'll ask my next one once you answer this.

- Sarvabhousman Srinivasan:** Yes. Broadly other expenses are include SG&A as well, which are fairly flat across the quarters. And also some portion of the other expenses will be other direct expenses which could be, related to technology cost or employee transportation or any other direct cost that can be associated to revenue. So it's a combination of both direct and indirect cost. And for your modelling, you can assume at similar levels.
- Akshat Agarwal:** That's great. Secondly, the receivables again, this time around are in the lower 70s. That is quite exceptional for any IT services company. Should we build a similar run rate going forward as well?
- Sarvabhousman Srinivasan:** Some of our large clients are wanting us to have a longer credit period. They are planning to increase it. So, I would suggest that you can safely assume around 80 to 85 days on an average. But if we can better that, we'll definitely try and do our best.
- Akshat Agarwal:** Thank you for that. And finally, on the acquisition, when would this acquisition start flowing into our financials? I mean when does it get consolidated? Does it get consolidated from 29 Jan or at a later date?
- Ramesh Gopalan:** It was a sign and close, simultaneous sign and close on the 29th. So they will start reflecting our financials from that date onwards.
- Akshat Agarwal:** Perfect. Thanks a lot for the clear responses and all the best for the future.
- Ramesh Gopalan:** Thank you.
- Moderator:** Thank you. We move to the next question from the line of Venkat Subramanian. Your line has been unmuted.
- Venkat Subramanian:** Very good evening, and congratulations on a great set of numbers.
- Ramesh Gopalan:** Thank you.
- Venkat Subramanian:** I have a couple of questions. The first one being, who are the closest to competitors for Sagility in USA? And where are we placed in this market currently in U.S. as well globally? And do we have similar competition emerging from India? If so, what are the competitors from India in this industry? And the second question is, what is the benchmark for this industry in terms of valuation? Because it appears like a unique business model, which is being introduced and being listed in India. So way forward, how we should evaluate this company in terms of market calculation?
- Ramesh Gopalan:** So I'm not going to comment on the benchmark for valuation, but competition, I mean, we just went public about three months ago. And as part of that, we filed the DRHP and we've spoken about competition there. Nothing much has changed, in the last three, four months, right?

We continue, we are one of the very few Healthcare only focused companies. And so on a like-to-like basis, there is hardly anyone similar to us. And one of the things that I had told a lot of you, in the past is that becomes, that was one of the reasons where our acquisition also was proving to be difficult because finding sizable Healthcare only firms was a challenge.

So, BroadPath was an exception in the sense that, it's one of the larger Healthcare only companies that we managed to acquire. So in terms of competition, we do compete with other generic BPM services companies, which operate across multiple segments where Healthcare is also one of the segments. And, it ranges all the way from, IT services firms like, Accenture and Cognizant to other firms like Firstsource, and EXL, and WNS and so on. But there is no real like to like comparison as a Healthcare only firm just like us.

Venkat Subramanian: Okay. Thank you.

Moderator: Thank you. We move to the next question from the line of Mr. Bharat Sheth from Quest Investment Advisors. Your line has been unmuted.

Bharat Sheth: What are the metrics that we can look at that some of the new businesses are coming from say in-house to outsourcing, third party outsourcing and particular to Sagility.

Ramesh Gopalan: So every work that we do is on behalf of our clients, which means it's coming from in-house to someone like us, right? We've spoken about our portfolio of services, the broad set of services that we have both on claims, payment integrity, clinical engagement and other administrative services like enrolment and so on, right? So our clients could give us any of those works. And across clients, we may not be doing exactly the same set of work. It all depends on the client's priorities at any given point in time where they believe, they have the most needs and where they decide to focus on at that point in time.

So our entry point to our client could be with any service. And then over a period of time as we continue to deliver for the client, we will continue to mine and take over additional functions as we go along, right? So that's the way I would describe. So I'm not sure if I answered your question exactly, but that's the way it plays out.

Bharat Sheth: To put it differently, see out of whatever service that we are providing to our Payer side, which are the services you feel that have a higher entry barrier, and it's very difficult to create the capability in those services?

Ramesh Gopalan: We've spoken about this at length in the DRHP, right? We've given you the portfolio of services. All of the services that we do, we have deep

expertise in that, right? So in terms of showcasing our capabilities to deliver those services, we are very confident, right? Beyond that, like I said, it's a very specific question to a client scenario as to what is the focus area for the client in that given year, that decides what they decide to work with us on.

Entry barriers per se, I don't think anything has higher barriers. In fact, some areas like clinical, like we discussed, even in the prospectus, we believe, there'll be more propensity to outsource because of the labour shortages, the clinician shortages that many of our clients continue to face in the U.S. So some of the complexity barriers that clients might have perceived in the past, by which I mean, clients might have thought that this is something not possible for a third-party to help us with.

Now by the fact that we build capabilities in those services and also the fact that clients have existing shortages in those skillsets. They become a more prone to service products like us to take over and help our clients.

Bharat Sheth: Okay. Thank you and all the best.

Ramesh Gopalan: Thank you.

Moderator: Thank you. We move on to the next question. The question comes from Deekshant Boolchandani from DB Wealth. Your line has been unmuted.

Deekshant Boolchandani: Hi, so can you paint a picture for us that what are the kind of opportunities that you are looking for the U.S. government? Because I'm sure the company has thought about, the changes that the government might make, so what are the opportunities that if we see, we will bounce on them? They are clearly focused on Healthcare. Do you think it's going to be a cost accretive or a growth accretive?

Ramesh Gopalan: Okay. Let me answer the question. I'm not sure if I got it correct. Are you talking about government policies? Because, the segments that we work with are Payers and Providers. We don't directly work for the government.

But to another question I answer, is there anything that we are seeing in terms of government policies that is going to impact our business? So far, we haven't seen any recently. But broadly, Healthcare is a very regulated segment. And so if there are policies with respect to, for example, on Medicare, what is the payment that our clients are going to get from CMS? Those kinds of decisions do impact us, but we have to wait and watch on what some of those likely changes are going to be.

Deekshant Boolchandani: To specify my question a little bit – Trump has lately appointed Kennedy as a Health Care Chief of sorts to make sure that the Healthcare has been taken care of U.S. Do you think this Healthcare spend that they might do

or a readjustment of spend? Is it going to be beneficial for us, or do you think that there is a particular opportunity that we can see in this segment that will now be developing?

Ramesh Gopalan: Like I said, it's very premature for us to make a statement on that. So we'll have to wait and watch, what exactly is going to be the thinking on the spend and how is it going to be reallocated. So once we have a better clarity on that, we may be able to comment more specifically.

Deekshant Boolchandani: Noted. So the second question is, so with their acquisition, it says on the press release that it's around 1,600 employees that we have acquired. And in the PPT presentation, we see that around 25, 22 employees were added during Q3 FY '25. So, is there any sort of like, are these 1,600 people counted for in this 25, 22, or is it 25, 22 plus 1,600?

Ramesh Gopalan: Okay. So quick clarification. We are doing the earnings call for the quarter ended December. The acquisition closed on the 29th of January. It was after the quarter ended. So those numbers are not included in the numbers that we presented in the earnings presentation.

Deekshant Boolchandani: That's my bad. So to clarify, have we included any sort of addition of employees for this particular quarter? It's 1,215 employees that we have added during Q3 FY '25. So this would be 1,215 plus 1,600 people that we had acquired with our acquisition?

Ramesh Gopalan: Yes, 1,215 was added by Sagility to take care of open enrolment volumes. Like we've explained on the past, that headcount doesn't stay stable. Post open enrolment, some of those headcounts might come down. But, yes, the acquisition that we did in January added 1,600 headcount.

Deekshant Boolchandani: Got it. So is this headcount really something that will give a meaningful change to our top line apart from the existing business that of 30 clients that we have bought in? Is it something that will help us with their existing clients to expand?

Ramesh Gopalan: Sorry. Again, I'm not very sure I get your question. So if your question is, can 1,600 people do more work than they are doing today? A lot of the operational folks are fully dedicated to the specific services they provide for the clients. So unlike other industries they cannot multitask on multiple clients. In our business typically when someone, for example, does claims for client A, they do client claims for client A on a full time basis. So that's how they are workers assigned to them and that's how they are built to the client. So these 1,600 employees are fully employed in delivering services to existing BroadPath clients.

Having said that some of the personnel that we have acquired in sales, client services, and other areas they could help us with some of the cross

sell and upsell. But in terms of pure revenue generation, if we were to generate more revenue, we'll have to correspondingly add to the headcount.

Deekshant Boolchandani: Got it. Last question is on the other income. Maybe this has been discussed before, but would you just expand a little bit of what comprises our other income?

Sarvabhoulman Srinivasan: Yeah. The entire ₹440 million. Is a combination of FX adjustment. And during this quarter, we have got about close to \$0.5 million of interest income where money is their part of overnight deposits. So it's a combination of those two.

Deekshant Boolchandani: How much of this would be the FX gains for us?

Sarvabhoulman Srinivasan: Yeah. Just give me a minute.

Ramesh Gopalan: Just a ballpark percentage.

Sarvabhoulman Srinivasan: FX gains would be roughly about close to ₹300 million. The balance would be interest income.

Deekshant Boolchandani: Okay. If I could ask one more question, please. So what has been the key growth driver for us in this quarter of growth, and what do you think that is going to be the key growth driver going forward?

Ramesh Gopalan: See our growth drivers in general, like we've discussed in the past, is getting additional work from existing clients, and adding new clients to the portfolio in addition to additional volumes that we may get from the same lines of work that we've been doing for clients. During open enrolment season, the additional volumes from the same lines of work, increases as a surge volume for that period. So that's exactly for example, if I'm doing, let's say member engagement work for a client, during open enrolment season, the same work they would want me to staff up, because they expect a lot more queries from members.

So the volume surge on existing lines of work, increases during open enrolment season. But the other drivers for growth, like I said, is getting additional lines of work from our existing clients as well as starting work with new clients. And those two drivers of growth will continue in the non-open enrolment periods as well.

Deekshant Boolchandani: Got it. Thank you so much for the clarity. Really appreciate it.

Ramesh Gopalan: Thank you.

Moderator: Thank you, Deekshant. We move to the last question from the line of Sushovan Nayak from Anand Rathi. Your line has been unmuted.

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- Sushovan Nayak:** Thank you so much for the opportunity and a great set of results. Congratulations. So, just one thing. I mean, obviously, one of the questions was the cost pressures on the customers, the Payers, which may increase outsourcing penetration, which you had mentioned. The other thing which I was just wondering is with the DOGE coming in, and there may be a lot of impact on the government department workers. Do you think that will accentuate the outsourcing penetration? Do you envisage that to happen, which will potentially benefit you from a tailwind standpoint?
- Ramesh Gopalan:** I don't know the indirect effect of that. But like I said, we don't directly work for government departments. So any efficiency that the DOGE is trying to create won't have a direct impact on us. But because if there are any flow down effects, because of any other regulatory changes like, we've discussed in earlier questions, that is something we have to wait and see.
- Sushovan Nayak:** Thank you so much.
- Ramesh Gopalan:** Thank you. That concludes our call today. Thank you, members of the management, on behalf of Sagility India Limited. We would like to conclude this webinar. Thank you for joining us, and you may now log off Zoom.

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