“TAKE Solutions Q3 FY18 Earnings Conference Call”

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Moderator: Good day, ladies and gentlemen, and welcome to the 3QFY18 Earnings Conference Call of TAKE Solutions hosted by Ambit Capital. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sudheer Guntupalli – Technology and Staffing Analyst at Ambit Capital. Thank you, and over to you, sir.

Sudheer Guntupalli: Thanks, Margaret. Good afternoon, ladies and gentlemen. Welcome to 3QFY18 Earnings Call of TAKE Solutions. On behalf of Ambit Capital, I would like to thank the management team of TAKE Solutions for giving us the opportunity to host this call. We have with us, Mr. H.R. Srinivasan – Vice Chairman and Managing Director; MR. D. V. Ravi – Non-Executive Director; Mr. Ram Yeleswarapu – President and CEO; Subhasri – CFO and Executive Director; and Ms. Shobana – Executive Director on the call. The call will start with opening remarks from the management. After that, we will leave the line open for a Q&A session.

Over to you, Mr. H.R. Srinivasan.

H. R. Srinivasan: Thank you very much. Good afternoon everybody on the call. And it's a pleasure to be speaking to you on the third quarter results for the quarter ended December 31, 2017. The company has registered a revenue of 408 crores and a profit after tax and minority interest of 41.1 crores. The EBITDA margin is at 19.6%. Actually, if you analyze the revenue in USD terms it has grown by about 23.8% year-on-year and about 19% in INR terms. The life sciences business in USD terms has grown by about 30.6%.

We have had an excellent quarter, and this is on the back of sustained momentum in both building our business development capabilities and our delivery capabilities. Just to call out that the order book at the end of the quarter stood at USD 163.1 million, of which USD 151 million is from the life sciences domain and USD 12 million from the supply chain domain.

Some pretty good events or coverage have happened and I thought I would call out a few points. First and foremost, in our earlier conversations, we've spoken of the importance of biosimilars and growth of biosimilars. So I want to call out that 7% of the biosimilar studies that are conducted in India, we are doing them. That's a pretty good number and we would like to grow that. We have also seen a lot of traction in business development in the mid-size pharma segment, and geographically, we've actually seen a very strong uptick in Asia and in India. So that has resulted in an order book, where if you take the life sciences order book split of $151 million, we're looking at Asia at about $27 million, US is about $91 million and then EU at about another $27 odd million. So the uptick in Asia certainly augurs well, so we think

that as we move ahead in the next few quarters, this is a market that also sort of add to our overall growth.

In terms of infrastructure, of course, we commissioned a new facility for our bio-availability and bio-equivalents studies in Chennai, it is an 80-bedded facility, we're just awaiting the regulatory inspection and once that is done, it will be ready to commence operations soon. We've also expanded our facility in Bogota in Colombia, so we've added to a bigger facility to the existing framework. So we are anticipating expansion in the Latin American markets as well.

We called out in the earnings release that the M&A environment continues to be very bullish and active. And in preparing for the M&A environment, we have announced preferential allotment of approx. US $40 million of equity to the promoters subject to relevant approvals. As maybe I think to give a more granular flavour of the business, I have my colleague Ram. Over to you, Ram.

Ram Yeleswarapu: Thank you, Sri. Good afternoon, everybody. A couple of quick business highlights. Our BA/BE business as Sri just mentioned is certainly expanding and scaling pretty well. We have expanded into the Chennai region, with access to new facilities, labs and clinics and we are awaiting DCGI inspection of these newly acquired facilities. And with the addition of this to the infrastructure, we certainly hope to be able to service more of our sponsor customers and be able to expand on the back of this infrastructure expansion. Besides of course, BA/BE studies for generic pharma companies, we are also making a very steady progress and making great progress by introducing regulatory and PV services and these are to our existing generic pharmaceutical customers.

Just to kind of give a little bit of context to this. Many of the generic pharma companies now certainly are required by global regulators to abide by post-marketed safety, capturing of cases, enabling workflows and reporting, so on and so forth. So there is a mandatory requirement of not just handling Pharmacovigilance kind of activities, but also need to abide by track & trace and serialization requirements of some of these export markets. As a company, we are well poised with our expertise in regulatory and PV domains along with the technology solutions. And so we're kind of seeing a lot of good traction, trying to introduce regulatory/PV services and solutions to the existing generic pharma customers. And of course customers are very receptive to securing such services from a trusted partner like us, certainly supplemented by broad and deep domain expertise and the excellence in delivery that we have exhibited all along. So this is a natural expansion coming through account management. So the efforts of putting in dedicated accounts and mapping those two business development executives at our end is certainly paying off at this moment.

We are also making great progress in the area of process improvement for labeling, track & trace and serialization, as I mentioned a short while ago. And one other quick note, our customer base of small and medium pharma, especially generics for the PharmaReady

software, that's crossed 150 customers and is climbing steadily. Good piece of software that is quite rich in functionality is able to really satisfy global regulatory and compliance requirements of these pharma companies. So it's certainly a very popular piece of software stack that we are able to get across to our customers.

As Sri mentioned a short while ago, a very steady pipeline and a solid investment happening in the area of biosimilars. As you may have heard us mention earlier, we are fairly skilled and well versed in the area of biologics in Europe and we've been working with a number of multinational sponsors in the area of biosimilars, especially monoclonal antibodies as well as some complex insulins. So this experience working with biosimilars is leading to more work in several indications and we are extremely excited, drawing attention of some global sponsors towards this market and we see that the investment in this area and the pipeline buildup of biosimilars for our customers is growing fairly rapidly.

We had mentioned and wanted to kind of shed some extra light on our OneClinical platform, more studies have been on-boarded on to this platform, as we speak. We are extremely excited about this technology platform because this is a clear differentiator. There is enough evidence right now that we are receiving from the kind of studies we have been executing on this platform. Clearly, I think tech-enabled platform led delivery of services is the way to go, and clearly, I think our platform has some very unique distinction out in the marketplace.

Some of the key features, just to kind of ensure that you have an understanding is by leveraging this platform and on-boarding studies, we are able to satisfy the clinical operations teams, the medical monitoring teams as well as the data management teams. All of these different stakeholders of a given clinical study are able to come on to the same environment and have complete oversight of their clinical trial, and that's a huge benefit to sponsors. It allows them to be proactive in decision making, it clearly gives them a guidance as to whether their trial is progressing in the right direction and allows them to force correctly if required along the way.

This by the way is also a regulatory requirement. This is the need of ICH E6 Revision 2. And as you may recall, many of the effort that we kind of get involved with are usually on the back of a regulatory drive, and ICH E6 (R2) could not have enforced this particular requirement at a better time. The one clinical platform is ideally suited to kind of enable compliance towards ICH E6 (R2) and we are extremely excited.

The platform continues to get strengthened and we have added some additional capabilities to handle data discrepancies as well, and we are doing the tighter integration with electronic data capture and the business impact of this is it will help introduce efficiencies, save time and efforts and hopefully allow clinical study timelines to shrink over a period of time and/or deliver better outcomes to sponsors.

A quick note on our therapeutic area expertise and the kind of indications we've been addressing. Of course, we've been doing a significant amount of work in oncology, several indications in the field of cancer therapy. Our expertise in dermatology and ophthalmology and the indications in these therapeutic areas is garnering a lot of discussions. There's a lot of interest out there currently in the space of derma and ophtha and we are extremely excited that we've done some very unique projects in these areas and we are having some very exciting conversations.

We're also in early stages of discussing patient-centric healthcare data stores. We are excited because there is a shift that's happening around us towards site-less clinical trials. There is a trend going on towards using variable devices for running clinical trials so on and so forth. So this entire concept, and again, this should be a tech platform driven kind of an approach and we are extremely excited that we will be looking at working on some of these new and innovative initiatives very soon. So the idea of personal healthcare data store is to lead towards a data cooperative and would enable real-world evidence driven clinical trials over a period of time. And this is the fundamental shift from the current constraints of clinical or site-centric aspect to a physician/investigator centric world.

So in summary, it's going digital, being different, it's certainly yielding results and we are extremely excited. We are getting some fantastic market traction, and of course, we are continuing to be at our number of marketing events, speaking events as well as putting white papers out there, conducting webinars so on and so forth.

With that, I'll hand it over back.

H. R. Srinivasan: Thanks, Ram. I think just in summary to call out, the business traction is very good. The digital transformation of the biopharma R&D space that we are attempting is going along the desired directions. There is active M&A that is happening in the environment to stay ahead of the curve, both for geographical presence and for technology enablement. And we want to be a part of that.

And I will pause here and we are very happy to take questions from anybody. Thank you very much.

Moderator: Thank you very much. We will now begin with the question-and-answer session. The first question is from the line of Anil Sarin from Edelweiss. Please go ahead.

Anil Sarin: When we saw initially the numbers, it showed that the revenue has grown, but later when the press release came out, we realize that the life sciences business has really shown stellar growth. So congratulations on the same. So this naturally leads to the second item on the agenda where you have spoken about some kind of an acquisition and it seems to be a bigger acquisition that you're planning compared to Ecron Acunova. So I think it would be great if you threw some light on it as to what area it enables you to get into? I'm sure that you are not

going for just topline expansion, this would be synergistic in some shape or form. And also, if you can comment on the extent of the dilution? I mean, you are diluting around 13% of equity. So what, if you can educate us, what we are getting in return in the form of this acquisition?

H. R. Srinivasan: Okay. So first, thank you for the early encouraging comments and the question. See, you will have to see that we are looking at a few targets for acquisition and the dimensions are along three or four lines. The first is that there is a geographic presence that we are looking at and especially in clinical, we want to establish a much stronger foothold in the United States, so that is one area of importance for us. The second is that we have called out and Ram spoke about it, there is a therapeutic area expertise, which is either enhancing our existing presence. So for example, we are very strong in oncology, but that's an area where the spend is very high, but if we can cement that with one or two differentiated capabilities in oncology, that adds. There are some areas that we are not present or we are present marginally, then if those therapeutic areas get added and then the opportunity for growth enhances, that's the second one. The third one is that in doing this and in doing the digital transformation of the pharma R&D landscape, it's not that all the components we can build in-house. So while there are several components we built in-house and some of them we've aggregated either through partnerships or buyouts outside, there are still some tuck-in acquisition possibilities from the point of view of IP. So I want to leave you with the thought that it maybe more than one because all these attributes are not available in one entity. So we'll have a services piece, which would come in and there would also be a technology piece that we are looking at. There is no particular sequence of addressing it. It is when it happens. As we speak, we are in conversation with a few companies, but I don't think we would be in a position to say that it's signed, sealed, delivered or anyway close to that. Does that answer your question?

Anil Sarin: Yes, it does. But just a follow-on, if I may. Earlier on various calls, you had mentioned that the deal valuations in this space tend to be very high, given the margin characteristics and the growth characteristics that are involved. So if that is the case, I mean, what confidence can you give us that the acquisition values would be moderate and yet not compromising on the attractiveness of the acquisition?

H. R. Srinivasan: We will be able to give you that confidence in exact numbers only when we have a deal on the table. But having said that, I must continue to say that the environment is no different and the valuations continue to be rich. One area of being able to give the confidence that it is worthwhile the business is for the promoters to come forward and say that I'm willing to take this risk and this is worth it, which is a demonstration that we want to do right upfront. And we have in the past been judicious with our acquisitions, I don't think we've overpaid for any, and they worked pretty well. So I'm only arguing for these factors being in our favor and we will able to talk about the specific numbers when we are closer to the finish line.

Moderator: Thank you. The next question is from the line of Ravi Naredi from Naredi Investment. Please go ahead.

Ravi Naredi: Sir, in Chennai, you are going to clinical pharmaceutical unit, which will be ready to commence operations soon., what is it relate and can you say something about that, sir?

H. R. Srinivasan: Yes. This Chennai facility was acquired from Lotus Labs, which was in turn bought over by Teva. So in turn, we acquired it from them. They do not want to pursue this line of business, but we already have a lot of backlog in terms of order business. So for us to be able to execute and convert to revenue would be a short cycle time. But having said that, when there is a change of ownership, it goes through a full process of regulatory approval once again. So we've refurbished it, we've also additionally set-up a lab inside the unit, and once the regulatory approval comes through, which we are hoping would be done during the course of this month, we'll be ready to monetize it because there is sufficient backlog for that capacity.

Ravi Naredi: Okay. And sir, any development for supply chain management business to sell or something you want to say today?

Subhasri Sriram: I don't think this quarter, there is any significant change, while we should definitely say that the business is also not under any stress or any difficulty. And at this point in time, it does not call out additional capital or in fact any management resources. So I think we are good to continue as it is. And it's very marginal about 10%, 12% of the total revenue right now. For a short answer, no sale at this point in time, but we'll continue to look for good opportunities.

Ravi Naredi: Okay. And you said 250 crore IPO issuing through the promoter, have you decided any price for when you will issue debt days**,** you will decide the price?

Subhasri Sriram: Price, obviously, is as per SEBI driven formula, I don't think there is any other option but as far as the timing, we will start the process immediately. As we've got the Board approval, we will start the related formalities and we look forward to closing it at the earliest time.

Moderator: Thank you. The next question is from the line of Emilie Thevenet from Jupiter Asset Management. Please go ahead.

Emilie Thevenet: My question is really a follow-up on the two previous speakers. On the preferential allotment, I mean, if the promoter is willing to take risk and think that it's worth it, why not widening that opportunity to other shareholders? Why is that preferential allotment, which was chosen over a QIP?

H. R. Srinivasan: So, Emilie, thank you for this question. And you know, this is always a very difficult decision and a difficult answer because no one answer can satisfy everybody. We had a deliberation over this, given the point that we have done a QIP in the last year and there is a requirement for capital for an impending M&A, we felt that it is important to show that this is a growth area and that we firmly believe in it as promoters as a matter of signal to all other shareholders that we want to grow this business and stand by it. And we thought a pref. is best way of doing that. That was the wisdom of the Board and they felt that at this point of time, the QIP was not

the best instrument to use. So it's really got no one right answer, but we do take your feedback and we will get back to you separately on that.

Moderator: Thank you. The next question is from the line of Ankit Pandey from Quant Capital. Please go ahead.

Ankit Pandey: I would like to ask first of all on the therapeutic side, the area that we're focusing on, what is the opportunity that we're looking at, especially in the next couple of years that it's happening? And then also, can you talk a little bit about biosimilars, this isn't the kind of question where what are the proof-of-concepts or the reference points that we have and what is the opportunity that we're talking in both these areas?

Ram Yeleswarapu: Sure. Thank you for the question. So on the first question or the first part, basically the lead therapeutic area for us continues to be oncology. We've been doing a significant amount of work across a number of indications and there is a large amount of investment that's actually going into finding cure for cancer as you would be aware. And so that is indeed an area, where lot of pharmaceutical and biotech companies are focusing their investments and research efforts to try to come up with cures for some of these indications. So oncology is something, which we have been doing a lot of work and that aligns with the market behavior in terms of investment that's happening in terms of finding cures or indications within cancer, number one. Number two, we're also looking at dermatology and ophthalmology, as I said earlier. They certainly are also garnering a lot of investment and research work, and so we are kind of aligned with our own expertise in those areas. So we do work in immunology, musculoskeletal, neurology, cardiovascular diseases, so on and so forth. So, our overall experience actually spans almost 18 different therapeutic areas. And just to give you a context, over 350 odd clinical trials up until now. And that is certainly not including all of the legacy experience that we have assimilated. But this experience of so many studies across almost 18 different therapeutic areas. And as I mentioned, some of the leading areas are oncology, cardiovascular, you have derma, ophtha, neurology, so on and so forth. So we are quite aligned there. We are also building some very specific medical and scientific expertise in some of these areas to meet some of these rare conditions or rare or ultra-rare diseases, that's part one. That's answer to your first part of your question.

The second one on the biosimilars, we have been working on several monoclonal antibodies or mAb as they are called. We have been doing biologics in Europe for a long time. And as you would know, biosimilars are the generic equivalent to biologics and we've been doing several Phase-III studies in Asia for multinational biotech companies. So experience in biosimilars and several of those products got approved to certainly kind of reflect on our success in working on some of these very complex projects. We are quite satisfied with our credentials in the biosimilars space. The good news is this particular area and the pipeline build-up for many of the companies is just growing tremendously. So the opportunities in the biosimilar area continue to attract attention. So besides mAbs, we're kind of doing a complex insulin study, we're also doing erythropoietin study so on and so forth. So if I were to break this into different

categories, our experience ranges across mAbs, insulin and EPO. Those are the three broad categories and our experience in Europe is biologics, in Asia it's biosimilars. And we see a steady buildup of the pipeline and it requires some special expertise. On one hand, you have the generic BA/BE studies. On the far right, you have listed a very complex Phase-II to Phase-IV studies. The biosimilars in terms of the investment capital and the research and complexity involved falls somewhere in between. So it's a sweet-spot, we have relevant experience, the market seems to be investing in it and doing a lot of research and these are great alternatives to existing diseases, where affordability becomes a question. So we are extremely excited that they're aligned to market forces at the moment and we're looking forward to continue to strengthen this capability.

Ankit Pandey: Okay, that's very helpful. But just a clarification. The BA/BE proof-points or the number of Phase-III, Phase-IV studies that we've done, is that also from Ecron Acunova or is that mostly us working with our clients in Europe and Asia?

Ram Yeleswarapu: So the full service capability, including the BA/BE for the generics and the innovator companies on the biosimilars is an Ecron Acunova acquired capability, upon which we've been building. And of course, we've shifted that tremendously to delivering all or most of the services using digital platform.

Ankit Pandey: Great, great. That's very helpful. And secondly for Subhasri and I'll jump back for more in the queue later on. Could you just give me the CAPEX number for this quarter and outlook for the coming year? And what areas are we using? Thanks a lot.

Subhasri Sriram: The incremental CAPEX is 62.4 crores.

Ankit Pandey: Could you give me the outlook for calendar year 2018 and in which areas are we looking to use?

Subhasri Sriram: The first half, we had invested about 70. Right now for this current quarter, it is incremental 62, but as you said, we had Chennai facility coming in. And I don't think the fourth quarter, there will any significant increase.

Ankit Pandey: Okay. Any outlook for the coming financial year that you would like to share?

Subhasri Sriram: I think post our budget and we look at the plans, I think there will be much more clarity on that.

Ankit Pandey: And of the CAPEX that we've had probably now in the run rate of, what 150 crores odd, for this financial year, how much of it would be for the clinical facilities?

Subhasri Sriram: More than 50% plus is clinical, which includes both the facilities and lab equipments, plus there are certain stages where we're still in capital work in progress, we have not yet capitalized it and the rest of them are in terms of technology developments.

Moderator: Thank you. The next question is from the line of Utkarsh Katkoria from DHFL. Please go ahead.

Utkarsh Katkoria: I just had one question. If you could throw some light on what the working capital requirements look like this quarter and maybe in the coming year and if there is any scope to further reduce our working capital days?

H. R. Srinivasan: Currently, we are at about 103 days. Over than this range, I don't anticipate a very sharp, while we are doing our best to reduce it as much as we can. This actually reflects an industry trend of the pharma, biopharma industry, so it should be roughly around this same range.

Moderator: Thank you. The next question is from the line of Rajiv Agrawal from Sterling Capital. Please go ahead.

Rajiv Agrawal: I would like to know that compared to the last quarter, rupee has appreciated so much, but we have maintained our operating margins. So can you throw some light on that point?

Subhasri Sriram: So between Q2 and Q3, rupee has depreciated.

Rajiv Agrawal: No, from last year.

Subhasri Sriram: Last year. Okay.

Rajiv Agrawal: We have maintained roughly the same margins, so I want to know that.

H. R. Srinivasan: Yes. See, the product mix is different and this year we have committed to capacity and scaling up, so you will see the benefit of that in the coming quarters. But if you compare it to the last quarter, the increase is about 0.7%.

Rajiv Agrawal: Okay. And can you throw some light on the performance of Ecron Acunova that the company have acquired, how that business is shaping up?

H. R. Srinivasan: See, the Ecron Acunova has been fully subsumed in the TAKE suite. So now, whatever we offer is a combined package of offering, which also includes Ecron Acunova. But overall, the clinical capability, the core clinical operations capability that came from there has grown well and that is a very high growth area. And all the earlier conversations that Ram was speaking about on clinical, they all pertain to core capabilities that came from the Ecron Acunova acquisition. So basically, long and short term, it's going well and you'll see good momentum there.

Moderator: Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Sir, firstly on this acquisition that you're planning. So is there any IRR that you are targeting? Number one. And is it going to be EPS accretive? And if yes, then, by when?

H. R. Srinivasan: Sorry, what was the first part?

Sarvesh Gupta: Sir, first question is, is there any targeted IRR that you have in mind when you pursue such acquisitions? And secondly, is it going to be EPS accretive and if yes, by when?

H. R. Srinivasan: So we are in a series of conversations, I don't think we have come to a stage where we have frozen a number to be able to give this. So the primary fit is what is the asset, how does it relate to our business and our business strategy and how can we grow on it. Those would be the primary drivers of the acquisition from our end, and I initially gave my points on whether it strengthens our geographical presence or therapeutic area presence, those are the areas that we are looking at. As we come closer to a deal, we will certainly be able to address some of these questions, where we'll have more clarity on that. So we are not working that we have this IRR and this in mind, and then we will go around trying to fit whatever acquisition comes for that. That's not the approach.

Sarvesh Gupta: Understood. And do you foresee the benefits of such acquisition to be front-loaded or is it going to come with a lag of few years, is there any sense on that?

H. R. Srinivasan: All I can say is, let's say, 2016 January, we acquired Ecron Acunova and that's panned out well, exactly the way we had planned and it took a lot of effort to turn this around to sales and then integrate it the way we did. We will be diligent on that, but it's too early to comment on how it will pan out right up front. But we've always been generally conservative and delivered on the way we've planned, so we are looking forward to continuing that.

Sarvesh Gupta: Understood. Sir, second question on other expenses, so this quarter compared to YoY, although QoQ it looks okay, but YoY there is a steep jump. And I think last year, we also had some one-offs related to consulting project. So is this the normalized level of other expenses that we should…?

Subhasri Sriram: Can I get back to you?

Sarvesh Gupta: Sure. Last question is on the tax rate. Now, should we assume going forward the tax rate should be roughly in this ballpark range only?

Subhasri Sriram: We're looking to be at 15%, but I think last time last quarter 2, yes, we did mention that we still are examining various options and realignment of our entities. Our endeavor is to make sure that it is tax optimized and to keep the overall tax rate below 15 or around 15.

Moderator: Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Now sir, my first question relates to your acquisition, basically the company you are acquiring, so you are allotting 250 crores to promoter. So is there any debt also that you have in your mind that this acquisition will be funded through this allotment and plus debt that you might want to acquire? So any thoughts on that?

H. R. Srinivasan: No, I think so there are two parts to this funding strategy. First one is certainly that the business is sound and we believe in the business. And therefore, it needs to be capitalized for an acquisition impending and we put this out. Depending on where we want to go with this and what the size and the value, if there is a need to take debt, we will revisit at that point of time. As of now, we've not frozen any values, we've not even frozen the entity. So it's difficult to call that out.

Deepak Poddar: Right. So sir, your first focus would be, if the business is good and even if you have to do an acquisition of 400 crores, 500 crores, you will go ahead with it?

H. R. Srinivasan: In my mind, I don't think we have anything in that range, which is in the horizon. So I am not able to comment on that. So once it comes, then we will evaluate and figure that out.

Deepak Poddar: Understood that point. Sir my second question pertains to your R&D. So our annual R&D expenditure is close to about 80 crores, 90 crores?

H. R. Srinivasan: Yes, it's about 6% odd roughly, 6% to 7%. Yes, that'd be the range.

Deepak Poddar: Yes. So 90 crores and we have a policy of expensing it over next three years, right?

H. R. Srinivasan: Correct.

Deepak Poddar: Okay. So that's how you come to that depreciation of 90 crores, 95 crores we are doing annually. So how come currently it is at about 120 crores run rate I think on a quarterly basis, 30 crore? So how does that gel basically?

Subhasri Sriram: Well, it is between the tangible and intangible. I think we will work around, basically in terms of the technology with the CRO piece, which has been acquired last year. I think there is a significant increase in investment in other facilities.

Deepak Poddar: Okay. So what is the increment because of the CRO?

Subhasri Sriram: We just talked about the Chennai facility and other equipments, which are coming in. Till last year, it was largely on the technology space.

Deepak Poddar: Right, understood. So going forward, this is what like 30 crores kind of a depreciation would be a normal kind of a thing for us?

H. R. Srinivasan: Yes.

Deepak Poddar: Okay, understood. And separately, can you also mention, what is the EBITDA margin you're seeing in your life science business?

H. R. Srinivasan: There is early to mid-20s, that's the kind of margins that have prevailed.

Deepak Poddar: Early to mid-20s?

H. R. Srinivasan: Yes.

Deepak Poddar: Okay. And going forward, let's say next two, three years, we want to make this life science as the 100% of our revenue or we still want to pursue our supply chain?

H. R. Srinivasan: So we've called that out, clearly we want to be a fully 100% life sciences company.

Deepak Poddar: Okay, sure. So sir, ideally your margin should basically go towards your life science overall consolidated margin towards your life science kind of margin that you're seeing, right?

H. R. Srinivasan: Yes. Once we reach scale, that's when it will happen.

Moderator: Thank you. The next question is from the line of Karan Ahluwalia from Laburnum Capital. Please go ahead.

Karan Ahluwalia: I have two questions. One is on just the HR build out. You've talked about this on previous calls, the process of building out the team at the senior level, there is a quality assurance hire, head of clinical and the head of R&D. Just curious, what the progress is on that and over what time horizon should we expect the senior team to be built out? Now obviously, I understand that for senior hires, it's hard to work the deadlines because there's a small pool of people and getting the right fit is important, but it would still be good if we get a sense of broad time-frames. The second question is, if we look at what's happening in the space, I think Ram made some great points about the increasing use of IT and data in the pharmaceutical industries and there are number of players that are pursuing this opportunity. When we look at two sets of competitors, you have, one would be say Medidata or Aviva, which are doing more kind of cloud-based solutions or more software subscription based solutions. And the second being the Pharmalink, Octagons of the world that are subsidiaries of BPO or KPO organizations and trying to do a more service intensive model. Could you give us some sense of where our strategy fits? Why would someone choose a Medidata offering versus us versus say a Pharmalink or an Octagon? Where are we most likely to be the preferred choice, where are those players likely to out-compete us for business? It would be helpful to get a sense of where we lie on the competitive landscape and who we're most competing to relative to these other competitors out there?

H. R. Srinivasan: Thank you. I think I will take the question on hiring first. So I believe, at least for the head of quality after all that we've called out, we've identified the person who should be joining sometime during the middle of the year. The other one or two positions that are left, I would

say that we should have most of the senior team complete by June or July of calendar '18. Yes. That's as far as the senior hires go. And obviously at the tactical level, there will be hires, but that would continue on an ongoing basis. The other question on the competitive landscape, I am going to ask Ram to address it. Ram, please.

Ram Yeleswarapu: Sure. Thanks, Sri. So it's a great question. So let me start by giving preface. So if you look at what's happening in the space, there is a true transformation happening, right. Customers are fundamentally faced with a number of challenges. One is of course the push by regulators for enhanced compliance and quality, the inspections and the audits are far more frequent now and unannounced. So what it essentially tells us is use of systems and technology is a must. It's no longer a nice to have, it's a must have. So that's pushing a lot of technology adoption. Number one. Number two, they certainly want to kind of get better outcomes, run their studies in tighter timelines, get to the market faster than their competitors. So a competitor in order to retain a competitive edge, they're always looking for what is the business hurdles, what are the basic hurdles in the clinical trial start up, conduct and closure process. So as they look at some of these challenges and they also look at some of the drivers and potential drivers for growth as well as drivers that are causing them to invest from a need for compliance so on and so forth, we sincerely believe that as a company to be able to have the clinical research background, the expertise to have run a number of trials that we have experience on the ground to have worked with sites and data so on and so forth that truly is reflected in who we are as a company, and that's the distinction that we have from a pure-play tech flavor kind of company that you pointed out. While some of these are fabulous companies and they are building out a lot of good software, we believe that this practical ground up experience of having been there and done that allows us and gives the perspective that's very unique and different. And when you couple that with a passion for technology that we've been carrying all along, the kind of solutions and platforms that we are building out there are truly cutting edge and next generation. So our excitement comes from the fact that we are on-boarding several of these studies. In other words, the proof is in the pudding essentially, as they say. And so we're essentially loading these studies on to our platform. We are kind of watching the before and after effect of the platforms of intervention and the outcomes that we are noticing are dramatically different we believe than any other simple tech play kind of a player would bring to the table.

So it's a long complicated probably answer, but I wanted to give you the context here first and then tell you how unique and different are we in our approach. Now, while we have tackled one special aspect of it around data aggregation and integration, which is certainly fired up by the one clinical platform, we are looking at challenges, for example, site identification and initiation, recruitment challenges. That's a business bottleneck, so on and so forth. So any of these areas that are traditionally bottleneck or typically bottlenecks that we experience on the ground, we have the core capability and the ability to build appropriate technology solutions. So that positions us much different than a pure-play technology company like the ones you mentioned who are just probably interested in licensing the software. I hope that answers the question?

Karan Ahluwalia: Was partly, right, because in terms of how, so I see how you are different, it would be helpful to understand also how you are different relative to a Pharmalink or an Octagon, but more importantly from the customer flow, who's the guy who is going to a Medidata, saying I'd rather do a combination of Medidata plus PPD rather than a fully integrated tech plus trial business? Who is the person who is saying, I'd rather go to a Pharmalink or Octagon and who is the person who is saying, I'm much more like either go to Navitas?

Ram Yeleswarapu: So this just brings the, essentially the point about segmentation, right. When you look at the market, you clearly have the large pharma and biotech who certainly have a preference for some of these environments or solutions that they run studies. And then you have a segment around the small and medium pharma and biotech. If you look at the small and medium pharma biotech, their preference is not to spend a whole lot of licensing money towards maybe the large providers like the Mediserve or Oracles, etc. Their preference is to work with a partner like us who would be their partner in running their entire study and if we bring a platform, which is quite optimized to the forefront, that seems to be catching their attention. And this is genuinely so because that's exactly what we're observing on the ground. Now you switch over to the last segment of pharma biotech, they have a large number of studies and they have a multitude of platforms that they're running those studies on. So they have the ability to make a decision to say that certain studies, they may choose to prefer to run on Medidata and they work with the preferred partner, that's perfectly fine. But they have a basket of studies around Phase-IV, post-marketed studies, non-intervention studies etc. where the behavior and the preference to use the platforms varies or switches. And the decision makers in these companies are different people by the way. So this is exactly where segmentation, prioritization and how we can land the right deal, we're talking to the right people, that's the kind of homework that we are extensively involved in. And that's exactly what is yielding results.

Karan Ahluwalia: Okay. So in cases where the trial involves some combination of labor, if you will, and a software solution, such as maybe post-marketing, Phase-IV, we're likely to compete very strongly against the Medidata?

Ram Yeleswarapu: Yes. I wouldn't necessarily say, when you say labor plus technology, right. If you are providing a complete clinical trial service, you need to have people, you need to have the medical, scientific talent, the bio-statisticians, the medical writers so on and so forth. But to answer your question, I would say, if it's a large pharma biotech segmentation, then you should preferably look at Phase-IV post-marketed studies, observation studies, non-interventional. These are all typically happen post approval, by the way, okay. So that's the way you should segment and look at it, but that doesn't mean that we don't get into any Phase-II, Phase-III opportunities there, right. But if you look at the small to medium, I think it opens up a much wider area.

Moderator: Thank you. The next question is from the line of Nikhil Upadhyay from Security Investments. Please go ahead.

Nikhil Upadhyay: Basically two questions. One is Ram, you mentioned to the previous participant's answer that probably one of the edge which we have is being from the ground in terms of understanding the clinical trials, being a part of the process and knowing what is required. So connecting this with our idea of acquisition, so where is the gap which you believe that we have to fill through an acquisition, like because we know from the ground in terms of the patient study, patient recruitment and infrastructure setup and management, developing surveys or a product on our own versus going and looking for an acquisition, so what is the bridge or what are the gaps where you believe that we don't have enough of understanding that we want to go for an acquisition? That is one. Secondly, on our capex, so once we have the Chennai facility ready and we have also done our capex toward the other two, Colombia and one more facility. For next year in terms of the infrastructure setup for the clinical trial, do we need many such capex of equivalent size over the next two to three years? Or how should we understand our capex behind the infrastructure setup, both from the IT perspective and from the CRO perspective?

H. R. Srinivasan: Okay. I think there are a series of questions here. So first, I will start off by saying that what is the opportunity we are pursuing. So the opportunity we are pursuing is very large. And we have called out that we want to be at least 0.5 billion by 2021, which means that we have chosen a path of aggressive growth. So choosing a path of aggressive growth also means that there will be commensurate investments that will go into making this happen, whether they are capex, whether they are acquisitions, whether they are hiring, so the call out here is that we want to be evaluated on what we're doing in the industry and our growth, and it is not a stable state business where there is going to be no further investment and there is going to be only cash flow, that's not the business model we are responsible. So I want to call that out in one bucket. The next one I want to talk to you is that when we talk of M&A, I spoke to you of certain very specific things. First, the clinical footprint in the United States of the clinical operations business has to go up. And that is a very interesting area for M&A for us. The next one is there are certain therapeutic area footprints, which are important from the point of view of either consolidation or gaining muscle in an evolving therapeutic area, which Ram called out before that is very important. And third, as we build the digital platform, it is important to know that there are different components to it and all of it can't be built from scratch in-house because the effort takes too long. So if there is a piece that is available on the shelf or as a company with some traction and we feel that we are able to integrate that in the overall value proposition, then we will get to buy it. So the idea is digital transformation, idea is a stronger clinical presence, relevant therapeutic areas and high growth, all of which will involve investment. That's how I'd like to table.

Nikhil Upadhyay: Okay. So then effectively, if we want to understand properly, then there could be a series of acquisitions covering all the three target segments, which we would be more interested in?

H. R. Srinivasan: Yes. I did actually say that that all these attributes may not be available with one entity. So we may have to go separate. The services entity and the technology entity could be very different in flavor and color, and even geographic location.

Nikhil Upadhyay: Okay. And lastly on some of the previous acquisitions, which we have done. So Ecron is one which we very well know of, but if you can just help me understand on how the integration of acquisitions like WCI or Intellent, which provided us with the analytics arm or with the consulting arm, how have they added to creating or increasing the basket of offerings from the time we acquired to now? So if you can just help me understand how they have helped us scale the business or the business offering to the customer?

H. R. Srinivasan: So first I want to call out that there are three life science acquisitions that we have done. In 2006, we acquired a company called OnSphere, which gave us the early regulatory platform on which we built PharmaReady, our flagship software. In 2011, we did WCI Consulting, which was very prominent in safety and PV consulting and also a bit of regulatory consulting. So as we came from the technology end, we moved to the higher value add business of consulting and consolidated that into a reg services value proposition. And then we said the clin services are important and we acquired Ecron Acunova. All of this has helped us build a full suite. You had called out an Intellent, Intellent was not an acquisition, it was actually a creation of a separate Big Data brand at that point of time, which we felt was relevant. Now, it has been subsumed in the Navitas Life Sciences portfolio.

Nikhil Upadhyay: Okay. And last question, which I had is like, if we want to understand the valuation metrics by which you generally govern or you generally decide upon an acquisition. What would be the primary valuation metrics so as an investor, if I have to consider that this early acquisition which we have done, whether it's too high or we've whether paid a premium or not, so what would be the relevant valuation metrics that you generally look at in terms of deciding upon the price could be paid for that firm or?

H. R. Srinivasan: So there are a few. So first is the opportunity to monetize. For us, the service line was a revenue line that they had. The second is, if there is any differentiated IP that we can use and we can scale up, so primary driver for that is our ability to monetize, which means create revenue out of it or if there is a piece of technology, which is only a piece of technology, but doesn't come with any of the above, then it is how it's going to drive down our costs. So those are the two primary drivers. Now in that, depending on the age of the technology or the type of technology that is being used, whether it is device agnostic or it is in a legacy platform or whether it is in a cloud or whether it has no comparable data aggregation and then you look at what are the competitive matrices that are there because there are transactions that are taking place. So for example, if you look at the CRO transactions, today they are taking place in the US anywhere between 10 and 18 EBITDA. If you ask me a question I'm going to play 18, the answer is maybe not. But if you ask me whether I am going to pay up or I'm only going to be at the 10 bracket, the answer is maybe not. I may fall somewhere in between, but it would really have to be a high quality asset to move me up the value curve. So it's a hypothetical question, I know, but we'll have to have the asset in front. In the past, we think we've been very judicious, did not pay very highly in past acquisitions. It's unlikely that we'll suddenly change character, but we've called out a few significant M&A activity for you in the notes, MD&A

notes that we've sent. We've quoted particular transactions. Many of them are in the public domain, so you'll be able to gauge what are the going valuations at the moment.

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

H. R. Srinivasan: Ladies and gentlemen, thank you very much on behalf of Ram, Ravi, me, Subhasri, Shobana and other members of the management team who joined us here. Thank you very much for listening to us and asking questions. If you have any further questions, feel free to reach out to us by mail or phone, and we'll be very happy to answer them. Thank you once again.

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