



“Indegene Limited
Q1 FY '26 Earnings Conference Call”
August 01, 2025



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

Moderator: Ladies and gentlemen, good day, and welcome to Indegene Limited Q1 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 this 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 Abhishek. Thank you, and over to you, sir.

Abhishek Agarwal: Thank you, moderator. A very good morning to all of you, and thank you for joining us today for Indegene's earnings conference call for the first quarter of the 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 on 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 the risks pertaining to our business. After the end of this call, in case you have any further questions, please feel free to reach out 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. Thanks for joining our Q1 earnings call. Today, what I'll do in this call, apart from our Q1 results, we'll also touch upon some of the external trends. We spoke about them last time, and so we'll just double-click on what we are seeing. We'll also lay out our FY '26 outlook and strategic priorities.

Now starting on the external perspective, there was some renewed talk about U.S. pharma tariffs in the last few weeks. Now at least what we see from is that this continues to be a nonfactor, not a big thing at all for the innovators. We say this based on all the analyst commentary and more importantly, based on our customer interactions. There have been some other program announcements like the National Priority Voucher program by the FDA that should positively impact drug review time lines and maintain high throughput of drug approvals and launches. Also, there were the changes at CDC's ACIP, the immunization Advisory Committee, which might have a little negative impact on the vaccine subsegment, but not material.

The bigger item was passing of the -- what has been called the One Big Beautiful Bill Act. There are some positives in it for the pharma industry, a broad exemption for rare disease drugs from the Medicare price negotiation program and preferential tax treatment for R&D expenditure.

Industry and a lot of companies are excited about this development. On the other hand, there was one point of a projected decrease in federal and payer drug spending via Medicaid, this will also be because of increase in the number of uninsured individuals. While this health care spending reduction might have a larger impact on providers which are hospitals, it will only have a very small impact on the pharmaceutical industry. This is because Medicaid only accounts for

a small portion of many drug makers revenue in the U.S. and even smaller share of their total revenue worldwide. Further, even prior to the changes introduced in the OBBA, which is the Big Beautiful Act, Medicaid has historically reimbursed companies for drugs at lower rates than those in other programs like Medicare or commercial insurance. So the impact is even lower.

Even so this dynamic is likely to broadly influence patient access to medications and in turn, investment decisions related to research and development, M&A strategy, overall sales performance in the pharma and biotech sectors. One way or the other, this is yet another step in line with our strong belief and long-term outlook for the business that innovators will have to accelerate digital first transformation, adoption of AI, advanced analytics across R&D, supply chain and commercial operations to improve speed to market and reduce overhead as a response to a secular pressure on drug pricing, something which we have been saying again and again.

Now if I summarize, we see no change in the industry outlook. Directionally, the pressure remains on drug pricing and hence, pharma operations to be more efficient and recent macro news and trends reinforce this pressure as well.

Now if I come to the industry, this year has been going, I would say, reasonably well for the industry so far. Industry is expected to have mixed growth, with most companies growing between low to mid-single digits. There are, of course, some of them, which will be doing extremely well. And they seem to be managing the macro pressure as well. More interestingly, we also see clients now coming back to the table more and more for the next level of evolution of the programs we've been working with them for. While decision-making is not on steroid, it's not very fast. This is a conservative industry, we have said it again. But we clearly see clients actively shaping the direction of their programs now.

Now moving on to our business performance for Q1 FY '26. Revenue came in at INR7,068 million, a growth of 1.8% in USD terms and 0.7% in INR terms. The growth in USD would have been 2.2% quarter-on-quarter but came lower due to a onetime credit given to a customer in settlement of unresolved project expenses. These expenses were in relation to an engagement, which was concluded mid of last fiscal and were already provided for as project expenses. And hence, no material impact on profitability in the current quarter. EBITDA came in at INR1,536 million, a growth of 0.7% quarter-on-quarter. We reported a Q1 PAT of INR1,164 million.

At this point, I would like to introduce Tectonic to you. We've been talking to you about this for some time now. These are large transformative conversations we've been having with our large customers. This is now taking shape, and we are calling it Tectonic. This is Indegene's effort to move up the marketing value chain on commercial content creation side and capture more work upstream, which has traditionally been done by AORs or specialized health care agency, but this time, by use of our marketing and medical capabilities, global operations and technology, especially AI capabilities, we are making a decent impact in this area. Q1 has seen us make good progress in terms of conversations, which lead to paid pilots and eventually full-scale engagements. We have generated more than USD 1 million of revenue from Tectonic in this quarter across 2 customers. Both of them are a top 20, and we'll continue to take this proposition to other customers as well.

Now we can -- at this point of time, if you just go from a segment reporting perspective, Tectonic will not be reported separately, but will be part of ECS, Enterprise Commercial Solutions. We believe over time, the lines between upstream Tectonic work and the downstream production work that we are currently doing will become part of single larger engagements and that's a strategic direction we are working towards with our customers.

Before I go deeper, given that we spoke about Tectonic and the impact of -- and the reason why we're able to do this well, bringing all our capabilities together, let me also allude to some of the stuff which we are seeing across the board in our solutions as we have incorporated AI and Cortex, as we had announced earlier. What we have been able to offer are very unique value propositions, differentiated propositions across the value chain, right, in medical affairs, regulatory, safety, commercial, and we see clients being excited. We have multiple conversations going on. We're helping clients think about their few year road maps. However, as we have said earlier, this is a conservative industry. They are careful in terms of adopting some of these things. And hence, they continue to engage with us. We believe that over a medium term, AI will play a very significant role in differentiating us and enabling us to take a larger market share. All our initial engagements make us excited about it. And hence, we are doubling down on our efforts in investing, building the products, tools, which we have been doing and also incorporate them in our solutions.

Now this is a good time to talking about our segmental revenues. Our enterprise segments, ECS and EMS, Enterprise Commercial and Enterprise Medical, which contribute 86.6% of our revenue, grew by 3.5% quarter-on-quarter. We have also renamed Omnichannel Activation now to be called Brand Activation to reflect the distinct nature of the engagement at the customer level in brand commercial segment vis-a-vis the Enterprise Commercial segment. Brand activation had a degrowth of 21.6%. This is due to 2 reasons: First, the project went on hold and revenue got deferred due to a customers' regulatory hurdles impacting launch of its products; and second, the conclusion of a project with a customer. Both were sizable projects. The other segment has grown 16.9% quarter-on-quarter, but contributes only 3.5% of the overall revenue, and hence, will not have a material impact on a consolidation basis.

Coming to client -- our client view. Our largest customer has grown by 4.3% quarter-on-quarter. More importantly, our transformative deal construct with them, which we introduced earlier as Tectonic has started generating revenues and should scale up over the next few quarters. The top 5 accounts have grown by 0.6% quarter-on-quarter, reversing last quarter's trend and also signaling that past year challenges are behind us. Top 20 is business as usual and contributed 76.2% of revenues. Accounts beyond the top 20 continue to have higher growth, growing by 5% quarter-on-quarter in Q1. Existing accounts contributed 92% of this, while new accounts contributed 8% of this. On the existing accounts and engagement side, we do not see any significant challenges with our operations or revenue.

This was a good quarter in terms of new pipeline growth, which also alludes -- referring back to my earlier conversation of clients coming back to the table, thinking about their programs. We also maintained our momentum on deal wins with 2 large deal wins of 3 million plus ACV. One in ECS expected to go live in Q2 itself and the other in brand activation to go live in H2. We

also had 4 deal wins of call it, in that 1 million to 3 million ACV, 2 in Enterprise Commercial, 1 each in Enterprise Medical Solutions and Brand Activation.

Cash generation continues well, and our cash and cash equivalents investments reached INR17,280 million, crossing \$200 million. We remain committed to utilizing this in the best interest of the shareholders. M&A remains a priority for us, and we have a pretty healthy M&A pipeline at this point in time at different stages, and it's progressing well.

Before I wrap up, I want to touch upon FY '26 initiatives and strategic priorities for Indegene. FY '25 was a somewhat challenging year for Indegene as we had some unexpected client issues, but those look like largely behind us now. Looking at FY '26, our deal pipeline has improved, and we are seeing the results in our improved deal booking data. The progress on Tectonic is another outcome of the same. Revenues from 2 customers, in advanced stages of conversations with 3 more.

I spoke about the traction we are seeing with customers as we incorporate more and more AI into our solutions and the value proposition we can offer because of that. And hence, we continue to double down on that. Operationally, we have done a strategic reorg of our sales function and completed a remapping exercise to drive higher effectiveness and traction and efficiency. We're adding senior leaders to strengthen and drive growth in our sales functions, consulting and capabilities like data analytics, content and medical affairs and regulatory affairs in EMS. These FY '26 initiatives might not have near-term impact, but act as a better off for our medium- to long-term growth.

With this, I'll pass on to Mr. Suhas to get into more details on the financials.

Suhas Prabhu:

Thank you, Manish. Once again, a very good morning to everyone, and we appreciate your participation on this call today. Let me dive into some more details of the financial performance for the quarter. As Manish mentioned, revenues for the quarter came in at INR7,608 million, which is up a strong 12.5% year-on-year and 0.7% sequentially.

The growth in U.S. dollar terms is 1.8% quarter-on-quarter and 0.4% quarter-on-quarter in constant currency terms. As Manish highlighted, our revenues would have been higher with the USD growth at 2.2% quarter-on-quarter, but for a onetime credit to a customer in settlement of unresolved project expenses. This was for a project for an Indian affiliate of a global customer. And hence, the contribution of the India geographic segment in our revenues has dropped from 0.9% to 0.3% in the current quarter.

Coming to the rest of the geographical segments, 95% of our revenue continues to come from the U.S. and Europe regions. North America revenue share is north of 70% in Q1 and Europe revenue share is at 27.1% in Q1. And this is largely in line with our past trends and expectations for the future. The EBITDA margin for the quarter was stable at 20.2%. And we have spoken about Tectonic and our continued investments in Tectonic, including certain unpaid POCs at this point in time. And at normal rates of charge out, this would have added about 0.3% to our margin.

The employee expenses during the quarter were lower by 0.7%, but combined with subcontracting costs, which are a part of our other expenses are higher by 1.2%, which is in line

with the growth in our revenue. Other income was negative, primarily comprising of exchange loss due to foreign exchange fluctuation due to the weaker U.S. dollar against euro and even INR.

PBT came in at INR1,521 million, a strong growth of 27.1% year-on-year and 1.9% quarter-on-quarter. And finally, PAT came in at INR1,164 million, a growth of 32.7% year-on-year, while it's a degrowth of 1% quarter-on-quarter. The PAT margin for the quarter came in at 15.3%, a reduction of 30 basis points sequentially, with the effective tax rate for quarter 1 recorded at 23.5% versus in the past quarter, it was a lower 21.2%.

With that, let me take a pause and move on to the questions that either Manish or I can answer for you all.

Manish Gupta:

Shubham, we're open for Q&A.

Moderator:

Thank you very much. The first question comes from the line of Shiwani from Monarch Network. Please go ahead.

Shiwani:

Yes. Congratulations on a good set of numbers. Sir, 2 questions. One is if you can touch upon Omnichannel Activation decline both year-on-year and quarter-on-quarter again. I also see the margin is impacted, and it has decreased significantly. So can you please elaborate on this point?

Manish Gupta:

Sure. Shiwani, I'll pass it on to Suhas for details, but 2 things. One is you got to think omnichannel activation as a brand-by-brand business, and that's the reason we're also calling in brand activation, vis-a-vis our other business enterprise solutions, whether it's medical or commercial, which is much more broad-based enterprise-wide engagements. And hence the nature of the business is such that some brand having an FDA issue, right, or engagement getting over, there is a slight more variability on the business.

However, what we'll also encourage all of you to think about this Brand Activation, along with Enterprise Commercial Solutions. Because I spoke about Tectonic, and we are very excited about where this can go. Tectonic has a capability and offering where we're only able to build because of our presence in brand activation. We have these capabilities in brand activation. We are combining them with our marketing, medical, global operations, technology, AI skills, and are able to create a proposition over here.

So over time, we believe the brand activation capabilities will also help us create a fairly large significant business in Tectonic. So that's the broad strategic overview, I'll pass it on to Suhas to double click on any numbers.

Suhas Prabhu:

Sure. Thanks, Manish. And going forward from what Manish explained on the nature of the business, more specifically, during the quarter, we had contracted with a customer for a brand launch program, which has got deferred due to certain regulatory hurdles, FDA requirements in the U.S., which has deferred the launch by -- we anticipate about 3 quarters.

And hence, the customer has put the project on hold. This meant that revenues in the range of between \$0.7 million to \$0.8 million that we were anticipating from this engagement during the quarter has got deferred by about 3 quarters.

But as you would understand, we continue to incur the cost, and this would have adversely impacted pretty much to the same quantum, the segment margins and the consolidated margins as well. But having said that, the rest of the business, the enterprise segment and others have shown a very positive growth, specifically enterprise segments have grown by 3.5% quarter-on-quarter, and those contribute today to close to 87% of our business.

Shiwani: Sir, is this the reason why we also see the client count decreasing from 73 to 70?

Suhas Prabhu: There would be marginal variations again on a quarter-on-quarter basis, given that there would be project-based revenues from customers, some of which will cross that \$0.25 million level, which is when we consider this to be an active customer count in our list. Yes, there would be a couple from this segment as well. Having said that, holistically, I wouldn't read too much into that. We would look at this over longer tenure. And when you look at this over the past 3, 4, 5 years, also now, you would see that this has grown consistently year-on-year.

Manish Gupta: Yes. If I just double click on the client thing, while obviously, we look at the long-term stuff, but we also feel fairly good that if you will see the numbers towards the end of the year, we'll do better on the client thing. Quarter-on-quarter, client dips from 0.26 million to 0.24 million, the numbers change. It doesn't mean much. But directionally, I think we're moving in the right day over here, even with the client number side.

Shiwani: Sure. That is helpful. And the next question is on margin. So we see that margin remained flattish quarter-on-quarter, which is a good thing because quarter 4 is generally stronger. But what I wanted to understand is that with all the AI investment that we are doing, which will only improve our capability going forward. So how we see margin progression? And how much is the margin expansion scope, if you can throw some light on that?

Suhas Prabhu: Sure. Shiwani, as you rightly pointed out, margins have been stable and growing over the last 3 quarters. So we -- productivity initiatives, both automation, Gen AI-led contribute to enhancement of margins. And over period is offset basically due to wage bill hikes as well as annual resets of rates. And I shouldn't say every year, but whenever there are renewals for some of the customers, which happen once every 3 to 5 years.

But having said that, today, we are able to offset the incremental investments as well as unpaid projects or POCs that we do for customers as we push aggressively to introduce these new concepts in our client environment. And therefore, in the near term, we believe that we would be able to sustain and be in the region of around 20% at an EBITDA level on a full year basis.

Shiwani: Sure. If I can just chip in one more, which is on M&A. So we have a very strong cash balances, which is INR17 billion. Can we expect more acquisition to happen in the European region because we have been talking about diversification. So is my thinking correct? Or we'll see more of a combination of U.S. and Europe acquisitions going forward?

- Manish Gupta:** Shiwani, there are 2 things. Actually, there are a bunch of things over there. Let me unpeel those. That we are looking at acquisitions from a capability perspective, right, of what we can do. So we are looking at -- to that extent, we really are not necessarily focused on any geography. Wherever we see the capability we do strong and the company offering something, we will be interested in that M&A. So we have a pipeline both in the U.S. and Europe. As far as the cash part goes, I don't think cash has been a deterrent for us to do M&A.
- It has been us finding the right target at the right price. Now -- what we are seeing over here is interesting that companies for a very long period of time, well, had unrealistic expectations of value. They were still driven by the '21, '22 euphoria which had happened, right, in the private space.
- Deals haven't happened. And we clearly see that expectations coming down, right, and becoming more realistic. And hence, we are more bullish on our ability to probably get M&A done. The engagements are becoming -- and the discussions are becoming much more realistic and getting to value zones, which we are comfortable with.
- Moderator:** The next question comes from the line of Abhishek Bhandari from Nomura.
- Abhishek Bhandari:** Manish, I had one very basic question. Of late, we've started shifting to Q-o-Q in terms of talking about numbers. Any reason why you started shifting towards Q-o-Q instead of Y-o-Y? Do you think now the business has become kind of a linear, and we should measure it on a sequential basis?
- Manish Gupta:** Abhishek, I'm going to give you a very honest answer on this. I still look at the business more yearly, right, nature of our business. But have been guided that everybody, all of you want to see quarter-on-quarter. That's why we have shifted to that. So there is no very well thought-out reason for that. Suhas?
- Suhas Prabhu:** Yes. But having said that, Abhishek, full year basis, 12.5% on revenue and 27% on PBT, 32% on PAT, I think we would keep referring to that because we believe whatever concerns that we had expressed during our current quarter performance in the last fiscal year versus this, we would want to also highlight that those challenges are behind us and maybe the quarterly commentary is more to emphasize on that.
- Manish Gupta:** Absolutely.
- Abhishek Bhandari:** Got it. Second question, Manish, is we have been reading a lot from outside about the uncertainty of what the life sciences or big pharma are going through. Some of them also have been going through C-level changes off late and some of them are of your top accounts as well. So in your discussions with the clients, do you see any hesitation for them to start on certain large projects?
- Or you think, no, the other thing is actually true that when things are uncertain, we need to reduce cost and hence, we'll become more relevant. The place I'm coming from is most of the investors still think that our business is tilted towards the discretionary part of the spend of life sciences, it being on S&M. So if you could clarify, that will be helpful.

Manish Gupta:

Okay. So I think, first of all, let me start with the last part. The reality is that our business is nondiscretionary. In fact, it's completely on the other side. If you see any pharma company, broadly, their spends on S&M, regulatory, medical affairs remain in the same ballpark. It is -- and that's why we think about our business more from an annual perspective.

The enterprise business, especially 86.6%, -- that business, not discretionary. As far as the C-level changes are concerned and all the stuff, we see that as a very localized thing, Abhishek -- and a few of our clients, and we have called that out. One of our large clients where we had challenges last year, they went through a lot of those changes. But it's not a broad-based thing. It's 1 or 2 places.

And one of them was a large customer. We had seen that churn. But we also believe that they are also stabilizing now. Finally, and we are having multiple conversations even with those customers now, right, from a pipeline perspective, which was pretty much -- which was a challenge till last year, but we're seeing pipeline grow even in those customers, which went through the C level change. So 2 points, business is nondiscretionary. It is absolutely critical and nondiscretionary. And second thing is we don't see too much of those challenges right now.

Moderator:

The next question comes from the line of Naman Bhansali from Nine Rivers Capital.

Naman Bhansali:

First question is that some of the IT companies have been talking about pricing pressures from customers and higher competition, which is leading to some sort of margin erosion. So how are we seeing this? And what is your take on this?

Manish Gupta:

Okay. Thank you, Naman, for the question. See, there are 2 things. One is that our industry and the kind of work we do, marketing, regulatory, it's not a back-end cost element. It's super critical for our customers. And hence, their propensity to shift or do anything based on a few dollars here or there is really not high. And that is the reason why even some of the AI-based solutions where they can get significant benefits are taking time to even get adopted, right, because of the risk perception. So we don't see that, right, on this part.

Of course, customers are actively looking out what else can they do, right, and from the future. And especially given the possibility AI offer, but we are not seeing that in our part of the industry.

Naman Bhansali:

Got it. Got it. And second question is, what is the split of the organic and inorganic growth? And how is MJL impacted your numbers?

Manish Gupta:

MJL is really tiny thing. It's one of those capability acquisitions as a team we have done. And this is -- I've alluded to this many times in our one-on-ones and of course, this whole thing that we are preparing for Tectonic to be scaled up across geographies.

So these tuck-in acquisitions, we do on the agency side will be small acquisitions, which are instead of hiring people beforehand and given that this could scale at some point whenever it scales, right, we want to be prepared for that given the opportunity is present. So it's -- think about these as more as acqui-hires.

- Moderator:** The next question comes from the line of Sankara Narayanan from ithought PMS.
- Sankara Narayanan:** Sir, my first question is regarding the patent cliff and how we are getting benefited from this? So in your experience for the past 15 years, how have you benefited from this patent cliff, sir?
- Manish Gupta:** Sure. So I would say that -- and again, there are 2 things. One is patent cliff is there. But on the other hand, new launches are also slated to be very high for the industry. So overall, the industry is going to be okay. Now as far as patent cliff is concerned, we have an offering of providing omnichannel for mature brand categories.
- And that's where we see a very active pipeline at this point of time, where companies for mature brands, right, are saying is there a better way to promote -- and our omnichannel business, both on the combination of Enterprise and Brand Activation side kicks in to be able to deliver those as a solution. And we see a bunch of that increasing in our pipeline.
- Sankara Narayanan:** Got it, sir. Sir, my second question is that how are we differentiated from other players like contract sales organizations or generic IT companies in terms of services and capability?
- Manish Gupta:** Generic IT companies are not even in conversations when -- wherever we are going. They're not part of the mix as well. At least our experience is, if they're getting an RFP, it is essentially to make up the numbers, right, because you have to send it to whatever, 5, 7 people. As far as CSOs, agencies, contract research organizations, those are the ones which are the more credible competition. And there, we are differentiated, let's -- you asked a specific question on CSOs, contract sales organizations. There what CSOs do is that they put feet on the ground.
- Let's take an example of what you just asked on the mature product. Now if a product is going to go off patent in the next couple of years and pharma company says, you know what, I don't want to spend my field force and marketing organization to manage this. Why don't I just take all these products and give it to a contract sales organization, which will put feet on the ground.
- Now as Indegene, we are going to the same guys, but with a very different value proposition that we will be able to take your products, right, and reach out to physicians on your behalf, but rather than putting feet on the ground, we'll do it through digital AI. And we can bend your prescription curve. So the tech stack, we have, capabilities we have, we have data on 2 million physicians for their digital propensities. We have algorithms to create what we call shortest path to prescription.
- That's what we bring to bear, to deliver solutions in this area, right, which is a very unique proposition vis-a-vis the CSOs. Vis-a-vis, let's call it, and I'm just going to complete it, although you didn't ask for it, agencies, what we bring is very significant global operations, combination of medical marketing capabilities, various AI-based platforms to deliver stuff at faster turnaround times, lower cost. And quality and at scale, right, which agencies don't. Hopefully that answers your question?
- Sankara Narayanan:** Got it. Sir, my last question is, what is the organic revenue growth for the past 3 years, sir?
- Suhas Prabhu:** So Sankar, again, I would like to emphasize that pretty much a large portion of our growth would be organic. The inorganic acquisitions that we have done in the current year or even the last year

have been nonmaterial, as Manish mentioned, capability and credibility acquisitions, which are tuck-in and get quickly integrated with the existing business.

And therefore, it's very difficult to carve out what would be organic and inorganic. We would like to emphasize that please look at these as businesses, which get integrated with the existing segments and allocate it holistically.

Moderator: The next question comes from the line of Naman Bhansali from Nine Rivers Capital.

Naman Bhansali: So sir, can you please provide more details on the Tectonic engagement? And what kind of engagements are these? Maybe what is the outlook here? What scale are we envisaging? And what are the different capabilities needed here? Maybe how much automation or AI driven is...

Manish Gupta: So if you think about it, I mean, a lot of the work which we have been doing in Enterprise Commercial Solutions is around downstream activities in content creation, for example, content adaptation, localization and execution, running campaigns, data analytics. These are the capabilities which we've been doing.

So essentially, the agencies do a lot of the work upstream, right. Developing the concepts, right, doing the market study, right, based on that, developing the concept, coming with the creative ideas, right, and then starting to develop de novo content.

So we can come in at a later stages, which is where capabilities were getting centralized. Now in -- through Tectonic, what we are doing is things like de novo content, right, taking those content from one channel to the other channel some of the medical -- some of the creative adaptation around that, right, at the higher stages, those are also getting bundled.

Now from an opportunity perspective, to give you a sense, I would say what we were accessing earlier through our Enterprise Commercial Solutions would have been 5% to 15%. And these are approximate numbers, mind you, over here of the marketing budgets.

With Tectonic, we believe that, that 5% to 15% increases to 35% to 50-ish depending on the customer and the situation from a budget perspective. So that's the level of unlock we are talking about. Suhas, do you want to double-click on any of this?

Suhas Prabhu: Yes. And Naman, you also spoke about technology. And that's a key part of what we bring to the table versus agencies, which would throw people-led expertise into the mix, whereas we are able to blend that, combined with the modern technologies and platforms, the new platforms, Gen AI-led platforms that we are contextualizing for this industry is the value that we bring to the table.

The generative element, wherein learning from the creative aspects that are done continually day in, day out, helps us make the content, the campaign, a lot more effective and the entire execution a lot more efficient in relation to what was possible in the past. And harnessing that power is what we bring to the table through Tectonic and that is why we are very excited that this possibility throws up for us in the future.

And from a revenue perspective, it's already started generating revenue. Manish mentioned earlier in the call, already \$1 million of revenue during the quarter. While we continue to do unpaid POCs to prove the strength and power of this to our customers, and we believe we are well positioned to keep gaining on this front as we make more progress.

- Moderator:** The next question comes from the line of Mohammed Patel from Edelweiss Public Alts.
- Mohammed Patel:** Sir, I have 3 questions. So in the near term, how should we think of head count additions and wage hikes?
- Suhas Prabhu:** Yes. So in the near term, wage hikes for us are effective July 1 in the current quarter. If you would have also seen our past few years of quarterly performance, the wage hikes are impacted. The larger cycle is July every year. There's a midyear cycle in January, but that has a very small impact. The near-term impact on wage hikes will be seen on the margins in the next quarter.
- But having said that, you would have also seen that our head count has remained fairly stable and also marginally degrowing over the past few quarters, while the revenue continued to be stable and growing. But having said that, we would say that in the longer run, the revenue growth and the head count growth would be in the same direction, though the pace of addition of head count versus the pace of growth in revenue need not be at the same rate. And I would say -- so while there is a correlation between the head count growth and revenue wouldn't necessarily mean that both are growing at the same pace.
- Manish Gupta:** Yes. And our revenue per employee is showing that trend. If I look at the last quarter, it was 70s -- 67 point or so (1000 USD) per employee.
- Mohammed Patel:** Okay. And rate hikes, should we expect high single-digit percentage on an annualized basis?
- Suhas Prabhu:** So it varies between geographies since we also have more than 16% of our staff outside India. Country by country, it would vary. But in rupee terms, on a full year basis, wage hikes tend to be in the 6% to 8% range from a full year perspective. And what we have done successfully, as you would see in the quarterly margin rate, is while Q2 tends to be the -- tends to show a dip in the EBITDA margin. It grows through the next 3 quarters. And on a full year basis, we've been fairly stable to growing on an EBITDA margin and, therefore, PAT also.
- Mohammed Patel:** Okay. And I wanted to understand the operating leverage in the business. So if the revenues grow 15%, should we expect other expenses to grow 50 basis -- 50 to 100 basis points lower?
- Suhas Prabhu:** Yes, from an operating leverage perspective, but at the same time, what we would guide in the near term is that we would continue to reinvest the incremental dollars that we earn for the future, Tectonic, Gen AI as well as expansion of capabilities organically, which will play into the growth over the medium term to even longer term, so 3 years, 5 years down the line. And therefore, we are comfortable to operate at a consolidated basis at the levels that we are at today, Mohammed.

Manish Gupta: Yes, I think that's an important point because now we are seeing customers coming back, as I said, looking at where they want to go. And in that context, our priority is going to be growth rather than expansion of margins.

Mohammed Patel: Okay, sir. Understood. The last question is, I just wanted to confirm that you are seeing all top 20 client accounts are expected to do well going forward?

Manish Gupta: I would never say all 20, but overall, as a segment, it will grow. Difficult to call out all -- to give a commitment on all each 1 of the 20.

Mohammed Patel: But it shouldn't have an impact like it had last year.

Manish Gupta: Yes, absolutely, absolutely.

Moderator: The next question comes from the line of Rohan Vora from Envision Capital.

Rohan Vora: So the first question was on the -- our journey, and we've been seeing that we want the clients in the 10 million to 25 million buckets to move up to 25-plus million buckets and then on to 50 million plus. So where are we in that journey? And just a broad idea on that. I know you've been putting efforts in that direction. So that was the first question.

Manish Gupta: Yes. So I think we're progressing well on that, Rohan. I can't call out exactly when you'll start seeing those numbers. But we feel good about it, let's say, call it, a few quarters down the line, our client pyramid is going to start looking stronger. 10 to 25 moving to 25-plus, fingers crossed.

We're also hoping to break the 50 mark, right, having a customer move over there. The number of million-dollar customers should increase. And of course, the number of active customers also should go up. So this whole chain, we believe, good right now from what we see is going to be stronger in a few quarters.

Rohan Vora: Absolutely. So no, I get your point. I'm just say, ballpark, we'll start seeing some of this in a few quarters. So that was what I was trying to get. And second was on the Cortex part, so AI side of it. So how is the traction there? And what can one expect from that probably a year from -- a year from now?

Manish Gupta: See, there are 2 things. One is Cortex as a platform, right, is enabling us to very quickly incorporate AI, right, or Gen AI in a lot of our solutions. And I alluded to that, that medical writing, right, MLR across the board, right, commercial content, right, some of our clinical processes, we are incorporating AI.

And taking the Cortex-based approach, which gives clients a lot of confidence that the whole Gen AI-based approach we are taking is for them derisk. Because our clients are very concerned about many things like security, confidentiality, a bunch of other things, scalability of platforms, how they plug in with other systems they might have invested in.

So on one hand, we are seeing a lot of comfort over there. And hence, these discussions are progressing well. On the other hand, we also see -- while it's still early days. We're also seeing Cortex being customers themselves saying that they would want to use pure -- for their internal

purposes, Cortex-based platforms and services, right, which are not necessarily incorporated in our operations today, but as a stand-alone offering by itself. So all in all...

Rohan Vora: Absolutely. And will you be able to sometimes in future give a measurable number, the contribution from Cortex or some sort of number in future?

Manish Gupta: We're not sure about that because that's honestly not a very -- that's not a priority for us. The priority is, in fact, transition our offerings to be Gen AI enabled. And we will encourage you. This is a quarter where we also have our Indegene Digital Summit. And I'm hoping that we'll also be able to do a stream of this.

It used to be one of those marquee events in the industry. This year, we're going in person for the event in Philadelphia. I think it's September 24. So we'll send a link to all of you, have a look at what our customers are saying, what industry people are saying.

You'll have a lot of marquee people coming in the conference. Customers will be talking and our CTO also will be presenting a bunch of things on Cortex and where we think Gen AI is going to be going. So that's on September 23...

Moderator: The next question comes from the line of Omkar Sawant from Marcellus Investment Managers.

Omkar Sawant: Yes. Actually, I had 2 questions, both on Tectonic. So first, Tectonic, how does this complement our CultHealth services because even that was our effort to move up the marketing value chain? And the second question is that as we are moving up the marketing value chain and competing with these specialized health care marketing agencies, the reason that these marketing agency exists is that they do a lot of customized work.

They have local understanding and local nuance. And for our context, which is global operations, centralized operations, which we cater to, how does that fit in when we compete with these marketing agencies?

Manish Gupta: So that's a great question, Omkar. Now if you think about it -- and as you rightly said, the whole omnichannel brand activation, as we call it now, was meant to go upstream, and we did acquire that capability, right, establish our credentials in this space. And I think we have done well on that. However, that business is a brand-by-brand type of a business. We believe, and our view was -- and that's the reason we have taken the thing is that technology enabled, right, and global operations enabled creation of all this material, right, is the way to go.

Now what we have been able to do using Cult, right, and the capabilities we have had, take some of these capabilities and think about reimagine them on an enterprise basis, right, that if you strip off some of the work which was being done by agencies and consolidate into global operations, how will that look like.

And incorporate -- and pretty much think about it, melded that with Enterprise Commercial Solutions as a capability. It's taken time for us to do that. We acquired Cult in 2022. We made - I think it took us 1.5, 2 years to get all this sorted out. And it started resounding with our clients, where they see clear benefits of consistency, cost benefits.

Obviously, if they have to drive AI across their marketing operations, the only way they can do it is they centralize things. right? If you're working with 20 agencies as a company, there's no way you'll be able to get the benefits of AI. Whereas the central operations enables that. So that is the path we are taking. Now we're not saying agencies won't be there. Agencies will continue to play a role.

They will still be the ideation guys. There will still be the guys who are coming with the creative concepts at least right now. But some of the execution work which they are doing, we have taken out a lot of that earlier, but there are other things which we believe could have been centralized, which is what we've been able to do. Now we got the credibility because of Cult, right, to even have that conversation, and we've used that effectively.

I hope that answers your question.

Omkar Sawant: Yes, yes. It does. And just a follow-up to this. In the Investor Day, you mentioned that for any technology that you launch, you track 3 critical KPIs, right, reduction in time to market, resource optimization and the number of use cases that you address. Can you help me understand how does Tectonic cater to all 3 KPIs? Some color on that?

Manish Gupta: So Tectonic is not -- you have to delink our -- what you heard on the Investor Day on the CTO office, right, all the work which we are doing on AI from Tectonic. Tectonic is very specific to commercial operations. And so think about it as a cross between Enterprise Commercial Solutions and Brand Activation from a capability perspective.

When we are talking about Cortex and the use cases, those are much broad-based. There are multiple use cases of Cortex in Enterprise Commercial Solutions. There are multiple use cases in brand activation as well as clinical and enterprise medical solutions.

Within Enterprise Medical Solutions also, right, the point solutions of which where we are using Cortex and our Gen AI capabilities are a lot. As I said, MLR, various medical writing documents, right, clinical study reports, PSURs, I can go on and on, on that piece. Safety. So we're using Gen AI in a much more broader way. Tectonic is one instance of that. A large one though.

Moderator: The last question of the day comes from the line of Vinit Manek from Karma Capital Advisors.

Vinit Manek: It's good to see the growth coming back, especially from the last difficult year that we had. Just 2 questions from my side. One is pertaining to that. We were at about a high single-digit kind of a USD growth this quarter from a top line perspective. So should we assume that the worst is behind us, and we are seeing that acceleration in the launches and spends from the top clients coming back? Could we accelerate this to an early double-digit kind of growth or mid-teens kind of growth by the end of this year?

And my second question comes to the margins. So as we have upped the efforts on Tectonic and other value-added services. So should we assume that with the portion of this going up in the medium term, it will be more margin accretive from the EBITDA perspective? Or how should we look at that effort?

Manish Gupta: Sure, I'll pass it on to Suhas to deep dive, but we don't like giving exact numbers and guidance, but we feel comfortable and good of where we are right now, right, in terms of our engagement pipeline. And we believe we are on the right trajectory as a company from a growth perspective. So that's one.

Our priority from a reinvestment and investment perspective is also going to be growth. As I said, after the frantic activity during COVID time, right, until 2023, we saw the industry consolidating, customers going slow because of what happened during COVID and also some of the pressures. We see that easing right now. Customers coming back in terms of where they want to go, all this stuff. So in that context, our investment in growth becomes paramount. So that's going to be our priority as a company. But the specifics, I'll pass it on to Suhas to comment on.

Suhas Prabhu: Thanks, Manish. Vinit, again, to reemphasize why we don't give out guidance for the year. The 3 factors that you yourself alluded, the existing customers, our top 5, top 20 customers, stable and growing. Deal wins that we have spoken about, not just this quarter, but I think last few earnings calls, converting to revenue, which you are also seeing in the quarterly numbers now. And the client conversations changing to overall pipeline for us are positive indicators.

And on the margin front, while we scale, there is opportunity to scale margin disproportionately operating leverage kicking in. But having said that, in the near term, we would look at investment doubling down on some of the things, while balancing out the margins. And therefore, I would say margins in the near term in the vicinity of 20% at an EBITDA level. But in the medium term, expansion is certainly a possibility.

Moderator: Ladies and gentlemen, in the interest of time, that was the last question. I would now like to hand the conference over to management for closing comments. Thank you, and over to you, sir.

Suhas Prabhu: Thank you, everybody, for your participation and continued interest in Indegene. Value these interactions and conversations with the entire investor community and look forward to continuing this level of engagement. Thanks once again, and have a good day.

Manish Gupta: Thank you.

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