



Sagility India Ltd. provides technology-enabled business solutions and services to clients in the U.S. healthcare industry. Sagility is a pure-play healthcare-focused services provider, and the company's clients include 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). Sagility's services to Payers cater to various aspects of their operations, including (i) core benefits administration functions such as claims management, enrollment, benefits plan building, premium billing, credentialing, and provider data management, and (ii) clinical functions such as utilization management, care management, and population health management. The company's services to Providers include revenue cycle management functions such as financial clearance, medical coding, billing, and accounts receivable follow-up services. Additionally, Sagility also provides some of the services that it provides to Payers to pharmacy benefit managers (PBMs) that manage prescription drugs for Members (insured persons) under health insurance plans. Sagility delivers these services leveraging its tools and platforms, as needed, through its capable talent pool from its five global service delivery locations in India, the Philippines, the U.S., Jamaica, and Colombia. Sagility continues to expand its business to newer clients. During the financial years FY24 and FY23 and the quarter ended Q1FY25, Sagility added 13, 7, and 2 new clients, respectively, while continuing to expand the portfolio of services provided to its five largest client groups by revenue. Sagility has long-term master services agreements with its clients and executes individual scope of work documents (SOWs) for each engagement. Further, under each of these SOWs, Sagility provides multiple lines of business (LOBs). Sagility has grown its SOWs with its five largest client groups from 337 as of FY22, to 352 as of FY24, and 358 as of Q1FY25.

#### Investment Rationale:

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

- With per capita healthcare expenditure amounting to US\$12,555.3 (₹1,048,345.0) in 2022, the U.S. economy was the highest spender on healthcare among leading economies. Healthcare operations expenditure (i.e., expenditure on front and back-office functions to support Payers and Providers) was valued at US\$201.1 billion (₹16.8 trillion) in FY23 and is expected to reach approximately US\$258.9 billion (₹21.6 trillion based on an exchange rate of US\$1 to ₹83.49) in FY28.
- While the healthcare market is expected to grow, challenges faced by the healthcare market are expected to drive outsourcing growth. In FY23, the aggregate outsourcing penetration rate in the U.S. healthcare operations market stood at 21.5-23.5%, resulting in a total outsourced operations spend of approximately US\$45.0 billion (₹3.8 trillion).
- Within the healthcare operations outsourced market, Sagility had a share of approximately 1.18% and approximately 1.23% in FY22 and FY23 respectively. The company has been recognized for the quality and scale of its services by industry experts. Sagility was ranked as a Leader by Avasant in their Clinical Services Business Process Transformation RadarView report FY23 and as a Leader in Everest's Healthcare Payer Operations PEAK Matrix Assessment FY23.

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

- All of Sagility's clients are Payers and Providers based in the U.S. As of January 2024, Sagility served 5 of the top 10 Payers by enrollment in the U.S. Sagility's clients also include one of the largest U.S.-based hospital networks in terms of revenue as of January 2024, three of the top six PBMs by claims volume, and other large diagnostic laboratories, hospitals, DMEs, and radiology companies.
- As of June 30, 2024, Sagility's five largest client groups had an average tenure of 17 years with the company. Sagility has high client stickiness and retention, with recurring revenues accounting for a high proportion of total revenues. For FY24 and Q1FY25, Sagility's revenue retention rates were 110.75% and 110.82%, respectively.

##### Pursue strategic acquisitions and collaborations:

- Over the last 20 months, Sagility has successfully executed two acquisitions, benefiting from the synergies, technologies, and talent pools of the acquired companies.
- In April 2023, Sagility acquired Devlin Consulting Inc. (DCI), enhancing its payment integrity capabilities.
- Before the acquisition, DCI had a 28-year history of providing payment integrity services to leading Payers. This acquisition also included DCI's "ContractCentral" technology platform, which acts as a secondary adjudication engine for claims reprocessing and identification of overpayments.
- In March 2024, Sagility acquired BirchAI, a healthcare technology company offering cloud-based, generative AI call technology.
- This acquisition is expected to enhance Sagility's Member and Provider engagement capabilities and further reduce clients' operational costs

**Valuation and Outlook:** Sagility operates in a robust and expanding U.S. healthcare services market, characterized by significant growth in healthcare expenditure and an increasing trend towards outsourcing driven by technological advancements, aging population, and rising chronic disease prevalence. The U.S. healthcare market, valued at \$4.7 trillion in 2023, is projected to grow at a CAGR of 5.5%, reaching \$6.1 trillion by 2028. The U.S. healthcare operations expenditure is expected to rise from \$201.1 billion in FY23 to \$258.9 billion by FY28, with the outsourced market growing at a CAGR of 8.7%. Sagility's strategic acquisitions of Devlin Consulting Inc. and BirchAI are anticipated to enhance its payment integrity and AI-driven engagement capabilities, respectively, supporting future revenue growth and operational efficiencies. Despite these positive trends, Sagility faces significant risks including geographical concentration in the U.S. healthcare market, high client concentration, and challenges inherent to the BPM industry such as wage inflation and high attrition rates. The company's high goodwill percentage (54.67% of total assets) and client concentration (with the top 10 clients contributing 91.15% of revenue) further underscore these vulnerabilities. Nevertheless, Sagility's solid revenue growth (9.61% YoY in Q1FY25) and profitability improvements (29.43% growth in Adjusted PAT in FY24) position it well to capitalize on industry growth. However, sustaining this trajectory will require continued innovation, diversification of its client base, and effective management of operational costs. Sagility's revenue from operations for Q1FY25 was ₹12,233.28 million, a 9.61% YoY increase compared to ₹11,160.93 million in Q1FY24. For FY24, revenue totalled ₹47,535.57 million, showing a 12.69% YoY rise. Adjusted EBITDA for Q1FY25 stood at ₹3,159.65 million, compared to ₹3,033.75 million in Q1FY24. For FY24, Adjusted EBITDA was ₹11,714.61 million, reflecting a 12.13% growth from ₹10,448.64 million in FY23. Adjusted PAT for Q1FY25 was ₹1,446.92 million, compared to Q1FY24's ₹1,424.11 million. For FY24, Adjusted PAT stood at ₹5,895.58 million, showing a notable 29.43% growth from ₹4,555.93 million in FY23, reflecting strong profitability growth. The company's ROE and ROCE in FY24 was 7.67% and 5.06% respectively. We recommend to subscribe to issue as a long term investment with medium risk due to client concentration risks and risks emanating from IT disruption.

#### Key Financial & Operating Metrics (Consolidated)

In INR mn	Revenue	YoY (%)	EBITDA	EBITDA %	PAT	EPS	ROE	ROCE
FY22	9234.07	100.00	1895.85	20.53	-46.71	-0.01	-	0.77
FY23	42184.08	356.83	10272.12	24.35	1435.72	0.31	-	4.78
FY24	47535.57	12.69	10,851.57	22.83	2282.66	0.49	7.67	5.06

#### Issue Snapshot

Issue Open	05-November-24
Issue Close	07-November-24
Price Band	INR 28 - 30
Issue Size (Shares)	70,21,99,262
Market Cap (mIn)	INR 140440

#### Particulars

Fresh Issue (INR mIn)	-
OFS Issue (INR mIn)	INR 21065.98
QIB	50%
Non-institutionals	15%
Retail	35%

#### Capital Structure

Pre Issue Equity	4681328413
Post Issue Equity	4,68,13,28,41
Bid Lot	500 Shares
Minimum Bid amount @ 28	INR 14000
Maximum Bid amount @ 30	INR 15000

#### Share Holding Pattern

	Pre Issue	Post Issue
Promoters	100.00%	85.00%
Public	0.00%	15.00%

#### Particulars

Face Value	INR 10
Book Value	INR 13.76
EPS, Diluted	INR 0.49

#### Objects of the Issue

- Achieve equity share listing benefits

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### Revenue breakdown

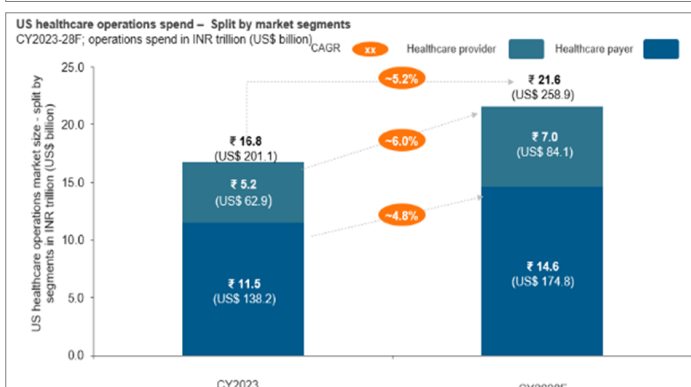
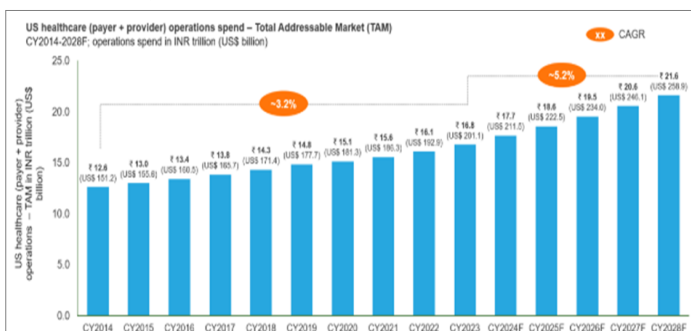
Particulars	For the Quarters Ended June 30,			
	2024		2023	
	(₹ in millions)	% of Revenue from Operations	(₹ in millions)	% of Revenue from Operations
Revenue from Payers	10,900.96	89.11%	9,985.10	89.46%
Revenue from Providers	1,332.32	10.89%	1,175.83	10.54%
<b>Revenue from operations</b>	<b>12,233.28</b>	<b>100.00%</b>	<b>11,160.93</b>	<b>100.00%</b>

Particulars	Financial Year				For the period July 28, 2021 – March 31, 2022*	
	2024		2023		(₹ in millions)	% of Revenue from Operations
	(₹ in millions)	% of Revenue from Operations	(₹ in millions)	% of Revenue from Operations		
Revenue from Payers	42,904.18	90.26%	38,254.26	90.68%	8,447.42	91.48%
Revenue from Providers	4,631.39	9.74%	3,929.82	9.32%	786.65	8.52%
<b>Revenue from operations</b>	<b>47,535.57</b>	<b>100.00%</b>	<b>42,184.08</b>	<b>100.00%</b>	<b>9,234.07</b>	<b>100.00%</b>

### Industry Overview:

Healthcare expenditure in the U.S. has grown at a CAGR of 5.0% from 2014 to 2023 and amounted to US\$4.7 trillion (₹389.6 trillion) in 2023. It is further anticipated to grow at a CAGR of 5.5%, reaching US\$6.1 trillion (₹509.8 trillion) by 2028. The U.S. healthcare market comprises two primary entities with respect to care financing and care delivery: healthcare payers and healthcare providers. Healthcare payers are entities that pay for or reimburse healthcare services for insured members through health insurance plans. Healthcare providers are individuals or healthcare facilities that are licensed to deliver care services or aid in care delivery, such as doctors, clinics, hospitals, labs, and durable medical equipment providers. Healthcare operations spending by such payers and providers in the U.S. was valued at approximately US\$201.1 billion (₹16.8 trillion) in 2023. This spending is expected to reach approximately US\$258.9 billion (₹21.6 trillion) in 2028, driven by the rise in the ageing population, the increasing prevalence of chronic diseases, and various governmental initiatives aimed at enhancing healthcare services, among other factors.

### US healthcare operations spend



### Investment Rationale:

**Leader in the large and resilient U.S. Payer and Provider solutions market:** With per capita healthcare expenditure amounting to US\$12,555.3 (₹1,048,345.0) in 2022, the U.S. economy was the highest spender on healthcare among leading economies. Healthcare operations expenditure (i.e., expenditure on front and back-office functions to support Payers and Providers) was valued at US\$201.1 billion (₹16.8 trillion) in FY23 and is expected to reach approximately US\$258.9 billion (₹21.6 trillion) based on an exchange rate of US\$1 to ₹83.49 in FY28. Growth in the U.S. healthcare market is expected to be driven by several factors, including a rise in the aging population and increasing prevalence of chronic diseases. While the healthcare market is expected to benefit from these tailwinds, challenges faced by the healthcare market are expected to drive outsourcing growth. These factors include continued staffing shortages propelling an increased demand for third-party support and regulatory changes. In FY23, the aggregate outsourcing penetration rate in the U.S. healthcare operations market stood at 21.5-23.5%, resulting in a total outsourced operations spend of approximately US\$45.0 billion (₹3.8 trillion). While the overall healthcare outsourced operations market is expected to grow at a CAGR of approximately 8.7%, the Payer outsourced market is forecasted to grow at a CAGR of approximately 7.0% from FY23 to FY28. The Provider operations outsourced market, on the other hand, is expected to grow at a CAGR of approximately 12.5%.

The size and expected growth in the U.S. healthcare services market, outsourcing trends driven by technological and other developments, and the non-discretionary nature of Sagility's services help drive growth in the company's business. The company has capitalized on this growth opportunity over the last 24 years, providing a comprehensive range of services to Payers and Providers. Sagility's services to Payers encompass the entire spectrum of their operations,

including core non-discretionary benefits administration functions and clinical services. To Providers, the company provides end-to-end revenue cycle management services which help them manage their billing and payment from Payers and patients. Sagility has become one of the largest tech-enabled healthcare specialists (by revenue) with coverage across payer and provider markets by building out its end-to-end portfolio of services in the outsourced operations market for both Payers and Providers. Within the healthcare operations outsourced market, Sagility had a share of approximately 1.18% and approximately 1.23% in FY22 and FY23 respectively. The company has been recognized for the quality and scale of its services by industry experts. Sagility was ranked as a Leader by Avasant in their Clinical Services Business Process Transformation RadarView report FY23 and as a Leader in Everest's Healthcare Payer Operations PEAK Matrix Assessment FY23.

**Deep, long-term, expanding client relationships across healthcare Payers and Providers:** All of Sagility's clients are Payers and Providers based in the U.S. As of January 2024, Sagility served 5 of the top 10 Payers by enrollment in the U.S. Sagility's clients also include one of the largest U.S.-based hospital networks in terms of revenue as of January 2024, three of the top six PBMs by claims volume, and other large diagnostic laboratories, hospitals, DMEs, and radiology companies. As of June 30, 2024, Sagility's five largest client groups had an average tenure of 17 years with the company. Sagility has high client stickiness and retention, with recurring revenues accounting for a high proportion of total revenues. For FY24 and Q1FY25, Sagility's revenue retention rates were 110.75% and 110.82%, respectively. The strong client relationships can be attributed to Sagility's focus on account management, reliable and high-quality delivery, deep understanding of the client's business, and the ability to grow and scale the portfolio of services over time. For example, Sagility has a relationship with its third largest client (a national top 10 Payer) spanning over 10 years. From July 28, 2021, to FY24, Sagility's revenues from this client have grown at a CAGR of 20.58%, consistently increasing its wallet share from the client. Sagility has expanded its services provided to the client over prior periods and has an established presence across most of its key lines of business. Furthermore, Sagility continues to expand its business to newer clients. During FY24, FY23, and Q1FY25, Sagility added 13, 7, and 2 new clients, respectively, while continuing to expand the portfolio of services provided to its five largest client groups by revenue. Typically, Sagility establishes relationships with multiple stakeholders within each client and services different parts of their organization. Sagility has long-term master services agreements with its clients and executes individual scope of work documents (SOWs) for each engagement. Under each of these SOWs, Sagility provides multiple lines of business (LOBs). Sagility has grown its SOWs with its five largest client groups from 337 as of March 31, 2022, to 352 as of March 31, 2024, and 358 as of June 30, 2024. With each client, Sagility enters into service-level agreements (SLAs), which define the level of service expected by the client, laying out the metrics by which that service is measured, and the remedies or penalties, if any, should the agreed-on service levels not be achieved. During Q1FY25 and Q1FY24, and FY24, FY23, and the period from July 28, 2021, to March 31, 2022, Sagility recorded compliance (meeting or exceeding the level of service expected) with 96.70%, 95.11%, 95.34%, 93.23%, and 94.44% of its SLAs across its clients.

Metric	As of June 30,		As of March 31,		
	2024	2023	2024	2023	2022
Total number of client groups*	42	37	44	35	31
Number of New Client Additions	2	2	13	7	N/A
Number of clients contributing to more than US\$20 million in revenues **	5	4	5	4	3
Number of clients contributing to US\$5 million – US\$20 million in revenues **	7	7	7	7	Nil
Number of clients contributing to US\$1 million – US\$5 million in revenues **	13	14	12	12	10
Less than US\$1 million in revenues **	17	12	20	12	18

**Pursue strategic acquisitions and collaborations:** Over the last 20 months, Sagility has successfully executed two acquisitions, benefiting from the synergies, technologies, and talent pools of the acquired companies. In April 2023, Sagility acquired Devlin Consulting Inc. (DCI), enhancing its payment integrity capabilities. Before the acquisition, DCI had a 28-year history of providing payment integrity services to leading Payers. This acquisition also included DCI's "ContractCentral" technology platform, which acts as a secondary adjudication engine for claims reprocessing and identification of overpayments. In March 2024, Sagility acquired BirchAI, a healthcare technology company offering cloud-based, generative AI call technology. This acquisition is expected to enhance Sagility's Member and Provider engagement capabilities and further reduce clients' operational costs by providing various AI-powered real-time customer support

solutions for managing complex healthcare transactions using proprietary speech-to-text and large language models (LLMs) that efficiently integrate with Sagility's end-to-end engagement solutions. Sagility has a dedicated team that evaluates strategic opportunities, identifies suitable targets, and effectively executes potential opportunities. The company seeks to pursue acquisitions to expand its portfolio of services in the Payer and Provider segments and other adjacent segments of the market and to enhance its technology capabilities. Sagility also expects to significantly benefit from EQT's global expertise in identifying and executing acquisitions.

**Key risk:** Sagility's exclusive focus on the US healthcare industry exposes it to geographical concentration risks. As of Q1FY25, goodwill constituted 54.67% of Sagility's total assets due to its acquisitions. The company also faces high client concentration risks, with its 3, 5, and 10 largest client groups contributing 66.92%, 78.69%, and 91.15%, respectively, to its revenue from operations in Q1FY25. Operating in the business process management (BPM) industry, which is characterized by continual wage increases and high attrition rates, Sagility's profitability is vulnerable to fluctuations in hiring and training costs for its employees.

**Valuation and outlook:** Sagility operates in a robust and expanding U.S. healthcare services market, characterized by significant growth in healthcare expenditure and an increasing trend towards outsourcing driven by technological advancements, aging population, and rising chronic disease prevalence. The U.S. healthcare market, valued at \$4.7 trillion in 2023, is projected to grow at a CAGR of 5.5%, reaching \$6.1 trillion by 2028. The U.S. healthcare operations expenditure is expected to rise from \$201.1 billion in FY23 to \$258.9 billion by FY28, with the outsourced market growing at a CAGR of 8.7%. Sagility's strategic acquisitions of Devlin Consulting Inc. and BirchAI are anticipated to enhance its payment integrity and AI-driven engagement capabilities, respectively, supporting future revenue growth and operational efficiencies. Despite these positive trends, Sagility faces significant risks including geographical concentration in the U.S. healthcare market, high client concentration, and challenges inherent to the BPM industry such as wage inflation and high attrition rates. The company's high goodwill percentage (54.67% of total assets) and client concentration (with the top 10 clients contributing 91.15% of revenue) further underscore these vulnerabilities. Nevertheless, Sagility's solid revenue growth (9.61% YoY in Q1FY25) and profitability improvements (29.43% growth in Adjusted PAT in FY24) position it well to capitalize on industry growth. However, sustaining this trajectory will require continued innovation, diversification of its client base, and effective management of operational costs. Sagility's revenue from operations for Q1FY25 was ₹12,233.28 million, a 9.61% YoY increase compared to ₹11,160.93 million in Q1FY24. For FY24, revenue totalled ₹47,535.57 million, showing a 12.69% YoY rise. Adjusted EBITDA for Q1FY25 stood at ₹3,159.65 million, compared to ₹3,033.75 million in Q1FY24. For FY24, Adjusted EBITDA was ₹11,714.61 million, reflecting a 12.13% growth from ₹10,448.64 million in FY23. Adjusted PAT for Q1FY25 was ₹1,446.92 million, compared to Q1FY24's ₹1,424.11 million. For FY24, Adjusted PAT stood at ₹5,895.58 million, showing a notable 29.43% growth from ₹4,555.93 million in FY23, reflecting strong profitability growth. The company's ROE and ROCE in FY24 was 7.67% and 5.06% respectively. We recommend to subscribe to issue as a long term investment with medium risk due to client concentration risks and risks emanating from IT disruption.

Income Statement					Balance Sheet				
Y/E (INR mn)	FY22	FY23	FY24	1QFY25	Y/E (INR mn)	FY22	FY23	FY24	1QFY25
Revenue	9,234.07	42,184.08	47,535.57	12,233.28	<b>Source of funds</b>				
Expenses:					Equity Share Capital	19186.72	19186.72	42852.82	46792.74
Other Expenses	2281.09	6969.95	7,278.23	1,790.09	Reserves	-45899.65	-24099.11	21578.46	29288.83
Employee Cost	5057.13	24942.01	29376.44	8503.72	Total Share holders	40266.16	62066.70	64431.28	76081.57
Total Expenses	7,338.22	31,911.96	36,684.00	8,820.20	Total Debt	41,842.19	23,236.98	19,137.00	9,439.12
EBITDA	1,895.85	10,272.12	10,851.57	3,413.08	Current Liabilities	8,849.62	10,564.42	14,521.18	2,695.72
EBITDA Margin %	20.53	24.35	22.83	27.9	Trade Payables	1149.48	2134.67	2593.02	2531.31
Interest	652.16	2,148.49	1,851.45	373.74	Total Non-Current	51,734.51	32,659.37	26,335.85	17,280.14
Depreciation	1472.10	6443.38	6892.11	1099.87	<b>Total Liabilities</b>	1,00,850.29	1,05,290.49	1,05,288.31	1,03,880.07
Other Income	209.87	176.52	308.80	244.27	<b>Application of funds</b>				
PBT	-18.54	1,856.77	2,416.81	710.13	Fixed Assets	8177.69	8249.54	9496.87	9155.48
PAT	-46.71	1,435.72	2,282.66	222.94	Cash and Bank	3738.01	5852.87	3441.26	3760.73
EPS	-0.01	0.31	0.49	0.05	Current Assets	14064.24	17934.22	17199.23	15795.13
					Trade Receivables	9262.01	10685.84	11813.36	10040.57
					Other current assets	677.19	685.46	940.34	1302.18
					<b>Total Assets</b>	1,00,850.29	1,05,290.49	1,05,288.31	1,03,880.07

Cash Flow					Key Ratios				
Y/E (INR mn)	FY22	FY23	FY24	1QFY25	Y/E (INR mn)	FY22	FY23	FY24	FY25
Profit Before Tax	-18.54	1856.77	2416.81	710.13	<b>Growth Ratio</b>				
Adjustment	1974.23	9113.30	8692.79	2160.4	Net Sales Growth(%)	0.00	356.83	12.69	
Changes In working Capital	-2181.25	-703.89	-113.94	967	EBITDA Growth(%)	0.00	396.20	6.81	
Cash Flow after changes in Working Capital	-225.56	10266.18	10995.66	3,837.53	PAT Growth(%)	0.00	3173.69	58.99	
Tax Paid	-93.36	-1698.40	-1263.11	-139.96	<b>Margin Ratios</b>				
Cash From Operating Activities	-318.92	8567.78	9732.55	3,697.57	Gross Profit	45.23	40.87	38.20	
Cash Flow from Investing Activities	-77139.96	-1290.59	-4690.59	-3985.11	EBITDA	20.53	24.35	22.83	
Cash from Financing Activities	81163.50	-5446.17	-7513.38	627.4	PBT	-0.2	4.4	5.08	
Net Cash Inflow / Outflow	3704.62	1831.02	-2471.42	339.86	PAT	-0.51	3.4	4.8	
Opening Cash & Cash Equivalents	0.00	3738.01	5852.87	3441.26	<b>Return Ratios</b>				
Closing Cash & Cash Equivalent	3738.01	5852.87	3441.26	3760.73	ROA	-0.05	1.39	2.17	
					ROE	0.00	0.00	7.67	
					ROCE	0.77	4.78	5.06	
					<b>Turnover Ratios</b>				
					Asset Turnover(x)	0.09	0.41	2.21	
					Inventory Turnover(x)	0.00	0.00	0.00	
					Fixed Asset Turnover (x)	0.11	0.46	0.49	
					<b>Solvency Ratios</b>				
					Total Debt/Equity(x)	-1.57	-4.73	0.30	
					Current Ratio(x)	1.59	1.70	1.18	
					Quick Ratio(x)	1.59	1.70	1.18	
					Interest Cover(x)	0.97	1.86	5.86	
					<b>Valuation Ratios</b>				
					P/E	--	--	61.22	
					EV/EBITDA	-	-	14.39	



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Analyst holding in stock: **NO**

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**Contact us:**

**SMIFS Limited. (<https://www.smifs.com/>)**

**Compliance Officer:**

**Sudipto Datta,**

5F Vaibhav, 4 Lee Road, Kolkata 700020, West Bengal, India.

Contact No.: +91 33 4011 5401 / +91 33 6634 5401

Email Id.: [compliance@smifs.com](mailto:compliance@smifs.com)

**Mumbai Office:**

206/207, Trade Centre, Bandra Kurla Complex (BKC), Bandra East, Mumbai – 400051, India

Contact No.: (D) +91 22 4200 5508, (B) +91 22 4200 5500

Email Id: [institutional.equities@smifs.com](mailto:institutional.equities@smifs.com)

**Kolkata Office:**

Vaibhav, 4 Lee Road, Kolkata 700020, West Bengal, India.

Contact No.: (D) +91 33 6634 5408, (B) +91 33 4011 5400

Email Id: [smifs.institutional@smifs.com](mailto:smifs.institutional@smifs.com)

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