

**Private and Confidential**

**Valuation of equity shares of Sagility India Private Limited**

**March 2024**



## INDEX

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**PRIVATE & CONFIDENTIAL**

22 March 2024

**Sagility B.V.**  
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Amsterdam, Noord Holland,  
Netherlands

**Sagility India Private Limited**  
No 23 & 24, First Floor, AMR Tech Park,  
Building 2A, Hongasandara Village, Off Hosur Road,  
Bommanahalli, Bangalore, Karnataka - 560068

Dear Sir(s),

### **Valuation of equity shares of Sagility India Private Limited**

We refer to our engagement letter dated 22 March 2024, between PwC Business Consulting Services LLP ('PwC BCS', 'we' or 'us') and Sagility B.V. ('Sagility') and Sagility India Private Limited ('Sagility India' / 'Company') (Sagility and Sagility India are jointly referred to as 'the Client' / 'you') in connection with the fair valuation of the equity shares of Sagility India.

#### **1 CONTEXT AND PURPOSE**

- 1.1 Sagility (US) Holdings Inc ('Sagility US') is incorporated in the United States of America ('USA' / 'US') for the purpose of providing healthcare related business process outsourcing services and is a wholly owned subsidiary of Sagility.
- 1.2 Sagility India operates as a captive business process service entity and renders services to Sagility group companies. It is a wholly owned subsidiary of Sagility.
- 1.3 Sagility Philippines B.V. ('Sagility Philippines') is a wholly owned subsidiary of Sagility. It operates as a captive business process service entity and renders services to Sagility group companies and provides business process management services from its branch in Philippines – Sagility Philippines B.V. Philippine Branch ('Sagility Philippines - Branch').
- 1.4 Managements of Sagility B.V and Sagility India (together referred to as the 'Management') are intending to carry out certain transactions whereby shares of Sagility Philippines and shares of common stock of Sagility US are proposed to be transferred to Sagility India and the consideration for such transfer is intended to be discharged via issue of equity shares of Sagility India ('Transaction').
- 1.5 In the context of the Transaction, where shares or other securities are to be allotted for consideration other than cash, the valuation of such shares shall be done by a Registered Valuer as required under the provisions of the Companies Act, 2013. Further, the fair value of equity shares of Sagility India is also required for Indian Income Tax Transfer Pricing purposes. The Management of the Client has hence appointed PwC BCS in its capacity as a Registered Valuer with IBBI registration number IBBI/RV-E/02/2022/158 (Securities or Financial Assets) to undertake the fair valuation of equity shares of Sagility India ('Valuation') as required under the provisions of the Companies Act, 2013 and for Indian income tax transfer pricing purposes.
- 1.6 This report ('Report') is our deliverable for the aforementioned requirement to determine the fair value of equity shares of Sagility India. Valuation has been conducted as per internationally accepted pricing methodology for valuation on an arm's length basis. We have used the Discounted Cash Flow ('DCF') method of valuation which is an internationally accepted methodology for valuation on an arm's length basis.

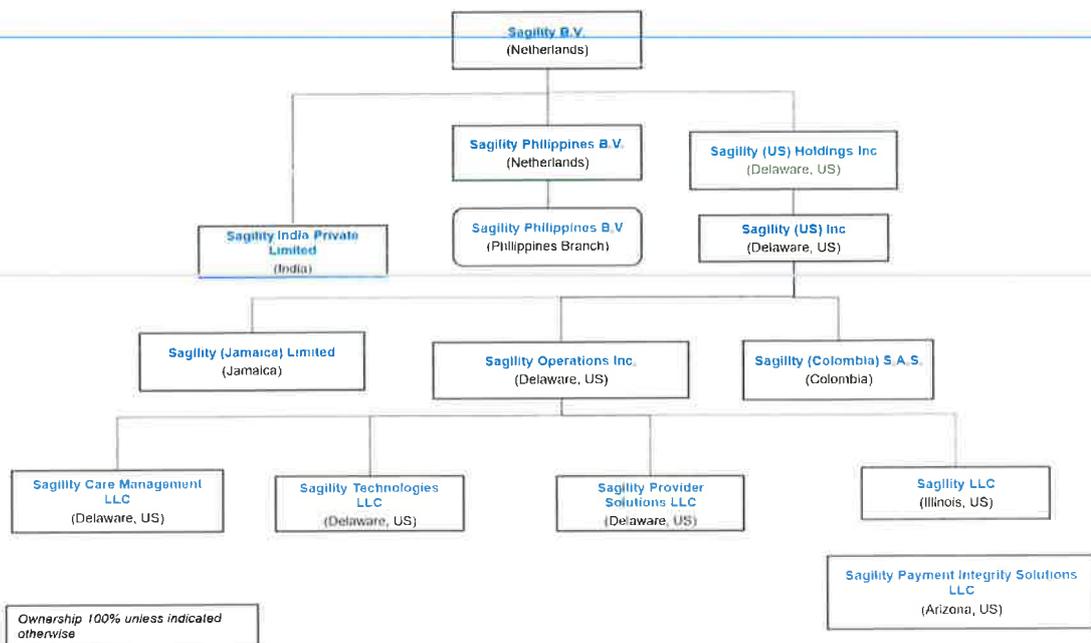


This report sets out the procedures used in the analysis, significant Valuation considerations, brief description of the methodology/ (ies) adopted and the fair value of shares of Sagility India.

- 1.7 The Valuation to be carried out by us is for regulatory / non- financial reporting purpose as stated above and it is the prerogative of the parties to the transaction to negotiate the transaction price.
- 1.8 The Valuation would not be used for determining the carrying value of the relevant assets / (liabilities) in any financial statement that any PricewaterhouseCoopers ('PwC') network entities would be auditing. Further, you confirm that Valuation is not required for compliance with any statutory or regulatory requirement other than as mentioned in the preceding paragraph and our scope of work is limited to the Valuation of equity shares of the Company in the context mentioned above.

**2 BACKGROUND**

- 2.1 Sagility group is a tech-enabled business process management ('BPM') services provider and a thought partner providing a broad spectrum of transformational services to enable its clients to provide efficient and high-quality care across the Healthcare system. Sagility group combines technology and transformation driven BPM services with healthcare domain expertise to help optimize the entire member/patient experience through service offerings for clinical, case management, member engagement, provider solutions, payment integrity, claims cost containment, and analytics. Sagility group has more than ~34,000 employees across 5 geographies (USA, India, Philippines, Jamaica, and Colombia).
- 2.2 The organisation structure of Sagility group is as indicated below:



- 2.3 Sagility US, a company incorporated in the USA, is a wholly owned subsidiary of Sagility. It is engaged in providing healthcare business process management services, through its subsidiaries, to customers primarily located throughout the USA.
- 2.4 Sagility (US) Inc ('Sagility Inc'), a company incorporated in the USA, is a wholly owned subsidiary of Sagility US. Sagility Inc has investments in Sagility Operations Inc ('Sagility Operations'), Sagility (Jamaica) Limited ('Sagility Jamaica'), and Sagility (Colombia) S.A.S ('Sagility Colombia') (Sagility US along with its subsidiaries is hereinafter together referred to as 'Sagility US Group' / 'Sagility US').
- 2.5 Sagility Operations, together with its wholly owned subsidiaries, is engaged in providing healthcare business process management services through Sagility group entities across various locations such as USA, Jamaica, Colombia, India, and Philippines.
- 2.6 We understand from the Management that, Sagility Operations has investments in Sagility Technologies LLC ('Sagility Tech'), Sagility Provider Solutions LLC ('Sagility Provider'), Sagility LLC and Sagility Care Management LLC ('Sagility Care').
- 2.7 We further understand that as of the current date, the business of Sagility Care has been discontinued and there are no operations in this company.
- 2.8 Sagility Tech is the technology arm of Sagility group which provides technology support to the other Sagility group entities. We understand from the Management that they have a research and development team focusing on developing new technologies for assisting clients. Combining healthcare operations and technology experience with advanced UI, UX, and analytics expertise, Sagility Tech develops and deploys customized solutions for Sagility group clients.
- 2.9 Sagility LLC and Sagility Provider are the operating companies in the USA with whom Sagility Philippines, Sagility Jamaica and Sagility Colombia have a transfer pricing arrangement on a cost-plus mark up basis. Further we understand that Sagility India has a revenue sharing arrangement with Sagility Provider and Sagility LLC, on a transfer pricing basis.
- 2.10 We understand that while Sagility LLC and Sagility Provider have their own customer relationships and sales & marketing manpower to develop and nurture the customer relationships in the USA, they themselves have relatively low volume of onshore delivery capabilities. Delivery against customer contracts of Sagility LLC and Sagility Provider is carried out primarily by Sagility India, Sagility Philippines, Sagility Jamaica and Sagility Colombia.
- 2.11 We further understand from the Management that in CY2023, Sagility LLC acquired a payment integrity service company viz Sagility Payment Integrity Solutions LLC ('Sagility Payment'), erstwhile Delvin Consulting Inc. Sagility Payment is a healthcare technology services company providing payment integrity services.
- 2.12 Sagility Jamaica and Sagility Colombia each operate as a captive business process service entity to Sagility group companies (i.e. Sagility LLC and Sagility Provider) and render offshore/ nearshore delivery services in their respective geographies. Sagility Columbia was recently set up during CY2022, to offer delivery services in Colombia.
- 2.13 Sagility India operates as a captive business process service entity and renders offshore delivery services to Sagility group companies (i.e. Sagility LLC and Sagility Provider). It is a wholly owned subsidiary of Sagility.

- 2.14 Sagility Philippines operates as a captive business process service entity and renders offshore delivery services to Sagility group companies (i.e. Sagility LLC and Sagility Provider), from its branch in Philippines i.e. Sagility Philippines - Branch.
- 2.15 The equity shares of the Company are not listed on any recognised stock exchanges in India or globally.
- 2.16 Sagility group is primarily involved in providing the following healthcare business process management services for payers and providers:
- Revenue cycle management services including services such as medical billing, claims processing, insurance verification, benefits verification, payment posting, and accounts receivable & denials management.
  - Patient engagement & member enrolment services such as services related to appointment scheduling, patient registration, and managing patient communication, etc. This also includes Plan build and benefit configuration across multiple products.
  - Claims processing, adjudication & payer relations services including reviewing and validating claims, verifying insurance coverage, and managing claim rejections or denials or appeals, handling interactions with insurance companies/ provider contracting, etc. This helps healthcare organizations navigate complex payer requirements & optimize reimbursement.
  - Services w.r.t recruiting, contracting, credentialing and provider data management & validation processes to streamline healthcare delivery and amplify provider satisfaction.
  - Health information management i.e. ensuring the integrity, privacy, and security of patient data including tasks such as data entry & processing of medical/ clinical data, data validation, records management, release of information, and compliance with regulatory requirements.
  - Engagement services, including Member Calls, Provider Calls, and Contact Center as a Service (CCaaS):
    - o Member calls - includes call center services to handle inbound and outbound calls on behalf of healthcare organizations. These services can include appointment scheduling, patient inquiries, insurance verification, and general customer support.
    - o Provider calls - manage provider calls for healthcare organizations which involves handling inquiries from healthcare providers, assisting with claims status, addressing billing or reimbursement questions, and providing support for administrative processes
    - o CCaaS - comprehensive solution offered that enables healthcare organizations to outsource their contact center operations by providing benefits such as omnichannel support, scalability, quality monitoring & reporting, enhanced efficiency, etc.
  - Administrative support services, including data entry, document management, transcription, and general back office & front office administrative tasks, to help healthcare organizations streamline administrative processes & free up internal resources for core functions.
  - Payment integrity services i.e. support in identifying and preventing improper payments, billing errors, and fraudulent activities within the healthcare reimbursement process. These services aim to optimize revenue, reduce waste, and ensure compliance with regulatory requirements through analytics-led, technology-driven solutions. This includes services such as clinical/ claims audits, data mining, fraud, waste, & abuse detection, compliance monitoring & reporting, etc.
  - Clinical services to payers, providers and ancillary healthcare providers –
    - o Utilization Management services which involve evaluating the appropriateness and medical necessity of healthcare services and treatments. They review clinical

documentation, apply evidence-based guidelines, and analyze utilization patterns to ensure the efficient and effective use of healthcare resources.

- Aging in Place services to support the aging population with care coordination, remote monitoring, caregiver support, medication management, and assistance with activities of daily living. This helps ensure that seniors receive the necessary support and resources to maintain their independence and quality of life.
- Care management services to support patients with complex medical conditions or chronic illnesses. They provide care coordination, patient education, medication management, and ongoing monitoring to help improve health outcomes, reduce hospital readmissions, and enhance overall patient well-being.
- Appeals and grievances to help manage the appeals and grievances process for payers and providers.
- Telehealth services for healthcare organizations which includes setting up telehealth platforms, offer appointment scheduling, patient triage, virtual consultations, and remote patient monitoring. These services help facilitate the delivery of healthcare services remotely and enhance patient access to care.
- Clinical reviews which involve assessing the medical necessity, appropriateness, and quality of healthcare services. They review medical records, claims data, and other relevant information to determine the adherence to clinical guidelines, best practices, and payer policies. Clinical reviews help ensure compliance, optimize reimbursement, and promote quality care delivery.

The above service offerings comprise of both voice and non-voice services. We understand that Sagility US provides both voice and non-voice services. Sagility India primarily provides non-voice services whereas Sagility Philippines primarily provides voice services. Further, we understand that Sagility group's service offerings currently focus more on non-clinical services and the share of clinical and payment integrity services is expected to gradually increase going forward.



2.17 Audited financial statements for the year ended 31 March 2023 and extracts of the provisional Management certified financial statements of Sagility India for the calendar year ('CY') ended 31 December 2023 ('CY 2023') are presented under –

Income Statement – Sagility India

Audited financial statements for the year ended 31 March 2023

	INR million
<b>Particulars for the year ended</b>	<b>31-Mar-23</b>
<b>No. of months</b>	<b>12</b>
<b>Revenue from operations</b>	<b>13,705.3</b>
<i>y-o-y growth (%)</i>	<i>NM</i>
Cost of revenue	(6,438.8)
<b>Gross profit</b>	<b>7,266.5</b>
<i>Gross profit margin (%)</i>	<i>53.0%</i>
SG&A expenses	(2,486.8)
<b>Total expense</b>	<b>(8,925.6)</b>
<b>EBITDA</b>	<b>4,779.7</b>
<i>EBITDA(%)</i>	<i>34.9%</i>
Less: Depreciation on fixed assets	(186.5)
Less: Amortisation on intangibles	(2,855.8)
Less: Amortisation on RoU	(514.4)
<b>EBIT</b>	<b>1,223.0</b>
<i>EBIT (%)</i>	<i>8.9%</i>
Add: Other income	483.1
Less: Finance cost	(1,208.7)
<b>Profit before tax</b>	<b>497.5</b>
Less: Current Tax	(145.2)
<b>Profit after tax</b>	<b>352.2</b>

Source: Management information

- Revenue from operations primarily comprise revenue from healthcare business process management services with a focus on non-voice services. Further, we understand that the revenue of Sagility India primarily includes revenue from export services provided by Sagility India to Sagility LLC and Sagility Provider, on a transfer pricing basis. We understand from the Management that revenue during CY 2023 was ~INR 14,700 million.
- Management has explained that Sagility India has a revenue sharing agreement with Sagility LLC and Sagility Provider whereby Sagility India has been earning broadly ~78-80% of the revenue on contracts delivered out of India, historically.
- Sagility India has carried out a transfer pricing analysis ('Transfer Pricing Analysis') based on which we understand that the international transactions of Sagility India were on an arm's length basis as required under the Indian transfer pricing regulations. Management confirmed that the above revenue share arrangement results in a margin which is broadly in line with the range of the average margin of comparable companies as per the above Transfer Pricing Analysis. We have relied on the Management for the same.
- Cost of revenue primarily comprises cost of delivery such as cost of delivery focused employees & related costs. The cost of revenue has been in the range of ~50%-55% of revenue historically.

- Other expenses primarily comprise other operating, general and administration expenses such as office expenses, IT maintenance charges, legal and professional fees, travelling & conveyance, ERP set up & implementation cost, etc.
- Operating EBITDA margins (IND AS basis) for Sagility India have been in the range of ~35% to ~ 38%. We note that the margin in CY 2022 was higher compared to CY 2023 primarily on account of the transfer pricing adjustment made by the Management leading to a higher revenue share being attributable to India.
- Amortisation of intangibles pertains to customer contracts that were identified as intangibles on the acquisition of the India healthcare services business from Hinduja Global Solutions Limited ('HGSL') in January 2022. Management represented that these customer contracts have a life of ~2-3 years and same will be fully amortised by CY 2024. Further Management confirmed that these customer contracts are entitled to tax amortisation benefit in India. We have relied on the Management for the same.
- Other income includes interest on fixed deposits, foreign exchange gain/ (loss) and miscellaneous income.

Balance Sheet – Sagility India

Audited balance sheet as at 31 March 2023

<b>Particulars as at</b>	<b>INR million</b>
	<b>31-Mar-23</b>
	<b>Audited</b>
<b>Source of funds</b>	
Equity share capital	19186.7
Reserves and surplus	230.3
<b>Net worth</b>	<b>19,417.0</b>
Borrowings	13,242.4
Lease Liability	2,064.4
Provision for tax	3.8
Trade payables	979.5
Other current liabilities	1,261.3
<b>Total</b>	<b>36,968.4</b>
<b>Application of funds</b>	
Fixed assets	792.7
Intangible assets	2,889.6
Right of use assets	1,942.4
Goodwill	20,993.2
Capital advance	0.1
Cash and cash equivalents	382.3
Trade receivables	8,111.3
Other current assets	1,400.6
Deferred tax assets	456.1
<b>Total</b>	<b>36,968.4</b>

*Source: Management information*



Extracts of the provisional Management certified balance sheet as at 31 December 2023

<b>Particulars</b>	<b>INR million</b>
	<b>31-Dec-23</b>
<b>Liabilities</b>	
Borrowings	11,740.8
Interest accrued	222.8
Provision for tax	3.7
Trade Payables	1,081.4
Other current liabilities	1,131.7
<b>Total</b>	<b>14,180.4</b>
<b>Assets</b>	
Cash and cash equivalent	321.5
Advance tax	451.6
Trade Receivables	8,808.0
Other current assets	1,206.4
<b>Total</b>	<b>10,787.5</b>
Working Capital	7,801.4
<i>Working Capital as a % of revenue</i>	<i>53.0%</i>

- Equity share capital of Sagility India comprises 19,207,26,066 equity shares, with a face value of INR 10 each, fully paid up. We understand that share issue expenses of INR 20.5 million have been netted off against equity share capital as these are qualifying costs attributable to an equity transaction.
- Borrowings as at 31 December 2023 represent 8% non-convertible bonds issued to Sagility B.V. (intercompany loan). Management confirmed that it has carried out an interest rate benchmarking analysis for the above intercompany loan availed by Sagility India and the interest cost of ~8% on the intercompany loan meets the arm's length standard required under the Indian Regulations. We have relied on the Management for the same.
- Fixed assets comprise office equipment, furniture & fixtures, computers, and intangible assets like computer software.
- We understand that the healthcare business of Hinduja Global Solutions Limited ('HGSL') in India was acquired by Sagility Operations in January 2022. Goodwill is on account of acquisition of India healthcare services business of HGSL. Intangible assets comprise customer contracts recognised by Sagility India on the acquisition of the healthcare business of HGSL.
- Trade receivables is the amount receivable from Sagility Provider and Sagility LLC in the normal course of operations.
- Other current assets primarily comprise advance to employees, prepaid expenses, etc.
- Other current liabilities primarily comprise provisions for employee benefit expenses, statutory liabilities, etc.
- Management represented that Sagility India has no material contingent liabilities as on the current date.

### 3 PROCEDURES

Procedures used in our analysis included such substantive steps as we considered necessary under the circumstances, including but not necessarily limited to the following:

- Considered the audited financial statements for Sagility India for the year ended 31 March 2023 and provisional Management certified financial statements of Sagility India for the year ended 31 December 2022 and 31 December 2023;
- Considered projected income and expenses, assets and liabilities and cash flows of Sagility India, including key underlying assumptions, prepared, and provided by the Management, which the Management believes to be their best estimates as to the expected future operating results and cash flows of Sagility India; (referred to as 'Management Projections');
- Considered the key details of the transaction, as may be relevant;
- Discussions with the Management to *inter-alia* understand macro-economic fundamentals, key value drivers and competitive scenario affecting the industry in general and the Company in particular;
- Discussions with the Management to understand the historical performance of the Company, expectation of the future performance of the Company and key assumptions underlying the Management Projections;
- Considered information readily available in the public domain in respect of comparable companies / transactions, as may be relevant under the circumstances;
- Such other analysis, reviews and inquiries, as we considered necessary;
- Assessment of valuation methodologies and selection of the appropriate methodologies based on the operations of the Company and discussions with the Client;
- Discussions with the Management for confirmation of facts and representations provided by the Management;
- Preparation of draft report comprising of the key valuation parameters, methodologies considered, analysis of the information provided by the Client and the Valuation conclusion. The draft report was shared with the Client for factual confirmation; and
- Issuance of the final valuation report.

We understand from the Management that since Sagility India is not required to get its accounts audited for its local jurisdictional compliance purposes as at December 2023, there are no audited financial statements separately prepared for the 12 months period ended 31 December 2023. Accordingly, we have been provided with the respective provisional Management certified financial statements/ extracts thereof as at December 2023.

We confirm that the Valuation has been conducted as per internationally accepted valuation methodology for valuation on an arm's length basis. We have used the DCF method of valuation which is an internationally accepted methodology for valuation on an arm's length basis.

We understand from the Management that acquisition of Sagility US will be done sequentially (but immediately) after the acquisition of Sagility Philippines. Accordingly, same value per share of Sagility India can be considered for the acquisition of both Sagility US and Sagility Philippines as the acquisitions are happening at arm's length price and fair value has been determined considering internationally accepted valuation methodologies (i.e. considering arm's length pricing principles).



#### 4 SOURCE OF INFORMATION

We have relied on the below mentioned information provided by the Management:

- Audited financial statements for Sagility India for the year ended 31 March 2023 and provisional Management certified financial statements of Sagility India for the year ended 31 December 2022 and 31 December 2023;
- Projected income and expenses, assets and liabilities and cash flows of Sagility India, including key underlying assumptions, prepared, and provided by the Management, which the Management believes to be their best estimates as to the expected future operating results and cash flows of Sagility India;
- Key details of the transaction, as may be relevant;
- Facts and representations provided by the Management;
- Information readily available in the public domain in respect of comparable companies / transactions, as may be relevant under the circumstances.

#### 5 VALUATION APPROACH

5.1 The basis of value applied in this engagement is fair value. Fair value, as used herein, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date.

5.2 Valuation is carried out on a 'going concern' premise and is based on Valuation parameters as at the valuation date.

5.3 Transfer Pricing norms allow usage of any internationally accepted pricing methodology to determine the value of equity shares/ common stock on an arm's length basis of an unlisted company. There are several commonly used and internationally accepted methods for Valuation, including:

- ~~Income Approach~~ Discounted Cash Flow method
- Market Approach
- Net Asset Value (NAV) Approach / Asset Approach

5.4 Income Approach

Income Approach indicates the value of business enterprise based on the discounted value of the cash flows that the business can be expected to generate in the future.

Discounted cash flow ("DCF") method values a business based upon the available cash flow a prudent investor would expect the subject business to generate over a given period of time. This method is used to determine the present value of a business on a going concern assumption and recognizes the time value of money by discounting the free cash flows for the forecast period at an appropriate discount factor. The terminal value of the business at the end of the horizon period is estimated, discounted to its present value equivalent, and added to the present value of the available cash flow to estimate the value of the business.

The Free Cash Flow to Firm ("FCFF") method has been used for the purpose of the Valuation. This method involves an estimation of post-tax cash flows for the horizon period after consideration of the entity's requirements of reinvestment in terms of capital expenditure and incremental working capital as well as project specific needs. The free cash flows represent the cash available for distribution to both the owners of and the lenders to the business.

The free cash flows are discounted by the Weighted Average Cost of Capital ('WACC'), which is considered at an appropriate discount factor. The WACC represents the returns required by the investors of both debt and equity weighed for their relative funding in the entity. The returns expected would depend on the perceived level of risk associated with the business of the company and the industry in which the company operates.

Equity Value under Income Approach is arrived at after considering Enterprise Value based on DCF method, adjusted as appropriate for surplus assets, debt and debt like items, stub period and other adjustments.

The Company derives value primarily from its operations and accordingly, the DCF method under Income Approach has been adopted for the Valuation.

## 5.5 Market Approach

Under this approach, value of a company is assessed basis its market price (i.e., if its shares are quoted on a stock exchange) or basis multiples derived using comparable (i.e., similar) companies or similar transactions. Following are the methods under Market Approach:

### ➤ Market Price Method

The market price of equity shares as quoted on a stock exchange is normally considered as the value of the business of that company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares. But there could be situations where the value of the share as quoted on the stock market would not be regarded as a proper index of the fair value of the share especially where the market values are fluctuating in a volatile capital market.

Equity shares of the Company are not listed on any stock exchanges and hence market price method has not been adopted for the Valuation.

### ➤ Comparable Companies Multiples ('CCM') method

Under this method, value of the business of a company is arrived at by using multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed companies. A business is usually valued by estimating its market price on a comparison with other companies whose equity is traded on the stock exchanges. Investors are expected to pay for the earnings potential of the entity and earnings value is expected to converge towards the market value.

The market price, as a ratio of the subject asset's attribute such as sales, book value, earnings, etc. is used to derive an appropriate multiple. This multiple (after specific adjustment for company / business specific factors) is then applied to the attribute of the asset being valued to indicate the value of the subject asset. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

We have not used the Comparable Companies Multiple method on account of the lack of closely comparable companies for valuation under Market Approach, considering the following:

- Sagility India is a captive service entity providing support services to Sagility US. There are no similar ITeS/BPO/KPO entities of similar size/ nature & stage of operations that are listed on global stock exchanges, when compared to Sagility India;

- Most of the listed ITeS/BPO/KPO companies globally provide a variety of services whereas Sagility US and Sagility India are focused on healthcare business process management;
- Shift in profit margins expected at Sagility US level (i.e margins of Sagility US is expected to increase on account of higher outsourcing of work to other locations like Philippines and India being cost effective from US perspective)

However, we have computed the value using the Comparable Companies Multiple method under the Market Approach only for the purpose of our internal benchmarking exercise and have not given any weights to the value arrived using the Market Approach. The indicative multiples of certain listed companies engaged in ITeS/BPO/KPO industry and the high-level value analysis under the Comparable Companies Multiple method has been presented in Annexure IV.

➤ Comparable Companies' Transaction Multiple ('CTM') method

Under this method, value of the business of a company is arrived at by using multiples derived from valuations of comparable transactions. This valuation is based on the principle that transactions taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

We have not used the Comparable Companies' Transaction Multiple method on account of the lack of closely comparable companies for valuation under Market Approach, considering the following:

- Sagility India is a captive service entity providing support services to Sagility US. There are no similar ITeS/BPO/KPO entities of similar size/ nature & stage of operations that are listed on global stock exchanges, when compared to Sagility India;
- Most of the listed ITeS/BPO/KPO companies globally provide a variety of services whereas Sagility US and Sagility India are focused on healthcare business process management;
- Shift in profit margins expected at Sagility US level (i.e margins of Sagility US is expected to increase on account of higher outsourcing of work to other locations such as Philippines and India being cost effective from US perspective)
- the lack of comparable transactions in the recent past whose information is available in public domain and considering that transaction multiples may include acquirer specific considerations, synergy benefits, control premium and minority adjustments, and due to lack of reliable and complete financial information such as last trailing twelve months revenue / EBITDA / Profit Before Tax of the transacting companies as of the deal closing date and terms of transaction.

5.6 Net Asset Value (NAV) Approach / Asset Approach

The Asset Approach is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis and does not necessarily reflect the earnings capacity of the business. This approach is mainly used in liquidation / insolvency cases where the firm does not meet the "going concern" criteria or in cases where the asset base dominates earnings capability. The Valuation would normally be proceeded with, on the assumption that the companies operate as going concerns and an actual realization of the operating assets is not contemplated. Considering the aforementioned and as the Valuation is being carried out on a 'going concern' premise, Asset Approach is not adopted for the Valuation.



Considering the nature of services provided by the Company, asset value may not be reflective of earning potential of the Company. Hence, Asset Approach is not considered appropriate for carrying out fair value of the Company.

## **6 CAVEATS**

- 6.1 Valuation is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgement. There is, therefore, no indisputable single value. While we normally express our assessment as falling within a likely range, as per requirement of this Engagement, we are providing a single value. While we have provided our assessment of values based on the information available to us and within the scope and constraints of our engagement, others may place a different value to the same.
- 6.2 Valuation and outcome are inter-alia based on Valuation parameters prevailing as at the valuation date and information provided by / on behalf of the Management. PwC BCS undertakes no duty to update the Valuation for events or transactions relating to the Company or changes in the market and economy trends and Valuation parameters occurring subsequent to the valuation date.
- 6.3 Valuation reports may contain and / or are based on estimates of future financial performance or opinions that represent reasonable expectations at a particular point of time, but such information, estimates or opinions are not offered as our predictions or as our assurances that a particular level of income or profit will be achieved, that events will occur, or that a particular price will be offered or accepted. Actual results achieved during the period covered by the prospective financial analysis will vary from those described in our Report and the variations may be material. Consequently, this information cannot be relied upon to the same extent as that derived from audited accounts for completed accounting periods. While we have analysed the business projections for arithmetical accuracy and logical consistency and have carried out other procedures on the business projections as highlighted in Procedures section, we express no opinion as to how closely the actual results will correspond to the results projected. Any change in key assumptions underlying the Management Projections would have material implications on the Valuation. We take no responsibility for the achievement of the predicted results.
- 6.4 This Valuation does not constitute an audit or review in accordance with the auditing standards applicable in India, accounting / financial / commercial / legal / tax / environmental due diligence or forensic / investigation services and does not include verification or validation work. For the purpose of this engagement and Report, we have made no investigation of, and assume no responsibility for the title to, or liabilities against the Companies. Our conclusion of value assumes that the title to the assets and liabilities of the Companies reflected in the provisional Management certified financial statements as on 31 December 2023 remain intact as at the date of this Report.
- 6.5 Actual transaction value may be higher or lower than our assessment of the value depending upon the circumstances of the transaction. The knowledge, negotiation ability and motivations of the buyers and sellers will also affect the price achieved. Accordingly, our assessment of the value will not be the price at which any agreement proceeds. The final transaction price is something on which the parties themselves have to agree.
- 6.6 This Valuation is solely for regulatory / non- financial reporting purposes as stated above and should not be used for determining the carrying value of the relevant assets / liabilities in any financial statements that PwC BCS / PricewaterhouseCoopers ('PwC') network entities would be auditing.

- 6.7 For the purposes of this engagement, PwC BCS has provided the services described herein but will not act as agent or broker to the Client. You acknowledge and agree that you have the final responsibility for the determination of the terms at which the Transaction shall take place and factors other than our Valuation Report will need to be taken into account in determining the terms of the Transaction; these will include your own assessment of the Transaction and may include the input of other professional advisors. We shall not be called upon to prove or defend the Valuation in any forum within the scope of the present engagement.
- 6.8 For the purposes of this engagement, we are not required to carry out a valuation of tangible / intangible assets of the Companies or verification of any cross-border restrictions on repatriation of funds.
- 6.9 Our Services are not designed to and are not likely to reveal fraud or misrepresentation by the Management or by external parties. Accordingly, we cannot accept responsibility for detecting fraud (whether by the management of the Client and/ or by the Companies or by external parties) or misrepresentation by the management of Client or any other person.
- 6.10 This Report forms an integral whole and cannot be split in parts. The outcome of our analysis can only lead to proper conclusions if the Report as a whole is taken into account.
- 6.11 *A draft of this Report was shared with the Management, prior to finalisation of the Report, for confirmation of facts, key assumptions, and other Management representations.*
- 6.12 Any discrepancies in any table / annexure between the total and the sums of the amounts listed are due to rounding-off.

## 7 RELIANCE ON THE MANAGEMENT

In the course of our Valuation, we have relied upon financial and other information, provided by or on behalf of the Management. Our conclusions are dependent on such information being accurate and complete in all material respects. Although, we have analysed this information, the scope of our work will not enable us to accept responsibility for the accuracy and completeness of this information. We have not conducted an independent audit, due diligence / review or validation of such financial and other information. Accordingly, we do not express an opinion or any other form of assurance thereon and we accept no responsibility or liability for any losses occasioned to the Client and /or the Companies, their directors or shareholders, prospective investors or to any other parties as a result of our reliance on such information.



## 8 CONCLUSION

Based on considerations as mentioned above in the Report, in particular read with paragraphs 1 to 7, Annexure I – IV and the information and explanations given to us,:

- The fair value of each equity share of Sagility India, of face value of INR 10 each, fully paid up, is determined at INR 28.301702.

## 9 DISTRIBUTION OF OUR REPORT

- 9.1 Our report is solely for the purpose outlined in paragraph 1 above and is not to be referred to or distributed for any other purpose or any other person without our written permission. A copy of our report may be provided to Income Tax authorities in India, in connection with the Transaction. In case you propose to make available our report to any other third party, it shall require our written consent. Consequently, except as aforementioned, you should not make our report available or otherwise disclose our report or that we are undertaking this assignment for you to any third party unless we have specifically agreed with you and that party, in writing, the basis on which our report may be made available and which we may give or withhold at our absolute discretion. If you become legally compelled to disclose any of the information included in the report, you will provide us with prompt notice, to the fullest extent as permitted under the applicable laws. You will only issue that portion of information, which is legally required to be disclosed. In no event, regardless of whether consent have been provided, shall we assume any responsibility to any other party to which the report is disclosed or otherwise made available or is used for any purpose other than that indicated in paragraph 1 above.
- 9.2 This Report is not to be referred to or quoted, in whole or in part, in any offering memorandum, prospectus, registration statement, public filing, loan or other agreement or document without our express written approval, which may require that we perform additional work. PwC BCS accepts no duty, obligation, liability or responsibility to any party, other than to the Client with respect to the services and/ or this Report.
- 9.3 In no event shall we be liable for any loss, damage, cost or expense arising in any way from fraudulent acts, misrepresentations or willful default on the part of Client, Client's directors, employees or agents. In no circumstances shall the liability of PwC BCS, its partners, principals, directors or employees, relating to services provided in connection with the engagement set out in this letter (or variation or addition thereto) exceed the amount paid to us in respect of the fees charged for those services.

We would like to record our appreciation for the courtesy and co-operation received by us during the course of our work.

**For PwC Business Consulting Services LLP**  
**Registered Valuer (Securities or Financial Assets)**  
**IBBI Reg No- IBBI/RV-E/02/2022/158**



**Mihir Gada,**  
**Partner**

**VRN- IOVRVF/PWC/2023-2024/3198**



## Annexure I – Key Valuation Considerations

The financial projections have been prepared by the Management on a ‘going concern’ premise considering *inter-alia* historical performance, strategic plan of Sagility group, and represent the Management’s best estimates of the expected operating performance of the Company going forward. Management Projections have been provided for the period 1 January 2024 to 31 December 2028.

In order to determine the value of Sagility India, we have considered the following:

- Projected cashflows of Sagility India have been provided in INR terms and considered;
- The above cashflows are then discounted using a discount rate as appropriate to determine the enterprise value of Sagility India.
- Equity value of Sagility India has been arrived at under the Income Approach, after considering enterprise value of Sagility India based on DCF method as above, adjusted as appropriate for surplus assets, debt and debt like items, stub period and other adjustments.

Summary of the Management Projections and key considerations/ assumptions have been presented below –

### Management Projections – Sagility India

Particulars	INR million				
	31-Dec-24	31-Dec-25	31-Dec-26	31-Dec-27	31-Dec-28
Number of months	12	12	12	12	12
Revenue	16,598.2	20,053.2	24,075.9	28,905.5	34,703.9
y-o-y growth (%)	12.7%	20.8%	20.1%	20.1%	20.1%
Cost of revenue	(9,182.3)	(11,154.6)	(13,542.7)	(16,440.0)	(19,737.8)
SG&A expenses	(2,769.2)	(2,989.1)	(3,506.6)	(4,114.3)	(4,828.0)
Operating expenses	(11,951.5)	(14,143.7)	(17,049.2)	(20,554.3)	(24,565.9)
EBITDA	4,646.7	5,909.5	7,026.6	8,351.2	10,138.0
EBITDA margin (%)	28.0%	29.5%	29.2%	28.9%	29.2%
Less: Depreciation and amortisation	(1,003.9)	(339.2)	(403.5)	(479.7)	(567.8)
EBIT	3,642.8	5,570.3	6,623.1	7,871.5	9,570.2
EBIT margin (%)	21.9%	27.8%	27.5%	27.2%	27.6%
Capital Expenditure	(451.0)	(540.8)	(641.3)	(762.5)	(883.5)
Working Capital	8,206.0	8,818.5	10,575.7	11,475.4	13,781.3
Working capital as a % of sales	49.4%	44.0%	43.9%	39.7%	39.7%

Source: Management information



Basis of preparation of Management Projections are as follows –

Particulars	Key assumptions
<b>Revenues</b>	<ul style="list-style-type: none"> <li>• Sagility group is primarily involved in providing healthcare business process management services. The above service offerings comprise of both voice and non-voice services. We understand that currently Sagility India primarily provides non-voice services whereas Sagility Philippines primarily provides voice services. Sagility US provides both voice and non-voice services. Further, we understand that Sagility group’s service offerings currently comprise more of non-clinical services. Management explained that going forward, Sagility group intends to have increased focus on clinical and payment integrity services.</li> <li>• Revenue of Sagility US is expected to grow at a CAGR of ~14.4% in USD terms. Revenue from existing customers is expected to grow at a CAGR of ~9.7% over the projected period and balance growth is expected from addition of new customers in both payer and provider segments. Revenue growth is expected to be primarily driven by the following key factors: <ul style="list-style-type: none"> <li>- Growth expected from existing clients i.e. growth on client’s end, increase in outsourcing share, growth in wallet share to Sagility group, etc.</li> <li>- Acquisition of new clients basis investments expected to be incurred on sales &amp; marketing teams. The company plans to drive new client wins through both direct channels as well as partner channels.</li> <li>- Sagility group has been making meaningful investments in the sales, marketing &amp; business development, which are expected to drive improved acquisition of new customers and farming of existing customer relationships. Management also confirmed that a new chief growth officer has been appointed to focus on growth thereby strengthening their sales &amp; marketing team.</li> <li>- Sagility group has also partnered with technology/platform organizations as a services led provider to make inroads into new clients to increase footprints in the US Healthcare industry.</li> <li>- Increased investments in technology and practice (healthcare domain expertise) teams to develop new revenue lines.</li> <li>- Focus on expanding services to be provided to the clients in the clinical and payment integrity space.</li> <li>- The company intends to leverage its wide range of service offerings to gain a foothold in larger clients and then expand across service lines over time. It is also developing newer platform capabilities such as BpaaS targeted at smaller payers which allows Sagility to manage the entire process for the client end to end.</li> <li>- Expected growth from the recent acquisition i.e. Sagility Payment’s payment integrity services.</li> </ul> </li> <li>• We understand that while Sagility US entities i.e. Sagility LLC and Sagility Provider have their own customer relationships and sales &amp; marketing manpower to develop and nurture the customer relationships in the USA, they themselves have relatively low volume of onshore delivery capabilities. Delivery against customer contracts of Sagility LLC and Sagility Provider is carried out primarily by Sagility India, Sagility Philippines, Sagility Jamaica and Sagility Colombia.</li> <li>• Revenue of Sagility India is expected to grow at a CAGR of ~18.7% in INR terms (~15% in USD terms). A higher growth rate has been projected for Sagility India, primarily on account of higher expected delivery growth from the geographies where these entities operate, they being relatively lower cost markets as compared to USA and Jamaica.</li> </ul>

Particulars	Key assumptions				
	<ul style="list-style-type: none"> <li>Sagility India's operating revenue from export services to Sagility US on a transfer pricing basis is projected considering <i>inter-alia</i> its headcount, revenue share arrangement with Sagility US, Management's forecast of the revenue from existing clients/ ongoing projects, new client wins and new projects to be undertaken by Sagility US and their outsourcing to Sagility India over the projection period, etc. The Management believes that the projected level of staffing is appropriate for present and projected operations.</li> <li>The Management represented that effective April 2024, certain transfer pricing adjustments are expected to be made resulting in the proportion of revenue sharing with Sagility India by Sagility US increasing to ~80% as compared to ~78% agreed in the existing revenue sharing agreement. Management confirmed that the above revenue share arrangement results in a margin which is broadly in line with the range of the average margin of comparable companies as per the Transfer Pricing Analysis for Sagility India and Sagility US. We have relied on the Management for the same. Further, Management represented that currently no voice-based services are being provided from Sagility India and expects a certain share of voice-based business to be outsourced to Sagility India over the projected period.</li> </ul>				
<b>Operating expenses</b>	<ul style="list-style-type: none"> <li>Cost of revenue including delivery &amp; related employee costs have been projected to increase basis internal Management estimates of number of employees envisaged to support the projected business growth, annual increments, bonus &amp; incentive programs, etc.</li> <li>Apart from the above, other operating costs primarily comprises of professional and consultancy charges, rental expense, office maintenance, travel and conveyance expense, etc. These operating expenses are projected considering <i>inter-alia</i> historical and current trends, current &amp; expected number of employees, inflation, etc.</li> </ul>				
<b>Margins</b>	<ul style="list-style-type: none"> <li>We understand from the Management that the operating EBIT margins are expected to be in the range of ~27-28% over the projected period considering the revenue share arrangement with Sagility US, expected growth in the overall business/ new client acquisitions by Sagility US and increased delivery of business from lower cost markets like India.</li> </ul>				
<b>Capital expenditure ("Capex")</b>	<ul style="list-style-type: none"> <li>Capital expenditure is projected considering <i>inter-alia</i> expenses for purchase of additional computers/ laptops and related equipment/ accessories to support operations and business growth.</li> </ul>				
<b>Working Capital</b>	<ul style="list-style-type: none"> <li>The overall net working capital level is projected considering <i>inter-alia</i> historical level of net working capital and Management's internal estimates of normative working capital levels.</li> </ul>				
<b>Taxes</b>	<ul style="list-style-type: none"> <li>We have been provided with the tax rate for the Company and we have considered the tax outflow based on their independent brought forward losses and tax rate applicable for the purpose of tax computation.</li> <li>Management have confirmed that the effective tax rate in Sagility India is 25.17%.</li> </ul>				
<b>Foreign Exchange</b>	<ul style="list-style-type: none"> <li>Given the extracts of the Sagility India balance sheet as at 31 December 2023 was provided to us in USD terms, we have converted the opening balance sheet as of 31 December 2023 for Sagility India from USD to INR, using the foreign exchange rate as of 31 December 2023 (Source: RBI Reference Rate).</li> <li>Please refer the below table:</li> </ul> <table border="1"> <thead> <tr> <th>Particulars</th> <th>31-Dec-23</th> </tr> </thead> <tbody> <tr> <td>USD/INR exchange rate</td> <td>83.1</td> </tr> </tbody> </table>	Particulars	31-Dec-23	USD/INR exchange rate	83.1
Particulars	31-Dec-23				
USD/INR exchange rate	83.1				

**Annexure II – Valuation Parameters**

**1. Discounted Cash Flow**

1.1. The discounted cash flow model uses the following formula for arriving at the enterprise value –

$$\text{Equity Value} = \begin{array}{l} \text{Present value of free cash flows to firm} \\ - \\ \text{Debt and debt like as on valuation date} \\ + \\ \text{Value of non-operating, cash and cash} \\ \text{equivalents and surplus assets} \end{array}$$

1.2. The free cash flows are discounted by the WACC, which is considered an appropriate discount factor. The WACC represents the returns required by the investors of equity as well as lenders to the business. The returns expected would depend on the perceived level of risk associated with the business of the company and the industry in which the company operates.

1.3. WACC is computed as under –

$$\text{WACC} = \begin{array}{l} \text{Cost of equity * [equity/ (debt + equity)]} \\ + \\ \text{Post-tax cost of debt * [debt/ (debt + equity)]} \end{array}$$

The various components of WACC are as follows:

**Cost of equity**

The cost of equity is arrived at by using the Capital Asset Pricing Model ('CAPM') and is computed as under:

$$\text{Cost of equity} = \text{risk free rate of return} + \text{beta} * \text{market risk premium} + \text{risk adjustment premium}$$

**Risk free rate of return**

The risk-free rate of return is the return expectation in respect of a security that has no default risk. The risk-free rate of return has been considered based on one-month average of the 10-year zero coupon yield curve of the Government of India as on the valuation date (Source: Fixed Income Money Market and Derivatives Association of India ('FIMMDA')).

**Market risk premium**

The market risk premium is estimated considering *inter-alia* the incremental return on market portfolio (including dividend yield) over the risk-free rate of return.

### Beta

Beta is the co-variance between the return of the target business and the return from the market portfolio divided by variance of the market return. In other words, beta is an indicator of company specific risk/ volatility *vis-à-vis* the market portfolio as a whole. The equity shares/ common stock of the Companies are not listed on any recognised stock exchanges in India or abroad. Due to absence of directly comparable companies, the levered beta for the Company is estimated considering *inter alia* beta of listed companies operating in the ITeS/BPO/KPO sector.

### Debt-equity ratio and Cost of debt

The debt-equity ratio is estimated considering average market debt-equity ratio of select peers. Effective cost of debt for Sagility India has been considered as ~8%, as confirmed by the Management. Accordingly, the cost of debt (net of tax) stands at ~6.0% for Sagility India.

Based on the above parameters, weighted average cost of capital is estimated at ~14.25% for Sagility India.

### WACC - Sagility India

Particulars		15-Mar-24 Comments
Risk-free rate (Rf)	~	7.18% One month average of the estimated yield to maturity of zero coupon 10 year Government of India security as at 15 March 2024 (Source: FIMMDA)
Equity risk premium (Rp)	~	7.00% PwC BCS consensus equity risk premium
Relevered beta (B)	~	1.03 Relevered beta based on industry mean of selected peers (Source: CapIQ)
Company specific risk premium ('CSF	~	1.5% Refer Note 1
<b>Cost of equity (Ke)</b>	~	<b>15.86%</b>
<b>Cost of debt</b>		
Pre tax cost of debt	~	8.0% Management information
Effective tax rate (t)	~	25.2% Maximum marginal rate of tax / Effective tax rate
<b>Post tax cost of debt (Kd)</b>	~	<b>6.0%</b>
<b>Target capital structure</b>		
Debt to capital (%) (D)	~	16.5% Market debt to equity ratio for the selected peers
Equity to capital (%) (E)	~	83.5%
<b>WACC</b>	~	<b>14.23%</b>
<b>WACC (rounded)</b>	~	<b>14.25%</b>
<b>COE (rounded)</b>	~	<b>15.75%</b>

*Note 1- We have considered a CSRP of 2.5% considering the projected growth and captive business risk. CSRP has been adjusted by ~1% to factor sovereign risk premium considering the Indian demographic factors, availability of talent pool in India, geopolitical stability expected in the Indian market, etc. Accordingly, a net CSRP of ~1.5% has been considered.*



### Annexure III - Computation of fair value of the Companies

#### Computation of fair value of equity shares of Sagility India

##### Value as per Income Approach – Discounted cash flow method

Particulars for the year/ period ended	INR million					
	31-Dec-24	31-Dec-25	31-Dec-26	31-Dec-27	31-Dec-28	Terminal year
<b>Revenue</b>	<b>16,598.2</b>	<b>20,053.2</b>	<b>24,075.9</b>	<b>28,905.5</b>	<b>34,703.9</b>	<b>36,612.6</b>
<i>y-o-y growth (%)</i>	12.7%	20.8%	20.1%	20.1%	20.1%	5.5%
<b>EBITDA</b>	<b>4,646.7</b>	<b>5,909.5</b>	<b>7,026.6</b>	<b>8,351.2</b>	<b>10,138.0</b>	<b>10,695.6</b>
<i>EBITDA margin (%)</i>	28.0%	29.5%	29.2%	28.9%	29.2%	29.2%
Less: Depreciation and amortisation	(1,003.9)	(339.2)	(403.5)	(479.7)	(567.8)	(599.0)
<b>EBIT</b>	<b>3,642.8</b>	<b>5,570.3</b>	<b>6,623.1</b>	<b>7,871.5</b>	<b>9,570.2</b>	<b>10,096.6</b>
<i>EBIT margin (%)</i>	21.9%	27.8%	27.5%	27.2%	27.6%	27.6%
Less: Income tax	(886.4)	(1,249.6)	(1,558.4)	(1,905.5)	(2,358.3)	(2,541.1)
<b>NOPAT</b>	<b>2,756.5</b>	<b>4,320.7</b>	<b>5,064.8</b>	<b>5,966.0</b>	<b>7,211.9</b>	<b>7,555.5</b>
Add : Depreciation and amortisation	1,003.9	339.2	403.5	479.7	567.8	599.0
Less: Capital expenditure	(451.0)	(540.8)	(641.3)	(762.5)	(883.5)	(599.0)
(Increase) / Decrease in working capit	(404.5)	(612.5)	(1,757.2)	(899.7)	(2,306.0)	(758.0)
<b>Free cash flows to firm ('FCFF')</b>	<b>2,904.9</b>	<b>3,506.6</b>	<b>3,069.8</b>	<b>4,783.5</b>	<b>4,590.3</b>	<b>6,797.5</b>
Present value factor at 14.25%	0.94	0.82	0.72	0.63	0.55	
<b>Present value of FCFF</b>	<b>2,717.7</b>	<b>2,871.5</b>	<b>2,200.2</b>	<b>3,000.9</b>	<b>2,520.5</b>	

Particulars	INR million
Present value of horizon period cash flows	13,310.7
Present value of terminal cashflow (Note 1)	50,420.3
Add: PV of tax benefit on intangibles	70.6
<b>Enterprise value as at 31 December 2023</b>	<b>63,801.6</b>
Adjustments for:	
Less: Debt and debt like items (Note 2)	(11,967.3)
Add: Surplus assets (Note 3)	773.0
<b>Equity value as at 31 December 2023</b>	<b>52,607.4</b>
Add: Stub period adjustment (Note 4)	1,752.5
<b>Equity value as at 22 March 2024 (Valuation Date)</b>	<b>54,359.81615</b>
Number of equity shares	1,920,726,066
<b>Value per share (INR)</b>	<b>28.301702</b>

##### Note 1: Present value of terminal year cashflow

Particulars	INR million
Base cash flow for perpetuity computation	6,797.5
Long term growth rate	5.5%
Discount rate	14.3%
High growth period	2.50
High growth rate	20.1%
Terminal value ('TV')	91,824.4
PV factor	0.55
<b>Present value of TV</b>	<b>50,420.3</b>

**Note 2: Debt and debt like**

Particulars	INR million
Borrowings	11,740.8
Interest accrued but due on borrowings	222.8
Provision for taxation	3.7
<b>Total</b>	<b>11,967.3</b>

**Note 3: Surplus assets**

Particulars	INR million
Advance tax	451.6
Cash and cash equivalent	321.5
<b>Total</b>	<b>773.0</b>

**Note 4: Stub period adjustment**

Particulars	INR million
Equity value as at 31 December 2023	52,607.4
Adjustment period - end	22-Mar-24
Adjustment period - begin	31-Dec-23
Period	0.22
Cost of equity	15.75%
<b>Equity value as at 22 March 2024</b>	<b>54,359.8</b>
<b>Equity value as at 31 December 2023</b>	<b>52,607.4</b>
<b>Stub period adjustment</b>	<b>1,752.5</b>

**Notes:**

- 1) Terminal value ("TV") is calculated to capture the value of the business beyond the projection period. At the end of the projection period, it is assumed that the cash flows will continue indefinitely.

For calculating the TV of Sagility India a terminal growth rate of ~5.5% has been considered based on the long term expected inflation and envisaged long-term growth forecast for India (given the projected cashflows are in INR terms).

- 2) We have considered EBIT margin of CY 2028 for perpetuity computation. Capital expenditure and depreciation for terminal year have been assumed to be equal. The net working capital level (as % of sales) has also been kept broadly in line with CY 2028 levels, which the Management believes will be a stable level in the long term.

- 3) H-Model

H-Model is another form of Dividend Discount Model under the DCF method which is typically used to arrive at the terminal value of companies in high growth stage.

The Management Projections considers a revenue growth of ~20.1% for Sagility India in CY 2028. This suggests a continuing growth potential over next few years before reaching a stable/normal growth trajectory. Typically, financial forecasts are prepared for 4-5 years. Since it may not be possible for the Management to forecast beyond 5 years, the forecast is extrapolated for few years to reach the terminal year. Considering the high growth in the revenue in the 5th year (CY 2028) we have adopted the H-Model. Valuation professionals typically use the H-Model to extend the time frame by few years before terminal value is calculated. For the current valuation we have extended the forecast period by 2.5 years (i.e. ~2 to 3 years of high growth period) using the H-Model.

- 4) Management have confirmed that there are no contingent liabilities in any of the Companies as of the valuation date. We have relied on the Management in this regard.

- 5) We have been provided with the provisional Management certified financial statements for Sagility India as of 31 December 2023. Considering that the Transaction date is expected to be in March 2024, a stub period adjustment to the equity value as of 31 December 2023 has been made to arrive the equity value as of 22 March 2024, i.e. close to the Transaction date.



**Annexure IV – Indicative valuation under Comparable Companies Multiple method for benchmarking purpose**

**P/E multiple of comparable companies**

<b>Company Name</b>	<b>Trailing P/E multiple (Dec23)</b>
Allsec Technologies Limited	21.3
Datamatics Global Services Limited	21.5
eClerx Services Limited	24.5
Firstsource Solutions Limited	27.8
WNS (Holdings) Limited	20.6
Accelya Solutions India Limited	21.6
Genpact Limited	10.1
CSG Systems International, Inc.	18.7
Teleperformance SE	12.1
TELUS International (Cda) Inc.	23.8
ExlService Holdings, Inc.	27.8
Concentrix Corporation	15.3
Maximus, Inc.	26.8
<b>Mean</b>	<b>20.9</b>
<b>Median</b>	<b>21.5</b>

**Indicative value under market approach (for corroboration/benchmarking purposes)**

**Value as per CCM approach - Sagility India**

<b>Particulars</b>	<b>INR million</b>
TTM December 23 PAT*	2,687.1
P/E multiple	21.5
Add/ (Less): Adjustments	+/-ve
Adjusted Multiple	19.4
<b>Equity value as of 22 March 2024</b>	<b>52,051.7</b>

\* PAT is adjusted for amortisation on acquired intangibles

- We have considered the Comparable Companies Multiple method under the Market Approach only for the purpose of our internal benchmarking exercise and have not given any weights to the value arrived using the Market Approach.
- Considering the shift in profit margins across geographies we have given discount to the multiple for Sagility India since the entire business is driven from Sagility US and Sagility India is only a captive delivery center.

