



TAKE Solutions Ltd.

Strongest player in niche area with huge growth opportunity

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TAKE Solutions - Stock Details

CMP
Rs.132

Market Cap
1622cr.

Codes
BSE: 532890
NSE: TAKE

No. of shares
12.2cr

Face Value
Rs.1

52week high/low
Rs.210.5/87.1

P/E
14x

EV/EBITDA
7.5x

Key Highlights of TAKE Solutions

Unique technology player:

Unlike a typical IT services or BPO company which relies on low-cost labor to solve a problem, TAKE has always relied on a technology-driven approach. Whilst this requires a higher level of domain expertise and possibly lower margins, its work is of higher quality and also generates more sticky revenues.

Huge opportunity to grow:

The outsourcing penetration level in life sciences industry is only about 20-25%. If the industry size is \$15bn TAKE's addressable market was about US\$6.4bn in 2013 and was growing at 12-15%.

Strong Industry Networks:

TAKE is one of the few consulting organizations that has built industry networks of its own. In addition to this, it is very difficult to build expertise in regulatory affairs in the pharma industry. The strong network effects of such institutions and expert domain knowledge are very difficult to replicate for new companies to enter in to this market. This helps TAKE solutions to grow sustainably over the long period of time.

Entrepreneurial Management:

Company's promoters hold 68% of the business. From the starting they have focused building the company with unique strengths with strong emphasis on bottom line.

Attractive Valuations:

Company which is expected to growth with CAGR of 25% in the next three to five years. At the current market price of 132, its share price is trading at 14x P/E and 7.5x EV/EBITDA.

Company Overview

Company Overview

- TAKE solutions offers technology solutions and services with significant focus across two principal business areas – Life Sciences and Supply Chain Management.
- The name TAKE solutions comes from the abbreviation of Technology, Analytics and Knowledge for the Enterprise Solutions.
- Company has started in the year of 2000. Over the last decade, TAKE has grown exponentially and is today it has over 1000+ employees catering to more than 400+ marquee clients across 8 countries.
- Company's global headquarters are located at Chennai in India and US headquarters at Princeton NJ. It has also presence across 9 countries across the North America, European Union, Asia Pacific, Middle East and South East Asia.
- In the Life Sciences, company provides technology solutions and business services in clinical data, regulatory compliance and drug safety systems. This helps Life science companies to run business operations very efficiently and enable them to be compliant while being competitive.
- In supply chain management, company offers various solutions that facilitates the business process orchestration that extend beyond the span of an organization's boundaries and cut across entities such as suppliers, distributors, and contract manufacturers. The solution suite also encompasses several industry verticals globally, enabling business efficiencies.

Business Overview

TAKE Solutions – Business Model

REVENUE model

TRANSACTIONS /
SUBSCRIPTIONS

Maintenance

Services

Licenses



DELIVERY model

On
Premise

SaaS

Business
Services

TECHNOLOGY

Virtualization

Cloud Computing

Embedded / RFID / Mobile

Service Oriented Architecture (SOA)

DOMAIN

Supply Chain Management & Life Sciences

Business Model

- ❑ **Balanced:** Well distributed across two key verticals - niche offerings addressing multiple end user industries
- ❑ **Wide Portfolio of Offerings:** Solutions to address customer needs - Solutions delivered as business services, products and SaaS
- ❑ **Diversified Customer Base:** Portfolio of solutions to address customer size - focused approach to large & mid-market customer segment and wider approach to SME segment
- ❑ **Scalable:** Platform agnostic solutions to enhance addressable markets and strategic partnerships to drive penetration in areas of specialization
- ❑ **Diversified Revenue Streams:** Income from subscription, licensing, royalties, services and AMC leading to a mix of annuity and non annuity revenues

Business Operations

TAKE Solutions business operations can be classified across three categories which include Life sciences, Supply Chain Management and others.

Life Sciences – Niche player with strong IP products and high domain knowledge:

TAKE provides solutions for complex processes and improves the efficiency of the operations for pharma companies through its IP led products and services. It offers advice, solutions and services in clinical, regulatory, safety and content management. Company is has a rich experience of 15 years in this domain and is able to provide solutions successfully for its clients. This segment accounts for more than 70% of company's total revenues and 80% of its EBITDA. This has been major growth driver of the company with strong profit margins (OPM 25%). Company has heavily invested into this segment for future growth.

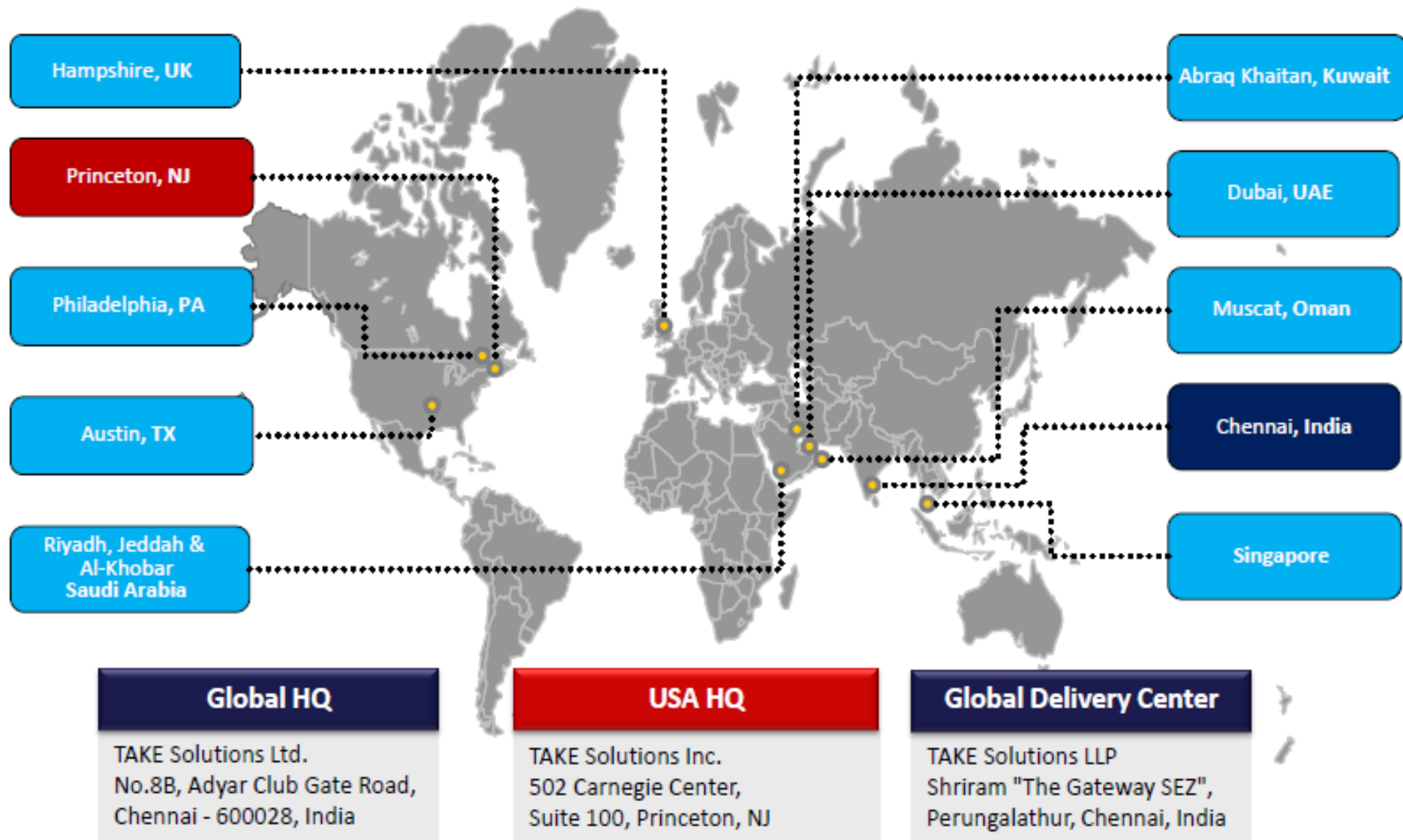
Supply Chain Management:

In the Supply Chain Management business, TAKE provides customers with software and consulting services focused on delivering improvements that are truly meaningful to business. TAKE works for clients in the key industry segments of aerospace and defense, automotive, consumer products, government, high tech manufacturing, industrial products, oil and gas and pharmaceutical and healthcare. Company derives more than 25% of its revenues from supply chain management.

Company also provides normal IT services such as application maintenance and data center management provided to companies outside the life sciences and supply chain management segments. This portion accounts for less than 5% of its overall revenue.

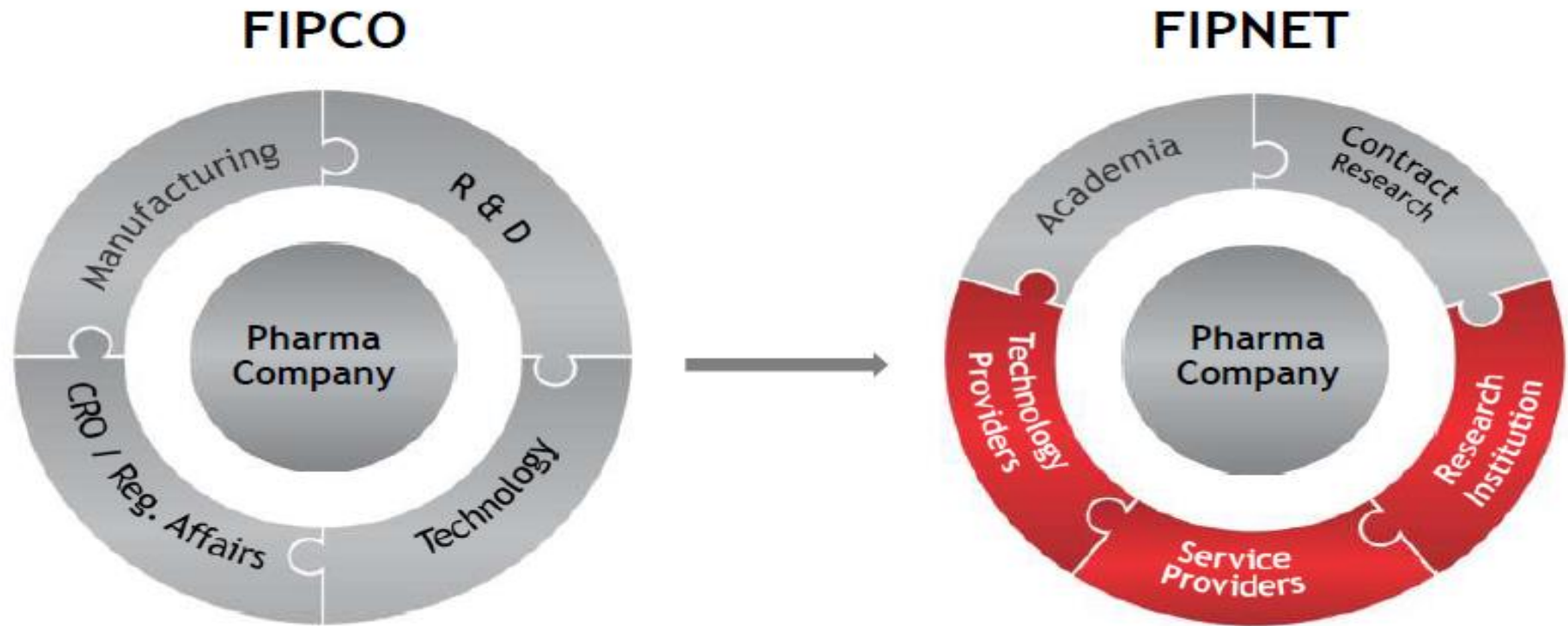
TAKE Solutions - Global Footprint

Strong Presence in the US, Middle East Asia and Europe



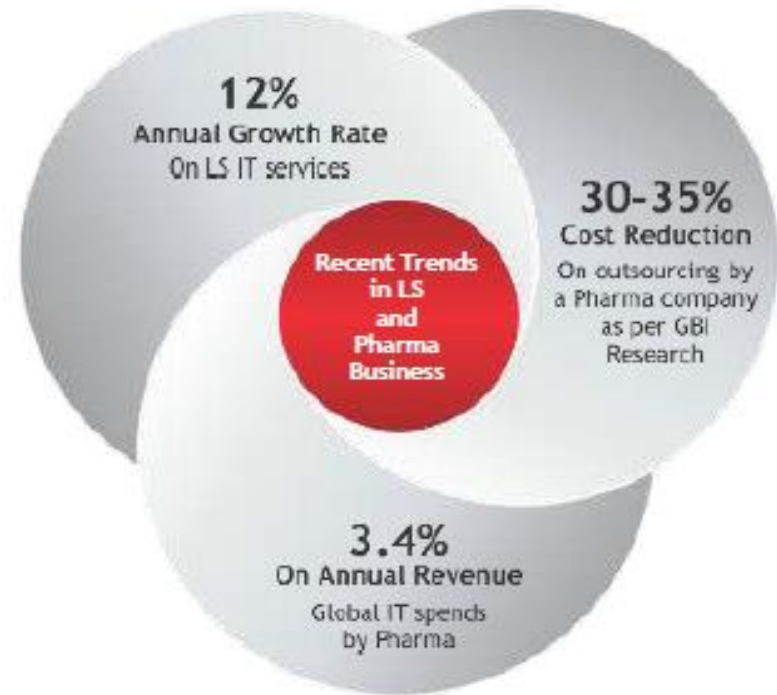
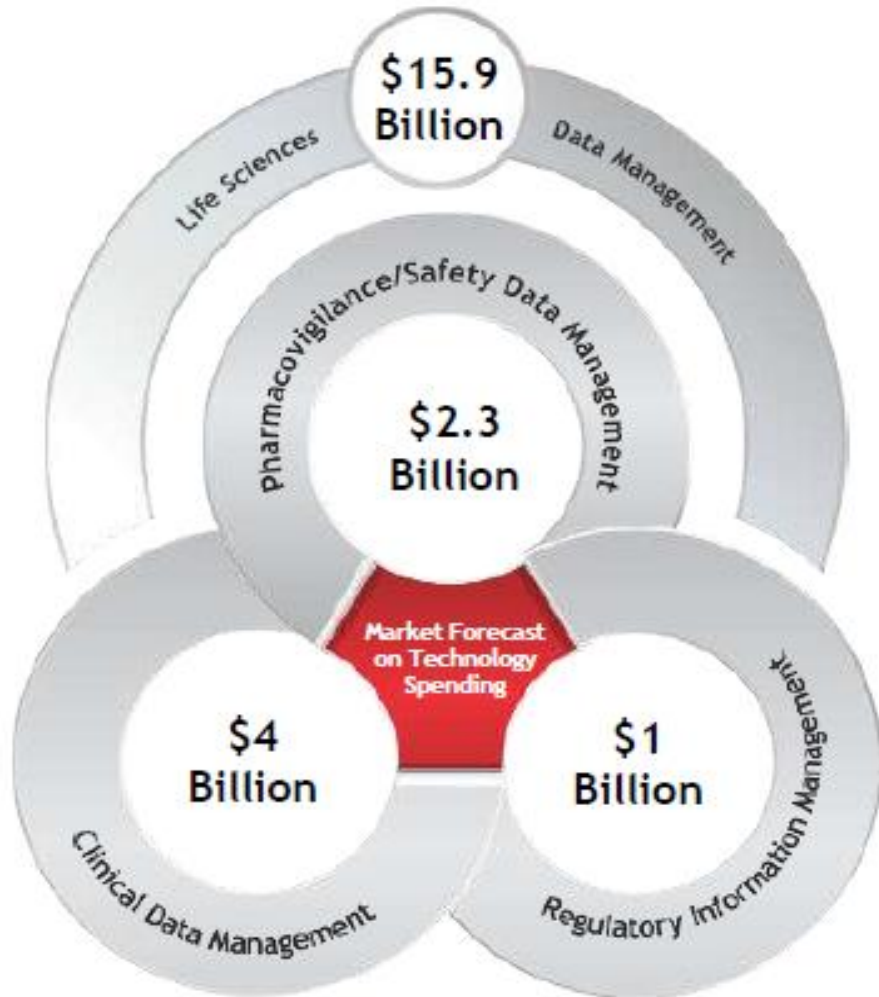
Life sciences – Key focus area

Changing Trends in Life Sciences Outsourcing



As per TAKE, the outsourcing penetration level at this time is only about 20-25% and this is increasing year-on-year. The pharmaceutical companies derive a cost reduction of about 30-35% from outsourcing and by adopting technological solutions to their complex processes. This is driving the move from FIPCO (Fully Integrated Pharma Company) to FIPNET (Fully Integrated Pharma Network).

Market Landscape



Market looking for niche, specialized solution providers

Huge opportunity from changing industry dynamics

Huge opportunity from the growing Life Sciences outsourcing:

Economic and competitive pressures continue to motivate organizations in the health care industry to explore outsourcing models as a vehicle for providing flexibility and efficiencies across the spectrum of different business processes.

As per industry reports from IDC and Transparency Market Research, TAKE's addressable market was about US\$6.4bn in 2013 and was growing at 12-15%. TAKE, with strong competitive advantages, should likely be able to exceed this growth rate.

Specific demographic factors creating a huge opportunity for the global life sciences industry are an aging global population, lengthening life expectancies, increasing population growth and an increase in incidence of chronic diseases. In addition, large populations, especially in emerging markets are able to afford greater amounts of spend in healthcare. Finally, technology advances are a contributing factor to growth as well.

On the other hand, global companies continue to be impacted by blockbuster drug patent expirations, increasing competition from generic manufacturers and government and healthcare industry efforts to control cost. Therefore, they need to focus on innovation and efficiency whilst ensuring that they adhere to the best standards of regulatory and safety compliance. Outsourcing is one of the key ways to achieve these goals.

TAKE over the years has built strong industry networks by providing simple solutions to complex processes. This also helped the company to understand the difficulties in health care industry to provide solutions across different spectrums.

TAKE - Business Products Overview

	Products/ IP	Service Lines	Geography
Clinical	6	4	U.S & Europe
Regulatory	3	4	U.S, Europe, APAC, MENA
Safety	6	4	U.S & APAC
Technology		2	U.S & ROW Implementation

TAKE - Business Products Overview

Clinical

Clinical
Development

CDISC Accelerators

iCommittees™

 PharmaReady
eTMF

Bio Statistical
Programming

 PharmaReady
DMF

 PharmaReady
TRMF

SAS - Bio Statistics
Framework

Regulatory

Regulatory
Submissions

 PharmaReady
eCTD

 PharmaReady
SPL/PLR

 PharmaReady
PPM

Safety

Safety

 SafetyReady

 pvnet

 pvconnect

 pvnetworks

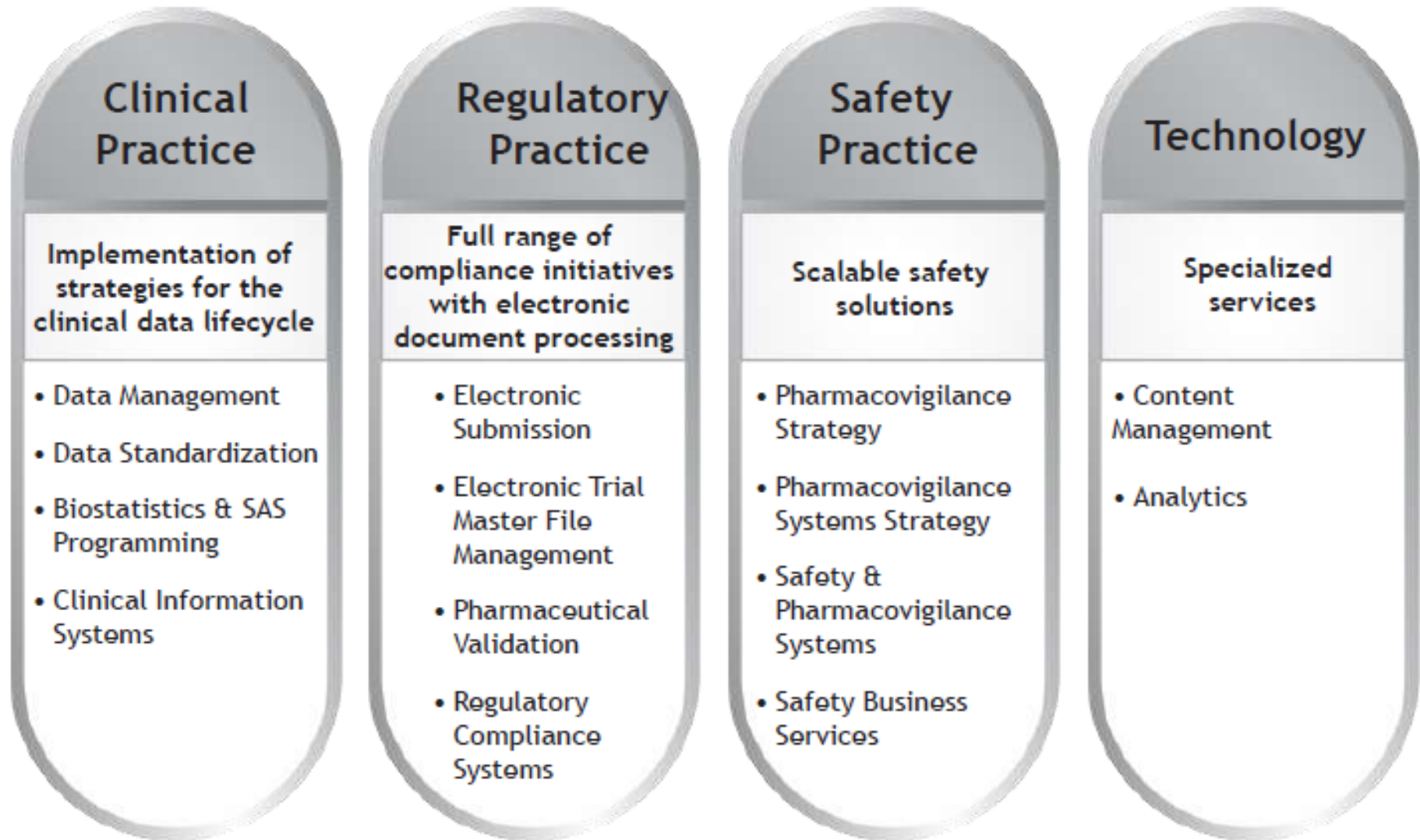
 labelnet

 pvtech

TAKE – Unique Player to capture the opportunity

- Unlike a typical IT services or BPO company which relies on low-cost labor to solve a problem, TAKE has always relied on a technology-driven approach. Whilst this requires a higher level of domain expertise and possibly lower margins, its work is of higher quality and also generates more sticky revenues. Almost all of its projects are priced on a fixed bid basis.
- It is not impossible or even very difficult for large companies to invest in building intellectual property. After all, they hire from the same pool of engineers and if anything, have deeper pockets. However, there is a difference in culture or approach towards solving business problems which prevents them from investing in technology.
- Earlier, TAKE positioned itself as a supplier of software products. It charged license fees for sale of software and only provided services related to installation, customization and maintenance. Unlike large software product vendors, it was unable to create an ecosystem of trained users on its products and therefore scalability was a challenge.
- TAKE has built significant amount of domain expertise over time in life sciences and is continuously moving up the learning curve. The life sciences segment has been slow to adopt outsourcing, let alone offshoring as compared to other industry segments such as banking and financial services.
- Therefore, there are very few vendors with significant domain expertise in this area. Because it takes time to build up this expertise, TAKE has an advantage over peers.

Service Lines



TAKE has a strong suite of technology products supporting its various offerings across business segments

TAKE – Service Offerings

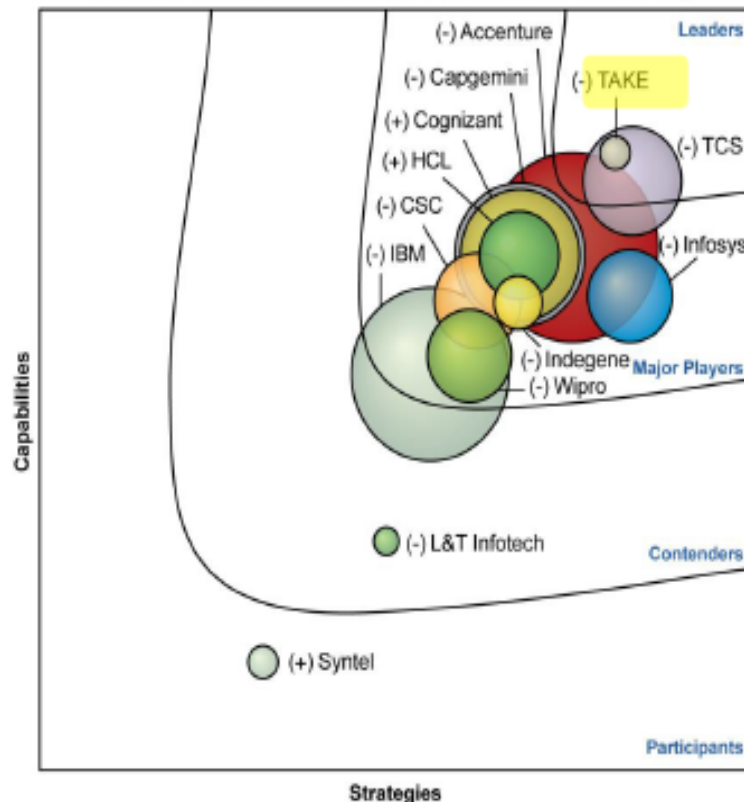
- Consulting services were added with the acquisition of WCI in 2011. TAKE provides functional consulting services, such as overhauling the safety monitoring systems of a pharmaceutical company. Also, TAKE owns industry networks which are platforms for industry peers to learn best practices from each other in an open environment, provide benchmark information, discuss key issues such as recent regulatory action, etc. It monetizes this offering by charging subscription fees. These service offerings are primarily delivered onsite.
- These offerings not only generate revenue on their own but also help TAKE gain mindshare of key decision-makers at clients such as chief medical officers, drug safety heads and heads of research, which results in downstream revenue opportunities for TAKE.
- Technology offerings relate to the sale and implementation of its own or partner's software. For instance, Pharmaready is TAKE's own document management system for small pharma companies, which is currently installed in over 100 customers.
- TAKE is a gold partner with Oracle, i.e., recognized as a specialist in its focus domain. It works on Oracle's packages of Argus (pharmacovigilance platform), Life Sciences Data Hub, Data Management Hub and Clinical Trial Management System. It has developed accelerators for faster and better implementation and it also has its own platform to reduce costs and improve results for Life Sciences Companies. It works on both on premise as well as through cloud-based software. All of its software is available on the cloud. It either charges separately for its products (license fee/subscription fee) or embeds it as part of a fixed bid for a project. This segment is akin to the ERP implementation arms of the IT services companies.

TAKE – Leader in IT outsourcing & Drug Safety Services

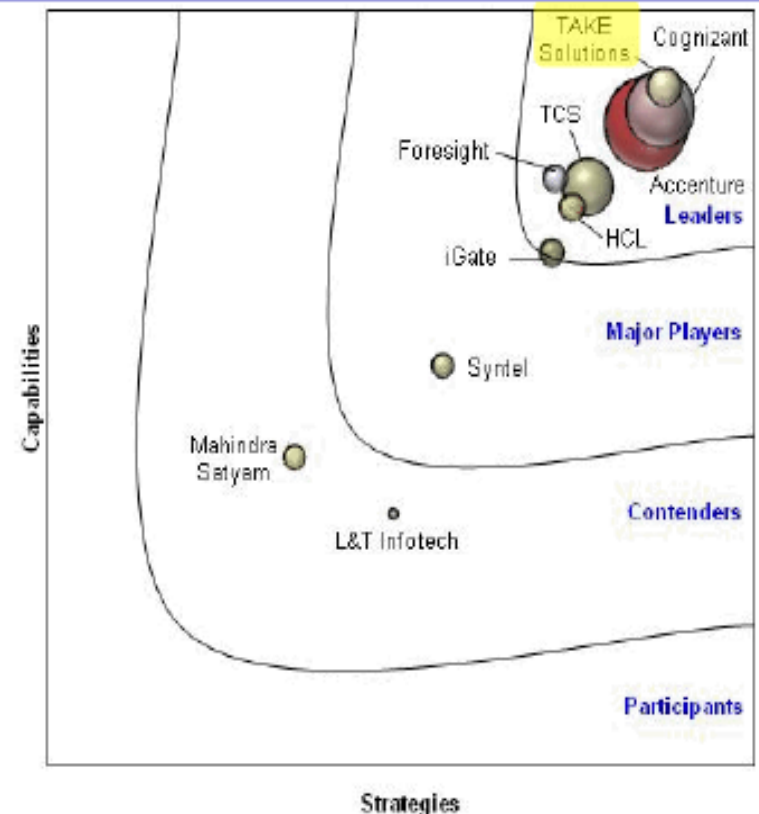
In two different reports of IDC, TAKE is ranked as LEADER in the R&D IT outsourcing and Drug Safety Services Marketplace in the life science industry. TAKE earned the title of leader on two parameters:

- **Capabilities:** Evaluated on current capabilities and how well aligned it is to customer needs
- **Strategies:** Indicates how well the company's future strategy aligns with what customers will require in three to five years

Worldwide Life Science R&D IT Outsourcing 2011 Vendor Assessment



Worldwide Life Science Drug Safety Services 2013 Vendor Assessment



TAKE Lifesciences Strategy

1

Enlarge Clients' Portfolio

- Broaden and deepen TAKE LS' engagements with existing and potential clients by retaining and promoting existing and new portfolio of solutions in clinical, regulatory, safety and content management to obtain new and/or larger contracts from its clients.
- In this direction, TAKE LS is also striving to become an important member of FIPNET community which enables it to work effectively together with all its clients, pharmaceutical clients, suppliers, partners and regulators.

2

Focus on US and European clients

- Commit its resources to focus on US and European clients, ensuring it is at the forefront of regulatory and market developments on multiple platforms.
- Communicate and showcase its abilities to these clients in order to win projects related to LS process outsourcing and consulting.

3

Leverage on Partnerships

- Leverage on its partners to educate pharmaceutical companies on TAKE LS' capabilities, for example, in relation to the partners' platform (e.g. Oracle) to increase the usage of TAKE LS' consulting and outsourcing offerings and expand its clientele base.

4

Focus on the Balanced Offering Mix

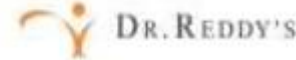
- Focus on increasing its offerings which can be monetised across delivery platforms e.g. products, services offered over SaaS platforms. These offerings may be developed inhouse or acquired through mergers and acquisitions.
- Enable all offerings to be device agnostic, platform and browser agnostic, to achieve scalability.

Strategic Steps Towards Future Growth

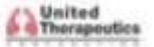
- TAKE is one of the few consulting organizations that has built industry networks of its own. In addition to this, it is very difficult to build expertise in regulatory affairs in the pharma industry. The strong network effects of such institutions and expert domain knowledge are very difficult to replicate for new companies to enter in to this market. This helps TAKE solutions to grow sustainably over the long period of time.
- In the previous year, TAKE announced the launch of Navitas – a separate go-to-market vehicle for the life sciences business. This positioned Navitas as a specialist in life sciences (as earlier, a common website containing both the supply chain management business and the life sciences business was a cause of confusion among clients).
- Sales and marketing spends have steadily gone up in absolute terms and are now starting to show results. For instance, TAKE now participates in many more conferences than before, which has helped spread the word about its capabilities. It has also added sales bandwidth and domain experts to bolster its ability to win new clients. Finally, there have been significant investments made in creation of marketing material and branding efforts.
- TAKE has started aggressively investing in account-based marketing capabilities and building a standard operating procedure to mine clients by growing across client offices and therapeutic areas in each cell of the 3x3 matrix and cross-selling in capabilities in other cells of the 3x3 matrix. The following case studies will make its approach clear.

Key Clients

Pharmaceuticals



Bio-Tech



CROs, Academia



Devices



Generics



Supply Chain Management

Business Products Overview

	Products/ IP	Service Lines	Geography
Mobility	4	3	North America, APAC & MENA
Collaboration	2	6	North America, APAC & MENA
Engineering Services	1	3	North America

TAKE helps customers with Oracle, SAP and other ERPs so that they get increased value from their supply chains through extended visibility, control and early response. Most of the revenues in this segment are from the US and Asia.

Intellectual Properties

Mobility

GEMINI

Date Collection
and Simplified
Interface



Sales Automation
and Direct Store
Delivery

TraceReady

Pre-Manufacturing
& Plant
Maintenance

Asset
tracking

Collaboration

oneSCM
Enterprise

oneSCM
SAS

Engineering Services

Reverse
Engineering

Supply Chain Management Solutions

In the Supply Chain Management business TAKE works for clients in the key industry segments of aerospace and defense, automotive, consumer products, government, high tech manufacturing, industrial products, oil and gas and pharmaceutical and healthcare. It offers the following service offerings:

Value Chain Collaboration: Offerings to enable collaboration with suppliers, contract manufacturers, distributors and retailers by providing a public ecosystem or a private network of trading-partners. We understand that this is the fastest growing sub-segment.

Enterprise Mobility & Auto ID: Offerings to enable tracking raw material movement and automating transactions taking place in warehouses, on docks, shop floors and in-transit.

Supply-Chain Execution & Analytics: Offerings to streamline the process of material management and inventory control while monitoring and managing supply-chain performance. The management believes that the life sciences opportunity is more attractive and has therefore decided not to invest any incremental capital in this business.

Service Lines

Enterprise Mobility and WMS

- Oracle Data Collection and Warehouse Automation
- Mobile Sales & Route Delivery
- Barcode & RFID Management and Compliance

Supply Chain Collaboration

- Demand Collaboration & Purchasing Collaboration
- Contract Manufacturing Collaboration
- Supplier On-boarding/ Enablement
- Vendor Managed Inventory
- Returns Management
- Request for Quote Collaboration
- Quality Collaboration
- E-Invoice & AP Automation
- Ship Confirmation Collaboration
- Supplier Collaboration Analytics

Engineering Services

- Value Engineering
- Drawing, Documentation, Design & Prototyping
- Reverse Engineering

Diverse Global Customer Base

Oil & Gas



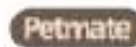
High Tech



Industrial



Consumer Products



Pharma & Medical

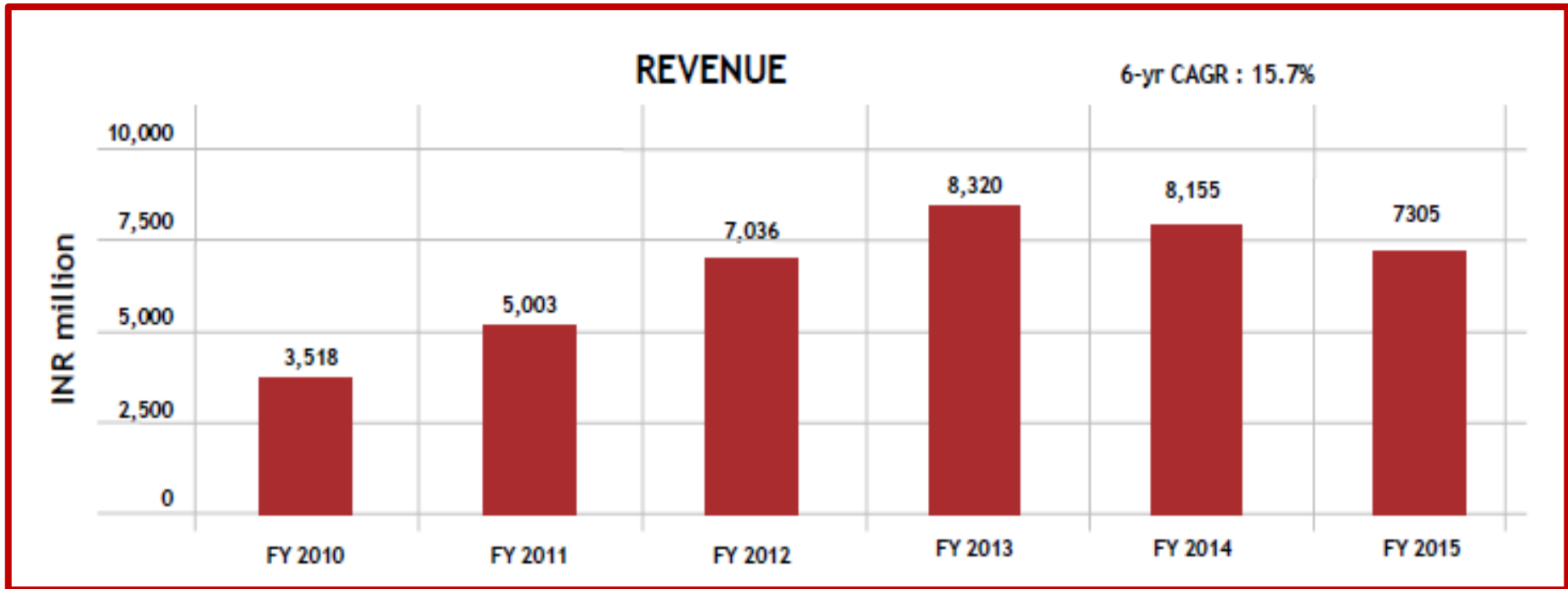


FMCG / Food



TAKE Solutions- Financials

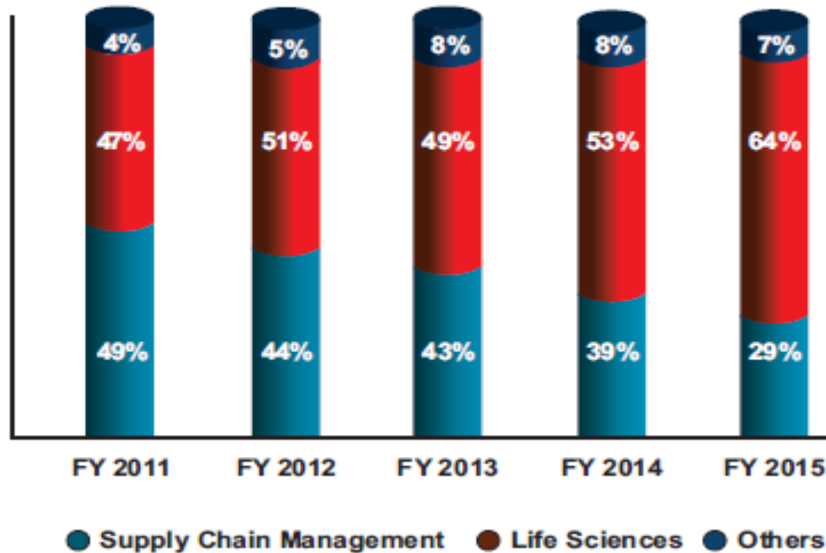
Revenue Growth



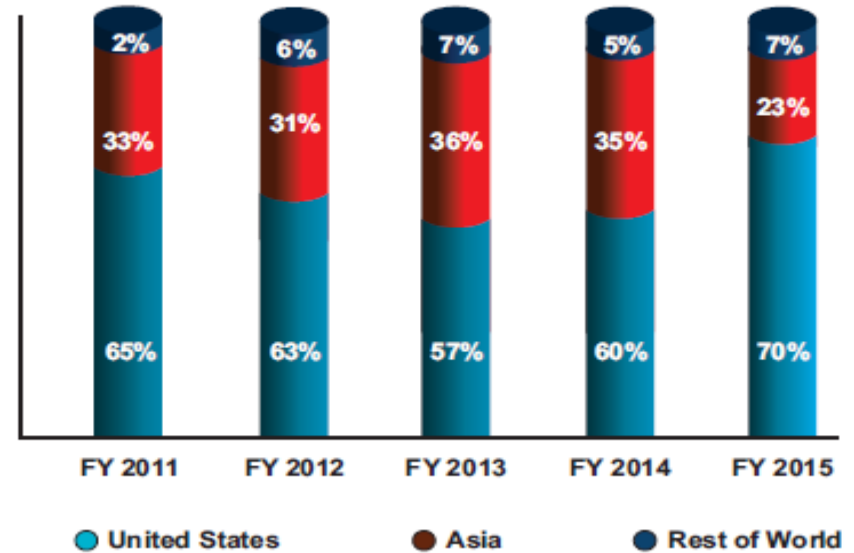
- Company's revenues have grown from Rs.3518 mn in FY10 to RA. 7305 mn in FY15. The decrease in the revenues in the last couple of years is due to its restructuring process. During this company has shut down low margin profile operations and last some clients.
- Company is expecting to grow with CAGR of 25% over the next three to five years. Given its niche area and strong industry networks, we believe the company can grow at said rate in the next few years.
- The new initiatives such as Navitas and strategic acquisitions to broaden its portfolio of offerings will help the company to grow fast in the coming years.

Revenue Split

Revenue by Vertical

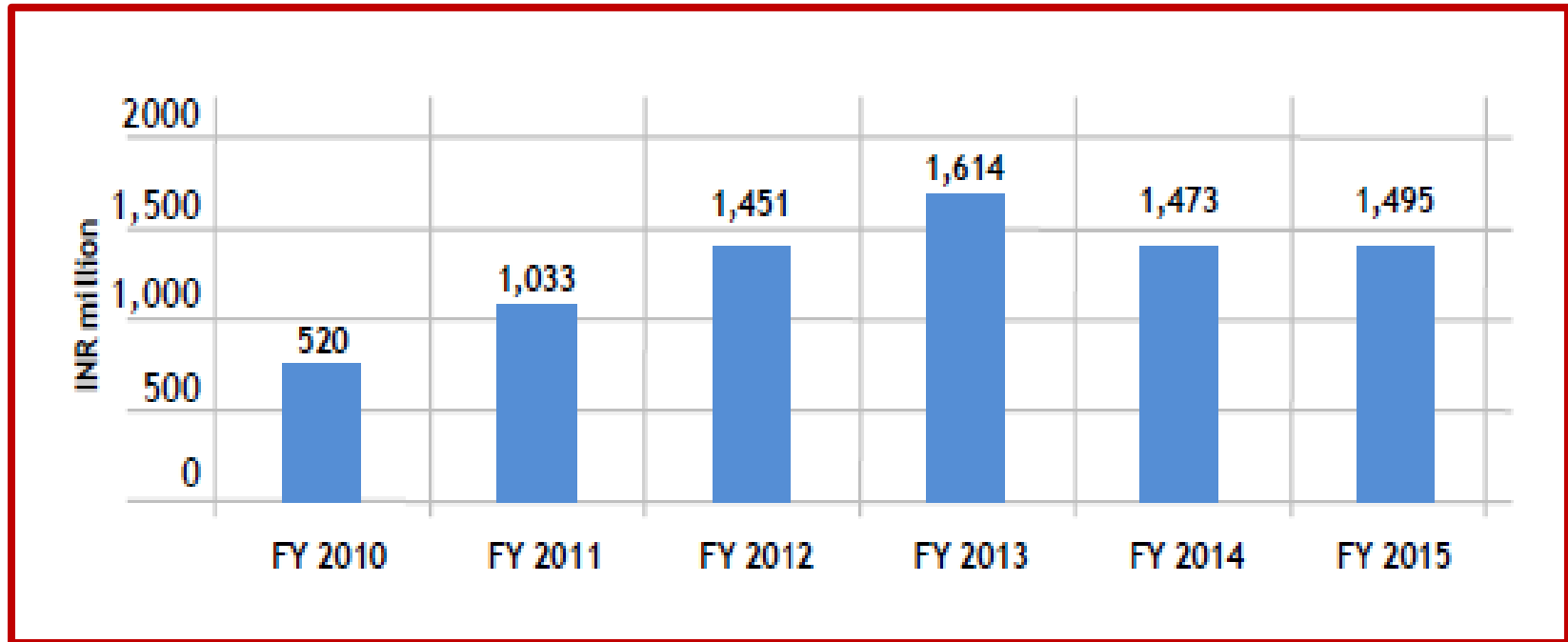


Revenue by Geography



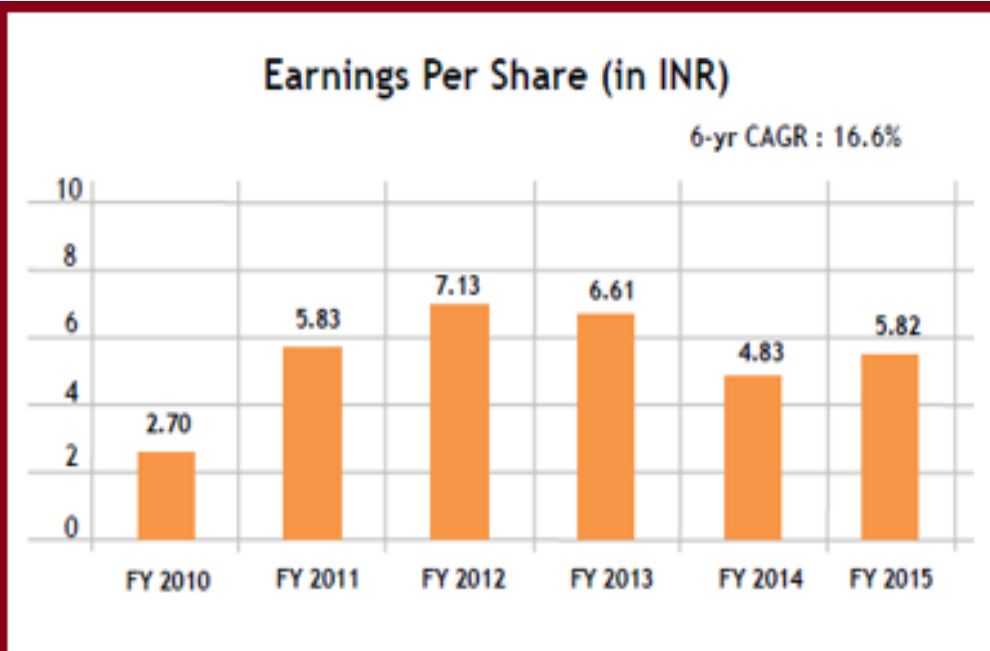
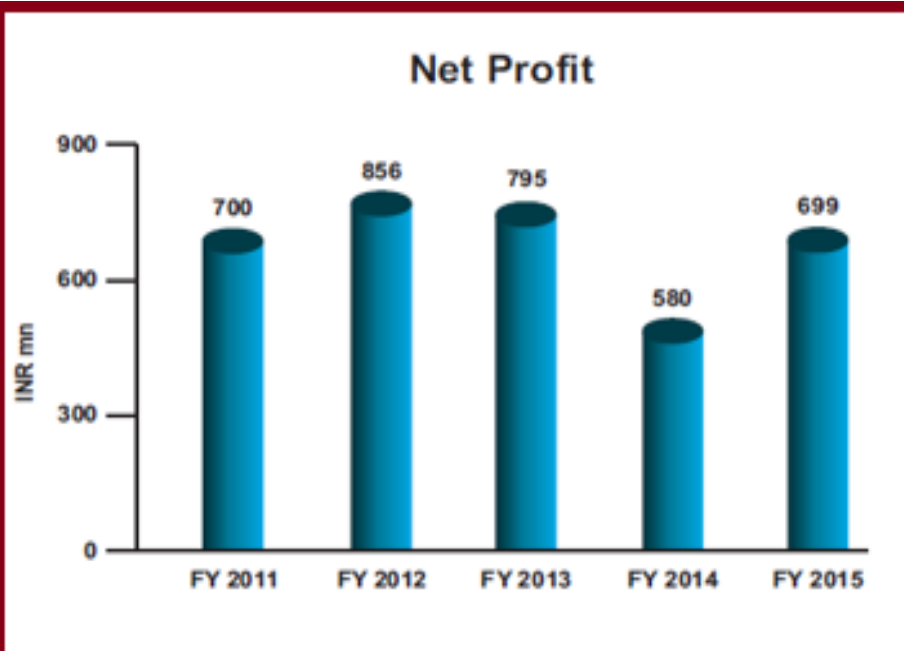
- Company's revenues can be divided into business segments and geographical segments. Business segments include supply chain management, life sciences, and others. Geographical segments include revenues from the US, Asia, and the rest of the world.
- The life sciences portion of overall revenues has increased significantly from 47% in FY11 to 64% in FY15. This has further increased to more than 70% during the current fiscal years.
- The company is generating nearly 70% of its revenues from the United States and the remaining 25% to 30% from other countries.

EBITDA



- Company's EBITDA has grown at CAGR of 23.5% during its last six years. EBITDA has grown from Rs.520 mn in FY 10 to Rs.1495 mn in FY15.
- The life sciences segment accounts for more than 80% of company's operating profits. The remaining is from supply chain management solutions and other operations.
- With the increasing Life sciences segment portion in the operating profits, we expect the company to generate strong profitability going forward.

PAT & EPS



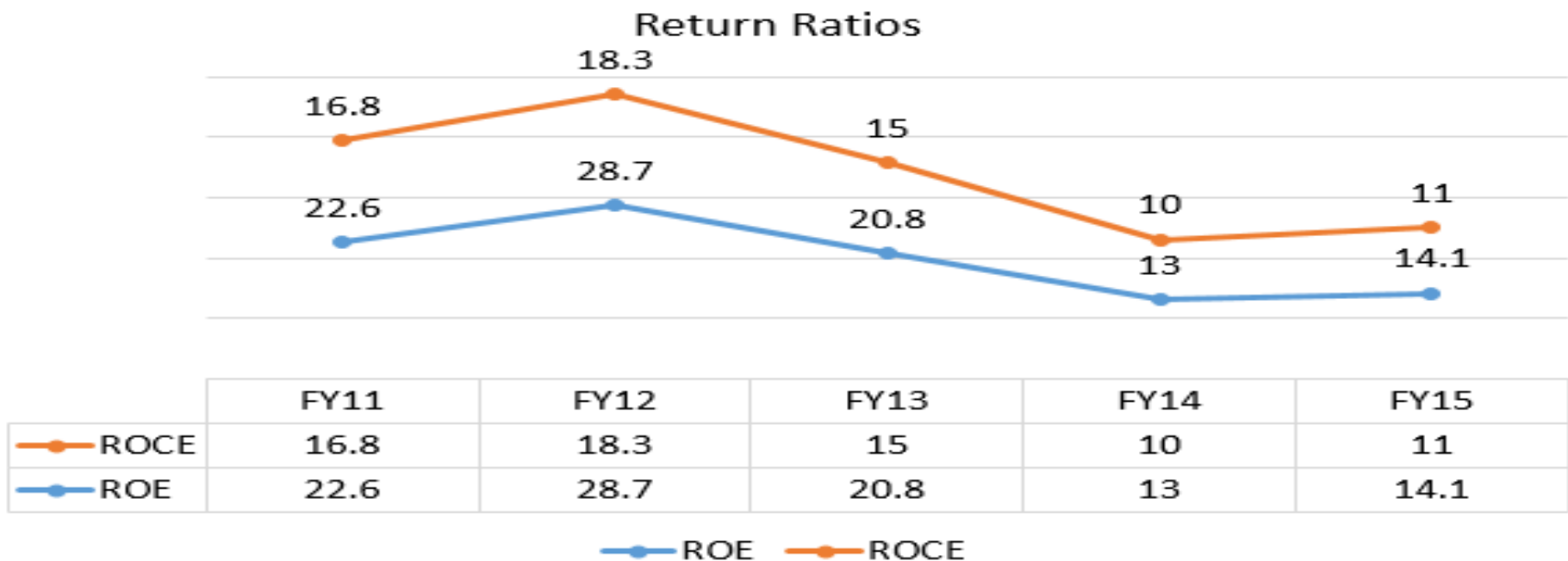
- Company's PAT has increased from Rs.700 mn in FY 11 to 795 cr in FY13. The decrease in the profits of the company in the last years is due to restructuring process. After the restructuring, profits have jumped from Rs.580 mn to Rs.699 mn during the last two years.
- EPS has increased significantly from Rs.2.7 in FY10 to Rs. 5.82 in last fiscal year. It has increased to Rs.7.13 and Rs.6.61 during FY11 and FY12 respectively.
- We believe, company has enough scope to increase its profits with fast growth from LS segment and thereby increase in earnings per share.

EBITDA & PAT Margins



- Company's operating margins and PAT margins have been fluctuating during the last few years. They started increasing after the completion of restricting process in the FY14.
- Company is targeting to improve its operating profit margins to the level of 24% by FY17.
- We believe the company can easily achieve this margins levels with increasing revenues from highly profitable life sciences segment. We expect the net profit margins to come back to its normal levels of 15% during the next two to three years.

ROE & ROCE



- ROE of the company has decreased significantly from 28.75 in FY 12 to 14.1% in FY15 due to its strategic steps towards high profitable growth.
- We expect the ROE numbers to come to its normal levels with increasing profit margins during the next two to three years.
- ROCE has been moderate for the company with its numbers fluctuating from 11% to 18.3% during last five years. We believe that the ROCE will improve significantly with improvement in operating margins and working capital cycle.

Risks & Concerns

- Company is operating in the niche area. The failure in the strategic business steps will have huge impact on the company's operations as well as its growth.
- company has been an active acquirer in the past and will in all likelihood acquire again. A poor acquisition will not only lead to monetary loss but also distract management from the core business.
- TAKE has not faced quality issues in its delivery so far. However, as it starts taking on larger and more complex projects, this is a risk. We understand that its contracts do not make it vulnerable to litigation issues arising from poor delivery, but it remains vulnerable to loss of clients and reputation if an accident occurs.
- Company derives most of its revenues from other countries. Any wide fluctuations in foreign currency will have significant impact on the company's business performance.

Conclusion

There are very few IT company's which have built unique strengths by operating in niche areas. TAKE solutions belongs to the same category which operates in life sciences segment by offering simple solutions to complex processes.

Unlike financial and other industries, pharma companies have been adopting technology very lately. The outsourcing penetration level in the industry is only 20-25% leaving huge scope for the companies like TAKE to grow significantly in the coming years.

TAKE has present across entire value chain of pharma outsourcing. It has developed its own IP products to provide solutions to the difficult processes like clinical data management, regulatory filing and safety services. Company has built strong industry networks which are difficult to replicate. This allows it to grow sustainably over the long period of time.

Company is targeting revenue growth of 25% CAGR over the next three to five years with improving its operating margin (EBITDA) levels to 24% by FY17. Company is trading at very attractive valuations at the current market price. The recent correction in the price has allowed it to bet safely for the next three to five years. We believe that the valuations P/E of 14x and EV/EBTDA of 7.5x are at attractive levels to look in to this company.

THANK YOU