"TAKE Solutions Limited Q1 FY18 Earnings Conference Call"

August 14, 2017

ANALYST: **MR. SUDHEER GUNTUPALLI - AMBIT CAPITAL**

MANAGEMENT: **MR. H.R. SRINIVASAN - VICE CHAIRMAN & MANAGING DIRECTOR**
MR. RAM YELESWARAPU - PRESIDENT & CEO MS. SUBHASRI SRIRAM - EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER
MS. SHOBANA – EXECUTIVE DIRECTOR

Moderator: Ladies and gentlemen, good day and welcome to the TAKE Solutions Limited 1QFY2018 earnings conference call hosted by Ambit Capital. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask the questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*" then '0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sudheer Guntupalli from Ambit Capital. Thank you and over to you Sir!

Sudheer Guntupalli: Good evening everybody. On behalf of Ambit Capital, I would like to thank the management of TAKE Solutions for giving this opportunity to host the 1QFY2018 post earnings conference call. We are privileged to have with us Mr. H.R. Srinivasan, Vice Chairman and Managing Director, Mr. Ram Yeleswarapu, President and CEO and Ms. Subhasri Sriram, Executive Director and Chief Financial Officer on the call. We will start with the prepared comments of the management and later leave the floor open for questions. Over to you Sir! Thank you.

Srinivasan H.R.: Thank you Sudheer. Ladies and gentlemen a very good afternoon. On behalf of TAKE Solutions and the management team we are delighted to have you present on this conference call. We had a very strong quarter in terms of organic performance very stable, very rugged margins. The revenues have come in at Rs355 Crores or $55 million, which on year-on-year is the 16% increase in dollar terms and a 12% increase in rupee terms.

The EBITDA stands at Rs66.2 Crores, which is at 12.7%, increase in rupee terms year-on-year. Overall, the quarter has been very significant. PAT grew by about 4.6% YoY. Our, life sciences revenue increased by 19% in INR terms and 23.5% in US Dollar Terms YoY. This quarter you will be aware that is due to the strengthening of the rupee, we had an impact on the balance sheet of about 3.8%. So in dollar terms, if you look even compared to 4QFY2017, we grew by about 3.7% and the EBITDA growth in dollar terms is about 9.2% Q-o-Q. Overall there has been a very strong operating performance of the organic business and we hope this momentum will stay with us.

Moving forward really this year is going to be about converting a lot of our existing orders to revenue, so we are focusing a lot on capacity building. There is going to be additional capacities that are already being created in Chennai and in Bengaluru and we hope that these are to translate the revenues that we already have from a strong order book, which today stands at 146.3 million. It has been very stable and it augers very well for the first quarter that you performed.

With these opening comments, I am going to ask my colleague Ram to deliberate on the details a bit more on the Life Sciences business. Over to you Ram!

Ram Yeleswarapu: Thank you Sri. Good afternoon everybody. Just a couple of quick updates in terms of our Life Science business. Overall starting comments would be it is a very exciting place to be in. The market

continues to offer some tremendous opportunities for growth. Very quickly just to refresh everybody's memory on our full-service offerings, we do provide a set of full-service offerings for running clinical trials for across innovators and generic companies.

We of course have set of standalone services and we are also engaged in very specific functional outsourcing within the R&D Units of Biotech and Pharmaceutical companies. We have a suite of post-approval supports services as one so there is a combination of pre-approval leading through the development phases as well as post-approval support by providing a set of services in regulatory and safety.

Our core business completely surrounds the innovative and generic pharmaceutical companies as well as Biotechnology companies. Very clearly, over the last several quarters, we have been focused now on growing organically our accounts and expanding and do cross and upsell into existing accounts. We have been expanding our leadership teams.

Certainly been promoting the Navitas Life Sciences brand across to our base of customers talking about our capacities and capabilities in the space. There has been wide and very positive reception by our customers and very clearly now there is tremendous opportunity in both cross selling and up selling into existing accounts and we have very clearly focused on that. We are certainly looking at complementing our presence in Europe and Asia and entering into the North American geography with the full service offerings in North America. Clearly the focus is to become global service provider for clinical trial services and we do intent, of course, to be a differentiated company in this regard.

Very clearly as you would have known our company all along, we are certainly a keen believer in technology, leveraging technology platforms and intellectual property assets to provide services. We see a tremendous potential there, a huge differentiator and significant value creation as a consequence. So our focus continues to be to deliver and render our range of services but predominantly leveraging our intellectual property assets and technology platforms.

To ensure that there is clear differentiation in the market and there is significant value delivered to our customers and value created for investors and shareholders. There is of course in the industry lot of positive trends right now, significant amount of investment happening into the biotech and pharmaceutical research and development efforts and we believe that a lot of regulatory drivers are certainly pushing a significant amount of adoption of technology and best practices and processes in the industry.

As you would have known our company, has a well-rounded setup of offerings from process consulting, governance and change management expertise to a slew of technology solutions and a

range of services. We really have a 360-degree capability and a range of solutions and services to offer to our customers.

Now on the lines of such positive momentum right now that is being noticed in the industry and our own organic efforts clearly as Srinivasan mentioned we do need to have that capacity expansion to ensure that we convert lot of order book into a revenue and of course start filling up more of that as we look ahead into the next several quarters. So, there has been a capacity expansion both in Chennai and Bengaluru in our delivery facilities to be able to that exact thing that we just described.

Talking about intellectual property build out, our platform for running clinical trials has been certainly evolving extremely well. We have been switching or moving over clinical trials execution on our own platform wherever practical and feasible and clearly this is where we see a lot of differentiation and premium in terms of superior outcomes to our customers that we will be able to deliver. Our platform has been named OneClinical and we cover a range of different e-clinical solutions along with a robust analytics platform that is powering a lot of differentiation making around clinical trials The functionally rich platform with a lot of solutions is utilised to set up clinical trials, to conduct clinical trials and to close out clinical trials and so it is end-to-end capability that we have built; powered by insides and analytics this is a very powerful platform.

Leveraging to this platform we believe that we will be able to deliver enhance data quality, enhanced compliance, reduce the total cost of ownership as far as the customers are concerned and so if you kind of look at it in a macro perspective you will see that this will lead to some enormous gains and some good traction for us overall in the industry. We would of course continue to enhance and add some additional solutions to this platform including some site efficiency kind of solutions like electronic trial master file so on and so forth.

In addition to building our IP and technologies, we are also looking at how best we could enrich our medical and scientific capabilities. We are exploring the creation and institution of an advisory board for medical and scientific advice. This is absolutely critical for us so that we have physician-led expertise for designing and monitoring clinical trials across a variety of therapeutic areas we are in. Given our focus and experience in a little over 18 therapeutic areas will certainly lead a number of each therapeutic areas with good sets of expertise but we also want to make more robust by adding a set of medical and scientific advisors to our advisory board and so these global experts certainly will have tremendous capability in very specific indications around which clinical trials have been designed. And we intend to augment this advisory board with regulatory experts as will. Again, this is a very critical requirement for the kind of business that we are in and so adding this will be a huge asset for us as well as add tremendous value to our customers. Of course, clinical development certainly needs to come hand in hand with therapeutic strengths and understanding of therapeutic strength. So we are working very hard and ensuring that our clinical developmental teams are absolutely trained and equipped for delivering excellence across the range of therapeutic areas and

indications. That again is extremely critical in the kind of business we are in, and we are spearheading a number of organic internal approaches to ensure that such adequate skill trainings are important to our delivery teams across the world.

Very clearly clinical operations are an integral part of an overall services and studies and as we have mentioned in the past, the regulatory push is towards leveraging risk based monitoring technology and concepts and it is certainly heartening to note and to also let you all know that our platform powered by a very strong and robust analytics kind of a layer is accorded distinct advantage when it comes to rendering risk base monitoring services and to be in compliance with the ICE6 guidance of the regulatory support out. So the range of services that we provide from clinical operations, study start-up, regulatory submissions, data managements, bio stats, safety, medical writings, so on and so forth. So we are building our delivery capability in excellence in each of these areas. Besides building our technology and IP to be able to deliver these services and on annuity basis and in a differentiated manner, we would also be envisioning and designing new solutions and services so as to capture some additional market share. so the idea is to kind of leverage and capitalise as much from existing markets as well as to create some adjacent opportunities from the areas where we are.

Net-net our investments and teams and systems and delivery exhibit is to differentiate while leveraging industry-best practices and which we ultimately believe will deliver superior value to our customers. Thank you. Over to you Sri!

Srinivasan. H.R: Thank you Ram. With this, ladies and gentlemen, I think, me and the management team are open for questions. Back to you Sudheer.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin with the question and answer session. We will take the first question from the line of Neerav Dalal from Maybank Kim Eng Securities. Please go ahead.

Neerav Dalal: Thank you for the opportunity and congratulations for the good set of numbers. I had some questions, one is could you give the break-up of the order book between SCM and Healthcare?

Srinivasan. H.R: **T**he SCM is at 12.78.

Neerav Dalal: Okay and just to update on the project pinnacle?

Srinivasan. H.R: I think it is delivering benefits along the expected line. We have had a reasonable sales momentum going into that. We have had completely different approach to account building all that is now translating into some very healthy pipeline and which hopefully will get reflected in the order book in the next couple of quarters. The S&M function and the people, many of them, already on the ground are working. We are doing our bit on the capacity expansion which is to convert the existing order

book at a faster rate into revenue. We already executing this. So hopefully in 3Q or may be by middle of 3Q and certainly all of 4Q will have an accelerated revenue flowing in from the existing order book itself, overall from the management side, the objectives that we laid for the pinnacle has been met.

Neerav Dalal: The recruitment had to happen in the leadership team and that is completed or still?

Srinivasan. H.R: No, we are in the process of doing that so we hope to have global clinical head on board within the next 45 to 60 days. We have zeroed in on the person. We have one or more to go, the recruitments will only happen only in end of 2Q or early 3Q.

Neerav Dalal: Okay, so you will have a global head of sales?

Srinivasan. H.R: Those are already in place. It is more on the delivery side so we will have a global QA head because we need to be very compliant and vigilant when we are growing in so we will have a global clinical head, which is almost finalised and we have somebody on the resource management side monitoring effective utilisation so that we can drive our margins.

Neerav Dalal: This quarter, the order book was slightly soft looking at the momentum you had over the last three quarters anything to read into this or it is just one-off?

Srinivasan. H.R: No, I do not think we should read into that in the quarter-on-quarter basis we report. It could be more appropriate to look at an order book on an annual basis, which is when you see the growth. It is not an item to be suited for quarter-on-quarter because it is then the closures happen when the earlier contract comes to close and get renewed, so there are number of variables.

Neerav Dalal: Right, what's the EA revenues for the quarter?

Subhasri Sriram: It's Rs60.3 Crores, Q2 it was 50 odd crores so we have seen again 10%.

Neerav Dalal: Okay I will get back in the queue.

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

Nikhil Upadhyay: Good afternoon Sir. Thank you Sir for the opportunity, Sir my question is just to understand the opportunity size a bit better and if we look at the opportunity when we say for a smaller or a medium Enterprise visa-a-visa large enterprise how does the overall opportunity size differentiate for us and when we say small or medium enterprise what is the average topline or what is the size of those enterprises which we define as small and medium, that is the first question?

Srinivasan. H.R: Small and medium is 500 million to 5 billion and anything over 5 billion is large.

Nikhil Upadhyay: Okay and how does the opportunity size for us as a company in our previous call we have always mentioned that we are initially targeting or looking at entering into providing services or solutions for the small or medium enterprises so when we are approaching them so what is the value which we are providing to them and the life span of the clinical data suits or post approval suites which we are providing, is it that we are taking business from the in house what they were doing, so how are we getting the business or if you can just highlight how the sales process happening there?

Srinivasan H.R: Ram you want to take this forward.

Ram Yeleswarapu: Sure, so the first distinction to make is that when you look at the small and medium enterprise, we typically are a one-stop provider of the complete service for the small and medium. When it comes to the largest segment, we focus on very specialised aspects and our niche capabilities allow us to execute better than some of the larger providers. So the nature of the relationship between the small and medium to large is distinct and different in that manner. The opportunity in terms of the number of clinical trials, the number of therapeutic areas being focused upon, the priority areas of Oncology, Cardiovascular so on and so forth, the investments being made are significantly high so the opportunity itself will stay large across the small, medium and the very large biotech and Pharma. Basically, when it comes to the relationships, the starting of a relationship for a brand new account would start off in a pretty small manner and it depends on the nature of engagement. We have several arrow heads to get in to a certain account but once we get in, our ability to mine that account to plan and map it out appropriately so that we can maximise the revenue potential with each account, becomes a standardized process. So in an existing relationship, we always try to get adjacent squares by securing references and we try to move around. But when we open up a brand new account through let us say a variety of channels, both inbound and out bound from marketing so on and so forth. But once that lead is qualified and lands with a sales person, then he or she would pursue it. So, the first opening opportunity with a brand new logo and account could be a small opportunity but once we are in to an account, our ability to land and expand is highly intense. We will try to map it out with lot of decision makers very clearly and we pursue a very scientific oriented process to expand it in to an account. I can dwell further if I have not answered your question; your question has been answered.

Nikhil Upadhyay: Yes Sir, if I understand as you mentioned that initially we attached ourselves with that small account on a specific solution, which he wants but is it generally with the pharma ready which we are much stronger on the submission part with a regulator is it there we start off with the relationship and then probably the clinical trials come up because probably, that would be a more where the company would also like to know about our ability in order to service them. So, is it how we generally dwelve into those or is it across the spectrum we keep getting the product opportunities with the smaller enterprise?

Ram Yeleswarapu: It is lot of opportunities in variety of manner let me take two examples quickly. Before I start it, the first one is to go back to what you said is correct, if there is an account or a set of customers using pharma ready for the regulatory document submissions to global regulators. Very clearly our ability to tell them that we have the ability to run their clinical study not just submit the end product which is the documentation, but move upfront in the value chain to actually take charge and run the clinical trials that ability to explain and articulate that allows us to penetrate our way upwards and backwards if you will in to the value chain that was one opportunity that we are at absolute pursuing. Another opportunity is around the recent mandate by the US FDA. All data that needs to be submitted for the clinical trial, be the innovative company or generic, post the December 2016 mandate is to submit in a standardised format. So where we are currently delivering the clinical trial or BA/BE studies, it essentially allows us to expand our revenues. So it is about upward and downward or sideways movement depending on where we can land opportunities in adjacent squares; so we could very much start up with a PharmaReady opportunity and walk our way backwards up into the clinical trial, or we could very well be fitted in a clinical trial and walk downwards towards the submissions along with the other offerings that we have. This is just to give you the context with a couple of examples.

Nikhil Upadhyay: Secondly, you mentioned on the clinical trial platform, which we have developed. I just wanted to know how many clinical trial or how many clients would be using our platform as of now?

Ram Yeleswarapu: It is important that as a service provider we exhibit flexibility. To answer your question, we are onboarding clinical trials as we speak on our platform, this is something which has been launched recently in terms of full analytic capabilities supported by all the stuff. I think we will be able to reflect on some of those numbers over a period of the next several quarters. Right now, the platform itself is being positioned to several different customers to run different types of studies. We are watching for the before and after impact of our platform to ensure that the clear differentiation and the superiority of outputs and outcomes are exhibited. But once we demonstrate the quantified impact on value with the platform, I believe that we will be able to switch over many more studies for trials onto our platform over a period of time.

Nikhil Upadhyay: Okay, just last question before I back to the queue, if I see our order book of almost $146 million in total order book and on the Life Sciences these are approximately $134 million, how much of it would be de-negotiated at the yearend basis and how much would order book like the $12 million deal which we had won with the fringe increment of say 15% so if you can just give some break-up and is my understanding correct in terms of breaking the order book this way?

Srinivasan H R: First while the order book gets executed in a period of average of 7-8 months but that is like the average that is reversed, some of these order book could be much longer tenure and it is not necessary that everything is renewed at the end of the year, because there are some studies which may last for months. There are some studies which will go on for a couple of years. So, whatever is already there and an SOW will figure us an order book so I do not think it would be appropriate to draw any

conclusions. This is accounting summation of all the SOW's on hand which mean to get executed. But it may not be appropriate to draw averages based on this.

Nikhil Upadhyay: Okay, I had some more questions but I will return back to the queue.

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

Rohan Advant: Thank you for the opportunity, firstly I wanted to understand if you could call out expenses of project Pinnacle like in the earlier quarters, we had said that so much was spent on that so could we have that number?

Srinivasan H R: It is for the quarter and it was Rs8 Crores.

Rohan Advant: It will be Rs8 Crores okay and that if the hiring's etc., that you have done would be non-Pinnacle, so this is an element of non-recurring expense that we are talking about?

Srinivasan H R: Yes.

Rohan Advant: That is the only question. Thank you and best of luck for the future quarters.

Moderator: Thank you. We take the follow up question from the line of Neerav Dalal from Maybank Kim Eng Securities. Please go ahead.

Neerav Dalal: Thank you again for the opportunity. I just wanted an update on the sale of the SCM business. Any update on that?

Srinivasan H R: It is sitting beyond what we normally anticipated. We were hoping that it would have got over by now certainly before this call. I wanted to be able to announce that. Unfortunately, while everything seems to be in order we still have not signed, sealed and delivered all that needs to be done. So hopefully it will get done pretty soon but I am not going to venture out a date because the last time I put a date I have not been able to do it. So I am just going to tell you that it is in advanced stage and we are trying our best to close that.

Neerav Dalal: Okay and very quickly just an outlook on the margins if you could just give some feedback. We have seen a decline in other expenses this quarter?

Srinivasan H R: Overall, if you see our margins have gone up which is fine but we should also know that the supply chain margins are going down so I am not able to react. We believe certainly it will be at this level or

we may show slight improvement from where we are now. But that is subject to supplies that have been stable and where it was in 1Q. But the life science margin is doing well, pretty well.

Neerav Dalal: Okay so they would be anywhere between 22 to 24%?

Srinivasan H R: Yes, that is it.

Neerav Dalal: This would be excluding the business; EA business will be 17-18%?

Srinivasan H R: Yes, correct.

Neerav Dalal: Thank you.

Moderator: Thank you. We take the next question from the line of Megha Hariramani from Pi Square Investments. Please go ahead

Megha Hariramani: Thank you for the opportunity. My question is on the net debt since the interest cost has come down this quarter. How much debt have we paid off?

Subhasri Sriram: There were no settlement debt during this quarter instead loans came for normal closure during end of last quarter. Hence interest payment for the last quarter was at 53 as against 47 for this quarter

Megha Hariramani: Okay, so what would be our net debt as on June 30 and as well as the cash?

Subhasri Sriram: The debt remains same as in March 2017. There is no change in outstanding debt.

Megha Hariramani: Okay and what would be our capex guidance for next two years?

Srinivasan H R: It will be at existing levels for the next two years, the FY2017 level will be more or less this.

Megha Hariramani: Our receivable cycle has that come down or what would be the number of receivable days on an average?

Srinivasan H R: It has come down marginally from 110 to 104 days but we expect it to be around this.

Megha Hariramani: My last question is on the guidance if you could provide some for the next two years in terms of topline and bottomline growth?

Srinivasan H R: We are certainly looking at growth in mid 20s on the topline and bottomline certainly we are trying to improve the EBITDA by at least 2% to 3% points from where we are now.

Megha Hariramani: That would be both organic & inorganic or is just the current business that we are talking about?

Srinivasan H R: The current business.

Megha Hariramani: Okay is there any chance of inorganic acquisition this quarter in the next by FY2018?

Srinivasan H R: Certainly not this quarter, but we keep looking at opportunities for inorganic growth but unless there is something that is really compelling and fits us I do not think we will jump into it but it is a growth strategy that we keep open and relevant but not necessarily aggressive because it must fit in with the overall growth plans of the company and must be relevant and be accretive as soon as possible. In the case of Ecron Acunova we had a plan and we knew that we could lift the margins in four to five quarters, which we have demonstrated. We need to have the same level of confidence if we move forward with an acquisition. It is certainly a growth pillar for us but there is nothing in the horizon as we have seen.

Megha Hariramani: Thank you. That's it from my side.

Moderator: Thank You. We take the next question from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Thank you Sir for taking my question. Sir last quarter you had said that receivables went slightly higher because there were some delayed orders and booking of the revenues was done in the last part of last quarter so now it has only come marginally down any particular and what should be the normalised levels of receivables?

Srinivasan H R: Normalised levels of receivables but most of our customers now are paying 90 days beyond and they are pedigree customers and if you add our own billing cycle and other things which is more less, so we have been holding at about 98, 99 now for more than a year. Last quarter went up it has come down again so you may not see a material change. But this is prevalent in any company that deals with the pharma world I think this is the kind of debtor cycle that prevails there so we may not have too much of the change from where we are.

Sarvesh Gupta: Understood Sir and secondly now that you have split the segmental performance in to Life Sciences and SCM, can you give me the split of EBITDA for SCM in FY2017 and 1QFY2018?

Subhasri Sriram: In terms of SCM EBITDA?

Sarvesh Gupta: Yes, for FY2017 and 1QFY2018?

Subhasri Sriram: FY2017, I do not have off hand, because I think there is a bit of restatement because of Ind-AS but 1QFY2018 is SCM must be sub 8% to 7%.

Sarvesh Gupta: Do you have the number for the same quarter last year?

Subhasri Sriram: More or less the same because if I'm right we see there is not much change.

Sarvesh Gupta: Okay, and when we amortise our software cost is some of that attributable to SCM in our sales?

Srinivasan H R: Yes, will not be wholly material because our investments in SCM have over period come down so we are only maintaining investments to keep the product in cycle.

Sarvesh Gupta: Understood Sir thanks a lot. Thank you.

Moderator: Thank you. We take the next question from the line of Nakul B from Karvy Stock Broking. Please go ahead.

Nakul B: Thank you for the opportunity Sir. Could you tell us how many new clients were added during the quarter?

Srinivasan H R: 5.

Nakul B: And all these were in the Life Science Space Sir?

Srinivasan H R: Yes, all.

Nakul B: Could you tell us what was the revenue contribution from Ecron Acunova during 1Q and the margin performance for the company?

Srinivasan H R: It was Rs60 Crores, so I will have to caveat that by also saying that were also saying that they may be Acunova customers but today we are bundling a whole lot of services from our legacy unit also. So while the billing may be in Ecron Acunova, I do not know whether that is the way you should look at it going forward because it is now an integrated unit. But from an entity perspective it is Rs60 Crores which is pretty decent growth over 4Q or even from when we took over.

Nakul B: Okay and the EBITDA margin would stand at how much?

Srinivasan H R: Margin is at about 16.5%.

Nakul B.: Sir, we were developing products to address the IDMP requirement according to AMA so could you through some light on this part of the business?

Srinivasan H R: Ram do you want to take that question please?

Ram Yeleswarapu: Yes, absolutely. I think as we did mention on the last call, the IDMP guidance at the implementation level has moved in to Phase one which is 2 of the four components required for data collection and reporting. Two of those segments have been made official and two others will only happen later on in 2018-2019 timeframe so to that extent, we are addressing customers currently with our IDMP solution. We are also quite encouraged by the partnership that we have established with a company called Sparta Systems; they are known for their QMS and CAPA systems that many of the major biopharmaceutical companies in the world use and we have pretty much worked with our IDMP solution and their workflow to ensure that we have an expanded customer base into which we can offer our solution. So all in all it looks quite promising; two of the four modules have gone live and the other two will happen later in 2018-2019 so we are progressing well.

Nakul B: Sir, what would be the average realisation for the solutions that we have developed for IDMP?

Ram Yeleswarapu: When you say average, I am sorry I do not understand?

Nakul B: Yes.

Srinivasan H R: Can you repeat your question?

Nakul B: Sir average realisation for the solutions that we have developed for IDMP?

Srinivasan H R: IDMP has three components. The first is a consulting component then is a phase-one component and then phase-two component and when you add all three together it is quite chunky. and it depends on the type of the company so I am not sure whether an average realisation is a best way of looking at it. Ram do you want to add something?

Ram Yeleswarapu: I think very clearly there is a large potential but the start of an engagement could always be with an assessment or a gap analysis. A company needs to first have an assessment of what they are required to collect and have a gap analysis report on the current state of affairs. So an engagement could start off with being small, but as it progresses to the implementation stage so on and so forth, and then the support phase subsequently, it could gather a reasonably hefty size and we are talking of certainly millions of dollars; at least in low millions for sure ultimately. But the start itself depends on the company and their state of readiness but those engagements would be consulting engagements to start off and smaller.

Nakul B: That's it from my side. Thank you for taking my questions.

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

Nikhil Upadhyay: Thanks for giving the opportunity again. Just two-three questions Sir on the Pinnacle you had given a outlook of around 31 Crores of total expenses so would it remain in that range or do you think it can overshoot substantially?

Srinivasan H R: It will be remaining in that range or may be marginally lower.

Nikhil Upadhyay: Secondly, Sir in terms of one of the questions which was asked earlier in terms of acquisition. If we look at the product offerings in the Life Sciences spaces when you are looking at acquisition what are the key things you are focusing on as you mentioned that in Encon you had a clear thought so that probably we can move the margins and do some cross selling. But sir would it more towards more therapeutic knowledge base where we would be focusing on or more on the services side among the regulatory submission or the post approval process if it is where you are out looked?

Srinivasan H R: We will be looking at services primarily and in services both clinical and regulatory the idea being that for every Dollar that is spent on Pharma R&D 70 Cents goes to the clinical bucket, 20 Cents goes to Regulatory and 10 Cents goes to the Safety. So a strong entrenchment in clinical becomes vital because otherwise you can get squeezed out from reg. & safety in particular way but we will be interested wherever there is a very differentiated piece of technology or in those small blocks that we have not presented otherwise this is the broad thinking on the M&A side.

Nikhil Upadhyay: Lastly, Sir if we look at our employee mix so what would be the break-up people with a medical background and people and only with the IT background because if as I see your approach and Life Sciences where we are trying to create niche with a deep understanding of the therapeutic taken the various other fields. So, I think the way we are hiring also becomes a key differentiator so if you can just highlight how you go about managing the mix between the two?

Srinivasan H R: First, I do not want to use the word that we manage the mix because we manage the expectation of the customer and so have to build the resource base that is required for that and today roughly about 22% of our work force will be core domain experts, when I say core domain experts they will either medical Doctors or PhD's in chemistry or Bio-organic Chemistry or may functional experts who been in some field of regulatory or things like that. There will be another 10% to 15% who will be Science based stuff but not necessarily people with the higher degrees there may be people with B. Pharm, M. Pharm, B. Sc or M. Sc those kind of people and the rest will be I say today the mix will be about 40 odd percent will still be IT based people and the rest will be corporate marketing other general staff that is mix today and as we move ahead I do not know whether there will be substantive change in this mix unless there is automation going to take over some areas but otherwise pretty much in the next two years mix you remain there in debt loss.

Nikhil Upadhayay: Thanks a lot Sir.

Moderator: Thank you. We take the next question from the line of Ankit Pande from Quants Capitals. Please go ahead.

Ankit Pande: Thanks for taking my question. My question would be on mid 20's growth could you just elaborate on what that is predicted on?

Srinivasan. H.R. Come again.

Ankit Pande: My question is what would you predicate your confidence of mid 20's growth currently we are growing about 15% with a little bit of tailwinds from cross currency so what could this confidence be coming from?

Srinivasan. H.R: It is coming from the traction that we see on the pipeline and the order book and what we have done last year and we will normally try peg our growth in dollar terms because we are not pretty savvy on interpreting how the currency movement will take place so we will be pretty much looking in Dollar terms whatever that means for the currency at that point of time comes separately so this is really based on what we see as our pipeline, what we see as our current order book, what we see as our expansion in execution capacity over the next few quarter we are pacing it on that.

Ankit Pande: Okay so would we hit this kind of growth rate by the end of this year, would you think?

Srinivasan. H.R: I did not understand this question can you come again?

Ankit Pande: This kind of growth in mid 20's would we hit this kind of growth rate by the end of this year, by 3Q and 4Q you indicated some kind of acceleration?

Srinivasan. H.R: When I was talking of growth rate, I was talking of it on annualised terms. So if you look at even in last year, we have hit more than that we have actually done in the 30's. So we believe that we have traction to do it on an annualised basis this year as well.

Ankit Pande: Great and one more even on the margin side is it something that we have on the operation leverage of is it with the EA or is it more growth rate, what is the confidence there as well, 2% to 3% points that we have hinted?

Srinivasan. H.R: It is because we have been able to move the margins in EA well and the traditional business we are getting some scale benefits as we move ahead and improve expansion capacity it is because of these two.

Ankit Pande: All right. Thank you so much and Subhasri nice to catch up with you if you could just give me the figures the total debt and cash at the end of this quarter and if there is any change in the resources of debt?

Subhasri Shriram: Sure, do you want to chat up offline?

Ankit Pande: Yes, that will be great. Thanks a lot.

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

Neerav Dalal: Thank you again for the opportunity. I just wanted to understand on the AM front traction that we are seeing in the last quarter, 50 Crores this quarter to 60 Crores so how do you see this momentum and what is driving this momentum?

Srinivasan H.R: Neerav, I told elsewhere on the call that I think you should not attribute that growth only to EA and what we are doing there is a traditional take offering which we fluff to the EA customers and push it in so internally we are servicing it through the different unit it just got captured in the EA entity but it does not get attributed to the traditional services that EA alone was doing but it should be attributed to a lot of technology that has been put in and additional services that we are doing with the same set of customers basically creating a better G map and going behind that. I would urge you not to look at it from a SDT perspective but say that we have used that customer based to expand above.

Neerav Dalal: So you are getting cross sale benefits?

Srinivasan H.R: Yes, correct.

Neerav Dalal: You were looking for since last six months okay that is good to know. Thank you.

Moderator: We take the next question from the line of Anil Sarin from Edelweiss Securities. Please go ahead.

Anil Sarin: Hello everyone. I just wanted to know about the EA margin movement like I heard Srinivasan say that 16.5% what was that at the time of acquisition and where do you see going forward and I do realise that it is now part of the wider hole so in terms of answering margin question on a going forward basis perhaps enterprise margin on the LH side would be a better way to address that if it is 16.5% now what was it a year ago?

Srinivasan. H.R: Well when we took over it was sub-8% and then when we did some rationalization and actually it went negative and over a year it has climbed because we tried to apply technology to it but I will answer the question on a larger context Anil, primarily see the trial the way they have been done, they have been done with using a lot of FTEs what we enable is to use lot of technology doing that so as

we substitute FTE's with technology there is a margin expansion that takes place in the clinical bucket and the clinical bucket is the largest of that now how much we are able to do currently we are been able to push it particular percentage hopefully we can push it couple of more percentage. The other parts of the business, which is reg. and safety is largely data driven and there is a higher margin profile that is there in that business and in the consulting business which is upwards of 23% odd. So today we are getting blended of 19% something which of course include supply chain but if we continue this trajectory another 2% to 3% expansion in margins is a quite a reality. So does that answer your question?

Anil Sarin: Yes, it does and also while I have you on the phone in terms of cross selling I mean EA primarily a European entity and your strength being on the US side and so some sort of cross selling was expected, is that happening?

Srinivasan. H.R: In fact that is why the revenues there have expanded primarily because of the cross selling of several of the things that we have been doing not only in Europe but also in Asia Pacific so EA is pretty strong in India, in Thailand and in Singapore we had some expansion that has taken place there as well and there has been a good amount of cross sell over the last 12 months that has happened in EA about roughly 16 or 17 months since we took them over and it has been a good journey, good learning but we will come out delivering the good side.

Anil Sarin: Great and one last thing, you have given a longer-term vision more like fiscal 2020-2021 vision of $500 million, now is that attainable without acquisition along the way?

Srinivasan. H.R: No, it subsumes the acquisitions.

Anil Sarin: Okay all right thank you very much.

Moderator: Thank you. Ladies and gentlemen as there are no further questions from the participants. I would now like to have the conference over to the management for closing comments.

Srinivasan H.R: Ladies and gentlemen thank you very much for participating in the 1Q FY18 earnings call of TAKE Solutions. My colleagues and I had the pleasure of answering, if you have any further questions please feel free to reach out to us by mail or over a call we will be happy to respond. Thank you once again. Happy Independence Day and Jai Hind.

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