“Indegene Limited

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Moderator: Ladies and gentlemen, good day, and welcome to Indegene Limited's Q2 FY27 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Abhishek Agarwal, Head, Investor Relations. Thank you, and over to you, sir.

Abhishek Agarwal: Thank you, moderator. A very good morning to all of you, and thank you for joining us today for Indegene's earnings conference call for the second quarter and half year ended financial year 2027. Today, we have with us Mr. Manish Gupta, Indegene's Chairman and CEO; and Mr. Suhas Prabhu, CFO, to share the highlights of the business and financials for the quarter.

I hope you have gone through our results release and the investor presentation, which have been uploaded on the website as well as the stock exchange website. The transcript of this call will be available in a week's time on the company's website.

Please note that today's discussion will be forward-looking in nature and must be viewed in relation to the risks pertaining to our business. After the end of this call, in case you have any further questions, please feel free to reach out with the Investor Relations team.

I now hand over the call to Manish to make his opening remarks.

Manish Gupta: Thank you, Abhishek, and good morning, everyone. Let me start with the industry.

For the first time in several years, the major signals are pointing the same way at the same time. Capital is back. Approvals are at a record pace. The pipeline is large and later stage. And AI has moved on to the operating agenda of almost every large biopharmaceutical company. When these turn together, the effect compounds. More funding means more trials, more trials mean more launches and every launch needs content, evidence and engagement. Let me take you through these 4 shifts and what each means for Indegene.

The first one, capital and deal-making are back. Through August, pharma and biotech funding rose about 85% year-on-year to over INR69 billion. Biopharma M&A roughly doubled to around INR194 billion, and licensing & partnership deal value already exceeded all of 2025. Every acquired or newly funded medicine needs a commercial and medical home and increasingly, companies partner for it rather than build it. AI amplifies this. Productivity gains are being redeployed into more content, more personalization and more channels. And the value accrues to those who own the domain, data, the workflows and execution. That is the Indegene model.

The second one, a record approval pace and faster reviews. The U.S. regulator has approved 45 novel medicines so far this year, ahead of the pace of 2023, which was a record year. Priority vouchers are cutting review times for selected medicines from about a year to 1.5 to 2 months. Faster approvals mean regulatory, safety, medical and launch work must be ready in parallel, which is exactly where our capabilities come together.

The third one, a pipeline that is larger, later stage and more complex. About 12,700 molecules are in development globally, more than 2.5x the level of 2015. Growth is strongest in the later stages. Phase II is also up almost 18% and medicines awaiting approval are up by about 30%, the highest among all stages. These are the launches of the next 2 to 5 years.

The science is also much more complex. Peptides, antibody drug conjugates, mRNA and cell and gene therapies are growing fastest, and each needs deeper scientific content, medical education and safety communication. At the same time, more than $400 billion worth of revenue faces patent expiry over the next decade. For us, that translates into demand. In-market brands must work harder for longer. The next launches must land perfectly and acquired assets must be integrated fast.

The last one is reallocation. Large pharma is restructuring, but this is not the industry spending less. R&D spending remains above historical levels. The industry is spending differently, redirecting savings through restructuring to later-stage programs, acquisitions, AI and commercialization, moving from fixed in-house cost to flexible partner models and consolidating vendors. That favors a scale integrated partner.

We heard the same from our customers at the 2026 chapter of our Indegene Digital Summit held in Philadelphia in September. More than 120 senior pharma leaders joined us and with 40% higher pharma participation than last year. The question has moved from whether AI can work in pharma to how to scale it and with whom.

Two themes stood out. Operating models matter more than tools. AI succeeds when workflows are redesigned first and business owns the outcome. The second one is the physician front door is changing. Doctors increasingly find information through AI tools. So evidence quality and scientific credibility now drive influence.

So let me bring the industry view together. Capital is back, approvals are at record pace, the pipeline is deeper and more complex, and the larger companies are reallocating towards flexible partnerships. That means more medicines reaching market, more complexity per medicine and a premium on partners to combine deep domain depth, technology and global scale. The industry is moving towards exactly the kind of work Indegene was built to do.

With that, let me move to performance for us in this quarter. Q2 was another quarter of consistent progress. Revenues came in at INR11,223 million, up 39.5% year-on-year and 5.6% sequentially. That makes 5 consecutive quarters in which we have grown more than 5% quarter-on-quarter in INR terms. And what I find most encouraging is how evenly this growth is spread across our client base. Our top 5 accounts grew 9.2% sequentially in INR terms, and our top 20 accounts grew about 6.7%. It is still early, but our largest client relationships are starting to move upwards. The work we have been building with these clients is now steadily showing up as revenue. Outside of the top 20, growth continued as well. So our biggest relationships and our newer ones moved forward together this quarter, which is the balance we have been building towards.

The numbers at each rung of the client base tell the same story. We now serve 107 active clients, 31 more than a year ago. Clients contributing over $1 million a year rose to 59, up from 54 last quarter. Clients above $10 million, now numbers 13, one more than last quarter. Each of these relationships began small and grew as clients trusted us with more of their work.

Productivity is also rising alongside. Revenue per employee on a trailing 12-month basis is US$79,600. This is up from around US$69,000 a year ago. We are growing revenue faster than headcount because most of our delivery now runs on our GenAI-enabled platforms and more of the work is priced on output and outcomes rather than on time spent. The 2 reinforce each other. As GenAI lifts productivity, output-based pricing lets more of the gains show up in revenue per employee.

Let me come to new business. We had a good quarter in terms of deal wins. 9 deal wins with annual contract values about $1 million, including 3 large deals, one in the $5 million-plus range and 2 in the $3 million to $5 million range. Let me start with the Enterprise Commercial, which saw most of the action.

In the largest new deal win of this quarter, we won a mandate from our existing top 5 customer to migrate the content platform in new geographies outside the U.S. This is an expansion in scope of the mandate we won last quarter to migrate the content platform in the U.S. While the work commenced in Q3, the ramp-up will likely impact Q4 and beyond.

The first in the $3 million to $5 million range is the one I mentioned in our last call. A top 20 pharma company had bought us in for a change management consulting engagement. Last quarter, we described it then as a sub-million start with a real room to grow. One quarter later, it has become a mandate to set up a global content factory across Commercial and Medical content for the company's international business. This is the path we want our engagements to follow, earn trust on a focused piece of work, then take up the operating model that comes after it. We are very excited about this opportunity.

Finally, the last large deal win is from a top 30 global pharma company to manage their global digital content where we are replacing a large incumbent. This is another deal which has tremendous potential to grow in the future.

Coming to the deals in the $1 million to $3 million range, we continue the expansion of our GenAI-enabled Tectonic model with our largest customer with a deal win for the Canada market. Let me remark on Tectonic for a moment over here. With our largest customer, the Tectonic model was contracted starting with Germany at the end of last fiscal. Last quarter, it extended to Spain. This quarter, the client took it across the Atlantic to Canada. That is 3 markets in 3 successive quarters and the first one outside Europe.

While Tectonic wins continue to accumulate with the largest customer, the ramp-up in this case remains slow. However, we continue to invest resources and effort into driving change management and adoption within the customers' operations across all markets where we have won.

Beyond Tectonic, our push upstream in the content value chain delivered another success this time through our GenAI-led Agentic AOR with a top 20 pharma company, where an initial pilot, which we had spoken about earlier, turned into a full-scale engagement north of $1 million. What makes this deal instructive and interesting is how it began.

The relationship started with our Tectonic offering and evolved into Agentic Agency of Record. I highlight this because it shows our content engagements can now start anywhere in the value chain, strategy, studio, production and then move upstream or downstream. In fact, the lines are blurring to the point where Agentic AOR, Tectonic and production work, we believe in the future might not be distinct.

We signed 4 more deals in the $1 million to $3 million range, split evenly between Enterprise Commercial and Enterprise Medical segments. Besides these new wins, we also had a successful extension of our ongoing deal. A fast-growing U.S.-based emerging pharma company had partnered with us in Q3 last fiscal to assist them with new product launches. We have now signed multiple additional work orders, aggregating $3 million plus to continue assisting them with their launch activities.

Taken together, this quarter was a testament to Indegene's domain expertise, a validation of our new-age solution approach to solving our customer needs across different areas and across different segments and spectrum of customers. Continued win with our GenAI-enabled offering, Tectonic, Agentic Agency of Record confirm that our strategy to move upstream has found recognition in the market. It also puts us on a path of broad balanced growth, more clients, larger clients, rising productivity.

Let me now move to BioPharm acquisition. On October 1, BioPharm completed its first year as part of Indegene, and it was, of course, a reasonable size acquisition from our perspective. When we announced this acquisition, we had provided 2 strategic reasons that together, we would become a powerful player in data-driven omnichannel and brand activation. We also said the combination would unlock real revenue and cost synergies across a shared client base. One year in, we are making progress on both.

We had planned to transition finance, HR, IT and legal, and close out the seller's transition services by the end of March. We finished that by the end of February with no disruption to client engagements and strong retention. When we did the deal, I said this was a team that would be very difficult to hire in the United States. The team is with us and now fully part of Indegene. On cost synergies, we have realized around $1.5 million in annual savings, and we reinvested these savings in growth, most visibly by expanding BioPharm's go-to-market team from 3 to 9 people.

Now to growth. A year ago, many of you had asked why BioPharm's revenue, broadly flat for a few years, would change. Our answer was that business had been run primarily for margins with very little support. And Indegene's sales engine, technology, data and management teams could unlock much more. The early evidence is encouraging.

The second tranche of payment requires revenue growth in excess of 15% in calendar year 2026 over 2025. And based on the current trajectory, we expect the payout to be close to maximum amount, a reflection of how well the integration and growth have come about. Just a caveat, we have already provided for this entire amount in our balance sheet.

The biggest story is what BioPharm has done for the rest of Indegene. We are including BioPharm capabilities in existing and new enterprise omnichannel engagements. Its data and targeting capabilities are now giving us an edge in some of our largest pursuits, which sit in our pipeline right now.

Data and AI is a dimension in which long-term value can be created. Tandem brought us over 20 years of proprietary data on how physicians respond to promotions spanning more than 300 million exposure events and 15 million engagements. It expanded our physician profiles from 1.8 million to over 3.6 million with much deeper coverage in oncology, rare diseases and ophthalmology.

We have combined Tandem and Invisage in our Audience Intelligence platform, part of the Indegene Data Universe that forms the data foundation of our AI stack beneath Cortex. It is already at work beyond omnichannel in Agentic AOR, our AI-led agency model. It powered research using synthetic key opinion leaders competing in days where a traditional agency takes months to do.

A year ago, we described this combination as more data, more engagement, more brand impact. One year in, we are seeing all 3. BioPharm is no longer an acquisition we talk about. It is a capability embedded in how we win. And we believe its biggest contribution to Indegene is still ahead of us.

With that, let me request Suhas to take you through the financials in detail. Over to you, Suhas.

Suhas Prabhu: Thank you, Manish, and a very good morning to all participants on the call today.

Let me start with revenue. Revenue for the second quarter was INR11,223 million or US$117.5 million. In dollar terms, that is a strong growth of 27.5% year-on-year and 4.4% sequentially. EBITDA came in at INR1,873 million, up 32% year-on-year at a margin of 16.7%.

I want to put that figure in context, because the more important story is what the quarter absorbed. The second quarter is when our annual wage increase take effect. And this year, the wage hike impacted margins by about 150 basis points. Improved productivity and favorable exchange rates have largely offset this impact. In July, we told you this quarter 2 would break from the usual pattern, and it has.

Beyond EBITDA, other expenses were as anticipated and largely in line with the past quarter. However, interest income was down 44% sequentially from INR237 million to INR134 million. While the invested funds largely remained constant quarter-on-quarter, the markdown in our mutual fund portfolio NAVs due to the increase in interest rates towards the end of the quarter compressed the near-term yields. The quarter-on-quarter impact of lower yields impacted PBT by about 90 basis points and PAT by about 70 basis points.

Coming back, the annual wage hike is already in the base. Impact of productivity, workforce transformation initiatives, combined with operating leverage is anticipated to have a favorable impact on EBITDA in the coming 2 quarters. Looking ahead, we also expect some of this quarter's pressures below the EBITDA line to ease. Amortization charge will reduce in quarter 3 and beyond.

We anticipate yields to increase with the higher interest rates prevailing combined with a conscious shift in the investment portfolio towards a higher allocation to held-to-maturity instruments, which reduce volatility.

Taken together, these should impact PBT positively, aggregating up to 90 to 95 basis points. This would help our PAT margin expand faster than our EBITDA margin in the coming quarters. Profit before tax was INR1,474 million, with the effective tax rate steady at 23.8%. Profit after tax was up 10% from a year ago at INR1,123 million or 10% of revenue.

The business mix was steady with Enterprise Commercial contributing about 71% of our revenue and Enterprise Medical 25%, followed by Others at 4%. By geography, North America continued to be the highest contributor, accounting for 74%, followed by Europe at 23% and the rest of the world, 3%.

Our largest customer today represents 7.8% of revenue and our top 10 together make up 49%. Let me delve a little deeper in 2 of our larger relationships since you'll see the movement in the aggregate numbers. Revenue from our largest customer slightly eased this quarter as the Tectonic engagements that we signed with them are ramping up more gradually, though the scope we contracted keeps expanding. The contracted business, as Manish described, keeps growing. And as execution catches up, we expect revenue from this client to return to an upward path.

Separately, one customer moved from the $25 million-plus cohort to slightly below. This customer had moved into the $25 million-plus cohort 2 quarters ago and the drop is a small variation in the quarter-on-quarter volumes. We believe this is a temporary drop given that the largest win this quarter, the $5 million-plus win that Manish mentioned is with this customer. And as the deal ramps up, we expect the customer to get back into the $25 million-plus cohort in the coming 2 or 3 quarters. Despite these 2 movements, our top 20 accounts grew 6.7% sequentially in INR terms and shows strong growth in our top 20 accounts beyond the 2 that I already spoke about.

The DSO net of unearned and unbilled revenue was slightly higher at 69 days, up 2 days. And cash and investments stood strong at INR13,896 million.

With that, let me close with the margin path. Our outlook remains unchanged. We continue on the path to quarterly EBITDA margins of 19% plus by the fourth quarter of this year. Three things give us confidence. First, this year's wage cycle is now fully in the base. Second, the outcome-linked omnichannel contract with one of our large customers has progressed positively in the first 2 quarters.

Third, we have deal wins during the quarter as well as a healthy pipeline going into H2. As they scale, the go-to-market and delivery investments that we highlighted in the past and we made ahead of time begin to pay off. And as all of this play out, margin growth in H2 is likely to outpace the revenue growth as we exit quarter 4.

With that, let me pass it back to Manish for the outlook. Over to you, Manish.

Manish Gupta: Thank you, Suhas. Before we open the line for questions, let me close with where we believe we are headed. While we do not provide formal guidance, I want to restate 2 goals we had set for ourselves and discussed with you all. First, organic growth rate better than FY26 with our biggest relationships and our newer ones moving forward together as we did this quarter. That is the balance we've been building towards.

The second one was our quarterly EBITDA margins back in our historical range by Q4, as Suhas mentioned, as our go-to-market investments and successes in deal wins get into full-scale execution reflecting in the revenue through this period. Our focus for the rest of the year is clear. Working on these 2 objectives, both are underway, and they keep us firmly on track for our FY27 goals while building a strong foundation for FY28.

Looking further ahead, our Enterprise Commercial business is entering an important new phase. Five years ago, we set out to move upstream in the commercialization value chain by fundamentally changing how pharma approaches content from strategy and creation to production deployment. We have since built the pieces required to make that vision real. Tectonic and Agentic AOR and omnichannel have expanded our presence upstream and downstream, supported by capabilities built organically and through acquisitions such as CultHealth, MJL and Cake and very recently, BioPharm. We are bringing together Invisage and Tandem into a strong Audience Intelligence ability and integrating that data with industry-specific platforms, contextualized workflows and AI embedded throughout the way we work.

It has taken time to build this model because we are defining a market, not simply entering one. But now we believe, we are at an important inflection point. Clients can increasingly enter our ecosystem anywhere, from strategy to creatives to production, and expand across the value chain. Over time, we believe the distinctions between Agentic AOR, Tectonic and production will matter less. The destination is one integrated AI-led content model spanning the entire commercialization value chain. That is where we intend to keep investing, and we see this as an important growth opportunity for the next few years.

To sum up where we stand. Exactly a year ago on the same call, we told you we are making deliberate ahead of the curve investments. Last quarter, we told you we are genuinely confident how they would pay off. Today, that confidence is turning into evidence: a stronger industry demand is moving from testing to scale, a broader and deeper client base, an acquisition that is delivering, and a second half where growth and margins come together. The building blocks are in place. The momentum is real, and we believe the best is still ahead of us.

With that, let me hand over to the moderator to open the line for questions. Thank you so much.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Vinay Menon from Monarch Capital.

Vinay Menon: Congratulation on a great set of numbers. A couple of questions from my end. If you can just mention the run rate for Tectonic, which you give on a quarter-on-quarter basis, that would be helpful.

Suhas Prabhu: Thanks for your question. Tectonic has grown from a run rate of about $1 million a quarter to $1.7 million this quarter. And the contracts, as we mentioned, have actually crossed a level of more than $2 million a quarter as we look ahead.

Manish Gupta: If I just elaborate a bit more on that, Vinay, as we were talking about Tectonic, which is still very relevant. Today, we are seeing deals in combination of Agentic AOR, Tectonic, and bunch of things. As I mentioned, the lines are blurring and enabled by AI, things are changing fast. We continue to be on top of these. The good news is today, we are winning from all sides. The highest side of Agentic AOR, the lowest side of content production and the middle with Tectonic. And any company working very actively with AI would vouch that things are changing fast. So you've got to be on top of it, and we are.

Vinay Menon: That helps. And on the receivables part, I've just seen that unbilled revenue has jumped. Is this also on account of more outcome-based kind of revenue which we are expecting in H2? And could this be the trend going ahead with the change in the way we kind of look at the business?

Suhas Prabhu: Again, Vinay, this is typically a quarter where we also see slight delays in customer confirmations given that it is summer time both in Europe and U.S. where we derive most of our businesses from. Last year, the same quarter actually bucked the trend, so to say. But we believe going into quarter 3 and quarter 4, we would see the AR and the unbilled more importantly, coming back to what we see normally. Of course, outcome-based contracts do have milestone-based billing and payments. And therefore, there would be some timing-related variances unlike monthly billing that you would see on plain vanilla time and material contracts. But we do not anticipate that to be materially different from what we have seen. And therefore, the net DSOs as you see, varied only by 2 days from 67 days to 69 days. And therefore, we don't anticipate this to be materially different.

Vinay Menon: And one last question is that we have seen at the Frontier Labs, especially Anthropic announced a couple of partnerships with pharma companies where they are working on drug discovery. Are we also looking to partner with like a frontier model? Or is this some kind of a threat to our model of working?

Manish Gupta: We don't see that as a threat to our model of working. We have put a dedicated partnership team in place in the U.S. and India and are partnering with multiple players in the broader tech ecosystem. There's definitely the frontier labs, but also many other technology companies.It's going to be important for the frontier models and all these companies for the last mile.

And really, as I said, the theme even in the Indegene Digital Summit was that you got to redesign the workflows and the skill sets. Technology is the easier part over here. And that's where a

company like us fits in. Most of the technology companies will have to partner with companies like us. So it's an amazing opportunity for us.

Moderator: We'll take the next question from the line of Prolin Nandu from Edelweiss Public Alternatives.

Prolin Nandu: A couple of questions from my end. On the Tectonic you mentioned the ramp-up at your largest client is slightly slower while the scope of work increases. So could you help us understand why is that the case that both are happening at the same time where the ramp-up is lower, but the scope is increasing?

And in that on Tectonic, since you said that the lines are blurring, how do you win the deal or engage with the client, how do we then think about an ROI on some of the investments that we have made specifically on Tectonic?

Manish Gupta: We made some investments in Tectonic, but Tectonic is not a stand-alone business unit. So I will not measure ROI on Tectonic stand-alone. It's a $2 million kind of a thing, measuring ROI on that stand-alone does not even make sense. And the reason we did it is not for the $2 million thing, but we are moving upstream from what we are doing on content and various other things.

Now what we see are 2 things. One is that it was moving a bit upstream, but we also have proof points of moving upstream at the highest end, which is the Agentic AOR concepting. We have cracked that, and we have won deals in that space. The important thing for us is how do we capture the entire value chain. And we, will be measuring ROI at that level. And we are very bullish of what we are seeing over there.

Now coming to the client per se, why is this happening? Here are the dynamics that play out. There's a central team, and executive leadership which wants to drive more centralization. That gets reflected in the signed orders. But local geographies and every therapeutic areas have brand teams, which have been working on a decentralized model for a very long period of time. Getting those organizational dynamics right in these very, very large companies takes time, given it is a new area. We have seen this in the past – 10 or 15 years back – when the same customer started their journey with us. It was not a linear path. And hence, we are not worried. We see this change management takes time. And the central teams and the brand teams, this dynamic will play out. Over time, change management will settle and the things will progress in way of more centralization. But that dynamic is playing out right now, and hence, you see this divergence.

Prolin Nandu: Sure. That's very clear, Manish. And also based on your answer, you mentioned that you have won a significant deal on the GenAI-enabled transformation and upstream engagement as well. You also mentioned you have cracked that GenAI AOR, which is a step upward on the upstream journey than what a Tectonic would have done.

So could you give me some more contours of this particular deal? What is the GenAI element in this and how difficult it would be for some of the large frontier models to get into a similar domain or win similar kind of a deal from your clients?

Manish Gupta: We have spoken about this in one of our earlier calls if I'm not wrong. This happened in our Q4 call, when we had done a pilot with one of our customers, where we challenged the customer

who was working with the agency for one of their launches to continue to work with the agency, but do a parallel pilot with us, for concepting, which means that how are they going to launch the new molecule, what positioning to take, what doctor segments to go after, what messages, what creatives. And when I say message, I'm talking about the scientific messages. Now this entails looking at the clinical data of this molecule, the claims. The competing molecules are making the entire space from a therapeutic perspective and then coming out with the right scientific messages, the right creative, the right physician profiles that typically agencies take a couple of months to get done. And obviously, it's a fairly expensive process, very iterative process, with large teams involved from agency side. We had a discussion with the client that we would do this with you in a few days workshops using our agentic approach. We needed a bunch of things from them and had to come prepared for this. We did that. And the client was even saying that if you get 60% to 70% what agencies do, we will be very happy. And what they saw after a couple of days was much better than what agency would do in a 3-day workshop. We did that. And after some point of time, we were called back to essentially handle a bunch of things for this molecule. We became the primary agency. And as we speak, we have the next level of meetings set up right now to see how we can work with this company at a much more enterprise level using this approach. So that's one. And this is just one thing which has evolved over the last 6 months.

Our teams are busy doing a lot of these workshops and discussions with multiple clients right now. As you can see, this is first in the industry, and nobody is close. And that's what we are taking to the industry today. And let me be also realistic. It's a change of approach on how to do things. And, it will take its own time.

Now your question about frontier models. There are lots and lots of nuances of how pharma marketing is done. What we did in 3 days took almost 2 to 3 years to build. The nuances of how pharma marketers, creative folks, some of the medical directors think. Our experts sitting with some of the folks in the agencies, which we had acquired, created this knowledge engineering graphs internally using Cortex, then building all that into the workflows and agents. It was a very fairly long process, which required a lot of nuance understanding, designing the workflows, the agents, the checks and balances. So it's fairly elaborate.

Prolin Nandu: Sure, Manish. Just one last question, from my side. This engagement model that you mentioned in your slide, 60% plus of the revenue is based on outcome aligned. What is the cap to this number based on whatever things that we are investing in and how you see the industry moving which you mentioned at the beginning of the call? What is the theoretical cap that one can put on this number? How much more can it grow 80%-90% of our revenue in 5 years' time?

Manish Gupta: It's a difficult question to answer. There would be some level of FTE layer. In our case, most of that is not offshore, but FTEs experts in omnichannel orchestrators, brand liaisons, brand managers, or regulatory experts in different markets across the world who become the custodians and orchestrators to manage a lot of the work which are being done at scale using AI-enabled workflows. Now, a lot of AI-enabled workflows can grow. How much exactly? I won't hazard a guess over there right now. There is a lot of work to be done. But Suhas, do you want to take an attempt to at add more color to this?

Suhas Prabhu: Sure, Manish. And yes, while it's difficult to guess where it would cap, what we can mention is that most of our wins in the current quarter, Prolin, have been output or outcome-based rather than FTE-based contracts but for one. And that gives us confidence that this number would keep trending upwards. And we are also making focused effort to convert our pure FTE contracts into a hybrid contract with a mix of outcome-based as we head into the renewal cycles for these contracts. So we believe that this will keep moving upwards hereon.

Moderator: The next question is from the line of Renga Varshini K. from Wealthified.

Renga Varshini K.: Congratulations on the good set of numbers. My first question is on the Tectonic side. Which geographies are you targeting for its expansion? And how do you see the opportunity shaping up across these markets? That's my first question, sir.

Manish Gupta: Tectonic, at least right now, we see most of our demand in the United States and some of the large European markets, like Spain, Germany, U.K. Those are places we have won, and it would be in those large geographies.

Renga Varshini K.: Understood, sir. My second question is we are seeing large players like TCS expanding into life sciences through their platform, TCS ADD, advanced drug discovery, which overlaps with our EMS segment offering. So how do you see competition from IT companies? And what plans do we have going forward?

Manish Gupta: We don't. We are right now fairly involved in the market and have a broad coverage. In all transparency, we don't see IT too much, at least in the kind of deals we compete on. Of course, IT companies are there more on the CIO side. We are selling to marketing folks, Chief Marketing Officers, Chief Medical Officers. That's a place where we continue to get more strategic, more traction. And some of the discussions I had on various things, we don't see IT companies playing there. At least we don't see them today at all. That's not a segment we worry about too much. As I mentioned earlier, the place from a competitive perspective, the sectors which we compete with are agencies and CROs, which are much more domain focused.

Moderator: The next question is from the line of Sathish from Kotak Institutional Equities.

Sathish: Congrats on excellent results. Couple of questions. First is regarding the $10 million ACV deal, which is entirely outcome-based. Is there significant contribution of that deal already in the revenue numbers? And will it fully ramp up in the next quarter?

Manish Gupta: Sure Sathish, I'll let Suhas also talk about this, but the $10 million deal, some small amount has been recognized this quarter. But most of our contributions are still ahead of us. We are fairly comfortable on what is going to be recognized and larger portion is going to be recognized in H2. That's one piece. Suhas, do you want to add on anything to this and any other part?

Suhas Prabhu: Sure. And Sathish, we believe that our quarter 4 is when any true-up on this contract would show up given that it's a full year threshold that we have to meet and beat on the outcomes to be certain on the full revenue recognition. And this being a calendar year recognition, it would be February or March by the time we get the data lock and the customer confirmation. And therefore, our quarter 4 is when we anticipate this to show up more meaningfully.

Sathish: Second question regarding service line growth in which Medical was on the weaker side, and we saw strong growth in Other segments. The question is that whether the growth in Other segment because of volatility or will it grow in line with company average in the future? And second is will the strength in Commercial continue to make it grow faster than Medical in the future?

Manish Gupta: I would say right now, the reality is we are seeing a lot of traction on Commercial side. We continue to make significant investments in Medical as well. But for the next few quarters, we might see higher growth rates in Commercial. And on Others segment, Suhas, I'll let you step in.

Suhas Prabhu: Sure. Maybe just to elaborate, Sathish, even the current quarter, the quarter 2 deal wins are a little more skewed towards Commercial, though we saw $2 million-plus deal closures in Medical. Therefore, we anticipate over the next couple of quarters or so that Commercial will outpace the growth in Medical. Medical is coming off a very strong growth base in relative terms in the past quarters. But we continue to see a good number of deals in the pipeline in Medical as well. And therefore, we remain positive that, that would also follow the trend that we are seeing in Commercial.

Coming to the Others segment, it's a small base as you know. And we had announced a deal in December quarter, which was a relatively large deal contributing to the Clinical segment, which is part of the Others segment. While the deal went live a couple of quarters ago, the ramp-up happened in the month of August, and therefore, we saw a meaningful uplift in relative terms in the Others segment. And that would get fully annualized in the quarter 3, which will see a bit more uptick in the Others segment.

Moderator: The next question is from the line of Divyansh Agarwal from Ionic Asset Managers.

Divyansh Agarwal: Firstly, congratulations on a good set of numbers. Sir, just maybe on the EBITDA margin, while we obviously have laid our plans to try and reach about 19% by the end of this year. Could you just give us a margin walk-through like while we mentioned it for Q2 on a quarter-on-quarter basis, how the margins panned out? So if you could give a small walk-through on how we see the margins from current of 16.7% go to about 18%, 19%. Just a small walkthrough, if you can.

Suhas Prabhu: Thanks, Divyansh, for your question. We have, as you rightly pointed out, provided a walk on the quarter 1 to quarter 2 margins. And while we don't give any specific guidance going forward, I would request you to look at the walk between quarter 1 and quarter 2 and the favouring factors, which will continue going forward, being the productivity and workforce transformation, which in the last quarter contributed approximately 85 basis points uplift to the margin and the favorable exchange rate. Now the exchange rate is difficult to call. But having said that, we book a significant portion of our forex exposure for the coming 2 quarters ahead at any given point in time, about 75% of the 2 quarter ahead exposure is already hedged. And therefore, we are fairly confident that favorable exchange as well as continuing impact of our workforce transformation and the operating leverage as we continue the growth will continue to add positively to the EBITDA margin both in Q3 and more significantly in Q4, given that we also mentioned the uplift in the $10 million outcome-based contract that we anticipate in quarter 4.

Divyansh Agarwal: Got it, sir. And just secondly, on the clients, obviously, while we mentioned that one of our clients at $25 million plus. While you have given us an explanation, but could you give us some color, has there been any retalks or renegotiations to maybe start another leg of business with them? Or have we like completely sort of maybe moved on and we are going towards more other client acquisitions in different categories?

Manish Gupta: Not really, we mentioned last quarter a win with this client and this quarter also one of the deals I spoke about in the $5 million to $10 million range is with this client. Revenue recognition for this client will start again, probably a little bit of Q3, but more importantly in Q4. So we're very confident that this client will get back to the $25 million plus.

It was just some variation in volumes, which have happened recently, which has caused the dip. And it was just above $25 million. And then slipping just a tad below $25 million has created the category shift, but it's in the same ballpark and with this deal in our order book right now and going to be executed in the next 2, 3 quarters. We will get there soon.

Moderator: The next question is from the line of Ankur Pant from IIFL.

Ankur Pant: Congrats on a good set of numbers. My question is the cadence heading into 2H. So 3Q has historically been a good quarter for Indegene as well. Now with 2Q on a solid base growth – deal wins being strong, so do we expect that in 2H? So for 3Q, the growth will continue to remain or sustain momentum that we have seen in 2Q and further spike up with the ramp-up of the $10 million ACV deal in 4Q. Is that the correct understanding as we head into 2H?

Manish Gupta: We don't give guidance especially quarter-on-quarter. We believe this year should be organically a stronger year than last year, and H2 would be stronger than H1. So we are fairly confident of H2 given where we sit today.

Ankur Pant: Sure. And just on the margin front as well. Is it fair to say that earlier we were expecting the $10 million deal to ramp up in 3Q and now we expect it in 4Q. So the bigger margin jump that we were expecting would come in 4Q. Is that the right way to look at it?

Suhas Prabhu: Ankur, what we had mentioned was that the revenue recognition would start post 2.5 quarters of the project going live, which it has because the contract started in January. But given that it's an outcome-based contract, there would be a revenue recognition curve, which we believe would result in Q4 being where the revenue would peak. And therefore, that would also have a meaningful impact on the margin as we exit Q4.

Moderator: Ladies and gentlemen, that was the last question. I will now hand the conference back to Mr. Abhishek Agarwal for closing comments. Thank you, and over to you, sir.

Abhishek Agarwal: Thank you once again for your active participation and continued interest in Indegene. We look forward to your participation in the earnings call and such opportunities going forward. I appreciate all your questions once again. Thank you all, and have a good day.

Moderator: Thank you, sir. On behalf of Indegene Limited, that concludes this conference. We thank you for joining us, and you may now disconnect your lines. Thank you.

(This document has been edited for readability and is not a verbatim record)