SAGILITY INDIA LIMITED

November 04, 2024

SMC Ranking

★★☆☆☆ (2/5)

Issue Highlights

Industry	**Healthcare**
Offer for sale (Shares)	702,199,262
Net Offer to the Public	**702,199,262**
Issue Size (Rs. Cr.)	1966-2107
Price Band (Rs.)	28-30
Employee Discount	Rs.2 per share
Offer Date	5-Nov-24
Close Date	7-Nov-24
Face Value	2
Lot Size	500 Shares

Issue Composition

	In shares
Total Issue for Sale	117,278,618
QIB	58,639,309
NIB	17,591,793
Retail	41,047,516

Shareholding Pattern (%)

Particulars	Pre-issue	Post -issue
Promoters & promoters group	100.00%	85.00%
QIB	0.00%	11.25%
NIB	0.00%	2.25%
Retail	0.00%	1.50%
Total	**100.00%**	**100.00%**

*calculated on the upper price band

Objects of the Issue

The objectives of the Offer are to:

Achieve the benefits of listing the Equity Shares on the Stock Exchanges, and

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.

Book Running Lead Manager

- ICICI SECURITIES LIMITED
- IIFL SECURITIES LIMITED
- JEFFERIES INDIA PRIVATE LIMITED
- J.P. MORGAN INDIA PRIVATE LIMITED

Name of the registrar

- LINK INTIME INDIA PRIVATE LIMITED

About the company

Sagility India Limited, a leading healthcare solutions provider, supports both US health insurers (Payers) and healthcare providers. The company offers a range of services, including claims administration, payment integrity, clinical management, and revenue cycle management. By streamlining operations and improving efficiency, Sagility empowers its clients to deliver high-quality care while optimizing financial performance. With a strong focus on customer satisfaction, Sagility has cultivated long-standing relationships with top US healthcare organizations. The company's five largest customer groups have an average 17-year partnership, and it serves five of the ten largest US payers. Sagility's commitment to growth is evident in its recent acquisition of 20 new clients. As of March 31, 2024, Sagility India employed over 35,000 individuals, with a significant female workforce. The company's dedication to professional development is reflected in its 1,687 certified employees, including medical coders, registered nurses, and healthcare practitioners.

Strength

Leader in the large and resilient U.S. Payer and Provider solutions market: Sagility India Limited is a leading provider of healthcare services to U.S. payers and providers. Leveraging 24 years of experience and a comprehensive service portfolio, the company has capitalized on the growing U.S. healthcare market. Its services encompass payer operations; including core benefits administration and clinical services, as well as provider revenue cycle management. Recognized as a leader by industry experts, Sagility India Limited has a significant market share in the U.S. healthcare operations outsourcing market. The company's business is subject to seasonal fluctuations, primarily due to the annual open enrollment period in November and December. During this time, increased demand for health insurance plan registration, modification, and cancellation translates to higher revenues in the quarters ending December 31 and March 31.

Domain expertise in healthcare operations, with end-to-end service offerings to Payers and Providers: With deep domain expertise in healthcare operations, Sagility India Limited offers technology-enabled services to payers and providers. The company's long-standing experience and effective use of technology, including RPA and AI, enable it to optimize processes, manage claims, and enhance member engagement. Its focus on core, non-discretionary services leads to strong client retention. Sagility India Limited has developed a suite of technology-based solutions targeting key areas like utilization management, payment integrity, and elderly care.

Suite of scalable, technology-enabled services and solutions, supported by proprietary tools and platforms: Sagility India Limited has built a suite of proprietary tools and platforms that support its service offerings. These tools leverage technologies like RPA, analytics, and AI to enhance efficiency and accuracy. The company's technology team focuses on product development, client delivery, and process optimization, ensuring that solutions are relevant to the healthcare industry. Sagility India Limited's tools are designed for interoperability with third-party platforms and can be customized to meet specific client needs.

Deep, long-term, expanding client relationships across healthcare Payers and Providers: Sagility India Limited has established strong, long-term relationships with leading U.S. payers and providers, including five of the top 10 payers by enrollment. The company's high client retention and expansion strategy are evidenced by its growing number of clients and SOWs. Sagility India Limited maintains high service levels, as

demonstrated by its strong SLA compliance record.

Multi-shore, scalable and flexible delivery model with certified data protection and service standards: Sagility India Limited's multi-shore delivery model, spanning multiple countries, enables it to scale its services and meet client needs effectively. With a focus on quality and compliance, the company adheres to industry standards like ISO27001, SOC1, SOC2, HIPAA, and NCQA. The company's flexible work arrangements and streamlined global processes ensure consistent service delivery.

Strategy

Strengthen its relationships with existing clients, expand its offerings and increase its share of their wallets: Sagility India Limited aims to strengthen existing client relationships by expanding its service offerings and increasing its share of wallet. The company has identified opportunities to upsell and cross-sell services, particularly in payment integrity and clinical management. By leveraging its deep domain expertise, Sagility India Limited can provide consulting services, operational benchmarks, and customized solutions to help clients optimize their operations.

Establish new client relationships across categories: Sagility India Limited is focused on expanding its client base to other large payers and providers. The company will leverage its strong brand reputation, technology capabilities, and talented workforce to attract new clients. By offering a comprehensive suite of technology-enabled services, Sagility India Limited aims to build long-term partnerships with these new clients and scale its business through upselling and cross-selling.

Enhance its portfolio of technology tools and platforms: Sagility India Limited is committed to enhancing its technology portfolio to drive innovation and improve service delivery. The company is investing in its technology team, acquiring commercial licenses for third-party tools, and collaborating with leading software vendors. By leveraging AI and machine learning technologies, Sagility India Limited aims to automate processes, improve accuracy, and enhance the overall user experience.

Pursue strategic acquisitions and collaborations: Sagility India Limited is pursuing strategic acquisitions to expand its service offerings, enhance its technology capabilities, and strengthen its market position. The acquisitions of Devlin Consulting and BirchAI have significantly boosted the company's payment integrity and member engagement capabilities. Sagility India Limited will continue to identify and execute strategic acquisitions to drive growth and create long-term value.

Risk factor

- The healthcare services industry is highly competitive and if it is unable to compete effectively, it may adversely affect its business, financial condition and results of operations.
- Its business is solely focused on the U.S. healthcare industry and may be adversely affected by factors affecting the U.S. healthcare industry, including a decline in the growth of the U.S. healthcare industry, reduction in outsourcing and other trends.
- Its ability to invest in foreign subsidiaries or joint ventures is constrained by applicable restrictions under Indian overseas investment laws as well as laws of the relevant international jurisdictions, which could adversely affect its business prospects and international growth strategy.

Peer comparison

Given Sagility’s healthcare-only focus across the payer and provider markets, there are no listed service providers in India or abroad that cater to US healthcare enterprises and are its immediate comparables in size and business model.

Valuation

Considering the P/E valuation on the upper price band of Rs.30, TTM EPS and P/E are Rs.0.44 and 67.50 multiple respectively and at a lower price band of Rs. 28, P/E multiple is 63. Looking at the P/B ratio on the upper price band of Rs.30, book value and P/B are Rs.16.25 and 1.85 multiple respectively and at a lower price band of Rs. 28, P/B multiple is 1.72. No change in pre and post issue EPS and Book Value as the company is not making fresh issue of capital.

Industry Outlook

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, and further is anticipated to grow at a CAGR of 5.5%, reaching US$6.1 trillion (₹509.8 trillion) by 2028. The US healthcare market comprises of 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 spend by such Payers and Providers in the US was valued at approximately US$201.1 billion (₹16.8 trillion) in 2023. This spend is expected to reach approximately US$258.9 billion (₹21.6 trillion) in 2028, driven by the rise in the aging population, increasing prevalence of chronic diseases, and various governmental initiatives aimed at enhancing healthcare services, among other factors.

Outlook

Sagility India Limited is a specialized healthcare technology solutions and services provider catering primarily to the US and other advanced markets. The company has cultivated strong, long-lasting partnerships with leading US payers and providers, including five of the top ten payers by enrollment. Its commitment to client satisfaction is reflected in its growing client base and increasing number of Statements of Work (SOWs). Sagility India has demonstrated consistent financial growth from FY22 to FY24. However, the healthcare services industry is inherently competitive. Given its exclusive focus on the US healthcare market, the company may be susceptible to factors such as a slowdown in US healthcare industry growth, reduced outsourcing, and other industry trends. Nevertheless, considering its proven track record and the promising long-term outlook of the industry, Sagility India presents a compelling investment opportunity for those with a long-term perspective.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	05-November-24
BID/ISSUE CLOSES ON	07-November-24
Finalisation of Basis of Allotment with the Designated Stock Exchange	08-November-24
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	08-November-24
Credit of Equity Shares to Demat Accounts of Allottees	11-November-24
Commencement of trading of the Equity Shares on the Stock Exchanges	12-November-24

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Jun-24 (3 Months)	Period ended 31-Mar-24 (12 Months)	Period ended 31-Mar-23 (12 Months)
Revenue from operations	1223.33	4753.56	4218.41
Total expenditure	1029.38	3665.47	3191.20
Operating Profit	**193.95**	**1088.09**	**1027.21**
OPM%	15.85	22.89	24.35
Other Income	24.43	27.95	17.65
PBDIT	**218.37**	**1116.04**	**1044.86**
Depreciation	109.99	689.21	644.34
PBIT	**108.39**	**426.83**	**400.53**
Interest	37.37	185.15	214.85
Profit BeforeTax	**71.01**	**241.68**	**185.68**
Tax	48.72	13.42	42.11
PAT	**22.29**	**228.27**	**143.57**

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Jun-24	As on 31-Mar-24	As on 31-Mar-22
Non-current assets			
Property, plant and equipment	387.54	383.18	295.47
Capital-work-in-progress	0.01	5.70	0.31
Right-of-use assets	528.01	566.51	529.48
Goodwill	5679.26	5709.59	5459.76
Other intangible assets	1966.99	2007.85	2322.14
Financial Assets			
Other financial assets	48.43	47.55	37.26
Deferred tax assets (net)	127.46	135.37	61.43
Other tax assets (net)	60.98	74.06	57.15
Other non-current assets	9.83	14.47	34.06
Total Non Current Assets	**8808.49**	**8944.27**	**8797.05**
Current assets			
Financial Assets			
Trade Receivables	1004.06	1181.34	1068.58
Cash and cash equivalents	376.07	344.13	585.29
Other financial assets	58.95	35.16	26.87
Current tax assets (net)	10.22	0.00	0.00
Other current assets	130.22	159.30	112.68
Total current assets	**1579.51**	**1719.92**	**1793.42**
Total Assets	**10388.01**	**10664.20**	**10590.48**
Non-current liabilities			
Financial liabilities			
Borrowings	677.50	1664.70	2323.70
Lease Liabilities	439.22	471.35	434.57
Other financial Liabilities	3.74	14.15	5.60
Provision for employee benefit obligations	140.86	147.71	103.31
Deferred tax liabilities (net)	466.70	471.04	460.20
Total non-current liabilities	**1728.01**	**2768.95**	**3327.36**
Current liabilities			
Financial liabilities			
Borrowings	266.41	268.82	24.24
Lease Liabilities	131.09	126.84	113.34
Total outstanding dues of micro enterprises and small enterprises	13.04	17.36	0.00
Total outstanding dues of creditors other than micro enterprises and small enterprises	240.09	241.94	213.46
Other Financial Liabilities	229.65	644.51	568.67
Contract liabilities	18.23	23.59	10.62
Other current liabilities	36.27	46.28	39.42
Provision for employee benefit obligations	76.91	67.31	72.74
Current tax liabilities (net)	40.14	15.48	13.94
Total current liabilities	**1051.84**	**1452.12**	**1056.44**
Total	**2779.85**	**4221.07**	**4383.81**
Net worth represented by:			
Equity Share Capital	**4679.27**	**4285.28**	**1918.67**
Other Equity			
Shares pending issuance	0.00	0.00	6697.91
Securities premium	5044.67	4324.10	0.00
Common control adjustment deficit account	-2818.66	-2818.66	-2821.84
Other components of equity	702.87	652.40	411.93
Net Worth	**7608.16**	**6443.13**	**6206.67**

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

E-mail: researchfeedback@smcindiaonline.com

Corporate Office:
11/6B, Shanti Chamber,
Pusa Road, New Delhi - 110005
Tel: +91-11-30111000
www.smcindiaonline.com

Mumbai Office:
Lotus Corporate Park , A Wing 401 / 402 ,
4th Floor ,Graham Firth Steel Compound,
Off Western Express Highway, Jay Coach Signal,
Goreagon (East) Mumbai - 400063
Tel: 91-22-67341600, Fax: 91-22-28805606

Kolkata Office:
18, Rabindra Sarani,
Poddar Court,Gate No.- 4, 5th Floor, Kolkata-700001
Tel: 91-33-39847000, Fax: 91-33-39847004

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