

"TAKE Solutions Limited Q1 FY22 Earnings Conference Call"

August 13, 2021

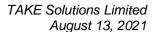
MANAGEMENT: Mr. SRINAVASAN H. R. – VICE CHAIRMAN &

MANAGING DIRECTOR

Ms. Shobana N. S. – Executive Director

MR. LALIT MAHAPATRA – CHIEF FINANCIAL OFFICER

MODERATOR: MR. VINAY BAFNA – ICICI SECURITIES LIMITED





Moderator:

Ladies and gentlemen, good day and welcome to the TAKE Solutions Q1 FY22 earnings conference call hosted by ICICI Securities Limited. As a reminder, all participants' 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. Vinay Bafna from ICICI Securities. Thank you and over to you sir.

Vinay Bafna:

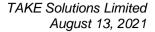
Thank you Vikram. Good afternoon everyone and welcome to this call. First of all, I would like to thank TAKE Solutions to give us this opportunity to host the call. Today from the Senior Management who are representing the company we have Mr. Srinivasan, VC and MD of the company, Ms. Shobana N.S. – Executive Director and Mr. Lalit Mahapatra – CFO of the company. Over to you Srinivasan Sir.

H.R. Srinivasan:

Thank you very much Vinay. Good afternoon, ladies and gentlemen, and thank you for joining the TAKE Solutions Q1 FY22 call. I would say we had a very satisfactory quarter.

The revenues came in at \$28.32 million with an EBITDA of \$4.5 million. This was about 6% lower than the previous quarter, but it was anticipated due to the second wave of COVID and the consequent impact of the start-and-stop and the impact of lockdowns, especially in the Indian geography. While the order book stands strong at \$171 million, our ability to consume the order book gets constrained due to COVID restrictions and the impact of the contact intensive work that we need to do. However, as we had guided in the past, the focus of the company has been on very strong cash generation. For the quarter, while the EBITDA was \$4.5 million, we generated cash of about \$3.04 million, that was our operating cash profit. We also added six new logos to the clientele. We found a very good, sweet spot in the specialty pharma companies and we have had logos from across the US and the speciality pharma companies that we have been able to successfully add. We also had a second wave not only of COVID, but of COVID trials being awarded to the company. We had three new COVID trials and there are some very significant opportunities that stand in the pipeline, which we hope to convert soon. Obviously, we are also looking at a better environment where we will be able to convert or burn revenue faster and hopefully as we move ahead, this trend will improve considerably.

Basis current indications, we think for the year, if the same trend continues, we will end up in an EBITDA range of about Rs. 118 to Rs. 185 crores and we may end up with the revenue around 130 odd million dollars. This would be subject to some other changes on the debt side due to the transaction that we have done, when the transaction happens, the contours of the numbers that I'm saying may change, but broadly, the revenue traction of the company is good. The EBITDA traction of the company is good. The cash profitability of the company is good, and we hope to sustain it during FY22 comfortably.





We had in the past said that we are working on a structure, which would enable the company to address its debt issues. Obviously, we cannot carry and repay a whole lot of debt that is sitting on the balance sheet, while we have lowered the debt to about \$68 million as on 30th of June, there are principal commitments for the rest of the year that are coming up. So, we ran a process, and, in that process, we had participation from several reputed firms. The one that the board recommended is the transaction with HIG Capital, which is a \$45 billion private equity fund based out of the US. They will take a majority stake in the Navitas brand that we have, this brand is spread across multiple entities and multiple geographies. So, in doing this transaction, we will have to create a coherent structure where this investment can be made. The approximate value of the deal is about \$135.5 million and for 75% we get \$101.63 million in two parts, there is an upfront cash of \$91.63 million and then there is a \$10 million in seller note that will accrue at the end of 3 years, which would carry a PIK interest of 6% per annum. What this does for TAKE is, it completely deleverages TAKE we become a zero-debt company and obviously have adequate cash on the balance sheet. HIG has an excellent track record of creating shareholder value and the market in which the Navitas business actually can create value is the market of the United States. So, our ability to generate enough returns from the balance 25% which is there would be well backed by HIG. For the other business, we will be in a very strong cash position to be able to build that other business and get into related areas of diversification, which are not in conflict with the Navitas brand that we have.

There are two things that we have strongly achieved, the first is the cash profitability, which from Q3 of last year has been continuing and we expect that to become stronger during the course of the year. The second one is we have a very credible plan before us to deleverage the company. These would be the high-level comments, from the Management for Q1 of FY22.

I'll now pause and be ready to take questions. Thank you very much.

Moderator:

We have our first question from the line of Swaminathan Mani, Investor.

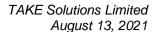
Swaminathan Mani:

I have a couple of questions for you. How much of the debt is on Navitas balance sheet which will be transferred by way of sale of stake and how much is the debt you will pay in cash? Second question is, with the extra cash do you have any plans to give a one-time dividend and secondly even the balance 25% Navitas at stake, do you have any plans to demerge that and give it to the shareholders of TAKE because, holding the stake, whether TAKE holds the 25% stake, or the shareholders of TAKE Solution sold it could be the same effect?

H.R. Srinivasan:

So, let me first answer on debt. So, the debt in the TAKE system is sitting primarily in two books. One is a 100% subsidiary called TAKE Solutions Global Holdings Pte Limited, which is a Singapore company... There is a company called Ecron Acunova Limited, which is a company based in India, that also has debt. I am just giving a rough indication don't hold me to the final number. The debt in the books of Ecron Acunova is about \$6.5 million and the balance debt of about \$61 million or \$61.5 million is on the books of TAKE Global Holdings Pte Limited. Both

Page 3 of 12





these will entirely get squashed. The next is with reference to the structure. Navitas is available in all geographies, and it is available across entities. Therefore, the piece that HIG wants to invest in, that will have to be carved out as a new entity. It would involve internal restructuring with the appropriate approvals and that will happen in due course. Now, as far as the other question on demerging or one-time dividend, those are all obviously when the transaction concludes that is something that the Board will deliberate and take decisions on. We have not moved so far down the line to decide on that aspect now.

Moderator: We have next question from the line of Imran Contractor from Quantum Investments.

Imran Contractor: Can we get an understanding of the \$130 million turnover you are expecting this year? How

much goes away with Navitas?

H.R. Srinivasan: If you look at it last year, out of the \$107 odd million, \$72 million came from Navitas and the

balance was the rest of the system. We would more or less have the same percentage during the

current year.

Imran Contractor: So, it's nearly 70%.

H.R. Srinivasan: Yes, but we do not control growth rates during the current year. It is very difficult to tell you in

a COVID year, how each business is going to behave. I'm not able to structurally answer you,

but last year's percentage is a pretty decent indication.

Imran Contractor: We hold 25% of it.

H.R. Srinivasan: Yes, exactly.

Imran Contractor: Just to understand currently, as per last balance sheet, debt is around between Rs. 500 to Rs. 600

crores, total consolidated debt. We would get about a \$90 million upfront. That would be around

say Rs. 700 crores or something like that?

H.R. Srinivasan: Yes. I think our debt is just over Rs. 500 crores. Our intention is to entirely squash the debt and

have the rest, that's the intent.

Imran Contractor: I'm just trying to understand will this transaction entail some taxation also and net what would

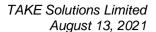
we be landing with, and in which in Singapore subsidiary or in Indian subsidiary?

H.R. Srinivasan: I think we have one of the big four firms which is working on this, so we will address it as it

goes along. Obviously, we look at a structure that is proper for all constituencies.

Imran Contractor: If we were to take profitability between the two businesses last year, what would it be, would it

be same or it could be different?





H.R. Srinivasan: No, they both enjoy more or less the same EBITDA margins. The difference in the businesses

is, just to give you a color, one part of the business is aimed at the R&D head of the pharma organization. The other part of the business is aimed at the CIO of the pharma organization. So,

the R&D part is the Navitas brand. The CIO part continues as TAKE brand.

Imran Contractor: But I saw in the presentation, you were expecting that with the introduction of HIG and this

valuation of this business can be at least 4-5x over a period of time.

H.R. Srinivasan: Yes. Because those are the premiums that are there attributed to this business in the US. Even if

you look at the HIG transaction now, which is only, let's say 70%, even for the purpose of theory, it's far greater than the market cap of the company. The valuation of this in the US is good and at an appropriate point of time with the help of HIG where we will be able to scale up the business and this is a past track record of HIG of what they've delivered. We have looked at that and that's

how that statement has been made.

Imran Contractor: If you look at our market cap, which is about Rs. 877 crores, and if I add about Rs. 500 crores

debt, then we've got EV of about some Rs, 1400 crores. If you were to take value of this, then it comes to about Rs. 900 crores. Anyway, I hope this goes through and we are able to ramp up

our other businesses. What do you foresee, how will this other businesses run?

H.R. Srinivasan: Obviously there is a team that is working on that and there are detail plans that are being

presented to the Board and they are being refined as we speak. Just like in the previous calls, when people had asked me that where is your plan for the debt and why have you not outlined it? Some of these plans only when they are ripe and they are ready to be announced, we can

announce, it will be out in the next few weeks. There is a team that is diligently working on it.

Moderator: Now we have next question from the line of Sanket Deshmukh from Laabh Investments.

Sanket Deshmukh: Just following up on the previous participant, looking at the HIG. So, why the partnership is

portrayed as the strategic partnership rather than stake sale?

H.R. Srinivasan: Because TAKE and the same management team will be actively running the Navitas brand and

therefore they want to grow the Navitas brand bigger, and they are backing the current

management team to grow it. That is why it is a strategic partnership and it's not a stake sale.

Sanket Deshmukh: And my second question revolves around the margins. Sir, margins have been a bit low as

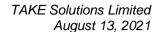
compared to the historical trend. Can you please put some color on how it will evolve going

forward?

H.R. Srinivasan: If you look at the margin in the last quarter, it was almost 19%. This quarter, the revenues have

been lower because they've been impacted by the second wave of COVID. In addition to that, this is a quarter in which the India staff get their increments and that has come in as well. So,

Page 5 of 12





once we hit a particular revenue run rate, I think we should be back to 19-20% margins and those I would look at as steady straight margins.

Sanket Deshmukh:

So basically, my question is what is the private equity plans to grow this business, the HIG plan?

H.R. Srinivasan:

Obviously, the importance that we ascribe to this is because the Navitas brand has an excellent set of customers. Excellent set of audit credentials because this business is a regulated business and regulatory agencies audit it frequently, we have excellent audit credentials, and it has very strong domain expertise that is there in terms of staff. Now, there is a scale that it can achieve, and that scale needs strong hands, effective partnerships, maybe a couple of acquisitions. These are the things that a strong partner like HIG can bring in. Obviously, the current equity structure that is proposed is non-dilutive in nature. There will be no dilution as far as TAKE Solutions shareholders go and we will be able to grow the business very strongly in the North American geography, which is the most important geography for this business. In addition to that, it is a geography that yields good valuations. So HIG has an excellent track record of high value exits. So, at an appropriate time in the next few years there can be a planned exit where TAKE shareholders can benefit from the gain that accrues.

Moderator:

We have next question from the line of Neerav Dalal from Maybank Kim Engineering Services.

Neerav Dalal:

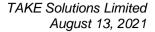
In terms of management changes, how should one look at that? And then, would it be that the two businesses will operate? How would the two businesses operate? What would be the synergies in that? Because HIG would be concerned with Navitas and with TAKE we would be concerned with the 25% of Navitas, as well as the 100% of the balance business and what is the outlook for the balance business?

H.R. Srinivasan:

We'll start with the outlook for the balance business, which again, continues to show a pretty good growth rate and we are positive that it will be in line with the numbers that we think we will be able to achieve. As far as the management is concerned, there is going to be no change in the management of Navitas. It is going to continue under the TAKE management fold in some form or fashion. There is of course, a segregation of businesses. That will involve a separation of some of the leadership that's being currently worked out and thought through, but they are all in good professional hands. They are very capable individuals at different leadership levels. We don't foresee that as a challenge as we move forward, the discussion with HIG on this helping transparent and who and what, if any be we've tried to create very good demarcation on what will happen as we move forward. So, we don't see any challenges in non-availability of management bandwidth for either of the businesses. Obviously in terms of governance and supervision, I am anyway there and I'll be across both the businesses and so will some of the people within the enterprise,

Neerav Dalal:

In terms of synergies between the two businesses, how should one look at that?





H.R. Srinivasan:

Yes, there are good synergies between the two businesses at the moment. It is a point that is well understood by both sides of the organization. So, wherever there are synergies as I told you, the Navitas brand sells to the R&D unit, and the rest sells to the CIO organizations. We'll be able to drive value for both sides with this.

Neeray Dalal:

But then, the business that is left, I believe that is more an IT services business, would start to taper. This business would need a faster client addition, whereas the other business would be more mining of clients. The concern is that what will be the growth prospects of the balance business?

H.R. Srinivasan:

There are some assumptions Neerav which are unfounded because I have not made those statements. So, I have said that at another forum, we will explain how the rest of the business is going to grow. And what are the ingredients in that. Let's await that. We can tell you that just as we came out with a very credible detailed plan on how we are going to do, there will be a plan for that also, but everything we don't have the bandwidth to address everything at the same forum.

Neeray Dalal:

Correct. When do you think the demergers of the business and the structuring of this deal will get completed?

H.R. Srinivasan:

Typically, all these things take anywhere between 60 and 90 days. So, barring any unforeseen circumstances, that would be the timeframe.

Moderator:

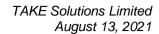
The next question is from the line of Jaganathan S an Individual Investor.

Jaganathan S:

I am a little concerned about this entire transaction, from what I can see, you had a big debt on your books, and you sold off what you earlier described as the most profitable part of the business, 75% of that. You are left with a business, which is now what it used to be and what Ram Yeleswarapu and others IT side of people used to handle. So left essentially with 30% of the business, 70%, and the other 25% of the business you sold you are basically a minority partner in that. Just like an investment in that firm. I think we have gone back to square one. You become an IT services company again. You said you become a pharma industry company. Now you have sold off most of it, you just now described it as a very attractive business, but you sold it off. I don't see how shareholders benefit from this transaction at all. Can you please explain?

H.R. Srinivasan:

Yes, I can. There are several assumptions that you have made. Secondly, whatever is there is going to obviously come to a shareholder meeting for deliberations. So, there will be a detailed explanatory note on what is being, I won't even use the word sold. Where we are developing a strategic partnership and why that is relevant. There will be an explanatory note and there'll be a detailed analysis that will be sent to the shareholders. So, the shareholders have their right to vote at that. I have not described to you the second part of the business; you have assumed as a particular form of IT services business. I only said that it is aimed at the CIO organization. What





is the complexity of that business, what is the specialty of that business I have not explained in this call and I don't intend to because there is detailed work going on that and a separate presentation will be made to investors. At this point, your concerns as a shareholder are noted and there will be a detailed explanation of that, that will come. There will be an opportunity for you to reflect on that and vote as a shareholder. Additionally, I want to say that there are debt commitments which the company has an obligation to fulfill its debt commitments, which is a very important consideration.

Moderator: We have next question from the line of Imran Contractor from Quantum Investments.

Imran Contractor: What has been the impact of COVID in our business for this quarter?

H.R. Srinivasan: About 16% of our projects overall are delayed and 2% are significantly delayed. That is the

impact and to give further details about 126 so far, our own staff members contacted COVID, unfortunately we lost one person. We still have 3 in hospital the rest have recovered and come

back to work. So that's the impact.

Imran Contractor: Is there any financial number can you put, or it's difficult?

H.R. Srinivasan: It is very difficult because, there is no loss of project. It is only delay it won't come in future.

Therefore, it is difficult to put a financial number.

Moderator: We have next question from the line of Jyoti Singh from Arihant Capital Markets Limited.

Jyoti Singh: I just wanted to know how much debt company has till now. Is there any fundraising exercise

for that?

H.R. Srinivasan: Yes, the company the total debt the company has on its books as on 30th, June is \$68 million

totally across all entities and the capital raise was just described in the presentation, which is

through a stake sale in our Navitas business to HIG capital.

Jyoti Singh: And, for the near-term outlook till what time it is expected to reach pre-COVID level?

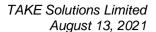
H.R. Srinivasan: That's a very difficult question to answer and I had mentioned not to answer that because the

pandemic is not over. People are talking about third wave, so we continue to grow our business with cautious optimism. Our focus is on cash profitability that we are now confident of achieving

quarter-on-quarter and we will take the growth as it comes.

Jyoti Singh: On the margin side, earlier in the Q4 committed to 25% EBITDA per quarter in next two years,

so, any guidance for that?





H.R. Srinivasan: I did say that this year we aim to achieve an EBITDA between Rs. 180 and Rs. 185 crores in the

current mix of business. We look at that this year and then for next year, we will move on from there. For the first quarter, the margins were in the region of 15.7%, Q4 of last year we were at

about just short or near 19%. We should stabilize at 19-20% EBITDA.

Moderator: Now you have the next question from the line of Neerav Dalal from Maybank Kim Eng

Securities.

Neerav Dalal: A couple of questions on the numbers. One is what would be the order book that we are looking

at the moment?

H.R. Srinivasan: We are at 171 million.

Neerav Dalal: And the other thing is that if I look at the expenses, there have been some changes, then the cost

of revenue and other expenses. The cost of revenue has increased, whereas the other expenses have come down. Has there been a change in the way, the classification of costs or how should

one look at this?

H.R. Srinivasan: No, the cost of revenue actually includes what are in clinical trials called as pass-through

expenses. These are expenses that you get from the sponsor and give to the sites. So, it is a timing issue. You would have given those expenses to the sites now, but you will not be able to perform the activity because of COVID second wave. The corresponding revenue would not have kicked-in in this quarter, that is all. Otherwise, if you take on annualized basis, you will find that it's pretty much steady, it's just that if you're physically prevented from performing an activity, it goes up, the other expenses has come down because we've actually tried to push that down. For example in marketing, we've gone fully on digital platforms, all marketing, all conferences are digital platforms. There's hardly any travel and given the second COVID wave, pretty much

expenses.

Neerav Dalal: If one were to look at the order intake for the quarter, so the order book has been flattish and

hence the order intake this quarter was about 20-26 million. How should one look at the business

everybody stayed where they are. So those are the things that led to lowering of the other

from here on, in terms of, winning new business and how should one look at that?

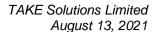
H.R. Srinivasan: Ideally you should look at an order book that is somewhere in the region of 1.3 to 1.5x revenue.

That should be the situation. That is how it functions. Currently it is a little higher because we have not been able to burn the orders because of constraints on COVID, but otherwise in a

healthy situation, you should look at an order book that's somewhere between 1.3 and 1.5:1.

Neerav Dalal: Then in terms of business what are we looking at in terms of the other therapeutic areas, how is

the business performing there and how's the deal momentum in terms of the other businesses





and also if you could comment in terms of reach, how is the reach that we are enjoying at the moment and how was that say last year? So, what is the improvement there?

H.R. Srinivasan: Can you qualify what do you mean by reach?

Neerav Dalal: Reach, meaning that, now we are covering more regions in terms of our clinical trials and so

how should one look at this?

H.R. Srinivasan: We'll be very largely focused on the US-Asia or in particular the US-India corridor. We don't

want to digress or move around too many other places. The only other place that we have outside of this corridor is Russia. That's because of the availability of patient population and the acceptability of Russian studies for FDA submissions we are not going to expand beyond this geography. We are going to be focused only on this geography for all our businesses. There is adequate business there. We don't want to spread ourselves thinly over a number of areas. In terms of therapeutic areas, I think we already pretty much cover about 20 of the 28 therapeutic

areas of which majority of our business comes from 6 therapeutic areas.

Neerav Dalal: But the pickup in terms of the therapeutic areas, earlier because of COVID there was some

slowdown in terms of the other therapeutic areas now that the COVID scare has weakened, are

we seeing, bigger push towards all of this the pent-up demand?

H.R. Srinivasan: Most of the non-COVID trials have commenced again, the only area where we run into delays

is for start of anything you need regulatory approvals. So now, because lot of queueing that has happened at the regulator end all regulators globally, the approvals take a little longer to come

than before.

Neerav Dalal: So, we are getting the orders, but the start of delivery is taking slightly longer than it was taking

earlier?

H.R. Srinivasan: Yes.

Moderator: We have next question from the line of Monica Arora from SGW Advisors.

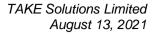
Monica Arora: My first question is what is the plan of TAKE Solutions as a listed company, which is for the

listed company going forward in terms of any diversification plan to grow or if you can give any color on your P&L and Balance Sheet, what it will look like after the transaction is completed?

H.R. Srinivasan: I have already called that out Monica saying that we are not ready for discussing that at this

forum, but we'll come back because that is precisely the document that is being made and it will be tabled at our Board first. Once we have a formal sign off on that, then we can come and

discuss it in this forum.





Monica Arora: My next question is like, there are many disruptions caused on account of COVID pandemic

since 2020. What will be the ballpark figure, if you could give the normalized margins going

forward if we see the business in post-COVID world?

H.R. Srinivasan: We should look at let's say a 20% EBITDA business.

Monica Arora: Any plan, for reducing our receivables?

H.R. Srinivasan: They've already come down substantially from last year. During the course of this year, we

intend to reduce. Just to give you a color, from 33% of the balance sheet, it already came down to 27%, our ideas to bring it down to about 20% of the balance sheet by the time this financial

year is over.

Moderator: We have next question from the line of Monica Arora from SGW Advisors.

Monica Arora: Just wanted to understand, the actual plan you cannot give, but a little bit color you can give,

how would be the structure after this transaction would be like, will there be some kind of a

committee or like basically to run the CRAM business, full control will be with you?

H.R. Srinivasan: Even for the Navitas part of the business, there is no change in the management team because

there's not a single change in the management team. The same management team will continue to run that business. The other part of the business, there will obviously be some disclosures that would be made down the line. We will come back to that. It would be ideal if we could give you clarity on everything at one go, but that's not feasible in given the management bandwidth commitments that are already there. Over the last year we've solved several things. We have

gone into a loss and then come back into profitability with some very hard decisions. We've tried to find a very robust solution for managing the debt. Like that, the management team will come

out with the properly articulated plan for the overall TAKE structure in the business.

Monica Arora: If you could give some color on how would be the growth prospects opportunity post COVID

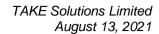
as we see that your business is uniquely positioned, but we have a tough time due to COVID. So once things normalize, how you plan to grow your business significantly or I would say what

would be the next leg to grow?

H.R. Srinivasan: Currently we are focused on addressing all the key issues and growth challenges that come to us

on a daily, weekly, and monthly and quarterly basis. There are enough challenges currently in the COVID environment. So, we need to carefully watch and then use these opportunities where we can and improve our margins and improve our customer retention, which we've done. We've had 100% renewals of both commercial and federal contracts during the course of three years. We will continue that momentum, but it's very difficult to articulate how strongly you will grow because I think COVID is not behind us. We should be cautiously optimistic on how we grow

the business.





Moderator: Thank you. Ladies and gentlemen, that was the last question I now like to hand the conference

over to the management for closing comments, over to you Sir.

H.R. Srinivasan: Thank you, ladies and gentlemen, thank you very much for taking time to attend the conference

call and asking us these questions. If there are any unanswered questions, you're free to reach out to investorrelations@takesolutions.com. Me and my management team will be very happy to address those questions in detail. Once again, thank you very much and have a wonderful

weekend.

Moderator: Thank you very much Sir. Ladies and gentlemen, on behalf of ICICI Securities, that concludes

this conference call. Thank you for joining with us and you may now disconnect your lines.

(This document has been edited to improve readability)