

## Dear Shareholders

I begin this letter with a deep sense of satisfaction and pride about our Company. As I reflect on the last year, in fact the last decade, I am delighted with our Company's recognition and performance matching global standards. I am extremely thankful to you for your continued trust and support in the company for the last ten years. Over the years, our business has grown positively, and we have taken every opportunity to showcase the business growth and impact to you.

In October 2018, we held an investor/analyst meet in Mumbai, to discuss our Company's contribution to the Life Sciences industry. Our team of Life Science experts and management representatives led an in-depth discussion with analysts and cleared numerous queries both about the industry and the Company. The overwhelming positive feedback from the 150+ audience is truly a testimonial to our transparency and willingness to showcase our business and leadership.

The recent weeks have however been a subject of speculation and rumours, basis some unrated article/s, that is incomplete in facts, inappropriate in contextual understanding of the business and insufficient in insights. In order to clear any misgivings, I take this opportunity to detail several aspects about the Company that make it unique and valuable.

### ***TAKE's evolution and journey***

Incepted in 2000, TAKE aspired to be a software products company focused on Supply Chain Management. The core founding team came with a strong architecture in Supply Chain and built the Company with relevant Intellectual property. Along its journey the Company recognized the transformative power of technology-enablement, and consistently delivered tailored solutions powered by tech innovation to help clients better. The foray into Life Sciences began in 2004. In this space too, the focus was on building technology products that had both "functional" and "workflow" value. We started with the Regulatory space, and then moved on to add Safety. Our flagship product in the regulatory space, "PharmaReady" was well received and momentum began. The organization grew in prominence for excellent intellectual property (IP) and customer service and became a Listed Company on the National and Bombay Stock Exchanges in 2007 with a hugely successful IPO.

The global turmoil of 2008 brought a significant change to your Company's business model. As investment in Capex plummeted affecting our business model built largely based on "product licencing revenue", we had to quickly move to develop a services base that was technology enabled and platform based. As we were testing the services model in the next few years; one of our customers (a global top 5 pharma) invited us to set up a hub for regulatory submissions in Chennai. This was on the back of excellent technology work in the regulatory space that we were providing to them. You can note with pride and satisfaction that our Company today does 50% of all the global submissions for this big pharma client; has added several other clients to this niche service and is regarded globally as one of the best in this space.

This period (post 2008) also brought in a realisation that in the two domain areas we operated in – Life Sciences was more attractive in terms of "opportunity for growth" and "pricing power". The early thoughts of sectoral refocus had begun. SCM while presenting growth opportunities lacked differentiation and better pricing was difficult to come by.



Over the next few years, expertise in Regulatory and Safety services was built and in 2011, our Company acquired WCI Consulting in the UK. This brought in a rich expertise in Regulatory and Pharmacovigilance consulting and made our Company a global player to reckon with in the Life Sciences space.

While this span of Life Science offered attractive growth prospects in the near to medium term, there are two reasons behind the company's decision to transform into a full-service Life Science business with CRO as a major component. A transformation process that began in 2016, with the acquisition of Ecron Acunova.

First, in the longer term, a presence only in Regulatory and Safety runs the risk of being encroached upon by CROs. The CRO industry has been growing at a fast pace with larger peers growing at mid-high single digits and smaller companies growing at mid-teens in US\$ terms. This pace is expected to continue for several years, given the pace of innovation in pharma, especially biosimilars, and the increasingly stringent trial requirements (often requiring fresh trials) before introducing generics in developing countries. A CRO conducting a trial could add the technology and analytics piece of the trial to its offering, and could also forward integrate into doing pharmaco-vigilance, regulatory submissions etc. A number of CRO players (example: BioClinica, Quintiles) have been acquiring technology companies with this intention.

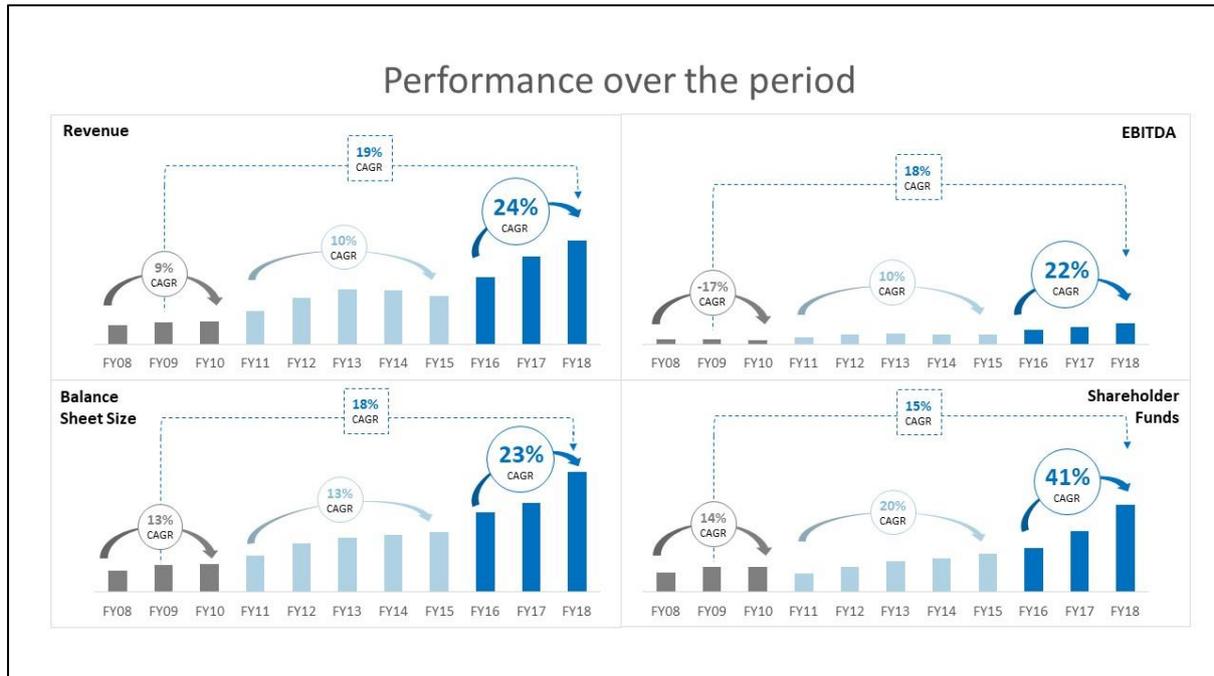
Second, there is a very attractive opportunity to build a full service clinical research business for mid-sized pharma companies. These mid-sized companies tend to be far more cost sensitive, since they have tighter budgets than large pharma companies and are not one or two molecule businesses like pharma startups (and therefore have the bandwidth to manage partnerships in a way that creates the maximum value for them).

Thus in early 2016, we acquired Ecron Acunova, adding in the capabilities of a full-service CRO of impeccable reputation with presence in European Union and Asia. We have now, an enterprise that provides a 360-degree coverage of the Bio-Pharma R&D space encompassing Clinical, Regulatory and Pharmacovigilance (PV). Our key differentiator is the unique application of technology to digitizing the Clinical trials process. "OneClinical" our flagship product here is being regarded as an industry game changer with more and more clients bringing their trials onto that platform to enable "near real time" transparency and attendant analytics.

Given our heritage as a technology company, and the strong CRO businesses and senior management we have added, we are able to leverage IT far better to produce meaningful cost savings for our customers and share these savings with them.

At present, 35% of our business comes from clinical trials (CRO work). If we include Regulatory and Pharmacovigilance work that is bundled with the clinical trials business, the number rises to about 40%. We expect this to increase significantly over the coming years.

The commercial results of this transformational journey have been very satisfying as evidenced below.



This strategic transformation also involved exiting the Supply Chain business. Shareholders' will recall that we had three parts of our SCM business – a 100% owned unit in the US; a Middle East Joint venture with the WJ Towell Group in Oman, and a Joint Venture in India – APA Engineering. We have successfully exited from the first two and are in the process of finding a suitable transaction for the third one. Our Company has had excellent relationship with its JV partners maintaining complete transparency of our strategic imperatives and finding mutually acceptable solutions.

APA Engineering Pvt Ltd. is our SCM Joint Venture in which we acquired a 58% stake in 2006. It is a consistent profit making, debt free business with cash surplus and consistent dividend pay-out. A recent question has been raised on APA's merger with RPC Power India Pvt Ltd. RPC was a 75:25 JV with Reliance Parts Corp based in Minden, Nevada, USA one of the first customers of APA Engineering, being the majority shareholder. This JV was formed as per customer preference. APA held a stake in the India operations as they were providing management services. When Reliance Parts Corp, USA was acquired by Nivel Group they decided NOT to have ownership in overseas locations. Consequently, APA bought over their shares and RPC first became APA's 100% subsidiary before merging with APA shortly later as the entity was not required. For the FY 2014-15, Revenue and Profitability of RPC Power India Pvt Ltd amounted to Rs 162 Mn and Rs 3.7 Mn respectively. This data points is being addressed as there was a specific question on this.

***Laser focus on Life Sciences***

Post-acquisition of Ecron Acunova, TAKE addresses a market close to USD 40 Billion by 2020.

Bringing a drug to the market is a complex process involving many time consuming and expensive stages which starts from drug discovery, pre-clinical trials, clinical trials (phases I, II, III and IV), regulatory approval and post marketing approval drug lifecycle management. TAKE's expertise in the life sciences space begins from the clinical phase I onwards with the capabilities of a full service clinical



research organization (CRO) supporting the pharmaceutical, biotechnology, and medical device industries through consulting & functional services as well as technology services in three primary segments - Clinical, Regulatory and Safety functions of the R&D Drug development process.

Our support begins right from helping the client select the best sites (hospitals, clinics) to conduct their trial, to site initiation, patient screening, patient enrolment, study conduct, ending with study close-out. Our trial expertise is augmented by OneClinical, a platform that delivers trial oversight, analytics, and insights to drive successful study outcomes.

Our Company also makes an impact on the industry practices through its proprietary networking forums (NETS) platform providing deep insights into challenges faced and best practices followed among Pharma companies, in a unique manner that protects confidentiality and data integrity. Through the NETS, we have access to over 16 years of industry benchmark data that provides deep insights to drive informed decisions for our clients.

Our Company's strategy has always been value driven - building capabilities, increasing our global presence and adding to product/IP capabilities. The Company augmented its infrastructure in Princeton, Berlin, Bogota and Bangalore to accommodate its evolving scale, capabilities and team including setting Clinical and Bioanalytical laboratory. This addition has increased our ability to service this high-demand market, where we are a well-recognized player.

We also establish dedicated facilities on specific client request. An instance of this, is our hub in Bogota Colombia requested by one of our long-term top 5 Global pharma client with a business guarantee to service the demand of the growing Latin American market, and "same time zone" comfort for the US. As the volumes grew, and the center became multi-client, it became a separate company in 2017 to facilitate scale and expansion.

Fundamental to this growth is the need for highly skilled and competent manpower. With a global footprint spanning the Americas, Europe and the APAC, the company is represented by more than 1,500+ professionals. TAKE has added about 40 members to its Senior management over the last 18 months. 20% of the company's work force comprises of domain experts with academic credentials and at least 10 years of hands-on experience in the clinical trials and drug development process - Medical doctors, PhDs or Bio-statisticians.

The areas we serve are highly regulated and under the constant supervision and purview of Global Regulators – FDA, EMA, DCGI, etc. to name a few. Adherence to quality, compliance and governance are expected at very high standards and always. Our Company has had over 30 regulatory inspections in the last four years at several of its facilities and sites. I am happy to share that we have had no observations from any of the regulators which is a strong testimonial for the quality, ethics and integrity of our workforce.

Credentials in the business can be built only over a period of time and with sustained excellence.

Today with the support of the shareholders and the sustained efforts of the workforce, we have the following credentials amongst others:

- 350+ successful clinical trials
- 1000+ successful Bioavailability/Bioequivalence studies
- Over 120,000 Regulatory submissions
- 8% of all successful submissions to FDA in 2017



- 300+ Safety consulting engagements and 50+ strategic regulatory consulting engagements
- 7% of all Biosimilars studies in India
- 10 proprietary Life Sciences Industry Networks with 120+ members in network forums
- 6 Unique technology IPs tailored for Life Sciences
- 30 GCP/non-GCP audits across the globe with no observations.

#### ***Industry recognitions, Awards and Accolades***

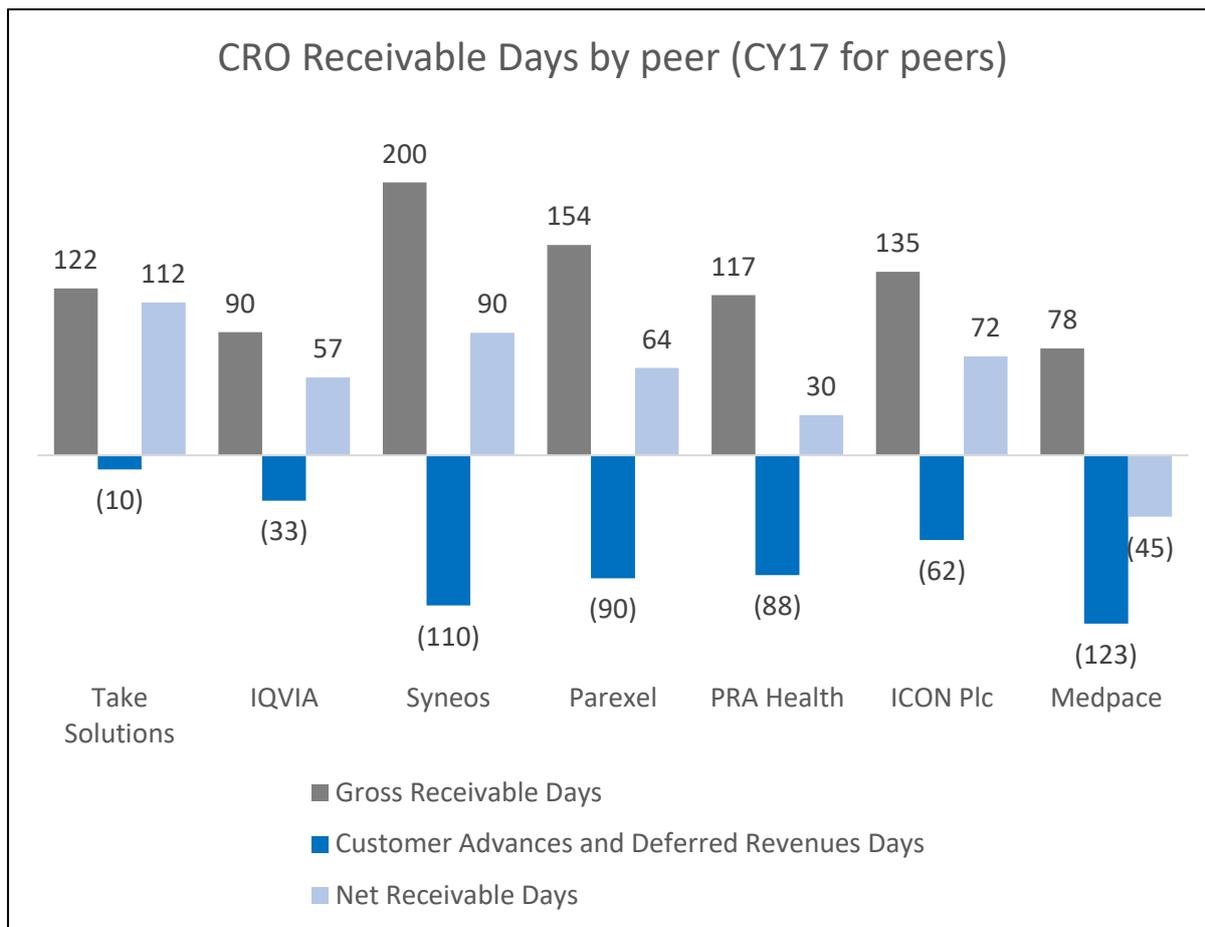
- The Company's domain centricity was recognized in the form of a listing as 'Leader' in the prestigious IDC MarketScape: Drug Safety Services 2018 Vendor Assessment as one of only eight vendors selected based on the MarketScape's stringent research and due diligence process.
- Gartner recognized our Company amongst Top 20 Global Solution Providers in its Market Guide for Track-and-Trace and Serialization Software Providers for Life Sciences Companies
- Award-winning talent management practices continued to receive accolades in the form of the Best Employer Brand for the second consecutive year at the World HRD Congress 2018, where it also ranked 3rd in the Times Ascent presents Dream Companies to Work For category.
- Earned a place in the Great Place to Work global listing, the global authority on building, sustaining and recognizing exemplary workplace culture and best practices.
- ISO 9001:2015 for Quality management systems, ISO 27001:2013 for Information Security Management, NABL (ISO 15189:2012) accreditation for clinical laboratory
- Bestowed with the Golden Peacock Award for Excellence in Corporate Governance, for the second consecutive year in 2018 established by the renowned Institute of Directors (IoD), London.

#### ***Economics of the CRO business and TAKE's performance***

CRO businesses are more capital intensive than IT business. And our core Life Science business is in any case more working capital intensive than the IT and BPO companies with which we are often mistakenly compared. This is compensated for by the higher barriers to entry in the business and the stronger growth prospects given the very strong growth in demand for clinical trials.

##### ***1. Working Capital:***

The table below compares our debtor days with other CRO companies (using IQVIA, Syneos Health, ICON Plc, Parexel, PRA Health and Medpace as peers).



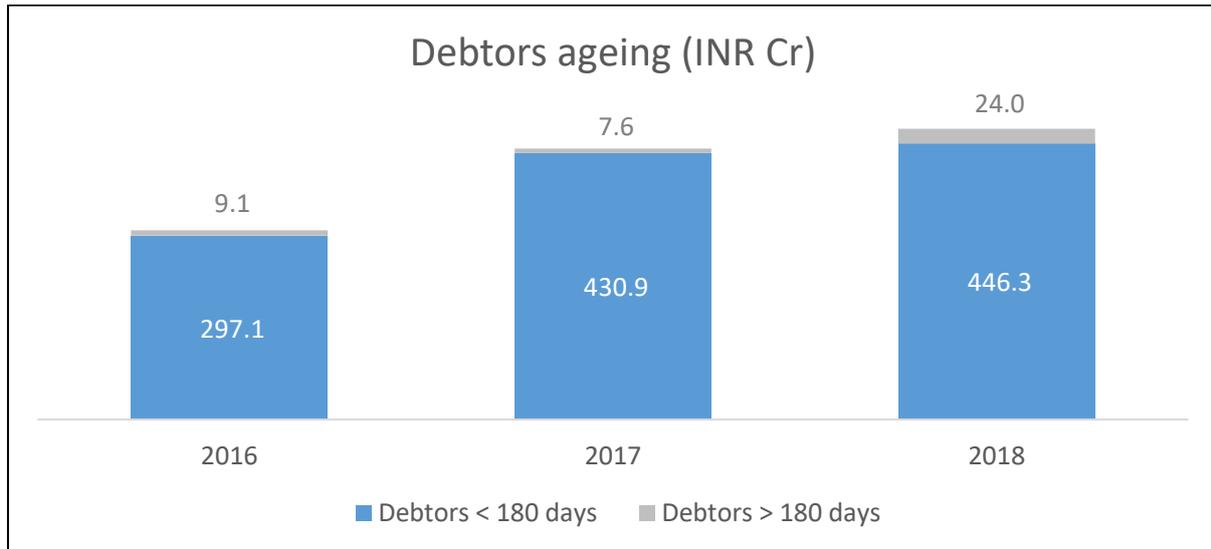
Two figures merit attention here. First, as the Table shows, our gross receivable days are well in line with the industry average. Our customers are not taking any longer to pay us than they do any other CROs they work with. The reason for our net working capital situation being significantly worse is that we have not been seeking large up-front payments for studies the way many of our more established competitors do. This is part of the value we can bring to our customers, and part of our effort to use our superior cost efficiency to present a compelling value-proposition to our customers. It is also because we have thus far been working on smaller projects where there is typically less up-front payment. As we build a strong track record with customers and move to larger projects, we fully expect that our working capital will approximate that of the industry. As the size of our clinical trials business increases, other parameters like customer advances and deferred revenue will become representative of the market.

There are two other points worth noting regarding working capital.

First, although the CRO business does require greater working capital, the payment track records of pharma clients are usually impeccable, which is what allows them to demand better working capital terms. The table below shows the ageing of our receivables.

It can be seen, our numbers are not greatly out of line with that of the CRO industry as a whole. As the size of our clinical trials business increases, other parameters like customer advances and deferred revenue will become representative of the market.

It is important to note that although these businesses do require greater working capital, the payment track records of pharma clients are usually impeccable, which is what allows them to demand better working capital terms. The table below shows the ageing of our receivables.



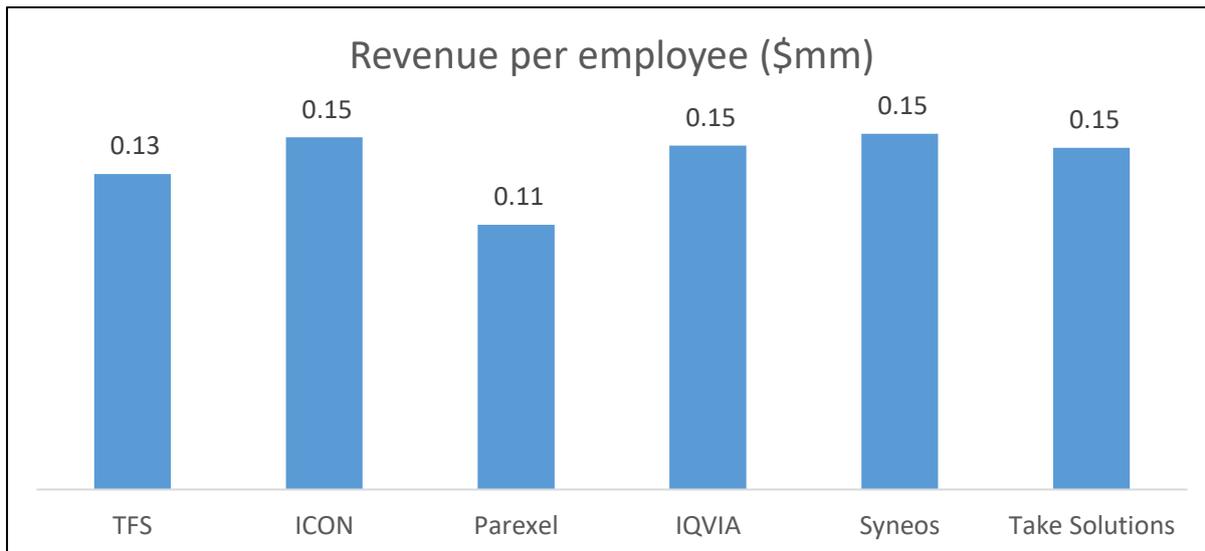
It is important to note that while we offer slightly more attractive payment terms, historically our bad debts are close to zero and receivables more than 180 days is negligible.

Second, there is a currency effect on our working capital, such that the rupee depreciation makes our Accounts Receivable (which are dollar denominated) larger.

**2. Profitability:**

**a. Revenue per Employee**

A question we are often asked is one of revenue per employee. The table below compares our revenue per employee with those of other CROs.



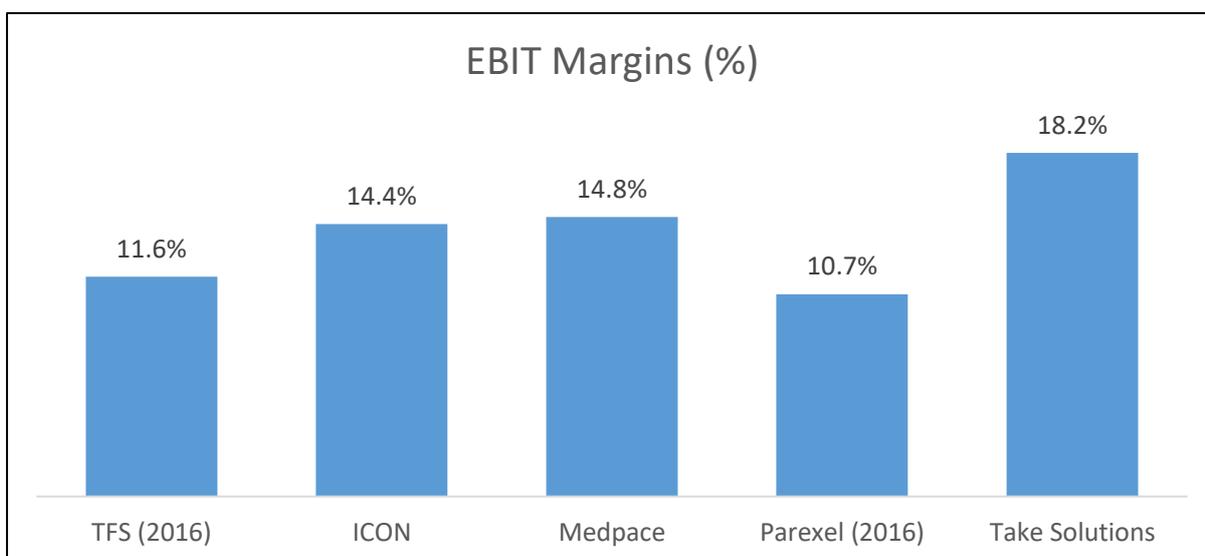
The CRO business relies heavily on highly qualified experts who are empaneled with the company and brought in as consultants on a project specific basis. The revenue per employee and cost per employee are high as these individuals typically have PhDs from leading universities and are often leading researchers in their field.

Beyond the CRO business, several of our other analytics and regulatory businesses also have this characteristic.

Our business is not IT programming business where we are arbitraging the lower cost of Indian software engineers to do relatively straightforward IT implementation. To give an illustration of this, our reliance on the H1B program is close to zero.

**b. Margins - EBIT**

While our working capital is not favorable at this point compared to peers, our margins are far more favorable given our cost advantages due to location and greater degree of automation used in conducting life sciences trials given our technology edge.



**c. Tax Rate:**

Like all businesses, we seek to optimize our tax rate based on following the laws of the different jurisdictions in which we do business. Historically, we have been able to keep this to less than 15%. Going forward, we expect that this will rise somewhat. However, we do not expect it to cross 20% in the next 3 years.

**3. Capital Allocation:**

We understand that shareholders have questions around any strategy that hinges on inorganic growth, so we would like to take this opportunity to clarify a few things.

First, all our capital allocation will be aimed at adding capabilities to enable us to become a full services CR partner to pharmaceutical companies around the world.

Second, our track record in making and integrating acquisitions has been strong. The Table below shows the recent acquisition made has paid well, the revenue and EBITDA at the time of acquisition, and the revenue and EBITDA today.

| Entity               | Date | Price paid (INR Cr) | Acquisition EBITDA | FY18 Revenue (INR Cr) | FY18 EBITDA (INR Cr) |
|----------------------|------|---------------------|--------------------|-----------------------|----------------------|
| <b>Ecron Acunova</b> | FY16 | 115                 | break-even         | 197                   | 28                   |

Finally, we have been very disciplined in passing up opportunities when the entry price has not been attractive, even though this has meant sitting on the cash injected by promoters into the company for almost a year now.

**In Summary**

Our revenues have been growing at a CAGR of 24% over the last 3 years and we are positive about maintaining this pace given the industry opportunities and our own credentials.

This will arise out of strong client relationships and partnering with clients in taking new drugs faster to market and more efficiently. We have already demonstrated it in key deals with some of our clients that we would seek to replicate. Going forward, it would be our endeavor to play in larger size trials for scale. Today, we are involved in mid-size trials, typically covering 10-20 countries. For a better value play, we would strive to be involved in big ticket trials involving 50+ countries, which will help us grow in scale in related services relating to Regulatory & Safety services too.

This would necessarily entail investments in new infrastructure by way of sites, labs and people as well as working capital. One of the challenges the CRO business has faced in India has been the inability to ensure proper quality control on trials conducted at third party hospitals or wards. We may therefore choose to construct wards, or partial hospital facilities, to be able to ensure a higher degree of quality control. Ideally this would be in partnership with established hospital groups.

The proportion of our capex that is unrelated to growth, and which would be needed to maintain purely the existing revenue run-rate is around 50% of the current addition. Needless to say, if growth were to slow to industry averages, free cash flow would increase substantially.

We have, so far funded this Capex with internal accruals, bolstering growth rates, and keeping shareholder value accretion in mind.



It is our goal to be a global player in the life sciences segment with a topline of over \$500 Mn within the next 3 years, at which scale there is significant value play demonstrated in recent transactions seen in global M&A space.

The RoICs in the CROs space vary between 15% and 30% internationally. At TAKE, we expect that our medium term RoICs will be in the 16% to 20% range while we are currently at 14%. In the longer term, we expect to be able to push these up to be among the best in class.

It should be noted that these RoICs are dollar RoICs, with a much lower level of India risk than most other businesses listed in India. They also come with strong growth potential. Listed CRO businesses internationally are typically valued at 10-12x EV-EBITDA.

We are confident that given the combination of growth, RoIC and differentiation that these businesses present, the decision to allocate capital here and transform our business model is one that has created and will continue to create value for all shareholders.

To be counted and valued in this segment, we would certainly pursue inorganic growth that we would carefully evaluate for being value accretive.

In this context it would be pertinent to note that, we have only pursued equity injection twice so far since listing, a QIP in 2016 to fund in part the acquisition of Ecron Acunova that made us a comprehensive player as a full-fledged CRO from being a data CRO and another in March 2018 by way of promoter contribution, in anticipation of imminent acquisition.

The company has been very value conscious and conservative in their pursuit of growth and focused on shareholder wealth creation in the long run bearing the highest standards on corporate governance and quality. It would continue to have the same values going forward.

The path of value creation in TAKE has been hard work and the entire team is committed to this cause. We truly value your support as investors and shareholders as we build a world class Company based out of India. My team and I will be very happy to address any queries you may have.

Please write in to [investorrelations@takesolutions.com](mailto:investorrelations@takesolutions.com)

Seasons' greetings ahead and best wishes for a wonderful 2019.

Regards,

**Srinivasan H R**

Vice Chairman and Managing Director