

RECOMMENDATION SNAPSHOT				
*CMP	MCap (Rsbn)	Recommendation	Target	Potential Upside
Rs555	133.1	Accumulate	Rs800	44%

*as on 29th April, 2025

About the Company:

Indegene Ltd (Indegene) specialises in providing digital-led commercialization services for the lifescience industry. The company's clientele base includes biopharmaceutical, emerging biotech and medical devices companies. Indegene provides assistance to these companies in several critical areas such as drug development, clinical trials, regulatory submissions, pharmacovigilance & complaint management, and marketing of their products. With over 2 decades of healthcare expertise, the portfolio solution covers almost all aspects of commercial, medical, regulatory and R&D operations of lifescience companies. The services cater to different stages of the product lifecycle, facilitating efficient product development, market entry, and sales optimization. Over the years, the company has established relations with top 20 biopharma companies in the world. As of June, 2024, the company served a total of 65 active clients. Indegene's suite of solutions encompasses enterprise commercial, medical, and clinical solutions, catering to the diverse needs of lifescience companies. Mr. Manish Gupta is the Chairman and CEO of the company.

Results: Quick Glance:

- The net sales for the quarter reported a growth of 12.3% to Rs7,556mn as compared to Rs6,730mn in Q4FY24
- The Ebitda margins for the quarter under review stood at 19.5% as compared to 20.6% in Q4FY24
- The company reported profit of Rs1,176mn as compared to Rs948mn in the same quarter last year
- The EPS for the quarter stood at Rs4.91 as compared to Rs4.27 in the corresponding period of last year
- For the full year, the revenues and PAT grew by 9.6% and 20.8% respectively while the Ebitda margins stood at 18.8%
- The Board has recommended a final dividend of Rs2 per equity share of FV of Rs2 each for FY25

Conference Call Highlights:

- At the industry level, the operating spends in the overall global lifescience market continues to remain at ~USD135bn; with major spends attributed towards marketing and sales which has an opportunity size to the tune of ~USD55bn; where Indegene plays a pivotal role. Each of the sub-segments under the global lifescience industry is expected to grow at a CAGR of ~9-14% till 2026
- During Q4FY25, Enterprise Medical Solutions (EMS) reported a robust growth of ~31.5% on a y-o-y basis, while Enterprise Commercial Solutions (ECS) reported a growth of 8.4% on a y-o-y basis. The omnichannel activation grew by ~10.0% and Others (consulting) business de-grew by ~29.5% respectively on a y-o-y basis. The growth in omnichannel business was led by deal wins and growth from the brand side of these business deal wins. On a q-o-q basis, the core segments viz; ECS and EMS has reported a growth of 6.3% and 2.7% respectively while omnichannel reported growth of 8.8%. **EMS and ECS** collectively contributed ~84.2% of the overall business both for the quarter as well as FY25
- In terms of the revenue pressure witnessed in the past (for 2 customers from top-5 which catered to the ECS segment), the Management has indicated that 1 customer has started reporting stability in the business and is expected to grow this year while the 2nd customer is expected to further see reduction in terms of volume and realisations. The Management is of the opinion that new deal wins will drive growth for this business in the near future
- For Q4FY25, the company won new deal wins worth USD1.5-3mn which will start contributing to revenues later during the year. Deals worth USD5mn were bagged from top 10 customers. Revenues from top 5 customers for FY25 came in at Rs11,347mn while top 20 revenues stood at Rs22,082mn
- As of Q4FY25, the company has 73 **active clients**, drop from the previous quarter due to one-time project completion. The company also serves clients in the mid-size biopharma, emerging biotech and medical device industries. The revenue contribution (in Q4FY25) from biopharma stood at ~94.0%, ~2.3% from emerging biotech, ~2.6% from medical devices and balance from others. As of Q4FY25, the **client bifurcation** as per revenue categorisation stood as 31 (for revenues between USD1-10mn), 8 (for revenues between USD10-25mn) and 2 (for revenues above USD25mn). The **client concentration** mix for Q4FY25 stood as: top 5 clients at 37.9%, top 10 clients at 56.4% and top 20 clients at 77.2%
- As of Q4FY25, Indegene has cash and cash equivalents worth Rs16,643mn as against Rs9,876mn in Q4FY24
- In terms of geographic split for Q4FY25, North America continued to contribute highest to overall revenues at ~71.9%, followed by Europe at ~24.6%, India at ~0.9% and the RoW at ~2.6%. The % contribution towards North America has seen a surge primarily due to a consolidation of one of the customer from the ECS segment (earlier in the EU region) which underwent a renewal in Jan'25

Conference Call Highlights (contd.):

- **Recent developments:** (i) The company has announced the launch of a new center in London which aligns with the company's long-term growth strategy in Europe, reiterating its commitment to enable Lifesciences clients in the region to be future-ready, (ii) the Board approved an investment in equity/preference shares of Indegene Ireland Ltd, a WoS of the company, upto an amount of EUR5.2mn, in one or more tranches, (iii) the company's subsidiary, Indegene Ireland, with the intention to expand its business, has agreed to acquire, in a phased manner, MJL Communications Group and its subsidiary MJL Advertising on a debt-free, cash-free basis for GBP3.4mn

Financials:

Performance (Q4&FY25)									
Q4&FY25 Result (Rs mn)	Mar-25	Mar-24	y-o-y	Dec-24	q-o-q	FY25	FY24	y-o-y	FY26E
Total Revenue	7556	6730	12.3%	7204	4.9%	28393	25896	9.6%	32436
EBITDA	1475	1387	6.3%	1318	11.9%	5343	5054	5.7%	6066
Other Income	256	232	10.3%	377	(32.1%)	1072	763	40.5%	915
Interest	31	123	(74.8%)	32	(3.1%)	220	494	(55.5%)	220
Depreciation	207	185	11.9%	200	3.5%	802	761	5.4%	858
Exceptional Items	0	24	-	0	-	0	24	-	0
Tax	317	387	(18.1%)	366	(13.4%)	1326	1219	8.8%	1502
Net Profit	1176	948	24.1%	1097	7.2%	4067	3367	20.8%	4400

Outlook and Recommendations:

The company has reported decent set of numbers for the quarter under review with revenue growth of ~12.3% and ~9.6% respectively where growth in the revenues was higher on account of recent deal wins from the last 2 quarters while for the full year the improvement was attributed to growth from top 20 customers both from the existing as well as new clients. The Ebitda margins for Q4FY25 stood at 19.5%; slightly lower on account of mid-year increments in the US markets and higher tech related expenses. Furthermore, the company is already incurring few operational costs related to larger deals which are under the pipeline; but the Management is of the opinion that there would be negligible impact of these costs on the Ebitda margins in the near future till these engagements go live, and thereafter the margins are anticipated to improve. The ETR for Q4FY25 as well as FY25 was lower due to the DTA of the US markets; which further led to surge in the overall profitability both for the quarter as well as FY25. In terms of client engagements, the setbacks related to 2 customers of top 5, the Management has indicated of stability in the business trend of 1 customer and is further expected to grow in the current year while the 2nd customer may see further reduction in terms of volume. Barring this, the Management is of the opinion that new deal wins will drive the growth for the ECS segment in the near future. In addition to this, the top 20 customers are witnessing a decent growth in the revenues despite the negative impact in 2 customers of top 5 client base. ECS and EMS businesses cater to customer specific engagements which are regular in nature and these recurring engagements contribute ~75% for the company. The company is also exploring on large transformative opportunities, working on building pipeline and converting the same into deal wins from a long term perspective. The company believes that its current portfolio of services in commercialization itself can yield clients with USD50-100mn and USD100 mn+ annual revenue run rate. While the focus will be on gaining market share in existing clients in existing services; Indegene intends to judiciously invest in new accounts and new services as well. Indegene is developing multiple generative AI (Gen AI) based technology platforms for service delivery to clients; playing a key role in driving market share gains by enabling faster turnaround times and lowering effort, thereby providing more value to clients. Indegene has recently launched Cortex, a gen-AI platform verticalized for the life science industry; that caters to multiple use cases such as streamlining the content supply chain, making medical writing more effective and efficient, and accelerating MLR reviews. The company's presence in research, ideation and concept-generating activities is minimal and has huge scope for expansion over a 3 to 5 year time period. The company is a debt-free entity with good net cash position as on date. Rising adoption towards digital and tech related platforms, increased outsourcing operation spends, increased focus on efficiency and strategy by large biopharma for commercialization of existing pipeline and drugs going off-patent requires the need of lot of activities in terms of content creations/campaigns/analytics which will drive the overall business for Indegene. We continue to remain positive on the company and maintain an accumulate on the stock for a target of Rs800.

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