

INDGN/SE/2024-25/10

June 4, 2024

BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400001, India. Scrip Code: 544172	National Stock Exchange of India Limited Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051, India. Trading symbol: INDGN
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Dear Sir / Madam,

Sub: Transcript of the Q4FY24 earnings call on financial results for the quarter and financial year ended March 31, 2024

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Q4FY24 earnings call held on May 30, 2024 for the quarter and financial year ended March 31, 2024, conducted after the meeting of the Board of Directors held on May 29, 2024.

The above information will be made available on the website of the Company: <https://www.indegene.com/>

This is for your information and records.

For Indegene Limited
(Formerly known as Indegene Private Limited)

Srishti Ramesh Kaushik
Company Secretary and Compliance officer



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“Indegene Limited
Q4 FY '24 and FY 24 Earnings Conference Call”
May 30, 2024



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

Moderator: Ladies and gentlemen, good day and welcome to Indegene Limited Q4 FY '24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on a touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Abhishek. Thank you. And over to you, sir.

Abhishek: Thank you, Zico. 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 fully ended financial year 2024. Today we have with us Manish Gupta, Indegene's Chairman and CEO and Suhas Prabhu, CFO, to share the highlights of the business and financials for the quarter.

I hope you have gone through our results release and the quarterly investor presentation which have been uploaded on our website as well as the Stock Exchange website. The transcript for 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 risk 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 hand over the call to Manish to make his opening remarks.

Manish Gupta: Thank you, Abhishek. Good morning, everyone and thank you for joining our first analyst call as a listed company. We listed on 13th of May, and this is our first call. Once again, thanks a lot for joining us. Given this is our first call post-listing, today I have planned to do the following.

Do a quick recap of the company, especially for those of you who we didn't get an opportunity to meet during our roadshows. We'll talk about the company; we'll talk about the opportunity we are addressing and talk about the industry a bit and how we see the next few years. Don't worry, we'll also talk about the previous year as well as the previous quarter numbers and our performance. Now, let me get started with the company and again this is more for you - those of you who we could not get an opportunity to meet during the roadshows prior to the IPO.

Indegene is a fairly unique company. Unique definitely in the Indian context and I can confidently say there's no one like us in the market. A few of us started this company more than 25 years back based on the thesis that by bringing deep medical and healthcare expertise together with deep technology expertise, we can solve various problems in the healthcare industry.

All these years, we have stayed true to that purpose. We define our purpose as helping healthcare organizations be future ready. Today in the marketplace, we are known as a digital-first commercialization partner to the global life science industry.

By the global life science industry, we mean the pharmaceutical industry, large and mid-size, medical device industry and the biotech industry. We have 63 active clients and work with all the top 20 global pharmaceutical companies. Our revenues for FY '24 were INR2,589 crores, which is a 12.3% growth over FY '23. We have around 5,081 employees, out of which 4,422 are delivery employees. Now, out of the delivery employees, 21.5% are from a life science

background. These are medical doctors, PhDs and pharmacologists working hand-in-hand with data scientists, data engineers, analytics professionals, software engineers on one hand and with omnichannel strategists, brand strategists, creative directors and other very specialized profiles on the other hand.

So, as you can see, there is multiple skill sets, multiple functions coming together to deliver solutions for our clients. We have 17 offices across the world where we have people with very specialized skill sets - some of the skill sets I alluded to earlier and we need these offices and specialized people working out of these offices because most of our engagements with our clients are global in nature, which means we are helping them across their products, across markets and for a long period of time. I'm going to come back and revisit this later during my talk.

Now, let me just spend some time talking about what I mean by digital-first commercialization partner. I said that we are a digital-first commercialization partner. What does that mean? Now, this means all processes like sales and marketing, pharmacovigilance and drug safety, medical affairs, regulatory and clinical. So, think about all the processes that are required to bring a drug from the lab to the market. Once the company has worked in the lab to come up with a new product, for this new product, there will be a patent filed, FDA approval, let's say, is granted, right, to do clinical trials.

So, all the processes subsequent to that is where we play in as Indegene and add value to our customers. Now, these processes have been done by the industry for a long period of time. What we as Indegene are doing is coming and saying that we can help companies design, execute and run these processes the way they should be in this age of digital and AI.

So, we bring those digital-first and AI-driven approaches to the things we do. We as Indegene engage and work with the business owners, sales and marketing teams, P&L owners, brand teams, global commercial ops, chief medical officers, head of regulatory and safety or clinical operations. Those are the target segments which we address and work inside these companies. So, that's very different from what you've been used to, especially those of you coming from the IT side, where the focus is more on the CIO organization.

Now, we have been reporting and will continue to report our revenues in four segments, Enterprise Commercial Solutions, Enterprise Medical Solutions, Omnichannel Activation Solutions and there's a segment called Others.

Now, Enterprise Commercial Solutions and Omnichannel Activation, these two put together are the segments through which we are addressing the sales and marketing budgets in pharmaceutical companies.

And today, those constitute more than 70% of our revenues. Whereas EMS is a segment where we are addressing medical affairs, safety and regulatory functions inside in a pharma company. So, they are much more medical in nature, as you can imagine.

Within sales and marketing spend, the reason we split it in two parts, Enterprise Commercial Solutions and Omnichannel Activation, is because in Enterprise Commercial Solutions, which

is the largest segment for us, we engage with customers globally, regionally, across all their brands. Our engagements are not at a one brand or two brand level, right, or two product level or a very specific geography level. Our engagements cut across many, many countries and pretty much all the brands for a pharmaceutical company.

Whereas in Omnichannel Activation, which today is a smaller percentage of our revenue, we engage at an individual brand or a therapeutic area in a particular country. And primarily, when I say a particular country, for this part of our business, the focus is more on US and a few Western European countries. Our revenues very closely follow the life science industry spend on operations.

This is the life science industry. Most of the revenues come from the United States, followed by Europe and then the rest of the world. 65% of our revenues come from the United States, 32% from Europe and the remaining is the rest of the world, which is very close to the life science industry.

The only difference is that we are slightly more indexed on Europe than what Europe contributes to the global life science industry. Now, 69% of our revenues come from the top 20 global pharma companies, Our customers, as you can imagine, these top 20 global pharmaceutical companies are very large companies. I would reckon most of them will be in the Fortune 500 list and that's our predominant revenue base. This number used to be higher a few years back. If I look at the FY21 numbers, this number used to be 78% because we were much more indexed on the big pharma industry. Over time, as we increased our footprint in sales and marketing, as we made more investments in sales and marketing outreach with scale, while we continued to grow in these top 20 companies, we also acquired new customers. And hence the percentage coming from the top 20 pharma companies has come down from 78% in FY21 to 69% right now. Again, I want to reemphasize that we have grown and continue to grow in all the top 20 pharma companies while increasing our footprint. This also reflects in the number of active customers we have, which went up from 44 in 2020 to 63 in 2024.

Now, that's broadly the geographical footprint and the large pharma footprint and midsize pharma footprint we have. I want to spend some more time talking about some of the segments. I spoke about enterprise commercial solutions being enterprise engagements.

These are across brands and across many countries. Enterprise medical solutions is approximately 23% of our business. If you think about it, enterprise commercial plus enterprise medical becomes 82% of our business. Both these businesses are across the portfolio products across countries. We don't have the variability of one brand or two brands. There's a significant portfolio.

At one level, you can think about these two segments being a proxy to the entire industry we are playing in, given our client footprint across the world. The reason we as Indegene are excited about the opportunity in front of us is because this is a very large market. Let me focus on our position in the market today.

The global life science industry is north of \$1.8 trillion in size. Approximately \$10 trillion market cap. The operation spends in the areas which are addressable to us, as we highlighted in the report in our RHP, is more than \$156 billion.

Sales and marketing - the place where we have the largest footprint, contributes to 35% of the spend. Spends in these areas are increasing at a rate of 6% to 7% annually. Outsourcing is growing at a much faster rate, around 9% to 14%, depending on the segment.

It's higher on the sales and marketing side. Apart from this increase in spend and outsourcing, there's also a shift to digital. More and more from the traditional channels of reps or more people-oriented way of doing things, there's a shift to digital and AI-driven ways of doing things, which increases our addressable market.

If you think - global life science companies spend more than 25% of their revenues, on average, on SG&A. And by the way, in that SG&A, sales and marketing is the predominant spend. More than half of the top 30 pharma companies are spending more than 25% in SG&A. They spend approximately 15% on R&D. All this presents an opportunity to use digital solutions to drive better physician and patient engagement while at reduced cost by deploying digital rather than the physical channels or having an omnichannel approach to engagement.

The ROI on R&D investments has been declining year on year and that's no secret. There have been so many articles written on that. Last year, U.S. introduced the Inflation Detection Act. While that's still getting developed, the signs are very clear that it's going to put pressure on the R&D spends and timelines. And again, that presents an opportunity for us to use digital and AI to bring down the cost and timelines for trials, regulatory submissions and things like that.

Now, those are some of the trends which excite us, and we believe there is a large opportunity in front of us. Given our size in this very large industry and our very strong position in this industry, the client base, capabilities, bunch of things, we believe there is a decadal opportunity to grow for us.

With that, I have to put a caveat. This is a highly regulated and highly conservative industry, so it takes time to adopt new methods.

Now, let me just talk to you about some of our historical performance and historical not necessarily only in context of last year, -- I'll talk about the last decade for us. The last decade, we have grown at a CAGR, revenue CAGR of 31.1%. Even if you exclude the last four years, because COVID was the accelerator for digital adoption and we benefited from that, our CAGR for the six years was 24.6%. So we have a very long track record of growing our revenues. While growing, we have also very early on taken on, what we call 'entrepreneurial spirit with prudence' as one of our core cultural themes.

We also maintain very high and healthy ROCE. Our ROCE have been always pretty much in the range of 34.5 over the last decade, in the broad range of that. And if you adjust for cash and interest income, it comes to pretty much 52.8% or so. Now, given this backdrop, we believe that over the next few years, we'll be creating a much larger and impact-creating company.

Now the growth will not be linear. So there will be years and quarters of high growth. There will be some quarters and years of lower growth. But nevertheless, we will continue to grow. And while growing, will maintain our profitability and cash flows, which we have done well in this industry.

Given we are very strongly positioned in this area, it's a large industry, but we still are, relative to the size of the industry, small. We want to have some flexibility for ourselves, and we will not be pegging ourselves to specific numbers. We have cash on our balance sheet, which we intend to use for strategic tuck-in acquisitions. And that's something, again, we have done very well.

We've identified acquisitions. We have gone ahead and done those acquisitions at the right prices, integrated the companies, used them to expand our client footprint and solution footprint. We will continue to do that in the future. Right now, we have cash on our balance sheet. So I would suggest that you look at our ROEs, ROCEs, after adjusting for cash and cash equivalents. We feel confident to be able to deploy our funds prudently. That said, even if not, our Board will be more than willing to return our cash to shareholders in the most efficient way.

One of our key focuses... some of the few key focus areas for us are going to be deepening our client footprints. We have client categories of active clients, more than USD1 million, USD1 to USD10 million, USD10 to USD25 and USD25 million plus. Now moving the clients who are more than USD25 million to USD50 million plus, USD75 million plus, the ones who are in USD10 million to USD25 million to USD25 million plus and the USD1 million to USD10 million to USD10 million to USD25 million and so on and so forth will be the main driver of growth and focus area for us.

Along with that, we will continue to expand our capabilities, strengthen our capabilities, invest in them, continue to keep them relevant and of course focus on operational efficiency as we have always been doing.

Now, before I pass it on to Suhas, some key highlights for the year gone by.

Revenues: INR2,589.6 crores, up 12.3%. Both our established business segments, ECS and EMS, which constitute 82% of our revenues, grew 11% year-on-year. This has been all organic. Omnichannel activations grew 13%. This includes some revenues from Cult, which was acquired in the second half of FY'23.

The segment others grew at 30%, again, all organically. While all our segments are driven by a combination of outsourcing and adoption of digital, our larger segments of ECS and EMS are also driven by level of centralization at customer organizations. We had already spoken about outsourcing, growing at 9% to 14%.

We believe shift to digital and centralization, as themes, will continue to play out and continue to play out given the pressures on compliance, costs and complexities of skill sets required in the fast-changing world.

EBITDA was INR584.1 crores this year, representing a margin of 22.6%, which is up 28.6% year-on-year. We are focused on improving and getting back our EBITDA levels to where they used to be, and this resulted in good margin expansion.

Net profit was INR336.7 crores, which is up by 26.5% year-on-year. And this includes some interest costs, we'll be paying down the loan which we have, using the IPO proceeds.

EPS was INR15.07, which is up from INR11.97 in the previous year.

These are some of the high-level financial stuff. I'll pass it on to Suhas to get into some level of details around the financials. On to you, Suhas.

Suhas Prabhu:

Thank you, Manish. Once again, a very good morning to everyone and thank you for your interest in Indegene and your participation on this call today. Before I get into the details of the financial performance for the year and the quarter, I wanted to talk briefly about our historical performance. Over the past many years now, we have not only achieved a robust revenue growth but have done so in a profitable manner.

As Manish mentioned already, our revenue CAGR in the last 10 years was a robust 31.1% and during the same period, our EBITDA CAGR has been a higher 41.2%. Even if we dial back to the period prior to COVID, the six-year track record through to March 2020 again remained a healthy 41.4% EBITDA CAGR. This is a testimony to our core belief of entrepreneurship with prudence.

Over these years, we have also made strategic investments and taken calculated buy versus build calls, which has reflected in an ROCE of 34.6% and an ROE of 36% in the 10-year period prior to March '24. Through these years, we have also demonstrated strong corporate governance practices, thanks to our distinguished board, early investors and advisors.

With that, I'll move to the FY'24 financial highlights. Manish already spoke about the full-year results. Therefore, let me provide a quick snapshot of the fourth quarter of the fiscal year '24.

We clocked revenues of INR673 crores, which was up 6.5% year-on-year. EBITDA of INR164.3 crores, representing a margin rate of 24.4% and a net profit of INR94.9 crores, up by 90% over the same quarter in the prior year.

Moving on to further details on the margin and revenue for FY'24.

We grew our revenue for the year by 12.3% and, more specifically, the quarter by 6.5%. This was despite the certain challenges faced by our emerging biotech segment customers. Further, towards the end of March 2024, we acquired 100% interest in a medical writing business in the regulatory affairs space called Trilogy, which is headquartered in Germany, Europe.

While we have factored the assets acquired through this transaction in our balance sheet, the size of the business and operations of Trilogy being non-material, there are no accretions to the revenue and margin. And therefore the business performance and the financial performance that

we have declared for Q4 represents only the organic performance of the business and therefore no impact due to the acquisition of Trilogy.

Further, moving to the margin, our margin expansion for the full year was about 286 bps. This was driven mainly by operational efficiencies and certain productivity initiatives, which have favourably contributed to this growth. We believe the changes are systemic and we will continue to drive these initiatives in the days to come. We delivered a healthy net profit margin of 13% for FY'24 and more specifically 14.1% for the quarter ending March 24. And this reflects our focus on both cost optimization and value-driven serviceability.

Now moving on to the segment-wise performance, enterprise commercial solutions and enterprise medical solutions, together these segments contribute to a revenue of INR2,129.2 crores and has grown 11% year-on-year. The margins in these segments are stable and growing and together this contributes more than 82% of our revenue. Here, we have focused our initiatives on driving operating efficiencies through productivity measures coming out of automation and various people and process improvement activities over the past many quarters. And that also has positively impacted the margin profile of these businesses.

Moving to the next segment of our business, Omnichannel Activation and others, these two combined contributed to INR460.2 crores of revenue, which is up 18% year-over-year. As I already mentioned, we faced certain difficulties in this segment, largely due to the impact of the tough external environment on the emerging biotech segment, which de-grew during the year. And more specifically impacted the Omnichannel Activation business of our business.

And however, this was offset due to the inorganic growth coming from an acquisition that we did back in October 2022 called CultHealth, which is integrated with the business segment Omnichannel Activation. These two segments, both Omnichannel Activation and others, are relatively still in the nascency compared to our Enterprise business segments and are not margin accretive as yet. As you would understand, with scale, operating leverage would be the driver for margin expansion in this segment in the future. And having said that, we continue to invest to grow these businesses in the future as well.

Moving to the geographical and industry segments here, from a geographical standpoint, 97% of our business comes from the Americas and Europe region and this reflects the pattern of spends from the global life science industry in these geographies. And this continues to be fairly consistent with our geographical split of revenues, even in the past periods.

Moving on to the industry segments, given the challenges faced by the emerging biotech industry that I have already mentioned, our efforts last year were predominantly focused on expanding our footprint in the existing large and mid-sized biopharma clients. And this segment has grown from 91.3% to 93.8%. The emerging biotech segment has declined from 4.1% to 2.7%. While we remain cautious in our approach today we continue to invest in this segment with a longer-term more focus.

Now coming to the balance sheet our balance sheet has always been strong. More specifically, today as of March 31st, 2024, cash equivalents combined with bank balances were a total of

INR191 crores, which along with the investments in liquid instruments such as mutual funds, US treasuries etc., which are reflected in the current investments in the balance sheet, constituting INR796.5 crores, combined provides with ample liquidity.

The debt position... the debt outstanding as of March 24 was USD47.2 million or approximately INR400 crores. And with the impending repayment of the debt using the proceeds from the IPO soon we will be a zero-debt company. And with that, the interest costs that we are currently incurring should go down to zero and this should have a favourable impact on the earnings going forward.

Finally, the operating cash flows for the year were a very strong INR514.9 crores again significantly up year-on-year and our free cash flows was north of INR450 crores for the year. Overall, a very solid cash position and a strong balance sheet enables us to invest in strategic growth areas as we continue to grow in the future. We remain committed to delivering value to our clients, shareholders, through deep domain expertise, innovation and operational excellence. With that, I will conclude the update on the financial performance and will open the floor for questions. Please raise your hands and we will address them one by one.

Moderator: Yes, sir. Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Amresh Kumar from Geosphere Capital. Please go ahead.

Amresh Kumar: Thank you, Manish and Suhas. I hope I am audible. I have two questions. First is on revenue growth and margins. The second is on operations. On the revenue growth we have been growing at 25% plus for more than 10 years, 15 years. Last year growth has come down. I was wondering if this is an – and similarly on the margins front the last year margins grew significantly by more than 200 basis points. So my question was is this an outcome of deliberate conscious choices or should we be looking at growth and margins in blocks of more than one year and why I am asking this question is that for the market participants the predictability of these numbers is equally important if not more important than the numbers themselves?

My second question would be on your operations front. If you can give a quick into your conversations with your counterparts at your customers, what convinces them to outsource activities that they have been doing in-house for so many years and what are the measures that they use to calculate their own returns on the expenses that they make on outsourcing? So these will be the two questions for the first-time understanding of your company?

Manish Gupta: Thank you so much for those questions. Let me take at least the first and third part which is the revenue growth and what makes our clients buy from us. I will pass on the margin thing to Suhas. Let's start with growth. See the pharma industry is, I would say, reasonably stable industry. It is fairly resilient to economic cycles, but it has its own innovation cycles, and I will come to that in a while.

Before that one of the things which happened there was an event called COVID and during that point of time pharma industry which was fairly low and behind digital adoption for a very long period of time accelerated their digital adoption which benefited us because we are positioned very strongly as a digital-first partner.

They did a lot of activity and 24 was one year of consolidation for them. So that's one thing which happened in 24. The other thing which happened is going back to what I said the pharma industry is resilient, but has its own economic cycles. This is an industry which has been growing if you take the last 15 years or so data the industry would have grown north of 6%.

I'm talking about dollar terms over here and pretty much all the years were growth years, apart from, let's say, a blip in 2012 where the industry had degrown because of a bunch of patent expiries clubbing together in one year. Outside of that it grew. 23 was one more year of dip. The top 30 pharma companies declined revenues by 7.1%. So that was one year and as I said this happens every, call it, 10 years, 15 years or so and then again it picks up. So these are the two broad things which contributed to the revenues slowing down in 24. Nevertheless, we still grew and that's been a track record for a long period of time.

As far as why do our clients buy from us - first of all this industry is used to partnering with external people in a very significant way across the board. They have been working with CROs.

It's a very large income. I'm talking about clinical research industries. They're working with agencies. They work with contract sales organizations. They work with contract research organizations, the CDMOs, which you are aware of. Even at a research level, they do partnerships with labs, biotech.

This is an industry which is very open to partnerships, given the complexity of this industry. What we bring to the table for an industry and the reason we exist today in the form we do, is a shift which happened to digital, which drove a lot of complexity in how things are done. When you are working, doing sales and marketing, just by a medical rep carrying a calendar type of a printed thing, that was one thing.

But now you're reaching out to your customers using iPads, e-mails, WeChat, integration with electronic medical records, being present on websites where doctors are presenting, I can go on and on. The complexity, the skill sets, technology, domain required and across, call it 40 countries, 50 countries, is nontrivial.

That's where a company like Indegene, which comes around with a combination of medical expertise and technology, skills and platforms, which we have invested for a very long period of time, just stands out. That's why companies partner more and more with us. I'll let Suhas talk about the margin piece.

Suhas Prabhu:

Thanks, Manish. As I already mentioned, historically we have been growing and the EBITDA CAGR was a very healthy 41% plus in the last 10 years. We have, in the past, operated at margin levels or EBITDA, a level of more than 22% in the past as well.

In the years of high growth, if I dial back to March '22, March '23, our EBITDA margins fell below 20% on the back of our investments during a high growth period. As we embarked on this journey of high growth, seeing how the market was responding to what we bring to the table, we invested in market expansion activities. We invested in operations and technologies at a pace which needed us to dial down a bit on the margin front.

This was also a temporary call, especially on the operational side. We had to take certain measures in terms of subcontracting and building capacity in the short term to cater to these requirements. Having said that, we continue to focus on initiatives which, over the period, have resulted in the margins continuing to expand from the 18% mark in March '22, going closer to 20% in March '23 and in March '24 today at 22.5%. Having said that, we will continue to reinvest in periods of high growth as we see the market responding to us, but in the longer run, we would strive to operate in the range of 22%-24% at EBITDA level.

Amresh Kumar: For the short term, can I ask you, if our employee count is close to 5100 today, what it would look like at the end of FY '25 or even FY '26?

Manish Gupta: We will not be able to give that number. All I can tell you is that we have made campus offers which are higher than what we did last year. Those people are going to be joining. We are gearing up for that.

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

Abhisar Jain: Yes. Hi, Manish. Congratulations to you and the team for a good listing for Indegene. My question was on this very sharp revenue growth that we saw in the last 3-4 years. You, of course, alluded in your initial comments that post-COVID, there was a wave of, you know, focusing on digitalization for all the big biotech pharma companies but just wanted you to maybe dig deeper here and let us know whether we have been also able to substantially gain wallet share and market share or whether the outsourcing CAGR itself in those periods was equivalent to the growth that we showed.

Because it seems that we have almost increased the revenues by 150% in that 3-year period. So just wanted to understand this better whether we were able to gain some wallet share and we sacrificed on the margins by investing also as Suhas also was mentioning during this period and this will hold us in good stead going ahead or in fact the industry CAGR itself was so high that we delivered those numbers.

Manish Gupta: Sure. That's a great question. Thank you for asking this. If I just break down how we get our revenues or growth. First of all, our revenue base is fairly stable, as I said, because it's not linked to product, therapeutic area. It's a very broad base, almost an index of, pretty much think about it, the pharma industry.

Hence, it's reasonably stable. Now, there are a few things which happen. One is the growth of the industry, growth in the spends of which we operate in, growth in outsourcing, but there are two other parameters.

One is shift to digital. If you are spending \$100 as a pharma company, how much of them were in traditional channels and ways of doing things, how much of that is in the new ways of doing things, digital AI driven and stuff like that. And the last but very important one is how much of your operations are you centralizing to bring in the best practices and being more careful on cost, compliance, factors like that.

Now, those drive obviously growth for us. During the years of COVID, the shift towards centralization and digitization, shift to digital, accelerated. And they accelerated because the industry was way behind the curve. And Pharma industry was really one of the laggards in terms of digital adoption. So, they had to at least come to some level of respectability in terms of these adoption rates. And we, with our existing customers, were well positioned.

So, as the shift happened, we got a chunk of the shift towards the digital world. And new customers who are probably not moved in this direction, they realized that they just have to move. And given that we were well positioned in the industry, we could acquire new customers also.

That's what happened during this period. Having said that, typically what we have seen in our growth, we grow at a certain pace but there might be a year, in which a customer decides to do much more aggressively and you will have a bump up. So, that's how the typical pattern for growth in the last 15 years.

And trying to see there will be some years of growth, then all of a sudden some bump up will happen because two customers decided to do more activity versus the scale of our customers that matters. So, that's one piece. The second piece is that typically, as Suhas said, our margins are reasonably stable.

We have traded off a little bit of margins for high growth. For example, if my growth from a regular thing is going to be 10%-15% up, then we might drop, to enable that growth, drop the margins by, let's say, a percentage or so. This is exactly what happened until, let's say, 2022. That we grew at 70% or so. Hence, our margins came down by 3 percentage points. And over time, obviously, we know the levers to press to get it back to the right level. That's what we have done in the past. That's what shows in the last three years' data as well.

Abhisar Jain:

And just to follow-up on this and just to tie it up with the data that you mentioned in the fact sheet. So, Manish, just to understand this a little bit better, would you feel that some of that growth, that high growth that came in that period was also related to the environment and the adjustment which most of these companies are doing to digital?

And they may have now gone back to do some of that stuff internally also because I see a drop in the absolute employee count for us in FY'24. And also, FY'24 growth for us has slowed down. So, of course, I'm not sure but I'm just guessing at that point of time, of course, with our capabilities, we could have got a lot of work immediately. And now, is that the thing that some of that work, those companies are also doing themselves?

Manish Gupta:

No, absolutely not. Our revenues are not one-off projects. These are very deep-standing engagements, especially the 82% revenue, enterprise commercial and enterprise medical. These are engagements where setting up engagement requires a couple of months, by the way, right? Integration of processes, skill sets, training materials.

And most of our engagements are very longstanding. We have shared some of that in the DRHP. So, none of that has reversed. The other thing is that the nature of our construct in our contracts

are hybrid contracts, FTEs, dedicated FTEs, but a significant portion being per-unit pricing, where we have the flex to develop tools, technologies, process optimization, to be more efficient.

And those are the levers we pressed to drive our margin improvement and the headcount being what it is, which also shows in that we have delivered higher revenues by having a lower headcount, by pressing those models. Revenue-wise, it's fairly stable.

Abhisar Jain: Thank you so much. Those are my questions and best wishes.

Moderator: Thank you. The next question is from the line of Bhavik Mehta from J.P. Morgan. Please go ahead.

Bhavik Mehta: Thank you and congratulations on the listing. A couple of questions. Firstly, if I look at your top client and top five clients this quarter, it seems like a sharp drop over here. So, is this driven by one client or are there multiple clients which have faced issues during the quarter?

Suhas Prabhu: Top five customers have been fairly stable over the past many years and quarters. Having said that, given the scale at which we are operating with our top five customers versus the rest, the growth rate of – the rate of growth of the top five would obviously be slightly lower than the newer customers that we have added through the period and therefore, this would tend to be the case.

Having said that, it's just a marginal drop in terms of the revenue from our top five customers, which is today at 46% versus the 49%. And this has been the trend over the past many years. If you look at FY'20, this was 65%. And even with the high growth that we saw over the three years following that, this 65% came down to 49% last year and continues to be in the range at 46% now.

Bhavik Mehta: I was talking more from a quarter perspective that top five has come down from 46% to 42.5%. So, it seems like the revenues have also declined for the top five clients. So, was there a particular reason, especially in the March quarter?

Suhas Prabhu: No, nothing in particular there. The same, as I said, is reflective of the trend that we are seeing, wherein the growth in absolute percentage terms at the current scale that we are at in these customers versus the growth in the rest of the accounts, which are growing at a faster clip, is the major contribution.

Bhavik Mehta: The second question is, can you clarify what was the organic growth for FY'24?

Suhas Prabhu: So, while we don't break out our organic, inorganic growth numbers, just to give you a perspective, the acquisition of Trilogy has not contributed to any revenue or impact on the earnings in the quarter. The acquisition was closed as of the last week, I think, 22nd of March itself and this being a non-material acquisition would have no impact on our earnings and results that we have declared for March 24. This is not material and therefore, we don't anticipate that to be a major contributor to the growth in the future.

The last acquisition prior to that was of Cult Health in October 2022 and this has contributed to the growth of our omnichannel activation business segment, which grew by 18%, largely driven from the acquisition of Cult Health. But 82% of our business, which is the enterprise commercial and enterprise medical, which grew at 11%, was entirely organic.

Bhavik Mehta: Okay, got it. The next question was, how should we think about FY25, given how FY '24 has spanned out? Have you seen any improvement in demand from clients, which can lead to acceleration in growth? And also, should we expect any headwinds from patent expiry or inflation reduction act next year?

Manish Gupta: So let me take that. So if you see, we'll point you towards pharma growth rate. I spoke about that - after a very secular CAGR of almost 6.3% or so over a 15-year period. Although it was 5.7% if you take out FY '23, where FY '23 was a year of decline and the top 20 pharma companies declined by 7% in FY '23.

24 calendar year, which will pretty much become FY25 for us, is expected to be a year of growth for pharma industry. Growth is going to be in that 4% to 5% range. That's the broad projection. However, if we take FY25 to FY28, the projections of growth for the industry are in the order of 5% to 8%.

And patent expiries, which you're talking about, are short term. But pharma industry is also sitting on new product launches as never before, which will play out over the next few years, till FY28. And that's why you see that projection.

Bhavik Mehta: Okay and lastly if I may...

Moderator: Sorry to interrupt, sir. May I request you to return to the question queue for follow-up questions, please? Thank you. The next question is from the line of Pradyumna Choudhary from JM Financial. Please go ahead.

Pradyumna Choudhary: Hi, sir. I think the previous participant already asked you regarding the demand sentiments in the industry as such. But just wanted to get more on that itself. Is everything already accounted for in the base year, in terms of there being no COVID-related one-time revenue? Is that already accounted for?

Manish Gupta: Actually, FY '24 has no COVID-related revenue. Till FY '23, we had a little bit. FY '22, FY '23, these two had a little bit of COVID revenue, which has gone to zero in FY '24 itself.

Pradyumna Choudhary: All right. And secondly, was a slightly longer term related question. How do we see the impact of the generative AI on our business, considering Gen AI seems to be something which would have huge implications on the pharma industry? The more we are reading about it, the more we are realizing the importance of Gen AI in the pharma industry. So how do we expect to see the benefits or the disadvantage or probably the threat to our business from this?

Manish Gupta: See, from our perspective, our strategy was anchored on, as I said, medical expertise, healthcare expertise and technology expertise coming together. And the way we articulate technology

expertise, it's not having 1,000, 2,000, 5,000 people. Our technology manifests in having platforms which we have developed, which encapsulate this healthcare medical expertise.

And we've been investing in AI for the last six, seven years when AI was not AI or generative AI. It was machine learning, computer vision, NLP.

And that was one of the differentiators we had in the marketplace. So we are excited that Gen AI at one level gives us better tools and results. Having said that, we believe it's a source of competitive advantage. But having said that, again, I want to reemphasize, this is a very conservative industry. And rightfully so -- given the nature of work this industry does. And adoption will take its own time. That's what we have seen. That's why we've been at it for 25 years now.

Moderator: Thank you. Ladies and gentlemen, in the interest of time, we will be taking two more questions. The next question is from the line of Sarang Sanil from RW Investment Advisors. Please go ahead.

Sarang Sanil: Good morning, sir. Thank you for the opportunity. So firstly, what sort of employees are hired apart from the earlier mentioned PhDs, medical doctors, pharmacologists? Are they usually from the IT services background or do they come in with an expertise in what we do?

Manish Gupta: So here is how it pans out, if you think about it. There are different sets of employees. One is that 21.5% of those medical doctors, PhDs, pharmacologists. We go to M. Pharm colleges where we hire M. Pharm's, PhDs. Doctors, there's no campus thing, so we obviously visit various websites. And again, we've been doing this for the last 25 years, so we have a lot of inbound from doctors as well. So that's one source of hiring. The other source, of course, is the engineering talent, engineering, math.

Now, these are people who could finally, from a career path perspective, become software engineers, could be analysts, could be data scientists, data engineers. That's the second set of profiles. We also hire people from a creative background. Although numbers are small, but still, that's another profile we have. Especially a few in India, but definitely in the United States, we'll have some people like creative directors, art directors and all that stuff.

We hire people who have MBA, marketing kind of backgrounds, as digital strategists, omnichannel strategists and various roles like those. The IT part, when I said people like data scientists, data engineers, software engineers, those are the profiles which could, at a lateral level, come from the IT industry. In our developed markets, US and Europe, where we are customer facing, people will typically come from a life science domain, agencies, CROs, CSOs. That will be the larger profile.

Sarang Sanil: Got it, sir. So second, we wanted to know if segment mix has a role to play on the margin side. If any segment is margin-accurate or dilutive?

Suhas Prabhu: Yes. So, as I mentioned, the Omnichannel Activation and the smaller segments, which are clubbed under others, which are consulting and clinical solutions today and these constitute about 18% of our revenues. These, at the segmental level, are not margin-accretive. And these,

as we scale, could potentially be margin-accretive as the operating leverage scale would play out.

For enterprise medical and enterprise commercial solutions, we are operating at a healthy segmental margin rate in the mid to high 20s.

Sarang Sanil: Sure. Thank you and all the best.

Moderator: Thank you. The last question is from the line of Naman, who is an Investor. Please go ahead.

Naman: Thank you for the opportunity, sir. I have two questions. First is, could you please help us explain how is your business model different from the healthcare and life sciences division of any large IT service company like Infosys or TCS? And second would be that a typical CRAMS or CDMO company like Syngene talks about an asset turn of one time, while our asset turns look much higher than them.

So, compared to a CRAMS business, how does Indegene's business model stack up and what sort of peak asset turns that we see in our business?

Manish Gupta: Sure. So, as far as, I alluded to this in my initial discussion that, these are the IT companies who are primarily focused on, let's say, we call it a sales force implementation or cloud implementation. More on the CIO side of the business. Here, opportunistically, they will be working on the business side. As Indegene, we are working primarily on the business side, with the P&L owners, brand heads, therapeutic heads, global commercial ops, chief medical officers, head of regulatory safety, head of clinical operations.

That's our predominant thing right now. Opportunistically, probably we'll be on the CIO side. It's completely reversed. So, to that extent, what we do is non-discretionary in nature. You've got to file your things with FDA. You need to reach out to your customers. So, it's pretty much non-discretionary on the business side. That's one part. Just before this, I spoke about the mix of talent we have. It's very different than what IT companies will have. It's multiple skills and multiple skills spread across multiple geographies. So, that complexity is much higher. Now, coming to the CDMO industry. Now, while I'm no expert on the CDMO industry, the CDMOs obviously are servicing a very different value chain. I spoke about the lab part subsequent to which we come in as Indegene.

CDMOs are primarily in the lab and, of course, on the manufacturing side - segments we don't operate in. From our perspective, we are happy because the segments we operate in from a TAM perspective are much larger. Having said that, even from a capex and fixed investment perspective, we are very asset light. We don't need large facilities, build whatever it is and investments. To that extent, our ROEs, ROCEs are typically much higher than the CDMO industry and that you'll see in the financials. Suhas, do you want to add anything to that?

Suhas Prabhu: As Manish mentioned, we are very asset light. We have operated with our capex typically being in the vicinity of 1% of revenues, which, again, just emphasizes the low capex requirement for the business. And we anticipate that to be in that vicinity even in the near future.

Naman: Okay. Thank you. That's it from my side.

Moderator: Thank you. Ladies and gentlemen, that brings us to the end of the question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Manish Gupta: Thanks so much for joining the call today and your continued support and interest in Indegene. We look forward to speaking with you again next quarter. Have a great day. Thank you so much.

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