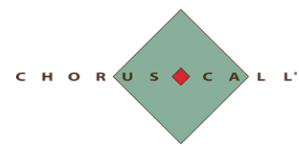




“Indegene Limited
Q1 FY '25 Earnings Conference Call”
August 02, 2024



**MANAGEMENT: MR. MANISH GUPTA – CHAIRMAN AND CHIEF
EXECUTIVE OFFICER – INDEGENE LIMITED
MR. SUHAS PRABHU – CHIEF FINANCIAL OFFICER –
INDEGENE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Indegene Limited Q1 FY25 Earnings Conference Call. As a reminder, all participant lines will be in 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 touchtone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Abhishek. Thank you and over to you, sir.

Abhishek: Thank you, Sejal. A very good morning to all of you and thank you for joining us today for Indegene's Earnings Conference Call for the first quarter-ended financial year 2025. Today we have with us Mr. Manish Gupta, Indegene's Chairman and CEO, and 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 may 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 so much for joining this call this morning.

In our last earnings call, I had mentioned that Indegene is a fairly unique company. Unique definitely in the Indian context, and I can confidently say there's no one like us in the market. And it's something I'm going to double click on later again. Our thesis when we started 25 years back was that by bringing deep medical expertise and healthcare expertise along with deep technology expertise, we can solve various problems in the healthcare industry. That remains our thesis today also. We are known in the market as a digital first commercialization partner to the global life science industry.

Now, after the last earnings call, we met a lot of you. We got a bunch of questions and also suggestions. A big thank you to all of you for the same. Based on the questions and suggestions we got from all of you, here is what I plan to do in my commentary today. First is a double click on growth drivers. And so I'm going to spend some time talking about those. Also describe the nature of our company a bit more. And of course, our Q1 results. So let's start and straight away dive into the growth drivers. Let me start off again with what I shared in the last call, which is more macro. The global life science industry is north of \$1.8 trillion in size. The operational spends in the areas that are addressable to us, as were highlighted in our RHP, is more than \$135 billion. Now, you might have seen a number of 156 billion.

What we have done is taken out \$21 billion, which is essentially the spend on manufacturing, which is not really addressable by us. Now, out of these spends, sales and marketing, where we have our largest footprint, contributes to 40% of the spend. Spend in all the areas we operate in,

which is essentially regulatory and medical affairs, sales and marketing, pharmacovigilance, are increasing at a rate of 6% to 7% annually.

Outsourcing is growing much faster, around 9% to 14%, depending on the segments I just alluded to. Outsourcing in the sales and marketing side is on the higher side. Apart from the increase in spend and outsourcing, there's also a shift to digital, which we again had alluded to in our last call and many of the discussions before that.

More and more from the traditional channels of Reps or more people-oriented ways of doing things, there's a shift to digital and AI way of doing things, which increases and continues to increase our addressable market. If we think about it, global life science companies spend more than 25 percent of their revenues on average on SG&A. And by the way, in the SG&A line item, sales and marketing is the predominant spend.

More than half of the top 30 pharma companies are spending more than 25% in SG&A. They also spend approximately 15% on R&D. So if you think about the SG&A and R&D spent together, it's around 40%.

All this presents an opportunity to use digital solutions to drive better physician and patient engagement at reduced cost by deploying digital rather than physical channels or having an omni-channel approach to engagement rather than some of the traditional channels. Given that we are a relatively small company in a very large market, when we plan our execution, this large market opportunity which I just spoke about, of course, gives us comfort. But when we plan our execution on the ground, that is planned from the perspective of clients, accounts, customer segments.

And when I say customer segments, I'm talking about big pharma, big top 20 pharma, mid-sized pharma, biotech and devices. Our business segments become important because they represent different buying groups and different capability sets in our client organizations. Now when I speak about growth from a ground-up perspective, the way we think about it, for simplicity today I'm going to just focus on one customer segment, the top 20 pharma companies.

That's an important segment because top 20 pharma companies constitute approximately two-thirds or 66% of the global life science revenues. And for Indegene also, 68% of our revenues comes from these top 20 pharma companies. So if you think about it again, we are pretty much mirroring the global pharma industry and even in the last call I had spoken about our 65% of revenues coming from Europe, which is very close to the industry spends and split globally as 65% from US, 32% from Europe; that was our spend, and that's broadly how the spend is distributed globally.

Now again, let me go down into some of the facts. We report the following numbers and facts. We work with all top 20 global pharma companies. We have 65 active clients, which are a bit more than what we had reported in the last quarter. We have 36 clients more than USD \$1 million in revenue, again a tad higher than what we had reported last quarter.

Now if you double-click a bit more on this, our largest client today is around \$42 million. And we have two more clients that are more than \$25 million in revenue. All three of them, the \$42

million and these two other companies, are top three pharma companies. All these companies, we believe, have headroom to grow to \$75 million to \$100 million in the medium to long term.

In our top 20 clients right now, Indegene's top 20 clients, 14 are top 20 pharma companies. So you think about those three, which I just spoke about, which are more than \$25 million. There are another five top 20 pharma companies where we have revenues in the \$10 million to \$25 million range, which makes it eight companies. There are another 10 companies with revenues in the range of \$1 million to \$10 million, and two of them are less than \$1 million. So we are talking about 12 companies of the top 20 pharma companies where revenues are less than \$10 million.

On one hand, we have a largest client being at \$42 million and headroom to become a \$100 million account. And on the other hand, you have 12 of the top 20 pharma companies being less than \$10 million revenue. Now this essentially means that just with these 20 customers or 20 clients of ours, we can continue to be quite busy for a pretty long period of time growing these clients.

In the medium term, we believe we can move many of our clients that are in the \$1 million to \$10 million range or \$10 million to \$25 million range to be more than \$25 million, and the slightly larger ones into more than \$50 million in the medium term. And if I talk about the medium to long term to that \$75 million to \$100 million range, which I alluded to earlier.

Today, in many of our top 20 clients, we are having some very interesting conversations and pursuing some very interesting opportunities where we have the potential to partner with these companies at the next level of their either consolidation and execution of some of their more upstream marketing and medical activities or increase their digital footprint in a significant way for brands across their lifecycle. So that's in the top 20 pharma companies.

Beyond that, we also continue to get more and more traction in the midsize biopharmaceutical companies. Now the midsize we'll define as let's call it 20 to 100. Six of these anyway are our top 20 clients. This is a very dynamic segment where we continue to invest. These companies view us as end-to-end partners. Towards the end of Q1, we closed some interesting deals again with this segment, which I'll allude to later in the discussion.

Now, having spoken about opportunities from a client perspective, let me delve deeper into the segmental view of things. If we dive into our top 20 clients, a significant percentage of revenues comes from enterprise commercial segment, indicating a potential for further expansion into other segments like enterprise medical. Within Enterprise medical itself, the operational spends are approximately \$40 billion. This essentially includes the regulatory and medical affairs and the safety and pharmacovigilance segment, which have been called out in our RHP earlier.

In the enterprise medical segment today, we have two clients that are more than \$10 million. There are 14 clients in the \$1 million to \$10 million category, which means of the 36 \$1 million plus clients, which I spoke about earlier and as reported in our KPIs, only 16 significant clients are in the enterprise medical segment and that presents an opportunity to expand not only these

16 clients, but also expand our enterprise medical capabilities and offerings to the remaining 20 clients who are sub \$1 million or not even present today. That's one segment.

Now, if you look at Omnichannel Activation, which is our third segment, we again have two clients that are more than \$10 million. Outside of that, we have another three clients that are in the \$1 million to \$10 million range. This essentially means that, again, out of our top 36 clients who are more than \$1 million in revenue, our omni-channel orchestration footprint is in five, again, presenting the headroom to expand into this segment over the medium to long term.

Outside of this, clinical is a very large spend without sourcing in excess of \$50 billion per annum. Our foray here is nascent. And given the impact of technology and pressure of regulation, especially IRA, we believe it presents a large and interesting opportunity for us, and we continue to invest in this.

Given our presence across the commercialization value chain, we are poised to increase penetration with each of the accounts by leveraging cross-sell potential. We have seen our land and expand strategy yield results consistently in the past. So that's a broad kind of a breakdown from ground up.

Now, again, let me come back to some of the macro part of the industry. We have spoken about some of this in the last call, but I would like to reiterate that despite facing a challenging last year, which is calendar year '23, with the top pharma companies seeing a downturn or a negative growth rate or degrowth of 7.1% for these top 20 pharma companies, the outlook for the industry remains positive now.

2024 is anticipated to be a year of growth, though a modest one, setting the stage for recovering to 2022 levels for the industry. However, by FY'28, which is essentially FY'25 to '28, the industry is expected to grow at a CAGR of 5% to 8%.

This higher growth rate and the bump in growth rate is mainly attributed to upsurge in drug launches, which is always favorable to outsourcing opportunities. We are well positioned to capitalize on this expansion to increase penetration in market share. Now, that's broadly about the industry. Some of it is what we had spoken about last time.

Let me come back to talking about the uniqueness of our company. We are neither a traditional IT company nor a BPO company. We operate in crucial business segments within the Life Science domain, leveraging our expertise in medical, commercial, and technology areas. We're likely to be one of the first business services companies from India doing this, focused on a very large, specialized, and important industry, helping to solve for problems of future of sales and marketing for the Life Science industry. This essentially means how does this industry engage with their end customers, which are physicians, patients, and payers, how to drive better regulatory medical compliance far more efficiently and effectively; and also reducing the time taken and cost involved.

These are very important and significant problems the industry is dealing with, and we are helping them get much more effective and efficient in some of these areas. In our business, our engagements with our clients is for work which is of a very critical nature and involves a business

transformation in some of these very mission-critical and business-critical areas at the end for the clients. Clients take some time in the initial phases to get their act right, and of course, in our partnership. But once that is set, we see rapid scaling, and that's been the trend in the past. Now, in that context, we remain bullish about our mid- to long-term growth prospects, given the opportunity size I just alluded to, and our unique positioning in this industry. We continue to remain committed to executing with a mid- to long-term focus, aligned with the nature of our industry and business.

Again, as I had spoken about in the last earnings call, there will be quarters and years of high growth. There will be quarters and years of low growth, but we will nevertheless continue to grow. Over a three- to five-year period, we believe we're going to be a much larger company.

Now, in that context, we would believe it's going to be much more appropriate to evaluate our performance over the medium-term, let's say over three years or at least annually, rather than on a quarterly basis.

To support our growth in the medium- to long-term and the large opportunity size we spoke about earlier, we continue to invest in enhancing our go-to-market capabilities, continue to invest in specialized domain expertise, therapeutic expertise, area expertise in areas such as sales and marketing or pharma commercialization, regulatory affairs, clinical operations, medical affairs, and in developing advanced technology tools and platforms, many of which incorporate Gen-AI.

Now, coming to our results for Q1, we recorded revenues of **INR6,765** million, which is an 11.4% growth vis-à-vis Q1 last year, and our EBITDA is INR1,328 million, which is a higher 14.5% growth compared to last year Q1. Our PAT for the quarter is INR877 million, which is 28.4% higher than Q1 last year. We have fully paid off our loan of USD 48 million, which was one of the objects of capital raised from the IPO. This was the largest component of the fund raised from the IPO, and that has been utilized now.

From a quarter-on-quarter perspective, the performance will appear a bit underwhelming. However, we continue to remain bullish about growth in the medium term, given not only the market opportunity I just explained, but also some of the market engagement we see right now, which I'll talk about in a bit. But before that, let's just talk about the current quarter. We had a few headwinds from a growth standpoint.

One of our top five clients, which faced certain challenges in 2023, continues to make effort in overcoming these challenges, impacting our revenues from the client adversely. We believe from all the conversations we have with this client, given that we are deeply embedded, this should stabilize and get better towards the end of the calendar year. On top of that, we had another of our top five clients undergoing restructuring and re-engineering of some of their processes, which impacted us adversely in Q1. We again understand from our conversations with them, that this is a near-term issue, which is unlikely to continue for more than a few months. Hence, activity and spend levels are anticipated to be back to earlier levels in H2.

Now, coming back to medium term, compared to last year, same time, pipeline is much healthier than it was. Quality of conversations with clients are much better and much more strategic in nature, which gives us confidence about driving robust growth in the medium term. Towards the end of Q1, we had four strategic wins from mid-size pharma, which provide an impetus for growth in the coming quarter. These are very interesting deals.

We also have some very interesting deals shaping up, which will provide an impetus for growth in the coming quarters. Most of these deals and opportunities are with top 20 pharma companies, where they are looking at the next level of consolidation and aggregation of some of the upstream marketing and medical activities. I spoke about that earlier.

And we believe they will get initiated in our H2 as companies start budgeting for these at an enhanced scale in the next calendar year. And hence, would reflect starting our Q4. With these promising developments, we remain confident of steady growth in FY '25 and, as I mentioned earlier, in the medium term.

With this, I'll pass on the mic to Suhas for more details on the financial performance. Suhas, on to you.

Suhas Prabhu:

Thank you, Manish. Once again, a very good morning to everyone and we appreciate your participation on this call today. Let me start by getting into the details of the financial performance for the quarter, more particularly the margins. An important thing to note is we have made a change in the way we report EBITDA versus what we have been doing in the past, by excluding interest income.

This is relevant as we have more cash on the balance sheet, understandably with the INR7,600 million of IPO proceeds coming in which are invested in interest-bearing instruments. Hence excluding interest income from EBITDA would be a better representation of the operating performance of the business. This change is also based on the feedback from many of you that we interacted over the past couple of months and is consistent in the manner EBITDA is computed and disclosed by other companies.

Exclusion of interest income from EBITDA would result in reduction of margin by approximately 150 bps to 250 bps in each of the quarters of the past period against what we had reported. I would also request you all to refer Slide 12 of the investor presentation that has been filed with the exchanges and is also available on our website, for the revised EBITDA workings for the past years and quarter. Going forward, this is the manner in which we would continue to report EBITDA.

As Manish already mentioned, our revenue in Q1 is INR6,765 million which is 11.4% year-on-year growth and 0.5% quarter-on-quarter growth. Our margins came in stronger with EBITDA of INR1,328 million at a 19.6% rate versus 19.1% in the corresponding quarter last year. This 50 bps increase in EBITDA combined with the interest income increase from the higher investable cash on the balance sheet and the lower depreciation amortization rate has further positively impacted our earnings with the PAT margin coming at 13% versus 11.3% in the

corresponding quarter last year. And therefore PAT of INR877 million is a growth of 28.3% year-on-year.

Manish already alluded to the impact on the sequential revenue growth with a couple of our top five clients having internal restructuring and other related issues impacting our revenue in our Q1 of the current fiscal. And this also impacted the margins as we continue to maintain capacity for higher volumes from these clients.

And hence our sequential EBITDA margin contracted by 230 bps to 19.6% versus 21.9% in Q4 of last year. As volumes from these clients ramp up in future, we expect this to get corrected. Further, we continue to strengthen our technology and automation initiatives which we believe will also have a positive impact on the margin in the future. We anticipate that the EBITDA margin would have a similar trajectory as the past fiscal year with a stronger H2 compared to H1 with the rate for the full year and even beyond being in the early 20s.

We are now a zero debt company and the resultant zero interest cost impacts PAT favorably going forward by approximately 100 bps. To sum up on the margins, our focus on maintaining and growing EBITDA margin continues and with the imminent interest cost reduction going forward, the PBT and PAT margins should also get impacted positively.

Finally, our return on equity post the primary raise in the IPO continues to be in the 20s, at a healthy 21% and return on capital employed net of cash is a very healthy 48%. With that, let me take a pause and move on to the questions that either me or Manish can answer for all of you.

Moderator: Sure sir. Thank you very much. We will now begin the question and answer session. The first question is from the line of Abhishek Bhandari from Nomura. Please go ahead.

Abhishek Bhandari: Thank you for the opportunity. Manish, thank you for the very detailed opening remarks where you spoke in detail about your top accounts and your ambition in the medium to long term. I have one question over there. If you could share what are the timelines you're looking to grow from this 40 to 100 on your top and the next two from 25 to 100? In the context of what happened in the history, how long did it take you to scale up these accounts? How do you go about it in terms of cross-selling?

And what are the key impediments in achieving that? The place where I'm asking you from is while we look at the time it all looks very strong, but the growth rates what we currently have are just around 10%, 11% year-on-year, while the numbers you're talking about are much, much higher. So if you could give some path over there, that would be helpful?

Manish Gupta: Sure. Thank you for the question, Abhishek. Now, it's very difficult to call out exactly how many quarters because as you would imagine we are talking 68% of our revenues coming from the top 20 pharma companies and they have their own pace of doing things. Now, in the past again, I had spoken about in the last call that if you take a decadal view, we had grown in the order of 24%-25%. Now, of course, that was a smaller base. And in the past, also, we have seen that customers would continue to be at a certain level and probably go up. Once in a while they can be a bit down. We don't see significant downturns.

And then as soon as they get one of their activities together, which is more of an internal transformation, we see a big surge happening. And we believe some of that will continue to play out. Now, to get more specific as I had mentioned in the commentary earlier, today we are seeing a much stronger pipeline in general.

If I look at the numbers including even the Q1 closed deals the quality of conversations and opportunities we are pursuing are very strategic in nature. We have spoken about how we drive consolidation across a set of marketing activities. And I remember meeting many of you and saying, if you think about 1-10 processes, we would be doing, let's say, 5-8, 5-9 for our customers.

Now, for the first time in so many years, we are also seeing customers talk about processes 3-4, which are much more upstream. And the reason they are doing it is that they are gearing up for new launches as have never happened before. And they are seeing that how can I get more and more budgets lined up for those new launches.

So some of the pause which is happening is also happening because companies are right now trying to get prepared for the imminent launches over the next few years and rejigging their internal processes. So in that context, I would say that we expect some of these bump-ups to happen over the medium term.

Suhas Prabhu:

And also, just to probably add there, with some of the larger pharma companies, we also see that the decision-making gets pushed towards the end of the calendar year, which is also a reflection of their planning cycles, which are Jan to December. And as Manish mentioned, we see typical ramp-ups take about 4-6 quarters post-initiation of a new engagement or expansion in the engagement.

Abhishek Bhandari:

Got it. Thank you. So Manish, this was my second and last question. Sorry if I missed it in your opening remarks. But if you look at your top 5, top 10 account portfolio, top account has done well, whereas the remaining top 2-5 or call it 2-10 there is still a weakness. I think you mentioned that you have some confidence on those growth-recovering paths. If you could tell us what kind of projects are these and by when do you think the ramp-up of these will happen in the course of Fiscal 25?

Manish Gupta:

So it could be very client-specific, Abhishek. As I said, our largest client is growing and there's a very strong pipeline even after this growth. The remaining 2 in the top 25, that's where some of the weakness in the quarter 1 came in.

One of them we believe was a very short-term thing, which is where I said we believe it should get corrected in a few months. The other company is going through a bit of a churn so that might take a few quarters. Now if I think about other customers, let's call it outside of these 3 customers in general, apart from 1 or 2 companies, which are facing their own challenges, they're missing their earning guidelines and hence restructuring, reorg and all this stuff across the board, we see a much stronger pipeline.

And we are reasonably confident that again in the next few quarters we should start seeing all these companies ramp up. The whole pyramid of number of customers above 25 million, 10 to

25 number of million-dollar customers, we believe over the next let's call it 18 to 24 months, we should be in a much better shape from a KPI perspective.

Abhishek Bhandari: Got it. Thank you, Manish, thank you Suhas and all the best for Fiscal 25. Thank you, Abhishek.

Moderator: Thank you. The next question is from the line of Karan Surana from Monarch AIF. Please go ahead.

Karan Surana: Hello, good morning, sir. Thank you for your opening remarks. Am I audible?

Moderator: Yes, you are.

Karan Surana: Sir, I just want to probe a little bit on the demand environment. You said that we've seen some softness in the last couple of quarters. So when you are having conversations with them, what conversations are you having on the spends with the top clients? Because as we see on your slide 18 sir, our client 3 and 4, like you already alluded, did see significant ramp downs, right? Our client 3 went from \$35 million to 29 in FY '24, right? So can you just help us understand the spending environment with these clients and what transpired to see this ramp down post three years of very strong growth in these accounts?

Manish Gupta: Yes, so this is one customer which has its own issues. In this customer also, I think we would have alluded that at least in FY '21 and even '22, we had some bit of COVID-related revenues as well. Actually, FY '22 and FY '23, there was some bit of COVID-related revenues. `Those are one-offs, right? Which had to go and we are very clear of that. We had stated that earlier.

So that's one impact. Subsequent to that, this is a customer which is going through significant change and that's the customer I alluded to in the earlier question which we believe it's going to take a few more quarters probably for them to stabilize and then for things to pick up. They have their own revenue issues, big client reorganizations and things like that. Suhas, you want to add on anything?

Suhas Prabhu: Yes, and having said that, Karan, we continue to engage with them on looking at how to shape their commercial activities as they come out of their internal reorg and other priorities in the near future. We are deeply engaged on being the digital partner for this client and of course, the priority today for the client is to get their act together and then we see that opportunity likely to move forward.

Manish Gupta: And again, I'm going to just double-click on and probably reiterate some of the stuff which I mentioned earlier. Across these clients and in these top three and many more clients across the board today, we are seeing that after having gone through, let's call it a wave one of consolidation in digital activities, they are now gearing up for wave two. And thinking about reorganizing to drive consolidation across those sets of activities. And we believe we are very well positioned to help them do that.

Karan Surana: Got it, sir. So, sir, since our Q1 was kind of flat Q-o-Q for us to kind of replicate the last year's growth the ask rate from Q2 to Q4 on a CQGR is quite high. So, just to kind of understand is it naturally that our Q1 is usually soft and our growth picks up in the later half of the year or what

makes us feel confident that at least we can replicate last year's growth rate? Or we might see this year, our year-on-year growth on a full-year basis might be a little bit lower than FY '24. So, just getting some sense of post-Q1, what could transpire from Q2 to Q4?

Manish Gupta:

I'll let Suhas double-click on some of the things. But again, as I did mention earlier that our pipeline deal closures in Q1 and the quality of opportunities we are pursuing at reasonable stages are much more healthier than what we had in Q1 last year. Q1 last calendar year was a tough year for pharma in general. And companies were dealing with that. That was a year of slow growth. It was a year actually of degrowth for the pharma industry. It was a year of IRA being introduced as a regulation. And I think everybody now realizes what the external landscape is and things are looking better for them. And from a metric perspective, pipeline deals all the stuff is much healthier for us. And that's what makes us confident about this year as well. But Suhas, I'll pass it on to you for more details.

Suhas Prabhu:

Yes. Manish already mentioned in his opening remarks about four opportunities that got converted. And this is what we are looking forward to from a future perspective given that those have already been bagged by Indegene. And of course, the pipeline and the kind of conversations, the quality of the conversations that we are having, we see that impacting us positively. The other thing that I would like to also highlight is that while our top five client concentration, if you look at got impacted adversely, Actually, when you extend that to top 20, you'll see that that has not been impacted as adversely, which indicates that there is growth in the rest of the clients in our top 20. And so it's business as usual in many of our accounts, more specifically outside of the two that Manish mentioned. And that also gives a fair indication of why we continue to remain bullish on our current year and beyond.

Karan Surana:

So just to probe a little bit, however it's encouraging that the deal pipeline or the pipeline that you guys are seeing is very strong. But just from a CQGR basis, I just didn't really get a sense whether you feel confident that in the 2H or post Q2 that our growth trajectory could replicate last year or we could even do better than last year?

Suhas Prabhu:

Again, Karan, I would say we have demonstrated in the past an ability to grow at significant rates whether you look at it on a yearly basis or even on a medium-term basis. And we therefore continue to emphasize that it's something that we have done in the past and given the quality of conversations, pipeline and even deal closures that we are seeing, we remain bullish about the current year and future.

Karan Surana:

Okay, sir. Just squeezing in last one, sir...

Moderator:

Sorry to interrupt you, sir. May I request you to rejoin the queue for your follow-up question?

Karan Surana:

Okay, I'll rejoin the queue.

Moderator:

Thank you. The next question is from the line of Abhishek Kumar from JM Financial. Please go ahead.

Abhishek Kumar:

Hi, good morning. Thanks for taking my question. First, when I see the segmental performance this quarter...

Moderator: Sorry to interrupt you, sir. May I request you to please use your handset?

Abhishek Kumar: Yes, so my question is, if I look at the segmental performance on a sequential basis, apart from Enterprise Medical Solutions, which has grown by 17%, every other segment has declined, I was just curious if, Enterprise Medical Solution has any contribution from Trilogy acquisition, which we closed towards the end of Q4.

Suhas Prabhu: Yes, so thanks, Abhishek. So from a segmental performance perspective, yes, Trilogy has contributed to that, because Trilogy being a regulatory writing business rolls up into our medical segment. But having said that, it's a very non-material acquisition. And the two client engagements that Manish, spoke about where we had a decline in volumes has adversely impacted the commercial segment more specifically, the enterprise commercial segment, and that showcases the decline quarter-on-quarter in the commercial segment.

The other two segments, again, while it shows a decline, it's also on a very small base where we also have project by project kind of business being a little more significant than the two enterprise segments which contribute 80% to 83% of our revenues. And therefore, on a quarter basis, there might be some impact, sometimes positive, negative, but I wouldn't read too much into that.

The recurring business and the longer business proportions are higher in the enterprise segments, which is enterprise commercial and enterprise medical. And your observation on Trilogy is accurate, but it's not a material contributor.

Abhishek Kumar: Sure. Next question, maybe to Manish. See, from what I understand, the work we do is a very non-discretionary sort of work, something which, pharmacovigilance or even S&M for drugs which are already in the market, they are, very critical for all the pharma companies for their operation.

So, in that context, such sharp decline by a few clients, what are they cutting? Because this, if this is non-discretionary important, is this, kind of rate cuts that we are seeing or some closures of the program? Just explain, what kind of impact we are seeing in terms of, our engagements with them?

Manish Gupta: So let me explain, and these are, that's a good question, Abhishek. And if I explain, it's client by client. One of our clients where I said they faced problems in 23 and continue to face problems, it's going to take some time. There, they're having a combination of a few things. One is in general, given the pressure they have on their financials across the board cuts. And significant reorganizations, which has resulted in general volumes dipping. So there are many things contributing to this client. Whereas the other one, it looks like that it's a very temporary thing. There is a model shift. What happens is a lot of our business, at least on the enterprise commercial segment, as I explained to many of you, that there are agencies across the world doing work for them, for the brand teams. Now they consolidated these activities. And said some of these activities will be done in a centralized way, get executed by Indegene. Now in some reorgs and all that stuff which has happened for this client, there has been leakage, and local markets have gone ahead and spent more on their own. Which is not a traditional thing.

And of course, this company is committed to more centralized ways of doing things, is not only strengthening that, plugging the leakages, but also saying there are a bunch of other things which we had left to the market will also be centralized globally. And that's a thing which hit. Activities continued, of course.

Abhishek Kumar: All right, and this is the client where you think in a couple of months things can come?

Manish Gupta: Yes, absolutely.

Abhishek Kumar: Okay, great. That's very helpful. Thank you in all the best.

Moderator: Thank you. The next question is from the line of V.P. Rajesh from Banyan Capital. Please go ahead.

V.P. Rajesh: Just trying to understand your pricing model...

Moderator: Sorry to interrupt you, sir. May I request you to please use your handset?

V.P. Rajesh: Yes, so my question was, I'm new to the company, so I'm just trying to understand your pricing model. Are you selling a product where you have a SaaS model or is it a typical IT service type of model? Just if you can comment on that?

Suhas Prabhu: Sure, sir. Yes, thanks, Rajesh. So, we are not a SaaS product or our engagement models are not similar to the SaaS and subscription or licensing kind of companies. It would be closer to the IT services kind of model with a bit of nuance. We typically engage with our customers on multi-year framework agreements or master service agreements with the rates contracted for the entire tenor. This could be 2 years, 3 years, even 5 year tenors.

These rate charts tend to be a combination of both time and material or FTE kind of billing and therefore per hour or per day or per month kind of rates, but also a set of predefined deliverables wherein there is a unit price which is already defined and even these could be having multi-level complexities or tiering, right?

And therefore, when we design a SOW, which is typically on an annual basis, where these rates and the volumes that are estimated get aggregated and converted into a value, there is a combination of time and material and fixed price construct in the SOW when we contract, and this is typical for both enterprise commercial and enterprise medical, which is about 82%, 83% of our business. So that's our typical engagement and pricing.

V.P. Rajesh: Great, I appreciate that. And my second question is that, given what we are seeing in the U.S. market, there could be a potential recession or definitely a slowdown that the market is anticipating over there. So in that context, as you can make out, how do you see the sales and marketing piece of the business that you talked about getting impacted, meaning your customers, which are the top 20 pharma companies, especially your top clients, coming back on some of that spending? So any thoughts and how are you thinking about that?

Manish Gupta: So from our perspective, and I think I've alluded to that in the last call, we don't see healthcare and definitely pharma sector being correlated to economic cycles. This is a sector which is much

more resilient, compared to other sectors in a downturn. This sector has its own innovation cycles.

There are a bunch, for example, I spoke about a bunch of launches which are coming up and hence growth will be stronger. Sometimes you have a bunch of patent expiries, which could cause slowness or like last year, what happened was a bit of a decline. But those declines are, by the way, really once in a while.

In 2023, they happened. Before that, they had happened in 2012 or so. Typically, it's a long secular growth followed by one year of patent expiries coming together and impacting things. But it's reasonably immune or resilient vis-a-vis economic cycles.

V.P. Rajesh: Okay, thank you. That's all for now.

Moderator: Thank you. The next question is from the line of Rohan Vora from Envision Capital. Please go ahead.

Rohan Vora: Yes, so first question was on the competitive landscape that you see today. So basically, as I understand, we also compete with the IT companies of the world in some part of the business and with the advancement of AI, their offerings on AI to the clients. How do you see that shaping up?

Also, another aspect to this is that the pharma companies, their own AI advancements impacting the business that we can garner from them. So how do you see that shaping up is the first question? And then probably I can ask the second one.

Manish Gupta: Sure. So before, I think I would again want to reiterate we are a very different company. You've got to not think about us as an IT services company over here. We are a business services company. We're helping pharma companies do sales and marketing more effectively, managing their regulatory compliances more effectively, or helping in clinical trials. It's an area which we continue to invest in.

These are super critical areas, business areas. 21% of our people are medical doctors, PhDs, pharmacologists, working with data engineers, data scientists. On one hand omnichannel orchestrators, digital experts, and therapeutic area experts, oncology experts, bunch of those kind of profiles on the other hand, where as you can imagine that's a very different profile set from any of the IT services companies.

Now, coming back from a competitive landscape perspective, the few large categories or the incumbents in this space, servicing the areas I spoke about are - one is CROs, the clinical research companies especially on the medical side of the business, there are agencies, specialized healthcare agencies and what are called contract sales organizations, servicing the remaining two segments which is enterprise commercial and omnichannel activation. Those are the incumbents.

Significant market share still remains with them and as a factor of more and more shift towards digital, shift towards centralization, driven by the needs of better compliance, better cost and

obviously doing digital in a much more effective way, a company like us has the right to exist and win. So to that extent yes those are the competent sets. Now, of course, we see IT companies playing in some of these things and not so much Indian IT companies, but I would say some of the global ones which are more credible.

Outside of that as far as AI is concerned, our strategy as Indegene in many of the areas for a long period of time, has been bringing specialized expertise in various areas and technology tools and platforms to deliver better outcomes. We started investing in these AI-based tools way back in 2016-17, when Gen AI was not launched, but we were using traditional machine learning, computer vision, NLP type of technologies and techniques to build tools which are delivering differentiated outcomes.

That enabled us to grow and win much more. Now, with Gen AI coming in we see that as an opportunity. There are a lot of processes which are being done in a traditional way. The level of accuracy and the benefit which can be driven by incorporating Gen AI in the solutions becomes much more. So net-net we believe in the medium to long term, that's going to be an opportunity for us.

Rohan Vora: Got it. And on the other piece about companies doing it themselves basically so reducing our share in the wallet, does that worry you?

Manish Gupta: Not really. Some of the things which we do, especially specialize in, these are very complex, multi-skill, multi-geography type of engagements. We will have people sitting in Bangalore and those are not going to be one set of skill sets. There will be digital experts, there will be technology experts, there will be content experts and just think about multiplying this complexity in 40 countries where we'll be executing these things and technology changing every day - that's not a pharma company internal thing.

Skill sets which are very homogenous and I would say so, those are the things which companies are trying to internalize with the advent of Gen AI, but ours is operationally much more complex.

Rohan Vora: Got it, understood. And my second question was on the four new wins that you said, mid-sized companies. So a bit more color on that would be helpful, the size of the companies, the area of offering probably and just one thing on the debt part, so the interest outflow going forward will be negligible?

Suhas Prabhu: Let me take the second question. Interest outflow is going to be zero. We repaid the debt pretty much just before the end of the quarter. So from Q2 onwards interest outflow would be zero. And a bit more color on the wins that Manish mentioned. There are three of them are in the commercial area and one in the medical area.

One out of the four is actually an expansion of an existing engagement in a significant way and these companies tend to be of a size, give or take, a little around USD5 billion in revenue. Some might be a billion lower, some would be in the range of USD5 to USD10 billion. So while these are mid-sized companies in the industry context, these are fairly large organizations, with global operations and multiple products.

- Rohan Vora:** Understood. Thank you. I'll get back in the queue.
- Moderator:** Thank you. The next question is from the line of Harsh Chaurasia from Vallum Capital.. Please go ahead.
- Harsh Chaurasia:** Good morning, sir. Thanks for giving me this opportunity. So I have one question. So basically last two, three months we have seen the healthcare and pharma GCC getting set up in India. So I wanted to know what can be the potential revenue impact of healthcare GCC getting set up in India on us? And secondly, could you please help us understand what is the kind of work, that is getting done in GCC and what we are doing? Can you differentiate between two of them? So that's it.
- Manish Gupta:** Sure. So that's a good question. Now let me start with that one. Every GCC is pursuing different strategies over here. There are a few GCCs which are doing a lot of IT work. They realize they don't want to do, they want to take some of the external IT spend and do it internally, given it's a very homogeneous skill set required. We have seen some of those. Some of the high value, very high value added medical stuff which was being done, we see some of them doing this part.
- But net-net one of the big challenges we as Indegene have faced over the last 10, 15 years is that we are going and selling to companies that what we could do a lot of your very high end, super critical work of helping you reach out to your physicians, patients, regulators, payers, develop all the material required, run the analytics, campaigns, build technology in an integrated way with a significant portion of our teams being in India. Customers were slightly, I would say skeptical about that.
- While IT services being done out of India was accepted, but some of these business services they were always worried about. The establishment of GCCs at one level actually from our perspective is an indication that customers are buying the ability that a lot of this work can be done out of India. So net-net from our perspective we believe it's a very positive thing.
- We don't have to sell India anymore which we had to do a lot earlier. All the GCCs that are getting set up, all of them are our customers and while they are setting up some capabilities on their own, we are having conversations with them on what are the capabilities they would like to run with us.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraint, we will take that as the last question. I would now like to hand the conference over to the management for closing comments.
- Manish Gupta:** Thank you so much for joining this call and for a lot of these questions. I know we couldn't answer all the questions. Please feel free to reach out to our investor relationship team and we would be happy to answer those questions offline.
- Sahas Prabhu:** And we look forward to meeting you all in the next earnings call as well and thanks again for your participation. Have a good day.
- Moderator:** On behalf of Indegene Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.