



“Indegene Limited  
Q2 FY '26 Earnings Conference Call”  
October 31, 2025



**MANAGEMENT:**      **MR. MANISH GUPTA – CHAIRMAN AND CHIEF EXECUTIVE  
OFFICER – INDEGENE LIMITED**  
**MR. SUHAS PRABHU – CHIEF FINANCIAL OFFICER – INDEGENE  
LIMITED**  
**MR. ABHISHEK AGARWAL – HEAD, INVESTOR RELATIONS –  
INDEGENE LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to Indegene Limited Q2 FY '26 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 start 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 from Indegene. Thank you, and over to you, Mr. Agarwal.

**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 2026. 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 of the quarter.

I hope you have gone through our results release and the quarterly investor presentation, which have been uploaded on our 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 risks pertaining to our business. After the end of this call, in case you have any further questions, please feel free to reach out to the Investor Relations team. I now hand over the call to Manish to make his opening remarks.

**Manish Gupta:** Thank you, Abhishek. Good morning, everyone, and thank you for joining our Q2 earnings call. The past few months have been very action-packed both externally, the external environment and internally at Indegene as well. And I hope to try and cover as many of these in much detail as is practical on this call today.

Let's start with the external factors, especially the evolving U.S. policy matters that impact the life science industry and have been in the news quite a lot. The big headline for the industry has been the most favored nation or MFN pricing. On September 30th, President Trump and Pfizer announced the first deal on this matter. The agreement provides every state Medicaid program in the country access to MFN drug prices on Pfizer products and requires Pfizer to offer medicines at a deep discount of the list price when selling directly to American patients.

There is also a plan to offer many drugs at significant discounts through a new federally operated DTC platform called TrumpRx.gov. Finally, this agreement also grants Pfizer a grace period of 3 years from any Section 232 pharma tariffs provided the company continues to invest in U.S. manufacturing.

While this deal does have an adverse impact on drug pricing, the terms and scope of the agreement is seen as positive for Pfizer and for the pharma industry in general. Most companies have limited exposure to Medicaid and prices are already significantly lower in this channel compared to the rest of the market.

The federally operated DTC platform, TrumpRx.gov will also have minimal impact as most patients do not pay out of pocket. Finally, it's likely companies will sidestep MFN restrictions

by delaying launches in other geographies, while keeping prices high in the U.S. Also, it's likely that the prices for drugs in non-U.S. markets are increased to minimize the impact of MFN-related price reductions in the U.S.

Overall, this has been a big relief for the industry because it takes away the regulatory overhang and provides a template for moving forward in a way that is not significantly disruptive for the industry. As per analysts, top 30 life science companies regained approximately USD440 billion in value during the last month. So you can see how this development is considered as not disruptive to the industry.

Companies have started announcing drug launches at significant discounts, which are applicable only for the limited DTC market and also overseas new drug launches are at -- some of them have been at higher prices, in line with the U.S. prices.

Now the other big announcement in the recent past was the application of tariffs on pharmaceutical imports into the U.S., which were initially kept outside the purview of tariffs. Beginning October 1, pharmaceutical manufacturers would face 100% tariffs on all branded or patented drugs imported to the U.S. However, there were notable exemptions. Manufacturers could avoid these tariffs by building manufacturing facilities in the U.S., defining building as either breaking ground or under construction.

Apart from this, the existing trade agreements would be also honored, including recent EU and Japanese compacts that limit pharmaceutical tariffs to 15%. Most companies have announced significant investments towards R&D and manufacturing in the U.S., thus blunting the impact of any tariff threat. It also seems that administration may look at MFN or tariffs as a combined tool rather than separate tools, so companies could use a mix of these 2 approaches as part of their negotiations.

Taking a step back, one can see a sort of trend here. The U.S. administration seems to be creating regulations, which were initially perceived as drastic and disruptive. However, the outcomes seem to indicate limited pressure in the immediate term, while also providing a possibility to a way out with any significant negative impact on the industry even in the longer term. With the MFN and tariff issue now having a potential resolution, there do not seem to be any other imminent clouds on the horizon for the industry as of now.

Now the other announcement of some relevance or some way connected to Indegene was the move against DTC marketing. To be clear, it's not a ban against DTC marketing, but action and tighter enforcement against disruptive or misleading DTC marketing. Essentially, the U.S. administration has tightened the regulations around DTC marketing, which may limit their activities on traditional DTC channels such as TV, print and related media advertising. and drive more engagements through newer channels such as digital, social media, etcetera.

This development has no impact on Indegene, as we do not have any significant engagements using traditional media for the DTC segment. However, we likely benefit from the shift to digital channels or spend diverted to segments such as HCP or market access, etcetera.

Now with some of these having spoken about, let's come to the other action the U.S. administration announced. This was not specific to the life science or pharma industry. This was the fees for new H1B visa applications and the evolving landscape there with exemptions and clarifications on limiting the applicability of the fees. This is a broader regulation that impacts all businesses, but more specifically outsourcing services businesses, which depute large number of employees from India to the U.S. every year. This has practically no impact on Indegene.

Currently, Indegene employs around 550 people in the U.S., out of which 45 people, approximately 8% are on H1B visas. Every year, we depute only 5 to 8 employees on H1B to the U.S., and this content can be easily managed through multiple routes, nearshoring, passing on the additional cost to our customers, especially in large engagements, where they won't be material.

The reason for the low quantum of U.S. personnel on H1B is because Indegene is not a staffing business and a labour cost arbitrage is not the core of the business model at Indegene. As part of our business model, we hire talent who have deep local market expertise, be it regulatory expertise in each country, deep understanding of health care practices, channel preferences, pharma marketing or medical practices, which vary country by country. And this talent is, of course, available only locally.

Our customer engagements need us to operate in multiple countries across the globe for large regions with a complex multi-location hybrid delivery system, which combines multi-country local operations working seamlessly with nearshoring and offshoring capabilities with multi-skilled personnel having deep domain expertise working together in a global operating model. This is also very clearly visible in the higher revenue per employee metric at Indegene, which clearly is market leading.

Before we move ahead, to summarize my commentary on the U.S. policy changes and the administration action, the industry continues to face pressure on drug pricing and margins, whether it was through IRA in the past or MFN negotiations or tariff announcements now. And this is something which we've been alluding to, speaking about from our, I would say, very early earnings call. However, the likely adverse impact to the industry is limited. And the positive news for the industry is that actions taken in this regard clear any uncertainty on policy overhang and should aid decision-making moving forward. Calendar year 2025, Q3 performance for the industry is expected to be in line with the industry forecast and market expectations, and there do not seem to be any major industry headwinds that we see as of now.

Now with this, let's come closer to home. We continue to see clients now actively building on some of the earlier digital and centralization theme. This, we believe, is driven by some of the top-down pressures the industry faces and the fact that we see AI as a way to get more efficient and effective. We believe this will be the next level of driver for digital adoption, centralization and embedding of AI in key medical and sales marketing processes.

Our offering Tectonic has been based on this theme, and we continue to make progress on that. While it's still early, we are highly encouraged to have clocked approximately \$2 million in H1

revenue in Tectonic from 4 customers. This is up from 2 customers we had in Q1. We have initiated multiple conversations in this area and the pipeline is shaping up well.

Given some of the things I saw and I spoke about and the commentary we have been sharing with you for a long time, we continue to strengthen our GenAI-based capabilities centered around our proprietary Cortex platform. We are increasingly seeing evidence that supports our hypothesis that real value addition from GenAI will come from contextualizing the technology for the domain.

With Cortex, our focus, therefore, has been on qualifying 26 years of our life science regulatory and business process-specific knowledge that we then use to train agents across the value chain. We continue to build business applications on top of this knowledge engineering-led agentic layer in Cortex.

We are building applications across key areas like digital content with use cases for our agency business, Tectonic as well as commercial content creation and adaptation. All this has been on the commercial side of the business, sales and marketing side of the business, if you would call it out.

On the medical side, we have built applications for medical legal review, regulatory writing and submissions and a few others. We are taking a platform approach versus a point solution approach to building these GenAI applications because otherwise, we feel that the industry is very soon going to run into the problem of managing hundreds of business process agents and driving governance for them.

Further, our end-to-end content engine called Content Super App is being built as a single platform for brand managers as well as global commercial operations. Multiple agents that drive different aspects of development, such as ideation, concepting, localization, personalization and regulatory approval of content, however, all via a single platform.

Similarly, with our medical writing platform, we are automating authoring of all regulatory reports right from protocol authoring to clinical study report to ongoing filings post approval on a single platform. We continue to add regional use cases on this platform based on the client's need.

As we see our clients' needs getting crystallized and pipeline generation improving, increased activity levels in customer organizations due to growth in revenue in new launches or cost efficiency and modernization / GenAI initiatives with some customers resulting in new opportunities, we have decided to strengthen our go-to-market engine in multiple ways

- We have increased the strength of our business development teams on both fronts, increased customer coverage and deeper penetration with existing customers.
- We have added capacity and capabilities in consulting, data and technology, including GenAI. This has been done in the U.S. and Europe. And we'll continue to strengthen this as we make progress with customers on new engagements for enhancing the scope of current engagements.

- We have and continue to deepen our partnerships with some of the hyperscalers and other technology product companies that have and are getting traction in our industry.
- We have also acquired 2 businesses, BioPharm, which we had spoken about earlier in the call, a U.S.-based omnichannel marketing company focused on targeted HCP or health care professional engagement. And a very recent one, WARN, a U.K.-based boutique consulting firm, having people with significant experience in change management, transformation consulting and digital and technology areas for pharma. Both these acquisitions were done in October. We'll have more commentary on these acquisitions a bit later.

Now we believe these investments will help us to capitalize on the market opportunity that we see in front of us. These ahead of the curve investments should accelerate our growth progressively over 6 to 8 quarters, but with EBITDA margins compression in the near term by about 1.5%.

I'm getting into our results now. We had a good quarter on both execution front and new business generation front. Q2 revenue came in at INR8,042 million, growing 17.1% year-on-year and 5.7% quarter-on-quarter.

Among the significant wins during the quarter, there were 2 large deals of 3 million-plus ACV, both in the ECS segment, first one with a big pharma to manage their global omnichannel for health care professional campaign operations for a few years. And the second engagement with a top 5 customer of Indegene with increased scope in existing global commercial operations. Both these are start expected to start in Q3 and ramp up over the next 3, 4 quarters.

Additionally, we had 4 deal wins in the 1 million to 3 million ACV range. One in Enterprise Commercial segment with an upcoming biotech company for various transformations and business tech implementation projects. Revenues for this start again in Q3. The other 3 deals were in the Enterprise Medical segment. First one with a medical device company for pharmacovigilance with a 3-year tenure to start in Q4. The next in the top 10 pharma company with scope expansion in existing medical operations. And the last with a mid-sized small pharma for supporting medical writing and submissions for biological license application for a slightly shorter duration, both of which will start in Q3. Finally, we also continue to have a healthy and growing pipeline with a higher proportion of potentially large deals greater than 3 million ACV.

Just a few weeks back, we also hosted Indegene Digital Summit. IDS 2025, which is our flagship event. This was done in September 2025 in Philadelphia in the U.S. We returned to an in-person format after 5 years. Since the start of COVID, we had gone digital. This in-person event was a huge success. It was attended by senior leaders from the industry, from our customers as well as regulators.

While AI took center stage in all conversations, almost every one of them also stressed how important context is to make the most of AI, a revalidation of what Indegene has been saying. We gained valuable insights on why organizations across industries are struggling to derive meaningful ROI, turning pilots into full-scale production and challenge in reengineering

processes and upskilling talent for an AI-first world. This, we believe, is an opportunity for Indegene, and we continue to focus on this.

Finally, some details on the BioPharm acquisition that we announced early this month. The integration is underway at full speed and support functions like finance, HR, IT, legal, etcetera, will be transitioned in 2 quarters, while business operations and go-to-market will likely take about 6 quarters to complete.

We are excited about the potential of this business in its current form as aligned to brand activation with the brand-by-brand business, where we shall invest to increase the business development activity in the U.S. as well as the integrated omnichannel campaign offering, which is a part of the ECS segment to scale up globally with some of the engagements cutting across brands.

This point bears some further context. Many of you are aware, Tectonic is our effort to go upstream towards the creative processes within the marketing activities. as an enterprise commercial engagement cutting across multiple or all brands in a customer, either globally or for a large region than a brand-by-brand engagement at a country level. This offering is a combination of Indegene's content campaign and data capabilities, along with the creative capabilities acquired through Cult acquisition a couple of years back and monetize through the enterprise-wide engagements rather than the brand-by-brand engagements, which also cuts across multiple countries or regions.

We believe that BioPharm will provide a similar opportunity for us to expand our capabilities on the downstream omnichannel campaign execution capabilities and take these to our customers in an enterprise format rather than just a brand-by-brand format. That's a broad update.

With this now, I'll pass it on to Suhas for further details on the financial performance as well as financial perspective of the acquisitions.

**Suhas Prabhu:**

Thank you, Manish. Once again, a very good morning to all, and we appreciate your participation on this call today.

Let me begin by getting into the details of the financial performance for the quarter. Revenues for the quarter came in at INR8,042 million, up 17.1% year-on-year and 5.7% sequentially. The growth in U.S. dollar terms is 12.4% year-on-year and 3.6% sequentially. The EBITDA margin adjusted for onetime nonrecurring M&A costs for the quarter came in at 18.2%, down by 2% sequentially, almost entirely due to the annual wage hike, which was effective July of 2025.

The EBITDA margin net of the M&A costs is 17.6%. The favorable impact of productivity and efficiency initiatives was offset by an increase in our marketing expense due to the IDS 2025 Event, as also higher technology costs due to infrastructure and subscription for cloud and GenAI requirements.

With the rupee depreciating against the dollar, the impact of exchange gain was favorable, but this was also offset by the mark-to-market charge on the forwards that were outstanding at the end of the quarter.

Finally, the interest income was down by about 22.5%, primarily due to the decrease in yields on investments in both the U.S. and India with the progressively reducing Fed and repo rates. Thus PBT came in at INR1,331 million, a growth of 7.3% year-on-year and PAT came in at INR1,021 million, a growth of 11.4% year-on-year.

The PAT margin for the quarter is 12.7%, a reduction of 2.6% sequentially in line with the reduction in EBITDA. And thus the ETR, the effective tax rate for Q2 was relatively stable at 23.3% versus 23.5% for the previous quarter.

Moving to the segmental results, our Enterprise segment, Enterprise Commercial and Enterprise Medical Solutions, which contribute to 88.5% of our revenue, grew by a healthy 8.1% quarter-on-quarter, partially offset by the degrowth in Brand Activation segment, which degrew by 15.8%.

The geographical mix continues to be steady with more than 96% of revenue coming from the U.S. and Europe region. North America revenue share is at 69.6% in Q2 versus 70.2% in Q1 and Europe revenue share is at 27% in Q2 versus 27.1% in Q1.

Coming to the customers, our top 5 customers have grown 4.5% quarter-on-quarter despite a degrowth in our largest customer, which was anticipated with the change in the onsite offshore mix during the past renewal, which we had highlighted during one of our past earnings calls. The top 20 customer contribution remained steady at 75.2%, while the accounts beyond the top 20 grew at a faster pace, growing by 10.3% quarter-on-quarter, combined with our active customer base increasing to 76 active customers from 70 in the last quarter.

Coming to the M&A side of things, the acquisition of Biopharm was completed effective October 1st, 2025. The BioPharm financials will form part of our consolidated financials from October 1st, 2025 onwards, which is the next quarter onwards. Given the size of the acquisition, we'll be reporting both organic and inorganic growth and corresponding revenue in the coming couple of quarters. Please refer to the Investor Relations website for further details of the transaction, including the deal value and the deal structure.

The payment at closing to complete the transaction was approximately USD 65 million and was placed in an escrow account as at 30th September 2025, while the transfer to the sellers was done on October 1st. And hence, this reflects as restricted cash under other current assets as at September 30th, 2025. Including the restricted cash, our cash balances, cash equivalents and investments were a healthy USD 210 million versus USD 200 million as at June 30th, 2025. The DSOs, net of unearned and unbilled revenue remained a steady 71 days.

Further, on October 16, 2025, we also completed the acquisition of WARN & CO, a boutique U.K.-based consulting business for upfront consideration of GBP 2 million plus future performance-linked payout. This is not likely to have any material impact on the financial results of the company on a consolidated basis. However, Manish has already mentioned earlier how this fits into our investments focused on future growth, which includes the consulting capabilities that we have acquired through the -- through WARN & CO.



With that, let me take a pause and move on to the questions that either Manish or I can address for you today. Back to you Moderator.

**Moderator:** Thank you. The first question comes from the line of Ahmed Madha with Unifi Capital. Please go ahead.

**Ahmed Madha:** Trying to understand the P&L better, both for the Q2 and the comment you mentioned about 1.5% margin reduction, right? So in Q2, even adjusted for M&A expenses, the opex, other expenses rate is quite higher compared to historical rate and there has been an increase. So you can give some granular sense what explains the increase in the expenses. That's first.

And second, in terms of employee cost front, you can give some sense of the hikes, which we have taken post June, which is reflecting in Q2. And coming to the comment you mentioned about 1.5% margin reduction, can you give some sense next 2 or 3 years, how do you see the margins range changing and what all initiatives we'll be taking, which is reflecting in your margin guidance?

**Manish Gupta:** I'll let Suhas handle it, but let me just start with the last one. The margin reduction in the very near term, let's call it, next quarter, is primarily because of these investments we have made, and we believe in the next 6 to 8 quarters, we should get it back to the levels, which we've been operating at. With that, Suhas, I'll pass it on to you to break it down to some more details.

**Suhas Prabhu:** Sure, Manish. Thanks, Ahmed, for your question. So the other expenses that have increased have largely 3 components of increase, one which I already mentioned earlier, which was approximately USD0.5 million of M&A expenses, which are largely diligence fees, legal fees and the like, which were incurred in relation to work that was completed by 30th September for the 2 acquisitions that we concluded eventually in October.

The other major component was the IDS or the marketing event that we had in Philadelphia in September. In physical form and approximately \$0.5 million of expense in the event combined with a little around, say, \$0.1 million of travel cost was the other component.

And finally, about \$0.25 million of technology costs, which increased quarter-on-quarter given higher investments, especially in the GenAI subscriptions and the related cloud infrastructure, all of which that I mentioned is part of the other expenses.

Now coming to your next question, which is on the increment. At Indegene, our annual increment is effective July every year and this year also, so effective 1st of July 2025. The increments in the past have resulted in a 2.1%, 2.2% per dilution in margin rate from -- on a sequential basis. And even in the current year, this is in the similar range, around 2.1% is the impact of the wage bill increase.

And what we typically see is that progressively, the margins tend to increase here on. But every year, again, in that July period, given that it's an annual increment cycle would see a decline in margins. But this is nothing out of ordinary for Indegene if you look back into our past. So I hope that clarifies the questions that you had, Mr. Ahmed.

**Ahmed Madha:** Yes. I get the sense. Second question was to understand the business mix in terms of top clients, right? I mean, the commentary in last quarter or so was that the pain in the largest client is behind us, but it seems there has been some degrowth again in Q2. So you can give some sense how is the conversation with your top 1 or 2 clients? And how do you see those clients coming back with either new orders or the contract renewals?

**Suhas Prabhu:** Yes. So Ahmed, our top 5 customers, what we have seen in the past, our largest customer has been steady to growing in the last 6 quarters. A couple of earnings calls ago, we had mentioned that our largest customer, one of the contracts that was renewed had a change in the mix from onsite to offshore for certain roles. And therefore, we would anticipate a reduction in the revenue, while it would actually be in the longer run positive from a margin perspective. And therefore, that's the only major impact.

And this is not related to any challenges that we had seen with a couple of other customers. And as you observe in the current quarter, the top 5 has actually grown by 4.6% sequentially, which is consistent with what we had mentioned that we see that the pain that we had with a couple of customers is largely behind us and things are back on track and growing.

**Manish Gupta:** I also want to emphasize that as to us in large 5 -- top 5 customers, we don't see any broad headwinds. The largest customer, this engagement was called out in our, I think, end of Q4, if I'm not wrong. However, in our largest customer, we see -- we have a pretty strong pipeline, and we are very bullish about growth in the, I would say, near to midterm itself.

**Ahmed Madha:** Last question from my side. In terms of headcount addition, how do you see the trend in the near to medium term, considering we have made a lot of investment in terms of productivity, AI and stuff, right? So how does that sort of transition into headcount addition? We have been seeing last, I think, 3-odd quarters, there have been incremental addition. After I think FY '24, there was headcount cut and then in the first half of '25 also, there wasn't much addition. In last 3, 4 quarters, we have seen the trend of headcount addition. So how do you see that number panning out in terms of increasing headcount?

**Manish Gupta:** So I'll again comment and then pass it on to Suhas. We believe our revenue per employee, which is -- I would guess that it's highest in the industry. We believe securely, it will inch higher, right, which means that we will add employees, but obviously not at the same rate as our growth rate. So Suhas you want to get slightly more specific?

**Suhas Prabhu:** So continuing on what Manish mentioned, yes, we would continue to see a growth in the number of employees, but the rate of growth of the number of employees would typically be lesser than the rate of growth of the revenue, and we should see that reflecting in a higher realization at employee level.

One of the things that we are doing actively is also investing in talent ahead of the curve given the kind of activity that we are seeing in the deal wins as well as the pipeline that is building out and using this opportunity to onboard people and train them ahead of when we anticipate the revenues to come in.

**Moderator:** Next question comes from the line of Divyansh Agarwal with Ionic Asset Managers.

**Divyansh Agarwal:** Just wanted to get a note on the incremental growth that the company might get, say, in the coming Q3, Q4 and, say, in FY '27? And how much growth are we anticipating from the 2 new acquisitions that we have made? This is my first question.

And secondly -- and the second question on the margin compression. So we will be facing around 1% to 1.5% of margin compression. So are we taking any steps to ensure that maybe, say, in the couple of next quarters, the margin reduction that we'll have, we can make up a bit of that. So that was from my end.

**Manish Gupta:** Let me start with the last one and go in reverse way. The reason we are making these investments is that we see a market opportunity right now. We believe that while there are -- these investments are being made a bit of ahead of the curve, by growth itself, most of the margins will come back on track.

Beyond that, we obviously continue to rationalize across the board, right? And this is something we have done many times in the past that when we see the market shifting right into positively, then we invest to capitalize on this opportunity. So we believe margins will come back, as I said, in the 6 to 8 quarters. Suhas, do you want to again double click or anything?

**Suhas Prabhu:** Manish, you have already mentioned, as we have done in the past, while we invest, we also relook at areas that we can optimize while we continue our initiatives on productivity and efficiency. And given our engagement model, which is a hybrid construct of time and material, but a larger construct of catalog pricing or output-based pricing, we believe that we have sufficient levers to be able to impact productivity, which results in better margins for us. And that would be the other lever to get us back into the range that we have been operating in the past, which is around 20% and a little north of that. That I understand.

**Divyansh Agarwal:** And sir, just last question, if I could ask is for the coming quarters and maybe for the next year, what kind of growth are you anticipating for the overall business?

**Manish Gupta:** We don't give guidance. That's something which we have carried on. All I can share with you is that we are seeing the market open up, right, at this point of time. But guidance is something which we don't do. Again, Suhas, do you want to comment on this?

**Suhas Prabhu:** You mentioned Manish -- Divyansh, again, we won't get specific as we don't give guidance. But we certainly are looking forward to a growth rate, which is higher than what we saw in the past year and even the start of this year.

**Moderator:** Next question comes from the line of Sameer Dosani with ICICI Prudential AMC.

**Sameer Dosani:** Just to clarify on this margin piece again. So last year, we did 19.5%, closer to 19.5% margin. So one should think 1.5% decline or there are offsets like this is the gross impact and there will be offsetting cost measures that can help the margin? That is my question number one. And also, -- yes, so this is first question.

**Manish Gupta:** Suhas, do you want to go ahead.

**Suhas Prabhu:** Yes, Sameer, thanks for your question. As I already responded to Divyansh, there are opportunities to offset and we will be acting on those as well. And therefore, there will be potentially some offset, but that would also be progressively through the quarters. It wouldn't -- there's unlikely that the offset would be achieved within 1 or 2 quarters.

**Sameer Dosani:** And I should take it from FY '25 base, not from Q2 numbers, right?

**Suhas Prabhu:** From the current quarter, these would be likely impacting us on a go-forward basis rather than maybe the cumulative.

**Sameer Dosani:** Sorry, like, so the FY '26 margin ballpark guidance...

**Suhas Prabhu:** For H2 and not on a full year basis.

**Sameer Dosani:** So H1, we have already done, if I add back the M&A, 19.2%, then one should take 1.5% impact on this 19.2%, which is 17.7%. Second is when you consolidate this BioPharm, right, would you be taking net revenues or gross revenues because that -- yes. And thirdly, I couldn't understand this ACV remark. So 4 deals in 1 million to 3 million range. But 3 million, how many deals have you signed, 3 million plus ACV?

**Suhas Prabhu:** So the \$3 million plus, it was 2 deals and \$1 million to \$3 million were 4 deals. Hopefully, that clarifies. And Sameer, what was your other question?

**Sameer Dosani:** Whether we will take net revenues of BioPharm or gross revenues because the net revenues are around lower end?

**Suhas Prabhu:** Yes. We would -- as per accounting standards, we would have to report gross revenues. However, we would also be disclosing the net revenue.

**Sameer Dosani:** And lastly, like what you have seen in the past is on the growth side, right, H2 is seasonally stronger for us in terms of organic growth. So does that things plays out? And also, I think this -- the deal that you disclosed and when I calculate this ACV is around 14 million at least, right? So how does this compare with maybe last year we have done 14 million each in Q1 and Q2. How does this compare versus the last year?

**Suhas Prabhu:** Versus the previous year, this year has been an increase in the deal closures. It is quite similar to the deals that we closed in Q1, maybe marginally higher.

**Sameer Dosani:** And seasonally, H2 will be stronger in terms of growth versus H1, that is what you have seen normally and we would be commenting on. So should we see a similar phenomenon this year as well.

**Suhas Prabhu:** Again, the business doesn't have any specific seasonality, which is material. But having said that, unlike if we were to look at IT services, given our engagement model, we are not impacted adversely by furloughs or lesser number of working days in February and the like. And therefore, we believe that there's nothing -- and also given the deal pipeline and so on, we don't believe that there'll be anything outside of what we have seen in the past as well.

**Moderator:** Next question comes from the line of Deep Shah with B&K Securities.

**Deep Shah:** So we've seen some growth assumption this quarter. And if I hear Manish comments at the start of the call, it seems that some of the disruption or some of the uncertainties, which are keeping brands on the fence are getting gradually resolved. Now what I understand is whenever there is some disruption, it is that time when we gain the most, at least that's how history has been?

But it, of course, comes with some lag. So if -- I don't expect guidance, but if you could give a slightly qualitative answer about how historically has that conversion been? And do you foresee some of it to come by, say, in 12 months or in 24 months? Some qualitative understanding around this could be useful.

Secondly, as a subtext to this question, the kind of disruption that we've seen in the past, these ones would be pretty small compared to them. Would that be a right assessment? Or these disruptions and these solutions are also materially large enough to change the trajectory for us?

**Manish Gupta:** I can take a shot at answering this. First of all, typically, what happens is the reason we -- and you should look at our comments holistically. One is about the industry in general, the macro environment, which I spoke about and the very specific things which we are seeing related to our space, right?

The reason we gave this commentary is that there is so much announcements around the pharma industry, right? And of course, if there is massive disruption, right, in at least the short term things come to a freeze, right, in many of these companies. And which is what we wanted to call out that doesn't seem to be the case, that dust is settling down.

Now combine that with a comment I've been making for a very long period of time in our calls that we believe that drug prices are secularly under -- going to be under pressure. right? We made this comment much before any of this thing has started.

And what you are seeing is a validation of that, right? If drug prices are going to be secularly under pressure, companies will have to continue to become more efficient and effective. That plays squarely into our positioning, right? That's where we step in where companies are saying that we will have to decide that they have to run their medical and commercial operations in a much more efficient way, and that's what we offer.

Now tie this to what I'm saying is that we see customers who are slightly -- who are obviously after the huge COVID wave consolidating, they're coming back now to the table in terms of saying how can they move us upstream, how can they get it laid downstream, right?

In IDS, we heard themes like no rep launches, right, all kinds of things. So we're seeing customers now opening up and thinking about where do they take their various strategic digital initiatives in. And of course, AI is becoming another big driver for that because they believe that much more can be done using AI. I hope that answers your question.

**Deep Shah:** So it gives some context, but I'll probably take it late.

- Moderator:** Next question comes from the line of Vijay Menon with Monarch Capital.
- Vinay Menon:** Just a few things. One is on Tectonic, you had mentioned in Q1, we had closed \$1 million deal. So any progress on that? And have we been able to get more deals on that?
- Manish Gupta:** Suhas, do you want to take it?
- Suhas Prabhu:** Yes, Manish. Yes. Certainly. Thanks, Vinay, for your question. So Tectonic even in the current quarter has clocked close to \$1 million in revenue. And therefore, for the first half, we've clocked \$2 million in revenue.
- The encouraging part with Tectonic has been that in the current quarter, 2 more customers have become paid -- paying customers, though at a very small level at this point in time, but the encouraging part is that from unpaid pilots, we managed to convert 2 more customers into paid projects, but it's still very early with them, but that's an encouraging sign.
- And having said that, the pipeline with the 2 customers that we were already having revenues in Tectonic starting last quarter. The pipeline is building up very fast. It's looking very promising. And we are hopeful that in the current quarter, we would be able to close a lot of that pipeline given that a lot of this planning especially for longer-term engagements tend to happen with the planning cycle of our customers.
- And in this case, also is Jan to December planning cycle. We are hopeful of those conversions happening by the end of December, if not maybe early January, but for this renewal cycle, these should be the incremental scope of work that we've signed.
- Vinay Menon:** And one more thing. I just want to ask on the brand activation part. So in Q1, you had mentioned that there was some project deferral and a large project also closed. So any strategy to revive this segment or...
- Suhas Prabhu:** Yes, Vinay, and the impact of that was partial in the last quarter and continued the full quarter impact in the current quarter as well. But having said that, there's a significant effort on new engagements and so on and we have a good pipeline that has been built up. Unfortunately, has taken more time to close than we anticipated, but there's a healthy pipeline, and we are hopeful to see those convert in the current quarter.
- One other thing that I would want to refer to is in the last quarter, we had also mentioned that there was a win for the Brand Activation segment, which has just taken off in the current quarter, but a significant ramp-up will be there in quarter 3, which would partially fill in the degrowth that we are seeing from the project that ended in Q1.
- Moderator:** Next question comes from the line of Prakash Kapadia with Kapadia Financial Services.
- Prakash Kapadia:** I just had one question. If I look at the H1 operating cash flow, it has actually improved from INR1.35 billion to INR2 billion. Receivables have come off in first half, and they've been declining as a trend over the last 2, 3 years. So what is leading to this decline? And can they further decline as we move towards the second half and beyond?

**Suhas Prabhu:** Thanks, Prakash, for your question. As far as cash flows and more importantly, the AR levels are concerned, there's a bit of a seasonality in our business. Typically, in December, we have a peak in terms of invoices that we send out and that results in a higher DSO, higher AR levels in December. It comes down a little in March, given that a lot of that converts to cash flow with a 60- to 90-day credit period.

But 90 days sometimes moves into beyond March from a collection perspective and tends to be a little more elevated levels of AR in March, while typically June and September quarters are when these are not as elevated as the other 2 quarters. That's a bit of seasonality on the invoicing and related cash flow that we have experienced in the past.

**Prakash Kapadia:** But you mentioned typically like the IT companies, you don't see a seasonality as far as revenues go. So why does that seasonality happen in terms of the billing cycle?

**Suhas Prabhu:** Yes. So to further clarify, while our revenue doesn't get impacted -- from an invoicing perspective, we see a bit of slowness in the July, August period, which is summer vacations in Europe and U.S. And what we have as a practice at Indegene is to get customer consents before we send out the invoices. And these holidays tend to delay it.

But at the same time, there's an acceleration in the invoicing in the quarter ending December. Many of our customers in December want us to send invoices ahead of their year-end rather than in normal course, which would have gone, say, the first week of the next month, and that tends to elevate or increase the level of AR in December, whereas the reverse happens in the quarter ending September, given that there are more holidays and unavailability of the customer tends to delay the invoicing cycle by a bit.

But that has no impact on the revenue. So there's no impact on the revenue from a seasonality perspective, but there would be an impact on the invoicing and related due dates, which impacts the cash flow.

**Moderator:** Next question comes from the line of Chirag Kachhadiya with Motilal Oswal Financial Services Limited.

**Chirag Kachhadiya:** I have just one question. Considering the challenging environment for the pharma sector in the U.S. and whatever we have witnessed in past 1 year, can you share some qualitative insight, the type of conversations, which are ongoing with the client and the type of solutions, which they are asking and which they were asking a year back or 2 years back? Any change in the behavior in this client pattern or if you share some qualitative insight that would be useful.

**Manish Gupta:** Sure. So I can start off with that. Actually, the earlier part of my commentary was that there have been a lot of headlines announcements. But over the last few, I would say, months, right? But in general, the uncertainty now on the pharma industry seems to be -- seems to have reduced, right, very significantly. So companies continue to progress with their regular plans.

What has changed is pharma had a super active period for a couple of years during COVID, right, in terms of drug launches, various other things, obviously, digital acceleration. And they

took -- after that, they went into a phase of slow growth in 2023, if I'm not '23 and a little bit of '24, but they are also doing consolidation of all the activities they had done.

What we see is that phase seems to be over, and they are back in terms of figuring out, seeing and expanding the scope of their centralization and digital initiatives they had taken at a central level, right? Tectonic as a result of that, we see multiple other things happening similar to that level.

We also see companies exploring the potential of AI-driven broader initiatives, right, much more than what we were seeing, let's say, call it, 12 months back. But it's still early days and this industry will be circumspect, but we're seeing many of those conversations. So overall, we see from a demand perspective or quality of engagement perspective, the environment to be much stronger than it was 12 to 18 months back.

**Moderator:** Ladies and gentlemen, due to time constraints, we have reached the end of question-and-answer session. I would now like to hand the conference over to the management for closing comments.

**Suhas Prabhu:** Thank you, moderator. We thank all the participants for attending this call and spending your precious time with us. We also appreciate your continued interest in Indegene and such interactions with you. We hope to continue that in the future. And with that, we'll close this call today. Thanks, and have a great day.

**Manish Gupta:** Thank you...

**Suhas Prabhu:** Thank you.

**Moderator:** Thank you. On behalf of Indegene Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.