Date: November 30, 2024

To,

The Manager
Listing Department
National Stock Exchange (NSE)
Exchange Plaza, 5th Floor
Plot No. C/1, G-Block
Bandra-Kurla Complex
Bandra (E), Mumbai - 400 051
Symbol: SAGILITY

The Manager
Listing Department
Bombay Stock Exchange (BSE)
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001
Scrip Code:544282

Dear Sir/Ma'am,

Subject: Transcript of Investors Call held on November 27, 2024

This is in continuation to Quarter 2 Financial Year 2024-25 Investors Call of Sagility India Limited held on November 27, 2024.

Pursuant to Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirement), Regulations 2015, we attach herewith the transcript of Quarter 2 Financial Year 2024-25 Investors Call of the Company which was held on November 27, 2024.

This information is also available on the Company's website: www.sagilityhealth.com

This is for your kind information and record.

Thanking You,

For Sagility India Limited

SATISHKUMAR SAKHARAYAPATTANA SEETHARAMAIAH

Digitally signed by SATISHKUMAR SAKHARAYAPATTANA SEETHARAMAIAH
Date: 2024.11.30 09:53:47 +05'30'

Satishkumar Sakharayapattana Seetharamaiah
Company Secretary & Compliance Officer
A16008

Encl: a/a

Sagility India Ltd.

Q2 & H1 FY25 Earnings Webinar

Wednesday, 27th November, 2024 at 4:00 PM

MANAGEMENT	• Ramesh Gopalan - Managing Director & Group CEO • Sarvabhouman Srinivasan - Group Chief Financial Officer
MODERATOR	• Siddharth Rangnekar – CDR India
QUESTIONERS	• Abhishek Kumar – JM Financial • Abhishek Bhandari – Nomura • Pranay Roop Chatterjee – Burman Capital • Naysar Parikh – Native Capital • Rishi Jhunjhunwala – IIFL • Chirag Shah – White Pine Capital • Pratyush Agarwal – White Oak Capital • Radhika Mittal – Avendus Capital • Nilesh Jain – Astute Investment Management

Siddharth Rangnekar: Good evening, ladies and gentlemen, and welcome to the Q2 & H1 FY '25 Earnings Webinar of Sagility India Limited. This is Siddharth Rangnekar from CDR India, and I shall be moderating the event today.

As a reminder, all attendee lines will be in the listen-only mode and there shall be an opportunity for you to ask questions after the presentation concludes. Please note that this conference is being recorded. Now to introduce the management we have with us today, Mr. Ramesh Gopalan, Managing Director and Group CEO; Mr. Sarvabhouman Srinivasan, Group Chief Financial Officer.

Before we begin, I would like to state that some of the statements made on today's discussion may be forward-looking in nature and may involve certain risks and uncertainties. A detailed statement in this regard is available in the Q2 FY '25 results presentation that has been uploaded to the exchanges earlier.

I would now like to hand over the forum to Mr. Ramesh Gopalan to begin the proceedings of this webinar. Over to you, sir.

Ramesh Gopalan: Thank you. Good afternoon, everyone and thank you for joining our first earnings call. Before I get into the Q2 financial results and operational updates, I want to first acknowledge all of you who've been involved in taking Sagility public. It's a very landmark event for the company as a whole, and I want to thank all the advisors, investors, regulators, and my team for getting us to this point.

Given that some of you are hearing from us for the first time, I'm going to spend some time giving you some background about the company, the industry in which we operate, the opportunity size, and how we plan to capitalise on this opportunity over the next few years. After this, we will then talk about the previous quarter financials and the first half of the year numbers and our performance.

As you would have noticed, we've had a strong set of financials for the quarter, and we're very confident about the rest of the year ahead. Before that, let me first get into some of the details of the company.

So as I've told, many of you who we met at the road shows, we are one of the largest pure-play Healthcare Service providers in the U.S. market. All that we do is, U.S. Healthcare. And that is something, which we have gained deep expertise in. And so we have broadened deep domain expertise in the U.S. Healthcare space. And I'll talk about our Service portfolio. Our service portfolio is quite broad and deep. So we can offer a number of services to our clients both in Payer and Provider. And we generally classify them as both administrative services and clinical services.

While what we do is core operations, there's a lot of investments that we've made in technology and transformation. And so, all of our operations are enabled by an underlying technology and transformative capabilities. We work for 45 client groups. The client groups, we mean clients and their subsidiaries. And out of these clients, five of them are part of the top 10 Payers. Payers are insurance companies in the U.S. And we also work with three of the top six PBMs. PBMs are Pharmacy Benefit Managers. The top six by claims volume, we work for three of them. And on the Provider side, we work with four of the large IDNs, lab companies, DME companies, and radiology Providers.

The most interesting statistic about our business is the fact that our top five clients have been with us for an average of 17 years. So very long tenure relationships and relationships that still continue to grow to this day, and we'll talk about that. Like we said, 100% focused on the U.S. Healthcare. We've been in the business for 24 years even though Sagility is just about three years old, the underlying business has been around for 24 years. And as many of you know, Sagility was formed as a result of a carve out from the divestment that AGS did in the beginning of '22.

We deliver from multiple geographies, five geographies in total. U.S. is our onshore geography. We have nearshore locations in Jamaica and Colombia, and then we have offshore centres in India and the Philippines. And we have a very tenured leadership team. Most of the management team transitioned over when Sagility was created. And we also today have a board with deep Healthcare experience. Our total headcount is about 38,000 people out of which we have 2,000 clinicians. Clinicians include, nurses, coders, dentists, pharmacists, and so on.

And our financial profile as, we've told you in the past, we've had a consistent track record of growth and profitability. Last financial year, we grew at 12.7%. And our EBITDA margins over the last two, three years have been consistent between 24% and 25%. Our adjusted PAT margin last year was 12.4% and a very healthy OCF to EBITDA conversion at 87.2%. And the numbers that you see, 105 claims per 1.5 billion process (05:10) and 75 million interactions just give you an idea of the scale of operations that we currently handle for our clients. And 94% of our headcount is in the offshore and nearshore geographies. And that's another reason why our margins are very healthy.

And all of the analysts who track Healthcare services, they rate us very highly. So we've been rated in the top quadrants by Everest Group's PEAK Matrix, by Avasant in their clinical services transformation. And very recently, ISG rated us as a leader in the GenAI Service Provider space. I'll talk about our GenAI capabilities. And our HR capabilities have also been awarded for. And if you look at all of the awards that we've got, we've been awarded one of the best employers, in each of the geographies where we operate, be it India, Philippines, Jamaica, and the U.S.

Now quickly talking about the industry, U.S. healthcare. A lot of you have asked me why U.S. Healthcare? But U.S. Healthcare as an industry is a very, very large industry. $4.7 trillion is the total healthcare spend. About 17 plus percent of the GDP today, and it's likely to become 18% of the GDP by 2028. And if you look at the per capita spending on U.S. Healthcare, U.S. spends the most of all the countries globally, right? So roughly about $12,500 per head, which is 50% greater than the next largest country. So very large overall spends and very large per capita spends as well.

And if you look at the specific target market size for us, the core operational spend between Payers and Providers is roughly about $200 billion as of CY '23. And what is outsourced from this is, only about 20 odd percent. So about 19.5% to 21.5% in Provider and a little higher on the Payer side. So out of the $200 billion, it's a $45 billion opportunity that's been outsourced so far. And so, there's a lot of potential one to gain, wallet share in this $45 billion. But more importantly, as the offshoring and outsourcing penetration increases from the $200 billion, that gives us a much larger opportunity to grow as well.

Quickly on the Services, like I said, very broad and deep service portfolio. I won't spend a lot of time talking about the individual services. But like I said, for a Payer, it probably almost touched all of their functions in the value chain. So broadly, we bucketed them into the four pillars that you see for Payers.

- Claims is a critical part of what we do. As I've mentioned in the past, a lot of the claims get auto adjudicated in the U.S. And so the claims that we handle is the follow-up from the auto adjudication queue roughly about 15% to 25%. A lot of the work is around reviews of those claims, rework of those claims and grievance and appeals, handling of grievance and appeals, from lower than desired payment. All of that is part of the claims workflow.

- Payment integrity is unique to Healthcare. So payments that are made can still be recouped, if the payer finds that they've overpaid those claims. And so we acquired a company called DCI in the last year. And, DCI has given us additional capabilities in the Payment Integrity space. And today, we have the ability to go to clients and essentially recoup overpayments that they may have done.

- Clinical is another fast growing area for us. There's a huge clinician shortage in the U.S. And so, a number of our clients who in the past wanted to do some of this work in house today are looking at service providers like us to outsource more of the clinical services. And broadly, the work that we do on the clinical side is of two types. How do you control the current clinical spend and how do you also control the future clinical spend, right? So we control the current spend by something called Utilisation Management, which is prior authorisation of services, concurrent review, and even review once the claims are submitted. And then future spend through programmes like, Chronic and Complex Case Management and Population Health Management are some of the initiatives to risk stratify the population and work with our clients to engage with high risk members so that they don't become high cost claimants in the future.

- I thought the last pillar is the rest of the administrative activities, helping clients with Enrolment, with Plan Building, with collection of premiums, and also managing their Provider network. So it's all of that Other services that we provide.

And as, you can see at the bottom, about 89.2% of our revenues comes from Payers. The balance 10.8% comes from Providers.

For Providers, what we do is broadly Revenue Cycle Management, which includes the front office, middle office, and the back office. So things like Patient Engagement, scheduling in the front office, Coding in the middle office. And the bulk of what we do is in the back end, which is around follow through and collection of outstanding claims, as well as helping our clients, work through some of the Clinical and Coding Denials and recover money from the Payers.

And Healthcare requires a lot of certifications and accreditations, and we have them across the geographies where we operate. Like I said, technology is an integral part of what we do. And there's a lot of technology, that we have invested in and which we deploy in our operations. One is End-to-End Solutions that we've built. Like I said, Payment Integrity is a capability that we acquired, organically, we built capabilities around Utilisation Management, around another clinical programme called Aging-in Place.

So these are full grown programmes that have a technology back end and services on top of the technology, that we take to market.

And then we have functional products which are not full platforms, but these are more point solutions, which work with an underlying platform to deliver a business outcome. And then across the board in operations, we deploy what we call Robotic Process Automation, Analytics, AI. And the objective of all of this is threefold. One, to improve the efficiency, which is the primary purpose of why clients give us work. One is, obviously to take out cost, but to also improve efficiencies of their operations, two, we also increase the accuracy of the work that we do, right? So we sign up to very stringent quality measures. And so these tools help us improve the accuracy.

And thirdly, given that we handle large volumes of transactions, we use all of these technologies to generate insights from the work that we do, and we provide that insights back to our clients. And so we built a number of these digital services. As you can see, things like Intelligent Content Processing, Speech Analytics, Interaction Analytics, all of these are tools that we've built to be able to provide those insights to the clients. And lastly, as we target the mid-market and the small market, we are also looking at ways to bundle all of our services and take them as what we call Integrated Business Process-as-a-Service solutions. And that's something that we are working with partners, both, platform partners as well as system integration partners to be able to provide a holistic solution to our clients.

GenAI is a topic that has come about in all of our conversations. Like I said, we've acquired a company recently called BirchAI. And we'd already started working on a number of GenAI pilots in the last 18 months. And with the acquisition, we've enhanced our capabilities in all of the areas that you see here. So today, we are running a number of pilots across the front office, which is essentially all of the interactions that we have on behalf of our Payer clients with both Providers and members, ability to automate some of those interactions, ability to summarise the outcome of those interactions. All of this, we are deploying using GenAI.

And in the back office, a large part of the work around Grievance and Appeals, Letter Generation, Identification of Fraud, Waste and Abuse, we are using AI in a big way. But the biggest efficiency improvements that we are seeing is in the clinical space, where we handle medical documentation, clinical medical records, where GenAI helps us not only summarise that information, but also helps us classify and improve the efficiency of the clinician who's making the final determination.

And lastly, we're using GenAI in all of our operational needs within the organisation in our hiring, in our training, all of these, we're using GenAI to not only improve efficiency, but also improve the speed to proficiency as we call them. How do we get a newcomer more productive sooner?

So lastly in terms of our go forward strategy, our top clients, we've worked with them for a number of years. Like I said, while the tenure has been long, these clients still continue to grow in double-digits. So a lot of our top clients still give us a number of opportunities to grow. And we've done that over the last several years and we continue doing that.

In parallel, what we've also done is invested heavily in the go to market team. So the additional mandate now is in addition to the top clients, how do we penetrate the mid-market and the smaller clients? And we've successfully done that over the last two, three years and the number of client additions is a testament to that.

And like I said, we've invested a lot in technology over the last few years. And we continue to invest in technology, not just in building full scale platforms, but also in areas like GenAI. And lastly, M&A is a key lever for us to build our capability. So we're looking at two kinds of M&A's. One is, capability-based acquisitions, just like a BirchAI or a DCI. And we are also constantly looking for other opportunities, which will give us access to a much larger pool of clients. Since, mid-market is a is a key focus area for us, we are actively looking at acquisitions which will give us more clients in the mid-market space.

With that, let me quickly jump, into the results for Q2. We are pleased to report that in Q2 FY '25, we registered a year-on-year growth of 21.1%, in rupee terms, which is 19.8% in constant currency terms. During Q2 FY '25, our revenues were $157.9 million, and ₹13,250 million in INR terms. This is a 8.3% Q-on-Q growth in INR and about a 7.7% Q-on-Q growth in constant currency.

However, like we mentioned in the past, there is a seasonality to our business. The open enrolment or AEPS, it's called starts somewhere in October, November and goes on till early part of the subsequent year. And so there's a pronounced seasonality. So Q-on-Q numbers may always not be a best reflection of our business. So we would encourage you to look at year-on-year numbers always.

During the quarter, our Payer vertical grew 20.8% year-on-year and contributed to 89.2% on the revenue mix. And the Provider vertical grew 23.7% and contributed to 10.8% of the total revenues. Our growth, like I said, like in the past, our growth was led by demand from our existing clients and our new logo wins. Our largest clients continue to provide us with many opportunities to increase our share of wallet. And this is possible because of our continued strong operational performance, and that is something that we've done, flawlessly over a number of years. And so that gives us the right to win additional business from our existing clients.

We are also increasing the value that we provide to our clients. We are engaging in consulting engagements. For example, we are doing a customer journey mapping for a new client of ours. And for another client, we are engaged in clinical consulting. We are working with them in the utilisation management space to optimise their spend on high utilised, high spend specialties.

And like I said, we are also working on a number of GenAI pilots for our customers across both front and back office areas. And we were awarded the leader in GenAI service provider in 2024 by ISG. Also, our enhanced focus on the small and mid-market peer clients has started to show fruit as we widen our presence across both large and the midsize customers.

Now switching to the half yearly results, we are pleased to report that H1 FY '25, we registered a sequential growth of 15.3% in INR terms and a 13.8% in constant currency terms. And during the first half of the year, we recorded revenues of $304.5 million, which translates to ₹25,484 million in INR terms.

Now switching to margins and operating profits. For the quarter, we delivered an adjusted EBITDA of $40.3 million, which is ₹3,378 million in INR terms, which is an year-on-year growth of 22.2%. This reflects an adjusted EBITDA margin of 25.5%. Our adjusted EBITDA margin has been very healthy. Like I said, historically, we've maintained very consistent margins. And even this quarter, this margin has been possible because of operational efficiencies, both through tech-led initiatives and process improvements, and also lower than expected corporate cost, which we expect to be in line for the rest of the year. And our offshore revenues were also higher than onshore, which is also a reason our margins were very healthy.

Our consolidated adjusted profit after tax for the quarter stood at ₹1,636 million, which is an year-on-year increase of 30.5%. Our continued reduction in our debt position is one reason why our adjusted PAT growth is very healthy. On a half yearly basis, our adjusted EBITDA of ₹6,538 million grew 12.8% year-on-year, while our adjusted PAT of ₹3,083 million grew 15.1% year-on-year.

So if you look at our people metrics, we added about 2,522 people to our headcount. So the overall headcount, at the end of the second quarter stood at about 38,380. Our annualised attrition is very stable at 25.8%. It's better than our historical levels. Thanks to our employee engagement initiatives. And as I showed you in the first slide, we won a number of awards for our employee engagement.

I'm pleased to inform you that our company was chosen as one of the best organisations for women in 2024 by Economic Times.

Now let me hand it over to Srini to walk you through the financials.

Sarvabhouman Srinivasan: Thank you, Ramesh. Firstly, welcome all to our first earnings call. Like Ramesh mentioned, we had a very good quarter and a good first half of the year. Our revenue growth and profitability has been consistent in the last few years, and we expect this to continue going forward.

Like Ramesh mentioned, I would want to reiterate that our business has seasonality where the second half is slightly more pronounced than the first half, and that's due to the open enrolment seasonality in H2. Therefore, we prefer our financial performance to be reviewed on a YoY basis and not a QoQ basis.

Besides the financial numbers, revenue, EBITDA, and profitability, if you look at the OCF, we generated an operating cash of ₹6,089 million in the first half of the year, which is 114% of our reported EBITDA. Yeah, the numbers shown in a graphical form, so I would quickly move on. We have shown the full financial numbers. You have the deck with you. So if there are any specific questions, we will take it up later.

Yeah, I would want to spend some time here on this slide. If you had noticed our earnings per share has been gradually improving. And what you see in the last column is the trailing 12-month earnings per share, for September '24. On the return on capital employed, it continues to be healthy at mid-40s, and it's largely driven by a robust operating performance. You will also notice that there has been a consistent reduction in the debt. And as of 30th September, our net debt including lease liabilities, is 0.78x of trailing 12 months EBITDA, and our net debt excluding the lease liabilities is only 0.34x of trailing 12 months EBITDA.

Yeah. I'll just pause here for a minute. This gives you a quick snapshot of our revenue and profitability. We have two adjustments in our EBITDA and three adjustments for our PAT. Let me walk you through the details. The earnouts, the first one from the reported EBITDA to adjusted EBITDA is on account of the earnouts under acquisition agreements. And this is pertaining to the acquisition of the DCI and Birch, the two companies that we had acquired in FY '24, and these are non-recurring in nature. And FY '26 will be the last year for these earnouts, and we have shown the details of what will that charge be in slide 18.

Share based payment awards are, which is a second adjustments to the EBITDA are provided to the leadership team. And like we have mentioned this in the past to some of our existing investors, these are similar to the stock appreciation rights linked to the shares of Sagility B.V. The share based payments are non-cash in nature as they would directly be settled by a promoter Sagility B.V. There is no obligation or liability on our company and also do not reflect in any dilution to the shareholders of Sagility India. The details of the same for future period is given in slide 18.

These two adjustments flow through from EBITDA to PAT, and it is adjusted for tax. And in the adjusted PAT bridge, we also have a third adjustment, which is primarily for the amortisation of intangibles. This was created purely due to the acquisition of Sagility by EQT and is non-operational in nature. The purchase consideration was significantly higher than the fair value of the assets acquired which resulted in the creation of goodwill and intangibles.

Intangibles including customer relationships in the U.S. was recognised at $265 million to be amortised over a 16-year period. And the customer contracts with the Indian entity was valued at $85 million and that amortisation got completed as of 31st March 2024. That this is completely non-cash, and there is no cash impact and is non-operational in nature. Next slide.

So the go forward positions we have shown, what will the debt be in our books. As of FY '25, we are likely to have ₹8020 million. And for FY '26, it will be ₹5,670 million. We'd be repaying about ₹2,490 million in FY '25, ₹2,350 million in the next year, and we have provided the details. Also, you would have noted that in the share-based payments, we had a huge number in the first year. It's because of the change in the plan that I explained earlier, which is equity settled for the company, and the go forward number will diminish as it is shown here.

On the balance sheet, our cash and bank balances as of the end of Q2 stood at ₹5,068 million and after payouts of the shareholder loan in the Q1. CapEx spend during the first half of the year was ₹682 million. The DSOs at the end of the quarter stood at 72.5 days. Our strong operational performance resulted in a very strong free cash flow of 101% to EBITDA. So that's the details I've shown in the cash flow slide. Overall, the balance sheet remains very healthy with a very low leverage. Over to you, Ramesh. Thank you.

Ramesh Gopalan: So let me summarise. Looking ahead, on the revenue front, the key drivers poised to drive a sustained growth include a robust relationship with the existing clients and strong performance of our sales and marketing teams to win new logos. We see incremental opportunity as we focus on small and mid-market segment Payers, where as a firm, we can provide end-to-end offerings.

We expect the growth for the full-year ending March 25, to be in line with our growth performance in H1, and our EBITDA margins to stay steady at these levels for the full year. Summing up, we are very well positioned to deliver another strong operational and financial performance and begin our journey as a listed company on a very strong footing.

With that, I conclude my presentation and remarks, and I look forward to hearing your comments and addressing your questions.

QUESTION-AND-ANSWER SESSION

Moderator: Thank you very much. We will now commence the question-and-answer session. Anyone who wishes to ask a question may digitally raise their hands. When prompted, announce your name and the name of your company followed by your question. If you wish to remove yourself from the question queue or once you have finished asking your set of questions, please lower your hand and mute yourself. A request if you could limit your initial round of questions to two to three to ensure that every participant gets a chance to engage with the management. If you have any additional questions, would request you to kindly re-join. Ladies and gentlemen, we will wait for a moment for the question queue to assemble.

We'll take the first question from Abhishek Kumar of JM Financial. Your line has been unmuted.

Abhishek Kumar: Yeah, hi. Good afternoon, and congratulations, first of all, on your listing and on your first earnings presentation. My first question is on the business itself. Your top clients drive a lot of your revenues. And you've said that you still have a lot of opportunities to grow these larger accounts. Just wanted to understand, how do you look at mining these accounts? Is it more number of services? Is it more volume that that will drive the growth? And, also, if you can touch upon the competition in these accounts, who would be the vendor if you were to take market share away from some other vendors indeed? That would be my first question.

Ramesh Gopalan: Thanks, Abhishek. Yeah. So good question, right? So, like I said, I'll answer the concentration question also, right? So if we look at the peer industry and as you probably know, it's a consolidated industry in the U.S. The top 10 to 15 Payers command somewhere between 60% to 70% market share. And in fact, some of the segments like Medicare and others, you would have even four to five Payers commanding 60%, 70% of the market share.

So our position is also reflective of the market position. So our top clients contribute a large portion of our revenues. And to your specific question, historically, we would have started working for all of these clients in one area. And over the last about 10, 15, 17 years, we have expanded to multiple areas. And as you saw, our service portfolio, we have pretty broad and deep exposure to all of the services, for a Payer organisation.

To answer your specific question, we don't do all of the services even for the current set of large clients. So the portfolio that I showed you is all of the things that we do, but we may be doing them for different clients. But for the same client, even for our top client, we probably only do, roughly about 80% of the service portfolio that I've shown, right? So there is still opportunity for us to work with each of these clients in areas which we are not supporting them today on. And in a number of cases, they will for example, clinical, like you said is an area which has not been outsourced in a big way in the past.

And so these are white spaces for, even some of our larger clients. And we continue to get opportunities to work on those areas. So most of the growth for the Payer space I mean while our Payer clients may continue to grow that itself doesn't drive a large part of the growth because the volume growth is not significant. So most of the growth for us, from our top clients comes from additional lines of work, that we are able to penetrate.

And the wallet share increase is coming from that. And it's also not because we are replacing, I mean, we might replace some smaller vendors, but typically a large part of the growth is not coming from replacing another large vendor. But it's essentially coming from, getting new areas of growth. And if I ask you to go back to the slide that I showed, where if you look at the total outsourcing penetration, it's still in the 20s. So there is still a large part of the work that clients still tend to do in-house. And, with the mounting cost pressures, more and more of that work is being outsourced. And that's what is leading to the growth.

Abhishek Kumar: Okay. That's very clear. Just again on competition in your top three, do you come across the larger IT services players? Because healthcare and life sciences is big vertical for them as well. And a lot of those guys are talking about using GenAI to get into a multi-tower kind of deals that includes BPO and other verticals. So does that pose a competition, for a pure-play BPO company like us?

Ramesh Gopalan: Yeah, first question, yes. There are some IT players, but not a lot of them are in the healthcare space, right? So, we in our prospectus, we had given you a competition slide. So we do come across people like, Cognizant, Accenture in some of our Payer opportunities. But not all of the Indian IT service players, do we see in those opportunities. To your second question, yes, GenAI is an opportunity for all of us, right?

The only differentiation between us and the IT service player is the fact that our domain expertise is far greater than some of the more generic IT services players. So we're not going to market leading with, saying that we have GenAI capabilities and tell us what problem we can solve for you. Rather because we are running those operations for our clients, we are able to do the pilots in the existing operations that we are currently running, and we are able to show them the benefits and sharing the benefits with the client.

So the slide that I showed you where we are running a number of pilots across front office, back office and clinical work, these are not projects that we are deploying for the client in their environment. These are work that we are doing for them today. And so these deployments are in the operations that we currently handle for them. And so it's a very easy way for us to demonstrate the value that we can bring to the table. And then we have very innovative game share arrangements with the clients to monetise some of our efforts.

Abhishek Kumar: Well, maybe one last question, bit of a macro question. A lot of concerns around Donald Trump's Presidency and his views on life sciences, healthcare, pharma in general, his choice of Health Secretary as well. I just would like to, get your views on how you think that can impact their industry and us in particular? Thank you and all the best.

Ramesh Gopalan: Yeah. So broadly, I mean obviously, we'll get to know more details. But if you look at it, both the administrations, both the parties focuses on how do we reduce healthcare cost from ballooning, right? So from that point of view, there's no divergence in thinking. And the kind of work that we do, our work for our clients, and I forgot to point this out is the revenues that we make is part of the non-discretionary spend, right? Because we run core operations for our clients. This is not a discretionary spend that the clients can switch on and off. This is something that they need to spend day in and day out to keep their operations running.

And so when there is a cost pressure on a client, it makes more sense for them to look at service providers like us because off the bat, we can bring about cost reductions. And on top of that, we can bring about additional efficiencies to further reduce the cost, right? So from that point of view, we don't see a major risk to our business directly, in terms of any policies. And from a coverage point of view, we are broadly diversified.

We operate across multiple segments, commercial, Medicare advantage, Medicaid exchange business. And so even if there's a shift of, volumes from one segment to another we have enough experience in handling all of those segments.

Moderator: Thank you, Abhishek. We'd like to move to the next question. We take the next question from Abhishek Bhandari of Nomura. Abhishek, your line has been unmuted. Request you to ask your question.

Abhishek Bhandari: Yeah. Thank you to the management. My question is related to previous Abhishek's question. And if you look at, some of the features what President Trump made was around reducing these costs around insurance. And during the last few years of Biden Presidency, we had seen some leniency in terms of drop in premiums, which almost doubled the enrolment. So the question is, if that were to expire at the end of 2025, how much part of the business is linked to number of enrolments from government sponsored insurance company? That is the first question.

Ramesh Gopalan: So, I mean you're talking about the exchange business and government sponsored; I mean, even, Medicare is paid. The premiums are paid by the CMS, right? If you look at the exchange business today, the enrolments are I think have grown tremendously in the last three, four years, right? We don't think that is going away.

And like I said, ultimately, the percentage of insured population doesn't differ very much. If something goes away, the population moves to a different segment. And as long as, we have coverage across all segments, we are protected. And even if you look at our existing clients, there's always a shift in, I mean some of our top clients had very little exchange exposure four years ago.

Today, they have a couple of million members in the exchange business and we continue to support that. So if that moves away from one segment to another, we will still continue supporting those lives. And so we don't really see that as a big deterrent.

Abhishek Bhandari: Got it. Thank you, sir. My second and last question is around this captive sourcing proliferation in India. Many of the large U.S. healthcare Payers are also opening or increasing their captive presence in India. Is that in an area which is not currently with us or do you think there are certain overlaps in the existing business which may be moving to this captive shift, if at all they were to grow?

Ramesh Gopalan: Yeah. So I mean couple of large captives, that we are aware of are having done by clients, by healthcare Payers who are not our current clients. The other conversations that, even when we have with our current clients, a lot of them are thinking about setting up more innovation centres in places like India to work on things that they're not comfortable giving to a third-party Provider.

A number of them are now thinking about setting up captives for core operations, which is what we do for them, right? So I mean, these conversations come up every now and then even with the existing clients. And we are closely working with them in a number of instances, we are even willing to help them set up some of those captives for like I said for core innovation or for some of the transformational services that they want to try out internally.

Abhishek Bhandari: All right. Maybe if I can squeeze in one last one. So many of the IT companies, which also have BPO arms, they have been talking about huge productivity gains in the voice based contact centre as and when they get automated with GenAI. So the question for you is do you also have a point of view on this and how much part of our business is coming from this voice based contact centre in the overall scheme of things?

Ramesh Gopalan: The way we would talk about it is, when we don't per se, talk about it as a contact centre, right? So in the overall gamut of things and let me give you an example, right? So we spoke about claims. So when we handle claims for a Provider let's say a Provider submits a claim and I don't, end up paying the claim in full. The Provider is going to either pick up the phone, call me, do a chat or send a correspondence appealing the lower payment.

So that's an interaction that we handle, right? Is that interaction going to be completely automated? For some parts, yes. And we've been helping our clients do that, even in the past. For example, we've set up gateways between Payers and Providers to eliminate those calls and ensure that those appeals are directed in a different channel. If you look at the broad interactions that we handle for our clients both coming from Providers and members, yes, there is a certain percentage that we think can be automated.

And like I said, some of the GenAI pilots that we are running with our clients today, we are actively looking at, what are some of the call drivers that are amenable to automation. But healthcare being, very complex and the systems also being very, what should I say disparate and data not being in one place. We don't see a full automation, beyond 15%, 20%. But having said that, we think there is a tremendous opportunity to improve the efficiency, right?

So rather than an associate work through multiple systems trying to gather information to try and address the query, is there a way to use GenAI for knowledge retrieval? Is there a way to use GenAI for summarisation of the interaction. All of these are efficiency levers, which we believe will reduce the total quantum of work that a person needs to do.

Abhishek Bhandari: Thank you for those answers, sir and all the best.

Ramesh Gopalan: Thanks.

Moderator: Thank you. We shall take the next question from Pranay Roop Chatterjee from Burman Capital. Your line has been unmuted.

Pranay Roop Chatterjee: Great. Thank you. Good evening to everyone. So my first question is essentially trying to understand the revenue model. So, I think we had about ₹4,800 crores of revenue in FY '24. Is it possible to break that down into how much is coming basis transactions happening? How much is a fixed subscription based revenue? And how much would we, let's say one-off implementation costs or those sort of revenue? I'm just trying to understand.

Ramesh Gopalan: Yeah. No, I get your question, right? So at a high level, everything that we do, like I said I would say over 90% of the work that we do is operational services, which is a recurring revenue. Unless, volumes decrease or unless, we lose an SOW, that's a revenue that will continue to accrue for us year-on-year. Our contracts are typically three year contracts and like I said for large clients who've been with us for 17 plus years, we've gone through several renewal cycles of those contracts. So that's point number one. Number two, the models could be very different.

We could be paid on an FTE basis. We could be paid on a transaction basis. These are the two most common ways in which we get paid. But there are also models in which we get paid what we call a PMPM basis, per number, per month. For some of the work that we do in revenue cycle or in payment integrity, we could also get paid on a contingency model, right? And payment in integrity, we get paid a percentage of the recoveries that we make for our clients, right?

So while those models also exist, the predominant models are effort based, which is either an FTE model or a transaction rate model. And in terms of the recurring revenues, like I said, over 90% of our revenues are recurring revenues.

Pranay Roop Chatterjee: Got it. Another question I had, and I had this before the IPO as well. Is that obviously, because of the transaction that happened in 2021, this entity was incorporated. Is it possible to share the revenue data of probably couple of older years just to see or assess what can be the growth profile of a company in the sector. Because right now, the only data we have is 12%, 13% for the last year. So maybe FY '19 or FY '14, if you can share some figures?

Ramesh Gopalan: So, I mean, what I can guide you is, HGS is part of discontinued operations after they divested this business. You can get the revenue numbers for a couple of years from that, right? Otherwise, there are no published audited separate numbers for healthcare revenue.

Pranay Roop Chatterjee: Got it. So if we forget the history and focus incrementally, right, you mentioned this year 15% is something that can be done. So given the strength of, given the traction that you are seeing in the market for outsourcing, given the strength of your sales team is 15% a good number to keep in mind even after this year? Is that a good number? Can it be accelerated? What would the management team be happy with?

Ramesh Gopalan: Look. Historically, if I look at the last few years, you asked the revenue question, but I mean, like I said, the management team has been associated with this business for a number of years. Even if you go back three, four, five years, we've always grown in double-digits. We've grown, I would say in the low teens to mid-teens number. And that's a number that you see us growing this year as well.

And like I said, the first half we've grown at that rate, and we are fairly confident of maintaining the trajectory for the rest of the year. Two, three years is a long time for me to give a specific number. But given the fact that we've done double-digit growth in the low-to-mid teens, that's a number we are aiming to. Now, of course, with the increase in investments, in the market facing team and our focus also to penetrate the mid and small market, we could -- the attempt is always to increase the growth number. But if you look at our historical trend, it's been in the low-to-mid teens.

Pranay Roop Chatterjee: That's very helpful. So my last question is on your margins. Obviously, you mentioned, 24% to 25% has been stable for the last three years. Incrementally, you are thinking differently. Because historically, we have been concentrated in top four, five clients, which are the large players. Now as we penetrate smaller sized players, and probably their share increases over time, how would it affect our margin profile? Is it reasonable to assume that you can maintain it, or is there a structural headwind to it? How should we look at it?

Ramesh Gopalan: So good question. So as we focus on the mid-market, do we think there is going to be a pressure on margins? We don't think so. We think, we can maintain similar pricing, similar margins at a client-by-client level. Having said that, the main factors around margin, if I take a step back and address your question more broadly, is the fact that in our business, there is always an expectation from clients that we will generate additional efficiencies.

So a lot of investments like I discussed in technology is to generate those efficiencies. And a large part of those efficiencies, we do tend to pass back to the clients. But there's always an opportunity for us to retain some part of the efficiency, because like I said, I mean the efficiencies that we pass back to the client could be in terms of a reduction in the transaction price or it could be a gain share model, which means there's some part of the efficiency that that we manage to retain. Whether that efficiency is going to reflect in an increase in margin or whether I'm going to use that to invest further in technology. That's a management call. And since we've been keeping our margins stable and consistent, we think anything that we can do to continue to invest to grow our capabilities, that is something that we will do and try and keep our margins consistent.

Pranay Roop Chatterjee: Excellent. Great results and all the best.

Ramesh Gopalan: Thank you.

Moderator: We move to the next question from Naysar Parikh of Native Capital. Your line has been unmuted.

Naysar Parikh: Hi. So the five top clients that you have, can you give an idea of what would be your share of wallets in them? How many other players are there? Typically, do they divide it with two, three players, and how does that work? And secondly, when you win new clients, whose business are you actually winning? Because like you showed, these are long-term contracts. So it'll be for even your competition. So how do you win the new clients?

Ramesh Gopalan: Okay. Good question. So part of it I answered in Abhishek's question earlier. But let me repeat that. So your first question was top clients share of wallet, right? So most of the large clients when you work with them, especially in very critical processes like claims processing and so on, most of the large clients tend not to rely on one vendor. Mostly from a business continuity and de-risking point of view. So we will most likely be one of two vendors. In some cases, we may even be one of three vendors.

Some of the smaller processes, smaller lesser or non-critical processes, we may have the 100% wallet share, but the core ones, typically clients have more than one vendor. So even if you look at our top three, top five clients, our wallet share of the outsourced stuff. So when we talk of wallet share, I want to make sure we're talking about the wallet share of the outsourced portion, will be anywhere between 30% to 45% in our top clients.

To your second question on new clients. Look new clients, if I again separate them as new clients in the large clients category and new clients in the mid and small market category, it's very different. The outsourcing penetration in the mid and small space is very, very small. So if I'm winning opportunities in the mid-market, it is very likely that the client hasn't outsourced at all, so it's a white space from an outsourcing point of view. And I get that, right?

If it is a large client, it could be as an additional vendor. Like I said, sometimes clients during the renewal may want to bring in a new vendor so I may get an opportunity as an additional vendor, or I might be replacing some of the smaller vendors. But, typically, this is a very sticky business. As sticky as it is for me, it's sticky for some of the other large players as well.

And so either I come in as an additional vendor for an existing service or, like I said, in areas like clinical and so on. Those are white spaces even for large clients. So they're again spaces where the client may not have outsourced in the past. And so then it's a fresh opportunity for all of us.

Naysar Parikh: Got it. Understood. And who would be the largest player over here in the outsourced market according to you in U.S.?

Ramesh Gopalan: If you're talking about similar service profile, see some of the companies who operate in multiple segments, they don't break down health care numbers separately. And even when they do breakdown, if they do both IT work and operations work, they don't give the split between IT and operations. So in talking to analysts, we believe that some of the bigger players like Accenture and Cognizant, their revenues could be closer to the 1 billion mark annually. So but, there wouldn't be more than two or three folks who would have larger revenues than us in the space we are in.

Naysar Parikh: Okay. Got it. Just last. When we look at the TPAs, which are operating in India, and the kind of work that they are doing, if you were to contrast compare yourself what you are doing versus the TPAs in India, how would that be?

Ramesh Gopalan: If you look at it from a macro point of view, it is very similar. So they process claims, we process claims. Obviously, the level of automation and so on is very different in the U.S. versus what's in India. So without getting into those details, broadly, that's we also do claims. We handle grievance appeals, that the TPAs do. We help in enrolment. They also help in enrolment.

Clinical programmes, we do a lot more in the U.S., which may not be something that you see in the Indian context, especially, like I said, clinical programmes that are targeted towards reducing future clinical spends. Those kinds of programmes, you may not see too much in the Indian DPA market. And two, in the U.S., our Payer clients themselves manage the Provider networks. So these are large Provider networks where the onboard Providers contract with them manage their ongoing relationship. And that is something that we support our clients in doing. So from a macro point of view, a lot of the activities that we do is very similar to the TPA.

Yeah. Payment Integrity is another thing that is unique in the U.S. context. But, yeah, so except for some of those differences that I spoke of, at a broad level, yes, activities would be similar.

Naysar Parikh: Got it. Thank you so much. I'll come back in the queue. Thank you.

Moderator: Thank you, Naysar. We take the next question from Pratyush Agarwal from White Oak Capital. Pratyush, your line has been unmuted. As we don't have audio from this line, we move to the next participant.

We take the question from Rishi Jhunjhunwala from IIFL. Your line has been unmuted. Rishi, you may go ahead.

Rishi Jhunjhunwala: Yes. Thank you for the opportunity. Just wanted to understand a little bit in terms of your medium term growth profile. So if we look at you have pretty high client concentration with top three clients contributing probably close to around two-third of your revenues. If you look at the industry, the health care services outsourcing grows at 8% to 9%. For you to do 13% to 15% kind of a growth rate on a sustainable basis, assuming that your top three clients probably will grow largely in line with how the industry is growing, given that your wallet shares are pretty high in those, and there will not be a situation where they will depend on a single vendor. It would typically mean that for the rest of your business has to grow consistently at 20% plus.

So just wanted to understand what will drive that growth on, for the rest of the business. And also, if you can give some colour in terms of your say top three clients, how they have grown over say past three to five years just a CAGR?

Ramesh Gopalan: Thanks, Rishi, for those questions. So first question it's a good question, right? I'll answer the second question along with the first. If you look at the top three clients combined, I don't have the exact number, but if I look at the last three, four years, it would probably be in the 9%, 10% range combined growth of the top three clients, right? So they continue to grow healthily, year-after-year. It's slightly higher than your 7% to 8% in that range.

But to answer your other question, what we are very good at doing is, we are very good at farming. So even when I open a mid-market client today or any new client today, typically, like I've explained in the past, we get in with one or two services. And then, we are very good at being able to convert that to a third service and a fourth service and so on. So typically, if you get into a client with one service and in the next year, you're able to add on a new service, I mean, roughly, you're going to double the business. So that's a lot of the new clients that we are adding today are going to grow much, much faster than clients who've been with us for 10, 15 years.

Just for the very fact that I'm starting on a smaller base. And then we are continuing to also look at more newer opportunities. So we are continuing to penetrate mid market clients. And so both the new engine, new logo growth, as well as farming from the logos that, I've opened in the recent past, those numbers are likely to be in the high teens, which is what combined will give a low-to-mid teens growth.

The one way of trying to increase that low-to-mid teens to higher teens growth, like I've discussed in the past is, can we open some of these new logos, not on as one service, two service basis, but can I combine a number of services and open it as a larger deal right from the get go. So that is the BPaaS model that we've been discussing. So we are in the process of trying that out, it's early days. But if we execute on that strategy successfully, then we believe that the deal sizes can be much larger and the growth rate can be higher than what it is today.

Rishi Jhunjhunwala: Understood. And just in terms of additional growth opportunities or addressable markets, so 90% of our revenues comes from the Payer side and Provider is still 10%. Do you see yourself growing aggressively on the Provider side also on one hand from a vertical perspective? And secondly, just thinking outside of U.S., are there any plans to try and do business outside also, given these probably would be replicable capabilities in other geographies as well.

Ramesh Gopalan: Yeah. The first question, yes. We want to grow the Provider aggressively. Even today, the Provider is growing marginally faster than the Payer of business. But we are constantly looking to grow that faster, because our Provider portfolio compared to the Payer is a lot more restricted today. Whereas, we have a number of capabilities on the Payer side that are equally applicable to the Provider side. And so we are looking at ways of expanding our service capabilities on the Provider side and growing that business more aggressively. Having said that, Payer will still continue to be the larger core part of our business for the foreseeable future.

To your next question, look, I mean theoretically not a lot of it, not everything is replicable globally. The administrative system of the U.S. healthcare is very different than what you would encounter in other places. But the clinical side, whatever we are doing is equally applicable, right? So that's one part of the response. But broadly, like I said, given the size of the U.S. market and the fact that we are still a very small player compared to that opportunity size.

We believe that, we need to keep focused on the U.S. market. Having said that, there are other adjacencies to the Payer and Provider markets that we haven't explored in the past. And that's something that we might, look at exploring in the future. But yeah, it's likely to be more in the U.S. for at least the near future before venturing outside.

Rishi Jhunjhunwala: Understood. And just one last question on margins. At that 24%, 25% EBITDA, you're pretty much in the top quartile when we look at players of similar businesses. So do you attribute this largely to the level of offshoring that you're able to do, or are there any other specific reasons for your margin differential versus some of the peers? And how defensible do you think that is, if you were to start seeing some sort of pricing pressure across customers?

Ramesh Gopalan: You're right. The margins offshore are higher than the margins that you would generate on the same shore, right in the U.S. So that's true for almost everybody. And so the more offshoring you can do, the better are your margins, right? So and like I said, we have over 90% of our resources in nearshore and offshore geographies. And so that is one reason why our margins are high. The second question is our operating efficiency. We pride ourselves on being strong operators. We've done this for 24 years. We know how to run the business. And these are businesses where you need to manage headcount very carefully, and you need to manage efficiencies very carefully. And we master the art of doing that.

So we believe that we can squeak or eke out more margins, than our competitors, even for the same price points. And your third question on maintainability of margins, we've addressed that in the past, right? So there are several levers for us to act on, when it comes to margins. And efficiency is a big factor, like I've said. And we have several tools at our disposal to continue to generate those efficiencies.

In addition to pure operational efficiencies, we can use technology to generate efficiencies. The question always is, how much do you pass back to your client versus how much you're able to retain? And that is something that we've been successful in being able to generate a lot of value so that our clients feel that they're getting, the efficiencies that they expect of a service provider like us. At the same time, we are able to retain some part of that efficiency to manage our margins.

Rishi Jhunjhunwala: Great. Thank you so much, and all the best for second half and the following years.

Ramesh Gopalan: Thank you, Rishi.

Moderator: Thank you. We take the next question from Chirag Shah from White Pine Capital. Chirag, your line has been unmuted. You can ask your question.

Chirag Shah: Okay. Thanks for the opportunity. So my first question is with respect to, how difficult it is to win a new business? Okay. Say, for example, right now in U.S. where you are, a new client, in terms of capability, in terms of time it requires from the effort you put and the time it requires to scale up. So that is the first question if you can just share how, based on your experiences.

Ramesh Gopalan: Thank you, Chirag for the question, right? So I mean in any industry, it's never easy to win a new client. More so in the operational world because the domain expertise is a very strong entry barrier, right? So you have to prove to the client that you have the capability because they are handing over their existing operations to a service partner. And this is something like I said, this is something that they need to run day in and day out, to keep the lights on. And so they can't afford to make a mistake by choosing the wrong partner, right?

So domain capability and operational expertise is a key requirement. And so that itself puts a big entry barrier for new players wanting to do this, right? But having said that, this decision while we've discussed this in the past in the roadshows while, objectively the cost advantages that you can get by offshoring some of this is very obvious.

But given the risks involved, people are very cautious when they make the decisions to choose a vendor and to offshore. So I would say, yes. It is difficult to get into a client. Your second question on ramp up, it depends on the size of the deal, right? So we've onboarded clients with 300, 400 FTEs and ramp them up in four to six months. So it depends. But for smaller deals, we could be up and running in a time as short as two to three months, right?

But the larger the size of the deal, it might take us, longer. Because, most other than the clinical work where we hire clinicians who are already trained, but we still need to train them on the U.S. healthcare. For the nonclinical cues, we tend to hire people with limited healthcare experience. And we train them in U.S. healthcare and in the process before we deploy them. So there is hiring and training cycle which takes time. But for that, our ability to ramp up is quite fast.

Chirag Shah: When you say ramp up in say, four to six months, you need to achieve the optimum level, right? Optimum level of revenue from that contract?

Ramesh Gopalan: Yes, for the reasonable sized contracts. Yeah and by six months, we will be hitting the steady state revenue if that's what is, yeah.

Chirag Shah: Yeah. Also in terms of time required, suppose you start a discussion today with your client, either you approach them or they approached you. Unless it's a dire situation for the client. I'm excluding that part. But generally, you experience how much time it takes for you to make an entry, it will look like.

Ramesh Gopalan: Again, if the entry point is when a RFP is out and you're invited to participate, it could be anywhere between three to four months. But if you're essentially cultivating a relationship, which will then result in an actual RFP and so on, it could take anywhere between six to eight months.

Chirag Shah: Okay. This is good enough. And second is any thought on, expanding your geographical reach?

Ramesh Gopalan: I just answered that question, sir. So like I said in the near future, we're going to be focused on the U.S. market, at least for the next couple of years, right? So we have a large opportunity there. And we think by staying focused, we can win a larger share of the business.

Chirag Shah: And one last question if I can squeeze in. So of the ₹100 of the opportunity that is available in general for outsourcing or say among top three clients, how much of you are doing today? Because some of the things will be done in-source. You highlighted only 20% is being outsourced, right?

Ramesh Gopalan: Yeah.

Chirag Shah: For you, of the ₹100 of opportunity available today in your assessment, how much you have already encashed and how much you think you can encash over next three years?

Ramesh Gopalan: I mean if I understand your question, you're asking me for I mean, there are multiple ways to answer that question. If you're asking me what's my market share amongst the players with similar services, I don't have exact number. But like I said, to in response to some other question, there are only two or three players who are bigger than me.

Chirag Shah: Let me rephrase the question, sir. I'm saying that there's an outsourcing opportunity of, say you said that today as well as the potential that could be outsourced is ₹100. You are addressing only 20% as an outsourcer, correct? Now going from 20% to say 40%.

Ramesh Gopalan: Yeah.

Chirag Shah: What will it require to fall in place either for you or for industry? I'm putting it.

Ramesh Gopalan: Okay, okay. I get your question. So the 20% to 25% is an industry average, right? If you look at the different maturities, they'll be different, right? For example, if you classify the market into the large national Payers and the mid-market and the small market, it'll vary significantly. The large guys would have done a little more. They'll probably have a 40% plus, penetration. Whereas the smaller guys may be in the single-digits, right? So what will it take is I mean, the industry, the cost pressures are only increasing. Someone asked the question, the reimbursement rates are coming down.

So everywhere there is a lot of pressure to reduce both the administrative and the clinical costs. And healthcare is a very local subject. So historically, people wanted to do this work in house, wanted to do the work in the community. But, as cost pressure firmed and as a mid-market Payer or a small Payer, you don't have the resources to apply technology and so on. Then it becomes more important that you look at other opportunities to reduce cost, so that you can retain your market share in the market. So that we are beginning to see, because like I said, historically, our mid-market penetration was slow. But right now, as we are approaching more of the mid-market clients, they are more open to having conversations.

To your earlier question, it's still not an easy sale, but at least they are more open to having those conversations today.

Chirag Shah: Okay. You addressed it in a different way.

Moderator: Chirag, may I request you to re-join the queue? We have a few participants waiting for their turn.

Chirag Shah: Yeah, I was just thanking them. Thank you very much.

Ramesh Gopalan: Thanks.

Moderator: Thank you so much. We'll take the next question from Pratyush Agarwal from White Oak Capital. Pratyush, your line has been unmuted.

Pratyush Agarwal: Yeah, hi. Congrats on a great set of results. I'm sorry earlier those some audio issue. So my question is, on the client addition side. So given it's taken decades practically to build the current client base that trust the engagement. So can you talk about what could be a reasonable result in terms of new client addition, say for the next two, three to five years? What would you say be a reasonable case for new client addition in terms of numbers?

Ramesh Gopalan: That's a good question, Pratyush. It's, I mean, historically also as a company, as a division within a larger enterprise, we were not as focused on penetrating the mid and small clients, because we were growing healthily just with the top Payers. So the focus on the mid and small market started in earnest only about three, four years ago. So that's point number one.

And to your question, what we've done in the last couple of years is indicative of what we think we'll be happy with. Anything between eight and 12 clients a year is a number that we are targeting. If we manage to do better than that, we'll be happier. But that's a number that we are targeting to do.

Pratyush Agarwal: Got it. Thank you for that. And to an earlier point you were making in terms of engagement. So of our current client base, what are the percentage of, let's say, client or opportunities you say where you have a clear -- you've demonstrated success engagement trust. And now you think, these clients will ramp up in terms of wallet share irrespective of overall, let's say client per dollars growing or not in that particular, let's say, overall account?

Ramesh Gopalan: Okay. I may come across a little arrogant, but other than the clients that I've onboarded on the last 12 months or so, I would say I have that rapport with every other client. So for us, onboarding a client and giving them the experience of what we can deliver in the first 12 to 18 months is sufficient to build that trust and relationship for them for us to continue to grow with them.

Pratyush Agarwal: Got it. Thank you so much, and best of luck.

Ramesh Gopalan: Thank you.

Moderator: Thank you. We'll take the next question from Nilesh Jain from Astute Investment Management. Your line has been unmuted.

Nilesh Jain: Thanks for the opportunity. And congratulations for a good number. Firstly, I just need one data point. I just wanted to understand, top five clients, revenue contribution for this quarter and maybe comparable quarter for the last financial year, if you can provide that?

Ramesh Gopalan: I don't have the numbers off hand, but it'd roughly be the same numbers, right? It'll be about 80% top five?

Sarvabhouman Srinivasan: Yeah. Top five is 80%.

Nilesh Jain: Okay. So in just to follow-up on that, I was just checking out comparing the numbers for FY '23 and FY '24 and for the quarter one. I see, obviously, number of client groups has increased from 35 to right now currently 45. So there's been addition of around net basis, 10 clients you all have added. And in terms of share, if I look at the growth of your top five client has been around 11% odd. Balance of the remaining clients, revenue contribution has been around 21%.

So just wanted to understand, basically, in the next two, three years, where do you see your share of top five clients concentration wise? Like, do you expect it to come down to 75%, 70%? So we can see a larger chunk of growth coming from your new acquisitions or once that you recently acquired?

Ramesh Gopalan: Yes. I mean, that's the aim. So if you look at our concentration, it's come down. At least for the top three, has come down by almost 10 percentage points over the last three years. So we are actively targeting the mid and small space to grow them faster, to bring the top client concentration down. But having said that, like I keep saying the top client still continue to grow nearly at double-digits, which makes the job difficult.

But, yeah, in the next, if you're giving me a two, three year time frame, we want the top five clients from the 80% to come down somewhere between 60% to 65%.

Nilesh Jain: Right. Okay. Interesting. Just to follow-up on that, obviously, everyone been asking on the acquisition side. Just wanted to understand, what could be the case, if you're losing a client, what could be the possible reason? Is it your end of the contract that's not getting renewed? Then what could be the possible reason if you're losing a X client?

Ramesh Gopalan: Yeah. So the contract not getting renewed is very, very rare. So there been one or two instances where, at some point, the client has decided to take the work in in-house. And that typically happens when a client is only working with me in the U.S. So if, for whatever reason, they didn't want to offshore, they work with me in the U.S., then sometimes, in one or two cases, they've taken the work back.

But and we've not had too many client losses. The only other reason we may lose a client is if the client decides to opt out of a segment that we are supporting them on. So for example, we had a client in 2022, and we were supporting them on the exchange business. And the client the next year decided to exit the exchange business completely. So that's one reason we lost all the clients.

And, otherwise, if part of that business that we are supporting gets acquired and the acquirer doesn't want to continue to work with us. That's happened in a couple of cases. But organically, like I said, when a contract ends, not renewing the contract with us, especially in the top 10, 15 clients, it's not happened.

Unidentified Analyst: Okay. Thank you, and I wish you all the best.

Ramesh Gopalan: Thank you.

Moderator: Thank you. We take the next question from Radhika Mittal from Avendus. Your line has been unmuted. Radhika?

Radhika Mittal: Thank you for the opportunity, and congratulations on a great set of numbers. I just wanted to ask, as a result of the company's strategy in focusing on smaller mid-market clients, is this something that will be margin accretive, simply on a perspective that these smaller clients will have lower negotiating power? So will revenue charge, let's say, per FTE improve?

Ramesh Gopalan: From a pure pricing point of view, Radhika, I don't think that'll happen. Even though we may not have a negotiating power and we are unlikely to be the sole contender for the business. So there'll still be a competitive situation. While overall, you're right, in terms of, they're not as mature an outsourcer like a large Payer word. But I still don't think it'll be a very meaningful difference in terms of pricing.

But having said that, the opportunity to generate efficiencies and the ease with which we can get permissions to do that, we believe is a lot higher with mid-market clients, because there's a lot of protocols and red tape that you need to go through with large clients before you can, implement any efficiency initiatives.

Radhika Mittal: Got it. Thank you. Congratulations and all the best.

Ramesh Gopalan: Thank you.

Moderator: That was the last question for today. I would like to hand over the forum to the management for their closing comments.

Ramesh Gopalan: Thank you. I hope, all of your questions have been addressed. In case, you have any further questions, feel free to write to the Investor Relations team. And thank you for your support in the IPO and later. And we look forward to connecting with all of you after the next quarter results. Thank you.

Sarvabhouman Srinivasan: Thank you.

Moderator: Thank you members of the management. On behalf of Sagility India Limited, this concludes the webinar. Thank you for joining us, and you may now log off Zoom.