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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

Dear Sir / Madam,

Sub: Transcript of the conference call on financial results for the quarter ended September 30, 2024

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the conference call for the quarter ended September 30, 2024, conducted after the meeting of the Board of Directors held on October 28, 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

Digitally signed by Srishti Ramesh Kaushik
Date: 2024.11.04 16:26:16 +05'30'

Srishti Ramesh Kaushik
Company Secretary and Compliance officer

"Indegene Limited

Q2 H1 FY '25 Earnings Conference Call"

October 29, 2024

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

Moderator: Ladies and gentlemen, good day, and welcome to the Indegene Limited Q2 H1 FY '25 Earnings Conference Call. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

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

Abhishek: Thank you, Sejal. A very good morning to all of you and thank you for joining us today for Indegene's earnings conference call for the second quarter and half 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 financial 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 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 all and thank you so much for joining our third earnings call as a listed company for our Q2 and H1 FY '25 performance. Now, in the two calls before this, we have spent time explaining our business to you all, the industry, the sub-industry segments, growth drivers, customer archetypes, our business segments, opportunity, etc.

This, we believe, was important because, as I said in my two earlier earnings calls also, we are a very unique business operating in a very specialized domain and not many parallels to draw from. And hence, we thought this investment and explaining the business is going to be useful. This time, however, let me get straight to how we see the opportunity space shaping up and our performance in Q2 and H1.

As you are aware and I have alluded to earlier, the global life science industry is north of USD 1.8 trillion in size and the operational spends that are addressable to us are more than USD 135 billion. 40% of this is attributable to sales and marketing. This is a place where we have our largest footprint. Spend in all the areas we operate in, which is essentially regulatory, medical affairs, sales and marketing, pharmacovigilance, all these areas are increasing at a rate of 6% to 7% percent annually from a spend perspective.

Outsourcing continues to grow much faster, around 9% to 14%, depending on the segments I just alluded to. Outsourcing in sales and marketing is on the higher side. Apart from the increase in spend and outsourcing, there's also a shift to digital. All the stuff which we have alluded to earlier in our call continues to stay relevant and we see the industry move in this direction.

Now coming to the top 35 global pharma companies which we have spoken about earlier, CY 2023 was a year of negative growth after very significant growth before in the COVID years. It was negative growth, degrowth, but these trends started reversing in 2024 and 2024 is anticipated to be a year of modest growth, setting the stage for recovery for the industry after a bit of lull. The top 35 pharma companies are expected to grow at a CAGR of 5% to 8% from 2025 to 2028. This higher growth rate is mainly attributed to upsurge in drug launches, which is always favourable to the growth of the industry and from our perspective, outsourcing opportunities.

As companies are going to launch more products and they would be outsourcing more, and this presents an opportunity to use digital solutions to drive better physician and patient engagement at reduced cost while driving better customer experience. We are well positioned to capitalize on this anticipated increase in activities and hence increased outsourced spending while continuing to deepen our current capabilities, engagements, and relationships with these clients. Given that we are a relatively small company in this very large market, when we plan our execution, a lot of these trends which I just spoke about give us comfort.

Now let's come to our performance. Q2 FY '25 revenues came in at INR6,868 million, a growth of 8% year-on-year and 1.5% sequentially. For H1 FY '24-'25, our year-on-year revenue growth has been 9.7%. The revenue growth is attributable to both the enterprise segment, enterprise commercial and enterprise medical segment. These are segments which constitute 85% of our business and these are segments where our engagements are with the enterprise. These are recurring in nature and have been going on for a long period of time. Both these segments grew by a healthy 3.6% sequentially.

Till recently, these segments for us were very heavily concentrated on the top 20 life science companies. While we continue to see interest in these segments, the top 20 life science companies, for expansion and deepening their footprint from a capability perspective with us, we also see interest even with a larger set of 20 to 100 life science companies who are setting themselves in the right way to adopt these models as more launches and the adoption of digital increases.

Now from the segment view, let me jump to the customer view. Our growth is largely driven by positive momentum in both big pharma and mid-size pharma. Our largest customer, which was approximately USD42 million in revenue last year, continues to grow. The revenue from top five accounts has grown 2.3% sequentially. We had called out two of our top five customers where we had seen downward pressure in revenue. We have seen the revenue from these two accounts stabilizing and now we are engaged in discussions on expanding current engagements and also exploring new areas of expansion with them.

We believe engagements with these customers should start improving from next calendar year. I say next calendar year because our clients have calendar year budgeting cycles and hence impact is expected in the new planning cycle in CY, which is calendar year 2025. The customers outside of our top 20, specifically in the 20 to 30 brackets, grew at a much faster pace of 10.1% sequentially, which brings me to the point I mentioned earlier that now in our enterprise segments also we are seeing a much broader set of customers engaging with us and trying to adopt new models.

We continue to see traction here as well and we continue to expect these segments to grow in CY '25. Finally, the total number of active clients grew from 65 to 68 and USD 1 million clients grew from 36 to 37 in Q2. More than 95% of our revenue continues to come from the US and EU regions, so that kind of remains stable and we expect that to remain stable. Our cash position remains strong, and we now have a tad below INR1,500 crores, INR1,467 to be more precise in cash and cash equivalents. We continue to actively scout for M&A opportunities and have a healthy pipeline of potential opportunities right now.

Before I pass this on to Suhas to talk a bit more about margins and dig deeper into some of the financials, I again want to reiterate that we are a very different business, focusing on core commercial sales and marketing, medical affairs, regulatory affairs, and clinical different functions of the global life science industry.

This is an industry which has been behind in shaping their functions using technology, but now due to various imperatives is in the path of doing that. Albeit given the regulated nature of the industry in a guarded way, it is a very large spend and is a large opportunity in the long run. In that context, view this in a medium to long-term perspective.

With this, I will pass it on to Suhas to double click on some of the financials and of course the margins. Suhas, over to you.

Suhas Prabhu: Thank you, Manish. Once again, a very good morning to everyone and we appreciate your participation on this call today. Let me get into the details of the financial performance for the quarter by starting with the segmental performance.

Manish already mentioned that the Q2 revenues grew by 8% year-on-year and 1.5% sequentially to INR6,868 million. Specifically, the Enterprise Commercial Solutions segment, which is our largest segment, has grown 3% sequentially and the Enterprise Medical segment, which constitutes around 29% of our revenues, has grown by 4.6% sequentially. Again, both these segments combined constitute 85% of our revenue and the growth in these two core segments reflects the positive momentum that Manish has already alluded to.

This growth was partially offset by the degrowth in the other two segments, omni-channel activation, and consulting, which is part of the others, which have a higher proportion of non-recurring project revenues of shorter tenure and the degrowth is a reflection of a portion of such projects concluding with a lower take-off revenues from new projects.

Now, let me move to the revenue by customer industry segment. The revenue from the biopharma segment of our business continues to be stable at 94%, followed by medical devices and emerging biotech, which together add to about 5%. This is marginally lower than the previous quarter.

The revenue by customer geography continues to be 95% and between North America and Europe. I would like to highlight that we have restated our Q1 revenue mix by geographies. This largely impacts the North America and Europe part of the segmental revenue. We have now made it consistent basis location of the origination of the business rather than a combination of that combined with the delivery of consumption locations. This restatement has resulted in a shift of about 4% between Europe and North America.

And post this restatement, revenue from North America is 69.1% versus the 64.8% that we reported for Q1. And Europe, similarly, would be 27.9% versus 32.2% that we reported in quarter 1. The same has also been updated in our fact sheet for the current quarter. Coming to the geographical segmental revenues for the current quarter, this continues to be similar with North America being 70.2% and Europe at 27%.

With those details on the revenue by segment, let me now move to margins, starting with the EBITDA. The EBITDA for the quarter stood at 18.4%, a drop of 120 basis points sequentially. The annual wage hike was effective July 2024, and this has an adverse impact of approximately 220 bps on the margin. And this was offset partially by improved productivity through better capacity management and automation, resulting in a net impact of 120 bps. The exchange rate during the quarter had a non-material impact with the USD strengthening marginally against the rupee while weakening against euro and GBP.

Coming to the interest charge, our interest charge on the debt servicing for quarter 2 was zero versus INR73.9 million in Q1. And this was following the repayment of the outstanding debt in the last week of June of 2024 from the IPO proceeds. This, combined with a small reduction in the tax charge, has a favourable impact on the PAT for the quarter, which stands at 13.4%, an improvement of 0.4% sequentially. Our return on equity post the IPO continues to be in the early 20s at a healthy 21%. And return on capital employed, net of cash, continues to be around 48%.

With that, let me summarize today's call. Our top five accounts continue to grow. And more specifically, the two accounts that Manish had mentioned in our last call, which are part of our top five, have stabilized and the core business segments, which is the enterprise business segments, have grown at almost 3.6% sequentially. And this is assuring to us a given sustainability of growth in these two segments.

And finally, the ramping up of revenue from the new logos, which has started in quarter two, and will continue to grow in the coming quarters, gives us confidence for a growth in support heading into H2. With that, I'll take a pause and move on to any questions and queries that you may have.

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

Abhishek Bhandari: Thank you for the opportunity. Thank you, Manish, and Suhas for the presentation. I had a couple of questions. First, Manish, good to see growth coming to your top accounts. Given that there is stability happening here, should we expect the growth momentum on your side to improve from here? Where I'm coming from is, you know, in the opening comments you said the pharma industry is expected to stabilize and grow better compared to last year. Last year we grew around 8% year on year on revenue. So should we expect the growth improvement over the next couple of quarters to be less?

Manish Gupta: I would say that all the parameters, the industry seems to be stabilizing, preparing for the next set of launches and in a slightly difficult situation given that there are expiries as well and they're looking for new operating models, which is where we are really uniquely placed. And the fact is that some of the challenges we face with a couple of clients, they seem to be behind us and we're having very positive conversations with them right now. So there are a lot of these positive things going on Abhishek and we feel good about the next few quarters.

Abhishek Bhandari: Okay, Manish, the second question is on your omni-channel business. I think Suhas referred to certain project-related and consulted businesses over there.

Moderator: Sorry to interrupt you, Mr. Abhishek. I would request you to please use your handset.

Abhishek Bhandari: Is this better?

Moderator: Mr. Abhishek? due to no response from the current participant, we will move on to the next participant. The next question is from the line of Srivathsan Ramachandran from Avendus Park. Please go ahead.

Srivathsan R.: Hi, I just wanted to get some sense on this ramp-down that you're talking about on the project-specific. How should we look at this? Is it we're more or less done at the end of the ramp-down cycle or is there more to go from it to a downward pressure?

And just following that, if this is a little bit more project-heavy business, is there any sense you can give us on pricing and sales cycle versus our larger piece of the business? Just wanted to get some sense on that.

Manish Gupta: I'm assuming you're talking about the two segments which Suhas spoke about, which de-grew, right? The omni-channel and consulting parts of the business. Yes. Okay. So as far as those segments, I'll again let Suhas chip in. As Suhas mentioned, there are some projects which winded down, right? And that's a typical nature of the business, long projects, get over. But typically you have other projects which kick in, right, from these customers.

While the projects winded down, the project kick-off has been slow, and that's what hit this quarter over here. But we have a healthy pipeline, right, from this perspective. So we're not worried. We believe that the revenue ramp-up in these segments also, especially omni-channel, will pick up soon. Suhas, you want to add on?

Suhas Prabhu: Yes. Thanks, Manish. So the project part of the business here tends to be a tenor of between three to nine months, say an average of five to six months in duration. And, as these wind down, right, a lag in either newer projects coming in from the same logos or new logos, right, causes a bit of perturbation here. Having said that, the pricing levels are not too different at a, I would say, contribution margin level. The units in economics of even revenues in these segments are pretty similar to the other segments.

But, of course, at a segmental performance level, when you look at our segmental results, given the current scale of operations of these two businesses, which are relatively much smaller than the rest of our business, the overheads at a division level, segment level, causes these to be at a break-even to marginally negative level. From a segmental perspective. But having said that, the pricing levels, especially at a contribution margin level, are quite similar to the rest of the business.

Srivathsan R.: [inaudible 0:22:00]

Moderator: Sorry to interrupt you sir. You're not very clear. I would request you to use your handphone.

Srivathsan R.: Sure. Is it better now?

Moderator: Yes, sir.

Srivathsan R.: Just wanted to get your sense on how you look at, well, you articulated medium-term growth ahead of industry growth. What would it take in your assessment to be mid- to late-teens in terms of revenue growth cycle? Is it just the broader outsourcing budget should grow or is there more something that we can do, gain more markets? I just want to get your thoughts on what would it, in your assessment, require for a mid- to late-teens revenue growth from our 2-3 perspective.

Manish Gupta: As we indicated earlier, from our perspective, from a pure capability set, I think we are reasonably well covered. The few drivers for growth for us is going to be, the first one is mining our existing customers. We've always said that we are present in top 20 pharma companies and a bunch of other customers.

Just getting deeper with them is going to be our priority one, which we continue to execute on. That's the first set of, I would say, important thing. We will continue to also broaden our client base. Today, we have 37 USD 1 million plus customers. We believe the 37 USD 1 million plus customers should go much higher. Our highest segment right now is 25 million plus.

We are hoping that in the next few quarters, we will have a category which is going to be $50 million plus. Those are going to be moving in the right direction as far as some of these metrics are concerned. Increasing the number of million-dollar customers, increasing the number of 10 million-plus customers, 25, moving customers into the 50-plus category.

If I take medium-term, that will be one step. The total number of active customers right now is 68. They will also go higher. We are deploying resources to make that happen. In the medium-term, I don't think that will be a major growth driver. Along with that, we continue to do tuck-in acquisitions to expand our capability or round-off capabilities that we have to be able to offer much more integrated and robust solutions to our existing client base.

These are three or four things which we execute on, but we don't think that we have to do anything drastically different. Once this cycle of ups and downs with our customers gets a bit stabilized across the board, we believe we have most of the right pieces in place to be able to drive growth.

Srivathsan R.: Sure. I'll come back later. Thank you.

Manish Gupta: Thank you. The next question is from the line of Rohan Vohra from Envision Capital. Please go ahead.

Rohan Vohra: Hello. Thank you for the opportunity. The first question was a slightly broader question on what kind of discussions are you having with some of your top clients? You said that there's a new product launch pipeline and to offset that, there are some expiries that are happening. What are the kinds of opportunities you see there? If you can just give us some color on that. Also, what are some risks you see with respect to the discussions that you're having? That would be my first question. Then I can probably have the next one.

Manish Gupta: Sure. We are obviously having multiple sets of customers given the segments we operate in across the board – commercial, omni-channel, regulatory, safety, medical affairs. But if I just talk about some of the broad themes, and these are themes which have the potential for slightly larger engagement, the theme which we see is as companies are preparing for more drug launches and have budgetary pressures, they are now looking at the next set of operating model centralization and tweaking.

They were doing a bunch of activities with a company like us, like on content, campaigns, analytics, in an integrated way. And our enterprise solutions, a lot of our revenues came from those engagements. As they prepare for the next set of waves, they are now thinking about how to centralize some more upstream activities, which are typically right now done by agencies.

So that's the discussions we are having with a bunch of our customers, and those are much larger and, from their perspective, strategic spend areas. And we are very excited about that opportunity. As far as risk is concerned, the risk we see, which is always in this industry, is on timing.

How quickly will they ramp up at what pace, given that, as we said earlier, this is a very cautious industry. So risk is on timing rather than whether it's going to happen or not. The industry doesn't have too many options but to move into these more efficient operating models. Suhas, do you want to double-click on this or add anything?

Suhas Prabhu: Maybe just from an engagement perspective, contracting perspective, Rohan, especially for the 85% of our business, which are the two enterprise segments, our contracts in most cases cover all products under the portfolio. And we tend to be a partner covering all the products and, therefore, launches and launch products are typically naturally flowing into these engagements, while there would also be end-of-life products wherein the activities would come down to zero as our customers stop investing in those products and activities that we do as they lose exclusivity.

So this is a continuing cycle and, from a macro perspective, as the number of launches increase and there is growth in our customers' activities, which results in higher volumes for us and higher revenues for our customers, this tends to be a positive development, even for us. As we expand with our customers through this journey.

Rohan Vohra: Sure, sure. And anything specific that you've noticed? Because the big pharma companies generally go about their budget in November, December. So anything specific that is encouraging that you've noticed from the discussions you've had and anything that is a cause of concern?

Suhas Prabhu: So, Rohan, it's a bit early. As you rightly said, most of our customers have a calendar year planning cycle, which is also their fiscal year. And as you rightly pointed out, this is the period, starting October, going on through till December, maybe early January, wherein the activities for the next year are going to be in December.

And the budgets for the next year get planned and locked in. Having said that, I would repeat what Manish already mentioned. With most of our customers, there will be, of course, customers where the pipeline is not as robust as the rest or is trailing the industry, but with most of our customers the direction of the discussion is in terms of stable to increasing activity in the future as they prepare for more products, more launches going into 2025 and even beyond.

Rohan Vora: Understood. And just if I can squeeze one last question. So what I see is our enterprise medical solution business has done phenomenally well as compared to the other three divisions over the last three year, four years, if you see the numbers. So what is working for us in that division and how sustainable is this kind of growth rate?

Suhas Prabhu: Sure. So as you rightly pointed out the growth rate in the enterprise medical has been a tad higher than the enterprise commercial. But having said that let me actually focus on enterprise commercial. The two customers that we had certain headwinds issues due to their restructuring and internal kind of issues that they also impacted us impacted almost entirely the enterprise commercial segment.

So if you keep that aside, we would say that both these segments continue to grow. And with those two accounts stabilizing we believe that going forward at an aggregate level also we would start seeing similar growth even in the enterprise commercial segment. But having said that, I wouldn't say there's any particular trend or any specific reason why one segment should be growing at a pace faster than the other. In the longer run, we believe both these have enough wheels and similar factors impacting both business where we stand today.

Rohan Vora: Thank you so much. I'll get back in with you.

Moderator: Thank you. The next question is from the line of Satish Kumar from Kotak Bank. Please go ahead.

Satish Kumar: Hi, thanks for the opportunity. A couple of questions from my side. Can you provide an outlook on revenue synergies from the Cult acquisition and the decline in omnichannel activation was related to Cult? And second is what gives you comfort that the digitization trend in license operations, especially in S&M is continuing to grow at a good pace given that there could have been some normalization post the COVID crisis?

Manish Gupta: So I'll pass it on to Suhas. Satish, good question. I guess some bit of normalization had to happen on the sales and marketing side because obviously COVID pretty much went 100% remote. That has already happened much earlier. Having that major reaction of doing more physical, the question again is going back to ROI spends, optimizing, seeing the effectiveness of these spends and what is the right operating model to deal with the fact that you have to launch multiple products which is super expensive.

And you're losing patent, or your expiries are happening for patent for a bunch of others. And on the ground channel is expensive and very clearly not that effective. So companies are now getting back to the right model which is not going to be as aggressive as it was in COVID, but they're finding the right model. And we see that conversation across the board where we are actually now also having conversations with clients where they're talking about for at least a bunch of their mature portfolios, 100% digital kind of plans being made.

So if we see those conversations actually back on the table rather than the other way around. So that's one part. Again, as far as Cult is concerned, Cult has now got integrated and works along with the enterprise. On the omni-channel is where we report Cult, but interestingly we are also seeing a lot of synergies between Cult and enterprise commercial solutions.

Some of the stuff which I spoke about of moving upstream and aggregation, centralization of some of the agency spends as opportunities with our customers, we are standing out really in the marketplace pretty much without I would say no alternate because of the fact that we can bring these two sets of capabilities together, creative, planning, medical, along with global capabilities to do things at scale. And those are the kind of opportunities we are seeing because of the Cult acquisition. So Suhas you want to again add on anything to this?

Suhas Prabhu: Yes. So Satish the focus on the integration which Manish already mentioned the Cult and omni-channel are pre-Cult omni-channel activation which together today constitutes our omni-channel activation business has focused on the joint go-to-market operations as well as offerings. And our focus continues to remain so. There might be synergies on the cost and therefore margin side which is not the focus as we speak because we see a large market opportunity.

And as Manish already mentioned, we see emerging opportunities by integrating some of the capabilities that we acquired through Cult, combining that with our enterprise commercial segment and going a little more upstream in that offering. And some of the expansion opportunities, the large-deal pipeline actually incorporates this as we speak. And hopefully in the coming future, we will see an expansion from the capability set in enterprise commercial also coming from some of the capabilities that we have onboarded through the Cult acquisition.

Satish Kumar: Got it. Very helpful. And one final question from me. How should one look at the revenue decline in Europe, medical devices of India, and ROW? I mean, is this linked to the decline in omni-channel activation and others, is it more of a one-off nature?

Suhas Prabhu: So, Satish, some of the one-offs, of course, are from the emerging biotech or the med devices, given that the scale of business that we have with these segments would also be more a project-by-project or a brand-by-brand which is typically not what we do in the enterprise segment. Enterprise segments, as we have mentioned in the past cut across the enterprises, cutting across multiple regions and multiple products or all products that our customers may have.

Whereas a product-level engagement tends to be more in the omni-channel activation or the consulting or others segment of our business. So, there is a correlation. I would say there's not much of a correlation from a significance perspective, rest of the world or India. But having said that our focus continues to be North America, US and Europe which are the major markets for the innovator pharma which is where we operate. And given that US, Europe is 92%, 93% of the global pharma outsourcing spend. We are a little bit more indexed on that today, but we continue to have presence in other markets such as China, Japan, India, and the like, but as of now the customer focus and therefore our focus tends to be Europe and US.

Satish Kumar: I got that, sir.

Moderator: Mr. Satish, does that answer your question?

Satish Kumar: Yes. Thanks a lot for your comprehensive answers. I'll get back into the queue for further questions.

Moderator: Thank you. The next question is from the line of Sarang Sanil from RW Investment Advisors. Please go ahead.

Sarang Sanil: Good morning, team. Thank you for the opportunity. I had two questions. Firstly, was there any material expense booked in other expenses that you'd like to call out and where would you like the margins to settle in FY25 and 26? I believe in Q4, you had mentioned that you'd like to be in the 22% to 24% bracket, but the computation of EBITDA was slightly different, and margins looked optically higher back then?

Suhas Prabhu: Yes. So, Sarang, let me take the second question first. As we had mentioned in the last earnings call, we have slightly revised the computation of EBITDA based on the feedback that we got from participants, investors in the market. And we now exclude the interest income part of the other income in the EBITDA computation. And therefore the EBITDA including other income which was in that range of 22% plus excluding that the same would be about 2% lower in the region of 20% to 21%. And so that's the first one.

Coming back to your first question on the other expenses, the other expenses and more specifically the constituents of the other expenses which have changed quarter-on-quarter basis have been largely the subcontracting and the freelancing kind of costs. These are costs that we incur when we onboard subject matter experts for certain specific engagements either from a technical, clinical competency that we get from external consultants and advisors or certain activation roles that are needed for new engagements especially in certain regions in Europe and maybe even in the US.

Sometimes it also includes onboarding of people through staffing agencies, but those would be minor, coming out of countries where we may not have our own physical presence to onboard the people directly. And this has marginally grown. You can read that in line with the growth of revenue, especially when we have onboarded the new logos that have contributed to revenue. Some of these costs kick in. Having said that, it's not a material change and we don't anticipate that to change drastically. These would vary depending on the phase of the project, but it's not a material move.

Sarang Sanil: Sure sir. So the 20% to 21% EBITDA margin that you had alluded too, is that your exit margin goal for this year or do you think you would have this next year?

Suhas Prabhu: Yes, so we would want to – we are striving to operate in that 20% region and as you can see this quarter, we clocked EBITDA of 18.4% which was despite the 2.2% adverse impact of the annual wage bill hike. Our effort on productivity enhancements and other such initiatives continue to provide a positive impact on the margins which we believe should continue going forward. And therefore we should on a full year basis, try and get towards that 20% and in the medium term I would say in the next two to three years, go even beyond that.

Sarang Sanil: Sure sir. Secondly, with a lot of blockbusters going off date in the next one to two years, is there any spending behaviour change with your clients due to this and how differently are they planning to tackle this time compared to the patent cliffs that happened in the last decade?

Manish Gupta: The difference between the last decade and this time is that last decade the pipelines were pretty weak. Before the last patent expiry, most of the drug pipelines or actually the composition of products in the market were more primary care type of products. And when they expired, these are very large products. The pipeline was weak because of multiple reasons, financial, FDA being more stringent and hence they had to some extent quite a tough impact.

This time, when patent expiries are happening, the pipeline is pretty strong for most of the companies. And hence the imperative is slightly different, that how do we really get prepared for these new set of launches. Nevertheless, there is financial pressure because as I said launches are expensive and if you're losing patents on existing drugs you have to optimize your operating models. And this is what we are seeing and hence they're taking time to get their operating models in place. So our sales team, solutioning teams have been super busy in working with these clients to get that right, I would say pretty much this entire year.

Moderator: Thank you. The next question is from the line of Nikhil from Kizuna Corporations. Please go ahead.

Nikhil: Thank you for giving me this opportunity. Sir as I can see [inaudible 46:08].

Moderator: Mr. Nikhil, I would request you to please use your handset. Due to no response from the current participant, we will move on to the next participant. Due to time constraint, we will take that as the last question. I would now like to hand the conference over to the management for closing comments.

Suhas Prabhu: Again, thank you for your participation on this call today and your continued interest with our company Indegene. We look forward to this engagement and interacting with you again in our next earnings call. Thanks once again and have a good day.

Manish Gupta: Thank you, everyone. Happy Diwali to all of you.

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