RC Capital Management is an Investment Advisory Firm specializing in identifying and investing in high quality companies that trade at a substantial discount to our conservative estimates of Intrinsic Value.

This report is a compilation of our analysis of Financial / Business performance "**Sagility Limited**" from an investment perspective

RC Capital Management is a SEBI Registered Investment Advisor

Registration Number – INA000004088

Company Analysis: Sagility Limited

Posted on 19th December 2025

Company Overview & Background

Sagility Ltd is a healthcare-focused BPO and IT-enabled services provider specializing in the U.S. healthcare market. Originally carved out of Hinduja Global Solutions in 2021 and acquired by BPEA EQT, the company was rebranded as Sagility and went public via an offer-for-sale in FY2025. Today, Sagility operates as one of the largest pure-play healthcare services providers, delivering complex administrative and clinical support services to U.S. healthcare payers (insurers) and providers (hospitals, labs, physician groups).

It has over 44,000 employees across 34 delivery centers in India, the U.S., the Philippines, Jamaica, and Colombia. The company is focused on the U.S. healthcare system, which contributes 100% of its revenue, and has demonstrated high client retention with average tenure of 17 years for its top clients and near 100% renewal rates.

Sagility's strengths lie in its vertical domain focus, tech-enabled delivery, and long-standing client relationships. It manages mission-critical operations, including claims adjudication, medical coding, member engagement, provider network management, and clinical decision support

Business Model & Operations

Sagility provides business process management (BPM) and IT-enabled services to U.S. healthcare clients across both payer and provider segments. The payer segment—contributing 88–90% of revenue—includes services such as:

- Claims processing and adjudication
- Payment integrity (including post-payment audit and fraud detection)
- Provider data management and enrollment
- Utilization management and clinical decision support
- Member services and grievance redressal

The provider segment (~10–12%) includes full revenue cycle management (RCM) services such as coding, billing, denial management, and patient contact center services.

Service delivery is handled via a global delivery model. The company operates large offshore centers in India and the Philippines and supports U.S. compliance requirements through onshore (U.S.) and nearshore (Jamaica, Colombia) sites. Around 94% of Sagility's headcount is offshore or nearshore, allowing it to maintain higher margins compared to industry peers. A significant differentiator is its pool of ~2,000 clinicians—including nurses, pharmacists, dentists, and coders—embedded across delivery teams. This supports its ability to execute complex clinical workflows, such as prior authorizations and chronic care case management.

Revenue is typically billed on transaction-based, FTE, or outcome-linked pricing models. The company is moving towards BPaaS (Business-Process-as-a-Service) and transformation deals, where it bundles platforms and process execution into PMPM (per member per month) pricing. This enables client stickiness and shifts Sagility up the value chain.

Opportunities and Strategy

The U.S. healthcare industry is facing structural challenges: increasing administrative costs, labor shortages, and evolving compliance burdens. Sagility can benefit from these tailwinds as healthcare payers and providers look to reduce costs and improve operational agility.

The total addressable spend on administrative operations across payers and providers in the U.S. exceeds $200 billion, of which only ~20–25% is currently outsourced. Penetration is even lower among mid-tier regional payers and specialized providers. This creates a significant white space for Sagility to grow.

The company's key growth strategies include:

1. **Deepening large client accounts**: Sagility's top 5 clients have been with the company for over 15 years but still outsource only a subset of functions. Cross-selling new services within these relationships such as clinical programs, analytics, or provider data management, can drive growth.

2. **Expanding the mid-market**: Sagility acquired BroadPath in FY2025, gaining 30+ new payer clients and a proprietary remote delivery platform. This acquisition expands Sagility's access to underpenetrated regional payers. Sagility has signed new SOWs with some BroadPath accounts.

3. **Investing in GenAI and automation**: Sagility acquired BirchAI (a U.S.-based GenAI startup focused on clinical call summarization) and has now deployed over 25 AI use cases across 9 clients. These include virtual agents, GenAI-powered appeals handling, document summarization, and fraud detection. The company is embedding GenAI into operations to reduce cycle times and improve accuracy.

4. **Launching transformation-led offerings**: Sagility is bidding for outcome-based deals (e.g., 25–40% guaranteed savings through AI-driven engagement). Its BPaaS offerings bundle platforms and services, aligning incentives and differentiating it from traditional BPO models.

5. **International expansion and regulatory consulting**: The company is supporting clients with compliance initiatives under new CMS rules (e.g., Marketplace Integrity & Affordability Act). As regulatory complexity rises, Sagility's experience enables it to offer advisory and consulting engagements in addition to operations support.

Competitive Landscape

Sagility competes with:

- Diversified BPM and IT providers like Cognizant, Accenture, EXL, WNS
- Healthcare captives of large payers (e.g., UnitedHealth/Optum's in-house units)
- RCM-focused providers (e.g., Omega Healthcare, R1 RCM)
- New AI-native automation players

Its key differentiator is its exclusive focus on U.S. healthcare. This vertical depth, combined with operational scale, gives it an edge. While large IT-BPM firms offer breadth and bundled services, Sagility wins on domain understanding, faster implementation cycles, and ability to deploy clinicians at scale.

Top 3 clients account for ~66% of revenue. This concentration is declining (from 72% in FY2023) but remains a key risk. Management is diversifying through mid-tier client additions and cross-sell efforts including acquisitions such as BroadPath

Financials

Profit & Loss

Consolidated Figures in Rs. Crores / View Standalone

RELATED PARTY

	Mar 2022 8m	Mar 2023	Mar 2024	Mar 2025	TTM
Sales +	923	4,218	4,754	5,570	6,219
Expenses +	730	3,179	3,665	4,263	4,692
Operating Profit	**193**	**1,039**	**1,088**	**1,307**	**1,526**
OPM %	21%	25%	23%	23%	25%
Other Income +	18	5	28	47	122
Interest	65	215	185	127	112
Depreciation	147	644	689	467	470
Profit before tax	**-2**	**186**	**242**	**760**	**1,066**
Tax %	152%	23%	6%	29%	
Net Profit +	**-5**	**144**	**228**	**539**	**799**

Sagility reported Rs 5,570 Cr in revenue in FY2025, growing 17.2% YoY. Adjusted EBITDA was Rs 1,469 Cr (26.4% margin), and adjusted PAT grew 37.5% to Rs 810 Cr. Return on capital employed was ~55%. The company generated Rs 1,040 Cr in operating cash flow (90% EBITDA conversion) and Rs 760 Cr in FCF (72% FCF conversion)

Quarterly Results

Consolidated Figures in Rs. Crores / View Standalone

	Jun 2023	Sep 2023	Dec 2023	Mar 2024	Jun 2024	Sep 2024	Dec 2024	Mar 2025	Jun 2025	Sep 2025
Sales +	1,116	1,094	1,260	1,283	1,223	1,325	1,453	1,568	1,539	1,658
Expenses +	852	860	1,000	976	1,029	1,024	1,061	1,195	1,193	1,243
Operating Profit	**264**	**234**	**260**	**307**	**194**	**301**	**392**	**373**	**346**	**415**
OPM %	24%	21%	21%	24%	16%	23%	27%	24%	22%	25%
Other Income +	11	29	6	5	24	15	44	10	10	58
Interest	47	48	47	43	37	30	30	30	27	25
Depreciation	166	171	176	176	110	126	116	114	118	122
Profit before tax	**62**	**43**	**44**	**93**	**71**	**160**	**290**	**239**	**210**	**327**
Tax %	31%	19%	-62%	14%	69%	27%	25%	24%	29%	23%
Net Profit +	**42**	**35**	**71**	**80**	**22**	**117**	**217**	**183**	**149**	**251**

In H1 FY2026, revenue reached Rs 3,197 Cr (+25.5% YoY). Adjusted EBITDA was Rs 804 Cr (25.1% margin), and adjusted PAT stood at Rs 500 Cr (+62% YoY). Net debt declined to Rs 620 Cr, translating to 0.38x EBITDA. Capex was Rs 68 Cr in H1FY26 (<3% of revenue).

Management has guided for 21%+ constant currency growth and ~25% EBITDA margin for FY2026. Capex is expected to remain within 3% of revenue, with further debt repayment planned. Margins are likely to stay in the 24–26% range in the medium term

Overall, the company has high return on capital and low capex needs. In other words, it has high free cash like other IT services business

Management & Governance

Sagility is led by Ramesh Gopalan (MD & Group CEO), who previously ran the healthcare business at HGS and transitioned with the business post-acquisition. CFO Srini has overseen financial strategy, deleveraging, and public listing.

EQT remains the principal shareholder and has provided strategic and financial support. Shareholder communication is proactive, with detailed quarterly presentations and transcripts

- **Capital Allocation Record**: Management has a good capital allocation record. The company has maintained an ROE of 15%+ as it has invested in the business by adding new personnel and capabilities via acquisitions. The reported ROCE appears low due to the large goodwill from the acquisition of the business from HGS. The economic ROC is quite high (50%) and the company is generating free cash flow in excess of 1200 Cr
- **Compensation**: Management compensation at less than 5% of pre-tax profit appears to be reasonable
- **Shareholder communication**: appears adequate. Management communicates regularly with investors via annual report, quarterly updates and conference calls. On the conference calls, they are open about the prospects of the company and have guided to a reasonable level of growth
- **Accounting practices**: appear reasonable
- **Conflict of interest**: None

Key Positives

- Pure-play focus on U.S. healthcare – a large and growing $4.7T market
- High client retention and satisfaction (17+ year average tenure, NPS of 53)
- Strong margin profile (25–26%) and high ROCE (50%+)
- Free cash generation and low capex intensity
- Proactive investments in AI and GenAI (BirchAI, 25+ AI use cases)

- Onshore and remote capability strengthened via BroadPath acquisition
- Clear roadmap for revenue diversification and BPaaS-led growth

Key Risks

- **High revenue concentration**: Top 3 clients contribute 66%; loss or pricing pressure from any can impact financials. This is the top risk and any impact on this count will break out thesis
- **Policy risk**: U.S. HIRE Act (25% offshore payment tax) may impact competitiveness if passed. However even if this were to happen, the cost arbitrage should still remain
- **Talent risk**: Annualized attrition at ~26%; potential inflation in clinical/nursing talent costs. This is a common risk in the BPO business
- **Competition**: Pricing pressure from IT majors or automation-native players. Management is addressing it via investment in core capabilities, Gen AI and acquiring new skills via acquisitions too

Valuation & Scenario Analysis

The stock trades at ~24x FY26E EPS and ~13.5x EV/EBITDA. Given 20%+ EPS CAGR and 25% EBITDA margin, this valuation is in line with mid-cap BPM peers and reasonable for Sagility's quality

Current + Yr 3	H1	H2	H3
Sales	10200	11000	8100
OPM	25%	27%	23%
NPM	15%	17%	14%
Net profit	1568	1856	1094
PE	30	35	20
Mcap	47048	64969	21870
Mulitple	2.08	2.87	0.97

- **Hypothesis 1**: company grows at ~ 15% Constant currency per management. This would be around 18% in rupees. Margins remain same, though there is operating leverage. 1000 Cr annual cash flow is used to pay down debt. No change in valuation
- **Hypothesis 2**: company grows at ~ 17% Constant including acquisitions. This would be around 20% in rupees. Margins remain same, though there is operating leverage. 1300 Cr annual cash flow is used to pay down debt. Valuation improves to top end of range
- **Hypothesis 3**: company grows at ~ 10% including acquisitions due to loss of business from key customers. Operating deleverage causes margin to drop to 23%. Valuations drop to lower end of the range

The current range of scenarios show a reasonable risk reward and returns expectations for the company in the next 2-3 years

Conclusion

Sagility represents a high-quality, pure-play platform aligned with the trends in the U.S. healthcare system toward greater outsourcing, automation, and cost efficiency. Its exclusive focus on U.S. healthcare, deep domain expertise across payer and provider workflows, and long-standing client relationships position gives it advantage over competition. By operating mission-critical administrative and clinical processes, Sagility embeds itself deeply into client operations, resulting in high switching costs, long client tenures, and strong revenue visibility.

The business model combines scale-driven offshore delivery with clinical talent, enabling execution of complex workflows that are difficult to automate fully or shift to generic vendors. This supports a better margin profile (mid-20s EBITDA), high return on capital, and strong free cash flow generation with low reinvestment needs. Management's increasing focus on BPaaS, outcome-linked pricing, and GenAI-led transformation will strengthen client stickiness.

Financially, Sagility has had consistent growth, deleveraging, and disciplined capital allocation. The balance sheet risk has reduced post-IPO, and steady cash flows provide flexibility for selective acquisitions, technology investments, and shareholder value creation. While customer concentration remains the single largest risk, ongoing diversification through mid-market expansion and acquisitions such as BroadPath mitigates this overtime.

If management can grow topline at 15% constant currency as they have shared, the company should be able to deliver attractive returns.

You can see financials for the company at [Sagility Ltd Financial Results – Quarterly & Annual, Quarterly Trends, Annual Trends | BSE]

Type of Registration: Non-Individual Reg. No.: INA000004088, Valid till: Perpetual
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