"TAKE Solutions Limited 4QFY2018 Earnings Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to the TAKE Solutions 4QFY2018 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 "*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Sudheer Guntupalli from Ambit Capital. Thank you and over to you Sir!

Sudheer Guntupalli: Thanks Janice. Good evening Ladies and gentlemen on behalf of Ambit Capital, I would like to thank the management of TAKE Solutions for giving this opportunity to host 4QFY2018 Earnings Call. 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 NS, Executive Director. We will start with prepared remarks from the management after which we will open the floor to questions. Now I hand it over to Mr. H.R. Srinivasan. Over to you Sir! Thank you.

Srinivasan H.R.: Thank you Sudheer. Good afternoon everybody and welcome to this 4QFY2018 earnings call of TAKE Solutions. It has been a very remarkable quarter for us. The revenues for the quarter stood at about Rs.454 Crores, and with a profit after tax and minority interest of Rs.46 Crores, this has been, in that sense, the best-ever quarter. The growth rate for the quarter Q-on-Q has been 11.25% and year-on-year has been close to 28% and if you look at it annually we have reported revenues of Rs.1587 Crores, which is in rupee terms up 18% year-on-year, but in dollar terms it is about 22.8% year-on-year. So in dollar terms, we have maintained the growth guidance that we had of being in the 22% to 24% range. So it has been an extremely strong quarter, but primarily driven by the growth of Life Sciences business.

I have to call out that the Life Sciences business is showing a compounded annual growth rate of over 30% over the last three years and if you actually look at the last 12 quarters the compounded quarterly growth rate is 8.37%.

The order book has had a pretty decent uptick. The order book at the end of FY2018 stands at 189.36 million of which 179.46 million is from the Life Sciences, which has grown at 30% year-on-year, and the overall order book has grown 26% year-on-year.

For the quarter, we had some key business highlights. First, we have become the preferred CRO partners for two leading biopharmaceutical companies, this is during the quarter. We have also been awarded three studies in the growth areas of biosimilars and stem cell therapy, both these are high growth areas and we continue to capitalize on our strong position in these. The other pleasing development was the award of three Phase III studies cutting across Europe and Asia, truly global kind of trials that we have been involved in and for pharmacovigilance services by a generic pharma

company we have been given a multi-year, multi-geography annuity contract, which is very substantive in value. We also supported four global pharma companies to comply with the U.S. Drug Supply Chain Security Act and the EU Falsified Medicines Directives. So, we continue to make very strong in roads into a regulated market where the understanding of regulations and high quality of delivery is very contingent for a superior performance. So over all I think it has been excellent quarter, capping an excellent year and sets the base for a robust growth as we move into FY2019.

The one area I want to call out very specifically is for those who have the deck and have been able to see it from our website if you go to slide 6 there is, the last row indicates the statement of the PAT because this year we are reporting results under Ind-AS, we had to do comparative figures for the previous year, that resulted in restating of the profit of the previous year upwards by about Rs.12 Crores. So actually if we look at the reported profits of last year and the profit growth has been about 19.47% from Rs.133.8 Crores, which was reported at the end of the last financial year, but because of Ind-AS you will find that it has been restated upwards to about Rs.146.1 Crores, but to give more colour on the Life Sciences business, which is going to be the primary driver of the company I will hand over the mike to my colleague, Ram, who will take you through the salient features of that. Over to you, Ram.

Ram Yeleswarapu: Thank you Sri. Good afternoon everybody. To start off, just wanted to set the context that our business cutting across the generic industry, pharmaceutical industry as well as the innovator companies, as you are aware we certainly have augmented our capacity for BA/BE studies. We augment our bioanalytical capabilities as well as the ability to run clinical for BA/BE studies. We are excited about certain complex molecules and some complex methodologies that we have been given a chance to perform studies for, and these are in the areas of asthma and diabetes and we are extremely excited about the value addition to the company because of such rich experience.

Within the clinical trial domain, we, of course, continue to win Phase II and Phase III studies as well as Phase IV interventional and non-interventional studies, and that cuts across Asia and Europe and continues to have a very steady pipeline and a steady buildup of the order book.

Somewhere in between, I am sure you also have heard and you must be aware about the opportunity for biosimilars. We are extremely excited about the growing pipeline of biosimilars and the very targeted focus of several biotech companies and pharmaceutical companies to go after this premium pipeline of biosimilars. Predominantly, these are in the areas of the monoclonal antibodies being used to treat rare indications like rheumatoid arthritis, spot psoriasis and some rare indications of cancer. We are extremely excited that the company continues to accumulate rich experience across a range of these indications, and our pipeline is growing substantially in this area.

In addition to map, we also have experience in inhalers and some insulin kind of projects as well as our bioanalytical capabilities. We are looking to expand into the areas of biosimilar/bioanalytics.

Having said this, as you are also aware, between clinical to our Regulatory PV and our Gx verticals, we have three different offerings we have been going to market with. Our core service offerings, set of technology solutions and consulting. Across this grid of 3 by 3, we continue to check off boxes. We have been doing the steady amount of account management and careful customer account planning and with a very dedicated research around the heat map for each of these accounts we have been diligently pursuing account by account and there is a significant traction of revenue growth and momentum within several of our multi-service accounts. All these certainly reflects in our results for the quarter as well as for full fiscal year and as we look ahead we are extremely positive that this momentum will continue to set the tone for future growth.

I will take a quick moment here to talk about the trends that are shaping the industry and just to put a couple of points out there, digital R&D is reshaping the world of clinical trials, real world evidence will drive the design of clinical trials for the future, and artificial intelligence and machine learning will play a larger role in understanding and interpreting real world data.

The good news is our company has been focused. We are one of the early adopters of all these concepts. We have steadily been onboarding digital technologies into how we design, conduct and close our clinical trials. We are also very interestingly looking at opportunities for fetching data from electronic health records and medical records. This is exactly where real world evidence gets captured, it is in a scenario where a physician is actually prescribing to a patient, and the symptoms and the prescriptions are being captured in the EHRs and EMRs along with the medical conditions. Having visibility to this data and analysing and aggregating will allow us and position our company to design better clinical trials for the future and so with that in mind and seeing the trends we are steadily moving towards investing in our One Clinical platform. While we have come a long distance from where we started and how we built the platform, we believe that the investment in building out this product platform for the future will continue. We are excited of having onboarded about half a dozen studies up until now. The results look promising. We believe over the next couple of years we will onboard anywhere from 30 to 50 studies and in a few years, we will certainly run every single study that we conduct on the One Clinical platform.

The platform as you are aware is certainly capable of artificial intelligence and machine learning, which we believe will further make entry for some of our competitors fairly steep. We also have our capacity and capabilities in the areas of servicing our customers in PV services. For example we have added a team of almost 25 post-marketing safety experts. These are people who are medically trained, who can handle cases based on adverse events of products. We are extremely excited. We believe this is a fantastic start on the EUs on the back of this multi-year, multi-geo contract. We believe we can add more customers to this service offering.

Looking at our multi-products like the pharmaREADY, traceREADY, labelREADY and safetyREADY products, we continue to invest and grow these platforms. We have struck various

strategic partnerships with companies like Sparta Systems and a few others like rfxcel and so on and so forth and with each of these partnerships our intent is to really integrate our software platform with some of the strategic partnerships over the partner software and we will continue to invest and grow this both in terms of augmenting the features and functionality of our platforms as well as adding subject matter experts.

Talking about subject matter experts, we have added quite a few almost half a dozen medically trained professionals for performing medical reviews and medical monitoring activities. Our goal is to switch very soon to our platform driven set of services, medical monitoring and medical review services, and a whole host of other services will be ultimately driven out of our platform and the eventual goal would be to render annuity services for each of our market customers using our technology platform and Sri had earlier pointed out some very specific achievements, we are extremely excited with some of the preferred partnerships we have been able to secure in the quarter. Given the momentum and the frequency and the intensity of conversations, we are having with several of our customers, we believe that the preferred partnership methodology is the right way to go and we sincerely believe that we will be continuing to add to this preferred partnership over the next couple of quarters.

Studies cutting across Asia and Europe signify the fact that certainly I think we are being looked at as a very viable vendor partner for our customers and our capabilities are certainly being recognized very well in the market. We look forward to certainly establishing our track record of success in the coming years and hope to build on this momentum and success. Thank you. Over to you.

Srinivasan H.R.: Thank you Ram. Just before I pass it on to questions, in the area of supply chain we have been able to divest our business in the Middle East. The rest of the businesses we are trying, but we have not made healthy progress there yet, but hopefully during the course of this year we will be able to move the needle substantially there as well. With these comments from the management at this point of time we would like to open the floor for questions. Thank you.

Moderator: Thank you very much. Ladies and Gentlemen we will now begin with the questions and answer session. We take the first question from the line of Pavan Ahluwalia from Laburnum Capital. Please go ahead.

Pavan Ahluwalia: Yes thank you. A couple of questions on the numbers. Historically, when we looked at your annual reports there has been a portion, there has been an item that is called unearned revenue, so that is effectively revenue you guys are booking upfront that has not been earned yet as I understand it, I am just curious to see over the course of FY2018 how has that evolved, should we and if we wanted to adjust the numbers for that, what would be the best way to adjust the numbers for it, there is also an item in the presentation that is called a noncash capex could you explain exactly what this is and does this have anything to do with capitalized R&D and finally tax rate that it is obviously much higher

than usual this quarter. I do not know whether this is a one quarter affair or should we be assuming roughly a 15% tax rate going forward or would you assume something closer to 20, just in terms of broad guidance on that would be helpful?

Srinivasan H.R.: I think the first part, what you are referring to is unbilled revenue, not unearned revenue, so unbilled revenue is where it is not yet moved into debtors, but you delivered the service and it is just pending invoicing, so it is on a time-effort basis where you estimate and do it, it is a standard practice, but it is not a very large portion of the total revenue.

Pavan Ahluwalia: How big? Will it be less than 5%?

Srinivasan H.R.: Yes, yes, much less than 5%. It can be sub 2%.

Pavan Ahluwalia: Okay.

Subhasri Sriram: As far as the noncash, it is actually the depreciation portion, depreciation and amortisation, which is part of the total expenses is Rs.104 crores, Rs. 104 crs is the one that has gone to the P&L.

Pavan Ahluwalia: But in the cash flows on the slide whereas the cash flow statement it looks like that 104 is actually a cash outflow, right?

Subhasri Sriram: This is a break-up. Rs. 156 crores total investment. Depreciation and amortization for the year is Rs. 104 crs. The fresh investment for the year is Rs. 156 crs. Effectively only Rs. 52 crs is the movement in the balance sheet.

Pavan Ahluwalia: Yes.

Subhasri Sriram: And Rs. 104 crs is depreciation for the year P&L.

Pavan Ahluwalia: So that is not necessarily related to this capex. This is just a total overall depreciation in the P&L.

Subhasri Sriram: Absolutely.

Pavan Ahluwalia: Perfect and on the tax rate?

Subhasri Sriram: I will not be able to comment at this point in time whether this is one off, but yes, as stated earlier, we are looking at this to be at 15% or below. I think we have hit the 14.9%. We are evaluating for better structures. Effort is to, at least to keep the tax rate below 15%.

Pavan Ahluwalia: Thank you.

Moderator: Thank you. We take the next question from the line of Agastya Dave from CAO Capital. Please go ahead.

Agastya Dave: Thank you for the opportunity Sir, so if you can describe your sales cycle how is that looking like, how long is it taking for you to close your sales process, what is your success statement, where are your failing, where are you gaining ground on what parameters, how is your implementation cycle looking like, you mentioned that you have $189 million of order book, so by when this will flow into the revenue and generally what kind of lag we can expect between booking and realizing and on the project side how many deals have you closed in total for the entire year and what was the average size and how is that changing because you mentioned during the presentation that it changes a lot of capabilities are getting added, so is that translating into bigger deals and better deals and finally you mentioned machine learning and other new age technologies that you are going to show can you describe a bit more about your competency in artificial intelligence and machine learning as such, what kind of resources you have in place, other products, and services completely developed and what percentage of the manpower is capable of providing these services?

Srinivasan H.R.: Now these are more than 20 questions and all, so I do not know whether I will remember all and in sequence, but I will try and do as good a job as I can and if I missed anything then you can always point out at the end that I have not answered a particular data point. So as far as the sales cycle is concerned, most of our business is repeat business almost 90% of our customers are repeat customers who we get orders of different nature from them and that relates to either the type of trial or type of functional service that we do for them, so it would be inappropriate to draw that it is a start of a sale and an end of a sale like cycle. Most of these are MSAs on which we operate, so we have a very sticky customer outlook. We have added more than 22-23 customers during the course of the last financial year. Primarily they were logos in the small and medium category and that is generally the trend and you will see that in a slight decline concentration therefore would have come down from about 31% to about 25% the top 10 because the small and mid-pharma seem to be occupy very strong space both in functional services and in the Phase I and II trial segment. Now it is very difficult to give an average size because it depends on the type of service, so on this time given a break-up of what the clinical bucket looks like, what the regulatory bucket looks like and what the safety, PV or consulting bucket looks like, so each of them characterize on different types of order sizes and again even within the clinical bucket affair one study maybe 0.5 million whereas the Phase III study would be a few million dollars spread out over two, three years, so I am afraid it may not be appropriate to draw an average of all that which is there, but just to absorb the data as close to what pharma companies look,. In terms of consumption of the order book of $189 million typically it is between 7 and 9 months that we consume this order book. The order book is the cumulation of all the SOWs or statement of work that we receive, but actual visibility that we have into orders is much higher. It is almost about 2.5 times what is stated in the order book, but since the order book is an accounting document we need a customer confirmation in the form of SOW, which is what we cumulate and

present as an order book in the public domain, but from a management visibility our visibility is about 2.5 times that, so at the moment the growth opportunities are looking robust. There was a question that pertains to artificial intelligence. I think I am going to let Ram address that question. Ram please go ahead.

Ram Yeleswarapu: Thank you Sri. So your question is about our capabilities in the area of artificial intelligence and machine learning that I had mentioned earlier. There are two sets of capabilities that we bring to the forefront. One is a set of technology related capabilities given that more and more data is now available in the digital format whether it is structured or unstructured, the ability to use technology and the ability to pass the data appropriately is a competency that we certainly have among us and then the second thing is how do you interpret the data. Once you start parsing, aggregating, then you have to obviously analyse it. The ability to rend context to the data from a clinical trial perspective to understand whether what sort of operational behaviours or trends are being observed or when you do medical monitoring what sort of safety issues or drug efficacy issues or lack thereof do you encounter, these are performed by domain experts or subject matter experts. So, there are two sets of people that we are talking about here. The first set is people who are quite competent in the areas of AI and ML in terms of technologies. The second set of people who are subject matter experts who are medically trained professionals who know how to interpret the data and then be able to act on it or advise their customers to act on it. So, these are the two sets of competencies and we continue to enhance and augment our team of trained professionals. These are true domain subject matter experts and the uniqueness is we have fundamentally created the platform and so we are intrinsically building it and also operationally using it. That makes it even more powerful and rich.

Agastya Dave: Thank you Sir. I have follow-on questions. I will go back in the queue and come back. Thank you.

Moderator: Thank you. We take the next question from the line of Sharan Pillai from Allegro Capital Advisor. Please go ahead.

Sharan Pillai: Yes, I had a couple of questions. The first question was in terms of your 5-year 5x growth plan. I just wanted to know what steps we were taking towards that and how important acquisitions are and probably what segments or areas we are looking at?

Srinivasan H.R.: I think the 5-year growth plan comprises of two components. The organic component is growing at about 24%, 25% CAGR and I think we are well on the way to establishing a very strong foundation to that growth. The second one is an inorganic component where there is M&A. Especially we are looking at M&As in the clinical space, in the United States geography plus we are looking at M&As for certain niche technologies that can make an order of magnitude difference to either the time or the cost as far as the pharma R&D process is concerned. We have been evaluating options on the M&A. We have not yet hit upon something that I would say interests us or where we see strong possibilities of synergy value creation and so we have not been able to conclude any transaction. It would have

been ideal if we have been able to do one somewhere around the current timeframe, but I am afraid that we do not have any hard prospects that we are engaged with at this point of time that make strong business sense to us at this juncture.

Sharan Pillai: Another question on margins. The last two quarters our margins have seemed to have come back similar to historic level. I just wanted to know how if you see this as being something that is sustainable or whether it can go up or if there is any movement that we can factor in going forward?

Srinivasan H.R.: The margin for the current quarter is about 19.9%, which is about 0.6% over the previous quarter. I would say during the current year you should look at the margin being stable at around these levels. We may have some impact of volume growth, but I just want to make sure that it is not offset by some of the developmental costs, so at the moment we would like to guide that the margins be around this.

Sharan Pillai: Just in terms of capex what capex can we expect for FY2019?

Srinivasan H.R.: So I think our noncash will be roughly in the same region as the second half.

Subhasri Sriram: I think with our increased focus being on the clinical space and looking at certain requirements for expansion in our existing facilities as well, we will continue to be on an incremental investment and that is probably we will continue for a year or two more.

Sharan Pillai: Thank you so much. That is it.

Moderator: Thank you. We take the next question from the line of Apurva Prasad from HDFC Securities. Please go ahead.

Apurva Prasad: Thanks for the opportunity and congrats for a strong quarter. If you can just talk about what is driving growth in clinical side of the business, it is reported about almost 42% for the year and if you can provide some outlook out there that would be great and also on the regulatory side can we sort of build in a similar growth rate going forward?

Ram Yeleswarapu: Sure, so the growth in clinical let me address that first and then I will go on to addressing the growth in Regulatory and PV. So clearly, I think, on the clinical front, we are certainly witnessing growth in the areas where many of the customers who are historically looking at just BA/BE studies or looking at the patient PK studies, which are from a material perspective larger contracts. They are also obviously higher revenue generators for our customers. So there is a natural propensity for these customers given the margin squeeze that they are experiencing on the pure generic side of it. They are trying to do more patient PK studies. We as a company of course have had strong credentials and background and experience in running clinical trials, so running patient PK studies is something that

we are extremely comfortable with number one. The second thing is if you look at the innovator companies, which are driving a lot more Phase II, Phase III and Phase IV studies, there has been an increase in volume of the number of studies that a companies have been conducting, especially beyond approval there is also an increasing need being felt both in terms of regulators demanding it, also customers fundamentally sensing the need to do most post-marketed safety or efficacy studies. So overall there has been an increase in volume of the number of clinical trials being conducted. So one parameter is clearly the growth in volume, a patient PK study by the pure generics; two, the number of Phase II, III and Phase IV studies also going up in volume. The second dimension is across what therapeutic areas or indications. We as a company have experience across 18 different therapeutic areas and some of these are in leading areas where indications like oncology, cardiovascular, ophthalmology, so on and so forth, which are some of the high investment areas that are happened. So we have been looking steadily and actually building a robust pipeline as an order book on the back of very strong expertise and running clinical trials for a variety of different companies. I also earlier mentioned about biosimilars. The way biosimilars work in terms of regulatory requirements is they need a Phase I study and a Phase III study. Now if you look at our experience in having run Phase III for innovator companies, we are very ideally poised to take on the biosimilar Phase III studies also very, very adequate in terms of our capabilities in that area. So we see a strong growth in patient PK, number one, number two, the typical Phase II, III and IV from innovator companies and the third bucket is the Phase III for biosimilars. So if you aggregate all of this there has been a steady increase in overall number of trials being conducted and our own market share within our customers as well as of course we are adding on new logos. When it comes to regulatory, clearly there has been a significant amount of consolidation and it continues to happen. Lot of large companies especially in the generic side continue to consolidate. Even on the innovator side, there is increasing demand for post-approval support, regulatory publishing, whether it is document publishing or submission publishing or labeling and artwork management, track & trace and serialization, so there is a number of these areas that are demanding attention, all because of two factors. One, a demand for regulators for enhanced compliance and adherence to these kinds of regulations that are falling in place. Number two it would be a consolidation and an aggregation of the demand at the customer end and they are fundamentally looking for a vendor partner who understands this business extremely well and can conduct their business of post-approval support on the regulatory & PV side very efficiently. So on the regulatory, two drivers of growth, one is regulatory push, a new regulation in markets like U.S. and Europe, the second is an initiative where they are trying to advocate that demand at their end and looking for a vendor partner that they can potentially outsource to. I hope that answers your question.

Apurva Prasad: Right, that is very helpful. Thanks but with this and with the order pipeline that you have we are confident of similar level of growth for both clinical and regulatory for FY2019?

Srinivasan H.R.: Yes.

Apurva Prasad: Great and just one last bookkeeping from my side, so how should I look at the depreciation amortization line item going forward?

Srinivasan H.R.: It is at about 6.5% of revenue. I think it will stay at that same level.

Apurva Prasad: Thanks and all the best.

Moderator: Thank you. We take the next question from the line of Neerav Dalal from Maybank. Please go ahead.

Neerav Dalal: One is on the SCM side of the business, the business saw a decline in this quarter and now we have also sold the Middle East business, so thought it is small in the entire scheme of things it still has an impact on the entire number, so how should we look at that the revenues going ahead?

Srinivasan H.R.: First I would say that it would remain at the current level maybe just in terms if there may not be a significant increase to that business.

Neerav Dalal: Or decline from these levels?

Srinivasan H.R.: The decline if any would be marginal. What I would hasten to add is as we move ahead it will become sub-10% of the business very soon. Even as of now for the whole year it is about 12%, so it should very soon be sub-10%, so that is where it is, but the key is that we are making all efforts to sell the remaining portions of the business and hopefully we should have something moving there.

Neerav Dalal: No, because where I am going to add is that your Middle East business was about 6 million, 7 million on a yearly basis and that was sold towards the end of the quarter, so I think end of March, so the entire impact of that, whatever, 2 million, 2.5 million will come in from the first quarter, correct?

Srinivasan H.R.: Correct.

Neerav Dalal: So that would be one impact that would come in and second thing is on the growth?

Srinivasan H.R.: What is remaining in the SCM business, which should come annualized this year, is roughly around $25 million would still be on the books. So we do not think that there will be a significant difference to that.

Neerav Dalal: Fine and in terms of growth now till last year you were talking about 20%, 25% Life Sciences growth, but now if you see this quarter the order intake or order book it is like it has grown at 30%, 35%, so are you conservative in talking about 22%, 25% growth in the Life Sciences business going ahead?

Srinivasan H.R.: We cannot go by the order book interpretation just for the quarter.

Neerav Dalal: No, I am talking about the full year.

Srinivasan H.R.: If you see life sciences business over the last 12 quarters has had a compounded quarterly growth rate of 8.37% that translates roughly into a CAGR of about 30%.

Neerav Dalal: That is what?

Srinivasan H.R.: On higher volume and given the execution capacity and that what would be happening currently, we are comfortable giving a guidance of an overall growth of 22% to 25% maybe Life Sciences maybe closer to about 24%, but we are adjusting for any potential degrowth that may happen on the supply chain side and that is why I hope the weighted average between 22% and 25%.

Neerav Dalal: Yes, because if I just look at the Life Sciences it could easily grow at 30%, looking at what the numbers that you have shown in the last two quarters as well as the order book that you have done in this quarter.

Srinivasan H.R.: Yes.

Neerav Dalal: In terms of the clinical side, the clinical data that you shared that would include EA plus whatever other data management that you do on the clinical side is that the right assumption?

Srinivasan H.R.: Yes, you are right.

Neerav Dalal: Thank you. I will come back for followup.

Moderator: Thank you. We take the next question from the line of Saurabh Bhutra from RMR & Company. Please go ahead.

Saurabh Bhutra: Yes, my question is about what is your future expectation of CAGR in your businesses and your finance costs have been increased?

Srinivasan H.R.: Sorry, we could not hear you. Can you come again with your question?

Saurabh Bhutra: No, finance costs have been increased this time in this quarter and what is the CAGR your business would be growing in the future expansion?

Subhasri Sriram: Finance cost was increased you mentioned per quarter, right?

Saurabh Bhutra: Yes madam.

Subhasri Sriram: Yes. We had a few lines, which as you noticed that we had capex push, which happened in the last week of the quarter, so I think we were looking at and the utilization was slightly at a higher level and there was also a few loans, which got sanctioned in the first week of quarter and there were initial closing fees and others, which got booked during this quarter and what was the second part of the question?

Saurabh Bhutra: My second part of the question is what is seasonal that the business will be growing at the future?

Srinivasan H.R.: Yes, you mean geographic area?

Saurabh Bhutra: Yes, Sir.

Srinivasan H.R.: See, we are primarily a US-centric company. So, 80% of our revenues come from the U.S. So we believe that will continue to be the dominant geography, followed by Asia Pac because the order book buildup in Asia Pac is very good. So that would be the way it would grow.

Subhasri Sriram: As far as the interest cycle, compared on a year-on-year basis, there has been reduction in interest cost. So in the case term debt, it is in the quarter we had first drawn and that had certain onetime impact.

Saurabh Bhutra: Okay thank you.

Moderator: Thank you. We take the next question from the line of Nikhil Upadhyay from Securities Investment. Please go ahead.

Nikhil Upadhyay: Good afternoon Sir and congratulations for a good set of numbers. Sir basically, a few questions; one, this is for you, Sir, on acquisitions. Because if I go by last quarter's call, and you were quite confident that probably it seemed like we were quite close to closing a few acquisitions, and we were raised the capital also pretty quickly. In these six months, has there been any fallout in terms of some of the deals? Or there is some change on the valuation where we are finding it not too remunerative, because as you mentioned, that some of the things are not playing out. Probably in FY2019, we will be looking at acquisition and closing the acquisitions. So just wanted to understand your perspective as to what major changes we are seeing?

Srinivasan H.R.: So there were a few. You are right; I think we were perhaps in the last call perhaps closer to an acquisition than we are today. And it is very important for us to take a decision on a few fronts. One is, what is the synergy value of the business that we have? Sometimes as you move closer to the business and develop a sharper understanding, if you find that the synergy value is not commensurate to the monetary value you are paying, you may want to revisit that acquisition. So such things happen. The next one is what is the medium to long-term shareholder value creation that we can do? And what

is it that we should be doing as prudent shareholders? So sometimes, there is always, there are value drivers both in terms of immediate opportunities and in terms of what is in the best interest of the shareholders in the medium and long term. So sometimes, they do not match. So acquisitions are really an issue. Besides, many things are an issue of timing. So we are engaged with more than half a dozen companies at this point of time, having discussions. What I only meant to say is that there is nothing in the matured state where we see the immediacy of a transaction. That is what I was trying to say. But it is not that we are not looking at acquisition. We are certainly very actively scouting for acquisitions in the cases that I stated.

Ravi Purohit: This is Ravi here, Nikhil's colleague. Just to follow up on this and why was there a dilution done in such rush manner. I am just trying to kind of understand the background because it diluted almost 12% of the equity of the company. So could we have waited for the dilution when the M&A took place; or if you could just share some light on that?

Srinivasan H.R.: See, all these we say when you look back, I think. You can never get the timing right. In hindsight, we can always address several things. So you need to be prepared for an acquisition, and there is a currency that is required. Given the size we are, even when we go in for an acquisition, it is impending upon us to prove that we have the wherewithal to make the acquisition no matter when the negotiations actually move into play. So I do not think that we will not hurry to dilute. We diluted it at a price that was at a premium to not only the market value but at a premium to the last QIP that was there. Perhaps it was the fastest way of doing it, so we took a considered view at that point of time. So that's what I would say. I think that if we recreate the scenario of February or March, we would still be doing the same. So our decision would not be any different.

Nikhil Upadhyay: Secondly, this is for Subhasri, madam. Madam, on the tax rate, I did not get it properly. So if I go for FY2019 or forward, although you have already mentioned we will try to keep it below 15%, but how should we understand the tax rate? Would we be able to retain that 15%? Or do you see some issues where we might be seeing some higher tax rates?

Subhasri Sriram: We should be able to look at it, though my guess @15%, I think we still have other geographies where there are options, there are benefits, we can avail of. And yes, as I have said, that the last couple of quarters we are definitely looking at opportunities, looking at ways and means to curtail it. So I think that is what we are looking at, and I think we should be able to maintain that.

Nikhil Upadhyay: Okay. Secondly, madam, on the capex side of it, just want to really come to the point of this slides 14 and 15 where we have said that our capex is Rs.156 Crores. And in the subsequent slide, you said change in net fixed asset Rs.52 Crores and Rs.104 Crores is noncash expense. So if I understand correctly, Rs.104 Crores is the product or the software development cost, which is equivalent to the depreciation, and the actual investment in the fixed asset, is only Rs.50 Crores. Is that the right way to understand?

Subhasri Sriram: No, no, not that way. It is that Rs.104 Crores is depreciation/amortization. And total investment is Rs.156 Crores. And therefore, net block increase is Rs.50 Crores.

Nikhil Upadhyay: And why are we calling it net I mean, total capex? And then why are we including that in the total capex?

Subhasri Sriram: So it is total investment is Rs.156 Crores. Gross block addition is Rs.156 Crores.

Nikhil Upadhyay: So gross block has increased by Rs.156 Crores, but finally, depreciation has increased by Rs.100 Crores. So net effect is only Rs.52 crores. Is that it?

Subhasri Sriram: Yes, that is right.

Nikhil Upadhyay: And secondly, in one of the previous questions, you said that over the next two to three years, that capex will remain at around Rs.50 Crores and Rs.100 Crores behind the product development. On the product development, I understand. But on the CRO, because we first had the facility from Enron and then we opened a new facility in Chennai last year. So are we looking at a few more facility openings over the next two to three years for the CRO behind this Rs.50 Crores of capex will go? And post, like, one or two years down the road, this investment behind fixed that will go up and the investment behind the product development will continue?

Subhasri Sriram: Yes.

Srinivasan H.R.: See, there are a variety of reasons for the capex. It is not only the facility for the CRO. So the facility for the CRO is certainly one. If you look at the year that went by, there are physical expansions that have taken place in about five offices: in Frankfurt, in Berlin, in Princeton, in Bogota in Colombia. There has been a Chennai facility. There has been a Bangalore expansion. So there now when we expand the facility and when we add to clinical facilities, we are also adding to equipment. It is not only so there are lab equipments and LCMS/MS machines, ICP-MS machines, and these are all expensive machines that come in for analyzing samples. So those go ahead see, I think we should look at capex in the context of what is the growth rate. In Life Sciences, delivering a growth rate of 30% CAGR, it cannot be without any form of investment that goes into it. So the way I would suggest we look at it is, what is the investment that was going into it and what are the growth rates that it is having. So the overall growth rate is at a very healthy rate, and it can only be possible if there is an investment into this business and some of which is capex in nature.

Nikhil Upadhyay: No, where I am coming from, Sir, is because if I look at our investment, because we are a technology come now a CRO-dependent facility, one side of investment is the investment which we are doing in terms of upgrading our products like One Clinical or pharmaREADY and launching the new versions of those products with additional set of features. I am just trying to understand on the fixed asset side

of the investments because over the last three or four years, if I look at it, and if I divide our investment in terms of cash flow behind fixed asset behind products development costs, that the fixed asset investment is already has been around Rs.250 Crores to Rs.300 Crores cumulatively over the last four to five years. That is why I am trying to understand that what kinds of these investments are in? How should I understand it over the next three or five years? That is why I was trying to understand how this breakup is going to present?

Srinivasan H.R.: So we will have to look at these investments. So if you look at the noncash, it will continue to be at about 6% to 6.5% of revenue. But if you look at the addition of net block or capex beyond that in terms of hard infrastructure, I would still estimate it to be at about 3%, 3.5% of revenue. And that would largely be addition to facilities, addition to lab equipment and addition to some of these certifications, which go along with the lab equipment and the audited facilities, the audited data centers. For example, now we have a new EU data regulation that kicks in from 25th of May, the GDPR regulations. That makes compliance so much more stringent. So there has to be special protection for that. So you should add another 3%, 3.5% of revenue for hard capex of that kind.

Nikhil Upadhyay: Sure I will come back in queue.

Moderator: Thank you very much. Next question is from the line of Rajiv Agrawal from Sterling Capital. Please go ahead.

Rajiv Agrawal: Sir, I want to know what is the revenue contribution from biosimilars at present? What percentage of sales? And can you give me the exact figure, if possible?

Srinivasan H.R.: I do not think we would not have an exact number on the biosimilar in terms of revenue contribution over this call. But we can try and get that across to you.

Rajiv Agrawal: Rough cut?

Srinivasan H.R.: No, we do not want to hazard a guess on a number that we can lay our hands on. We can only say that about roughly 7% of all the biosimilars R&D work that is being done out of India is done by us. That we can say with certainty. But a number, we will have to come back.

Rajiv Agrawal: Okay thank you.

Moderator: Thank you. We take the next question from the line of Suhani Joshi from Edelweiss. Please go ahead.

Suhani Joshi: Hello good evening Sir and congratulations the entire team for such good results. So my question is, you mentioned that the margin levels, you expect them to be at the similar level for the year going ahead. So I wanted to understand, are there any other one-off expenses which we are expecting going

ahead? And the trend of other expenses as such because that keeps on going up Q-o-Q. So I just wanted some clarity on that?

Srinivasan H.R.: See, there are no immediate one-off expenses that we anticipate. However, we are anticipating a lot of addition to the management band with a few more people joining us at the senior levels in the U.S. and Europe as we continue to expand our business. So there is an effectiveness curve for anybody who comes, even the best takes three to six months to become effective. So I am just trying to say that there may be some capacity buildup of people ahead of demand. And that is why I left the EBITDA line where it is. If that does not happen, obviously you are going to see an uptick in the EBITDA line like you have been able to see in this quarter. There, the revenues have grown; there has been no significant addition to cost. So it is just a matter of prudent guidance that we have used that term.

Suhani Joshi: Okay. And another question is at the year-end basis; we have seen the debt growing up. So I just wanted some as when and why, and why has the debt gone up in spite of equity infusion?

Subhasri Sriram: This was a debt program, which we had originated beginning of the year and they are all long-term debts with a 5-year cycle. So I do not think that the equity, which was infused for a specific end user of acquisition and definitely is not going towards working capital of the existing business. So these are two different initiatives. Long-term debt is drawn and would not be able to pay off or settle prematurely.

Suhani Joshi: Okay so this debt was….

Srinivasan H.R.: These debts are at a coupon of about 5%.

Suhani Joshi: Okay.

Srinivasan H.R.: And they are overseas loans. So they are not rupee debt. And it cannot really be squared up using any equity issue that has happened there.

Suhani Joshi: Okay. So that has mainly been drawn upon for funding the increasing business requirements, right?

Subhasri Sriram: Working capital requirements and capex investments.

Suhani Joshi: Okay. Thank you.

Moderator: Thank you. We take the next question from the line of Pavan Ahluwalia from Laburnum Cap. Please go ahead.

Pavan Ahluwalia: Yes, just wanted to follow up on the human resource issue. So you have been talking about your plans to beef up the senior management team. Could you give us some visibility on the positions that you are looking to fill and the time line over which you would want to be filling those? I did note Ram's comment that you had hired a few medical professionals, which is obviously helpful. But it would just be useful to get some perspective on the slots needing to be filled and the time line on which you would like to fill them, at least for the high-priority ones?

Srinivasan H.R.: Two key slots that have been filled, but people who are yet to join or they would be joining in the next month or so would be a global clinical head and a global QA head.

Pavan Ahluwalia: Oh, you made both those hire already?

Srinivasan H.R.: Yes, we have made the hires. They will be onboard during the course of this quarter.

Pavan Ahluwalia: Excellent.

Srinivasan H.R.: And we have also hired a new head of global head of marketing, who is already onboarded. We have taken expert positions like regulatory information management specialists. We are also looking at a PD thought leader. So those are some of the roles where we have under active discussions .As U.S. geography is growing so fast, we may add soon a North America sales head, for which, again, discussions are ongoing. So there are a few positions like this that are open. But we have been fairly certain that significant hires have been met except a global HR head, which we may look at some time in the near future.

Pavan Ahluwalia: And the senior marketing people will be reporting into Ram or into Krishnan?

Srinivasan H.R.: No, they would report into Krishnan.

Pavan Ahluwalia: Okay. Thank you.

Moderator: Thank you. Well, that seemed to be the last question. I would now like to hand the floor over to the management for their closing comments.

Srinivasan H.R.: Ladies and gentlemen, on behalf of the management of TAKE Solutions, thank you very much for being on the call and asking these questions. My team and I are available for any further discussions or questions, and please feel free to write into us. Thank you once again. Have a good evening and a great year forward. Thank you.

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