"TAKE Solutions Limited 4QFY2017 Earnings Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to the TAKE Solutions Limited Q4 FY'17 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 the questions after the presentation concludes. Should you need assistance during the conference call please signal for an operator by pressing "*" then '0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sagar Rastogi from Ambit Capital. Thank you and over to you Sir!

Sagar Rastogi: Thanks Inba. Good afternoon everyone and welcome to the TAKE Solutions 4QFY2017 earnings call. I now hand the call over to the management team led by Sri. Over to you Sri!

Srinivasan H.R.: Thank you Sagar. Good afternoon everybody. I am very pleased to welcome you all to the TAKE Solutions earnings call for the year ended March 31, 2017. My management team is here with me. I would like to share some high level numbers but before that I thought in this call it is very important for us to context at a macro level what TAKE Solutions has been doing in the life sciences space.

I want to call out a few high-level data points that you may want to understand. We have been involved in 300 plus successful drug launches of which 200 plus are innovative products and 100 are generic products. In terms of regulatory submissions approval, the order of magnitude productivity improvement that we have given is for 40%. We had a zero refusal to file for all the submissions that we have serviced, which means that every submission, which we make has been accepted by the relevant regulatory authorities.

We make more than 40 organisations compliant on pharmacovigilance with reference to the current standards. We have done more than 400 strategic consulting engagements. We have done more than 330 clinical studies and we have done more than 1,000 bioavailability and bioequivalence studies so just to context that the business impact of what we have done is tremendous and continues to add strong value to our clients.

I must also say that we have been audited 25 times by different federal inspection agencies globally, including two during the financial year that went by. One of them with the FDA and we had zero observations or no 483s even during an FDA audit, so this is to layout the qualitative and the impact landscape that TAKE Solutions operates on.

Now let me move on to the financial highlights. I think year-on-year was a very impressive growth so it was about 30.5% in rupee terms and 27.5% in dollar terms. Our Life Science business grew by 39% year-on-year and profit margins also were very good. So we ended up with a profit of Rs130 crore on a revenue of Rs1, 344 crore.

I have to context this PAT Rs130.7 crore that last year the Rs119.65 crore had an exceptional gain on sale of assets of Rs18 crore, which happened during 1QFY2016 so we have to adjust for

that and we have to adjust for the clinical expenses so at the management level we are very pleased with the impact we had on both the revenue growth and the profitability.

The second area, I want to call out is the very impressive performance of Ecron Acunova. So I want to tell you that for the quarter we have crossed more than Rs50 crore in revenue for 4Q and the EBITDA margin has come to close to 16% from 9.5%. So we are tracking exactly on the EBITDA margin of Ecron Acunova very well. The order book stands at about 144 million at the end of FY 17 that is up from 103 million that was there on March 31, 2016. We have added nine new clients this quarter and we have added two customers in EU who will be both giving us the over ten million each though they are a mid-sized company.

On the manpower front, we had some significant additions. We have had two very senior leaders joining one is Dr. Krishnan Rajagopalan. He has joined us in our US office as Chief Growth Officer. He is a Doctorate in Bioorganic Chemistry and then with the Harvard Medical School and Harvard Cancer Research and has strengths in TA consulting emphasis in several organisations for leadership in Life Sciences. We have also had the addition of a gentleman called Michael Garber as our Advisor for sales and marketing and he is playing full new sales and marketing architecture for the enterprise. Michael Garber is an ex-Accenture WNS. So we are really upping the way in which we reach out the market and the offerings have also been strengthened considerably. So net, net we are sitting on a very good building block for a future growth so that the ambitious plan on pinnacle that we laid out is achieved.

On the margin side I think while you see a small drop during the course of the current quarter that because of the pinnacle effort which happened still we are tracking quite well and I expect that over the next year we may be expand margin by about 100 basis points or thereabouts. For more on the Life Science business I would request my colleague Ram, CEO who is on the call to take over from here and give us some details on the Life Sciences, over to you Ram!

Ram Yeleswarapu: Thank you Sri. Good afternoon everybody. I just wanted to make a couple of comments on the trends in the market. Just continuing on the foundation laid by Sri essentially on the facts and figures and the qualitative impact we delivered to Life Sciences customers on a global basis. Wanted to just give you a little bit of an additional context of the industry and the market environment.

Biopharmaceutical customer's biotech and pharma are increasingly seeking simultaneous approvals and product launches in multiple global markets increasingly and they are actively seeking comprehensive solutions and services across the board. The market realities are actually compelling and requiring companies to be quite innovative, responses and collaborative in the need to process data and leverage actionable insights deliver value and superior outcomes.

The spend itself for the biotech and the pharmaceutical development is expected to be roughly about $114 billion US in 2019 and the outsourced component of the development spend is projected to grow at a very healthy CAGR.

Now in an increasingly complex environment right for the clinical trial and the drug development environment, we are now requiring a clinical scale exceptional scientific expertise and therapeutic depth, clearly I think the market is looking for differentiation and that is really important to create immense value for the shareholders of the biotech and pharma. In other words, ensuring that the clinical trials are being run for the compliance standards laid by global regulators to be able to actively and effectively collect clinical trial data to package and make effective submissions for approvals all these are being looked at with the completely different length today than ever before. And this scrutiny and this aspect of rigor are only expected to further amplified over the next several years.

Now if you look at the industry, the data service aspect of the CRO industry certainly growing at a very steady cliff. The EBITDA margins for some of the front liners if you will have moved into the 25% to 30% range and the multiples of these companies have sold to a very impressive 13 to 15 times on the valuation side. So very clearly, the performance is being rewarded in an extremely healthy manner and that is to be noted here and the frenzy of mega deals clearly shows of the industry is quite bullish in its outlook and as I mentioned clearly rewarded innovation being built-up.

Now what does this mean for us? This bodes extremely well for us ladies and gentlemen, as we execute the pinnacle strategy and look to capitalize on the momentum your company is ideally poised to actually reap the rewards of this as we look ahead for the next several years.

Now having set the context of the market and the factors that are influencing the market in a very positive manner, let me quickly touch upon some highlights of the Life Science business segment.

Touching upon the topic of the IDMP, which we have been addressing all along. Just wanted to let you all know that the referential management services and the organizational management services two components of the four different categories of the launch of IDMP, two of them are actually going to get launched by the European Medicine Agency towards the end of this month, May 2017. The other two, which are to do with the product category and the substance category, related information that will go live in 2019. So there has been a shift or a delay on the regulatory agency side and they wanted to seek out a little bit more stability of the systems before going live.

So, at this point end of this month, we have two modules going live by the agency side and two other modules to go live in 2019. We are absolutely tracking very well on top of this we are continuing our consulting efforts or solutions coming along very well and our interaction with customers and IDMP front continues to surge.

As we mentioned it was an extremely rewarding quarter for us. We added nine new customers and one repeat order from an additional 12. We initiated 23 different studies. We won a significant multi-year, multi-country study, renewed an order from a pharmaceutical consortium.

March was an exceptional month for new orders. We experienced a surge in pricing of orders from customers and these customers wanted to prioritise several of their projects with us. As we mentioned again the regulatory audits that have been conducted at our premises have all gone through flawlessly. Very clearly that is a statement of confidence that we laid across to our customers. So we are certainly experiencing an increase in surge in orders as well as the price points for these orders again boards extremely well for who we are and what we intend to achieve over the next several years.

A quick note about the clinical data integration and aggregation effort again this is a topic we have touched in the past a couple of times, we are extremely excited. This particular topic continues to be a perennial industry issue. There are no comprehensive solutions in the market place that addresses this uniquely or as uniquely as we do and we are extremely excited. We have doubled up on our efforts here we are doing several different engagements with multinational companies' biotech and pharma and the outcomes have been extremely successful the outcomes result in enhanced quality and timeliness of the availability of clinical trial data for effective decision making.

It is also important that the GCP, the Good Clinical practices around the compliance of clinical data for the revised ICHP-6 guidelines are met and this is now becoming a mandatory effort for the industry. Once again the path is very clear, we follow regulations, we follow the signals or the roadmap laid by the global regulators and we are steering your company in the right direction by ensuring that our solutions and services are absolutely built for purpose to address these global regulations and compliances.

Couple of other points, in December 2016 the USFDA mandated the use of CDISC format for all of the electronic submissions whether it is a generic pharmaceutical company or an innovated drug company, pharma is expected now, mandated actually, to submit clinical data in all the regulatory submissions in the CDISC format. This is extremely encouraging and exciting. As you are aware your company has been doing this from the early inception, the early days of 2000, when CDISC was being discussed and mentioned and we have been tracking this by being an integral part of CDISC as a very strong rich and the longstanding partner of CDISC. And so that is again leading to fruition here when we are ideally equipped to service our customers and ensure that they are compliant with this mandate by the USFDA.

Lastly, our numerous marketing effort and campaigns and webinars were delivered during 4Q. We covered a range of topics for the industry, engaged several thought leaders as part of these webinar and knowledge share efforts. Topics included clinical data standardisation labeling and artwork services and establishing the significance of quality management systems and solutions and services like IDMP and ICH-6.

Thank you so much.

Srinivasan H.R.: Thank you Ram. I think that was a good perspective of where the industry is headed and how we performed in the recent past on that industry. On that note, I think we have given highlights but we are very happy to address questions that you all may have so I will now pause for questions and my management team and I are happy to answer them.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Sagar Rastogi from Ambit Capital. Please go ahead.

Sagar Rastogi: Thanks for taking my question. Sri, could you comment on your revenue growth outlook for FY2018?

Srinivasan H.R.: Certainly, Sagar. I think we certainly are looking at building on this growth outlook somewhere in the 20% to 22% organic that would be the outlook that I would look at, basis the order book and basis our ability to execute.

Sagar Rastogi: Thanks and on margins, I heard you say that you expect 100 basis points improvement in margins. Sri, my understanding is that your strategic initiative expenses that should be lesser in FY2018 as compared to FY2017 should itself should boost your margins by around 100 basis point?

Srinivasan H.R.: Yes, so Sagar just to tell you the total we had budgeted for the clinical initiative was Rs31 crore and we have so far spent about Rs13.5 crore for their account. We may not end up spending all of that. We just announced several leadership changes that we have made and addition to the leadership, so some of them may have certain one-time expenses to commit to kind of turbo charge this especially on the sales side. At this point of time, we do not have a quantification on that so therefore the pinnacle expenses have not been released back into this system for margins we just keeping it there.

Sagar Rastogi: Understood. And just one more on the supply chain management business, you wanted to sell it any progress there?

Srinivasan H.R.: Yes. It has been frustrating but now I am happy to tell you that we are in the stage of documentations so it is certainly happening now. The lawyers on both sides are doing the documentation so you should expect during the current quarter one to get over, deliver money exchange.

Sagar Rastogi: Thank you.

Moderator: Thank you. The next question is from the line of Nirav Dalal from Maybank. Please go ahead.

Nirav Dalal: Congratulations for the good set of numbers and thank you for the opportunity. I had a question with regards to the large deals. One is that you spoke about a significant multi-year, multi-

country study and then you also talked about two European new clients so if you could just elaborate on that when do the revenue start to come and how big is the size?

Srinivasan H.R.: So both are basically EU-based deals. So one was multi-country and one was may be more focused around the Germany area and the both deals are marginally above ten million dollars and each lasting about two years and that is how that would be the nature of the deal. So it is from mid-pharma it is not from the top ten-pharma companies in the world but these are certainly very good pharma companies well reputed pharma companies in the mid-pharma segment.

Nirav Dalal: Okay and is this a part of the three or four that you spoke about in the last quarter that you been bidding for or this is out?

Srinivasan H.R.: One of them is, and one of them is not. So what I mean is the part of the deals that we have bid for and we are hoping for closure and one of them just happened in quick time.

Nirav Dalal: Then so what would be your any large deals in the pipeline?

Srinivasan H.R.: Yes, there are several. There are more than half-a-dozen at this point of time. I am happy to say that if you look from April of last year to April of this year, there has been at least four deals that we have closed, including the two that I have just said which have been large ticket ones, so I am able to now substantiate confidently that the traction towards the large deals is happening and we should be seeing several more in the next few quarters.

Nirav Dalal: So these are net new deals?

Srinivasan H.R.: Yes.

Nirav Dalal: Okay and regarding the margin question. I just wanted to check with you in terms of the other expenses that spiked in the quarter of that I believe 30 million – 35 million would be the pinnacle and the rest would be additional expenses, if you could comment on that?

Ram Yeleswarapu: In terms of expenses, the pinnacle is about Rs13.1 crore and as far as other expenses are more or less same in line with there are no one-time expenses. As Sri has mentioned, I think we need to take cognizant fact that certain scaling up of expenses and other things are going up, but I would call it as a direct pinnacle but this basically is the way business will operate in future so there will be certain amount of expenses going up which probably the full benefit will come in a couple of quarters from now.

Nirav Dalal: Okay and if I can squeeze in a couple of questions with regards to depreciation and taxation if you could give your comments?

Subhasri Sriram: Yes, we continue to have the three-year amortization policy for both the tangible, intangible, amortization and depreciation. We have also had a few assets, which three years ago, which are

taken in and which have been fully depreciated off, has been taken off both from the gross block and from the depreciation block. As far as tax rates, continue to be very efficient but I think some of the businesses in US have now become I think we are fairly moving into the no carry forward benefits and I think location wise tax impact is now coming up. I would say the positive sign, which we should be able to deliver over and above the tax rates.

Nirav Dalal: So an ETR of anywhere close to 13% to 15% is what we should aim?

Subhasri Sriram: Yes, 15% should do but we will get a benefit for this but the benefits are as I said carry forward, SEZ benefits and others, which may not be as efficient as it was in the past. PAT level there might be certain impact, which we will have to overcome.

Nirav Dalal: Right. And just one confirmation Rs13.1 crore is for this quarter right, the pinnacle?

Srinivasan H.R.: No.

Nirav Dalal: For the first half right or second half?

Srinivasan H.R.: No, that is March 31, that is off the budget we have spent so much is what I was saying. Rs31 crore was budgeted for the pinnacle and Rs13 crore is being spent for FY2017.

Nirav Dalal: Yes, that is what I was confirming actually in terms of the other expenses. Okay thank you I will come back with more questions.

Moderator: Thank you. Our next question is from the line of M Hariramani of Pi Square Investments. Please go ahead.

M Hariramani: Thank you for the opportunity. My question is more on the long-term outlook, we had ones guided for a sale of around Rs,500 crore in FY2020-2021 so are we still re-iterated that or we have little more guidance from here on?

Srinivasan H.R.: No. It is not Rs500 crore. It is 500 million dollar US, and we are in line for that, so we currently as a company are at about 200 million and I think we certainly have all the building blocks to be aiming for that.

M Hariramani: Okay and how many more deals will we foresee from here on like next two to three years we have a guideline on that?

Srinivasan H.R.: I am actually not able to hear you properly so can you repeat that question?

M Hariramani: I was asking about the deals. Do you have any outlook on the number of deals we wish to sign every year like this year we have done well with the four deals out of which two we were large, so any more deals we have in the pipeline for the next few years?

Srinivasan H.R.: We have several deals so the nature of the question I will answer it in two parts. First most of our deals are multi-year deals unless they have pure consulting engagements, which lasts may be half a year or three months and the rest of them generally tend to be multi-year deals and repeat deals. It is only the scope of services and the size of these deals that we are trying to examine to increase, which is steadily increasing. Even now the pipeline we have several deals that are very chunky in size and we hope to be converting. Over the last one year, I did mention that we converted four quite chunky deals and if this trend continues, we should be able to convert some out of them as we move along.

M Hariramani: That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Suhani Doshi from Edelweiss. Please go ahead.

Suhani Doshi: Good afternoon Sir. I wanted to ask you about this IDMP module, which you announced for the May end can you, help us with the monitory implications of this for your business?

Ram Yeleswarapu: If you look at the impact of this, let me take a certain approach and guide you alongside so you will understand the full implication of what we are discussing here. This particular mandate of IDMP is going to be impacting manufacturers across the globe, which have a desire to tap into the European market to commercially sell their medicines in the European market and it is obviously being driven as a sequence of patient safety. It is going to impact every entity not just the manufacturers but all the entire ecosystem of support system of the manufacturers going to get impacted. If I were to give you an example of a single pharmaceutical ingredient that, for example, goes into creating three different products that get marketed across 50 different countries in four different pack sizes, we are suddenly talking about six hundred entries just for this one single ingredient. So the monetization aspect of such opportunities come in multiple different flavours, there is an aspect of discovery, assessment gap analysis and filed what we called consultants. The consulting gigs could range certainly in the mid, the half million mark up to the million mark. Just to give you a range so that you have some ballpark idea and this discovery and assessments depends again on the product portfolio of the customer and how extensive of a portfolio they have and how extensive of these ingredients and which parts of the world and where are they sourcing their APIs from so on and so forth. This is only part one or one flavour of the potential monetization aspect. The second aspect would come in a deployment and support of the technology solution, the master data management solutions and that itself is going to be a Herculean effort. Again, as I gave you a context of the volume of the data to be stored etc., the infrastructure requirements, the solution itself and the complexity and the volume of what we dealing with is quite significant. So we are talking about a multimillion-dollar gig for customer and this as I said has a universal impact.

Suhani Doshi: Sir, have we already started our negotiations with clients with respect to this module?

Ram Yeleswarapu: Yes, we are absolutely snapped up in the middle of several conversations, as I said two of the referential management services module and the organizations management services module

those two modules are going live at the EMA, the European Medicine Agency towards the end of this month. So, the short answer is yes. The long answer is this is now been split into two different buckets from a launch day perspectives. Two of those categories are getting launched end of this month. Two others are getting launched in 2019. So anywhere between now and the next several years there is going to be a flurry of activities and investments in this area and we are in the middle of several conversations.

Suhani Doshi: Sir, if I want the break-up this opportunity in the two buckets which you mentioned what would a more profitable or a more revenue-wise profitable for you guys the one which is launching in the May or the one which we see coming two years from now?

Ram Yeleswarapu: All of it, there is no reason why we would want to segregate or isolate one versus the other. The entire thing should be looked at as a package. My reason for presenting or pottering in this manner is to just to let you know that this is going to be a long stretch. This involvement is not a start and the stop that gets started and stopped in like ex-number of months this is ex-number of years now. So suddenly we are looking at a multi-year effort and so there is no specific aspect of a profitability related to module one or module two but if I were give you a context of where the revenue and the margin opportunities would lie clearly it is in the deployment of the comprehensive solution not at the consulting part. The consulting part is just to get started that is just a warm up to a customer to exhibit thought leadership to be right in the middle of activities they prepare for it and then the launch aspect of it is where the big deals are.

Suhani Doshi: Okay and while lasting on this so there would be other competitors in the market who would be addressing the same issues right?

Ram Yeleswarapu: Yes.

Suhani Doshi: Are there many or is it like a niche, which can be serviced by only a couple of players in the market?

Ram Yeleswarapu: So it depends on how you evaluate the competitive landscape while the claims can be made by several people or several competitors, the way to look at this is that the subject matter knowledge will clearly isolate the top performers versus the “Me2” players and so you have to look at it from a length of saying who understands the business very well. Who has been being in this business for let say a couple of decades versus who has surfaced overnight to try and capitalize this as a short term quick opportunity. So that is where you need to draw a distinction and we fall certainly into the category of having made long term investments and build over a period of time.

Suhani Doshi: One last thing is it possible to give a rough estimate of the opportunity side and the market side?

Ram Yeleswarapu: So very clearly I think the way the math needs to be done is there is about a 120,000 products just to give you a sense again for the market size 120,000 products and I gave you that each product has multiple ingredients each ingredients if it dips into multiple products multiplied by

number of countries where the product is available times the number of pack size the product is launched in certainly the numbers are gigantic. So the way to look at this is a few million dollars as an effort per company for sure and so if you do a math of saying couple of million dollar times and number of marketing organization holders in Europe that should give a ballpark sense right, so that is where I would leave it to your imagination now to kind of do the math.

Suhani Doshi: Thank you. That is, it from my side.

Moderator: Thank you. A next question is from the line of Varshit Shah of Centrum Broking. Please go ahead.

Varshit Shah: Thanks for the opportunity. Just wanted to understand that Ram just mentioned about some surge in pricing so could you just elaborate more from which geographies and which particular service line you are witnessing this and what is the reason behind it? Is it some incremental spends coming it on that clinical trial leader which is driving this or is it something else I mean or any regulation, what is the reason behind this rush from the company to accelerate their process?

Ram Yeleswarapu: So couple of different dimensions, very clearly there is a regulatory push. The push by global regulators for enhanced compliance, new regulatory mandates, are causing companies to really scramble to say that I need to certainly kind of a) abide by and comply with the regulations so that my chances of getting my drug approved are increased dramatically right that is No.1. b) The second thing is there is enormous pressure and competition even of course between or among biotech and pharmaceutical companies. So in their quest to try to beat competition to try and get the clinical trials into the mix of thing if you will they are all competing for the same sets of patient population if you will, they are thinking alike in terms of how they want to divide the protocol, design the study strategy etc., so it is a number of different factors. If I want to summarize them one is a regulatory push, which is intensifying pretty much and not letting out and the second is fierce competition among biotech and pharma are trying to operate in therapeutic areas and indications of interests and they are all clustering towards the usual thing suspects the oncology, cardiovascular, immunology, so on and so forth right. So that is No.2. The third thing is more people are wanting to do more with the data right, to comply with the quality tolerance limits or also called critical to quality factors laid down by a ICIC-6 more people are wanting to kind of make sure that the quality agreement is signed with the beginning of a study are measured and monitored during the conduct of the study. So those investments are happening at a steady pace. So when you look all of this and aggregate customers are queuing up saying its worth the investment because they believe in their molecule and they believe that that could be a blockbuster drug for them and so they do not want to take any chances in terms of the investment of the spend they need to commit to it.

Varshit Shah: Is there any particular sub-segment which you are witnessing a higher surge in pricing for example the data management or the data integration or you are on the trial side so any particular subsegment which are witnessing across the board?

Ram Yeleswarapu: Yes, the one key area that is standing up is clearly the area of monitoring, central monitoring as we call them. There are a couple of different ways it happens. So rather than look a data management it is about, which is also by the way is a segment that has been impacted and will continue to be impacted. There are couple of areas so one is monitoring, which is in the traditional sense, which used to be a high cost item if you will for biotech and pharma but not a major value added thing and that entire mechanism is being shifted towards automation and leveraging technology platforms to drive the monitoring. So the concept of central monitoring or remote monitoring risk based monitoring these all are taking front-end center to how biotech and pharma are thinking about conducting the clinical trials. So there is enormous spend No.1 in this area, No.2 the larger to mid sized companies are very keen on pooling the data assets, for a long their studies were being run multiple platforms, different source systems, different technology platforms and there is no uniform collaborative way of pooling all these data to draw actionable insights. So again there is an investment that is an investment bucket where we see a lot of money going in. So all and all it is all about the data and it is all about manual practices turn into automation.

Varshit Shah: One more question to Srini. Suppose we have divested in the same business whenever it happens what is your plan to use about the proceeds from the sale? I mean you are going to repay the debt or you keep the cash in a book and may be look at think about it later? Anything, which you have taken a call on that?

Srinivasan H.R.: It will be cash in the books and will be consumed in working capital in other expenses. You need to understand that our debt is not a rupee debt and it is structured so we do not really need to be in a hurry to repay the debt. Even from our overall debt strategy I think if you look at on net debt to equity we will be something like 0.1 so we not exactly leveraged to push for closure of the debt amount.

Varshit Shah: One small question actually I missed I did not could hear clearly that the order book number so could you please repeat that?

Srinivasan H.R.: It is 144 million.

Varshit Shah: As on March right?

Srinivasan H.R.: Yes.

Varshit Shah: Thanks that is it from my side.

Moderator: Thank you. A next question is from the line of Charlie Erith from Asia Focus Fund. Please go ahead.

Charlie Erith: Hi Sri. You have been making substantial new hires in the business and I wonder if there are any clinical obvious gaps that need to be filled in terms of hiring program?

Srinivasan H.R.: The answer is yes. We need some couple of leaders in the clinical space because that is a space that is growing at an accelerated cliff and we believe that we will need leaders there. We will need a leader in our HR practice because the way we are growing in for talent development I think that is an area that we are certainly calling out. At the senior level that is where it will, we will have a number of other people in the middle and junior levels coming in primarily more on the sales side and as business picks up to consummate delivery end will kick in but senior leadership just restricted to clinical and the human resources.

Charlie Erith: Could you provide us a bit more detail on how the cost of sales and other expenses breaks down for me in your P&L?

Srinivasan H.R.: If you look at it what we have done is basically if you look at the employee cost and the other direct expenses both together actually means are manpower cost out of Rs1,344 crore, I think roughly about Rs779 crore is related to employee expenses. In percentage terms, they are kind of unchanged year-on-year, on the SG&A side we are at about 23% SG&A and that is really a cost we have packed because of the growth that we had and also because we had to turbo charge some of the initiatives on the addition of Ecron Acunova so that is where it is. But we can give you a very granular picture if you just drop in a mail to us what exact details you want we can give you comparison whichever way you want to slice and dice.

Charlie Erith: Okay great. And just one last one from me, just on your receivables days, your LCs have gone up quite a lot, could you just again provide me a bit more details how that is working and changing and you get the difference in new customers?

Srinivasan H.R.: First there was a margin that so if you look at the weighted average of a receivable days it has actually gone down to 66 but because of the March and the chunky billing that happened towards the end it comes in debtors when it pushed up a receivable day. But as we move ahead you will see that optimizing it from the next quarter onwards.

Charlie Erith: So it should normalize back?

Srinivasan H.R.: Yes.

Charlie Erith: The 100 mark, is that?

Srinivasan H.R.: May be below.

Charlie Erith: Thank you Srinivas. That is all from me.

Moderator: Thank you. The next question is from the line of Rohan Advant from Multi-act Equity Consultancy. Please go ahead.

Rohan Advant: Thanks for taking my question. My first question was, so our order book of 144 million can I have the break-up between life sciences and SCM?

Srinivasan H.R.: 12.9 is SCM and the balance is Life Sciences.

Rohan Advant: Okay so Life Science has grown from 116 to about 132 somewhere right?

Srinivasan H.R.: Yes.

Rohan Advant: On the SCM business you spoke that you are close to a sale so that the entire SCM business or a part of it?

Srinivasan H.R.: No it is a part of it. It is about a third of our SCM business.

Rohan Advant: Okay. And on the pinnacle cost of 13.5 Crores that came in Q3 and Q4 can you break it up between consultancy fee that we paid to the consultant and the balance?

Srinivasan H.R.: We will have that. See because the first part of it is more on the strategy you should look at almost a 75% being on the consulting side as we move ahead more of the expense will be on the implementation side and less on the consulting side.

Rohan Advant: Could you just remind me what were the full-year revenues for the Ecron Acunova this year in FY2017?

Srinivasan H.R.: It is about 167 Crores.

Rohan Advant: So how did they grow comparable to last year?

Srinivasan H.R.: Growth of over 20%

Rohan Advant: Okay and capex guidance for FY2018?

Srinivasan H.R.: It will be in the same range as FY2017.

Rohan Advant: Okay and just lastly while we have a target for 500 million by 2021 how do you think in terms of the capital efficiency of return equity, return capital employed do we have a target that when we reach that this would be the RoCE of the consolidated business?

Srinivasan H.R.: I think when we reach the 500 million thereabouts I think our capital efficiency will be quite high so we should have RoE upwards of 22% by then and this is the built phase so it is very difficult to manage all the capital efficiency ratio during the build phase, but once we come to the consolidation phase you will see a very small uptick in the ratios.

Rohan Advant: That is all from me. Thanks for taking my question.

Moderator: Thank you. Our next question is from the line of Jayesh Shah from OHM Group. Please go ahead.

Jayesh Shah: My question is to Srini, on the pinnacle expense is my understanding right in Q3 we spent ten crores and in Q4 we spent around three crores?

Srinivasan H.R.: Yes, it gets chunked up. It is very difficult to make it uniform. 3Q was 9 and something Q4 was 3 and something that is what it was.

Jayesh Shah: Okay then in Q4 is this new run rate that we would be looking it from now on in terms of overall expenses because whatever senior hirers and all?

Srinivasan H.R.: It is not only the hirers actually the hirers expenses will start coming in only during the current quarter because they have all joined in April, our expenses are expenses towards the hirers itself and some other capacity building and marketing initiatives that we have.

Jayesh Shah: Okay, but there are no one-time expenses in Q4 besides of pinnacle expenses?

Srinivasan H.R.: No. There are no one-time expenses.

Jayesh Shah: So that precisely is my question but in that case the cost base seems to have gone up from Q3 onwards on a sustainable basis?

Srinivasan H.R.: Yes, the cost base has gone up because of increase in capacity in some of our hubs. So we have expanded in Columbia, we have done a minor expansion in Bengaluru. There are some areas where we consciously expanded capacity ahead of demand, which we anticipate and so the cost base could go up.

Subhasri Sriram: Just to put it in context, if you have to compare the cost between Q3 and Q4 the expenses including employee other expenses SGA all have been in the range of 3% to 4% where revenue increased by 4%.

Jayesh Shah: I see and secondly any other inorganic plans in the offing or you are happy with the organic initiatives that you have seen?

Srinivasan H.R.: At the moment none. We keep obviously looking for opportunities but at the moment there is nothing on the table to call for.

Jayesh Shah: Thank you.

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

Nirav Dalal: Thank you again for the opportunity. I just wanted to know does the EA business have seasonality meaning that the fourth quarter is a strong quarter and first quarter is a weak quarter?

Srinivasan H.R.: Yes the Q4 generally tends to be the strongest of the quarters on the EA business but it is a very small base so you would see an increasing percentage of revenue growth in EA how do you push the margin and that I believe we have been able to do by the infusion of lot of technology. So we are quite happy with the way the EA business is progressing and now it is very symbiotic because we are selling our traditional services and EA services together so the two new deals that I spoke of the all deals that are bundled with the capabilities across all segments.

Nirav Dalal: Okay, so seasonality will actually come down slightly?

Srinivasan H.R.: Yes.

Nirav Dalal: Right. And regarding the IDMP product that you are working on you have launched it or it is already been just a normal business?

Srinivasan H.R.: Come again Nirav, I could not understand your question please.

Nirav Dalal: Have you already launched the IDMP product or you are working on it piecemeal?

Srinivasan H.R.: Yes, so there are a two phases to it so we have work on one, may be Ram should answer this question he will give you a little more granular view. Ram would you like to take this question?

Ram Yeleswarapu: As Sri was just mentioning there are two phases of the implementation.

Nirav Dalal: No, that I understand but I was of the thought that you were also working on IDMP IP so that is what I would be looking for.

Ram Yeleswarapu: The IP will also help aligned to the regulated expectations of the two phase launch so the answer is we are ready for the phase one launch end of this month and we are also be absolutely ready by the time 2019 comes around.

Nirav Dalal: Thanks a lot. Thank you.

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

Srinivasan H.R.: Ladies and gentlemen, thank you for being on this earnings call for FY2017. If you have any further questions feel free to reach out to us and we will be very happy to provide answers. Thank you very much.

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