



“Indegene Limited
Q4 & FY '25 Earnings Conference Call”
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Moderator: Ladies and gentlemen, good day, and welcome to the Q4 and FY '25 Earnings Conference Call of Indegene Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing the star, then zero on your touchtone phone.

I now hand the conference over to Mr. Abhishek Agarwal. 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 fourth quarter and full year ended financial year 2025. 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 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. Thank you for joining our Q4 earnings call. As we approach the end of our first year as a publicly listed company, we listed on 13th May, I want to express my gratitude for your support and interest in Indegene. After 26 years as a private company, we are excited to continue building Indegene into a leading institution in the health care space, as a public company.

This is our fifth earnings call and comes on the heels of our Investor Day we held in March in our office, where we showcased our business, and our AI-based platform called Cortex. I hope that most of you understand us well now and are familiar with the business.

Now with that, the saying may you live in interesting times has never been more relevant. In our call, last 3 months, we discussed the industry outlook. Since then, significant policy changes have occurred, and many of you have reached out to understand the impact. On this call, apart from our Q4 and full year performance, we'll give you our perspective on what we are seeing with our U.S. global customers and industry because of the U.S. government policies across the Board.

Let's start with the industry. The broad trends we spoke about last time remain in place and will do so for a long term. Pressure on drug prices and adoption of digital technologies will be a long-term trend. What has changed since the last time is the macro uncertainty brought about by the U.S. tariffs, and it's anyone's guess what direction it will take. Obviously, this is not an industry-specific issue, but threatens to spillover into the broader macro climate. And while pharma and life sciences have much lower direct exposure, they're also not immune to the impact. While we wait for the situation to unfold, what this means in the near term for our customers is juggling of multiple priorities, as they focus on dealing with the tariff issues and its fallout and some of the actions they might want to take. Some of them are working on capital allocations towards investment in U.S. manufacturing and other strategic responses. There have been public announcements that some of the large pharma companies have made around this.

Now none of this has a direct impact on our business. In fact, as we had mentioned, any pressure on pharma business economics acts as a tailwind for our business because we are a more efficient partner for the commercialization processes. But one impact we are seeing is a slowdown in decision-making processes in the near term, especially for much larger transformational initiatives, where some of the senior teams' approval and involvement becomes critical.

Now the other impact was significant cut in the FDA staff. On March 27, HHS announced a reduction of nearly 3,500 full-time FDA employees, which is 20% of its workforce, following a recent layoff of 700 staff, as a part of the cost-cutting effort to save around 1.8 billion annually. This has led to a removal of top scientists across key divisions, including drugs and devices. Although there is uncertainty in how this will play out, discussions with clients and experts suggest potential delays in submission reviews, enhanced submission quality expectations and disruptions in meetings and early engagement, especially for biotech firms.

We see this as an opportunity for us in the medium term in multiple ways. Clients may require guidance on adjusting their strategies in the new regulatory environment, they'll have to be much more prepared. Further, they are likely to need enhanced bandwidth to counterbalance the reduction of the FDA. We have an opportunity to use our AI solutions and technology to bridge some of these gaps. As of now, we don't see our big and mid-sized pharmaceutical clients being worried about this in the short term. In the short run, this is a bigger issue for the biotech industry. However, in the medium to long term, this might not be a great thing for innovation in general. Although we are hopeful this will get resolved. It is too critical not to. In an interview just 10, 12 days back, the FDA Chief, in fact, spoke about the game plan for accelerating approvals,

especially for rare diseases. He also alluded to the use of AI across the board, right, and make things more efficient.

Now that's on FDA. Let's discuss the next big trend, which a lot of you have been asking us and we have been bullish about. AI. We remain bullish on the opportunities AI offers. During our Investor Day in March, our team showcased our thinking around how GenAI could benefit the industry and demoed some of our solutions that already embed GenAI. Our clients continue to share our excitement and continue to engage with us in deploying this technology to enhance business processes. We also remain cognizant of the fact that our industry will be cautious in the speed of adoption of GenAI given the strict regulatory and compliance guardrails we operate in. And the onus is on domain players like us to have contextualized GenAI for life sciences and bring in our practitioners' lens to ensure our clients get the maximum leverage from GenAI, while complying with all regulatory and compliance needs.

With this in mind, we launched a GenAI platform called Cortex that helps contextualize GenAI for life science industry by bringing 26 years of our operational experience codify to train AI models. This latest developments in GenAI in the form of agentic workflows and also brings a platform approach to GenAI development that makes it easier for our clients to drive governance and compliance checks. Now these are 3 things exactly our clients have been grappling with and asking us. We believe this will help put GenAI in action in the life science industry. We are currently in the process of having our domain and business process experts train GenAI agents in Cortex by leveraging years of data and process expertise that resides within our organization. These GenAI agents are being incorporated in our existing solutions after thorough testing and validation. Meanwhile, we are also building GenAI-first products in the commercial and medical space by reengineering existing processes. You'll continue to hear more from us on this in the subsequent quarters.

Now with this, let me come down to the business performance. Our Q4 FY '25 revenues came in at INR7,556 million, a growth of 4.9% quarter-on-quarter, driven primarily by higher revenues from the deals won in the last 2 quarters. EBITDA for Q4 came in at INR1,526 million, a growth of 1.7% quarter-on-quarter. We reported Q4 PAT of INR1,176 million, a growth of 7.2% quarter-on-quarter. The total number of active clients for us decreased slightly from 75 to 73, mainly due to some one-time revenue project completions. On the other hand, USD1 million clients grew from 38 to 41 in Q4. More than 95% of our revenues continues to come from the US and EU regions.

For the full year, revenue came in at INR28,393 million, a growth of 9.6% year-on-year. The growth was driven mainly by customers outside of the Top 20. This was a result of growth in existing customers and also new account additions. We grew our active accounts from 63 from last year to 73 this year and grew our USD1 million customers from 35 to 41. Most of these new customers are midsized pharma companies, and we continue to find opportunities to deepen our engagement and relationships with them across the board and sell them more solutions. The Top 20 customers grew by 2% year-on-year. We had good traction with many of our key customers, but also had some negative events and impacts in some accounts, which we had shared with you through the year. FY '25 EBITDA came in at INR5,622 million, a growth of 5% year-on-year. Full year PAT came in at INR4,067 million, a growth of 20.8% year-on-year.

Now with this, if I look at the highlights for FY '25, Post Trilogy - this is an acquisition we made, if you remember, towards the end of March '24 - we've been able to go to the market with this in an integrated way and have been able to have some wins of 2 million-plus ACVs for multiyear engagements.

Another acquisition we had made in 2022, Cult, has been, I would say, a reasonably successful M&A and collaboration for us. We have managed to combine Indegene's medical technology, analytics and global operations capabilities, along with Cult's very significant creative capabilities to offer an integrated creatives offering at the enterprise level and have successfully managed to have some customer successes and pilots here. We expect this to translate into increasing revenues in this year and the future.

We launched our GenAI platform Cortex, which I just spoke about and have made great progress in developing AI use cases and bring them into our solutions, as well as to our clients.

Now going forward in FY '26, we are cautiously optimistic. The positives we spoke about last time, while they remain there, a little tempered by the uncertainty and the hold pattern that we see emerging in the broader macro environment; but we remain optimistic of clarity emerging as we go through the year. We had some good wins in Q4. One USD 5 million plus ACV deal with a Top 10 EU headquartered company. This customer and the deal hold potential for us. And three deals of 1.5 million to 3 million ACV with mid-tier pharma. These should start contributing to revenues later in the year. We have a pipeline of interesting potentially large engagements with a few of our Top 10 accounts as well.

At the same time, there have been some headwinds in some accounts. We faced headwinds in 2 of our top 5 customers in 2024 or FY '25. We've been speaking about it through the last year. One of them has stabilized, and we believe will start growing this year. The other one, which we believe had stabilized, will see some further reductions in volumes. With our largest customer during renewal due in March, as part of engagements in our medical business, some reconfiguration of the on-site or offshore mix will result in a lower value and realization. Now this does not impact our margins as the on-site ratio might impact the value or realization a little bit, but no impact on margins or very low impact on margins. Both these will have approximately 1 million revenue impact each to the rest of 2025, starting towards the end of Q1.

Overall, we continue to pursue strategic and transformational engagements with our customers and focus on building our pipeline and focus on converting the pipeline into wins. But given the macro environment, we are circumspect about the speed of decisions and project kickoffs.

We continue to generate good cash and maintain a healthy cash position. We ended the year with INR1,664 crores in cash and cash equivalents, providing ample liquidity for expansion. We will be prioritizing growth agenda hard. We'll continue to pursue tuck-in acquisitions to enhance, deepen and broaden our capabilities and use our cash for these acquisitions. We also believe that the current emerging macro environment will be conducive for us to be able to find the right deals. The market has been tough over the last few years on the M&A side, but we believe opportunities will start emerging, and that's where we use our cash.

At the same time, as a prudent company with a very long track record of profitable growth, we believe it is a good practice and rigor to start issuing some dividends even as a young publicly listed company. On that note, I'm happy to share that the Board has approved a 100% dividend, subject to members' consent in the AGM. Now this will be approximately INR48 crores, which is approximately 12% of our PAT, and a tad below 2.9% of our cash. As I said, we'll continue to use our cash for acquisitions moving forward.

With that, I'll pass on this to Suhas.

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 off by getting into the details of the financial performance for the quarter.

The revenues for the quarter came in at INR7,556 million, up 12.3% year-on-year and 4.9% sequentially, driven by growth in all the major segments of our business. The core enterprise businesses, both commercial and medical together growing at a healthy rate of 5.1% and omni-channel activation business at 8.6%. The omni-channel activation segment has seen some wins and growth coming from the brand side of the business.

EBITDA margins for the quarter stood at 20.2%, a drop of 60 basis points sequentially. The drop off in margins is due to a higher wage bill consisting of seasonal trends in vacation accrual and payroll taxes in the US and also midyear & off-cycle increments applicable to a subset of employees. The PAT margin for the quarter came in at 15.6%, an increase of 30 basis points sequentially. This is on account of a lower tax rate in Q4 due to favorable deferred tax adjustments in the US.

On a full year basis, revenue came in at INR28,393 million, a growth of 9.6% year-on-year. EBITDA came in at INR5,622 million, a growth of 5% year-on-year. EBITDA margin on a full year basis reduced by 90 bps to 19.8%, mainly due to a higher on-site employee mix and certain increases in the non-employee expenses related to technology, both having almost an equal impact on the margin rate drop. PAT came in at INR4,067 million, a growth of 20.8% year-on-year. PAT margin improved by 130 bps to 14.3%, driven by reduction in finance and interest costs and growth also in the interest income.

Our geographical split basis location of origin has seen some changes in Q4. North America revenue share has increased to 71.9% versus 69.3% in Q3 and Europe revenue share is at 24.6% versus 27.9% in Q3. The jump in North America revenue is due to consolidation at our US headquartered customer with the expansion of the enterprise relationship in the enterprise commercial segment, which started in the European region to now a larger multi-geographical coverage, including US, and this happened during the renewal in January of 2025.

Our cash position remains strong, and we continue to actively scout for M&A opportunities. We also concluded a small acquisition towards the end of March '25. We acquired MJL Communications Group, a UK-based digital life sciences agency on a debt-free cash-free basis for an amount not exceeding GBP3.4 million, including earn-outs. There is no impact on our Q4 performance due to this acquisition, as the effective date is end of March 2025.

This acquisition strengthens our creative presence and capabilities in UK and is in line with one of the stated M&A opportunity areas for us. With that, let me take a pause and move on to the questions that either Manish or I can answer for all of you.

Abhishek Agarwal: Steve, we can open the Q&A.

Moderator: The first question is from the line of Shiwani from Monarch Network Capital.

Shiwani: So I have 2 questions. One is on the segment revenue. So the growth in enterprise commercial segment, which used to be a high-growth segment has come down to low single digits. So I just wanted to understand that what's the underlying reason for the same and when we can expect the growth to pick up?

Manish Gupta: Shiwani, you are right. The growth has come down last year, and that is primarily due to the impact of these 2 customers, which we alluded to in our calls last year. That's -- these 2 customers were large customers for the enterprise commercial segment and the entire hit, or I would say, most of the hit has been for the enterprise commercial segment, right, on this part. We believe that, as I had mentioned, one of these customers has stabilized and will start growing even for enterprise commercial solutions.

The other one might take a little bit more hit. There are some process, which the company was doing, which we will not be doing. But beyond this now, we believe all the new wins will start adding up to growth in this region. Last year, all the new business coming in was going to plug in the revenue leakage with these 2 customers. That's going to reverse this year itself.

Shiwani: Understood. Sir, can we expect the growth to come back in like double-digit?

Manish Gupta: I won't call out the numbers over here, but we expect growth to come back.

Shiwani: Okay. Sure. And the next is on margin. So I think in the first question, you partly answered that why the ECS segment was hit. But at the same time, we are seeing that the margin in omni-channel segment has increased to 13.2% this quarter versus 8% last quarter. And also, on a year-on-year basis, we have seen the improvement in the margin. So what is the driver of this margin? And can we sustain this margin going forward?

Suhas Prabhu: Yes. Thanks, Shiwani. Suhas here. So the omni-channel activation business, and we had provided some commentary in some of our earlier earnings call as well, the increase in margin is a factor of growth in top line. There are certain costs that remain constant irrespective of the volume and at the current scale that is a major driver.

But having said that, deeper engagements, longer-term projects is the other driver, which helps us plan better and utilize our resources better. So I would say between both these factors, we've seen a growth in the margin, and we believe this will be the key drivers in the coming future also for this segment.

- Shiwani:** Sure. And just last question, if I can chip in. So I just wanted to understand more on the MJL Communications acquisition, what's the revenue potential? And how can we see its contribution to the overall business in FY '26 and FY '27?
- Manish Gupta:** So first of all, MJL Communications is a very small company. And from our perspective, the reason we have done this deal is that our creative capabilities, which we had established through Cult, we believe that -- and I spoke about it that we are seeing Cult capabilities plus Indegene capabilities together creating a very compelling solution for our customers at an enterprise level. And we are working on that.
- Now typically, Cult was till now focused in the United States whereas our deals at the enterprise level are global in nature. We are seeing a need emerge for global deals involving creative and content together. To that extent, we had to increase our execution capabilities in multiple regions, Europe being the highest priority, and MJL contributes at that level.
- So from our perspective, the logic is our ability to do larger enterprise deals, which are slightly more upstream than what we have been doing in ECS till now. And that's the rationale for MJL -- the rationale for MJL Communications. And we have spoken about this earlier also.
- Moderator:** The next question is from the line of Ajay from Blue Argon Capital.
- Ajay:** Congrats on a good set of numbers given the environment. See I had 2 questions. One is regarding your top 10 versus rest of the business. Your top 10 accounts are declining. Can you give us some color on what's the cause? And when did that decline stop so that we can see better top line growth?
- Manish Gupta:** Sure, Ajay. Actually, the reason for -- again, this is -- I alluded to that in my earlier comment, right? Just these two customers, two customers have contributed to a significant decline in the total number for us, right? If I just put -- in fact, I have spoken about this earlier, these two customers, what we lost in revenue, right, had impacted our overall growth by somewhere in that region of 6%, right, which is what shows up in the top 10 customers itself.
- We believe that's more or less behind us. As I said, apart from the fact of the impact we might have in one of these two customers, right, a little bit negative, which might happen. Overall, things will be better. And some of the -- one of the deals we won, which I spoke about \$5 million ACV, again, is a top 10 customer. Suhas, do you want to add on anything to this?
- Suhas Prabhu:** Yes. Thanks, Ajay, for your question. And more specifically, I would like to bring -- draw your attention to the quarter-on-quarter contribution of our top 10, which is in line with what we had mentioned during our last earnings call that the decline of those two customers is behind us and have stabilized. And therefore, our -- when you look at our quarter-on-quarter, you can see a marginal increase in the contribution of our top 5 from 56.3 to a 56.4.
- Ajay:** Just on that part a bit more. So in the company's recent history, the last 5 or 7 years, how many times have you seen a few of the customers decline? And I can -- what's the reason, like did this customer set some line of business like Pfizer, obviously, Pfizer's COVID vaccine, the business might have contracted significantly, and if you're supplying to that, that could have been the

reason. But if you can give some color on why these two customers declined and how common was that in the last 5, 7 years of the company's history?

Manish Gupta:

It wasn't very common in the last 5 years, if you think about it, because 5 years, at least from 2020 to 2023, right, our growth was very significant. We grew from in dollar terms, approximately \$89 million, \$90 million to \$287 million, right? So pretty much everything was growing.

Now coming back to what is the reason, it's a function of two things, right? On one hand, one of our customers, there they changed their operating methodologies, right, which resulted in broad leakage. They realized that wasn't the right model, right, for them because they were losing a lot in that perspective, and they have corrected that, right? Their internal operating model, how they charge centrally versus countries and stuff like that. And we, again, we have alluded to this in our earlier calls.

The second one is a company, which has had multiple internal issues, right, declining revenues, pressures on margins, some products going -- which they had major revenues coming from, they falling off the cliff, right? So those things came together for that customer.

Ajay:

If I may, one more question. Is there -- how should one look at your profitability, the line of business the right way? Or is your customer engagement sort of, there is SOWs, are they sort of different lines of business? Or are they combined when you look at profitability of the whole account or that line of business account versus your lines of business? Sir, my question is, should we look at profitability by large versus small accounts or by your lines of business, if you could talk about that.

Suhas Prabhu:

Yes. So Ajay, our profitability for both the large segments, enterprise commercial and enterprise medical are fairly stable. And there, we look at profitability at a customer engagement level, right, and not at a project level. So there will be sometimes projects, which may have lower margins and higher margins, but we look at it at a combined engagement level, right? And there could also be periods, especially when we get into a new engagement when the margins may be lower at the start because you may start with a slightly higher on-site mix and over period ramp that up. But largely stable margins.

Now coming to the other two segments, again, at a gross margin or a unit economics level, these are not priced very different from the other two segments. But having said that, at the current levels of business, right, the certain minimum operating costs, non-billable costs and certain fixed resource costs would mean that the segment margins look different. But at scale, these would also have a similar margin profile, as the rest of our business.

Ajay:

Thank you so much.

Moderator:

Thank you. The next question is from the line of Abhishek Ranawade from Oaklane Capital. Please go ahead.

Abhishek Ranawade:

Thank you for taking my question. Actually, I joined this call a little late. I have one question about the patent cliff and pipeline, which your clients are having. So how long this -- the impact

of this patent cliff will go on? And like what is the -- first of all, what is the impact of this patent cliff and how long it will go on Patent cliff for the clients, the patents which are like the products which are going off patent for your client, which is reducing their revenue and paying capability.

Manish Gupta:

Yes. So by the way, we have spoken about this in the past. If you think about it at the industry level, there is -- over the next 3 years, there are a bunch of patents, which are expiring, but there are also a bunch of new launches that are slated to happen, right? So the expectation is the industry will be overall positive and growing reasonably well, right? That's the broad outlook.

Now as far as this -- if you're talking about that one customer, where we had an issue, right, this customer is a customer, which has gone through significant challenges, right, and has a very strong pipeline at the early-stage level, but not such a great one at the late-stage level, right? And they've also done M&A and stuff like that. So I would say this customer might be in somewhat of a doldrums some more time, right, over here. But that's just one customer. Overall, at the industry level, I think we are okay right now.

Abhishek Ranawade:

Okay. And do you think there is any pattern that once the patent cliff effect goes down, so there are other players, who try to launch their products, and which creates a good base for your company that patent cliff creates a good base.

Manish Gupta:

No, Abhishek, I think what you need to understand is our business is focused on innovator products, right, when there is science to differentiate. Once a patent expires, the generic companies come in and especially in the United States, and I would say most of Europe, that's sales, which happen to trade, right, trade channels. And that's not the segment, which we operate in. So our involvement will be with patented products.

Abhishek Ranawade:

Okay. Thank you.

Moderator:

Thank you. The next question is from the line of Surbhi from Bellwether Capital. Please go ahead.

Surbhi:

My question is on the Enterprise Medical division. We've seen very strong growth here. Could you throw some light on what are the key factors, which is driving the sales there? And also, if you can allude to what percentage or maybe just qualitatively, what portion of the revenue is more like a onetime engagement with the client versus what portion of revenue is coming from a more longer-term engagement with our clients?

Manish Gupta:

So let me start with the latter question. Most of our business in these two segments, I would say, enterprise commercial and enterprise medical are regular recurring type of engagements, right? There's a very small percentage of business, which is onetime type of stuff. That those project-by-project businesses for us typically sit in the omnichannel activation part of our business. But these two segments are fairly robust long-term engagements.

Some of our capabilities on the medical side, we've been able to craft, I would say, a fairly robust joint solution on the medical writing and medical writing across the board with the Trilogy acquisition, right? And that is one thing, which has given a bit of an uptick in revenues. I also spoke about some of the wins we have had with people.

Trilogy is known in the marketplace, as a very high-end specialized, very high expertise medical writing submission kind of a company. That added with Indegene's operational capability, right, and scale, processes, technology has created a compelling solution, right? And we have won on the back of it. But most of the revenue is recurring. Suhas, you want to add on anything to this?

Suhas Prabhu:

Yes. As Manish mentioned, maybe providing a bit of numbers context. Typically, in the enterprise businesses, and this would be consistent across both enterprise commercial and enterprise medical, about 75% of our business would be recurring, about another 11%, 12% would be what we would call reoccurring, right? It may not be the same kind of business, but coming from the same customer under the same master service agreement year-on-year. And therefore, it would tend to get into the high 80s percentage as what you would call as the repeatable business, Surbhi.

Surbhi Soni:

Okay. And is it fair to assume that the large part of growth is coming beyond top 20 clients in the medical segments.

Suhas Prabhu:

No. In the medical segment, the growth is consistent, both in our top 20 as well as if you were to also look at top 20 as globally ranked top 20 as well as beyond, right? So we're seeing traction on both sides. What Manish mentioned earlier in his opening remarks, right, a couple of large deals, which were in the order of about \$2 million ACV in medical, where both from our top 20 -- globally ranked top 20 pharma companies. But at the same time, we've seen good traction and wins with the mid-tier companies, which are beyond the top 20. So we're seeing traction on both sides, especially in enterprise medical.

Moderator:

The next question is from the line of Sathish from Kotak Securities.

Sathish:

I had a couple of questions. The first one is you had indicated no possibility of decisions being slowed due to macro impact. And did we see any of that impact in -- impacting revenues in 4Q and maybe deal wins as well? That's number one. And second is what's the margin outlook for FY '26? I mean, should we expect a margin profile similar to FY '25, excluding other income?

Manish Gupta:

Sure. Sathish, I can talk about this. There have been some, I would say, reasonable size engagements and very different engagements, which we were hoping would have closed, right? They're very active, and we're optimistic about them. But they have taken a bit more time to close, right? So that's one of the reasons why we called this out. And so, that's one. I'll pass it on to Suhas for the margin commentary.

Suhas Prabhu:

Yes. And Sathish, more specifically for especially one of these larger deals in the pipeline, we have already started incurring some costs, which has had a very small impact in Q4, right, and may also impact in the near future till the engagement goes live and we start realizing revenue.

But having said that, I would say that the margin outlook would be fairly stable even in the coming periods, and we will continue to strive to improve this, as we grow because we would get more operating leverage, which should add to the margins. Nothing if you see from a customer pricing or impacting our margins materially as we speak today.

- Sathish:** I just had one more follow-up. If I look at the other service line, while the contribution to revenues is not very significant, there is still a significant impact on margins because of the loss in the business. So should we expect a similar loss going ahead? Or do you expect some of those losses to be recouped by better operating leverage?
- Suhas Prabhu:** Yes. In the other segment, as you rightly pointed out, Sathish, higher volumes would result in better margins given that, as I said, the gross margin profile, pricing and unit economics there is not too different from the rest of the business at Indegene. But however, we -- during our annual exercise, planning exercise, do look at opportunities to look at efficiency and productivity initiatives, which cover those businesses also.
- But given the current size, those impacts may not be material. It would largely come out of volume growth and revenue growth in the other business segment, which would impact the gross margins and therefore, margins at a consolidated level also.
- Moderator:** The next question is from the line of Neha Agarwal from SageOne.
- Neha Agarwal:** I just had one question pertaining to our new GenAI and LLM-based solutions, which we have been developing and which we introduced over. So is there any initial reaction from clients with respect to those? Any specific new business opportunity that we got on account of it?
- Manish Gupta:** So it's still early -- is for that, Neha. We have, I would say, a very positive reaction from our clients, and we have multiple conversations going on with our customers right now, right, where these opportunities range all the way from building agents for them to using this as a broader platform for them to outsource some of their work, right, in different areas as well, right? So it's a broad range of conversations, slightly strategic conversations. That's where we are, right? But apart from the pilots and stuff I spoke about, I wouldn't say that there are any big closures behind this right now.
- Neha Agarwal:** So can we market them in a way that will this be largely a part of BAU or we expect any material recognizable impact from such solutions in the future?
- Manish Gupta:** So I would say that we are not going to, unlike other companies, try to break this up because one of our propositions from very early on has been that we bring technology as a big differentiator to deliver superior outcomes, right? Our offering and our value proposition to clients is not FTEs or bodies, it's been always business outcomes on how we think and technology has been a key driver for that.
- And AI has been for a very long period of time, a driver for that. All we are saying is that given that we have been doing this for you for a long period of time and GenAI has come in. So we are the best partners for GenAI also because of X, Y, Z reasons.
- Now what GenAI does is offer enables us to do four more things. If I are doing X, Y, Z things for you, now because of GenAI, I can also do A, B, C and add stuff to that. So to that extent, breaking it up separately might we believe is not a great idea.

Neha Agarwal: Sure. Just one follow-up on the same thing. So in that scenario, I understand there could be a long gestation period for such deals and ideally an impact of such development could take up to a year or so to start coming in.

And by when do you think we can expect some meaningful incremental contribution in terms of maybe expansion in single client contribution itself, single client wallet size increasing from a couple of million to probably north of \$10 million and above. So that kind of an impact because of these developments. Is there a time line for that we have in mind or where we think that impact should come?

Manish Gupta: So your question was more about GenAI impact.

Neha Agarwal: Yes. Impact of basically the new solutions that we have been developing and working on, on the overall single client wallet size or contribution to our revenue.

Suhas Prabhu: Yes. Neha, I would say it's a little too early to call that out because this is also a significant change management for our customers. But having said that, as Manish mentioned, the way we engage with our customers is bringing technology contextualized to the industry, combined with the expertise. And therefore, some of the use cases, while we showcase to our customers for expansion or new customer acquisition would also get embedded into our existing engagements.

And, therefore, while that might not necessarily show up as incremental business would still start impacting the way we operate and over period margins from an internal perspective. But at the same time, external validation from a customer acquisition or expansion, I would say it's a little too early to talk.

Nehal Agarwal: Understood. That's helpful. Thank you.

Moderator: The next question is from the line of Shahzad Shroff from Demeter Advisors. Please go ahead.

Shahzad Shroff: Yes. Thank you for the opportunity. A couple of questions. Number one, from a medium- to long-term perspective, do you see any risk to our business from GCCs? Do you see companies having more conversations around in-sourcing some of the services that they outsource to us? That was number one.

Number two, possibly we could be in an environment going forward, where the dollar is depreciating. So in that case, that would mean lesser realizations for us. So how does that impact us? Do we adjust our pricing or there will be some impact on our margins? Yes. That's it?

Suhas Prabhu: Yes. So maybe I'll take the latter one first Shahzad. So you're right, depreciating dollar would impact our realizations given that almost 80% of our realizations are in U.S. dollar terms. But having said that, we maintain a healthy hedged position through plain vanilla forwards and range forward. So typically in the range of 75% to 80% on a 12-month forward net realizations are hedged. So we don't anticipate a near-term impact on the -- due to dollar depreciation itself. And I'll pass it on to Manish for the first question on GCCs.

Manish Gupta: Yes. So as far as GCC is concerned, again, we have spoken about this in the past. What we see is that GCCs are typically being used for slightly more homogeneous capabilities by our clients, but there is a certain type of a skill set in large numbers. That's where we see our clients drive more in-sourcing and GCCs, tech, some bit of fillers, sometimes analytics, those are areas which we see given the same type of profile.

But if you think about our engagements especially on enterprise commercial and all of them in omni-channel activation is around multiple skill sets coming together across multiple geographies. Those are just not conducive to a pure play offshoring or GCC type of construct. And hence, we see our clients even who are setting up GCC and scaling them up, do both. For example, this \$5 million ACV deal I spoke about, which we won has that potential to scale.

That deal is with a client, which has a GCC and is serious about their GCC strategy. Our largest customer, on one hand, pursues a bunch of things in the GCC, but continues to engage with us with slightly more complex global multi-capability engagements. So we would see this playing out in a similar way, we believe.

Shahzad Shroff: Got it. Thank you.

Moderator: Thank you. The next question is from the line of Prakash Kapadia from Spark PMS. Please go ahead.

Prakash Kapadia: A couple of questions from my end. Given the environment, Manish, which you alluded to in the opening comments in terms of some of the FDA-related challenges or issues, which could slow decision-making in terms of AI getting adoption being slower or decision-making being slower. So in this environment, what kind of organic revenue growth could we expect in FY '26? And if you could give some insights into specific geographies, U.S. or Europe, that would be helpful?

Manish Gupta: So all I can say is we are not giving guidance, and we'll stay with that, right? And as I mentioned that we still remain cautiously optimistic, right, in this -- even in this environment. And the reason is the following, that while there are a lot of headlines, right, being created. And our -- we also see that at least right now, right, there is not too much effect on our clients' business and hence, our business, right? That's one part.

Of course, the reason I spoke about the decision-making is that if you're a senior management in some of these largest companies, you are spending a bit of time to figure out what's going out, right, dealing with those uncertainties. And hence, some of the larger engagements are getting essentially or might have the potential to get pushed out a little bit here or there.

Along with that, let's be very clear. The biggest impact, which a company like us or for the industry is really not these tariffs and stuff like that, right? It's going to be the drug pricing, which we have alluded to. And we believe that is going to continue to be under pressure over time in a secular way. And that is what is going to lead to -- lead to pharma companies continue to be more efficient and effective, right? And that's where we step in.

If you think about even the FDA cuts, right, as a pharma company, you need to be submitting sometimes with as much data, right, being more comprehensive, which means that you need to do a better job, right, and cost effectively, which is the AI and solutions, which we offer are useful. So we remain, I would say, cautiously optimistic in the short term and optimistic in the medium to long term.

Suhas Prabhu: And maybe also adding on to that on the geographical part and if I were to read it more as impact on customers, who are headquartered in Europe versus those in U.S., I would say no significant difference there because end of the day, for the large or midsized pharma segments, which is where we derive most of our revenues from. End of the day, the market -- the largest market continues to be U.S., typically 50% for -- some maybe even higher than 50% of revenues irrespective of where they are headquartered. And therefore, we see a similar behaviour and patterns irrespective of whether it's a European customer or American customer.

Prakash Kapadia: Okay. And what kind of a capex are we planning to do in FY '26? And what could be technology spend, if you could share that number?

Suhas Prabhu: Sure. And I would also request you to look at our RHP as well as past financials. We're not a capex-heavy organization. So from an investment in fixed assets and capital expenditure, I would say we would be in line with what we have -- we had planned and was disclosed in the RHP.

Actually, for the year ending March '25, there's been a little bit of spends, which were under the plan, as per what we had disclosed in the RHP. The spillover of that would potentially get consumed in the current fiscal year. But again, nothing material -- yes. So it's typically in that 1-odd percent of our revenues, the capital expenditure.

Having said that, technology as investment in terms of our workforce that we -- that works on our internal IP development, what we call the office of the CTO, right? You can call this our R&D team because these are not billable resources.

That continues to be a focus area for us, and that continues to be one of the reasons why our margins this year came in a little lower because higher non-employee costs also because it's not just the people, but also investment in infrastructure, as well as the tokens and other costs of the GenAI platforms that we use and work with in our IP development. That would that continue to remain.

But consistently over the past 4, 5 years that has been in the vicinity of 2% of our revenue would be in that 1.7%, 1.8% going towards 2%, but would not be materially different from our plan going forward.

Prakash Kapadia: Thank you.

Suhas Prabhu: Thank you.

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

Rohan Vora: So 2 questions here. So first was after a couple of quarters, we have seen number of employees go up, especially on the delivery side. In addition to this, what we are constantly also seeing is that the specialized employees with the domain expertise that we have, that percentage is going up. So strategically, how does one treat this? This was first question.

And the second question was this year, the clients that are beyond 10 and then beyond 20, those have contributed largely to the growth that we've had. So -- and you also alluded that some of the large deals are taking time. So if this were to continue for this year as well, so what would be the impact of margins given that the tail is contributing to the larger growth? So these are the 2 questions. Thank you.

Manish Gupta: The margin profile is not too different between these customers. So I don't think that's going to be an impact. And we also believe some of the large deals we are talking about, it's not that they're getting pushed out by years, right? It's a matter of months and quarters at the max, right? So that we are not too worried about at least right now.

With that, I'll pass it on to you, Suhas, for any -- the employees.

Suhas Prabhu: Yes. On the employee count, directionally, as we grow, our people count would tend to grow, but there would be an offset, because the technology does play an impact in our operations on a continual basis. And it would not necessarily be pro rata the employee addition would not necessarily be pro rata to the incremental revenue on an ongoing basis.

This year, as I also mentioned during my opening remarks, we have also on-boarded people for a potentially large deal with one of our top 10 customers, but we're still awaiting the closure of that pipeline. The other remark that you had was -- query that you had was on the domain specialized people.

Domain specialization is required across all segments of our business, but there would be a marginally higher impact if the enterprise medical segment grows at a pace faster than the rest of the business, which has been the case in the fiscal year gone by FY '25.

We have seen a marginally higher growth on the domain-led -- domain enterprise-led employee base. But having said that, around that 21% to 24% would continue to be the domain layer given that it would be slightly varied between the various business segments.

Rohan Vora: Sure, thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today's conference call. I would now like to hand the conference over to the management for closing comments.

Suhas Prabhu: Thank you, everyone, for your participation and continued interest at Indegene. We also thank you for your participation in March, where you came in, to our offices in Bangalore and participated in the Investor Day. We look forward to your participation in such engagements, as well as the next earnings call. Thanks, 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.