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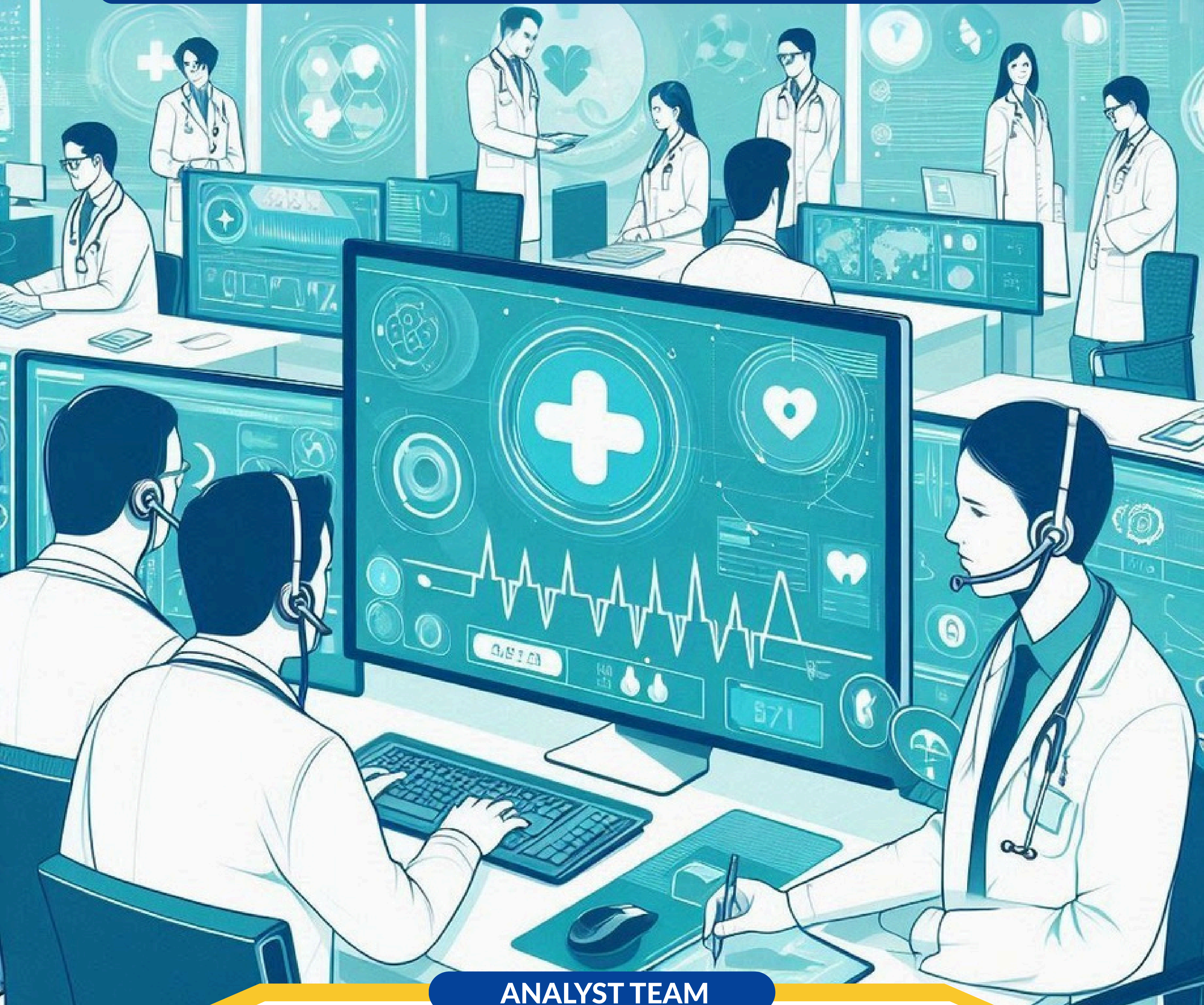
JULY, 2025

INVESTMENT IDEA

Sagility India Ltd

A Compelling Bet on the High-Growth, Underpenetrated U.S. Healthcare BPS Market



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sagility

Sagility India Ltd.

Industry: IT Enabled Services

CMP : ₹ 41.5
Recommendation : Buy

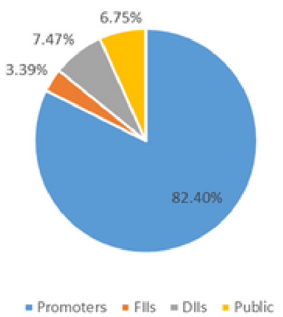
Key Data

BSE Code	544282
NSE Code	SAGILITY
52 Week High (₹)	56.44
52 Week Low (₹)	27.02
Market Cap (₹ Cr)	₹19428
Face Value	10
Date of Report	08-07-2025

Industry Snapshot

Customers	Global
Market Presence	Global
Govt Regulations	High
Msearch View	Positive

Shareholding Pattern



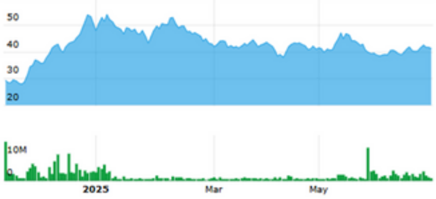
Promoters/ Management

Mr. Martin I Cole	Chairperson
Mr. Ramesh Gopalan	CEO - MD

Key Ratios

PE	36.5
EPS	1.2
ROE	7.30%
ROCE	9.48%

Price Chart



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Introduction

Sagility India Ltd (Sagility) 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. The company has become one of the largest tech-enabled healthcare specialists (by revenue) with coverage across payer and provider markets.

Investment Rationales:

1) Leader in the large and resilient U.S. Payer and Provider solutions market: The U.S. healthcare operations market, valued at US$201.1 Bn in 2023, is expected to grow to US$258.9 Bn by 2028, driven by an aging population, chronic disease prevalence, and ongoing staffing shortages. These challenges are fueling demand for outsourcing, with the outsourced segment reaching ~US$45 Bn in 2023, and projected to grow at a CAGR of ~8.7%. Sagility provides end-to-end services to both Payers and Providers and has grown into one of the largest tech-enabled healthcare specialists by revenue, with a 1.23% market share in 2023. The company has earned leadership recognition from Avasant and Everest for its clinical and payer operations services.

2) Domain expertise in healthcare operations, with end-to-end service offerings to Payers and Providers: Sagility offers technology-enabled, end-to-end services to U.S. Payer and Provider clients, backed by over 24 years of domain experience. With nearly 1,920 employees holding healthcare degrees, the company leverages deep industry expertise to deploy technologies like RPA, analytics, and Gen AI. This enables it to optimize critical processes such as pre-authorizations, claims management, utilization management, and Member engagement, while also developing solutions in areas like payment integrity and elderly care.

3) Deep, long-term, expanding client relationships across healthcare Payers and Providers: As of January 2024, Sagility exclusively serves U.S.-based Payers and Providers, including 5 of the top 10 Payers by enrolment, 3 of the top 6 PBMs by claims volume, and one of the largest hospital networks in the U.S. by revenue. The company maintains strong client relationships, reflected in its impressive revenue retention rates of 110.75% in FY2024 and 110.82% for the quarter ended June 30, 2024. In addition to retaining and expanding services with key accounts, Sagility continues to grow its client base—adding 13 new clients in FY2024, 7 in FY2023, and 2 in Q1 FY2025. The company supports its client relationships through dedicated client management teams and a sales and marketing function with account-based marketing capabilities, including content creation, proposal writing, and design. Several sales team members are U.S.-based, enabling close coordination with clients and enhancing responsiveness.

4) Multi-shore, scalable and flexible delivery model with certified data protection and service standards: Sagility operates a multi-shore delivery model across 31 locations in 5 countries (U.S., Colombia, Jamaica, India, and the Philippines), with 35,858 employees as of June 30, 2024. In FY2024, it processed 105 million claims and handled 75 million interactions for U.S. Members and Providers. Service locations are chosen in consultation with clients, and many employees work remotely. The company maintains rigorous, service-line-specific quality controls and adheres to global standards like ISO27001, SOC1/SOC2, HIPAA, and NCQA to ensure compliance and data protection.

5) Pursue strategic acquisitions and collaborations: Over the past 20 months, Sagility has executed three strategic acquisitions, enhancing its capabilities, technology portfolio, and talent base. In April 2023, it acquired Devlin Consulting Inc. (DCI), strengthening its payment integrity offerings and gaining DCI's "Contract Central" platform for claims reprocessing and overpayment identification. In March 2024, the acquisition of BirchAI added advanced generative AI-based, cloud call technology to its portfolio. Most recently, in January 2025, Sagility acquired BroadPath Healthcare Solutions, adding over 1,600 employees, 30+ clients, and expanding its footprint in the mid-market segment. This move also brought another Top-10 U.S. payer into its client base, bringing the total to six of the Top 10 U.S. payers served by Sagility.

Risks

1. Decline in US healthcare Industry growth.
2. Highly Competitive Industry.
3. Volatility in currencies.

Mview

We believe Sagility India Ltd presents a compelling long-term opportunity in the expanding U.S. healthcare operations market, which is expected to reach USD 258.9Bn by 2028. With over 24 years of domain experience and a focused presence in the U.S. healthcare segment, Sagility has emerged as a trusted tech-enabled partner, serving six of the top 10 U.S. payers and three of the top six PBMs. We think the company's strong client base, 1.23% market share in 2023, and nearly 1,920 healthcare-trained employees underscore its domain depth and execution strength. Leveraging GenAI, RPA, and advanced analytics, Sagility offers end-to-end solutions across claims, payment integrity, utilization, and member engagement. We also think Strategic acquisitions like DCI, BirchAI, and BroadPath have significantly enhanced its service capabilities and client reach—expanding its client base from 42 to 72 and adding deeper access to top U.S. payer accounts. Financially, Sagility has shown robust topline growth of 12.7% and 17.2% in FY24 and FY25, with net profit surging 59% and 136.2%, respectively. We believe the BroadPath acquisition is expected to drive revenue growth above 25% in FY26–27E. With a strong multi-shore delivery model, global compliance certifications, and strategic acquisitions, we see Sagility well-positioned to benefit from structural healthcare trends such as aging demographics and rising chronic conditions. Hence, we initiate with a BUY rating on Sagility India Ltd with a target of ₹ 57 (based on 25x FY2027e EPS), we recommend accumulating the stock for long-term investors, offering a potential upside of 37%.

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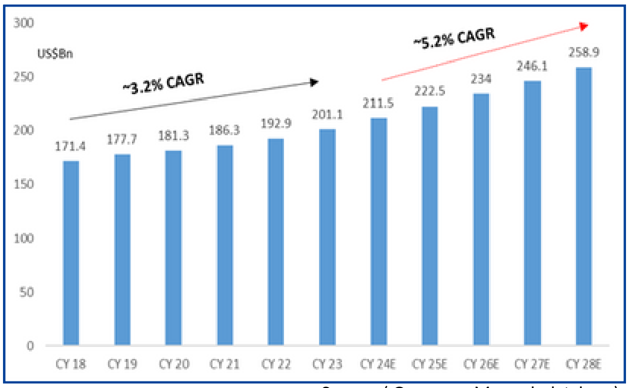
INDUSTRIAL OVERVIEW - U.S. Healthcare Outsourcing Set to Surge: Market Trends and Strategic Imperatives

1 Healthcare Outsourcing in U.S. Hits $45 Bn, Set for Rapid Growth Through 2028

Between CY 2014 and CY 2023, the total outsourced operations spend in the U.S. healthcare market grew at a CAGR of approximately 6.1%. By 2023, the outsourcing penetration in this market reached around 21.5% to 23.5%, translating to a total outsourced operations spend of nearly US$45.0 billion (₹3.8 trillion). Within this, the healthcare payer segment exhibited a higher outsourcing penetration of 22.0% to 24.0%, while the provider segment had a slightly lower penetration of 19.5% to 21.5%. Looking ahead, the outsourced operations market is projected to grow faster than the insourced segment. The overall healthcare outsourced operations market is expected to grow at a CAGR of ~8.7% from 2023 to 2028, with the payer segment growing at ~7.0% and the provider segment at a significantly faster pace of ~12.5%.



Source: (Company, Msearch database)

Category	US Healthcare Operations Market Size CY 2023 ($Bn)	Outsourcing Penetration (%)	CAGR of Outsourced operations (2023-2028)	Outsourcing Penetration ($Bn)
Healthcare Provider	62.9	19.5%-21.5%	~7%	13
Healthcare Payers	138.2	22%-24%	~12.5%	32
Total	201.1			45

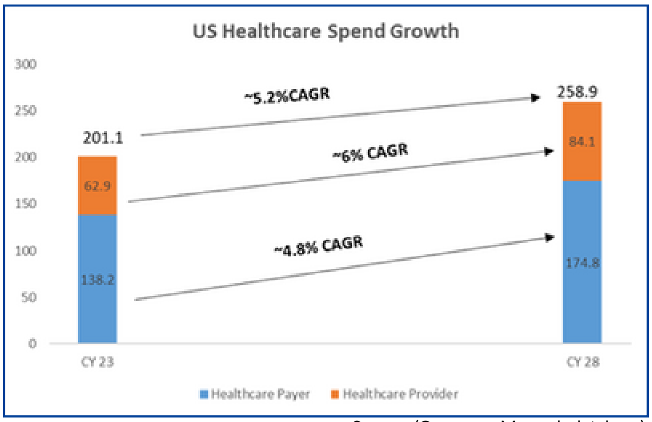
Source: Company, Msearch Database

2 U.S. Healthcare Operations Spend to Reach $259 Billion by 2028, Driven by Payer Growth and Rising Service Demand

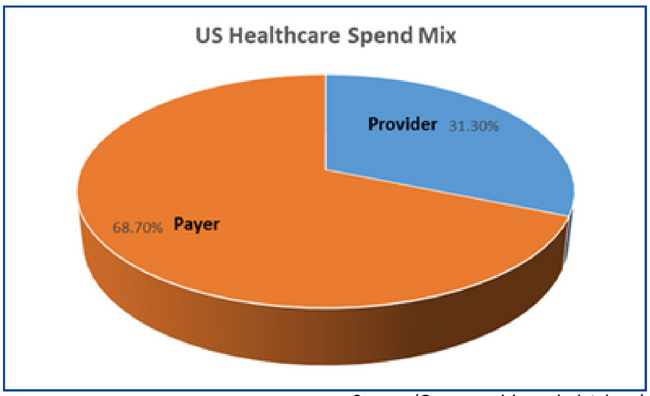
Between 2014 and 2023, healthcare operations spending in the U.S. grew at a CAGR of approximately 3.2%, reaching an estimated US$201.1 billion (₹16.8 trillion) in 2023. This figure is projected to rise to around US$258.9 billion (₹21.6 trillion) by 2028, driven by factors such as an aging population, a rise in chronic diseases, and increased government initiatives to enhance healthcare services.

In 2023, healthcare payers accounted for the majority of this spend—approximately 68.7% or US$138.2 billion (₹11.5 trillion)—while providers contributed the remaining 31.3% or US$62.9 billion (₹5.2 trillion). Payer operations spending is expected to grow at a CAGR of 4.8%, reaching US$174.8 billion (₹14.6 trillion) by 2028, outpacing the growth in the insured population, which grew at just 1.3% annually from 2019 to 2022. This acceleration is fuelled by evolving care models and increasing consumer expectations.

Meanwhile, the provider operations segment is projected to grow at a faster pace of 6.0% CAGR, reaching US$84.1 billion (₹7.0 trillion) by 2028, driven by rising demand for healthcare services and the growing complexity of billing and administrative processes.



Source :(Company, Msearch database)



Source :(Company, Msearch database)

3 Key Drivers of Growth in US Healthcare Outsourcing

• Continued staffing shortages

The U.S. healthcare industry faces a growing shortage of clinical talent, leading to delays in care processes and potential revenue losses for payers. This shortage strains existing staff, increases error risks, and impacts patient experience and Star ratings. As a result, demand is rising for service providers offering skilled clinical talent (like nurses) through cost-effective models, allowing in-house staff to focus on core patient care and improve outcomes.

• Regulatory changes accelerating emphasis on better member engagement

Healthcare regulatory changes, like the end of the Public Health Emergency and Medicaid eligibility reviews, are increasing administrative demands on providers. Despite higher Medicare Advantage payments, financial pressures persist due to slower growth and rising costs. To manage these challenges and ensure compliance, healthcare organizations are investing more in staff training and technology but face higher expenses. Consequently, many are outsourcing administrative tasks such as eligibility verification, member engagement, and claims management to specialized service providers to reduce risks and improve efficiency.

• Transition to ICD-11

The ICD-11 coding system includes over 55,000 codes—nearly 4x more than ICD-10's 14,400—according to the CDC. This transition poses challenges for healthcare entities, including increased administrative workload, higher demand for coding talent, greater training costs, and the need for tech upgrades. Unprepared organizations risk more claim rejections, reduced efficiency, and revenue loss. This creates an opportunity for service providers to support them with certified coders and scalable technology across coding, billing, and claims processes.

• Medical Loss Ratio (MLR) requirements

CMS's MLR rules require payers to spend at least 80% of premiums on clinical care and quality, with rebates if standards aren't met. Rising chronic disease burdens and high utilization increase administrative costs, making it hard for payers to stay compliant. To optimize expenses and maintain MLR compliance, payers are likely to outsource non-core tasks like member engagement and claims processing.

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RATIONALES OVERVIEW - Sagility: A Scaled, Tech-Enabled Leader Dedicated to the U.S. Healthcare Services Ecosystem

1 One of the largest tech-enabled pure-play global Healthcare Services players

The overview of Sagility's scale, capabilities, and industry presence as a healthcare-focused service provider. The company is entirely dedicated to the U.S. healthcare sector, serving a diverse client base that includes 5 of the top 10 U.S. payers and 3 of the top 6 pharmacy benefit managers (PBMs). With 24 years of healthcare experience and an average client tenure of 17 years, Sagility has established itself as a trusted partner in the industry. It offers end-to-end solutions spanning both clinical and administrative services across payer and provider segments, including claims management, payment integrity, clinical management, member and provider engagement, and revenue cycle management. Leveraging advanced technologies such as Robotic Process Automation (RPA), predictive analytics, complex recognition, and healthcare-specific GenAI models, Sagility addresses complex industry challenges through data-driven innovation. On a global scale, the company operates with over 35,000 employees across 32 delivery sites in 5 countries, serving 42 healthcare clients and processing 105 million claims along with over 75 million interactions—highlighting its robust operational capabilities and wide-reaching impact.

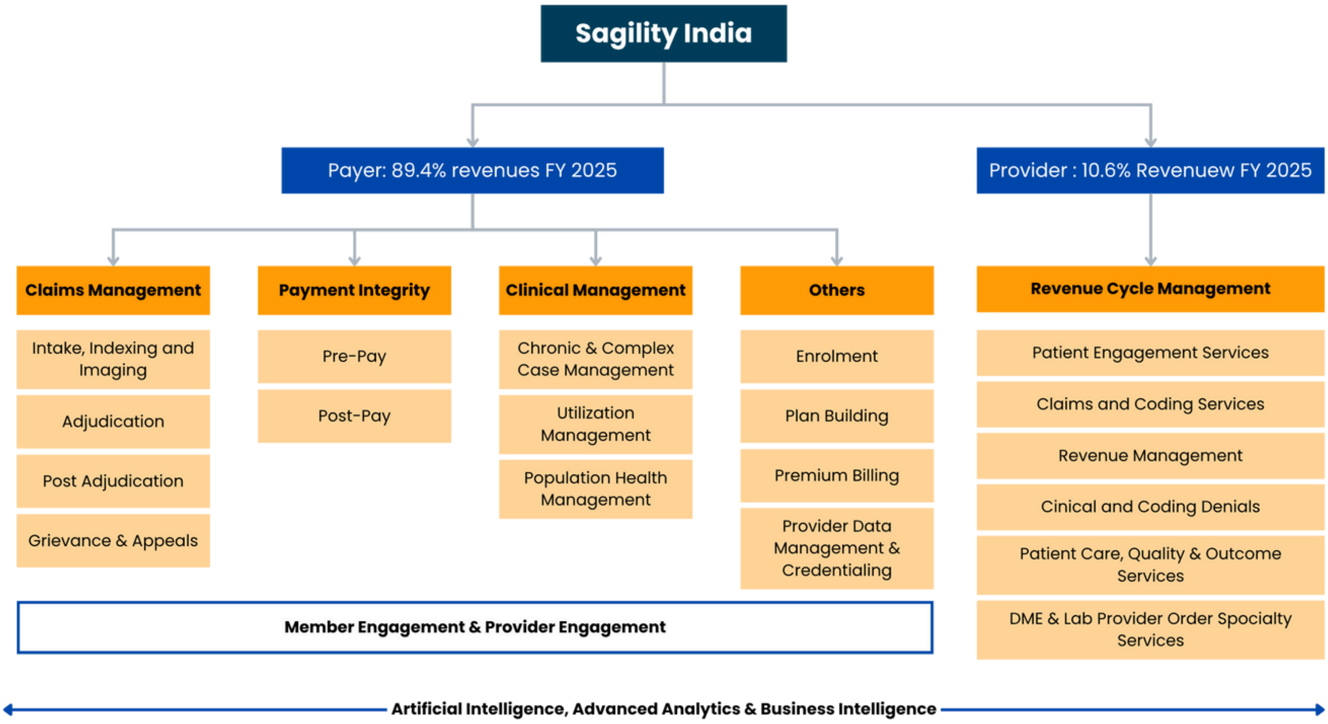
Industry & Clients	100% US Healthcare focused	Diverse and Broad client portfolio	24 Years of experience in Heathcare	17 Years Average Client tensure	5 of the Top 10 US Payers served	3 of the Top 6 PBMs Served
	Unique player with capabilities encompassing front to back office					
	Payer Services					**Provider Services**
Spanning Across Clinical and Admin service lines	Claims Management	Payment Integrity	Clinical Management	Member Engagement	Provider Engagement	Revenue Cycle Management
	Applying intelligent automation and data-science based capabilities to solve industry challenges					
	RPAs | Predictive Analytics | Complex Recognition | GenAI (Healthcare-specific models)					
Global Scale of Operations	35858 Employees	32 Delivery Sites	5 Countries	42 healthcare clients groups	105Mn Claim processed	75 Mn+ Interactions

Source : (Company, Msearch database)

2 Comprehensive set of services across payers and provides

The comprehensive service offerings of Sagility across the U.S. healthcare value chain, segmented into five core areas: Claims Management, Payment Integrity, Clinical Management, Other Payer Services, and Revenue Cycle Management (RCM). For Payers, which contribute 90.26% of the company's revenue, services include claims intake and adjudication, pre- and post-pay integrity checks, chronic and complex case management, utilization management, and member enrollment and billing. In contrast, Providers, which account for 9.74% of revenue, are primarily served through RCM offerings such as patient engagement, medical coding, revenue management, and clinical denial handling. Both payer and provider services are supported by Sagility's expertise in Artificial Intelligence (AI), Advanced Analytics, and Business Intelligence, ensuring technology-driven, data-informed healthcare solutions. The framework also highlights Sagility's strong focus on member and provider engagement as a unifying function across all service verticals.

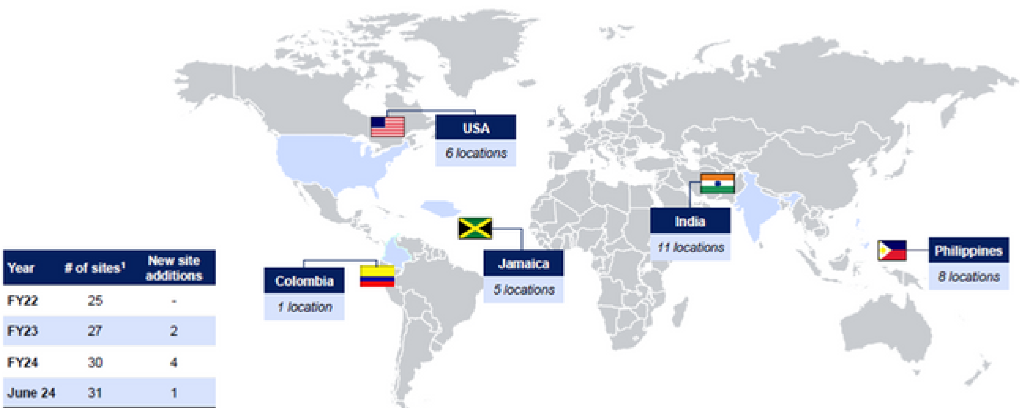
SAGILITY DELIVERS FULL-SPECTRUM SOLUTIONS ACROSS PAYERS AND PROVIDERS



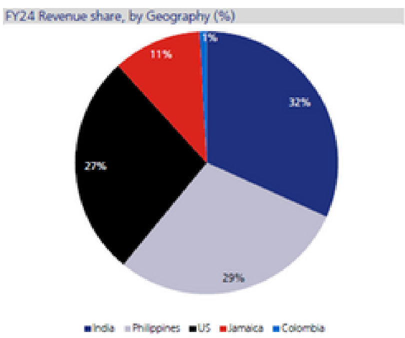
Source : (Company, Msearch database)

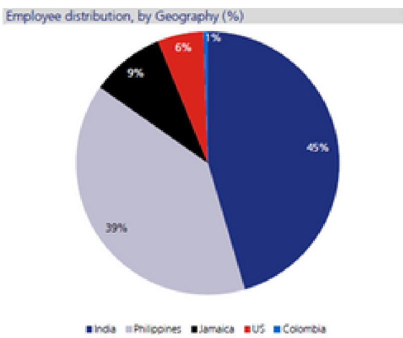
3 Multi- service delivery model

Sagility operates a multi-shore service delivery model across 31 locations in 5 countries (U.S., Colombia, Jamaica, India, and the Philippines), with 35,858 employees as of June 2024. In FY2024, it supported U.S. Payers by processing 105 million claims and managing over 75 million interactions. Service locations are chosen based on client needs, and many employees work remotely. The company maintains rigorous, service-specific quality controls to ensure compliance with global standards like ISO27001, SOC1/2, HIPAA, and NCQA.



Year	# of sites[1]	New site additions
FY22	25	-
FY23	27	2
FY24	30	4
June 24	31	1





Source : (Data as of June 2024, Company, Msearch database)

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Technical Outlook

Technical view

Sagility India continues to maintain a strong upward trajectory, supported by consistent price action and solid trend structure. The stock is trading comfortably above its trendline support at ₹37.77, reinforcing the strength of its ongoing uptrend. It has been forming a series of higher highs and higher lows, a classic sign of bullish momentum. Immediate resistance is observed at ₹49 and ₹50, and a decisive breakout above this zone could open the gates for a rally toward ₹60.00 in the short to medium term. The broader structure remains constructive, with rising volumes supporting the price movement. As long as the stock holds above the ₹37.77 level, the outlook remains positive. Traders and positional investors may consider accumulating with a protective stop-loss at ₹35.00, anticipating further upside as long as market conditions remain favorable.

Technical Analyst

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sagility

Basic Financial Details

Particulars (in ₹ Cr)	2023	2024	2025	2026e	2027e
Revenue from Operations	4218.4	4753.6	5569.9	7129.5	8555.4
Expenses:					
Employee Cost	2494.2	2937.6	3498.9	4477.3	5372.8
Other Expenses	697.0	727.8	773.1	941.1	1086.5
Total Expenditure	3191.2	3665.5	4272.0	5418.4	6459.3
EBITDA	**1027.2**	**1088.1**	**1297.9**	**1711.1**	**2096.1**
EBITDA Margin	**24.4%**	**22.9%**	**23.3%**	**24.0%**	**24.5%**
Other Income	17.7	28.0	56.3	71.3	85.6
Depreciation	644.3	689.2	466.9	606.0	727.2
EBIT	400.5	426.8	887.3	1176.4	1454.4
EBIT Margin	9.5%	9.0%	15.9%	16.5%	17.0%
Interest	214.9	185.2	127.1	53.50	28.5
PBT	185.7	241.7	760.2	1122.9	1425.9
Tax	42.1	13.4	221.1	294.09	363.60
Net Profit	**143.6**	**228.3**	**539.1**	**828.8**	**1062.3**
Net profit Margin	**3.4%**	**4.8%**	**9.7%**	**11.6%**	**12.4%**
Equity Capital	1918.7	4285.3	4679.3	4679.3	4679.3
Face Value	10.0	10.0	10.0	10.0	10.0
Outstanding Shares	191.87	428.53	467.93	467.93	467.93
EPS	0.7	0.5	1.2	1.8	2.3

Source : (Company, Msearch database)

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Msearch's Recommendation (Absolute Performance)
Buy: > 20% within the next 12 Months
Accumulate: 5% to 20% within the next 12 Months
Sell : < -20% within the next 12 Months

PRASHANTH TAPSE

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