"TAKE Solutions Limited
Q4 FY2019 Earnings Conference Call"

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MODERATOR: **MR. HARDIK SANGANI – ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen good day and welcome to TAKE Solutions Limited Q4 FY2019 Earnings conference call hosted by ICICI Securities Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Hardik Sangani from ICICI Securities Limited. Thank you and over to you Sir!

Hardik Sangani: Thank you, Neerav. Good evening ladies and gentlemen. On behalf of ICICI Securities, a warm welcome to the Q4FY2019 Conference Call of TAKE Solutions Limited. We have from the management team Mr. H. R. Srinivasan, Vice Chairman and Managing Director, Mr. Ram Yeleswarapu, President and CEO, Dr. D. V. Ravi, Director, Mrs. Subhasri Sriram, Executive Director and CFO, and Ms. N. S. Shobana, Executive Director. I shall hand over the call to Mr. Srinivasan to give us a brief overview on the quarter, post which, we will open the floor for Q&A. Thank you and over to you, Sir.

H.R. Srinivasan: Thank you very much. Good afternoon ladies and gentlemen and welcome to this annual and Q4 earnings call of TAKE Solutions.

First of all, I am very happy to announce that this is the first time that we have crossed Rs. 2,000 Crores in revenue. From the company perspective, it is a very important milestone. We ended the year at Rs. 2,039 Crores, which is a 28.5% growth year-on-year in rupee terms and a 19% growth in dollar terms. In terms of EBITDA, our EBITDA was Rs.383.4 Crores, unadjusted and the adjusted EBITDA was Rs.417 Crores. The unadjusted EBITDA is about 25% growth year-on-year.

I am also happy to say that we have maintained very good operating margins at 18.81%, while comparable to 20.46% on the adjusted side for the year. This year, I want to call out specifically, especially in Q3 and Q4 of the year that the total one-time adjustments that we have had were to the tune of $4.83 million. Of this, $2 million pertained to the acquisition of the two companies that we made, which is DataCeutics and KAI Research Inc. $1.73 million is the provision that we made towards the restructuring expenses in EU and $1.1 million was on account of the forex movement. So overall from the company, it has been a very satisfying year, but I would now like to move on to Q4 and draw your attention to the fact that in Q4, our revenue growth in rupee terms was 2.4% but if you look at the Q4 growth in dollar terms, it was 5.4%. During the period under consideration, the rupee has strengthened, so as against the period average rate in Q2 of 72.02, for Q4, it was 69.93. So, on dollar terms, we have grown well.

On the EBITDA side, the quarterly EBITDA on an adjusted basis has grown by 11.4%, which is at Rs.115 Crores and the unadjusted EBITDA is at Rs.96.6 Crores. Now this, again, is due to the provisioning that we had called out last quarter itself.

I also want to state that with reference to the two acquisitions, which were to happen in March, both were consummated only in the last week of March and therefore, there was no accrual of revenue on either of the acquisitions during the fourth quarter of last year.

The acquisitions have since been completed. They have been amalgamated into the TAKE Solutions Limited consolidated balance sheet as on March 31, 2019 and from April 1, 2019, we will have the income pertaining to both those companies accruing to TAKE Solutions Limited. Other than that, operating performance has been good. Strategically, whatever we had intended to achieve during this period, we have been moving in that direction.

There is a data point on a three-year basis ever since we started our journey towards becoming a full service platform enabled CRO. If you look at the revenue CAGR, it is at 23% from FY2017 to FY2019 and the EBITDA CAGR is at 21%, so directionally, I think we are moving in the correct manner as we had planned. Customer acquisition has been strong; customer retention has been strong. The IP development in terms of methods for BA/BE or the strengthening of the OneClinical platform, as well as the other proprietary platforms that we use to deliver our Life Sciences Services have been coming along as per expectation. The customer renewals have been at an all-time high, 96% customer renewals we have had, so overall, we carry a very strong momentum as we move into FY2020.

In terms of order book, we have a closing order book on March of $251.70 million, of which, $245.12 million pertains to the Life Sciences. This compares very favorably to a total order book of $189.36 million, which was at the end of FY2018, and the Life Sciences in particular, which was at $179.46 million. So, the year-on-year growth in order book in Life Sciences has been 36.6%, which is better than expected. And this order book does not take into account the order book of DataCeutics and KAI Research, which is roughly about $30 million and would get added to this.

I think we start off FY2020 on a very strong footing. With these words, I will now hand over the mic to my colleague, Ram, who will give a little more granular color on the Life Sciences business. Over to you, Ram.

Ram Yeleswarapu: Thanks Sri. Good afternoon everybody. As Sri said, certainly, I think we have seen good strong performance for the entire year and looking ahead, I must start off by a summary statement and saying, the industry trends look extremely promising. I think the industry that we are in, our confidence levels, our understanding of the trends in the industry continue to aggressively scale and grow and we are making those adjustments required, so that we are aligned to the trends and the

growth aspects from an industry angle. So clearly, the headroom for growth in the industry is quite significant. Yes, I must also mention at the same time, that there are shifts in the generic industry that are happening around us and I must also assure you that we are absolutely aware of those, and we are taking note of some of those developments.

But clearly, I think the business that we are in, involves us to work with the generic pharmaceutical industry, as much as it allows us to work with the innovator companies. So, given the spread of our business, we are adequately protected in ensuring that we are working with the industry segments across both our generics and the branded companies. That said, clearly, I think I will try to probably give some color to each of these business segments.

So, starting off with the generics, we continue to expand on our traditional BA/BE opportunities. Our infrastructure, our delivery quality, the repeat business we get from our existing customers continues to grow in scale. We have not witnessed anything contrary to that. Plus, in addition to this, we are noticing new opportunities from geographies like North America. Clearly, the generic presence in North America also needs to be catered to. We, of course, have been trying to kind of entrench ourselves through our sales teams into North America as well as Europe to secure some of these very traditional BA/BE opportunities. The recently concluded DCAT meeting in New York City, certainly we were there and our meetings with not just existing customers, but also of course prospects they continue to show promise that the industry will continue to lean on traditional BA/BE CROs for enabling services and hence, we are adequately poised there.

In addition, clearly, I think our company is adequately poised, as you may all know, that post approval support whether it comes to managing the lifecycle of approved regulatory dossiers or providing for example pharmacovigilance support for these generic customers or even branded companies for that matter, we have an entire division catering just to that part of post approval support. So, our conversations are not necessarily just on the development side with these companies, but clearly once the drugs are approved and they are commercially available in the markets, there is a lot of spend that happens there and we as a company are adequately poised and prepared to support our customers in these areas of post approval support.

Moving on from traditional BA/BE, the complex generic space is evolving. We see a lot of traditional generic companies now aggressively pursuing the 505(b) (2) alternatives, which require an NDA to be filed, so many of these are patient studies. So, from the very traditional healthy volunteer studies of the generic companies, we see a shift happening rapidly towards patient studies. These are premium products, these are complex generics, some of these are technically challenging, but once again, our presence in running clinical trials, as a company, as a CRO, allow us to adequately address the needs of this evolving market, so we are in talks. Our pipeline of opportunities in the 505(b)(2) space is

growing and given our recent acquisitions in the U.S., that allows us to really tap into the patient studies, if you will, in the North American region, so that is a big plus for us and we are aggressively pursuing the 505(b)(2) alternatives. As you are also aware, we have built capabilities in the technically complex generic space in certain areas like dose inhalation studies to insulin clamp studies, etc. We are pursuing those opportunities. There appears to be clearly a need and an interest in the market and we are pursuing that as well.

Moving on to biosimilars, it is an expanding market. We have mentioned this in the past. We, as a company, have done good amount of work in the biosimilar space. Of course, we started off with biologics. Biosimilars, being the genetic equivalence to biologics. We have been tapping into the biosimilar market also pretty reasonably well and we have continued to build our experience in this space. The good news is that a limited number of biologics having come to patent expiration and more coming off of patent expiration in the near future. The ones that have expired, I think, they are limited in nature in terms of the indications that they address and our experience in monoclonal antibody, as we have mentioned several times in the past, allows us to participate very actively. Unbelievably so, there are several companies that seem to be pursuing a very similar trajectory in developing some of these MAbs. So, the good news is, as you are aware, biosimilars require a Phase III and then a Phase IV and we are adequately poised to tap into the Phase III and Phase IV segments.

The trends, just so that you are aware, the Phase III studies are being designed by many companies now to span India and Eastern Europe and once again, our presence in Europe, both Western and Eastern and of course in India, allows us to tap into this growing and burgeoning Phase III and Phase IV opportunities for biosimilars. In fact, there are some complexities in this area that also position us extremely well. Some of the customers and prospects we are talking to are looking for biowaivers. In other words, they have Phase I data by running a biosimilar study in India. The pathway so they are trying to explore how things like can they get a biowaiver and instead of repeating a Phase I study in Europe where they just do a Phase III and file to the regulatory body in Europe. So, these are interesting, challenging conversations and we are very pleased that we are seated at the table having these very innovative and forward-looking conversations.

Moving on to NCEs or the new chemical entities, our focus on the SME segment of pharma and biotech positions us extremely well. Our focus continues to be oncology and immuno-oncology, we see a good deal of opportunities in the pipeline and recent deal closures that we have had are extremely promising. The deal size is materially growing. The expansion from local and regional move to global portends very well. In a recently won study, for example, we will be running this study across Europe, across Korea and across North America. So, it is moving steadily from being the local regional coverage to a little bit more global and so are the deal sizes, so we are very encouraged

by this trend that we are witnessing and we have several opportunities in the pipeline and several very interesting conversations that are in terms of opportunities we are pursuing in the NCE space.

Clearly, I think as Sri mentioned, the differentiation of OneClinical continues to grow. Our belief in leveraging technology platforms to be a differentiator CRO is serving us well. Our customers actually have begun asking for more features and functionality, which is a very positive trend. While we certainly started off with a baseline of OneClinical in how we wanted to make a difference in the market. The feedback now that we have been running several studies on a steady state basis, the feedback we are receiving as well as the features and functionality requirements are all fantastic inputs for us to kind of enhance the features and functionality of the platform to, kind of, continue to deliver our more comprehensive services and certainly deliver outcomes that are well differentiated in the industry, as we compete with others in the same space.

OneClinical, as a portfolio product, as a platform, continues to expand. We have built predictive modeling capabilities into that platform now. We are also aggressively working on workflow enablement. Such a concept, while it has existed in other industries and it has been talked about for a while in the Life Sciences industry, lack of action has prevented adequate oversight and transparency. We, as a company, again, are strong believers in technology in automation and innovation and we are believers in driving services of our platforms. Given this, we are enhancing the OneClinical platform with predictive model and workflow enablement for transparency and oversight. At the end of the day, our quest is to kind of do more with fewer people and do more with more skilled people. If you do that, I think the financials will reflect our ability to make a difference in an industry, which is traditionally been entrenched in past practices.

Post approval support is the next area. Very quickly, we are securing more work in the regulatory dossier lifecycle management area. We have, of course, as you are aware, developed a very strong trust across different parts of the world. Not only do we continue to scale and grow with our existing customers, I think our unit pricing model there to very specific metrics, operational metrics, that we have delivered are allowing us to really have very interesting conversations and we continue to expand our portfolio of customers in that area. Once again, in the post approval support, pharmacovigilance services are on the rise. We are having more interesting conversations now with more customers. We are expanding, scaling and investing in our skill, in the post market PV safety area and so that continues to grow as well as.

So, if you kind of look at the overarching coverage, there is coverage for development and leading to approval of drugs and then once the drugs are approved, there is coverage that continues to extend in the post approval support. So, in other words, for a given account, we are now witnessing a heat map

that continues to get checked away with us trying to do more services for a given customer, which is extremely exciting.

Leadership team expansion, clearly, I think we have added a number of key leaders across the globe in a variety of different departments and some of these have come in with very strong credentials from the industry and their belief in joining us is predominantly, it hinges off of the fact that we are a well differentiated company and that is exciting not just for us, but also to get a ratification from someone who spent enough time in industry, who is certainly on board now believes in this vision and is absolutely alongside in this journey.

Process enablement, tech automation innovation focus, we have talked about that stuff. I have mentioned few aspects of it. I am happy to answer more questions on that, but our quest continues to be to invest and grow and scale for differentiation from a technology and automation angle.

We, of course have acquired additional capabilities in North America and we are extremely excited. I think the prospects of us trying to kind of get into full service in North America through these assets we have acquired recently is exciting. We are already getting into some very interesting conversations and pursuing opportunities so on and so forth, so more on this as, of course, we move into the next couple of quarters.

Events, webinar through our sales and marketing channels, our client partners are spending an increasingly more time with customers trying to look at these heat maps. There are a lot of cross and upselling initiatives that are coming into our CRM for visibility, so all these potent extremely well, again, from an account management and account mining perspectives.

Lastly, data-driven, we are data-driven not just for delivering differentiated outcomes for our customers, but for internal processes as well. We are certainly watching our growth and performance very sharply. The propositions have been sharpened. They continue to get sharpened with the feedback we receive, so FY2019 while it was a fabulous year, I think it also has positioned us extremely well for sharpening our propositions for FY2020 and from inside sales activity to sales, to presales assets being built, let me explain quickly what I mean by presales assets. We want to be ready and prepared. For example, we are pursuing indications across therapeutic areas like oncology, cardiovascular, urology, ophthalmology, dermatology, etc. For us to have a meaningful conversation and relate to our sponsor's priorities in a certain indication, it is important that we put ourselves in their shoes ahead of time. What I mean by that is, if the endpoints of the certain clinical study protocol for a given indication are known to us upfront, given that experience, to translate those to visualizations and to have meaningful conversations upfront with the prospect or a customer, allows us to do a better job in giving the adequate comfort responses. So, these such presales assets have been built as we speak. So, all in all, I think it is a fabulous year that we have had, and we are

extremely excited as we look ahead at FY2020. With that, I certainly kind of going to hand it over back over to the team and we are certainly ready to answer questions. Thank you.

H. R. Srinivasan: Thank you, Ram and I think before we get into the Q&A, there are a few key points on the financials that Subhasri will make, so over to you, Subhasri.

Subhasri Sriram: Thank you, Sri. Good afternoon all. I suppose most of you must have got to see the company's presentation just a few minutes before the call and my apologies for that. So just in case if you have not seen it or have had not had a chance to go through, I thought I would just explain a few high-level data.

We have our currencies. This quarter has been a very interesting quarter where in terms of our income from the last quarter, it was 72, it has dropped down to 69.93 with a balance sheet number of 69.57 remains the same as with Q3 and as well as Q4. So effectively, there has been a change in the P&L without a significant impact on the balance sheet. Well the reverse was true in the previous quarter, so these factors need to be kept in mind both in terms of our revenue growth and in terms of our expenses.

In terms of our EBITDA, there are several references we have given in terms of our adjusted EBITDA, specifically the reference to specific one-time expenses, which was detailed in the previous call and explained earlier in the call by Sri and these are one-time and hopefully we should bounce back soon.

As far as the capex investments, this time around, we have had a more or less normal capex investment, which we invested in. It was in our facilities in technology and clinical trial. In the year gone by, our expenses on intangibles has been marginal. There are several work in progress, but no new IPs in place at this point in time, but hopefully several are in a very interesting state. Hopefully, in the coming year we will have more on the technology space.

The point next is on the tax rate. We had indicated that our effective tax rate is likely to be inching up from below 15%. We are now close to about 17%. It is also a fact that during this year, there is an element of rationalization of a number of legal entities. We have looked at it, seen where we have benefits of tax rate and where we could rationalize them and to the extent about five legal entities have been merged and/or taken into our parent company in the U.S.

The next point is on our receivables. As I said, the balance sheet has been flat in terms of currency and therefore we have had a benefit in terms of our receivables, in terms of our DSO it has significantly come down. Some attempts we have made in terms of factoring and we see some benefits coming out of it and that going forward, we should be able to get some benefits in our

receivables management or working capital management. While on the other side, our unbilled receivables have gone up. In some of the larger projects, the milestones were not completed. The billing time cycles have not been reached. As on March 31, 2019, the amount is slightly more than usual, but during the next 45 days, several of them have been billed and therefore, we should be seeing this back to normal.

The next is in terms of our liability. In terms of our funding, we have maintained our options to raise credit. We have credit lines, which are available to us. We have been able to complete this acquisition of $52 million which was funded out of our internal accruals and the capital infusion, which happened in the previous year. We, right now, have a limited war chest of cash, but we do have credit lines, which should help us grow for the next coming several quarters.

As far as cash flow, in terms of our balance sheet, we have provided for the committed payment on our acquisition. The purchase consideration, which has not yet been paid out, will be paid out based on the performance of the two entities. They have been provided for and have been restated in our balance sheet liability section. So, there is a $20 million increase in our liabilities. This has been provided for. Our endeavor is to make sure that the acquisition performs as we desire and as we had planned and thereby the sellers are able to earn their consideration, which we have committed for them. These are the few highlight P&L balance sheet points, which I wanted to spell out. I am happy to answer your questions.

H. R. Srinivasan: Thank you Subhasri. The team is now happy to take questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Devansh Nagotia from SIMPL. Please go ahead.

Devansh Nagotia: Thanks for the opportunity. I had these few questions related to the balance sheet. So, in other financial assets, we see that the amount has jumped from Rs.75 Crores to Rs.203 Crores. Just wanted the breakup of exactly what these financial assets are and if they are related to advances? Which part of our business are they related to? Are they related to Regulator PV, Nets consulting or our CRO business? If the business grows, will they continue to grow and if they are not related to revenue, by what time they should come down and when can we expect them to realize in our cash flows?

Subhasri Sriram: Thank you. I think this is something, which I wanted to call out myself. The increase, which you see is in the other financial assets is largely on account of the assets coming out of acquisition of DC and KAI where there is no corresponding revenue to the P&L have been taken as financial assets and that is the large part of the incremental assets in that section and as we know of the details, certainly, we do expect that in the next three to six months most of them will be liquidated. The incremental amount will be liquidated, a significant portion of that.

Devansh Nagotia: Out of this Rs.203 Crores how much do we expect that would realize in next three to six months?

Subhasri Sriram: About Rs.53 Crores to Rs.55 Crores will be the incremental portion which will get liquidated in the next three months.

Devansh Nagotia: Madam but what are these exactly related to? What is it exactly?

Subhasri Sriram: These are advances paid where we have partnership arrangements or have specific collaborative arrangements where the third party are working on certain tools for IT and we have paid an advance for us to have a preferential right over for those products.

Devansh Nagotia: Can you share a breakup?

Subhasri Sriram: In terms of breakup as in terms of clinical and regulatory?

Devansh Nagotia: So the complete Rs.203 Crores is related to the partnership rights that you are talking about, is it?

Subhasri Sriram: Yes, partnership. It will be advances for our sites in terms of where we have block facilities, so it pertains to both clinical and regulatory. Predominantly, it is on the life sciences front.

Devansh Nagotia: Madam, similarly in unbilled receivable, what do we expect in a steady-state case? How much should be the unbilled receivable days going forward? Since even in the last quarter, we were expecting that some milestones were not completed because of which they increased by some amount?

Subhasri Sriram: It has come down. In fact, last time, it was not so much, but we typically expect about 15 days of revenue, so 15 days of revenue at any point of time on an average, but there can be skewness at quarter ends.

Devansh Nagotia: In that case then, these unbilled receivables should come down going forward, right?

Subhasri Sriram: Yes. I did mention, so this too is a bit of an aberration while the nice part of it is our AR.

Devansh Nagotia: Just wanted one clarification related to other expenses like since you have told us $4 million, were the total other one-off expenses that has happened in the second half? Out of this, $2 million is related to DataCeutics and KAI, so in this quarter, one off expenses would be Rs.14 Crores. Would that be the right interpretation?

H.R. Srinivasan: Come again with the question please.

Devansh Nagotia: The onetime adjustment expenses that you were talking about that has happened in the second half, you mentioned the $2 million were related to acquisition expenses. Rs.16 Crores was that happened in the last quarter, a restructuring expense, so in this quarter that amount should be Rs.14 Crores, which would be the one-off expense, which is related to our acquisition and which will not happen going forward, right?

H.R. Srinivasan: Yes. The total expense is $4.83 million. It has got three components. $2 million pertains to the acquisition, which will not happen in the future. $1.73 million pertains to manpower rationalization in Europe, which also will not happen in future. $1.10 million is on account of forex movement, which is notional on the balance sheet. It is not a cash outflow, but it is notional on the balance sheet and therefore it must go through the P&L for the quarter. So $3.73 million is one time, which will not happen in the future and $1.10 million is a forex movement, which can happen in future. I do not think we will be able to predict that.

Devansh Nagotia: Since we are like 2 to 2.5 months post the acquisition, so how are we seeing the synergies playing out with KAI and DataCeutics and in which part of the value chain are we seeing these synergies playing out? Are we able to get the clients because of the physical presence in US or anything of that sort that we are witnessing right now?

H.R. Srinivasan: I think, like we said we have not even had $1 of revenue in Q4, so effectively, it has started from April 1, 2019. While the PMI plan is moving as per target, it is too early to call what is the synergy that is happening at this point of time. If you ask me in the last 45 days is the PMI plan going as per schedule? The answer is yes, but I may not be able to articulate synergy beyond that because it is too early to call that out. The first 45 days in any acquisition is to understand and make the employees feel comfortable, address several queries with that, solve infrastructure problems, client communication with reference to the changes that are there, then there is e-mail ID changes of all the employees, so there are several of those that take place. So, it is not that after one week you see results, I have not seen that happen in the past even in the acquisitions that I have been involved in. From a broad perspective, in DataCeutics, you should be able to see several low hanging fruits because it pertains to clinical data management where the sales cycles and the delivery cycles are fairly quick and sharp. In the case of KAI Research, which deals primarily with the Phase II and Phase III studies, the sale cycles itself are longer and so you will take a little more time to see synergies. This I had called out even in the earnings call at the end of Q3, when we had alluded to this. I am going to pause here and maybe ask Ram if he wants to add to what I already said here. Ram, you want to throw some color?

Ram Yeleswarapu: So I think to the point you made and obviously, these are initial days right now. We need to certainly ensure that we take stock of some of the poor housekeeping activities, if you will, as part of the PMI,

but if I could just maybe lend a little bit of color to what we expect to see or at least what we are seeing in terms of the credentials that both these assets have brought to Navitas and TAKE. Clearly, there is a lot of synergy there. There is a focus on data services and on statistics, biostatistics, so on and so forth when it comes to DataCeutics. We are certainly looking forward to expanding with their current customers to offer more services and solutions that are from the larger family and bring some of those benefits to these customers. As well as of course expand and scale a bit more not just in terms of opportunities, but also into additional geographies, if possible, especially in the delivery front. And on KAI, clearly, I think it is a full-service unit our focus is musculoskeletal, oncology, neurology, mental health, so on and so forth. So once again, it adds a certain extra therapeutic areas to our portfolio. It also augments our current expertise. There are a lot of possibilities, including with agencies like National Cancer Institute, National Institutes of Health, Department of Defense, Centers for Disease Control, so on and so forth. So, I think a lot of those things certainly are things that will kind of start taking concrete shape as we kind of progress through this part, but as we progress toward these over the next couple of quarters, I think we will certainly be able to comment more on that. Hopefully, that answers your question.

Devansh Nagotia: Thanks that makes sense and what would be your current revenue mix between the Regulatory, PV, Nets, and Consulting; and within clinical between the BA/BE and CRO?

H.R. Srinivasan: Come again.

Devansh Nagotia: What will be your current revenue mix in Regulatory, PV, Nets, Consulting and clinical? The share of revenue for the year-end, what would that be?

H.R. Srinivasan: Nets and Consulting, I think it is at about Rs.160 Crores in that region. I do not have the schedule right in front of me. Clinical would be, overall, both the CRO and the CDS piece put together, and this I am not including any of the acquired assets, would be about 36% to 37% of our total revenues.

Devansh Nagotia: The remaining would be regulatory and PV?

H.R. Srinivasan: Yes.

Devansh Nagotia: This is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Vijay Kajaria from Securities Investments Management. Please go ahead?

Vijay Kajaria: Thanks for the opportunity. In other financial liabilities, there is a significant jump. Is this the amount which is left to be paid to the company that we have acquired?

H.R. Srinivasan: Yes, exactly.

Vijay Kajaria: That is $20 million?

H.R. Srinivasan: Correct. Those are the earn out figures. They go into this.

Vijay Kajaria: This is it from my side. Thank you.

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

Nirav Dalal: Thank you for the opportunity. A couple of questions. One is just harping on the other expenses, if I were to just convert the Q3 and Q4 numbers, the other expenses numbers excluding one-offs comes to about $16 million for Q3 and $19 million for Q4 and if we see the run rate for the last three quarters or the Q4 of 2018 to the Q2 of 2019, it had been between $16 million and $17 million, so should this be the new normal and then related to it how do we see the margins panning out excluding the acquisitions and then including the acquisitions?

Subhasri Sriram: I would not want to take it this way and say that this will be the way for the coming quarters, but one thing, which definitely was a differentiated process was the last two quarters, in fact, some of the work of the last third quarter, much of the work was done out of US and thereby, there was an incremental element of cost, but that was well factored in our pricing. Will this be the new norm? Will we have the growth coming out of the US geography and delivery out of US? Well maybe for a few more quarters we will require, but there is an element where the Indian arm providers us a portion of the services and some of it was delivered out of our US and Europe offices.

Nirav Dalal: So, net-net, how do you see the EBITDA panning out, so Q4 EBIT was about 10%? How do you see this going forward?

Subhasri Sriram: So, EBIT, as we had indicated earlier in the commentary, EBIT or EBITDA, the way you look at it, we feel confident that it is slightly under control and maybe a few basis points here or there between quarters it may move, but there will not be a significant change in the near future.

Nirav Dalal: FY2019 number was about 12.3% and FY2018 was about 12.7%, so excluding the acquisitions do you see this number to be maintained?

Subhasri Sriram: Yes, that is the fair expectation.

Nirav Dalal: In terms of the acquisition, what are the margins that one should factor in because you said that EBITDA would be about 16%, so what should one factor in?

Subhasri Sriram: Our objective is to take them to what we have been able to deliver, but how soon will we be able to do that may be too premature to comment about it, even the earn-out is structured in such a way that they will have to deliver not only on the revenue, they will also have to deliver on certain EBITDA numbers. In this way, we expect it to help the two acquired companies to improve on their EBITDA numbers.

H.R. Srinivasan: Neerav, just to add to that. The first six months, in the case of KAI, we may not be able to impact anything on the EBITDA numbers because KAI really depends on the opportunity of getting more trials and then the sales cycle for the trials is a little longer. You may see an uptick in EBITDA in DataCeutics portion of the business after about three months, primarily on the account of off shoring, which is possible. Today, there is a possibility of already off shoring roughly about 15% of the DataCeutics work and there is a plan underway, but to execute that properly will actually take about three months to start executing that. So, you may start seeing an uptick in that portion of the business in about three months, but KAI, we will have to look at atleast six months before there can be any margin expansion.

Nirav Dalal: FY20'19 EBITDA for the company was about 19.8%, so 19.8% and 16% for the acquisition that should be the number that we should look at for FY2020 technically?

H.R. Srinivasan: Correct.

Nirav Dalal: The last question is on capex. What are the capex expectations for FY2020 and FY2021?

Subhasri Sriram: In our own internal capex requirement, I think we are fairly okay, but as I said, there are several work-in-progress in our IPs and in the last two years there have not been too many from our side and we do expect some are at an interesting stage, we should be able to capitalize and go to market soon. In the case of DC and KAI, while DC may not require much of a capex, KAI is one and we do see even in our original plans, we did see a gap there. There may be a requirement of an investment, but how soon and after what milestones, we will have to look at it, it is again a bit too early, but yes, in our original budget, we have factored some of the investments for KAI, but that will come in maybe one to two quarters from now or we will start looking at it one to two quarters from now, nothing immediate.

Nirav Dalal: To be very clear, FY2020 capex would be anywhere between Rs.120 Crores to Rs.150 Crores or less than that?

Subhasri Sriram: Yes. more or less.

Nirav Dalal: Between Rs.120 Crores to Rs.150 Crores?

Subhasri Sriram: Yes. you are on dot.

Nirav Dalal: Thank you.

Moderator: Thank you. The next question is from the line of Tushar Bohra from MK Ventures. Please go ahead?

Tushar Bohra: Sir, if you can just explain a little bit about the different balance sheet items? There have been a lot of changes on both the asset and liabilities side. So, unbilled receivables, there was a mention and also other financial assets. If you can just help as to what really the reason for a sharp spike in both and correspondingly on the liabilities side, the reason for sharp spike up in the borrowings and other liabilities?

Subhasri Sriram: Tushar, Subhasri here. I had explained that while we do see a spike in unbilled, but if you look at receivables are from last quarter 108 days have come down to about 94 to 95 days, so there is an element which as I had indicated earlier, certain cycles could not get milestone in terms of certain projects were not done by March 31, 2019 from income regulation and matching costs if we had to and as per accounting standards, we have recognized it. It was unbilled as on March 31, 2019. Several of them have been billed right now and they are a part of their credit cycle right now and one head, which is the trade receivables, which has also come down, which I highlighted. In terms of investments, last year, we had a post equity infusion, there was cash surplus beyond our debt and a portion of it was invested in mutual fund and the same was redeemed somewhere around June to September and that is why therefore you see the drop in our investments schedule. I explained the incremental value in other financial assets. Not all of them, but a significant large portion of them is on account of assets coming out of DC and KAI acquisition in terms of consolidation of accounts and as I had mentioned, this has been specific as well as a financial asset because we do expect a very short period of these assets getting liquated and we should be in cash soon. This is a part of the working capital cycle and this should come back to the system. And from the financial liabilities, I think the borrowings, are lines, which were drawn in March 31, 2019 and some of them are new lines. And I need to call out that previous year 31st March, since March 23, the capital infusion had happened. Some of the even existing lines had been funded off because there was cash surplus as of the end of March of last year, so there are not necessarily comparable numbers. The cash balance is also not comparable; different scenarios. And as far as trade payables, it is a part of our management. We have had not too much credit to the clinical trials and others. We have had very short cycle in trade payables and other financial liabilities indicated that almost the entire incremental amount is on account of the provision made for the earn out on this new acquisition.

Tushar Bohra: Madam the unbilled receivables that have gone up how does that impact? This is essentially revenue that has not been billed to the client, right, but the revenue is taken on the books and associated costs are also taken on the books, right, so there is no effect on the margins, right?

Subhasri Sriram: No, absolutely not. It is only question of classifying it as an acknowledged debt because its invoice has not been raised. Since the invoice has not been raised and there is no counterparty at this point as an acknowledged debt, it continues to be shown as unbilled receivables. From March 31, 2019 to the next 15 to 30 days, the billing has happened.

Tushar Bohra: If we were to just look at the overall working capital cycle in terms of number of days how would it be stacking up for FY2019 versus FY2018?

Subhasri Sriram: In fact, looking at receivables in adding both the trade receivables and unbilled receivables, largely it will be 120 to 125 days. Typically, the receivables are about 100 days to 105 days and about 15 to 17 days unbilled receivables. This time around, the receivables are around 94 to 95 days while the unbilled receivables are about 25 to 30 days.

Tushar Bohra: Roughly, the working capital cycle has remained in the same range as earlier?

Subhasri Sriram: Almost identical in fact. It is just like it has moved from trade debtors to unbilled receivables.

Tushar Bohra: Madam as we scale up and CRO becomes a bigger portion of the total business in terms of size, as you scale up in CRO, how do you expect working capital cycle to move going forward? Let us say not just the next year, but if you could give us a three-year outlook maybe on working capital in the context of increasing CRO revenues?

Subhasri Sriram: If I were to go by the other players in the CRO space, especially global players, we definitely see an opportunity open to us and even more so with the global preference in clinical trials where we will be able to operate on a multi-servicing, and multi-site trials. Our ability to be able to draw or claim more trade advance and profit-advance is far more prospective. In a reasonable period of time, the net working capital should come down, but it may not be apples-to-apples in terms of the debtor and the creditor. We will not advance in one account and receivables in another account, but overall, we do expect the working capital to move downward, but not significantly, but yes, from the 120 to 130 days, it can come back to about 90 days.

Tushar Bohra: From 120 to 130 to 90 days, this cycle?

Subhasri Sriram: It is about a 30-day cycle, so we should be able to cover off in about may be two years.

Tushar Bohra: Madam, we are seeing on an expanded base or an expanded balance sheet in two years' time, we should be able to get working capital cycles down by about 20 to 30 days I am getting this right, right, in terms of conclusion?

Subhasri Sriram: Reduced by 30 days.

Tushar Bohra: Reduced by 20 to 30 days. It should come down by that much.

Subhasri Sriram: That is right.

Tushar Bohra: In terms of the payouts that we are still to give for the acquisitions, we have adequate cash provisioning with us, right? We will not need incremental cash drawing out, further debt or anything into the business to pay off the remaining company debt.

Subhasri Sriram: These are over a one and a half to two years away and both from internal accruals and with the current line, we are comfortable to take care of the payment.

H.R. Srinivasan: I think the internal accruals should take care of this.

Tushar Bohra: That is Rs.139 Crores or Rs.140 Crores, the payouts that are still left?

H.R. Srinivasan: Yes.

Tushar Bohra: Sir one more thing.

Moderator: Sorry to interrupt you Mr. Bohra. Please come back in the question queue for a followup question.

Tushar Bohra: It is just a clarification, if I may, for the numbers. Just one thing Sir the operational EBITDA we mentioned is Rs.115 Crores and Rs.96 Crores adjusted and unadjusted, if you can just clarify how that works out because the numbers we look at is Rs.81 Crores and maybe Rs.96 Crores to Rs.100 Crores from what was the reported?

Subhasri Sriram: Sorry, you are looking at the press release?

Tushar Bohra: Yes.

Subhasri Sriram: I am sorry. I think between Lifesciences and SCM vertical, which largely pertains to the corporate office costs and others have been left out in terms of considering for the operating EBITDA, so if you go to this stock exchange publication, the other unallocable expenses of Rs.11.89 Crores that has been

inadvertently missed out in terms of considering for the operating EBITDA, so the Rs.81 Crores is right.

Tushar Bohra: So, then what would be the adjusted EBITDA, adjusted for the exceptional one-off costs for this quarter against the Rs.81 Crores reported?

H.R. Srinivasan: Rs.96 Crores or thereabouts.

Subhasri Sriram: It is Rs.81 Crores and Rs.99.6 Crores. The adjusted is Rs.99.6 Crores.

Tushar Bohra: Rs.81 Crores and Rs.99.6 Crores. Thank you very much. That is all. Thank you.

Moderator: Thank you. The next question is from the line of Dharmik Patel from Active Alpha Group. Please go ahead?

Dharmik Patel: Good evening. I have a couple of questions. First, regarding the European business, your revenue has not grown or it has not done well for this year and post restructuring, how do you see this European business to grow?

H.R. Srinivasan: I think post restructuring, because we have kind of brought the team down, be it infusing whatever new blood is there and there is some expansion that we are trying in other parts of Europe, especially Eastern Europe, which is what we are building. So, this year in Europe it is likely to be flattish. Much of the growth is going to come from U.S. and Europe. That is our estimation because the new teams that come in will take a bit of time to settle down, so we do not want to be ambitious in terms of guiding Europe towards growth this year, so you should expect a flattish revenue in Europe. Ram, you support that view?

Ram Yeleswarapu: Yes. I think clearly post restructuring, I think, there are a couple of things that would certainly be, I guess, talked about. Number one, clearly in a global delivery model, that will certainly kick in for European opportunities, which necessarily was not the case earlier, so certainly for centralized services around data management stacks, file stacks, medical services, etc., we intend to certainly change the landscape of the delivery and lean more towards global delivery done very localized, which was the prior trend, number one. Number two to Sri's point, I think we see a shift into Eastern Europe. There is a preference response towards taxes in some of the Eastern European locations, so we certainly are aware of that and we are building towards it. The third thing is we have brought on client partners, as we call, in our parlance who certainly are taking stock of our existing customers as well as the newer opportunities and last but not the least, we are also adding to our medical and scientific capability in the local region of Europe. With all of these, I think, FY2020, I think there is a lot of activity that will happen on these lines that I just elaborated, but we will look to certainly build

on that stuff in the future, but FY2020 would attempt to kind of bring all these features to the forefront and we expect to build on that stuff, so perhaps flattish and perhaps some signals as we look ahead into the next fiscal, so on and so forth for, well, growth on top of that.

Dharmik Patel: And the second question is where are we in the process of selling the supply chain business?

H.R. Srinivasan: As you may be aware, we have sold two out of the three units of supply chain that we had. The current one that remains on the books is a joint venture where we have 58% interest. This business currently has revenue of about Rs.140 Crores and a profit of around Rs.5 Crores odd. It has been a dividend paying business, so there is no investment or managerial time that is involved here. We expect to get good value for this business. There is a mandate out there, but we do not have any effective bids at this point of time where we are holding conversations to give a timeframe. We are certainly looking forward that during the course of this FY, we will make a very earnest attempt to see that this business goes. I have to though callout that even the other two businesses that we sold took us maybe 8 to 12 months more than what we had originally anticipated to sell the business, so I do not want to comment on a time frame. In terms of readiness, I think both the JV partners are ready to sell the business and the understanding is there. Once we have an offer that is fine, we will certainly go ahead and execute the transaction.

Dharmik Patel: My last question is to Ms. Subhasri. It is regarding the other comprehensive income can you please help me in understanding the items, which will be reclassified to profit or loss? It indicates negative figures for FY 2019 and as well as for Q4, so can you give us some color on the same?

Subhasri Sriram: They are largely between our subsidiaries, transaction between our subsidiaries on account of differentiated currency. This is not a P&L transaction; it goes through as an OCI and it gets adjusted in the balance sheet. So, these are the noncash, no net cash outflow or cash inflow. These are largely a restatement between the subsidiary in terms of currency restatement, transactions between home currencies and the reported currencies.

Dharmik Patel: Thank you.

Moderator: Thank you very much. Ladies and gentlemen, due to time constraints that will be the last question for today. I will now hand the conference over to the management for closing comments.

H.R. Srinivasan: Ladies and gentlemen, thank you very much for joining the Q4 and annual earnings Call for FY2019 for TAKE Solutions. My team and I are very happy to answer any further questions that you may have. Please reach out by mail, which is available on our website, investorrelations@takesolutions.com or reach out to us by phone or maybe e-mail in any other form and we will be happy to take further questions. Thank you again for all your support.

Moderator: Thank you very much. On behalf of ICICI Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.

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