

# IPO NOTE



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## SAGILITY INDIA LIMITED

### 04.11.2024



Canara Bank Securities Ltd  
A Wholly Owned Subsidiary Of Canara Bank



- ◆ Sagility India Limited, formerly known as Berkmeer India Private Limited, provides healthcare-focused solutions and services to Payers (US health insurers who fund and reimburse the cost of healthcare services) and Providers (primarily hospitals, physicians, diagnostics and medical technology companies).
- ◆ Sagility India is technology-enabled, pure-play healthcare focused solutions and services provider to Payers - U.S. health insurance companies, which finance and reimburse the cost of health services; and Providers -primarily hospitals, physicians, and diagnostic and medical devices companies.
- ◆ Services to payers span their entire operational spectrum, including centralized claims administration and clinical services functions. These include claims administration, payment integrity, clinical management and other services.
- ◆ For providers, the company offers revenue cycle management services to assist them in managing their billing and claiming treatment costs from payers.
- ◆ In addition, the Company also offers some of the services it provides to Payers to Pharmacy Benefit Managers (“PBMs”) who manage prescription drug coverage for members (i.e., insureds) under health benefit plans.
- ◆ The company's customers are all based in the USA. As of March 31, 2024, the Company's five largest customer groups (i.e. the customer companies together with their subsidiaries) had an average tenure of service of 17 years. In January 2024, the company served five of the ten largest payers in the US (source: Everest Report). In addition, the company acquired 20 new customers in the financial years 2024 and 2023.
- ◆ As of March 31, 2024, Sagility India had 35,044 employees, of which 60.52% were women. As of March 31, 2024, 1,687 of the employees held certifications, including 374 certified medical coders, 1,280 registered nurses in the US, Philippines and India, and 33 employees with other degrees such as dentistry, surgery and pharmacy.
- ◆ The company's revenue from operations grew by 9.61% to ₹ 1,223.33 Cr for the quarter ended June 30, 2024, from ₹ 1,116.09 Cr for the quarter ended June 30, 2023, and by 12.69% to ₹ 4,753.60 Cr in FY2024 from ₹ 4,218.4 Cr in FY Year 2023. The company reported EBITDA margins of 23.48% and 17.85% for FY2024 and for the quarter ended June 30, 2024, respectively.

## Issue Details

Price Band (in ₹ per share)	28-30
Issue size (in ₹ Crore)	1966.16-2106.60
Fresh Issue (in ₹ Crore)	NA
OFS (in ₹ Crore)	1966.16-2106.60
Issue open date	05.11.2024
Issue close date	07.11.2024
Tentative date of Allotment	08.11.2024
Tentative date of Listing	12.11.2024
Total number of shares (lakhs)	7023.35-7023.26
No. of shares for QIBs (75%) (lakhs)	5253.26-5253.19
No. of shares for NII (15%) (lakhs)	1050.65-1050.64
No. of shares for S-HNI (33%)(lakhs)	350.22-350.21
No. of shares for B-HNI (66%)(lakhs)	700.43
No. of shares for retail investors (10%) (lakhs)	700.43
No of shares for Employee Reservation (lakhs)	19.00
Minimum order quantity	500.00
Face value (in ₹)	10.00
Amount for retail investors (1 lot) (in ₹)	14000-15000
Maximum no. of shares for Retail investors at Lower Band	7000 (14 lots)
Maximum no. of shares for Retail investors at Upper Band	6500 (13 lots)
Maximum amount for retail investors at lower band - upper band (in ₹)	196000-195000
Minimum no. of shares for sHNI (2 Lakhs) at upper band	7000 (14 lots)
Maximum no. of shares for sHNI (10 Lakhs) at upper band	33000 (66 lots)
Minimum number of shares for bHNI at upper band	33500 (67 lots)
Exchanges to be listed on	BSE & NSE

## Promoters

- SAGILITY B.V
- SAGILITY HOLDINGS B.V.

## Objects of the Offer

- ◆ Achieve the benefits of listing the Equity Shares on the Stock Exchanges.
- ◆ Carry out the Offer for Sale of up to 702,199,262 Equity Shares of the face value of Rs. 10 each by the Promoter Selling Shareholder.



## BRIEF FINANCIALS

PARTICULARS (Rs. Cr) *	Q1FY25	FY24	FY23	FY22
Share Capital	4679.27	4285.28	1918.67	1918.67
Net Worth	7608.16	6443.13	6206.67	4026.62
Revenue from Operations	1223.33	4753.56	4218.41	923.41
EBITDA	218.37	1116.04	1044.86	210.57
EBITDA Margin (%)	17.85%	23.48%	24.77%	22.80%
Profit/(Loss) After Tax	22.29	228.27	143.57	(4.67)
EPS (in Rs.)	0.20^	0.53	0.33	(0.05)
Net Asset Value (in Rs.)	16.25	15.03	14.48	9.39
Current Borrowing	943.91	1933.52	2347.94	4239.23
P/E#	150.00^	56.60	NA	NA
P/B#	1.85	2.00	NA	NA

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### Profit & Loss Statement

Particulars (In Crores)	JUL 2021- MAR 2022	FY2023	FY2024
<b>INCOME</b>			
Revenue from operations	923.41	4218.41	4753.56
Other income	20.99	17.65	27.93
<b>Total Income</b>	<b>944.39</b>	<b>4,236.06</b>	<b>4,781.50</b>
YoY Growth (%)	-	356.83%	12.69%
Employee benefit expenses	505.71	2494.20	2937.61
Employee Expenses-% of Revenue	53.55%	58.88%	61.44%
Other Expenses	228.11	697.00	727.81
<b>EBIDTA</b>	<b>210.57</b>	<b>1044.86</b>	<b>1116.04</b>
EBIDTA Margin (%)	22.80%	24.77%	23.48%
Depreciation and amortisation expense	147.21	644.34	689.21
<b>EBIT</b>	<b>63.36</b>	<b>400.53</b>	<b>426.83</b>
EBIT Margin (%)	6.86%	9.49%	8.98%
Finance cost	65.22	214.85	185.15
<b>Profit before tax</b>	<b>-1.85</b>	<b>185.68</b>	<b>241.68</b>
<b>Tax expenses</b>			
Current tax	10.43	124.32	111.52
Deferred Tax	-7.61	-82.22	-98.11
<b>Total tax expenses</b>	<b>2.82</b>	<b>42.11</b>	<b>13.42</b>
<b>Profit for the year</b>	<b>-4.67</b>	<b>143.57</b>	<b>228.27</b>
PAT Margin (%)	-0.51%	3.40%	4.80%
<b>Earnings per share</b>			
Basic earnings per share ( )	-0.05	0.33	0.53

### Cashflow Statement

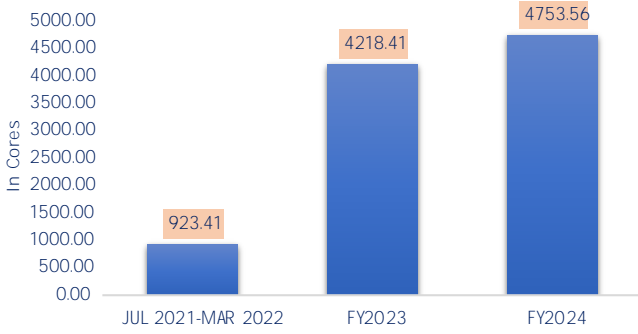
Particulars (In Crores)	JUL 2021- MAR 2022	FY2023	FY2024
Cash generated from operating activities	-22.56	1026.62	1099.51
Income tax paid (net of refunds)	-9.34	-169.84	-126.31
Net cash generated from operating activities	-31.89	856.78	973.20
Net cash used in investing activities	-7714.00	-129.06	-469.01
Net cash used in financing activities	8116.35	-544.62	-751.34
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>370.46</b>	<b>183.10</b>	<b>-247.14</b>
Cash and cash equivalent as at 1 April		373.80	585.29
Effect of movement in exchange rates on cash and cash equivalents	3.34	28.38	5.98
<b>Cash and cash equivalent as at year end</b>	<b>373.80</b>	<b>585.29</b>	<b>344.13</b>

Particulars (In Crores)	JUL 2021- MAR 2022	FY2023	FY2024
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	265.27	295.47	388.13
Capital Work-in-Progress	5.35	0.31	5.70
Right-of-use assets	552.50	529.48	566.51
Goodwill	5218.28	5459.75	5709.51
Other intangible assets	2584.83	2322.14	2007.81
<b>Financial Assets</b>			
Other Financial Assets	35.61	37.26	47.58
Deferred tax assets (net)	11.25	61.43	135.37
Other tax assets (net)	8.70	57.15	74.06
Other non-current assets	8.06	34.06	9.52
<b>Total non-current assets</b>	<b>8689.86</b>	<b>8797.05</b>	<b>8944.27</b>
<b>Current assets</b>			
<b>Financial assets</b>			
Trade receivables	926.20	1068.58	1181.34
Cash and cash equivalents	373.80	585.29	344.13
Other Financial Assets	41.51	26.87	35.16
Current tax assets (net)			
Other current assets	64.91	112.68	159.30
<b>Total Current Assets</b>	<b>1406.42</b>	<b>1793.42</b>	<b>1719.92</b>
<b>Total assets</b>	<b>10096.28</b>	<b>10590.48</b>	<b>10664.20</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Equity share capital	1918.67	1918.67	4285.28
Other equity			
Shares pending issuance	6697.91	6697.91	-
Securities premium	0.00	-	4324.10
Common control adjustment deficit account	-4625.46	-2821.84	-2818.61
Other components of equity	35.49	411.93	652.40
<b>Total equity</b>	<b>4026.62</b>	<b>6206.67</b>	<b>6443.13</b>
<b>Liabilities</b>			
<b>Non-Current liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	4184.22	2323.70	1664.70
Lease liabilities	459.31	434.57	471.35
Other financial liabilities	-	5.60	14.15
Provision for employee benefit obligations	80.14	103.31	147.71
Deferred Tax Liabilities (Net)	461.03	460.20	471.04
<b>Total Non-Current liabilities</b>	<b>5184.70</b>	<b>3327.36</b>	<b>2768.95</b>
<b>Current liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	55.01	24.24	268.81
Lease Liabilities	89.24	113.34	126.84
Trade payables			
Due to MSME	2.71	0.00	17.36
Due to other than MSME	112.25	213.46	241.94
Other financial liabilities	515.81	568.67	644.51
Contract liabilities	10.96	10.62	23.59
Other current liabilities	26.16	39.42	46.28
Provision for employee benefit obligations	62.66	72.74	67.31
Current tax liabilities (net)	10.16	13.94	15.48
<b>Total Current liabilities</b>	<b>884.96</b>	<b>1056.44</b>	<b>1452.12</b>
<b>Total liabilities</b>	<b>6069.66</b>	<b>4383.81</b>	<b>4221.07</b>
<b>Total equity and liabilities</b>	<b>10096.28</b>	<b>10590.48</b>	<b>10664.20</b>

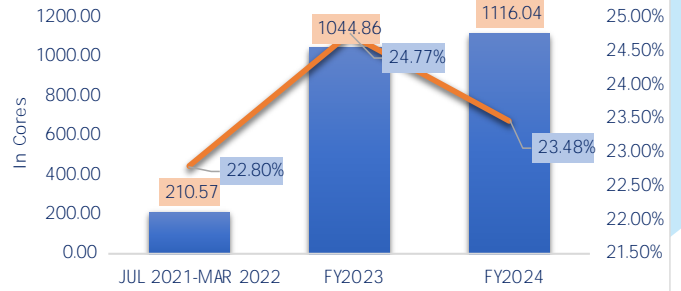


# PERFORMANCE

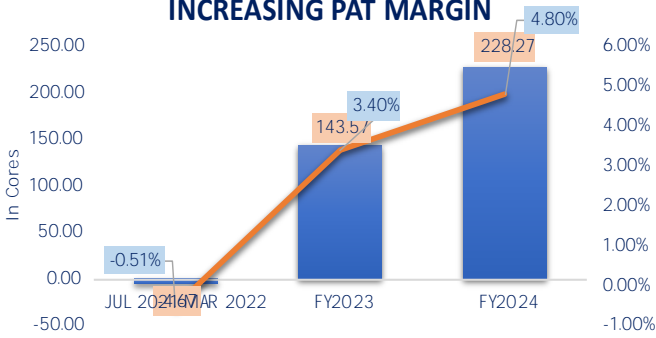
## REVENUE SHOWS GROWTH OF 13%



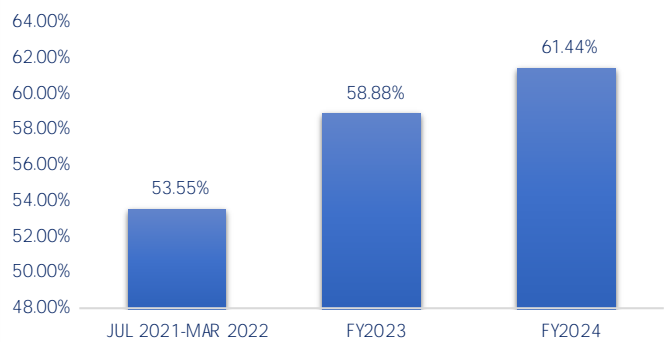
## EBIDTA GREW BY 7% WITH STEADY EBITDA MARGIN



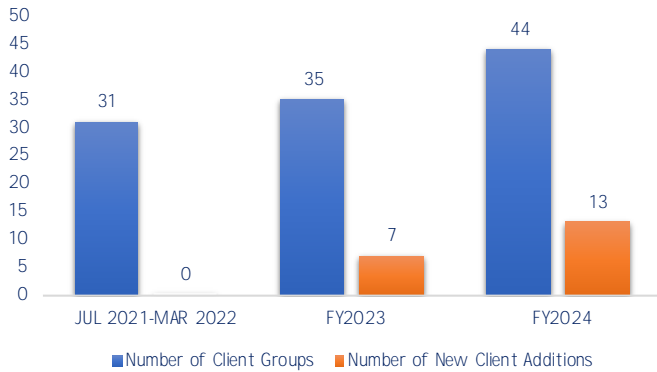
## PAT HAS SHOWN GROWTH OF 59% WITH INCREASING PAT MARGIN



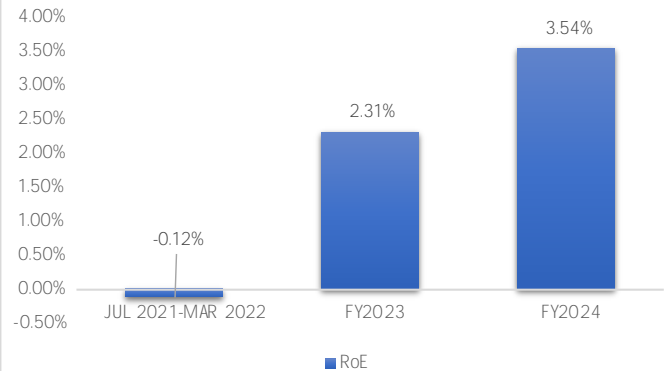
## EMPLOYEE EXPENSE AS % TO REVENUE IS INCREASING



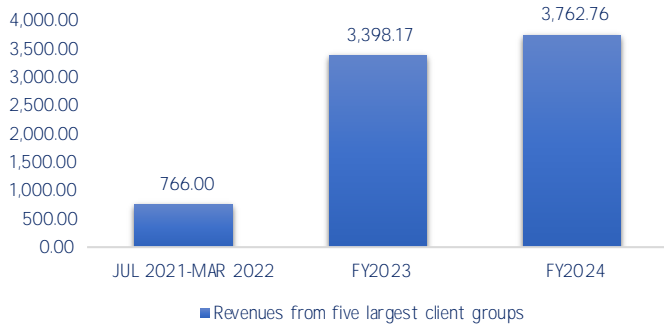
## Number of client groups and additions



## RETURN RATIOS



## Revenues from five largest client groups (In Crs)



## Number of Employees



# INDUSTRY REVIEW

## The US economy and the role of healthcare – an overview

- According to the International Monetary Fund (IMF), the United States (US) economy is valued at US\$22.845 trillion (2,284.5 trillion) in 2023 and is projected to grow by 4.2% in 2024.
- Healthcare is an intricate segment of the US economy, valued at US\$4.7 trillion (389.6 trillion) in 2023 as per the CMS.

## Healthcare enterprise segments

- The US healthcare market comprises of two primary healthcare payers and healthcare providers:
  - ◆ **Healthcare payers:** Healthcare payers are entities that pay for members through health insurance plans.
  - ◆ **Healthcare providers:** Healthcare providers are individuals or organizations that deliver care services or aid in care delivery such as doctors, nurses, etc.

## US healthcare operations spend

- The healthcare operations spend (defined by and limited to the CAGR of approximately 3.2% from 2014 to 2023 and was US\$1.1 trillion in 2023).
- This spend is expected to grow at a CAGR of approximately 3.2% in 2028, driven by the rise in aging population, increasing initiatives aimed at enhancing healthcare services, and technological advancements.

## Healthcare operations outsourcing market

- The total outsourced operations spend in the US healthcare market was US\$1.1 trillion in 2023, representing 23.5% of the total healthcare operations spend. As a result, in 2023, the aggregate outsourcing penetration was 23.5%, resulting in a total outsourced operations spend of US\$1.1 trillion.
- The healthcare payer market had a relatively 24.0% outsourcing penetration, while the provider market had a relatively 21.0% outsourcing penetration. The outsourcing market is expected to outpace the growth of the overall healthcare market.

## Generative AI and its value promise for healthcare

- Generative AI refers to the application of artificial intelligence to generate text, images, videos, audio, and more. This technology leverages large datasets. Some of the prominent GenAI models in the market are GPT-4, Gemini, and Claude.
- GenAI has the potential to improve organizational productivity, efficiency, optimizing processes, and enhancing the overall patient experience. Applications in healthcare, most can be grouped into the following categories:

Support	Generate	Stimulate
<b>Compilation and summarisation</b> <ul style="list-style-type: none"> <li>• Integrate information from various sources for a coherent view and gather robust insights such as population health</li> <li>• Analyse medical charts to create concise summaries for quicker evaluation</li> </ul>	<b>Content generation</b> <ul style="list-style-type: none"> <li>• Create customized reports, e.g., pattern identification for claims fraud detection</li> <li>• Generate personalized member communication material</li> </ul>	<b>Advanced search</b> <ul style="list-style-type: none"> <li>• Efficient and quick extraction of pertinent information from extensive clinical, claims, and medical databases</li> </ul>
<b>Translation</b> <ul style="list-style-type: none"> <li>• Assist in translating various types of content for patient and member education in local languages</li> </ul>	<b>Medical coding</b> <ul style="list-style-type: none"> <li>• Streamline medical coding tasks by analysing clinical notes and generating appropriate medical codes</li> </ul>	<b>Analytics</b> <ul style="list-style-type: none"> <li>• Analyse vast clinical datasets to discern trends, patterns</li> <li>• Support healthcare organizations with decision making</li> </ul>



# COMPETITIVE STRENGTHS OF THE COMPANY

## Leader in the large and resilient U.S. Payer and Provider solutions market

- With per capita healthcare expenditure amounting to US highest spender on healthcare among leading economies (front end functions to support Payers and Providers) and is expected to reach approximately US\$258.9 billion by 2028.
- Growth in the U.S. healthcare market is expected to be driven by an aging population and increasing prevalence of chronic diseases. While there are many opportunities, challenges faced by the healthcare market are

## Domain expertise in healthcare operations, with end-to-end service offerings to Payers and Providers

- They provide end-to-end services to Payers and Providers for the entire lifecycle with over 24 years of experience. But their effective use of technology expertise in their operations is what sets them apart from other service providers.
- Their end-to-end healthcare services are not just a collection of services but a seamless integration of services from front-end to back-end (Everest Report). Set forth below are Payer and Provider services compared to their key competitors.

## Deep, long-term, expanding client relationships across healthcare Payers and Providers

- All of their clients are Payers and Providers based in the U.S. by enrolment in the U.S. (Source: Everest Report).
- Their clients also include some of the top 6 PBMs by claims volume (Source: 170 Everest Report), DMEs and radiology companies. As of June 30, 2024, they have worked with the Business.

## Multi-shore, scalable and flexible delivery model with certified data protection and service standards

- They have a multi-shore service delivery model, whereby they provide services from (U.S., Colombia, Jamaica, India and the Philippines).
- As of June 30, 2024, they had 35,858 employees servicing Payers process 105 million claims and handle over 171 million claims. The location of service delivery in consultation with clients and a flexible work from home model with many of their employees.

## Experienced management and board, motivated employee base, marquee sponsor support and a sustainability focused culture

- Their Key Managerial Personnel and Senior Management are experienced across Payer and Provider services, sourcing, and technology transformation.
- Their Key Managerial Personnel and Senior Management have an average of 23 years as of June 30, 2024, and have several years of experience. They have a combined experience of over 65 years of experience.



## RISK FACTORS

**They rely heavily on key suppliers for raw materials, and disruptions in supply could impact their operations and results.**

The healthcare services industry is highly competitive and their business, financial condition and results of operations

- The healthcare services industry is highly competitive. Increased competition may lead to pricing pressures and contract terms, that could adversely affect their operations.
- A change in any of the above may result in lower demand, results of operations and financial condition. If they could lose clients and market share, be compelled could adversely affect their business, results of operations

**One of their Independent Directors has received summons in relation to an ongoing investigation by SEBI of Linde India Limited and the matter is currently pending.**

- Dr. Shalini Sarin, one of their Independent Directors of Linde India Limited is a member of the audit committee of Linde India Limited on the board of Linde, she received summons dated 11/06/2018 under Sections 11(2) and 11C (2), (3) and (5) of SEBI Act in connection and certain information in relation to respect to certain related party transactions by Linde India Limited related party transactions.

**Anti-outsourcing legislation could adversely affect their business, financial condition and results of operations and impair their ability to service their customers.**

- Many organizations and public figures in the U.S. have expressed concern between offshore outsourcing service providers and their ability to continue operating or restricting outsourcing by U.S. companies are in the process of legislatures to address concerns over the perceived loss of jobs to the U.S.

**Any failure to protect their proprietary technologies or information or their intellectual property rights may have an adverse effect on their business, financial condition, and results of operations.**

- They rely on unpatented proprietary technologies and information to develop and maintain their competitive position.
- They seek to protect their proprietary technologies and information in their agreements with their employees, subcontractors and vendors to prevent the unauthorized disclosure or use of such information.

**If they fail to deliver services in accordance with contractual requirements, they could be subject to significant costs or liability and their business, reputation and results of operations could be adversely affected.**

- They contract with Payers to deliver a variety of services in accordance with contractual requirements. As an example, even though they agree to meet accuracy targets and turnaround times when finalizing

**Their Company does not have any comparable listed peers and, therefore, investors must rely on their own examination of their Company.**

- Given their Company's focus across the Payer and Provider segments in India or abroad that cater to U.S. healthcare and business model. Accordingly, they are not comparable to any other listed entity. Therefore, investors must exercise caution in investing in the Equity Shares.

# PEER COMPARISON

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## OUR VIEWS

- Sagility India Ltd was established in the month of January 2022, establishing itself as a leader among providers.
- Sagility holds a market share of approximately 1.23% as a Leader in the 2023 Avasant and Everest rankings.
- Sagility operates in the expanding U.S. healthcare market projected to reach 18.2% of GDP by 2028, growing at a CAGR of 10.5%.
- The U.S. leads global healthcare spending, with per capita spending on chronic diseases, and a talent shortage in healthcare.
- Sagility focuses on solutions for U.S. payers, offering payment processing, digital and software capture market share in the market.
- However, the company is solely focused on the US healthcare industry, including outsourcing and other trends.
- The company operates in the healthcare service industry from healthcare specialists, broad based IT and business providing products or solutions for healthcare industry.
- As of June 2024, Sagility served five of the top 10 U.S. service scope, including process mining, clinical decision support, and patient engagement.
- Sagility's strategy focuses on expanding services with existing relationships with new clients across U.S. healthcare providers.
- Advanced technology applications such as generative AI, enhances Sagility in areas like payment integrity, clinical decision support, and patient engagement.
- The March 2024 acquisition of Birchbase enhances Sagility's capabilities in patient support, streamlining healthcare transactions.
- The company recorded significant goodwill and intangible assets as on June 30, 2024, stood at Rs 5679.26 crore, which is 18.94% of total assets as of June 2024.
- Total income of 4,781.50 crore, net profit of 228.27 crore. In 1QFY2025, Total income of 1,247.76 crore, net profit of 100.00 crore.
- Adjusted EBITDA for FY24 was 1,171.4 crore with a margin of 24.5%, indicating strong operational cash generation.
- Client concentration is notable, with top 10 clients contributing 25% of revenue. The company's client base (>\$200 million) increasing from 100 to 150.
- The issuance being a 100% Offer for Sale (OFS), no further dilution and listing benefit.
- This issue is available at P/E of 56.60x and 150.00x, which is relatively priced. Despite the high P/E ratio, Sagility's strong relationships position it as a promising investment opportunity in the healthcare industry.

We recommend to **SUBSCRIBE** this issue for long-term gains.

Sources: Company website and red herring prospectus

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