"TAKE Solutions Limited 2QFY18 Earnings Conference Call"

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Moderator: Ladies and Gentlemen, Good Day and Welcome to TAKE Solutions Limited 2QFY18 Earnings Conference Call hosted by Ambit Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Sudheer Guntupalli from Ambit Capital. Thank you and over to you, Sir.

Sudheer Guntupalli: Good Afternoon everybody. On behalf of Ambit Capital, I would like to thank the Management of TAKE Solutions for giving us the opportunity to host 2QFY18 Earnings Call. We have with us Mr. H. R. Srinivasan – Vice Chairman and Managing Director; Mr. D. V. Ravi – Director; Mr. Ram Yeleswarapu – President and Chief Executive Officer, and Ms. Subhasri Sriram – Chief Financial Officer of TAKE Solutions on the call. We will start with initial prepared remarks from the management post which we will open the floor for question-and-answer session. Now, I hand it over to Mr. H. R. Srinivasan. Thank you all once again. Over to you, Sir.

H. R. Srinivasan: Good Afternoon everybody. It is a pleasure to be on this 2Q Earnings Call of TAKE Solutions. We have had a pretty good quarter. The revenues stood at Rs371 crore, which is in rupee terms a 13% increase year on year and in rupee terms, it is $57.62 million for the quarter, which is a 17.8% increase in dollar terms year on year. EBITDA grew 9.8% YoY and the Life Sciences revenue actually grew by 22.4% year on year and that has been a very satisfactory progress as far as the revenue of the company goes. We had a marginal drop in the supply chain revenue for the quarter by 0.4%, but year on year it is a drop of about 16% on the supply chain. It is along expected line, so overall we have reported revenues of Rs371 crore for the quarter. Broadly in terms of order book, the order book has shown a very healthy growth. We are now at 153.3 million in terms of order book and the business trend continues to be largely dominated by the US. We have had some very good traction in Asia during the last quarter. Europe is stable at about 10% of our total revenues. The Life Sciences business has led our portfolio of growth and to talk more about that, I invite Ram Yeleswarapu, our President and Chief Executive Officer. Over to you, Ram.

Ram Yeleswarapu: Thank you, Sri. Good Afternoon everybody. Let me start by talking a little bit about the business highlights of the Life Sciences business. Certainly, the Life Sciences business continues to gain momentum, new customers have been signed up and there is a steady flow of repeat business from existing ones. We are executing approximately about 85 clinical trials across various phases across the globe. These clinical trials have a healthy mix of different phases of trials, phases one through four. We are also well prevalent in non-interventional studies, observational studies, and post-marketing studies. We are steadily going digital, which is absolutely critical differentiator for us in our business and I will highlight a little bit of those developments in a short bit, but going digital in our business pretty steadily, the increasingly on-boarding clinical trials onto our technology platform for greater efficiencies and better outcomes.

Our dedicated team of tech professionals is constantly in the pursuit of innovating and adding to our ability to differentiate and gain market share over our competition. We are also channeling our

efforts to deliver more webinars on topics of relevance to the industry and ensure that we have fair mindshare on top leadership. Our business is a knowledge business, it is important for us to have adequate comfort and confidence in subject matter and domain expertise, and it is not just that it is important for us to bring that to the forefront when we engage with customers. It is extremely important and so we are constantly looking for ways and means and channel for us to deliver that top leadership. To complement this top leadership aspect, we are also working very closely in instituting a medical and scientific advisory board which is absolutely critical. This is to complement and supplement our existing therapeutic area expertise across disease groups like Oncology, Central Nervous System, Cardiovascular, Immunology, so on and so forth.

Our business development efforts have doubled up. Our program management and governance enablement of ongoing project is being enhanced substantially. Our entire theory is that if you do a better account management with our existing customers, we will get enhanced repeat business and larger revenues from each customer account and hence the focus on better account management, so putting a program management and a governance structure instituting it across all our projects on a global basis, they serve us very well and that is exactly what we have embarked on right now as we speak. Our hope is to certainly get enhanced repeat business from existing customers. Having said that, let me just give you a quick background in terms of the industry itself and how we are positioning ourselves to be a differentiated player.

Just to give a quick update, the Life Sciences R&D spend is fundamentally going up significantly. Drug pipeline is growing steadily at about 10% year on year, the outsourcing market for R&D in Life Sciences is estimated to be about US $33 billion and the clinical vertical makes up a lion's share of this particular market opportunity, almost about 75%. Now, one interesting thing that is constantly our driver of growth and investment for the industry is the push by global regulators for enhanced compliance. Increasingly, more and more regulations are being imposed and Pharma, Biotech, and medical device companies have to absolutely comply with these regulations. At the same time, there is an equal pressure on some of this Pharma, Biotech, actually these industry segments to be cost effective and creating value for shareholders' year on year, so there is increased competition, there is cost pressure, there is regulatory pressure. So these are all the drivers that are pushing companies to look for constant efficiencies and optimisation as well as ensuring that they put systems and processes in place that enhance quality and driver compliance.

One quick example of a recent compliance I want to share with you all is the ICH E6 Revision 2. ICH stands for International Council for Harmonisation and these are good clinical practice guidelines and the Revision-2 has been impacted almost about after 22 years, it has not been touched. The impact of this particular change in the industry is phenomenal and just to explain using simple words, it requires Bio Pharma companies to essentially incorporate quality by design. They need to put critical to quality risk factors identifying all those factors upfront, they need to put measures and processes in place to ensure risk management and risk mitigation of the clinical trials. This is a significant requirement by the regulators of the Bio Pharma company, and every single Biotech and Pharma company in the world is impacted by this change and the vendors who are providing services to the bio Pharma company have to be absolutely in compliance as well.

TAKE took a lead role in this, essentially to come up with a very strategic health check in actually doing a gap assessment or an assessment and a gap analysis and putting remediation plan in place for our customers. Not just that, we have invested significant time and efforts and we continue to build out our intellectual property assets, a very unique technology platform that allows us to run clinical trials extremely efficiently, fully compliant with ICH E6 (R2) that I just alluded to. We are extremely confident that as the onboard increases more and more clinical trial onto this platform, we would be absolutely poised to make a fundamental game-changing impact to the industry, which is essentially lowering of cost, cutting down elapsed time and drug development timeline, enhancing quality, and ensuring these enhanced compliance requirements are met.

The platform is powerful, and the initial results are quite promising and we essentially look to kind of continue to build and invest in this platform and look towards building some predictive analytics and mathematical modeling into this platform over a period of time. Our essential fundamental premise is in the business of running clinical trials across various therapeutic areas around the world, it is important to be a differentiated player, it is important to be an innovative player and the fundamental component of innovation in technology, and given that TAKE has always focused on these aspects of investments in technology and building out platforms to deliver annuity services in a very sticky fashion. We are absolutely poised and excited right now to share this with you that the clinical trials that we are on-boarding currently are showing some fabulous results on our platform and we will continue to drive investments into this platform and look ahead. Thank you.

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

Nagraj Chandrasekhar: First, could you give us a sense of point of view that the management has on the supply chain business? It looks like this is a business that really does not make much money especially if you adjust for the product development expenses. You can generally guide it to efforts to try and sell it out although I think that is only one part of the business which is the third business, why not just shut this down or give us some sense of whether you are willing to shut it down if it keeps making no money. It presumably detracts from bandwidth, it is not really generating value for shareholders, so why not just have a clear policy at least to turn this around, we should just shut it down over a period of time? Secondly, could you give us some sense in terms of R&D capitalization how that is presently working, what percentage of R&D expenses are you, what is the actual amount of R&D expenses that you are capitalising, and thirdly you guided to a 15% tax rate in the near future, overtime say on a two-, three-, four-year horizon. What is the steady state normalised tax rate that this should converge to?

H. R. Srinivasan: First, on the supply chain it is a low EBITDA business at the moment. There are three parts to the supply chain business, one, which is wholly owned, and two, which are in the form of JVs, so the JVs have their own methodology, so it is not a call that can be taken to shut down on a unilateral basis, it requires discussion with the JV partners and those discussions are on about how to sell

that business or even the partner buying the business out, so they are in various stages. So I think we just have to be a little more patient with that. On one part of the supply chain business, I had last time said that I am not going to talk about when it will get sold, but let us see if we are not able to make any action in quick time, maybe there is an option that we will be bold enough to explore, so it is not we want to drag it along. We are cognizant of the fact that it may be a diversion from a high-growth Life Sciences business, but we are trying to address it in the best possible manner, given the circumstances and I hope we will have a resolution soon on the supply chain side of the business.

The second part of the question pertained to the capex, our normal capex has been in the same range. I think last year we had a capex of about 150 crores on a gross basis or thereabouts and I think we will be roughly around the same mark this year as well. We are currently expanding four facilities, we are expanding our Chennai facility, we are expanding our facility in Bangalore, we are expanding the facility in Princeton, and we are expanding the facility in Bogota in Columbia. So there are four physical facilities being expanded and that will absorb much of the growth as we go forward.

Subhasri Sriram: The R&D spend, whatever is capitalised we continue to have a depreciation and amortisation policy of three-year period, so that continues. As far as tax rates are concerned, we are currently 15%. We are exploring other options as we grow we are conscious that we will have the challenges of withholding tax and others and is under discussion or I would say our aspiration is to keep it at 15% or below.

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

Nikhil Upadhyay: I have a few questions. One is just to understand our service offerings; so it could be very basic but pardon me for that, if I understand a product like a Pharma ready or one clinical and the service which we provide to our customers through our own consulting or the IT business, how is that different from say a platform like Vault or which Veeva have developed or how is it different from Medidata? So if you can just help me understand how are we different from those two or three players who are already in that space?

Ram Yeleswarapu: Let me set the tone for when we see a platform and we are building solutions and what are the different components and then I will also highlight what some of the names of the players that you mentioned, I will talk about some of the base product portfolio and functionality as well. First and foremost, we are embarked on complete soup to nuts kind of a platform. Let me break it down for you. There are three basic components of the platform that we are using are being used to increasingly to run clinical trials on. The first component is for acquiring clinical trial data. These are E-clinical solutions, a stack of them for doing a variety of different data acquisition kind of functionality, whether it is a study setup or a study contrast or capturing the vital stats or the data aspects of a clinical study, they are those kinds of solutions. Then there are solutions like ETMF

or Electronic Trial Master File and so on and so forth, so the first block or the first module has a complete stack of E-clinical solutions which are all about data capture.

Now the second module is once you collect the data in Module-1 you need to integrate and aggregate the data for analytics and dashboarding purposes, this is Module-2. Once you have done the aggregation and integration and you have dashboards to help proactively make decisions, then the third component essentially takes data from the Module-2 and packages it for submission to regulatory authorities or healthcare authorities, so these are the three modules. When I say soup to nuts, these are the three things we are stacking up horizontally, bolding them on so that data once it comes into Module-1 seamlessly flows to Module-2 and then gets on to Module-3 and the process is complete, quite comprehensive.

Now, let us take examples of some of the names you mentioned. You talked about Veeva Vault, for example, Veeva Vault is known for regulatory document management storage and workflow. The work itself is supposed to be a regulated document management repository, so it plays a specific role, but the role is about dealing with documents, not necessarily data, the way I explained. In our platform, we talk about trial data capture, trial data aggregation and analytics followed by trial data submission. Documents of course play a role. We have Pharma ready as a document management solution of our own, to assess with the document handling aspect of it. So the message here is that providers like some of the companies and the names that you mentioned have point solutions. They are taking a specific functionality or two or three and trying to kind of create solutions or products to satisfy those immediate requirements. The platform approach that I outlined has a more holistic view. The absolute requirement or the need or the advantage of having this holistic view is, you will be able to really measure the impact of running a clinical trial in a traditional sense. And when you run it in the platform sense, you will really see value for, say cost can come down, are elapsed time of the development coming down, am I proactively being able to make decisions which was otherwise prohibitive for me. In other words, am I reacting to it in a post-mortem scenario or am I reacting to it in a proactive scenario, so the platform approach gives you complete visibility, so that is the difference versus some of the names you mentioned which are point solutions, I hope this clarifies.

Nikhil Upadhyay: Taking this thing a bit forward, in a sense which means that we are an integrated end-to-end solution provider vis-a-vis some of the other guys who are single-point solution providers. So to that extent if I look at when we go to pitch to a large Pharma company say Pfizer or Sanofi or any of these guys, our value proposition to them is much stronger because we are providing an integrated solution. So what are the challenges which we are facing in order to get higher amount of or increase our wallet share from these clients, so what are the challenges that you are currently facing in terms of selling this complete solution space to a large Pharma company vis-a-vis a smaller Pharma company which is still building on which you explained in the last call as well?

Ram Yeleswarapu: Basically, our approach to this is not necessarily to license our platform whether it is a small company or a medium-sized company or large company. Our efforts are to get very sticky annuity-driven, long-term service contracts. The difference we want to make to the industry is if we get

these service contracts and are able to run large program for a large company or maybe a handful of study for a small and medium company. If we run those clinical studies on our platform, that is the best value for money that we can offer and better outcome so that we can deliver to the industry, is number one. Number two, for our own business it creates a very sticky opportunity and a repeat annuity business for ourselves, so we are never want to licence per se our solutions or platform vis-a-vis some of the names you mentioned. Our interest is to run studies because we have the scientific and medical talent onboard as well, so we are not just building a technology for the sake of building and licencing, we do not want to do that. Our play and our excitement is about the services layer that is so sticky and so large and when we drive this in a very unique differentiated way in our platform, that creates dependency, so whether it is a large company, so just to give you an example, you used couple of names.

Those names, some of these large companies have a big portfolio of program of clinical trials that they run in-house, they do not outsource. The ability for us to lend, let us say an entire sticky service opportunity by taking on services like let us say monitoring strategies for those programs, clinical data monitoring for example could be an immense value. If we run the monitoring service on our platform, we can deliver value. On the other hand, if a large company wants to outsource specialized functions or standalone functions along the way, absolutely we have the capability to take on those things. When you take it down to the mid-tier to small business or an SMB segment, you are talking about a much more end-to-end or a more holistic approach, so there are a variety of different scenarios based on the market segmentation, the large ones have a certain appetite, certain behavior, the mid-to small have a certain appetite and certain behavior, but in all of these cases, our desire is not to license our platform but rather get the services revenue and deliver the end product, that is what creates dependence.

Nikhil Upadhyay: Sir, I think one of the things which you also mentioned like of the total budget of around 33 billion, the clinical is always a larger part or almost 70% goes towards the clinical side. With Enron and our own data analytics capabilities which we had got through the acquisition, do you think that value chain of capturing from clinical Phase-1 and 2 providing the end product in terms of the analysis, so is that value chain complete for us or do you think there are still some gaps which we have to fulfill through the acquisition?

Ram Yeleswarapu: It is certainly ready, and we are running studies in production as we speak, but it is not complete yet. We are working on a very ambitious set of modules including things like predictive analytics. Our desire is that we learn so much by gathering and aggregating near real-time data about these ongoing studies, that if we build the right statistical models and mathematical models, we should be able to guide Pharma and Biotech to make very critical decisions about the investment in these clinical trials. In other words, we should almost be in a position to be able to predict whether a study is going to be successful or if a study needs to be let us say successful as in all the safety and efficacy parameters are lining up very well, that could be scenario one. Scenario two would be the parameters are not lining up and the Pharma and Biotech would very well conserve their resources and rather spend on a modified study or a protocol if you will, or three, they see great signals of success of the study and it behooves them to actually invest further if you will in launching

additional sites to speed up the development process. So we are embarking on building such predictive analytics and such models which will essentially guide the industry appropriately in the future. Having built a good start and having on-boarded studies and continue to do so, we are also kind of enhancing this platform so that the barriers to entry could be further built up higher.

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

Neerav Dalal: what would be the Ecron Acunova revenues for the quarter, the clinical research revenue for the quarter?

H. R. Srinivasan: I think even last quarter we clarified, basically have now absorbed and consolidated everything in one entity, so there is no Ecron Acunova revenue as such which is separate because now it goes as one unified package which is clinical, reg and safety. So it will be very difficult to distinguish entity level revenue. Overall, this year there has been no acquisition, so the base is the same, the growth has been very, very strong in all segments of the business.

Neerav Dalal: The margins of that business would have been stable or on an improving trend, would that be?

H. R. Srinivasan: Yes.

Neerav Dalal: In terms of the SCM, we were expecting that this quarter something would turn up, but there is no sale. So is there any comment on that or you would want to stay away from it?

H. R. Srinivasan: I did make a comment at the beginning that we are doing our best on that and while we were very optimistic for several quarters before, the fact remains that we have not been able to put the transaction fast to finish line, so we are trying our best, otherwise, we may have to take a bold move. It was suggested some time earlier maybe the first question in the conference, so we will see where it goes, you will hear from us soon.

Neerav Dalal: In terms of the costs regarding Project Pinnacle, any comment on that?

H. R. Srinivasan: Project Pinnacle cost will taper down because now we would move to a very light touch model, it is in the implementation mode. We have basically staffed everything ourselves, so we may not have any recurring costs as we move forward into the next few quarters. From the point of view of the overall direction and implementation, most pieces have been in place, so any use of the external consultant now will only be on a very light touch mode. The continuous inputs that we needed in the past will not be there going forward even during the current quarter.

Neerav Dalal: In terms of leadership addition, anything new to report?

H. R. Srinivasan: Nothing during the quarter that went by. In the current quarter, there will be additions, there are some three very senior BD people between US and Europe who are joining, but that will be in the current quarter.

Neerav Dalal: In terms of clinical research in the US geography, any traction there?

H. R. Srinivasan: The US geography continues to be our strongest growth market. Through the interaction in the US obviously is what is driving the growth of the enterprise as a whole. I called out earlier in my statement that Asia is showing a very strong; for example, the pipeline and the growth of order book in Asia has been impressive in the last quarter, so that may translate into stronger Asia revenues maybe next quarter or the quarter after next, but US continues to be very strong for us.

Moderator: Thank you. We take the next question from the line of Nagraj Chandrasekhar from Laburnum Capital. Please go ahead.

Nagraj Chandrasekhar: Just one or two follow-up question, first of all I think you had guided for an acceleration in revenue in the second half of the year in previous con calls, just curious are we expecting this, is that still something you should expect in terms of just a higher run rate in the second half of the year? Secondly, if we could just get a little more color on the Acunova business, if you have to split this between say on-patent work which is BA, BE works, what would the split look like and if we had to split it up between India just geographically between India, Europe, and other, what will that split look like, the reason I ask is the value proposition of being a full-service provider doing both the trial of the IT work is a compelling value proposition, but does not it also require a comprehensive geographic footprint and is our geographic footprint at present wide enough that we could be comprehensive service provider?

H. R. Srinivasan: To answer that question, yes, if we had a wider geographic footprint, you will get what are called as multi-country studies beyond a particular, see today typically we get multi-country studies which are more in the region of 15 to 20 countries, but if you want to do 30 countries and beyond studies, which actually takes the ticket size of the orders up and the tenure of the deal to a longer timeframe, in that we are currently not able to execute because of the physical presence where we are limited, but the proposition that we have which is the capability to execute in Europe, Asia, US, and digitally which is my colleague, Ram, spoke about, I think it is a very compelling value proposition and we are making a very satisfactory progress there, not only in acquiring new customers, but also enhancing our relationship with existing customers. In fact, we are spending most of our time only enhancing the relationship, and much of the business that we are now getting is repeat business and that augurs well for the stability and growth as we move ahead. Talking of the second half of the year, primarily we had said that our organic growth will be in the early 20s, I guess that is something we should be able to have on an annual basis, so given where we are I think we are happy to sustain this growth momentum, QoQ is like 5.1% growth in the Life Science space and negative 0.4 on the supply chain side, so Life Science is growing at 5 plus percent QoQ is a pretty decent growth and I would opine that this would continue.

Nagraj Chandrasekhar: Sir, just one follow-up on what you said earlier on the partial footprint, to a client is there value in saying, we can do 18 to 20 country study and we will do both the trials and some kind of submission work etc. in line with the trials for those geography and then they would use somebody else for a combination of IT and trials and the other geographies or is it the case when you are coming for a

full-service proposition, the client says look full-service is full-service and it is unique to do everything including trials and IT in all geographies, that is what I am having trouble understanding?

H. R. Srinivasan: Even now we participate in larger country trial bids, but there we have to explicitly state that in these countries, we will be using partners. Now that is where the value proposition to a client becomes weaker where the clients generally believes and maybe rightly so that we may not have the same control over the process systems if we are using a partner rather than being present ourselves. It is not that we do not participate in those RFP or even if we do not try and pitch with clients, but the success rate in those will be lower as compared where you say that listen I am present from end-to-end that makes a far more compelling proposition and it is a much easier traction to win from.

Nagraj Chandrasekhar: That end-to-end it would mostly be in BID studies because that is where you can do the full end-to-end in India or kind of non-developed market geography?

H. R. Srinivasan: No, it is not correct, it could even be in the Phase-2, Phase-3 kind of a good trial because anywhere you do right from a trial set up to consulting to doing the trial to doing the data analytics to making the submission, so that would be end-to-end. BA, BE are short shelf life projects, they just run for a couple of months and get over. It is the trials, in either way, the companies which are long standing which run several months and years that is really the very stable bulwark of the growth.

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

Ravi Purohit: Most of my questions have been answered, one bookkeeping question this is on our receivables which is about Rs460-odd crore as of the September end versus our quarterly sales of about Rs300-odd crore, it is almost like one-and-a-half months, is this typical of this industry? because typically we do not see services companies have one-and-a-half quarter receivable cycles, so just if you could share some insights on that aspect?

Subhasri Sriram: I will make this into two parts, one is the trend for the company and one is the industry. As far as service industry I think fairly that is the number if you look at, but what is more important and most critical here is the, the customer segment that we serve which is unique for most technology company service clients and I think it is world over seen that the Pharma industry is not the best of the segment for payment terms and this is seen in most Pharma companies' numbers, I think that sort of affects us too. As far as for the company itself this probably is one of its higher numbers and I think we have also stated that it again as one of our wish list is to keep it around 100 or sub-100. This again while the numbers have shot up, you are right that it is more than a current quarter receivable, but this is a bit if you look at the date of ageing between just instead of just dividing number to the receivables to the revenue. If you slice it in terms of billing and buckets, it is less than 70 days, but there are aberrations, there are certain outstanding for longer duration, but many of invoice it has happened recently which sort of brings the number slightly higher than 100.

Ravi Purohit: How much of this Rs460 crore that we reported for this quarter, can you break it up between outstanding beyond six months and outstanding within six months?

Subhasri Sriram: Over six months is negligible, we are talking more in the range of about 90 to 100 days. You are talking about less than 120 days?

Ravi Purohit: Yes.

Subhasri Sriram: Beyond 120 days probably it is about 10%, but that is something which we are trying to bring it down to less than 120 days. Six months, 180 is probably less than 1%, but it is not an issue to us, it is bringing to 100 to 120 and below 100, and we are now between 100 and 120, because the desire is to bring it below 100 or below 90.

Ravi Purohit: Can you break this up between your SCL business and the Life Science business? Will that be possible just to understand which is more kind of?

Subhasri Sriram: It is pointless because supply chain itself is 12% of our book, it will not make a material difference.

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

Nikhil Upadhyay: Sir, follow-up on what we were discussing. If I look at our growth now over the next three to five years and as we are selling more of the unified product or clinical plus analysis and the submission business, two questions here, one is whether this growth which you also alluded in some of the discussions that our geographical presence is not so strong in terms of taking the complete or a larger study, so is it that some of the acquisitions could be more towards creating physical spaces in terms of increasing our geographical reach, and secondly, would the large part of the growth be led by getting a larger order book from the clinical plus analytics part, so the current order book of 153 or 155 for over the last four quarters also the jump in order book, is it more led by our ability to take a higher business in the clinical plus the analytics part which is driving the order book growth?

H. R. Srinivasan: The clinical will always drag, so if the company grows more or less the clinical bucket has to grow at an accelerated pace. If there is $100 spent, $70 is generally spent on clinical, about 20 on regulatory and about 10 on safety or pharmacovigilance, that is the rough split up, so if you want to enhance the order and become much larger, the focus on clinical has to be there. As for the second question, we may not do an acquisition just for geographical expansion, to get this, it will have to be a little more, so one, the geography has to be attractive, two, we will certainly look at areas like therapeutic expertise in high-growth areas or some very unique platform-based approach for some capability or skill that we do not have. It may not just be for just a pure geographic expansion just to pitch for bigger or that may not work, it has to be very tightly coupled with what we have, and we are able to enable it technologically, otherwise, we will not be competing on number of people, that is not the model TAKE Solutions works on.

Nikhil Upadhyay: Just two things, one request, if possible the order book which we gave of say 155 or 153 which we gave for this quarter, would it be possible for you to split it up between the way we split it up between the submissions and the secure and clinical, so would it be possible for you to provide it in that format, so that we can actually see that whether which part of the segment is driving that order book, if possible?

H. R. Srinivasan: Not an issue, I think we will be able to get that if it is available, so we will collate it and send it online to you.

Nikhil Upadhyay: Secondly on the IDMP regulations and product development, so where are we and how are you looking at those regulations or growth?

Ram Yeleswarapu: Just a quick update on that, when we had last touched upon it of the four components, substance, product, organisation, and reference data, two modules had gone live at the European Medicines Agency (EMA) end and so we have been servicing customers. We have kind of rolled out our technology solutions. We have integrated our stack and also enhanced the customer base into which we can penetrate further by working closely with the Sparta Systems, who certainly are known for their quality management and Kappa solutions for the pharmaceutical industry, so we have also partnered in our tools to engage with their workflow and integrate our position with theirs, so, organically we are kind of pushing into customer base and we are working very closely to deploy the solution across customers. We also have the reach now into an enhanced customer base if you will by working closely with Sparta Systems, one of the leaders in quality management and workflow solutions, so both of these are coming along extremely well, and we are quite optimistic that we will continue to expand into this market. We also of course closely tracking the US track-and-trace serialization initiative, which is a parallel initiative to the IDMP, but that has also allowed us now to get into Europe to start engaging with customers to kind of work with them on their track-and-trace serialization needs.

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

Apurva Prasad: I actually missed out the order book number, if you could help me with that please?

H. R. Srinivasan: It is 153.3 million.

Apurva Prasad: Could you split that for me please, LS and SCM?

H. R. Srinivasan: SCM is $12 million, the balance is in Life Sciences.

Apurva Prasad: Also wanted to understand, the margins how do you see that going ahead, considering we are talking about organic 20% growth ahead, how would you see margins?

H. R. Srinivasan: Margins, it should start inching up from Q4 onwards. Currently, it is stable, and we have kind of invested in growth over the last few quarters. As the revenue expands, you should see an uptick in margin, maybe from Q4 you should certainly see an uptick in margin from where we are.

Apurva Prasad: What are the levers that we have really to take that up?

H. R. Srinivasan: One is some of the expenses that we have been incurring over the last four or five quarters, those expenses will not recur, and two, there is scale that is being added in terms of BD capacity and that is going up, so once that comes the economies of scale will kick in and there will be an uptick on basis that also, the absorption of capacity will be much better.

Apurva Prasad: Lastly, on the bookkeeping side, how should I see tax rate ahead?

H. R. Srinivasan: It will stable at 15% for we are trying to keep it stable around that because we have some tax breaks in certain geographies, so the blended tax rate will continue to be around 15%.

Moderator: Thank you. We take the next question from the line of Kartik Gada from Val-Q Investment Advisory. Please go ahead.

Kartik Gada: Question on the other expenses and specifically on Project Pinnacle, last quarter we had around Rs8 -10 crore of expenses related to that, would it be possible to quantify how much which is there in this quarter?

H. R. Srinivasan: I did not get the question, can you come again please?

Kartik Gada: Just wanted to understand what would be the absolute amount of expenditure for Project Pinnacle in this quarter?

H. R. Srinivasan: Total expenses that we had guided for Pinnacle was around Rs31 crore spread over five quarters. Ideally, we would be more or less around that, maybe we have been a little less in that and for the half-year it was Rs8 crore.

Kartik Gada: For half year?

H. R. Srinivasan: Yes.

Kartik Gada: How much balance would be left now after the entire budget of Rs31 crore?

H. R. Srinivasan: What will happen is. as we move, we do not now have an intensive engagement, so it will be in what is called as a light-touch model which would be more of basis, reviews or any individual follow-ups where we need help. If your question was what is the unspent amount from what we had originally budgeted maybe it is a couple of crores that is unspent.

Kartik Gada: Just to put the other expenses in a different way, if I am looking at the numbers over the last five quarters, a year back it was at 21% of our revenue, Rs70 crore in absolute and now it has inched up to 25%, Rs91 crore. So would this Rs91 crore all be sort of recurring in nature or would it involve any one-offs?

Subhasri Sriram: There were not too many one-off cases. However, we may like to classify it as regular routine expense or not. They are in the nature where in the normal course of business process re-engineering these expenses will be incurred. So I do not expect significant reduction in this over the immediate future. I would just like to sort of saying that it is between one off routine and non-routine, while one-off is a different way of looking at it.

Moderator: Thank you, that was the last question. I now hand the floor back to the management for their closing comments.

H. R. Srinivasan: Thank you very much for participating in the 2Q earnings call of TAKE Solutions. If you have any further queries, please feel free to reach out to us by mail or by phone and all of us in the management will be happy to address any further questions that you may have. Thank you very much.

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