

16 May 2025

India | Equity Research | Results update

Sagility India

Technology

Guidance intact; resiliency on display

Sagility India reported 5.8% QoQ USD revenue growth (organic growth at 0.7%), slightly ahead of I-Sec estimate in Q4FY25. It met its guidance of delivering mid-teens growth in FY25 with 15% YoY USD print. Q4 traction was led by: 1) Open enrolment based positive seasonality for H2, 2) 2-months' worth of revenue from BroadPath, 3) cross-selling traction from BroadPath. It has shown good execution with reduction in borrowing to INR 8.17bn in FY25. Adjusted margin at 25.7% in FY25 was up ~143bps. Client count moved to 75 in FY25 from 44 in FY24. Status quo has been maintained in FY26 revenue growth and margin guidance, which gives confidence amid apprehensions of Medicaid spending cuts by the US government. Maintain **BUY** with a revised TP of INR 60 (from INR 56) based on an unchanged 1-year forward P/E of 26x.

Growth led by seasonality, BroadPath and cross selling

Sagility's revenue growth stood at 5.8% QoQ USD, slightly ahead of I-Sec estimate of 5.3%. This includes 2-month's revenue contribution from BroadPath acquisition (5.1% QoQ inorganic growth and 0.7% QoQ organic USD growth). The growth was aided by positive seasonality in H2 because of continued open enrolment season and cross-selling momentum from BroadPath (from vendor contracts led by software licenses). The growth was mostly led by volumes as there have been no price increases.

Wage hike, BroadPath consolidation impact operating margins

Adjusted EBITDA margin was 25.8%, in line with I-Sec estimate, down 264bps QoQ. The impact was from 1) BroadPath consolidation (-110bps), 2) wage increase (-60-70bps), 3) 80-90bps from forex loss (in Philippines). Earnout expense and share-based payment stood at INR 207mn and INR 104mn vs our estimate of INR 120mn and INR 59mn, respectively. Adjusted PAT margin was 15.3%, vs our estimate of 14.9%. QoQ net headcount reduction stood at -186 (net of ~1,600 employee addition from BroadPath) vs addition of 1,215 in Q3FY25.

Guidance intact despite a tough macro

FY25 revenue growth was 15% in USD terms and adjusted EBITDA margin (excluding other income) was 25.7%, around the company's guided range of 24%-25%. Company reiterated organic revenue growth guidance of low to mid-teens CC growth, factoring in 1-2% impact from revenue cannibalisation from AI-led automation. Adjusted EBITDA margin* (excluding other income) guidance stood at 24-25% with ~120bps headwind from BroadPath consolidation.

*Adjusted for DCI/ Birch AI/ BroadPath earnouts and share-based payments.

Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	55,699	68,601	78,299	88,943
EBITDA	12,604	15,988	18,885	21,721
EBITDA Margin (%)	22.6	23.3	24.1	24.4
Net Profit	5,391	7,116	9,471	11,740
EPS (INR)	1.2	1.5	2.0	2.5
EPS % Chg YoY	116.7	32.0	33.1	24.0
P/E (x)	39.0	29.5	22.2	17.9
EV/EBITDA (x)	16.9	12.6	10.1	8.1
RoCE (%)	6.6	8.5	10.1	11.0
RoE (%)	7.3	8.2	9.9	11.1

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Market Data

Market Cap (INR)	210bn
Market Cap (USD)	2,461mn
Bloomberg Code	SAGILITY IN
Reuters Code	SAGL.BO
52-week Range (INR)	56 /27
Free Float (%)	8.0
ADTV-3M (mn) (USD)	3.6

Price Performance (%)	3m	6m	12m
Absolute	(5.2)	57.6	0.0
Relative to Sensex	(13.9)	51.2	0.0

ESG Score	2023	2024	Change
ESG score	NA	NA	NA
Environment	NA	NA	NA
Social	NA	NA	NA
Governance	NA	NA	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
Revenue	0.4	0.7
EBIT	4.5	7.4
EPS	1.5	6.7

Previous Reports

06-02-2025: [Q3FY25 results review](#)

11-01-2025: [Initiating Coverage](#)

Other highlights

- **Growth strategy:** Sagility's growth strategy involves working along the three pillars: 1) Deepening wallet share among existing clients; 2) undertaking strategic acquisitions; 3) expanding in mid-market segment (e.g. BroadPath acquisition). Industry is facing a lot of headwinds from regulatory changes, which Sagility sees as an opportunity. Management reiterated its adjusted EBITDA margin* (excluding other income) guidance of 24-25% with ~120bps headwind from BroadPath consolidation.

*Adjusted for earnouts and share-based payments.

- **Client performance:** For full year FY25, top-3 client revenue grew 11%, vs 4% in FY24. Top-5/10 clients grew 13%/14%. Company has reduced its top-3/5/10 client concentration by 210/130/90bps, YoY, respectively. 30 of the 75 clients in FY25 came from BroadPath acquisition, mostly in mid-market space. 2-3 new clients were added in Q4FY25.
- **FY25 performance:** USD revenue was up 15%, lying within the guided range. Constant currency growth was 14.9%. Adjusted EBITDA margin (excluding other income, earnouts and share-based payments) was 25.7%, up 143bps YoY). Company saw significant RoE expansion of 300bps YoY to 6.5% in FY25. Headcount stood at 39,409 for FY25, up 12% YoY. Company reigned in other expenses by 70bps YoY in FY25.
- **Debt repayment** is expected to be over by FY27, as mentioned earlier. Borrowings have reduced from INR 19.3bn in FY24 to INR 8.17bn in FY25 due to conversion of loan to equity in May'24 and debt repayment of ~INR 5bn. Earlier the earnouts were expected to be over in FY26, but now they will extend till FY27 due to BroadPath coming into the picture.
- Despite the widespread apprehensions surrounding the US government reducing Medicaid expenditure, Sagility's management sees this as an opportunity for getting more cost optimisation-led deals.

Miscellaneous

- H2 is more pronounced vs H1 due to open enrolment led positive seasonality which gives fillip to both revenue growth and margin.
- Payer provider mix stood at 89.7%/ 10.3% vs 89.3%/ 10.7% in Q3FY25.
- Attrition stood at 32.5% vs 21.8% in Q3FY25 and is on a downward trend since last couple of quarters.
- DSO was 79 days in Q4FY25 vs 78 in Q3FY25.
- Number of active clients now stands at 75 vs 44 in FY24 (aided by BroadPath acquisition).

Key risks: 1) Delay in synergy benefits, 2) reduced medicare spending under Trump administration.

Exhibit 1: Quarterly performance

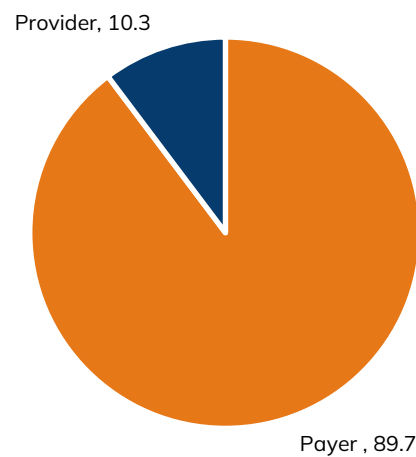
	Q4FY25	Q3FY25	QoQ	Q4FY24	YoY
Revenue (USD mn)	182	172	5.8%	154	17.8%
Revenue (INR mn)	15685	14531	7.9%	12832	22.2%
EBITDA	3730	3922	-4.9%	3301	13.0%
EBITDA margin, %	23.8%	27.0%	-321	25.7%	-195
EBIT	2586	2760	-6.3%	1541	67.8%
EBIT margin, %	16.5%	19.0%	-250	12.0%	448
PAT	1825	2169	-15.8%	802	127.6%
EPS	0.51	0.56	-8.9%	0.39	30.8%

Source: I-Sec research, Company data

Exhibit 2: Change in estimates

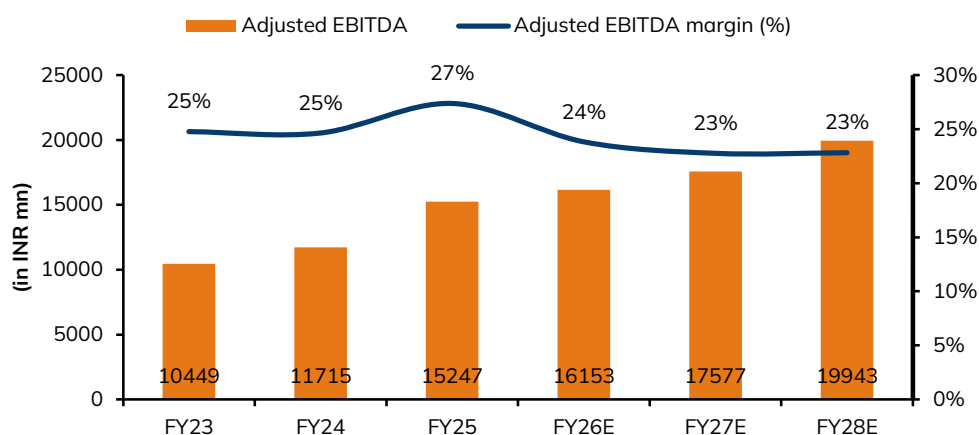
	New		Old		New vs. old	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenues (USD mn)	802	910	799	904	0.4%	0.7%
Revenue growth YoY USD	21.8%	13.5%	21.4%	13.1%	40bps	40bps
					0bps	0bps
USD/INR	85.5	86.0	85.0	85.0	0.6%	1.2%
Rs Mn						
Revenues	68,601	78,299	67,913	76,803	1.0%	1.9%
EBIT	10,489	13,107	10,040	12,203	4.5%	7.4%
EBIT margin	15.3%	16.7%	14.8%	15.9%	50bps	80bps
EPS (Rs/share)	1.5	2.0	1.5	1.9	1.5%	6.7%

Source: I-Sec research

Exhibit 3: Payer provider mix- Q4FY25

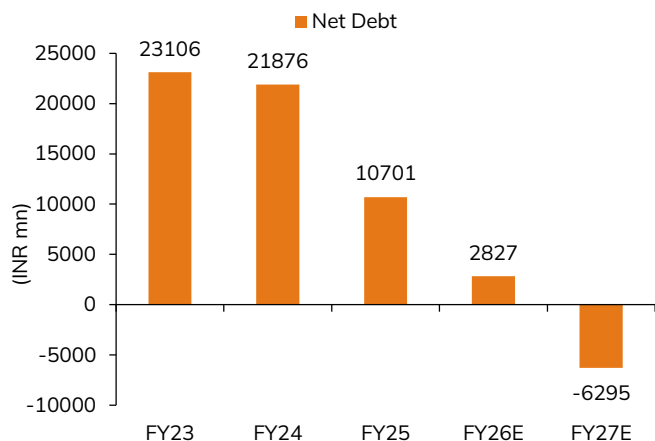
Source: I-Sec research, Company data

Exhibit 4: Adjusted EBITDA margin estimates



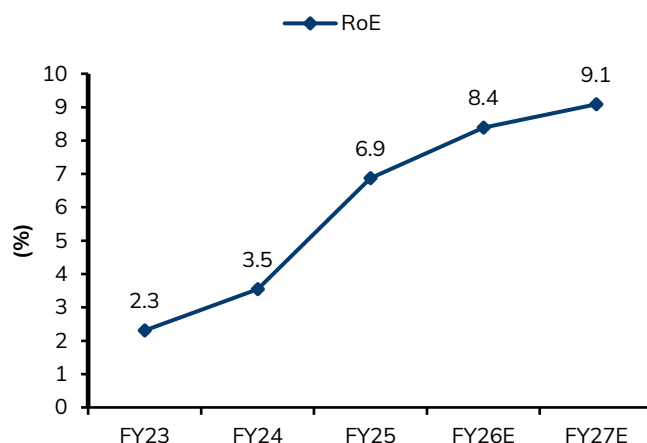
Source: Company data, I-Sec research

Exhibit 5: Net debt estimates



Source: I-Sec research, Company data

Exhibit 6: RoE expansion estimates



Source: I-Sec research, Company data

Exhibit 7: Sagility's list of acquisitions

Acquired entity	Date of acquisition	Stake acquired (%)	Purchase consideration (in USD mn)	EV/ sales	Area of expertise	Areas of synergy
DCI	Apr-23	100	USD40mn		Providing payment integrity services to top payers; contract centre technology platform.	Payment integrity; payer business.
Birch AI	Mar-24	100	USD9.63mn		Cloud-based GenAI technology powered by natural language processing (NLP); call centre automation by reducing average handle time by up to 35%.	Reduce client's operational cost; manage healthcare transactions using speech-to-text technology; provider business.
Broadpath	Jan-25	1	US\$58mn	0.86	Capability addition in member acquisition and enrolment services.	Add one of the top 10 payers as clients (now Sagility will have six out of top 10 payers as clients). Add 30+ clients (mid-market clients including payers, third-party administrators, pharmacy benefit managers and providers).

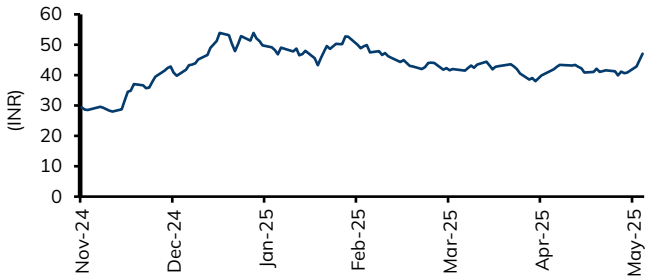
Source: I-Sec research, Company data

Exhibit 8: Shareholding pattern

%	Nov'24	Dec'24	Mar'25
Promoters	82.4	82.4	82.4
Institutional investors	13.1	12.1	10.9
MFs and other	3.0	4.3	4.4
Banks/ FIs	0.1	0.0	0.0
Insurance Cos.	1.1	0.9	0.9
FIs	8.9	6.9	5.6
Others	4.5	5.5	6.7

Source: Bloomberg, I-Sec research

Exhibit 9: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 10: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Net Sales (USD mn)	659	802	910	1,034
Net Sales (INR. mn)	55,699	68,601	78,299	88,943
Operating Expense	43,096	52,613	59,414	67,223
EBITDA	12,604	15,988	18,885	21,721
EBITDA Margin (%)	22.6	23.3	24.1	24.4
Depreciation & Amortization	4,669	5,499	5,778	6,129
EBIT	7,935	10,489	13,107	15,592
Interest expenditure	1,271	1,175	1,016	830
Other Non-operating Income	938	237	621	997
Recurring PBT	7,602	9,551	12,712	15,758
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	2,211	2,435	3,241	4,018
PAT	5,391	7,116	9,471	11,740
Less: Minority Interest	-	-	-	-
Net Income (Reported)	5,391	7,116	9,471	11,740
Extraordinaries (Net)	-	-	-	-
Recurring Net Income	5,391	7,116	9,471	11,740

Source Company data, I-Sec research

Exhibit 11: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	18,208	30,097	39,455	56,600
of which cash & cash eqv.	3,438	12,430	19,933	34,425
Total Current Liabilities & Provisions	10,891	14,108	13,215	14,557
Net Current Assets	7,317	15,989	26,240	42,044
Investments	-	-	-	-
Net Fixed Assets	3,699	3,509	3,448	3,557
ROU Assets	5,521	5,462	5,473	5,485
Capital Work-in-Progress	0	0	0	0
Goodwill	60,390	60,390	60,390	60,390
Other assets	988	988	988	988
Deferred Tax Assets	1,337	1,337	1,337	1,337
Total Assets	99,616	1,06,243	1,14,659	1,28,812
Liabilities				
Borrowings	5,670	3,320	140	140
Deferred Tax Liability	4,279	4,279	4,279	4,279
provisions	1,737	1,737	1,737	1,737
other Liabilities	4	4	4	4
Minority Interest	-	-	-	-
Equity Share Capital	46,793	46,793	46,793	46,793
Reserves & Surplus*	36,568	43,684	53,155	64,895
Total Net Worth	83,361	90,476	99,947	1,11,688
Total Liabilities	99,616	1,06,243	1,14,659	1,28,812

Source Company data, I-Sec research

Exhibit 12: Quarterly trend

(INR mn, year ending March)

	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Net Sales	12233	13250	14531	15,685
% growth (YOY)	9.6%	21.1%	15.3%	22.2%
EBITDA	1939	3011	3922	3,730
Margin %	15.8%	22.7%	27.0%	23.8%
Other Income	244	153	440	101
Adjusted Net Profit	222	1173	2169	1825

Source Company data, I-Sec research

Exhibit 13: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
CFO before WC changes	14,584	15,988	18,885	21,721
CFO after WC changes	13,874	16,308	18,629	20,409
Capital Commitments	(1,244)	(1,593)	(1,818)	(2,066)
Free Cashflow	10,896	12,280	13,570	14,326
Other investing cashflow	(8,398)	237	621	997
Cashflow from Investing Activities	(9,642)	(1,356)	(1,197)	(1,069)
Issue of Share Capital	-	-	-	-
Interest Cost	(868)	(1,175)	(1,016)	(830)
Inc (Dec) in Borrowings	(5,021)	(2,350)	(5,672)	-
Cash flow from Financing Activities	(6,341)	(3,525)	(6,688)	(830)
Dividend paid	-	-	-	-
Others	-	-	-	-
Chg. in Cash & Bank balance	(3,842)	8,992	7,504	14,492
Closing cash & balance	(401)	12,430	19,933	34,425

Source Company data, I-Sec research

Exhibit 14: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Reported EPS	1.2	1.5	2.0	2.5
Diluted EPS	1.2	1.5	2.0	2.5
Cash EPS	2.2	2.7	3.3	3.8
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	17.8	19.4	21.4	23.9
Dividend Payout (%)	-	-	-	-
Growth (%)				
Net Sales	17.2	23.2	14.1	13.6
EBITDA	15.8	26.9	18.1	15.0
EPS	116.7	32.0	33.1	24.0
Valuation Ratios (x)				
P/E	39.0	29.5	22.2	17.9
P/CEPS	20.9	16.6	13.8	11.8
P/BV	2.5	2.3	2.1	1.9
EV / EBITDA	16.9	12.6	10.1	8.1
P/S	3.8	3.1	2.7	2.4
Dividend Yield (%)	-	-	-	-
Operating Ratios				
EBITDA Margins (%)	22.6	23.3	24.1	24.4
EBIT Margins (%)	14.2	15.3	16.7	17.5
Effective Tax Rate (%)	29.1	25.5	25.5	25.5
Net Profit Margins (%)	9.7	10.4	12.1	13.2
Inventory Turnover Days	-	-	-	-
Fixed Asset Turnover (x)	14.7	19.0	22.5	25.4
Receivables Days	80	75	77	76
Payables Days	15	18	23	23
Working Capital Days	10	20	23	29
Net Debt / EBITDA (x)	0.5	(1.7)	(3.4)	(5.6)
Profitability Ratios				
RoCE (%)	6.6	8.5	10.1	11.0
RoC (%)	6.4	9.1	11.2	13.4
RoNW (%)	7.3	8.2	9.9	11.1

Source Company data, I-Sec research

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