



## Sagility India Ltd.

### Q4 & FY25 Earnings Webinar

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<b>MANAGEMENT</b>	<ul style="list-style-type: none"><li>• Ramesh Gopalan - Managing Director &amp; Group CEO</li><li>• Sarvabhoushan Srinivasan - Group Chief Financial Officer</li></ul>
<b>MODERATOR</b>	<ul style="list-style-type: none"><li>• Siddharth Rangnekar – CDR India</li></ul>
<b>QUESTIONERS</b>	<ul style="list-style-type: none"><li>• Manik Taneja – Axis Capital</li><li>• Abhishek Kumar – JM Financial</li><li>• Rishi Jhunjhunwala – IIFL</li><li>• Bhavik Mehta – JP Morgan</li><li>• Pranay Roop Chatterjee – Burman Capital</li><li>• Ruchi Mukhija – ICICI Securities</li><li>• Sameer Dosani – ICICI Prudential AMC</li><li>• Atul Mehra – Motilal Oswal AMC</li><li>• Vishal Purohit – Investrix</li></ul>

**Siddharth Rangnekar:**

Good morning, everyone, and welcome to the Q4 & FY '25 Earnings Webinar of Sagility India Limited. This is Siddharth Rangnekar from CDR India, and I shall be your host for 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 may be forward-looking in nature and may involve certain risks and uncertainties. A detailed statement in this regard is available in the Q4 & FY '25 results presentation that has been uploaded to the 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:**

Good morning everyone. Thank you for joining our Q4 and FY '25 Earnings Call. We are very pleased to report another very strong quarter led by growth across our clients. FY '25 concluded on a strong note, and our clients continue to offer us more opportunities, allowing us to win further share of wallet driven by operational excellence and strategic focus.

Our technology enabled services, which incorporate analytics, automation, and now increasingly, GenAI are helping us to continue to go deeper into our existing clients and at the same time, win new clients. In addition, our focus on mid-market payer clients, both through organic growth and further accelerated by the recent acquisition of BroadPath continues to widen our presence across the U.S. payer market. We are also very encouraged to see early signs of cross sell revenue synergy between BroadPath and the rest of the Sagility business.

As you know, this is our third earnings call, since our IPO and we had guided to mid to teen revenue growth, and a 24% plus EBITDA margins. And I'm very pleased to highlight that we've been able to consistently meet our stated growth and profitability expectations over the last three quarters.

I will now turn my attention to the financial highlights. We are pleased to share that Q4 FY '25, we registered a strong year-on-year growth of 22.2% in rupee terms and 17.7% in constant currency terms. During Q4 FY '25, revenues were \$181.8 million, and in INR terms ₹15,685 million. During the quarter, our payer vertical grew 20.8% year-on-year and contributed 89.7% of the revenue mix. Our provider vertical grew at 36.9%, contributing 10.3% to the total revenues.

So switching from Q4 to the full-year FY '25, our revenues for the full-year stood at \$658.3 million, which is in INR terms ₹55,699 million. This translates to a year-on-year growth of 17.2% in INR terms and 14.9% in constant currency.

**Ramesh Gopalan:**

Switching to margins and operating profits, for the quarter, we delivered an adjusted EBITDA of \$46.8 million, which is ₹4042 million in INR terms, which is a year-on-year growth of 28.6%. This reflects an adjusted EBITDA of 25.8%. For the full FY '25, our adjusted EBITDA stood at \$173.6 million, which is ₹14,685 million in INR terms. This is a robust year-on-year growth of 28.4% in INR terms and an adjusted EBITDA margin of 26.4%. So for your information, our adjusted EBITDA does not include other income.

Our consolidated adjusted profit after tax for the quarter stood at ₹2,398 million, which is a year-on-year increase of 45.2%. The ongoing and continued reduction in our debt will continue to benefit our PAT margins. Our reported EPS for the fiscal year stood at ₹1.17 per share, which is a 119.3% increase from last year. Under adjusted EPS for the year stood at, ₹1.76 per share, a 27.7% increase from last year.

Moving on to our employee count. We reported a total headcount of 39,409 at the end of the fiscal year. This accounts for additional 4,365 employees during the year. Our attrition stood at 27.5% in line with the number for the previous year. I'm also pleased to highlight a couple of accolades that we received from Everest Group during the quarter. Sagility was recognised as a major contender in the payment integrity solutions peak matrix assessment 2025 and a major contender in the health care payer Business Process as a Service or BPaaS.

Moving on to KPIs. For the year ended March 2025, we had 75 active clients. We onboarded 38 new clients, and 30 of those clients came through a BroadPath acquisition as we've mentioned in the previous call.

Before I hand it over to Srini, let me give you some colour on the future. Like we've mentioned before, our growth strategy remains anchored in three pillars, deepening our wallet share with our existing clients, expanding into mid-market health plans, and selectively pursuing strategic acquisitions. The industry is facing a lot of headwinds in terms of cost pressures, evolving regulatory frameworks and policy changes. However, we see these as opportunities.

Health care payers and providers are increasingly seeking partners who can deliver scale, savings, and transformation, and Sagility is positioned well to deliver just that. Despite the economic uncertainties and unpredictability, our model remains resilient. Like I've told you before, we impact the operational business of our clients, and so we continue to remain strong. Like before, we continue to expect low- to mid-teens revenue growth in the

medium term, and we are also committed to delivering a steady-state margin.

Our strong cash flows, our healthy balance sheet, and our focused capital allocation have provided us the flexibility to invest for the long-term value creation, evident from the fully cash funded acquisition of BroadPath that we did earlier this year. I look forward to sharing more details through the course of this call, and I will address all of your questions.

Meanwhile, I'll turn it over to Srinu, for getting into more details of our financial results. Over to you, Srinu.

**Sarvabhouman Srinivasan:** Thank you, Ramesh. Firstly, welcome all to the March '25 earnings call. Like Ramesh mentioned, we had an exceptional quarter and a great year. Our financial performance has been consistent in the last few years, and we expect this to continue going forward as well.

Moving on to Slide 8. We have shown the financial highlights, revenue, EBITDA, profitability, all growing northwards and as we had projected. If you look at the OCF, I would want to bring your attention to the operating cash flows. The operating cash flow that we generated was about ₹12,141 million, ₹1,214 crores for the financial year 2025, which is almost 90% of our reported EBITDA.

I'll stay here for a minute for you to absorb numbers, then we can move on to Slide 9. Next slide, please.

This slide gives you a good view and the impact of the seasonality in our business. Like we have always been saying, our H2 is more pronounced than the first half of the year, and we hire for seasonality in Q3 with headcount peaking in December and January and gradually reducing in March. We have shown both years FY '24 and '25. You will actually notice that, the headcount has in the operational account has reduced by 1,300 people from 39.6 to 38.3. But with the additional BroadPath, we are again back to 39,400 plus employees.

Moving on to Slides 10 and 11. Both these two slides, we are shown both long-term as well as short term, all metrics in green. We have provided the key financial metrics. Any specific questions on these two slides, I'll be responding it to you in the Q&A session. I'll just pause here. Thank you. Next slide.

These are key financial indicators. You would notice that our earnings per share has been gradually improving. And on the return on capital employed, it continues to be very healthy at 54.9%. It's largely driven by the robust operating performance, and our free cash flows stood at 80.5% of EBITDA, reflecting very strong cash generation like Ramesh mentioned. You will also notice that there has been a consistent reduction in the debt. And as of 31st

of March, our net debt plus the lease liabilities is only 0.68x of our EBITDA. Again, the reported EPS is at 119% growth over previous year. That's what Ramesh also mentioned.

Yeah. Moving on to this slide, our organic revenues at ₹54,943 million, which represents a 15.6% year-on-year growth, and our Q4 organic revenue at ₹14,929 million, which is, 16.3% year-on-year and a 2.7% on a QoQ basis. Adjusted EBITDA margins excluding other income is lower than Q3, due to change in the revenue mix.

Like Ramesh mentioned, we had BroadPath acquisition that has come in, in this quarter and which is predominantly an onshore business. However, that business is doing well and comparable to our onshore business. Plus we also had salary hikes in this quarter, starting Jan. That's one of the reasons as to why the Q4 revenues have slightly lower EBITDA margins compared to the Q3.

Moving on to the next slide. Again, a quick snapshot of our revenue and the profitability. Like we have always mentioned, what's the difference between the reported EBITDA and adjusted EBITDA? We have some adjustments to the EBITDA as well as some adjustments to the PAT. The first one is on account of the earnouts under the acquisition agreements that were pertaining to DCI, Birch and BroadPath, which we had acquired. These pertain to the earn outs. Ideally, it should have been part of the purchase consideration, but these are routed through the P&L, and we have provided the details in subsequent slide.

The company, and these are non-recurring in nature. So that's one. When it comes to the adjustments to the PAT, there was a leveraged buyout, and we also had the amortisation of intangibles. Sorry, I missed talking about the second adjustment in the EBITDA. It pertains to the share appreciation rights, that some of the senior employees of the company have got from the parent company Sagility B.V. This is a non-cash expenditure for the company, and it is directly settled to the employees by the promoters.

So however it is from an accounting standard perspective routed through our P&L, and hence it does not impact our operating performance or cash. Like I had mentioned on the adjusted PAT, we have the amortisation of intangibles, which got created during the carve out from the sellers of this business. So this does not, this was a share purchase agreement and hence it is flowing through our balance sheet.

That's one of the reasons you will also see very high goodwill and intangibles in our balance sheet. Next slide, please. These are some of the go forward positions that we have shown. And, you will notice what's the repayment for loan, what are the potential cash position, share appreciation awards that will be routed through the P&L and the earnouts. Next slide, please.

Moving on to the balance sheet, very strong balance sheet. We have given notes. The goodwill and intangibles have increased due to the BroadPath acquisition. You also have intangibles, that is again due to the BroadPath acquisition. The DSOs, I would want to call out here, it has been a stellar performance, and the DSOs has significantly improved.

March '24, we had a DSO of 85 days. And this year, it stands at 79 days and this includes unbilled revenues for March. Overall cash flows, cash flows again healthy. Cash generated from operations stands at ₹12,141 million, free cash at ₹10,896 million and like Ramesh mentioned, all the acquisition that we did with BroadPath, all have been paid from operationally generated cash, and we didn't have to borrow any money.

The debt that you would see on the balance sheet is to the promoter debt, which was also called out in the DRHP and that's the repayment that we have given the schedule.

That's it from me, I think. Open to questions?

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### Question-and-Answer Session

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**Moderator:** Thank you, Srini. Participants who wish to ask a question, kindly click the raise hand icon at the bottom centre of your screen. We will wait for the question queue to assemble. The first question comes from the line of Manik Taneja from Axis Capital. Manik, your line has been unmuted.

**Manik Taneja:** Hi, thank you for the opportunity. So, Ramesh, I want to get your thoughts on two things. Number one, we've been hearing from a number of insurance companies in the U.S. about challenges in certain parts of their portfolio because of the changes at the government level and the policy level. So given your well entrenched in some of your top customers, do you envisage any near term challenges in your customer portfolio in the foreseeable future? That's question number one.

And the second question is with regards to this typical seasonality that we have in our business, how should we be thinking about, both near term revenue growth and margins in the backdrop of the typical seasonality of our revenue base?

**Ramesh Gopalan:** Okay. Thanks, Manik for the questions. Let me take the first question, like I mentioned in my opening speech, there is profitability pressure across the board. So especially if you look at the clients, who have a heavy exposure to Medicare business, Medicare Advantage business, you saw a couple of them reporting high utilisation in calendar '24, which impacted their profitability significantly.

And those clients, just to add to that, those clients have consciously decided to exit the plans in certain unprofitable segments, because of which their

membership actually reduced during the open enrolment season that just concluded. So that was a very conscious choice, by those plans. Some of that impact is playing out as you would have noticed the recent announcement of results by United and so on.

So those profitability pressures on the Medicare business segment continue to exist. There are also pressures even in the commercial book of business for some of our clients. Having said that and I've said this before, our clients' profitability pressures and operational issues, in fact gives us an opportunity to partner with them to help them reduce cost further. So from that point of view, we don't see that directly impacting us in terms of opportunities for us to partner with our clients and deliver more work.

However, it's granted that, when our clients go through profitability pressures, they expect us as a service provider to help them reduce cost further. So there's always this pressure of trying to reduce more cost, asking for price reductions, looking for other opportunities to reduce cost for them. And so that pressure is always on us as a service provider and that's what this business is all about. How do you generate those efficiencies? How do you try and pass on those efficiencies to your clients, so that they can reduce their overall cost of work. But like I said, in terms of opportunities, we don't see that decreasing.

In fact, we are in active conversations not only with our existing clients but also with new clients. And we don't see any slowing down, of the deal pipeline because of the economic issues. In fact, I would probably say that those profitability pressures in fact, have increased the propensity for clients to work with service providers like us.

So that's I mean I can get into more details if you have specifics on that. The second question in terms of seasonality, that's something we've discussed in the past also. In our business, H2 is more seasonal than H1 because most of the AEP or the open enrolment happens in Q3 and Q4.

We continue to staff up for Q3 and then we deliver on that towards the end of Q3 and the beginning of Q4. And so Q3 and Q4 will be much higher than Q1 and Q2. So typically, when we talk to analysts and investors, we ask them to look at year-on-year growth more than a Q-on-Q growth. And, if you have to look at sequential, then look at more in terms of halves, first half versus second half.

Because the difference between Q1 and Q2 and sometimes Q3 and Q4 could be positive, there could be an increase or a decrease. But essentially, H2 will be higher than H1. And all of these quarters on a year-on-year basis will give you a better visibility of our growth. And like I said we still continue to maintain our low to mid-teens growth on an year-on-year basis.

**Manik Taneja:** Just to clarify, with the BroadPath acquisition, does that seasonality increase if you could talk about the revenue patterns for BroadPath?

**Ramesh Gopalan:** Yes. BroadPath, the seasonality will increase in fact because BroadPath is, I wouldn't say a large part but a reasonable part of the business is in new member acquisition. So they help clients acquire new members during the open enrolment season. And so their Q3 revenues are substantially higher than any of the other quarters. And so that will add to our seasonality. So we expect to see a slightly more pronounced H2 this year.

**Manik Taneja:** Sure. Thank you all the best for the future.

**Ramesh Gopalan:** Thanks, Manik.

**Moderator:** Thank you, Manik. We have the next question from Abhishek Kumar of JM Financial. Abhishek, your line has been unmuted.

**Abhishek Kumar:** Yeah. Hi, good morning. I have a couple of questions first, on this Medicare Advantage. Obviously, there's a lot of noise, and looks like I mean there are a certain section of the Street that believes it is specifically United because they have been little more aggressive in expanding in that space.

Just from your perspective, your clientele, especially the top three, do you see them already asking for some price reduction? And also, if we were to look at the growth for this quarter, can you break that down between volume growth and pricing growth, especially the organic growth? Just for us to get some sense of any impending pressure on pricing?

**Ramesh Gopalan:** So let me give you the broad response, and then we'll get into specifics. So like I mentioned to Manik's question, Abhishek, this Medicare Advantage, utilisation rate has been playing out at different times for different payers. We've seen a couple of our payer clients go through the same pressures last year? And like I said, they have consciously decided to exit certain unprofitable segments.

And so their membership actually reduced, marginally in the Medicare segment over the last AEP. And so to your question, price reductions is not a new thing. So even in good times, people want a constant decrease in the cost of delivery. But when clients are under profitability pressures, that ask just increases. On the other hand, a lot of times these price reductions are not just outright price reductions without giving us an opportunity to do some transformation.

So we also get the opportunity to introduce technology, to introduce automation and through that take out some of the cost. So most, a large part of the price reductions that we give our clients do not directly flow to our bottom line because like I said we are able to generate those efficiencies in our operations. To your specific question of volume growth versus price

growth this quarter. Look, across the SOWs, we have multiple price points. So I don't know, Srini, if you have specific numbers.

But I would say substantial growth is volume growth. By volumes I mean volumes in the existing SOWs and volumes because of addition of new SOWs. And so Srini, there'll be no price increases.

**Sarvabhoushan Srinivasan:** There'll be no increases.

**Ramesh Gopalan:** We don't get price increases, but I wouldn't attribute any price decreases also in Q4, Srini.

**Sarvabhoushan Srinivasan:** No, there has been no price change, I would say. In fact, when it comes for renewal, there is always pressure on to reduce the prices. There has been no price increases.

**Abhishek Kumar:** Understood. Maybe one more question on regulation, then I have one on margin. The other thing that, the Trump administration is trying is to put pressure on the pharma companies. Do we have any second order impact of that on the claim amount, and therefore our realisation with our clients?

**Ramesh Gopalan:** Yeah. That's a good question, Abhishek. So it's still to play out. So we do work with, a few PBMs. What is the direct impact on that, and how much of that is going to be passed on to consumers, or how much is going to come out of the margins? Those are yet to be seen. We haven't seen any impact. And like I said, mostly the pricing decisions don't really have a direct translation into the work that we do for our clients, because as I've always said, we do core operational work for our clients, and that continues.

But, obviously, like we just discussed on the Medicare plans, if there are pricing pressures that translates to further pressures on service providers like us. But in terms of volume of business transacted and the work that we do for them, we don't see a big impact on that.

**Abhishek Kumar:** Okay. One last question on margins. Srini, if you can break down the decrease in margin sequentially this quarter between what has come through BroadPath consolidation and what has been led by the wage hike. Thank you.

**Ramesh Gopalan:** Yeah. So I'll give you some broad numbers. Srini, you can add to that, right? So let's talk on the adjusted EBITDA margins because the difference between the reported EBITDA and adjusted EBITDA is two things. One is other income, and other income itself had almost 2.4% reduction between Q3 and Q4. If you look at the adjusted EBITDA, that was lower by 2.6%, of which the impact of BroadPath was roughly about 110 basis points. And I've said this, at the time of BroadPath acquisition. For the full-year also, we expect BroadPath acquisition to be dilutive of EBITDA margins by almost 120 to 150 basis points, at least for the next fiscal.

And as we improve, as some of the synergies play out and we reduce some of the SG&A, that impact will reduce in the future years. So out of the 260 basis points, about a 110 basis points is because of BroadPath. And the salary increase net of the headcount reduction is about 60 to 70 basis points. And the balance 80 to 90 basis points is basically the Forex loss, which has been classified under other expenses that's because of the balance sheet restatement. And that's predominantly in the Philippines.

**Abhishek Kumar:** Philippines. Okay. Thank you so much, and all the best.

**Moderator:** Thank you, Abhishek. Participants who wish to ask a question, kindly click the raise hand icon at the bottom centre of your screen. We take the next question from the line of Rishi Jhunjunwala of IIFL. Rishi, your line has been unmuted.

**Rishi Jhunjunwala:** Yes. Thanks for the opportunity. Just a couple of questions. So first is, our top three clients this year have grown double-digit. And we know how large these clients are and how deeply we are entrenched in them. And despite that, we have been able to register double-digit growth. So just wanted to understand the incremental nature of work that is coming from these clients given that even at a \$140 million and \$150 million odd kind of revenue base for each of them. One would assume that or the common concern is that they will start saturating and may not grow. So just wanted to get some colour on the nature of what we are doing in those clients?

**Ramesh Gopalan:** Thanks for the question, Rishi. So we've answered those questions in the past also. Like we said, while we are being with some of these clients for 20 plus years, there are still opportunities for increasing our penetration with these clients. There are some parts of the business that they either haven't outsourced at all or the penetration has been very low. And we continue to find those opportunities. In some cases, it could be in the clinical, and it's not the same for all clients. So in some cases, we're penetrating more on the clinical side. In some cases, there are parts of the business segments that we've not been exposed to before, that we're getting exposed to. And in some cases, the volumes in the existing line of work is just increasing.

And like I've mentioned to many of you before, in spite of having one or two or even three partners, some of these clients in the past have tended to keep some work in-house. And with mounting cost pressures and profitability pressures, our clients have started releasing some of those additional volumes also to us.

So it could be additional volumes coming from the same line of business that we've been doing for them in the past. And that is some part of it, but the majority is getting to new service areas where clients have traditionally tended not to work with service providers like us. And we continue to find those opportunities.

And in the broader sense, again, going back to the points that we discussed in the past. When most of our clients are under profitability pressures, it makes it more pertinent for them to look for additional opportunities to take out cost. And so working with someone like us, makes it possible. So from that point of view, some of these opportunities have increased as we speak.

But coming back to the top three versus others, well, the top three have grown in double-digits. The rest of the clients have grown even faster than that. So we continue to add to the new clients and some of the non-top three are growing at 15%, 20% plus. And with the addition of BroadPath, that's just diversified our client base even more. And as we continue to execute on the cross sell to BroadPath clients, we expect a larger percentage of growth to come from the non-top three as well.

**Rishi Jhunjunwala:** Understood. So it would be fair to assume that the current growth momentum should continue over the next 12 months also, and there is no particular macro reasons because of which there could be a dent on that.

**Ramesh Gopalan:** No. On the growth, we continue to maintain the low- to mid-teens, predictions that we've given. And at least at this point in time, we don't see any reason for that to be under pressure.

**Rishi Jhunjunwala:** Understood. And just on the margins. So this year, we have executed pretty well on adjusted EBITDA. There has been almost, like a 200 plus basis points of expansion, and we ended at like 26.4. We have talked about being in the range of 24 to 25 basis points on a sustainable basis. So how do we look at the fiscal '25 margins versus how it might play out over the next two years? Do you intend to utilise the incremental margins for some of the productivity benefits you want to pass on to the customers or gain more business? Or do you think that we can actually through better execution, reset our margin band higher than '24 to '25?

**Ramesh Gopalan:** No. At least for the next 12 months, we are guiding to similar '24 to '25 numbers, which is where we want our at least the short term, steady state to be. Like I said, in some quarters, it could be marginally up, in some quarters, it could be marginally down. And because of the seasonality of the business, we hire in one quarter, they deliver in the other quarter. So you could see some differences play out in terms of the margin, but the steady state will be around the 24% to 25%.

There is a little bit of dilution because of the BroadPath acquisition. Like I said, 120 to 150 bps dilution, we expect in the margins from those steady state numbers. But that's broadly where we want to guide, at least for the next 12 months. Because we want to continue to invest in our technology and the client facing teams, because the opportunity to take out cost is very important, like I said.

As the clients are going through profitability pressures, the ask to reduce cost is increasing. And the only way to do that while protecting our margins is to be able to use technology. And for that, we need to invest and continue to build on our capabilities.

**Rishi Jhunjunwala:**

Great. Thank you so much, and all the best for next year.

**Ramesh Gopalan:**

Thank you, Rishi.

**Moderator:**

Thank you, Rishi. We take the next question from the line of Bhavik Mehta from JP Morgan. Bhavik your line has been unmuted. Please go ahead.

**Bhavik Mehta:**

Thank you. Just one question. Can you talk about what been the pace of deal closure and deal ramp-up over the last few months? Because at least for the broader IT companies, we have been hearing about a lot of delays coming through because of the uncertain macro. But just curious to know, what been the trend for Sagility?

**Ramesh Gopalan:**

Srini, correct me if I'm wrong. I think we've added about eight new clients for the year. I think two or three of them were added in the last quarter. And as we speak today, in this quarter, again, we are our deal pipeline continues to be strong. We are in active conversations, and in the final stages with at least three additional clients. So like I said in the beginning, we don't see the impact on the pipeline or the deal closures, because of the nature of our business. Since we continue to impact their core operations, clients who are under profitability pressures, want to take advantage of the work that we do. And so we don't see any slowdown to our deal pipeline.

**Bhavik Mehta:**

Okay. Thank you.

**Moderator:**

Thank you. We take the next question from the line of Pranay Roop Chatterjee from Burman Capital. Pranay, your line has been unmuted. Please go ahead.

**Pranay Roop Chatterjee:**

Hi. So my question on the regulatory has been answered and well covered. So I'll just move on from that. Your revenue guidance was low- to mid-teens. I just had a couple of questions on that statement. Is that in INR terms or constant currency?

**Ramesh Gopalan:**

Yeah. That's a good thing. All of our guidance is in constant currency. So the low- to mid-teens is in constant currency, and that's organic growth. And as you know, we acquired BroadPath towards the end of January. So we just had two months of revenue of BroadPath last year. And so that'll play out for the full-year in FY '26. So if you include, BroadPath on top of that, our constant currency total growth is likely to be upwards of 20% for FY '26.

**Pranay Roop Chatterjee:**

That is clear. Got it. When you guide incrementally on an organic basis, low- to mid-teen, even beyond, let's say FY '26. Do you include inorganic growth

in that as well, or you feel that technically you can do a low- to mid-teen growth?

**Ramesh Gopalan:** No. We are not including any inorganic that we do from here on, we are not including in that guidance. But like I mentioned, post of BroadPath acquisition. See BroadPath was a unique acquisition for us because, it was not as much about capabilities as about giving us access to the mid and small clients. And like I said, we had 30 plus new clients added to our portfolio. Thanks to the BroadPath acquisition. So going forward, I'm not saying, we won't do that, but it's more likely to be capability focused acquisitions. And so even if we do those, they may not add too much to the revenue.

But to specifically answer your question, we are not including inorganic revenue in our guidance.

**Pranay Roop Chatterjee:** Perfect. Quick clarification on your margin guidance. You just mentioned, 24% to 25% on adjusted EBITDA levels. I presume the BroadPath dilutive impact would be on top of that for FY '26.

**Ramesh Gopalan:** Yes.

**Pranay Roop Chatterjee:** Perfect. Good. To end my discussion, I just wanted to speak a bit about the AI impact on your business. This has been asked multiple times previously as well. So I thought, maybe why not be a bit more specific and address certain nuances. So your business, you offer a wide suit of products. So if I were to focus on areas which were more prone to conversion to an AI product or, let's say automate.

For example, where you have deployed employees to basically receive, make phone calls, be a liaison between insurance company and the end customers. And you also made the acquisition, which is exactly in this field, recently, which is AI product to deal with this. When such a product comes in, how does that affect your overall revenue per unit work done, if I were to put it that way? Or let's say per conversation that you're having. When you deploy an employee to do it, you get a certain revenue, but when you have automated, you get a certain revenue. And I would presume automated, it's lower.

**Ramesh Gopalan:** Yeah. So let me answer it in a generic sense. So be it back office or be it front office, today, our billing models could be either based on FTEs that clients ask us to deploy to handle those volumes, or it could be per transaction. So GenAI, AI could have multiple impacts. The largest impact is additional productivity or reduction of effort. And so depending on the business model, we could have multiple ways of monetising that. When we do AI work for client, essentially, the productivity improves, like I said, the effort reduces. And so if it's a transaction rate, all of the gains, accrue to us.

But obviously, when we start this journey, there's an explicit understanding with the client that some benefits of those would be passed on. So those benefits could be passed on to the client by a reduction in the transaction rate and how much we reduce the transaction rate to what efficiencies we generate determines what part of the gains accrued to us versus are passed back to the client.

In an FTE case, it's not as straightforward, but then again, we get into to gain share agreements. Most of the AI work since it improves that efficiency, you still can work on a transaction basis. But whereas if you automate something completely, then we could have a different model. For example, a transaction handled by a human could be, X dollars, whereas a transaction handled completely by a bot could be Y dollars, which is 20% of what a human handles.

So there are different ways of pricing and monetising that. But largely, to answer your question, any impact of AI will have a revenue cannibalisation impact.

**Pranay Roop Chatterjee:** That is perfectly logical, and in line with what I understood. Would that, is it too early to comment on what impacts such a conversion? It could be 10% of your business, 80% of your business, no one knows, in 10 years' time.

**Ramesh Gopalan:** Yeah, look it varies by SOWs and it varies depending on the maturity curve of different clients, how much they actually want us to do at this point in time and so on. Like I've mentioned to many people in our meetings before, the cannibalisation impact that we see currently is in the range of about 1.5% to 2%? So which is already kind of factored into the guidance that we're giving. So when I say, mid to teen, low to mid growth, that is net of this revenue cannibalisation.

We predict that in over the next two, three years that, 1.5% to 2% could go as 4% to 5%. But again, that's our prediction over the next two to three years. But we'll have to wait and see how clients adopt and how much of these pilots actually become full scale implementations.

**Pranay Roop Chatterjee:** And does this conversion affect your margins in any way? Is it too early to comment on that?

**Ramesh Gopalan:** Like I said, there are different levers to continue to protect the margins? Pricing of all of these, AI. I gave you a few examples if it's transaction or if it's FTE or if it's complete automation and so on. So broadly, the attempt is to try and stay margin neutral. The attempt of all of these implementations is to pass on a large benefit to the client. So that's the underlying thesis. So a large part of the benefit will accrue to our clients, whereas we will try to cover the cost of our implementation and broadly keep our margins neutral through the process.

**Pranay Roop Chatterjee:** Got it. And my last question, quickly, this can be a yes or no answer. At your client level, I understand, they are facing cost pressure and trying to outsource more. But exactly because of this, do you see at a client level, them trying to figure out ways to automate some of their core administrative processes in house? In any client, do you see some of these starting?

**Ramesh Gopalan:** Look. I mean, obviously the aim to automate, reduce manual labour is not new now? So that's been the attempt all along. With the availability of new technologies, the pace just goes up, so obviously, and some of these automation journeys can take a very long time. So if a client wants an immediate reduction to their current cost, working with a service provider like us gives them that immediate impact.

And then whatever automation can be done by us, by them, that plays out over a slightly more medium term. So I don't think any of this is new. Even in the past when clients gave us work, there were still attempts to improve productivity to increase automation. And that will continue to be the case in the future as well.

**Pranay Roop Chatterjee:** Thank you for answering my questions, I wish you all the best. You have executed pretty well this year.

**Ramesh Gopalan:** Thank you. Thank you, Pranay.

**Moderator:** Thank you, Pranay. Participants who wish to ask a question, kindly click the raise hand icon at the bottom centre of your screen. We move to the next participant. The question comes from the line of Ruchi Mukhija from ICICI Securities. Your line has been unmuted. Ruchi, your line has been unmuted. Perhaps you're on mute.

**Ruchi Mukhija:** Thank you for the opportunity. Ramesh, you did mention that, you started to see some synergy benefit from BroadPath. Could you elaborate more, what kind of success we have on synergies?

**Ramesh Gopalan:** So Ruchi, like we mentioned at the time of acquisition, the synergies broadly were of two kinds? One is on the cost side. They have a sizable operation in the U.S. We also have a sizable operation in the U.S. Some of the SG&A could at some point in time be consolidated and we could see some synergy benefits from those. Second is all of the vendor contracts. So overall, they were a smaller company than us. And so some of the synergies in software licenses and all of those cost could also play out.

So those are things that are happening as we speak. So we are trying to consolidate some vendors. We're trying to look at our SG&A positions. And so that will play out during this year. The biggest synergy the reason for the acquisition was more on the client side synergies. Like, we mentioned, they have 30 plus clients, most of them in the mid-market and smaller space. And their service portfolio was rather limited compared to the broad service

portfolio that we have. That's the synergies where we are starting to see some impact. It's still early days.

It's just been three months since the acquisition. But we've already had interesting conversations with over 10 of their clients in areas, where Sagility could add value, which BroadPath didn't have the capability in the past. They are yet to convert into contracts and so on. But the early conversations are very encouraging and we hope that during the course of the year, we'll be able to convert some of those into specific contracts.

**Ruchi Mukhija:** Understood. You did mention that, this year as a part of your growth, along with the wallet share green, the M&A would be a key area. So do you envisage a very active M&A activity in FY '26 or we would focus more on integration of BroadPath before moving on to the next?

**Ramesh Gopalan:** Yes. The integration of BroadPath is very critical to us because it was a sizable acquisition from a client's and people point of view. But we continue to look at other acquisitions as well. So, there's nothing impending that I can talk about. But like I said, other than expansion into additional clients, our focus continues to remain building our capabilities in the different areas where we service today.

And so those capability focus, acquisitions is something that we'll continue to target. Yeah. How many, when, is still too early to comment on. But we are still active in the M&A space.

**Ruchi Mukhija:** Yeah, the last one, you did mention that technology investments are very critical for margin resilience. Could you talk about for FY '26, what kind of areas are we prioritising to invest?

**Ramesh Gopalan:** Look. AI, GenAI is an area that continues to be a big focus area for us. Like I've mentioned in the past, we've worked on several use cases. We are piloting, many of them with our existing clients. And depending on how they progress, they'll be good candidates to take to new clients as well. So that's an area we continue to work on.

We're also working on healthcare specific solutions. So we've invested in a number of those solutions solving specific problems in the healthcare space, which are common across clients. And so that's in the area of utilisation management, provider data management, and so on. And so we continue to invest in those healthcare specific solutions as well. So those are the two broad areas that we'll continue to invest in.

**Ruchi Mukhija:** Thank you, and all the best.

**Ramesh Gopalan:** Thank you, Ruchi.

**Moderator:** Thank you, Ruchi. We take the next question from the line of Sameer Dosani from ICICI Prudential AMC. Sameer, your line has been unmuted.

**Sameer Dosani:** Yeah. Thanks for the opportunity. How to think about, dividend policy by generating a good amount of cash flow right now? So how to think about dividends from here on?

**Ramesh Gopalan:** Srini, you want to take that?

**Sarvabhoushan Srinivasan:** Yeah, Sameer, as you had noticed that we had spent significant cash that we generated last year in acquiring BroadPath. And even as on the balance sheet date, we have a healthy cash. So, we have also given you the repayment schedule for our term loan. That has been agreed. So the payment of term loans and other financial commitments that we have already made, post which definitely we are likely to come with a policy, but it's too early, I would say. Probably in the next couple of quarters, we will decide and we might come out with a dividend policy.

**Sameer Dosani:** Apart from the ₹820 crore debt we have to pay to the parent, we don't have any other obligation. We don't have a different consideration of any...

**Sarvabhoushan Srinivasan:** Yeah. We don't have any other obligation. Yeah. And that's the only obligation, and that is a structured, we are not paying everything in this year itself. So there is a structured payout, so we will follow exactly that.

**Sameer Dosani:** And the other thing is this 24% to 25% adjusted EBITDA margin, this is net of dilution from BroadPath at least.

**Ramesh Gopalan:** No. This is before dilution of BroadPath, which is another 120 bps.

**Sameer Dosani:** Okay. So one should think margin would be around 23%, 24% by considering that addition.

**Ramesh Gopalan:** Yes.

**Sameer Dosani:** Okay. And over time, we can recover this is what we mentioned in BroadPath.

**Ramesh Gopalan:** Yes.

**Sameer Dosani:** Okay, got it. Thanks for the clarification.

**Ramesh Gopalan:** Thank you, Sameer.

**Moderator:** Thank you, Sameer. We take the next question from the line of Atul Mehra from Motilal Oswal Asset Management. Atul, your line has been unmuted. Please go ahead.

**Atul Mehra:** Yeah. Hi, good morning, and congratulations on very strong performance. My question is given how the landscape is likely evolving in U.S. healthcare with Trump administration and so on, do you see that like the opportunities for M&A could be very interesting and could be perhaps sizable also in some other cases. Given that in a dynamic kind of environment, you will always see in terms of something, which is available in distress or whatever. So anything that comes to mind or in your radar on that particular sense?

**Ramesh Gopalan:** Interesting, Atul. So look. I mean, I've told you the kind of acquisitions that are a good fit for us. So these are more either technology capability or services capability catering to payers and providers. So yeah, we are on the lookout. To your question, are we seeing a lot of deals out there under distress? Not yet. We are not seeing any of those. But yeah, I mean we also want to make sure that the quality of clients, the quality of relationships, and the profitability are solid before we decide on an acquisition.

Like I said, we are active. We are looking at all deals that come to the table. And so if there's a good opportunity at a reasonable valuation, we'll definitely do that. But I mean, at this point in time, we are not seeing too many of those.

**Atul Mehra:** Got it. Got it. And secondly, I have a question for Srini. So Srini, while you have spoken about the debt repayment schedule, is there a provision to prepay it in advance, or are there any in terms of cost implications around the early prepayment?

**Sarvabhouman Srinivasan:** No. Actually, these are external commercial borrowings routed through, and we have an average repayment period to satisfy through the RBI. So, unfortunately, we do not have a prepayment option. So it is just for the next couple of years. And then, so we even we want to pay it off quickly, but we have to hold an average repayment period.

**Ramesh Gopalan:** So in the next two years, broadly, we should be fully committed.

**Sarvabhouman Srinivasan:** We should be done with it. Yeah.

**Atul Mehra:** Yeah. All right. Thank you. Thank you very much, and wish you all the best. Thank you.

**Ramesh Gopalan:** Thank you, Atul.

**Moderator:** Thank you, Atul. We take the next question from the line of Vishal Purohit from INVESTRIX. Vishal, your line has been unmuted. Vishal, you can go ahead. Your line has been unmuted. Vishal, perhaps you are on. Yes, please go ahead.

**Vishal Purohit:** Yeah. Thank you so much for giving me the opportunity. My question is related to the earlier two questions of the debt in your books and the

repayment schedules. And how do you plan to fund this? Is the cash flow sufficient or you would look for other opportunities to fund this?

**Sarvabhoushan Srinivasan:** Vishal, you would have noticed the cash that we generate every year. So, we will be paying these debt repayments through operationally generated cash. We will not borrow to repay these debts.

**Vishal Purohit:** A scenario, if I can ask the question, do we see some promoter level selling or OFS kind of scenario to just to repay the debt?

**Ramesh Gopalan:** No, the debt is on the operating company, it's a promoter debt. So the company has to pay the debt.

**Vishal Purohit:** Okay. All right. So you don't see any kind of equity funding, taking place to fund just to fund that in the short term?

**Ramesh Gopalan:** No.

**Vishal Purohit:** Thank you so much.

**Moderator:** Thank you, Vishal. That was the last question for the day. Thank you, members of the management. On behalf of Sagility India Limited, that concludes our webinar for the day and you may log off the event.

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