



“TAKE Solutions Limited
1QFY2019 Earnings Conference Call”

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Moderator: Ladies and gentlemen good day and welcome to the TAKE Solutions 1QFY2019 earnings conference call hosted by Ambit Capital. 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 “*” and then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sudheer Guntupalli from Ambit Capital. Thank you and over to you Sir!

Sudheer Guntupalli: Good evening ladies and gentlemen. On behalf of Ambit Capital, I would like to thank the management of TAKE Solutions for giving us an opportunity to host the 1QFY2019 earnings conference call. I will take a minute to introduce the members of the management team and then we can have prepared remarks from the management. So, we have with us Mr. H.R. Srinivasan, Vice Chairman & Managing Director, Mr. D.V. Ravi, Non-Executive Director, Mr. Ram Yeleswarapu, President & CEO, Ms. Subhasri Sriram, CFO & Executive Director and Ms. Shobana N.S., Executive Director on the call. We will open the floor for prepared remarks from the management and then we will open the floor for questions. Thank you.

Srinivasan H.R.: Thank you very much. Good evening ladies and gentlemen on the call. Welcome to the TAKE Solutions 1Q results call for FY2019. My name is Srinivasan and I am the Vice Chairman and Managing Director of TAKE Solutions.

Overall for us, it has been an excellent quarter and a very good beginning to FY2019. We had anticipated a quarter similar to this both in terms of revenue and in terms of profitability and while the revenue may look a little flattish vis-à-vis 4th Quarter last year, but normally our 4Q and 1Q are generally very close together and this time we had in fact if you have taken rupee terms we have grown at about 3% and if you take in dollar terms we may be slightly short by about 0.9%. Q4 for us of last year was in all-time hike, but as we step into FY2019 this base level and growth from here, which we envisaged is quite fantastic. From the opening orderbook on 14, we have converted nearly 37% of the order book as revenues that is quite in tune with what has been happening over the last few quarters and years and as the order book expands we keep this conversion rate. I think we are very optimistic of 22% to 23% organic growth during the course of the year.

The Op. EBITDA margins have been higher compared to an annual run rate of Op. EBITDA of about 19.3% for the previous year, we now have close to 20% EBITDA margin and we hope to be sustaining this EBITDA margin as we move ahead. The revenue growth has been about 32% YoY and the operating EBITDA margin year-on-year growth has been 41% in rupee terms. In terms of profitability I think this has been an all-time high as far as our PAT is concerned, we have a 52% growth year-on-year at Rs.54.2 Crores or \$8.1 million, so the overall profitability has been excellent, and we hope to continue this traction as we move ahead. It would be important for me to explain a few contextual issues on the M&A. You are aware that we have been very keen on M&A in the Life

Sciences segment and I am happy to say that we are now fairly confident of concluding a transaction in the reasonable future. I am not putting a date to it because M&A transactions have their own challenges, but we have been actively looking at capability around expanding in the clinical and the generic vertical we have been able to do that. We are also trying to gain a foothold into the US market and we have been actively engaging with targets in the market. There is several tuck-in technology some of which have been interesting to us and we have been examining possibilities of how these will operate, so at this point of time I am happy to say that there are about four companies that we are speaking to actively and we feel positive that we may be able to conclude a transaction with at least one of them in the very near future.

In terms of other highlights, I think the IDC MarketScape has in the Life Sciences R&D BPO Services they have positioned us in the leaders' category in the top right quadrant. In terms of infrastructure we expanded into larger facilities both in Princeton and in Bengaluru. We also had recently undergone an audit of the FDA at both our Bengaluru and Manipal facilities and I am happy to say that we came out without any 483's that is very commendable area as far as the quality of delivery that we have been maintaining. The business development traction has been very positive, and we have closed with an order book of 199.74 million. To talk more about our Life Sciences Business and what we have done this quarter I will hand it over to Ram. Over to you Ram!

Ram Yeleswarapu:

Thanks Sri. Good afternoon everyone. On the back of our strong quarter in a very positive business outlook, let me add some colour to the different verticals that comprise our business. To talk about our generics business on a couple of key features, number of studies were awarded to us in the quarter that just went by and we are certainly expanding that capacity as well as capabilities as Sri mentioned. We are also very actively looking at our methods library, which is fundamentally intellectual property assets that we own and we are looking at it from a very sharp and precise angle on the back of the market needs especially the US, so we are doing a lot of investigative work and essentially trying to figure out exactly where we should be investing and creating assets when it comes to methods capabilities. The offering of the BA/BE study itself since we are talking about generic pharma, it has become a full-service offering for us and it does include now data standardization for the USFDA requirements of December 2016, so very clearly not only we have the infrastructure and the capabilities to run the pilots and conduct to studies, but we also have full data analysis, data compilation and reporting capabilities in house and so this really makes it a full service and gives us a good differentiation, just because we are also absolutely focused and in a way of sets if you are with technology and automation so we are in the process of going digital right at the very interaction of the study whether it is BA/BE or running clinical trials our entire focus is to try to drive digitalization and automation to the extent possible and certainly run a whole bunch of services on top of platforms, which we genuinely believe that will be the true differentiator allowing us to fulfill the "lab" to approve our value chains and we are extremely excited. We are certainly planning on being a global forum to further our brand positioning and there are couple of these global platforms that are coming

up and we are absolutely looking forward to meeting our existing customers and of course opening up fresh relationships.

With regards to cross selling into existing generic pharma accounts, we certainly have been very focused in creating a detailed account maps. These are weak maps that essentially tell us exactly what we have been servicing each customers over the last so many years and that clearly tells us where the opportunities might exist given the huge range of the portfolio of consulting technology services and core platform based services that we offer now and so the services to be offered would of course include support technology covering functional areas like regulated document management, electronic submissions, quality management systems, track & trace, serialization, etc., to name a few, so overall if you look at the generic pharma accounts while historically we may have done let us say BA/BE services and/or technology services, we are now absolutely actively involved in talking to a number of them about cross selling and that we believe would contribute and we have paved the way for enhancing revenue per customer.

Moving on to regulatory in PV, which is another vertical clearly with the consolidation that has happened in the pharmacovigilance technology and services market especially in the US, a number of weak companies have been acquired by very large CROs and hence what we find in the marketplace is an absolute gap at the moment for someone with absolutely strong PV credentials and as well as qualifications required for customers to be ultimately satisfied so this void that has been created as a consequence of the consolidation is allowing us very clearly to move in and we are experiencing an enhanced volume or request on PV technology implementations and upgrades.

Our strategy continues to lean on essentially leveraging our excellent domain knowledge, which is being a hallmark of our Company from the very beginning and so to couple with these knowledge qualifications you coupled that with process, the technology enablement and then range of services, all of these combination if you will lead to an optimum solution we believe for the end customer, so again our focus has always been what the value that we will deliver at the end of the day to the end customer and if you kind of work backwards from there clearly the coupling of consulting and having the process knowledge coupled back with technology and then nearing range of services on our platforms that is true value and so our quest has been very consistent with what we have been seeing on and off and we are seeing results on the back of this well thought out strategy. We are actively involved in regulatory information management solution creation as well as developing task analytics, it is an extremely exciting space. That space again is Greenfield opportunity, it is a wide spacing industry, there is not a single provider out there that has fulfilled the needs of this particular segment of regulatory analytics and PV analytics all the way and so we are extremely excited. We have roadmaps that we are creating, we will certainly be working on developing these out in the next couple of quarters. The renewal contracts for regulatory outsourcing services continue to deliver the

message and we are looking forward to certainly kind of doing more in both publishing and outsourcing services.

Quick note about pharmaREADY and traceREADY, the products are gaining more customers these are getting bigger, more material in nature and clearly I think it is quite evident in the numbers and the awesome thing about all of this is the industry continues to have inadequately, the regulators continue to demand more and so we in a way had the foresight to be able to envision some of these things way ahead of the market and that is allowing us to grow on the back of that foresight, so we are adequately positioned to gain more market share. As we mentioned we are certainly very pleased with the recognition of being called a leader in the 2018 LS R&D BPO services category that IDC conferred on us and we believe that this is the testament to the good work we have been delivering and performing with the customers all along and delivering value.

A quick note on clinical, we have been very proactive with respect to the adherence to the US EU privacy laws as well as EU GDPR the data protection regulation and our customers are truly appreciative as you would know clinical trial data has to be kept confidential as well as data privacy laws when it comes to patient related data and individual citizen data if you will and it is paramount that we as a Company being in this business have to absolutely adhere to the regulations and be fully compliant. We are absolutely again one of those things that we saw very early on and have taken adequate steps to be able to strengthen compliance in these areas. One clinical platform is gaining momentum the kind of our onboarding more studies and we are also discovering more used cases as we kind of talk to more customers. We have a number of exciting meetings coming on the back of it, the word is clearly spreading because there are affiliates and trading partners of our existing sponsor customers who are getting the word of this, the increased number of meetings and now almost the customers demanding the use of one clinical analytics as part of running a clinical trial again goes back and is the testament to the fact that this kind of a trial over set platform is very unique in industry and we absolutely have it well differentiated. We continued to enhance the capabilities and feature for the platform enhancing reporting margin of one clinical, this is to facilitate either for understanding and actioning for study startup activities, some of this may sound technical, but just quickly touching upon we are also developing mathematical models. This is fundamentally the bane of running clinical trials. Our ability and gain our knowledge and experience in this area is clearly allowing us to create a set of differentiators and we hope that there will also be barriers to entry from site selection to site initiation, patient screening and enrolment margins. We are kind of creating a unique footprint called the fingerprint and, in this quest, we are being met by one of the industry experts who joined our team. Obviously, we fundamentally need to ensure the study bottlenecks are proactively identified and resolved. If we are able to shrink the elapse time of a clinical trial and our safe cost while enhancing quality and compliance that is ultimate nirvana if you work for the industry and we are extremely excited. We are also adding components of the clinical trial business process based on work breakdown structures and I will repeat again is to digitally transform our business and

also then be a part and parcel of the digital transformation. Our vision of developing one clinical into platform as a service is well on its way and we are extremely excited that we are also developing strategic partnerships in the process.

A quick note on nets and consulting. We successfully conducted biannual network forums in New York City and London and we had over 300 participants, high level member satisfaction. The forum in Mumbai continues to gain momentum and traction as well. We have been elaborated to new network forum, they will connect Label Tech, we are extremely pleased that labeling an artwork management is again an unmet need in industry, we are absolutely happy to step up and deliver the maximum in United States. We did end up generating a large number of leads from these forums and we could not do more leads about the mindshare and attention we are receiving from decision makers, so this goes again a long way in saying you open up the door right up front with our process consulting and domain knowledge and follow through the technology and services and that makes it pretty much well mind accounted fuel and that is our core strategy. Several domain experts have been added to our global teams. We further strengthen our branding and positioning in the marketplace as domain experts, in the areas of clinical, regulatory and PV.

Lastly, our inside sales, presales, marketing, BD teams, they are all being strengthened with fresh talent to supplement our existing capabilities. We are absolutely pleased to add medical and scientific affairs capabilities as well in Europe and we absolutely are getting recognized for the value we are bringing to some of these conversations right about when protocols are being designed and that essentially means we brought in a very early entry into customers mind and their thinking about product development and that is a very key point. QA and delivery and of course ensuring client satisfaction thereby ensuring enhanced repeat business. With that I would like to conclude my quick business outlook commentary and hand it back to Sri.

Srinivasan H.R.: Thank you Ram. Ladies and gentlemen I think we have given a colour of what has happened during the current quarter and how we envisage the FY2019 to unfold. With this the management comments are over and we are very happy to take questions. Thank you.

Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. Our first question from the line of Agastya Dave from CAO Capital. Please go ahead.

Agastya Dave: Thank you for the opportunity Sir. You answered my question on acquisitions I do not think there is anything more to ask there than what you have given. Sir given the performance in the first quarter and your commentary and the way the order book is growing is it too early to guide for a higher growth numbers this year or you are comfortable with this number or are you being conservative and also if you can comment about how over the last two, three quarters your outlook for the next three years has changed obviously you have been becoming more informative, but if you could quantify

how much the situation and the traction has improved that would be great Sir? I have one another question, which I will come back later.

Srinivasan H.R.:

There are multiple questions in this so let me try and answer. The area on M&A that I touched upon is that we had done a capital raise a little while ago and we have been speaking on this, but we now feel very bullish that we will conclude so I just wanted to give a sense that there could be a transaction in the next few months and so I wanted to give a sense on that and that would add to the inorganic growth. On organic growth I want to make a commentary, which if you look at it will be useful to you. I want to go back to FY2017, so if you look at our Q1 numbers of FY2017 and correlate that to the order book you will see that our revenue conversion was about 45% plus of the order book then. If you look at our Q1 of FY2018 in the conversion of the order book, which was the opening balance of 1417 then it was about 39% of thereabout. Now if you see it is 37%, what this shows is the strength of the multiyear deal that we have been growing so while the order book is growing and the conversation rate is coming down yes the overall revenue is growing, it means that the multiyear deals are strengthening in the overall pipeline of the order book so that is one point I wanted to call out. The second area is it is not only the order book it is actually the capability so for example if it is clinical trial the capability to enroll sufficient site, sufficient patients actually to be able to do that is a little complex and not predictable like where you can say that I will convert comfortably 22%, 23% organic growth rate. There is certainly a possibility that it could be higher, but that would depend on how well we convert the order book given the current percentage of conversion and the longevity of the multiyear deals that we are getting. We believe 22%, 23% is a good number for us to stick out to obviously we will be very happy when we outdo that.

Agastya Dave:

Sure. Thank you Sir and just a small suggestion Sir we had our AGM today I would have loved to come, had it not been smack in the middle of the season, my humble request is as a shareholder that if you could keep the AGM after August 15, 2018 next year it is much more easier for us there is a finite chance at least we can attend that. It is just a small suggestion Sir I do appreciate that there must be some registry concerns that you are in, I just wanted to give suggestion Sir. Thank you very much and great quarter. Good luck Sir. I will see you in the next quarter.

Moderator:

Thank you. Our next question is from the line of Pavan Ahluwalia from Laburnum Capital. Please go ahead.

Pavan Ahluwalia:

One question on the M&A transaction and more of a comment and I hope really I think it has been fantastic with you guys have been as disciplined as you have been in terms of just sitting on the cash and not making a deal in an environment that is frothy with a lot of people bidding for exactly the kind of assets you are looking at, I hope that we are not going to get into a winner's curse syndrome where we feel like we absolutely have to acquire so we end up overpaying for an asset. Certainly as a shareholder my feedback would be that we would much rather have you not make an acquisition than make one at inflated price because we know that the market for deals and the space is pretty hot in the

US and if Ram could just clearly explain the gap points that he mentioned. The gap in the market how exactly the consolidation of firms like yours by the big players creates a gap. The mid-market folks would prefer to work with you guys and the big guys are not as good at creating the packages that are attractive to them so when it opens that space up for you guys, have I understood correctly?

Srinivasan H.R.: I think I will answer the M&A questions and then later on take the other questions. So M&A, we have generally been conservative on the M&A. Our focus is to do something that will be EPS accretive and therefore we will take our time we will do sufficient diligence and I think please be assured that our approach is not going to change in any manner. Over to you Ram!

Ram Yeleswarapu: Thanks Sri and Pavan thanks for the questions. So two things if I would answer your question, one clearly there is a gap or a void being created in the mid market space, so you absolutely nailed it. Really, I can cite some example. We have had companies for example like November research, CoreSite like, etc., that got acquired by IQVIA ultimately and we have also had consolidation around sufficient and so on and so forth, so I could name a couple more, but what ended up happening as a consequence is the small to mid size pharma, biotech, mid tech segment has now been underserved. They do not have compatible partner to work with and their ability to work with a large company to kind of get attention you are looking for that is completely missing and so we are absolutely happy to absorb all the capacity and be in the right place at the right time that is one and if I would quickly comment on what is happening in the clinical while there has been a lot of talk, clearly I think the ability to use a platform or develop and then deploy a platform was like one clinical and it is really a testament of the fact that our quest is to bring in efficiencies, so if a sponsor want to run a clinical trial and move away some traditional thinking and wants to leverage centralized statistical monitoring cuts down hopefully the elapse time, cut down the cost hence and also look at proactively making decisions in terms of way they wanted to deploy their capital I think those are the kind of things we are going after.

Pavan Ahluwalia: Yes, thank you.

Moderator: Thank you. Our next question is from the line of Nirav Dalal from May Bank. Please go ahead.

Nirav Dalal: Thank you for the opportunity. I have a couple of questions, one does the data point we split of the order book of 199.74 what could be Life Sciences?

Srinivasan H.R.: Life Sciences is 190.21 and SCM is 9.53.

Nirav Dalal: The other thing I wanted to know are we seeing increase in size of these now that we have acquired EA and we have a stronger clinical and stronger BA/BE service so are we seeing increase in order sizes and what would be the order sizes if you could comment on that?

- Srinivasan H.R.:** Our conservation rate of order book to revenue has come down from about 46% or 47% in Q1 of FY2017 to about 37% now and that is really on the back of larger deals that we are getting a multiyear deal so the moment is multi-year it is also larger and because clinical function gets included in that I am not sure whether an average was here.
- Nirav Dalal:** Range would be fine as well?
- Srinivasan H.R.:** Technology deals may be half a million, but clinical plus regulatory deal may be anywhere between 8 and 10 million so it is in a full range so I can give you the range so the range can be from 500K to 10 million that would be the range, but depends on the type of services so with consulting or pure technology it may be at the lower end, but with services it will generally move to the other end of the range.
- Nirav Dalal:** Just to clarify if I were to just analyze the 190 million would this include 10 million or when you say, you have visibility for 190, visibility of 300 to 350 million that would be 3x so I just wanted to understand that?
- Srinivasan H.R.:** 190 when we say actually this is the order book in terms of the SOWs what is called as statement of work. Our visibility actually would be almost 3x of this, but we only compute the SOWs for this statement. The visibility would be almost 3x.
- Nirav Dalal:** When you say 8 million to 10 million assuming, so would that be part of the 199 or would that be part of the visibility?
- Srinivasan H.R.:** That would be a part of the visibility.
- Nirav Dalal:** This 199 would be executable over the next about six to nine months correct?
- Srinivasan H.R.:** Correct that is right.
- Nirav Dalal:** Thank you. I will come back for follow-up.
- Moderator:** Thank you. Our next question is from the line of Suhani Doshi from Edelweiss. Please go ahead.
- Suhani Doshi:** Good evening to the entire team and congratulations for such a good number. I had just one question. I wanted to understand the profitability of clinical versus the regulatory and the PV segment, so I guess the clinical segment is growing fast, so I just wanted to understand what would be the EBITDA margins, which we would be making in this segment?

- Srinivasan H.R.:** Overall, the clinical segment EBITDA margin will be lower than the regulatory and safety, but it attracts the higher spend, so if you look the clinical EBITDA margins would be in the mid teens whereas the regulatory and safety EBITDA margins will be upwards of 23% odd, so that is how you should interpret.
- Suhani Doshi:** Going ahead we see the clinical segment growing faster than the regulatory and PV right?
- Srinivasan H.R.:** Yes correct.
- Suhani Doshi:** Do you see that creating a pressure for your overall margins to go beyond 21% to 22%?
- Srinivasan H.R.:** Yes on a weighted average, yes you are right, but you have to look at it in the context of the market. For every Dollar spent 70 cents is spent on the clinical and if you are not relevant in clinical you will get pushed out of the other 30 cents, which is regulatory and safety so if the question is can you do regulatory and safety in isolation and not touch clinical there is a very low opportunity for sustained business in that case. Clinical will have to be a part of the mix if you want long multiyear tenure deals.
- Suhani Doshi:** Understand and is there a possibility that the clinical margins can go up as our scale gets bigger in this segment or the operating leverage benefit does not necessarily work for a clinical segment?
- Srinivasan H.R.:** The clinical merging for us will definitely go up and it all pertains to the use of technology and not only scale, so when Ram has been speaking to you about the one clinical platform it is actually using a lot of automation and reducing the number of persons and we will therefore be pushing the margins up in clinical. We have actually done that successfully. For the volumes that we do, the clinical margins should not be where it has been, it should not be even in the mid teens it should be lower, but we have been able to push it to the mid teens only because we use a lot of technology. As we move more and more and get more volumes this will tend to towards the 20% range, so while the overall percentage may be between 20% and 21% that range the use of automation is what gives us margin expansion here.
- Suhani Doshi:** Understood that. Thank you so much.
- Moderator:** Thank you. Our next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.
- Sarvesh Gupta:** Congratulations Sir on a good set of numbers. Sir first question in this AGM there was this resolution of Rs.750 Crores of additional equity fund raised, so what does that pertain to?

- Srinivasan H.R.:** Now that is just an enabling provision. For a company that is on a high growth trajectory this enabling provision if you actually look at our last 10 AGMs you will find this resolution in every AGM, so it is just an enabling provision it does not mean that we will act on it, so you should go and look at all the previous AGM notes and you will find that this resolution features every year. It is not new, but I can assure you that there are no immediate plans of any form of capital raise.
- Sarvesh Gupta:** Secondly since you have like four targets in mind, so what can be the ballpark range of acquisition amount that you would be required to pay if you choose to select any these four?
- Srinivasan H.R.:** I do not think we are at that stage where we can reflect on a number because all of them are not in the same type of business, one could be a technology platform, one could be a services business in clinical and they will all operate with different numbers. Since we have not zeroed in on the amount I do not think it would not be appropriate to hazard a guess on that. I can certainly tell you that the targets we are looking at the revenue range are anywhere between 20 million and 35 million in revenue terms. That is where the target range is currently.
- Sarvesh Gupta:** Would it be right to say that this Rs.250 Crores allotment that we did would be sufficient to fund this round of acquisition?
- Srinivasan H.R.:** As I told you I cannot hazard an exact number, but whatever be it our current cash balance and if required we are a very under leverage company, if anything additional is needed even in terms of growth capital I think our first resort will be to leverage and not to raise equity.
- Sarvesh Gupta:** Understood Sir and lastly on depreciation so right now we are targeting around Rs.33 odd Crores per quarter, so is this kind of sustainable depreciation number going forward?
- Srinivasan H.R.:** Subhasri you want to answer that.
- Subhasri Sriram:** I think this is what we had also budgeted from term from a capex point of view this is more or less in line with what we have planned for and we do not expect more than what we did last year.
- Sarvesh Gupta:** Last year we did around Rs.100 odd Crores.
- Subhasri Sriram:** Rs.104 Crores. This year we will probably have Rs.110 crores.
- Srinivasan H.R.:** This quarter then in some ways is a bit higher than the average of the next three?
- Subhasri Sriram:** Not average it will taper off at the end of Q4.
- Srinivasan H.R.:** How much of this is towards fixed assets and how much of this is towards intangible assets?

- Subhasri Sriram:** More or less 50:50.
- Sarvesh Gupta:** Thanks a lot. Thank you and congratulations and all the best for the future quarters?
- Moderator:** Thank you. Our next question is from the line of Saket Saraogi, an Individual Investor. Please go ahead.
- Saket Saraogi:** In the earnings release on the website of the company there was a slide page number seven, which was talking about the M&A deals like the consolidation in the sector that is going on could you throw some light on that what exactly the company needs to intend to say by this slide exactly?
- Srinivasan H.R.:** That is a slide that basically talks of what is happening. It is intended to give an industry picture, so what we are trying to say is that the larger companies are trying to consolidate for size and they are also trying to get technology capabilities because only size based consolidation is not helping them in terms of margin improvement. The second takeaway from this is that there are a lot of technology services companies that are trying to add CRO capabilities to them or vice versa and there are also IT companies, which are trying to get capabilities, which are very specific in the life sciences space, so it is actually at the intersection of life sciences companies such as ours, technology companies and CRO players and there is a good mix of activity that is taking place. The third takeaway is that the current acquisition let us say valuations that prevail are little aggressive and we are just trying to context that we need to be absolutely EPS accretive as far as we can before we move ahead with the transaction so while we are cognizant of doing the transaction we are not showing undue anxiety in moving towards it. This is just a context what is happening in the space, in technology, in services, and in the CRO landscape.
- Saket Saraogi:** You told about the larger companies so our company would fit in which kind of bracket our company from the mid set company, small set company or which size?
- Srinivasan H.R.:** When I say the larger companies they are the ones that are a few billion dollars in revenue size. We closed last year at just short of \$250 million so I do not know whether we should call ourselves mid or small it is relative context, so I will just leave you to decide where you would want to bucket us.
- Saket Saraogi:** Sir regarding the supply chain part like last some six quarters I have been hearing that you would be diverging this company and diverge this part, so is there anything on table as of now regarding this?
- Srinivasan H.R.:** Subhasri you want to take this question.
- Subhasri Sriram:** We have a few interests right now, but I would probably prefer to come back after the deal is actually done, lot of discussions going on, but nothing closed at this point of time.

- Saket Saraogi:** We do not have any timeline by which we feel that it should be done?
- Subhasri Sriram:** At least one part out of the two units which we have, should get done before this financial year.
- Saket Saraogi:** Why I am asking this because what I feel is that our company is trying to specialize in a particular sector and this supply chain part being too small so maybe it is taking the bandwidth of the management to address this part of the business, so what do you feel that is it something like that?
- Srinivasan H.R.:** There I can address that it is not taking away much of the bandwidth, but you should understand that certainly it is a distraction and unless we put it in its proper place soon it could move from its current profitable low EBITDA state to a large state, so even in our own interest we want to see that it goes to the right spot.
- Saket Saraogi:** Thank you so much.
- Moderator:** Thank you. Our next question is from the line of Pavan Ahluwalia from Laburnum Capital. Please go ahead.
- Pavan Ahluwalia:** Just a followup to Subhasri from one of the questions asked so the Rs.100 Crore depreciation of 50 tangible and 50 intangible that 50 is just the goodwill on the balance sheet being amortized right?
- Subhasri Sriram:** We are not talking about goodwill. It was tangible assets and intangible. It was a license and product development and the equipments and machinery, which we are talking about.
- Pavan Ahluwalia:** If you show the intangible assets other than goodwill separately on the balance sheet?
- Subhasri Sriram:** Yes it is there as separate item on the balance sheet.
- Srinivasan H.R.:** It is there and it is reduced.
- Subhasri Sriram:** It is a separate schedule for tangible and separate for intangible.
- Pavan Ahluwalia:** Thank you.
- Moderator:** Thank you. Our next question is from the line of Saurabh Bothra, a Retail Investor. Please go ahead.
- Saurabh Bothra:** Congratulations for your good set of numbers Sir. I just wanted to ask the Indian Pharma sectors are bottoming out how you see as a company that could you help in the Indian Pharma sector and you were saying in the last meeting also that you will do the acquisition so how can the acquisition will be deal out?

- Srinivasan H.R.:** Sorry I did not understand the second question can you come again?
- Saurabh Bothra:** You have said in the last meeting also in the last concall also that you will do the merger and acquisition so when can we expect the merger and acquisition?
- Srinivasan H.R.:** I will answer the second question first. I think the merger and acquisition is not an activity that we can make it extremely time bound whether it will be done by this because we need to be cognizant that it is going to add value to the shareholder and to the business, so we have to take into consideration what kind of assets we are looking at, enter into discussions, look at the appropriateness of that asset, look at the strength that we have to be able to grow that asset, look at the possibilities of integration with our business and the ability to create revenue synergies. Acquisitions for cost synergies generally do not help we need to be able to create revenue synergy. This is a slightly complex process and unless we are very convinced that we have answers to all of them we will not proceed. All I was calling out in this meeting was today we seem to be talking to a bunch of assets, which look promising from these aspects, so therefore we feel our ability to close the deal soon will be better. On the other question on how we can help India Pharma, I think I am going to request my colleague Ram to take that question. Ram can you please take the question.
- Ram Yeleswarapu:** Sure Sri. So basically it is indeed true that if you are a pure play generic Indian Pharmaceutical Company, the competition has certainly gotten stiffer and stiffer and then of course there is a pressure on the margins, but if you kind of notice evolution of Indian Pharma, which we certainly are witnessing from our vantage point, we are witnessing the same Pharma now invest in biosimilar compounds, so these are higher revenue potential opportunities for the Pharma and if you look at the top leading brands of Indian Pharma now pretty much everybody has a vertically integrated strategy of some sorts not just being a pure generic pharma player, but also having biosimilar strategy, which are the generic equivalents to biologics mostly monoclonal antibodies for cancer therapy. These are widely used four rheumatoid arthritis, plaque psoriasis or several indications where the biosimilar compounds are effective and these are high revenue generators for company, so Indian Pharma is evolving and we are absolutely closely in step with India Pharma evolution, we are excited to state that we are working with a number of these leading Indian Pharma across a number of exciting projects as we speak and we see that will probably steadily grow, so that is how we see the evolution.
- Saurabh Bothra:** Sir my next question is the Indian Pharma is facing the pricing pressure so how they will be resolving in the coming quarters Sir?
- Ram Yeleswarapu:** It goes back to what we were mentioning earlier right and Sri had earlier answered a question when came to the expansion in clinical and our ability to generate additional margins in the business as we grow clearly I think technology and automation is the answer. Indian Pharma has quickly realized that as well. tech and automation to the labor force should be inversely proportional. It is as clear as that and we see Indian Pharma now investing steadily not just because of regulatory pressure because the

USFDA being right there, but it is also because of the fact that the margin pressure they absolutely have to resort to leveraging technology and automation and we see those investments happening. May be initially that this will probably cause a setback, but in the long term this is what will result in better margins.

Saurabh Bothra: Thank you Sir.

Moderator: Thank you. We will take our next question from the line of Ravi Purohit from Securities Investment Management. Please go ahead.

Ravi Purohit: Thanks for the opportunity. Most of my questions have been answered just one question on the receivable days so I think we have been guiding in the last few concalls that you have been working on reducing our receivable days any progress and what would be that for this quarter end as we speak today?

Srinivasan H.R.: I think this quarter it has gone up from the last quarter. Last quarter we were at around 93, now it is at about 104. The industry receivable days are generally between 90 and 120, so we are there, but we want to be in double digits closer to 90. Unfortunately, last quarter we tried very hard and we were at 99 unfortunately now we have gone up again to about 104 days.

Ravi Purohit: Thank you so much.

Moderator: Thank you. Our next question is from the line of Samarth Sanghvi from PhillipCapital. Please go ahead.

Samarth Sanghvi: Good evening Sir and congratulation on a good set of numbers. My only question is with respect to trying to understand the valuations that with some of the transactions in the M&A space have occurred in the space that you are looking at if you could please throw some light on the valuations that have happened in the past or in the recent past Sir?

Srinivasan H.R.: The range is very wide, so I cannot give you a median, but if I were to use EBITDA as an example there have been transactions like eight times EBITDA to there have been transactions at 18 times EBITDA. There have been transactions from one time sales to transactions at four time sales, so if that helps in anyway, but unfortunately we cannot lay our hands on what is the median valuation because each of the assets have been looked at differently and the types of buyers are also different. Whenever the buyers have been larger CROs or the PE firms, we have seen that the valuations have been at the higher range. Wherever the buyers have been smaller companies the valuations have been more conservative.

- Samarth Sanghvi:** Would it be fair to say that our indication would also be somewhere to look because is it something available cheap in the market. I just want to look at a flavor of the kind of companies that you would be interacting with, is there anything available at a fair valuation probably looking at the synergistic aspects that you are seeking?
- Srinivasan H.R.:** All I can say is that our strongest endeavour to do will be to do a deal that is EPS accretive. Beyond that it would be very difficult for me to hazard a guess because we have not arrived at any consensus valuation with the prospects that we are talking to.
- Samarth Sanghvi:** That is fair enough Sir. Thank you so much Sir.
- Moderator:** Thank you. We will take our next question from the line of Nikhil Upadhyay from Securities Investment Management. Please go ahead.
- Nikhil Upadhyay:** Good evening Sir and congratulations on good set of numbers. Just one book keeping question, so Subhasri madam mentioned our depreciation would be around Rs.110 Crores, Rs.100 Crores, so our capex would be similar to what we did last year?
- Subhasri Sriram:** Last year as we had explained that we had a few investments in facilities. We had BA/BE facility, which came up in Chennai. We also had some expansions in our Bengaluru. This year we will probably have more of equipments and not necessarily in facilities and obviously it will be more in terms of technology. Investments in terms of upgrades, etc.
- Nikhil Upadhyay:** Ballpark we can say 100 to 120 to 130 kind of a capex, which we are doing on a regular basis?
- Subhasri Sriram:** The depreciation, which is close to about Rs.104 Crores last year and the Q1 it has been 30, we do expect that it will still be not more than Rs.110 Crores.
- Nikhil Upadhyay:** The larger question here is because if I look at it from now on in terms of the cash, which we are generating based on a very strong growth probably from this year onwards with a lower capex and a slight control on the receivable days or even if they remain at the last year number we would start generating good enough cash flows, which might help us with the acquisitions, which we are doing, so when you said that this Rs.750 Crores of enabling resolution, which we have taken and it would be a debt also, which we would be doing, so do we think that is probably a more of a mix of debt and internal accruals would be pretty good enough for \$100 million kind of acquisition, which we are doing in terms of sales?
- Srinivasan H.R.:** The question has two parts saying what would \$100 million acquisition cost and I do not think we can guess that. I also called out saying that we are not looking at an asset that is \$100 million at the moment. We are basically looking at assets that are between \$20 million and \$35 million that is the

range that we are looking at. For that we have the cash available in the system both in terms of cash in the bank and internal accruals and we are under leverage company, so if at all we want we will be only using leverage, this is only an enabling provision and that we do not intend to use that provision or raise capital at the moment.

Nikhil Upadhyay: Thanks a lot Sir.

Moderator: Thank you. Our next question is from the line of Nirav Dalal from May Bank. Please go ahead.

Nirav Dalal: Thank you again for the opportunity. Just a couple of book keeping questions. If you give us the breakup of other income what would be the investment income and what will be the forex gain in that number?

Subhasri Sriram: The other income is predominantly income from the investment so both in terms of bank interest and an element of dividend income from mutual fund investments.

Nirav Dalal: Very quickly in terms of the ETR this quarter it was lower so for the full year should we expect something around 16%?

Subhasri Sriram: Yes. This was a little bit below 15%, 14.9%, but we have looked at it. Keeping below 15% will be tough, but not where we are.

Nirav Dalal: So, 15% to 16% should be what one should have?

Subhasri Sriram: That is what we are working for.

Nirav Dalal: Thank you.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the floor back to the management for closing comments.

Srinivasan H.R.: Ladies and gentlemen thank you on behalf of the management team at TAKE Solutions. We were happy to take you through the 1QFY2019 numbers. If you do have any further questions, feel free to write to us on mail. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, on behalf of Ambit Capital that concludes this conference. Thank you for joining us. You may now disconnect your lines.