TAKE Solutions Limited
Q1 FY21 Earnings Conference Call

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MODERATOR: **MS. JILL DEVIPRASAD – ERNST & YOUNG**

Moderator: Ladies and Gentlemen, good day and welcome to the TAKE Solutions Limited Q1 FY '21 Earnings Conference Call. 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 for an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Ms. Jill Deviprasad of EY. Thank you and over to you, ma'am.

Jill Deviprasad: Thank you, Steve. Good evening, everyone. I welcome you all to the TAKE Solutions Limited Q1 FY '21 Earnings Conference Call. From the management we have on the call today Mr. H.R. Srinivasan – Vice Chairman and Managing Director, Ms. Shobana N.S. – Executive Director, Mr. Lalit Mahapatra – Chief Financial Officer, Dr. Ayaaz Hussain Khan – Global Head of Generics, and Ms. Sowmya Kaur – Clinical Head for APAC TAKE Solutions.

I would like to mention that some of the statements made in today's discussion may be forward-looking in nature. The nature involves a number of risks and uncertainties that may lead to different results. With this, I would like to hand over the call to the Vice Chairman for his opening comments, this will be followed by a Q&A session. Over to you, sir. Thank you.

H.R. Srinivasan: Thank you, Jill. Good day, ladies and gentlemen. And welcome to the Q1 FY '21 earnings call of TAKE Solutions. I have to acknowledge that this has been a very challenging quarter and perhaps the most challenging quarter. But before we delve into the call, like every one of us, the company and we at TAKE Solutions are enormously grateful to our COVID-19 warriors, such as medical professionals, civic workers, law and order personnel and several others who are risking their lives every day to keep us safe. They are really the true heroes of this crisis and they inspire us.

This quarter, I think we have done a very phenomenal job of taking care of our fellow employees as well as our customers. But as I delve into the financials, I think it is very important to paint the landscape of what is happening in the biopharma R&D sector. The COVID-19 has impacted the biopharma R&D sector to a great extent. The clinical trial work which forms a considerable part of our revenue is a contact intensive work, and almost came to a standstill during the first two months of the pandemic, which is April and May. It has been observed that almost all R&D groups across the world have been disrupted and are running under business continuity plans. The capacity utilization of R&D labs in the U.S. dropped to around 5% to 10% of their total capacity. While it has picked up recently, it is still below 50%.

Almost two-thirds of the pharma companies have halted some or all their trials, and a majority of clinical trials in Phase II and Phase III were in regions with partial or full lockdown. This has severely constrained the demand environment and the ability of companies, such as ours, to service clients. I call this out because in some sectors like, let's say, an airline industry or a retail industry, the lack of demand is visible because of the lockdown and the restrictions. Whereas, in industries such as biopharma R&D, it may not be as apparent or visible.

There are three fundamental areas where this disruption occurs. First and foremost, we use what are called as sites, which are hospitals or clinics, to do clinical trials. And at this point of time, clinical trial is treated as elective. So, most of the sites have been converted to treating COVID-19. And they are not available for clinical trials.

The second reason is that these trials are usually conducted on patients and on healthy volunteers. This is not a time where patients or volunteers are coming forward for trials. And there is published data that says that the patient recruitment in the month of May is down 95% year-on-year compared to 2019.

The third one is that there is a supply chain disruption that takes place on the samples, availability of samples and taking them back to the labs. So overall, in the first quarter, we saw the macro environment being disrupted.

But a positive impact of this has been the accelerated adoption of technology driven clinical trials as the new normal and we are seeing a major shift in how the clinical trials are conducted. There is a push from regulators as well to adopt steps such as trial virtualization, remote monitoring to ensure patient safety.

I am sure you are aware that we have a very strong background in technology. We do platform-based services. In the clinical space, we have 'OneClinical' and in the regulatory space, we have several offerings of 'pharmaREADY', 'safetyREADY', 'rimREADY'. So, we are ahead of the curve in enabling the platforms that have capability to deliver great results. Our domain expertise and technology combined with each other gives us that edge.

Now coming to the specific impact of COVID-19 on TAKE Solutions. The major casualty for us has been our European operations. This started way back in February 2020, where we started seeing initial signs when the initial shutdown came in Europe. Our first priority obviously was employee safety. We, very quickly, moved to protect our employees and brought in place all the business continuity plans that were there. We could see an accelerated drop in revenue. And some of our facilities were completely shut during the months of April and May.

In fact, to give you an example of what happened during the first three months, I am now going to invite my colleague, Dr. Ayaaz Hussain Khan to talk us through one or two examples of our bioavailability and bioequivalence studies, and then I will pick up from there again. Over to you Dr. Ayaaz.

Ayaaz Hussain Khan: Thank you, Mr. H.R. Srinivasan for this opportunity. Let me just give you a view of how these bioequivalence studies operate. So, these are typically done on healthy volunteers, which come into the Phase 1 evaluation of a product being tested. With the lockdown kicking in, we had some of the studies which were partially done and had to be stopped abruptly in between, so that was the first impact that we had when this happened.

The second the impact was that after the lockdown finally got over and we were allowed to start off with the operations, we picked up the studies which were scheduled. And as you are aware, these are time bound studies, so we have to complete it within a specific time period. So, we initiated these studies. But to our surprise, we got many volunteers who were COVID-19 positive. So, that indicated that we need to have additional measures and checks and balances with respect to initiating the operations. So, now we are finally back with the operations with a lot of restrictions that we have put in in terms of the volunteers who participate in our studies.

So the go-ahead with an initial testing to find out whether they have symptoms or not, means, we still first go ahead and do the testing and then we first figure out whether they are negative, and then really they move ahead with the further screening for participation in the studies. As Mr. Srinivasan said, we had a lot of impact in terms of the business continuity, because we have to work physically with the volunteers in our facilities across locations where we have our hospital setups, where we have beds, and we use those beds for taking up the studies.

So, the second portion of the problem was that once we have the samples then the logistics, of course, was a big hurdle. But now with the easing of the transportation and also other available means, we are able to send samples for testing. Interestingly, we have been very fortunate to have many COVID-19 related studies. As of today, in our clinics, we are running studies, including COVID-19 potential therapeutic leads, which are drugs or going to become drugs with the testing that we are doing, both in our healthy volunteer setup as well as in the patient setup.

Thanks, Mr. Srinivasan, for giving this opportunity.

H.R. Srinivasan: Thank you, Dr. Ayaaz. So, as you see, in the first quarter, our capacity utilization across our facilities was between 10% and 15%. Our manned capacity utilization was only between 25% and 30%. This obviously impacted the revenues substantially and we were down on revenues.

Our order book today stands at about $173 million, and this includes the COVID-19 studies. We have won six COVID-19 studies. Now, the first quarter was dominated by the regulatory and pharmacovigilance business, which is data based. But I have to call out here that for all that data, the primary source of data is clinical trials, so it is only a lag indicator. And we really need to be aware that during the first half of FY '21 the demand is expected to be a little soft until normalcy returns. But I am very sure that normalcy will return soon. We are already seeing an uptick in the site operations and we are also delivering very innovative solutions in clinical trials.

So, I do foresee that the first half of this financial year will be soft for us. And we are taking several measures to address the concerns that we have as management and address the concerns that you have as shareholders. But there are some exciting turns and some exciting possibilities that are happening as we step up to a new way of doing trials.

And at this juncture, I would like to invite Sowmya Kaur, our Head for APAC clinicals, to come in and maybe give an example of some of the exciting work that we are doing. Over to you, Sowmya.

Sowmya Kaur: Thank you, Mr. Srinivasan. Just to add in terms of the uptick in virtual clinical trials, as Mr. Srinivasan did mention, we did see a time point when the need of the hour in the industry was in terms of the treatment of COVID-19 patients. And that was a time point when we actually picked up one of the studies in one of our existing engagement, and we were able to deliver that study; within a matter of just 30 days we were able to deliver the first cut off the data to the client. And with this, almost on a commando mode, the team worked together in terms of delivering the results, and also in terms of agility and flexibility and the technology adaptation what we actually did for this execution of this particular study, gave us a very good momentum in terms of getting more COVID-19 studies into our portfolio.

As of today, we are working almost six to seven clinical trials, which are just focusing on COVID-19, which is on patients. We have been able to build a model in a virtual mode where we are sitting in various locations and the sites are in different locations. However, we are able to get the data and deliver the data as per the regulatory requirements and while adhering to the requirement of the client. So, this has pushed the industry in terms of moving into a virtual mode of conducting the clinical trials. We internally have been able to deliver this to the client, and we are able to execute to not only one study, but these lessons we are actually leveraging to the future studies of the other clients as well.

We do see in the COVID-19 scenario, with the adaptation of technology, the process and the operations how we are currently managing the clinical study of COVID-19, we are in a position to adapt this not only to COVID-19 but also to non-COVID-19 studies. We do see momentum and also, we do see a pickup in terms of a non-COVID-19 study where we are able to adapt some of these lessons learned to those studies as well. So, in this current situation, from a team perspective, from a process perspective, from a technology perspective, we were able to pick it up in terms of execution and also in terms of how we can look forward for the future way of working in the clinical development arena.

Thank you and over to you Mr. Srinivasan.

H.R. Srinivasan: Thank you, Sowmya. So just to call out the data points on what Sowmya said. In this study, the first patient in was 30 days from the date of award of the study. And the last patient's last visit was 36 days from there. It's a very accelerated study and an outstanding performance for which the client has given us a lot of credit. And we have now expanded the trials into Middle East and into the U.S. geographies as well.

Obviously, that's the silver lining, but overall, we need to remember that we did have a poor quarter in terms of revenues. But the BD activity has picked up significantly. In fact, I am happy to say that at the time of going into this call, the level of RFP activity has come back to pre-COVID-19 levels. But there is always a lag between how the level of RFP activity operates and how the revenue cycle operates. But it gives us a sense of buoyancy as we move ahead.

What we had to do in these tough times was really take two very strong efforts. One was to conserve cash, and the other was to bolster liquidity. In terms of conserving cash, I think we took three very important steps. The first was, we realized that our EU business will bleed, so we had to take strong steps towards that. And you would see that we have made an exceptional provision of Rs. 156 crores / $20.7 million during the quarter for that. It was a difficult decision, but we had to take that to conserve cash.

The second one that we have done is we have tried to reduce the real-estate footprint that we have. And third, we have reduced the number of employees, especially across the western geographies where the cost of the employee is higher. We are relying on a lot more offshoring now and the ability to service a lot of work out of India.

This is what we have done in terms of conserving cash. We are also taking steps to bolster liquidity. You would see that we have concluded the sale of one of the subsidiaries or the joint ventures in the supply chain space. Yesterday, we have got the approval from the Board and we hope to consummate this transaction by the end of this month.

Coming to the financials, I mentioned that it was a worst hit quarter due to COVID-19. And the revenue this quarter was about Rs. 166 crores, down about 55.1% in rupee terms and about 57.8% in dollar terms on a Q-on-Q basis.

I am not comparing it with Q1 of FY '20, because the year itself is very different and the basis for comparison does not exist. However, you will note that compared to Q4, our operating matrices have improved tremendously. That is because of all the difficult steps that the company has taken to conserve cash and quickly return to cash profitability. The improvement at the EBITDA level is due to these rigorous efforts. We have used a combination of wage cuts, headcount reduction, offshoring, tighter control on SG&A expenses.

So, it was really looking at the scenario on how we envisage this to happen. It was important to right size the company to the level of cash that would be available to run. And we have done all steps that are required for that.

On the outlook for the year, I believe Q2 will be challenging as we continue to see spurts of local lockdowns that keep happening. In fact, in a recent study that we conducted, which was a 11-day study that was going on, at the end of the sixth day, four patients had tested COVID-19 positive, so the entire study had to be scrapped. Now, these are not things that we were used to in the past, so there are some learnings that are there. We do expect the normalcy to return in the fourth quarter.

I would like to highlight that the fall in revenue and earnings is a temporary situation. And our order book is relatively strong, and we will see an uptick in revenue as our capacity utilization comes back to near normal levels.

This is a quarter in which we have taken steps to priorities safety, flexibility and efficiency. We remain confident that we will emerge from this crisis more agile and more efficient than ever before.

With this, I would now like to open the floor to questions.

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

Mahek: Sir, I just wanted to understand how COVID-19 has impacted your order book and how do you see it moving forward? Like, what is your outlook on the same?

H.R. Srinivasan: So, there are two-fold impact of COVID-19 on the order book. First, what happens is that some of the trials get paused. So, in all for us, 29 trials have been paused, 11 in APAC and 18 in the U.S. geographies. So, when the trials get paused, sometimes clients have a rethink on how they want to reset the trials. So, we have had a degrowth in order book with close to USD 57 million, which had to be reset in terms of that. And this I am using it from the order book of 31 December 2019.

The second one is that the closures, because the site activity is not there, several clients take time to close the RFPs, because they know that the trials are not going to start immediately or going to start in a few months. So, the order closures take a bit more time then what was traditionally happening.

And third, while in a COVID-19 case we can start the trial immediately. For us, now to start a trial will take a couple of months. So, it will be a few months before the site activation happens.

We have lost some orders, some orders have been paused, and will wait for sites to open. But I am happy to say that the level of RFP activity is now at pre-COVID-19 levels. And therefore, we should start seeing an addition to the order book from Q3 of this FY.

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

Nirav Dalal: I had a few questions. One, the order book of $173 million, this is executable over what period and what is the confidence that the entire order book would be converted into revenues? That's the first question.

H.R. Srinivasan: Nirav, thanks for this, it is a great question. First, I want to call out that this order book has already been adjusted for the closure of EU, otherwise it was higher, but we have removed the EU part. So, this is a net addressable order book. Normally, we used to consume our order book between eight and 10 months. But the consumption of order book will really depend on the site activity. Given where we are, I would assume that we are now not going to be in the eight-month and 10-months cycle, it may be 12-months to 14-months kind of a timeframe. That's my guess, as we

speak. But it's eminently possible that there is an acceleration that takes during Q4 of this year, when we may revise our guidance of consumption of this order book to much higher levels.

Nirav Dalal: Got that. And what would be the split of services and clinical of the order book? Because I believe services would happen faster than the clinical site.

H.R. Srinivasan: When you say services, you mean regulatory and PV?

Nirav Dalal: Yes, yes.

H.R. Srinivasan: Okay. Because clinical is also a service.

Nirav Dalal: No, Reg and PV.

H.R. Srinivasan: We can get that data across to you. But however, I would say that you need to understand that reg and PV, except for the lifecycle management business, which is there in both, the rest are basically a lag indicator. The original data for everything comes only from the clinical trials. So, it can't be too much ahead of the curve. We should not read that one set of business is completely insulated from the other set of business, that is not the way to read this.

Nirav Dalal: Okay. And the other question was regarding the provisioning that we have done, what would be the split of cash and non-cash or would it entirely be non-cash, meaning goodwill being written off on the books or certain tangibles being written-off on the books? So, I just wanted some indication on that.

H.R. Srinivasan: The entire $20.73 million that is a write-off is the net asset value of the investments in EU, as in the books of our subsidiary Ecron Acunova Limited. It does not pertain to any goodwill write-off on the books of TAKE Solutions. This is the actual net asset value and may include a very small portion of the goodwill which may be there in the books of Ecron Acunova Limited. So, you should treat this like this is largely a cash write-off and not a non-cash write-off.

Moderator: Thank you. The next question is from the line of Yash Jain from AG Investment. Please go ahead.

Yash Jain: I have two questions. First one is on the clinical trials. As mentioned earlier, the clinical trials were halted due to the locked down. So, have they started now given we are in the unlock phase in most of the regions? If yes, at what level are we as compared to the pre-COVID-19 levels? And by when do we foresee getting back to the pre-COVID-19 levels? Do we see the impact of COVID-19 being there for a longer term or not?

H.R. Srinivasan: So, the answer to that is, yes, the lockdown is lifted, but the clinical trials take place in, what are called as sites, which are either hospitals or clinics or our own facilities. Today, the site activity is about 35% of what it was in the pre-COVID-19 levels. In April and May, it was almost nil, now it is

at about 35%. Our expectation is that it may go back to normalcy during Q4 of this year or maybe Q1 of the next FY. So, it is certainly rebounding. But the pace of rebound is anybody's guess.

Yash Jain: Understood, sir. Thank you. The second one is some medium to near-term outlook on the R&D expense, if you could provide that will be really helpful. Thank you.

H.R. Srinivasan: That is R&D expense within the company, or you mean a macro number?

Yash Jain: Within the company.

H.R. Srinivasan: No, there is no CAPEX or any R&D expense that is planned at the moment. We have put that on hold for FY '21.

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

Tushar Bohra: Sir just want to understand, so we had a normal run rate of about Rs. 600 crores revenue pre-COVID-19, right, in exit quarter pre-COVID-19, and which has now come down to about Rs. 150 crores, Rs. 160 crores. What part of this is exceptional situation and what part of this could be sort of a permanent near-term loss and will have to be rebuild as business? So, let's say, once things return to normal, will our run rate go back to 600 or will it be like 250, 500, how do we look at it?

H.R. Srinivasan: That's a great question. Let me tell you that what we have done is we have readjusted our capacity to about 60% of pre-COVID-19 levels. So now, let's say, if you use 600 as an example, our capacity is at now about 360, 370. And even when we come back to the normal run rate, first we will hit that before we expand capacity. So, is that the question you were asking? Did I answer?

Tushar Bohra: Yes, partly. What kind of capacity are we talking? Like, it's not a hard asset sell-off, right? We are talking about site reduction and resource reduction, if I am not mistaken.

H.R. Srinivasan: Correct. But they can't bounce back, because these are resources that have strengthened domain. So, it's not like hiring an IT programmer, it is at different locations across geography. So, even if there is a site, even if there is a study for us to activate a site and to go ahead with the study, there is a few months of preparation. Sites have hard assets, we do have access to sites, and we do have our own facilities. So, let me give an example.

We have 208 beds in India, spread across three locations for doing our studies. Now, the revised guidelines of ICMR which has come, including social distancing norms, that 208 capacity stands reduced to somewhere 164 or 165. And that has a commercial implication, right? So, the capacity reduction is on two counts, what is there which is coming in terms of guidelines from different regulators. And second, what is the reduction that the company has planned for itself foreseeing a particular revenue run rate. And this we are trying to marry as close to the actual demand as possible. I hope this gives a color.

Tushar Bohra: Right. Sir, second, just further expanding on this. If you can help understand, let's say, how many resources have been laid off and broadly you mentioned regulated markets or front-end markets, so how many people have been laid off? And what percentage of your employee cost and other cost come down permanently when we look at the next couple of years perspective?

And second is, with this COVID-19 study that we have are starting to get, can we expect that even if the lockdown situation continues, and given that there are a number of vaccine trials and other trails for COVID-19, our clinical trial operations overall may not go back to the lows of Q1?

H.R. Srinivasan: I will answer the second question first. Yes, it won't go back to the lows of Q1, it should now have an uptick. And I am happy to tell you that even besides COVID-19 studies, other studies also are starting with the site activity which is there. Sorry, what was the first question?

Tushar Bohra: Sir, I wanted to understand in more granular details what has been the action, let's say, in terms of cost reduction, employee reduction and so on.

H.R. Srinivasan: We were doing employee cost run rate of about $29 million for the quarter in the pre-COVID-19 times. And our aim is to bring that down to about $15 million by Q2 of this FY, which will be somewhere around $14 million to $15 million in Q2. In terms of SG&A expenses, we were operating at about $25 million approximately per quarter. We are trying to bring that down to the $5 million to $7 million range. There already a lot of travel has been cut down, a lot of marketing and conferences have been cut down, so that is also something that is taking place. We are also trying to reduce the office footprint. And now, with the closure of EU, we have achieved several of those milestones already, so you will start seeing that we will be doing quite well from Q3 onwards.

Tushar Bohra: Sir, just very quickly, you mentioned the office footprint and you mentioned the write-off of EU. Do we expect more write-offs to happen in the subsequent quarters? Is that a likelihood?

H.R. Srinivasan: No. I think what we have done is, I called out very clearly. See, when you have to conserve cash, you have to make cash available for the best geographies and the best entities that you are going to support. And which is precisely what we have done. We did not have enough cash generation to cross subsidies any entity and EU required the most. Just to give some data points. For Q4 the loss in EU was $2.3 million for us. And as we moved into Q1, we would have lost at least $7 million - $8 million in the EU. And Q2 would have required a cash funding, and that was not possible for our, so we have retained the units that are cash generating and self-sufficient and trying to grow that back. So, there will be no more write-downs.

Tushar Bohra: But the amount of cost reduction that we are seeing, so you are bringing down our SG&A by 80%; and employee costs, we are trying to bring it down to 50% of previous levels. Does it not restrict us in terms of competitiveness or in terms of being able to deliver performance? And can you also share whether similar measures have been taken at larger CROs or put these steps in context with the industry?

H.R. Srinivasan: There are a number of questions, so we need to break it down into different parts. First, what we think was needed to conserve cash and improve liquidity in the system, and that is a decision that we took as a company. And we are confident that those decisions were right. Now, it meant reduction of some of the capability, so if you ask, do we have the same capability to launch back again after two months? The answer is no. But have we right sized ourselves to what we see as a demand environment? The answer is, yes.

Now next is what other biggest CROs have done. Most of the bigger CROs have raised a lot of capital in this, and they are in geographies where the availability of capital is higher. So, most of them are sitting on piles of cash, more than a couple of billion dollars in cash. We don't have that kind of strength. So, we have to right-size to what we needed to do. But overall, there is an EBITDA that is down for everybody, there are cost containment measures that are being taken everywhere, everyone's sites are affected, it is not unique to us. So, the macros of the business continue to be the same for everyone.

Tushar Bohra: Got it, sir. Just one last, very quickly from me. You mentioned CAPEX reduction or rather the cash conservation. So, does this also mean that until we are able to go back to maximum utilization on this reduced capacity, we should see a toned down of CAPEX over the next two years, unlike what was envisaged earlier?

H.R. Srinivasan: In FY '21 there is no CAPEX, we have put zero CAPEX on the table. And for FY '22, we will take it as time comes. I don't think we will say that there will be no CAPEX in FY '22, that may not be the right way to look at it. But generating cash and having free cash flow is really the focus at the moment. And we intend to be free cash flow positive in Q3 of this year.

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

Nirav Dalal: A couple of questions. One is on the two acquisitions that we had done, DataCeutics and the KAI clinical research company. The leadership is still intact there or there has been a change in that? And the operations in the U.S. geography particularly, how is that moving?

H.R. Srinivasan: The leadership is very much intact, and both the entities have been fully integrated into our system. I want to call out with this company, we pride ourselves on the capability of leaders. We have at least 50 very, very strong leaders, and more than 300+ domain experts, and we retain that fabric even during these tough times.

Nirav Dalal: Okay. And just quickly on the balance sheet side, if possible, can you share the net debt number or anything on the receivables, so that we can have an idea in terms of how the balance sheet is moving?

H.R. Srinivasan: Yes. So, I think we have reduced debt by about $1.2 million during the quarter. The debtors have reduced by Rs. 150 crores during the quarter.

Moderator: Thank you. The next question is from the line of Tanushree Agarwal from SKP Capital. Please go ahead.

Tanushree Agarwal: I just wanted to ask, what are your near-term targets? And by when do we expect to get back to profitability, if you could give some color on that? Thank you.

H.R. Srinivasan: Yes. So, near-term target, obviously, is to get back to positive EBITDA territory and net profit. I am quite confident that in Q3 we will be there. As we speak, we expect even for this month we will be profitable. So, all the measures that we have taken and put in place, we are quite confident that we will be very soon in the green.

Tanushree Agarwal: Okay. And do we have any peers in India?

H.R. Srinivasan: No, we don't.

Moderator: Thank you. The next question is from the line of Mahek from AB Consultancy. Please go ahead.

Mahek: Sir, I just wanted to get your view, do you think the impact of COVID-19 is here to stay? Is it going to be for a long-term? Or are you hoping or expecting for signs of revival in the coming months?

H.R. Srinivasan: There are two different parts. I think COVID-19, obviously, we don't expect a cure to that or a vaccine to that anytime soon, we are not seeing that, it may still take a few months to a year before that is out. But the activity levels or activity with the revised norms of social distancing and safekeeping, we are seeing the level of activity pick up. When it will get back to pre-COVID-19 levels, we are really hoping that by the time we come to Q1 of FY '22, it will be near normal. And by Q4 of this year, we will be perhaps at about 75%, 80% of what was at pre-COVID-19 levels.

Mahek: Okay. And sir, what strategies or steps are we talking to deal with it? Like any short-term strategies that we have implemented to get back to profitability, to minimize the impact on the activities.

H.R. Srinivasan: I explained that our short-term strategy is really to conserve cash and bolster liquidity and come back to profitability. For that we have addressed cost upfront and straight on in a very, very aggressive way. And that is yielding results. We are seeing a revenue uptick; we are seeing better conversion of the order book that we are having. So, with both these we will be profitable very, very soon. I expect Q3 to be a profitable quarter for us.

Mahek: Thanks. If I may ask one last question, sir, have you applied for moratorium during COVID-19? And if yes, could please throw some light on it.

H.R. Srinivasan: See, to the extent of the loans in India, we have applied. But most of our loans are dollar loans from Singapore, and there is no moratorium as far as those loans are concerned.

Moderator: Thank you. The next question is from the line of Aneesh Muncha from JST Investments. Please go ahead.

Aneesh Muncha: Sir, could you please give us a subsequent breakup of the life sciences business? Like, how many projects are in Phase I, Phase II, Phase III and Phase IV? And what are the success rates for each phase approximately, sir?

H.R. Srinivasan: I wouldn't have that with me as of now, but we can provide that to you if you can just query us. The second part of the question, I didn't understand. What are the success rates, means what?

Aneesh Muncha: Like from Phase 1 to Phase 2, how many projects go from Phase 2 to Phase 3 subsequently?

H.R. Srinivasan: That is not a function of the success of the trial, it's generally a decision that is taken by the sponsor company. And there are several points that we consider, not only the success of a trial. So, let me give you an example. There may be a very successful Phase 2, but if a competitor has just launched a drug in the same space, you may not want to move ahead with a Phase 3, you may drop that and then go ahead and do some other trials. So, there are several aspects which sponsor companies take into account when they move a trial from one phase to another. It is not with the efficiency and safety of what you are trying.

Aneesh Muncha: What is the average employee cost per year of your company?

H.R. Srinivasan: See, normally our employee cost was in the region of about $29 million and now it will come down to about $15 million by the end of this quarter.

Aneesh Muncha: $15 million per quarter, sir?

H.R. Srinivasan: Yes.

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

Tushar Bohra: Sir, very quickly, a couple of questions and follow-up. Are we looking to raise capital, any kind of equity funding or anything on the table?

H.R. Srinivasan: No, in the listed company we are not anticipating any form of capital raise. We may look at different forms, if there are any other assets like the supply chain asset that we sold. To bolster liquidity we always keep looking at different strategies.

Tushar Bohra: But nothing on the listed company?

H.R. Srinivasan: No.

Tushar Bohra: Second sir, with the European operations being sort of effectively wound down, this is the operations that was the original Acunova, right, the original German operations that we acquired?

H.R. Srinivasan: Yes. See, that company had two operations, it had Asia operation and it had Europe operations. We acquired and we built it up. But I think we took the right decision now, given the circumstance.

Tushar Bohra: So effectively, our operation base in Europe go to zero or do we still have operation space after this, on the CRO side?

H.R. Srinivasan: No, we have a methodology of partnering with other CROs in that area to deliver studies. But on our own, we are not seeking studies in Europe now.

Tushar Bohra: Okay. And if you can comment on the U.S. acquisition, how has that progressed and the overall strategy of integrating and expanding KAI research and DataCeutics operations?

H.R. Srinivasan: I think we have done well with the integration of both those acquisitions. They have stood us in good state even in the tough times. And we are anticipating that as things come back to normal, there will be a strong growth. We have also enabled quite a bit of offshoring out of those entities. So in good times, it should be able to tell very favorably on the margin profile that we have.

Tushar Bohra: Right. Sir, I see that we haven't even provided a breakup of the different services, revenue breakup. Could you help us with that for this quarter?

H.R. Srinivasan: I think we will address that subsequently in a mail to you.

Moderator: Thank you. Ladies and gentlemen, due to time constraint, that was the last question. I now hand the conference over to Mr. Srinivasan H.R. for closing comments.

H.R. Srinivasan: Ladies and gentlemen, thank you very much for participating in this Q1 FY '21 earnings call of TAKE Solutions. Obviously, it's been a very difficult quarter, but my management and I, we are taking all steps possible to come back very quickly to profitability, and we are quite sure that Q3 will be a profitable quarter for us. Have a great rest of the week and stay safe. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, on behalf of TAKE Solutions, that concludes this conference. Thank you all for joining us. And you may now disconnect your lines.

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