

August 21, 2020

TAKE/NSE/2020-21

The Manager-Listing Department
National Stock Exchange of India Limited
Exchange Plaza,
Bandra - Kurla Complex, Bandra (East),
Mumbai – 400051
Scrip Code: TAKE

Kind Attn: Announcement Team

Dear Sir,

Sub: Clarifications regarding Credit Rating Intimation dated August 11, 2020

The Company is in receipt of your mail dated August 13, 2020. In this connection we hereby provide our clarifications for the below queries:

I. Reasons for delay in submission:

The employees of the Company have been working remotely due to COVID 19 situation and consequent lock down in Chennai (place of registered office). Due to the lack of technical infrastructure, the recipients of the intimation were not able to communicate the Credit Rating revision to the Compliance Department in time, resulting in delayed intimation to the Stock Exchanges.

We would like to submit that the Company has been communicating all its disclosures and intimations well within the timelines and this one-time delay was caused only due to COVID specific lock down in Chennai.

Request you to take note of the aforesaid and condone the delay.

II. Rationale for downward revision in the ratings:

The rating rationale issued by the rating agency is enclosed herewith.

Request you to kindly take note of the same.

Thanking you.



Yours faithfully,
For TAKE Solutions Limited

Avaneesh Singh
Company Secretary



India Ratings Downgrades Take Solutions to 'IND A-'; Places on RWN

21

JUL 2020

By **Priyanka Bansal**

India Ratings and Research (Ind-Ra) has downgraded Take Solutions Limited's (TSL) Long-Term Issuer Rating to 'IND A-' from 'IND AA-' and simultaneously placed it on Rating Watch Negative (RWN). The Outlook was Stable.

Analytical Approach: Ind-Ra continues to take a consolidated view of TSL, a holding company, and its subsidiaries, to arrive at the rating.

The downgrade reflects deterioration in TSL's 4QFY20 financial performance owing to the outbreak of COVID-19 and reduced visibility over the managerial and promoters' continuity after the departures of key managerial personnel and the promoter shareholding reclassification request in the recent past. The agency believes the company may not be able to revive its operations to historical levels in the medium-term, and thus expects TSL's credit profile to remain stressed over the next 12-18 months.

The RWN reflects a lack of visibility on the availability of sufficient liquidity required to support the company's financial obligations in the near term in the absence of sustainable operating cash flows.

KEY RATING DRIVERS

Weak Financial Performance in 4QFY20: TSL's financial performance deteriorated materially in 4QFY20, owing to a steep reduction in clinical trials due to the outbreak of COVID-19 pandemic. The revenue plummeted 43% qoq to INR3,707 million (3QFY20: INR6,511 million; 4QFY19: INR5,339 million), offsetting the 22% yoy revenue growth in 9MFY20, resulting in a reduced growth rate of 8.5% yoy to INR22,129 million in FY20.

TSL also reported an EBITDA margin loss of 42% in 4QFY20 against an EBITDA margin of 18% generated in 9MFY20 (9MFY19: 19%), since a large part of the expenses, such as employee expense and license cost, could not be reduced significantly in line with the reduction in revenue. This led to a decline in the EBITDA margin to 7.6% in FY20 (FY19: 18.8%).

Ind-Ra believes TSL's overall revenue will be materially impacted in FY21, since the new clinical trials have been put on hold post the outbreak of COVID-19. Ind-Ra expects the company's FY21 revenue to be muted, supported from the already-in-process clinical trials and from the regulatory submissions. The agency also believes that in the absence of significant cost-cutting initiatives, the margins will remain stressed over the near term. Although the execution of certain newly-won contracts related to COVID-19 trials could support the revenue marginally, the agency believes the extent of revenue likely to be generated from such contracts and its margins profile remain to be seen. The agency is of the view that the financial profile of the company will be determined by the evolution of the pandemic over the coming few months and the company's ability to change its business profile, in line with these evolving needs.

Lack of Visibility Over Managerial and Promoter Continuity: TSL has witnessed resignations by its co-founder and non-executive director; executive director, president and chief executive officer and chief financial officer. Furthermore, the promoters sold about 8% stake in the company and have made a reclassification request from being a promoter group to public shareholding for about 5% of the shareholders in June 2020. Ind-Ra believes the departures of the key managerial personnel along with the stake sale by promoters may impact business continuity or decision making amid the challenging business situation, owing to the COVID-19 pandemic.

Low Revenue Visibility: TSL's order book declined to USD187 million at end-FY20 (end-FY19: USD252 million). Also, Ind-Ra believes that due to the halts/stoppage of the trials, several pharma companies might suspend/defer and/or cancel few orders. This is because any trials where face-to-face interaction is required have been adversely impacted owing to the COVID-19 outbreak. TSL might win few COVID-19 related orders, but the agency believes the extent and timeline of such orders are uncertain at this point.

Liquidity Indicator — Stretched: At end-FY20, TSL had cash and equivalents of about INR510 million against the current maturities of long-term debt of INR391 million and short-term borrowings of ~INR3,400 million. Although a part of the short-term borrowings are revolving in nature, Ind-Ra believes that the liquidity of TSL is stretched, given the moderate undrawn bank lines and the expectation that operating cash flows will remain negative over the next six months. TSL has availed the moratorium allowed by the Reserve Bank of India for COVID-19 over March-August 2020 for a majority of its debt. Ind-Ra believes that the moratorium availed could support the immediate liquidity of the company. However, TSL will still require additional funding, either in the form of additional loans and/or equity infusion over the next 12-18 months to service the debt obligations, once the moratorium provided by the banks is over. The utilisation for the fund-based working capital limits remained 100% over the past 12 months. Ind-Ra believes that in the absence of a material improvement in performance of TSL, the liquidity position will remain stretched to make payment of last tranche, amounting to USD10 million in FY21 for its KAI Research Inc and DataCeutics Inc acquisitions done in FY18. Ind-Ra expects the management to provide greater clarity over the next one-to-two months, on the liquidity avenue available to the company for servicing financial and operational obligation, the failure of which will lead to a negative rating action.

Deterioration in Credit Metrics in FY20: TSL's net adjusted leverage (net adjusted debt/operating EBITDAR) deteriorated to 3.3x at end-FY20 (end-FY19: 1.5x) and

gross interest coverage (operating EBITDA/gross interest expense) fell to 4.1x (15.3x), owing to a reduction in the absolute EBITDA to INR1,689 million (INR3,835 million).

Limited Revenue Diversification: TSL derived 85% of its FY20 revenue from the US, followed by Asia-Pacific (13%) and Europe (2%); the high revenue share of the US is because of higher orders and key acquisitions in the past. Ind-Ra expects the geographical diversification to remain low in the medium term with revenue from the US to continue contributing over 80% of the revenue. Segment-wise revenue diversification also remains low, since life sciences contributed about 94% to the revenue in FY20 (FY19: 92%); and the remaining 6% contributed by the supply chain management segment, whose share is expected to reduce further over the years.

Regulatory Risks: TSL's business remains prone to regulatory actions, given almost 87% of its revenue originates from highly-regulated markets (Europe and the US); the revenue contribution of the US has increased over the years. Although TSL plans to further expand its business in the US, Ind-Ra expects its overall revenue to remain concentrated and exposed significantly to the local market regulator (US Food and Drug Administration) risks. The company is exposed to regulatory risks in different jurisdictions worldwide.

Highly Competitive Intensity: TSL faces competition from large and mid-sized technology companies that offer technology solutions to various pharmaceutical companies for regulatory submissions and safety. Also, there are several contract research organisations that undertake clinical trials for pharmaceutical companies. However, TSL has the advantage of being a domain-focussed technology service provider with presence in clinical trials and operations, where most other players are not present.

Niche Business Segment; Long Track Record: TSL is a full service provider focused on life sciences research and development cycle. The company caters to biopharmaceutical companies and is one of the few players with presence across the three key segments of the life sciences industry: clinical trials and operations, regulatory compliance and safety (pharmacovigilance). TSL has over 15 years of relevant industry experience, along with over 120,000 successful regulatory submissions. The company has developed a strong portfolio of intellectual property-based software and solutions in both life sciences and supply chain verticals to cater to customers in clinical data aggregation and management, document management, regulatory filing, clinical data analysis, drug safety and others.

Marquee Clients: TSL had about 400 active clients as of end-FY20. TSL's clientele include reputed domestic and international pharmaceutical companies. Its clientele includes companies such as Pfizer Inc., Celgene Corporation, Mylan N.V, Dr Reddy's Laboratories, etc. This aids the company in securing repeat orders and more than 90% of the revenues are from repeat business. As confirmed by the management, about 70% of the new orders related to COVID-19 trials are received from the existing clients.

Customer concentration risk remains low, with the top 10 customers contributing 24% to overall revenue in FY20 and the top five customers contributing 17%. However, despite having such reputed clients on board, the short-term nature of contracts, and non-availability of any minimum billing clause with such clients, led to the decline in revenue after the outbreak of COVID-19.

Standalone Performance TSL's standalone revenue also declined to INR25 million in FY20 (FY19: INR220 million) and EBITDA losses widened to INR170 million (INR140 million). The standalone operations continued to be debt free with cash and equivalents at INR7 million at end-FY20.

RATING SENSITIVITIES

The RWN indicates that the ratings may be downgraded or affirmed. Ind-Ra is likely to resolve the RWN by end-September 2020 once greater visibility is received on the sustainability of the financial performance, revenue visibility and the availability of sufficient cash flows to meet the financial and/or operational requirements, and the resultant impact on the company's credit profile becomes clear.

COMPANY PROFILE

Chennai-headquartered TSL offers technology-led solutions in two verticals: supply chain management and life sciences. The company has presence in North America, Asia-Pacific and Europe. Singapore-based TAKE Solutions Pte Limited holds a 52.9% stake in TSL and acts as the holding company.

FINANCIAL SUMMARY

Particulars	FY20	FY19
Revenue (INR million)	22,129	20,390
EBITDA (INR million)	1,689	3,835
EBITDA margin (%)	7.6	18.8
Cash and equivalents (INR million)	509	458
Adjusted Debt (INR million)	6,030	6,372
EBITDA interest coverage (x)	4.1	15.3
Net leverage (x)	3.3	1.5
Source: TSL, Ind-Ra		

RATING HISTORY

Instrument Type	Current Rating/Rating Watch			Historical Rating/Outlook	
	Rating Type	Rated Limits (million)	Rating	9 May 2019	12 January 2018
Issuer rating	Long-term	-	IND A-/RVN	IND AA-/Stable	IND AA-/Stable

COMPLEXITY LEVEL OF INSTRUMENTS

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

SOLICITATION DISCLOSURES

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

ABOUT INDIA RATINGS AND RESEARCH

About India Ratings and Research: India Ratings and Research (Ind-Ra) is India's most respected credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

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Applicable Criteria

[Corporate Rating Methodology](#)

Analyst Names

[Primary Analyst](#)

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CARE/CRO/RL/2020-21/1252

Mr. Lalit Mahapatra

Chief Financial Officer,

TAKE Solutions Limited,

No.27, Tank Bund Road, Nungambakkam,

Chennai – 600 034.

August 06, 2020

Dear Sir,

Issuer Rating

On the basis of recent developments, our Rating Committee has reviewed the following rating:

Type of Rating	Rating ¹	Rating Action
Issuer Rating	CARE A- (Is); Negative (Single A Minus (Issuer Rating); Outlook: Negative)	Revised from CARE A+ (Is); Negative (Single A Plus (Issuer Rating); Outlook: Negative)

- The rating is only an opinion on the general creditworthiness of the company and not specific to any particular debt instrument.
- The rating is subject to the company maintaining overall gearing not exceeding 1.0x.
- The rationale for the rating is attached as **Annexure I**. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure II**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by August 07, 2020, we will proceed on the basis that you have no any comments to offer.
- CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
- CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating CARE shall carry out the review on the basis of best available information throughout the life time of the entity. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
- CARE's ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

sharp downgrades.

8. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
9. CARE's Issuer Ratings are **not** recommendations to buy or sell any securities of the issuer.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,



Santhanam S
Analyst

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P. Sandeep
Associate Director

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Encl.: As above

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

Annexure I
Rating Rationale
TAKE Solutions Limited

Rating

Facilities	Amount (Rs. crore)	Rating ²	Rating Action
Issuer Rating#	-	CARE A- (Is); Negative (Single A Minus (Issuer Rating); Outlook: Negative)	Revised from CARE A+ (Is); Negative (Single A Plus (Issuer Rating); Outlook: Negative)

Details of instruments/facilities in Annexure-1

The issuer rating is subject to the company maintaining overall gearing not exceeding 1.0x

Detailed Rationale & Key Rating Drivers

The revision in rating assigned to TAKE Solutions Limited (TAKE) takes into account the continued disruption in operations across businesses leading to a stress on cash flow generation. The disruption, which is primarily on account of the COVID pandemic, is expected to impact revenue generation and profitability due non-availability of a minimum-pay clause in the agreements with clients and the fixed-cost intensive nature of the clinical business. The regulatory submission and pharmacovigilance business and supply chain management solution business are expected to operate at subdued levels. Given the limited visibility on resumption of business operations, cash generation is expected to remain stressed. Further, CARE also notes that some Key Management Personnel have resigned in recent times. The rating continues to factor in the long track record of operations and domain expertise in Life Science (LS) segment.

The rating is, however, constrained by revenue concentration with high dependence on the US market, fortunes linked with changing dynamics of the global pharma industry, relatively small size of operations in a highly competitive industry and risks associated with consolidation of the acquired businesses.

In view of the company operating and generating majority of its revenue through various subsidiaries, the rating is based on TAKE's group operations as a whole and on the financial position of the company on a consolidated basis.

Outlook: Negative

The outlook continues to remain 'Negative' on account of the expected continued decline in sales following the outbreak of the Corona virus (COVID-19) globally. The outbreak has affected TAKE's operations in terms of limited access to work sites for employees, restricted access to testing facilities for volunteers for clinical trials, availability of hospitals beds for trials, etc., leading to suspension of certain Clinical trials. TAKE has activated the business continuity plans and while some businesses continue to operate on a work-from-home mode, the clinical business which has reported good growth in the recent past is likely to face challenges in the near term.

The outlook may be revised to stable if there is an improvement in the business environment and the company is able to streamline operations to report sales growth and maintain profitability.

²Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Rating Sensitivities

Positive Factors

- Ability to successfully integrate the recent large-sized acquisitions and generate adequate returns from the same.
- Ability to commence operations across all its facilities and stabilise revenue generation and maintain healthy profitability.

Negative Factors

- Increase in debt levels resulting in leverage levels, viz., overall gearing above 1.0x.
- Deterioration in collections period beyond 120 days and deterioration in liquidity position.
- Extended impact of COVID-19 pandemic on the operations of the company resulting in a large fall in the revenues and profits.

Detailed description of the key rating drivers

Disruption in operations and drop in Income levels

TAKE has been reporting consistent growth in the revenues also aided by acquisitions from time to time. During FY20, TAKE (Consolidated) has achieved a growth of 8.53% in TOI on y-o-y basis and a CAGR of 21% for the last five years. The increase in revenue was mainly contributed by growth in LS segment by 10.57% to Rs.2,079 crore. The growth was aided by higher volumes of repeat business from existing clients and addition of new clients. The company towards the end of FY19 acquired two companies, viz., KAI Research Inc. and Dataceutics Holdings Inc. operating in the Clinical Research Organization space and Clinical Service Provider space which has aided the revenue growth. However, in Q4FY20, the company reported a sharp drop in the operating income on account of the Covid-19 pandemic, which has restricted access to hospitals for trial, etc. The company reported a TOI of Rs.370.67 crore for Q4FY20 as compared with Rs.651.11 crore for Q3FY20.

With continued disruption in business operations during the current quarters and no clear timelines to resume operations to pre-covid levels, the revenue generation for FY21 is expected to remain muted.

Moderation in profitability

The PBILDT margin of the company has moderated to around 7.6% for FY20 as compared with 19.19% in FY19. This was largely on account of sharp drop in operating income during Q4FY20. This sharp drop has led to the company reporting a loss PBDIT level in Q4FY20 and tempered the overall profitability for the year. Limited revenue visibility on account of passive operating level and non-availability of minimum-pay clause in the agreements with clients, compound with the high fixed-cost intensive nature of clinical trial business is expected to put pressure on profitability. Timely commencement and scaling of operations apart from cost rationalization would be key to profitable operations of the company.

Long track record of operations

TAKE was incorporated as a private limited company in December 2000. The company initially started with the Supply chain management solutions and over the years, the company has emerged as a significant player in the niche life sciences segments through various acquisitions and investments across the globe. The inorganic route has helped it acquire and enhance the domain expertise, enter new geographies, acquire new clients and augment its product and service

offerings.

The operations are overseen by an 8-member board including 5 independent directors. Mr Srinivasan H.R. is the Vice Chairman and Managing Director of the company. The company has seen resignation of one of the co-founders, the CEO and the CFO from the board in recent time. Mr. Lalit Mahapatra (erstwhile CFO of Ecron Acunova Limited), who has been associated with the group, has recently taken over as the CFO of TAKE Solutions Limited.

Increasing focus on LS business segment backed by strong domain expertise

TAKE had initially started in Supply Chain Management space and later expanded to Life Science segment providing opportunities for the company to grow and establish itself. However, in recent years, TAKE has been focusing more on LS segment. LS segment contributed 94% of the revenue in FY20 as against 92% in FY19 (refers to the period April 1 to March 31). Revenues from LS segment witnessed growth of 10.57%, however, the SCM segment witnessed de-growth of 15.66% in FY20.

Highly dependent on US market, however established clientele

Revenue from USA region grew by 34.07% in FY19 and contributed 84% of the total revenue (PY: 80%) as compared with the previous year on the back of higher orders from the region. TAKE's recent acquisitions in USA – KAI Research Inc. (clinical research organisation) and Dataceutics Holdings Inc. (clinical functional service provider) in FY19 for a consideration of around Rs.500 crore (funded through equity infusion (Rs.250 crore) and internal accruals) will further increase the concentration of the revenues in this market. The contribution in Asia-Pac declined to 12% (PY: 13%) and share of Europe declined to 4% (PY: 7%) of the total revenues in FY19.

Going forward, the company plans to focus on LS segment in the near-term and hence dependence on USA market is expected to remain as it continues to be the largest market for pharma companies.

With long track record, TAKE has established relationships with reputed clients in LS segment which includes leading global pharma companies. Top 10 client concentration has moderated to 23.20% of the total revenue in FY19 as compared with 26% in FY18.

Changing dynamics of global pharma industry

Pharmaceutical industry is tightly regulated all over the world with stringent norms and regulations. Structural reforms by governments stringent regulation both in regulated and semi-regulated market, intensification of competition has led to pricing pressure impacting the profitability of the industry players.

Competition and increased pricing pressure on pharma companies has resulted in cost cutting measures adopted by them to remain competitive, resulting in reduced business for the companies operating in the pharma/drug market value chain including IT service providers. This has resulted in vendor consolidation approach adopted by pharma companies forcing tier-I/tier-II companies/service providers in the industry to move up the value chain. Pure play clinical research organizations (CRO) have also started providing IT services.

Relatively small player operating in competitive environment and risks associated with consolidation of acquired business

TAKE has relatively moderate scale of operations in the global market. Presence of number of mid-sized technology companies that offer technology solutions to various pharmaceutical companies for regulatory submission and pharmacovigilance poses a stiff competition for the company. TAKE

follows the approach of acquiring companies and increases its presence in the value chain. The ability of the company to successfully integrate the operations, manage overlapping customer profiles and monetize the integrated domain and technical expertise for long-term benefits is critical for its prospects. The competition in SCM space is also intense where TAKE's presence is marginal.

Prospects

Given the socio-economic conditions arising out of the COVID-19 pandemic globally, the business environment for TAKE has been significantly affected and the company is likely to witness a drop in sales in the current year. Further, considering the high fixed cost nature of the business, largely employee cost and interest costs arising out of higher working capital requirement in recent times the profitability of the company is likely to be under pressure in the near term. Going forward, while the company is working on cost reduction initiatives the extent of this remains to be seen and would be key to its profitability. Furthermore, the ability to restore and scale up operations along with timely collection of receivables would also be key to the prospects.

Liquidity – Adequate

The company has cash & bank balance and liquid investments to the tune of Rs.50.96 crore as on March 31, 2020. The company has almost utilized the entire CC limit in Ecron Acunova Limited and Navitas LLP. The company bills its clients based on the nature of the services availed by them and it may vary from monthly basis to milestone basis. In addition to the debtors and unbilled revenue the current assets also comprised of a significant amount of advances given to technology partners. The current ratio was 1.82x as on March 31, 2020.

In the light of the lockdown imposed, where cash generation is stressed, the company has obtained moratorium on its working capital facilities and term loan in Ecron Acunova Limited. The company has also obtained a sanction of a term loan of Rs.40 crore in Ecron Acunova Limited and is actively working on recovery of debtors and unwinding some of the advances given to supplier and technology partners to meet immediate liquidity requirement.

Analytical approach:

Considering the significant financial as well as operational linkages of TAKE with its subsidiaries, the consolidated financials of TAKE (together with its subsidiaries) have been considered for analysis. TAKE on standalone basis does not have any major operations. As on March 31, 2020, TAKE has 5 subsidiaries and 21 step-down subsidiaries. The holding company of TAKE is TAKE Solutions Pte. Ltd, Singapore, which is held by the promoters and is an investment company with no major operations. The companies considered for consolidation has been given as Appendix.

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology: Consolidation and Factoring Linkages in Ratings](#)

[Rating Methodology - Service Sector Companies](#)

[Financial ratios – Non-Financial Sector](#)

[CARE's Issuer Rating](#)

[Criteria for Short Term Instruments](#)

About the Company

TAKE Solutions Limited (TAKE) is a product led (mainly in pharma/ biotech) IT solutions and Services Company with focus in, Life Sciences (LS) segment. TAKE's global headquarters is in Chennai, India. Two professionals, Mr H R Srinivasan (Ex-MD of Sembcorp Logistics, Singapore) and Mr D V Ravi founded TAKE as a private limited company in 2000. Mr. D V Ravi indirectly held 13.55% of shares in TAKE Solutions Limited. In June 2020, he sold 8.24% of shares via block deal in Stock Exchange. Mr. D V Ravi, who resigned as director, continues to hold 5.24% in TAKE Solutions Limited.

Financial Performance of TAKE Solutions Limited (Consolidated):

(Rs. crore)

For the period ended / as at March 31,	2018 (12m, A)	2019 (12m, A)	2020 (12m, Abridged*)
<u>Working Results</u>			
Total Operating income	1,590.17	2,048.33	2,212.90
PBILDT	309.46	392.98	168.90
Interest	20.76	25.01	41.27
Depreciation	104.15	153.51	166.93
Non-Operating Income/ (Expense)	3.43	1.21	26.39
PBT	187.97	215.67	-12.92
PAT (after deferred tax)	159.85	178.37	-10.94
Gross Cash Accruals	273.63	336.91	114.25
<u>Financial Position</u>			
Equity Capital	14.59	14.61	14.62
Networth	1,097.07	1,295.93	1,347.01
Total capital employed	1,464.50	1,802.60	1,910.92
<u>Key Ratios</u>			
<i>Growth</i>			
Growth in Total income (%)	17.74	28.81	8.03
Growth in PAT (after deferred tax) (%)	9.39	11.58	NM
<i>Profitability</i>			
PBILDT/Total Op. income (%)	19.46	19.19	7.63
PAT (after deferred tax)/ Total income (%)	10.05	8.71	-0.49
<i>Solvency</i>			
Debt Equity ratio (times)	0.10	0.07	0.17
Overall gearing ratio(times)	0.33	0.39	0.42
Interest coverage(times)	14.91	15.71	4.09
Term debt/Gross cash accruals (years)	0.42	0.27	1.95
Total debt/Gross cash accruals (years)	1.34	1.50	4.94
<i>Liquidity</i>			
Current ratio (times)	2.77	1.58	1.82
Quick ratio (times)	2.73	1.55	1.81
<i>Turnover</i>			
Average collection period (days)	103	88	100
Average inventory (days)	5	4	2
Average creditors (days)	13	7	7
Operating cycle (days)	94	85	95

A: Audited; NM: Not Meaningful

*Abridged numbers as per the financial result submitted to the stock exchange

Note:

1. Non-Operating income/ (expense) includes profit/ loss on sale of assets, investments, miscellaneous income, etc.
2. Operating Lease Payable is considered for all debt- related ratios.
3. Current maturities of long term debt are not included in the capital employed and other debt-related ratios.

Status of non-cooperation with previous CRA – Not Applicable

Any other information – Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Issuer Rating-Issuer Ratings	-	-	-	0.00	CARE A- (Is); Negative

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	-	-	-	-	-	1)Withdrawn (11-Apr-17)
2.	Commercial Paper	ST	-	-	-	-	1)Withdrawn (14-Nov-18)	1)CARE A1+ (08-Dec-17) 2)CARE A1+ (21-Sep-17)
3.	Issuer Rating-Issuer Ratings	Issuer rat	0.00	CARE A- (Is); Negative	1)CARE A+ (Is); Negative (22-Jun-20) 2)CARE AA- (Is); Negative (19-May-20)	1)CARE AA- (Is); Stable (04-Mar-20)	1)CARE AA- (Is); Stable (21-Nov-18)	1)CARE AA- (Is); Stable (08-Dec-17) 2)CARE AA- (Is); Stable (21-Sep-17)

Appendix:**Details of Subsidiaries:**

Name of the Company
Navitas LLP
TAKE Solutions Global Holdings Pte. Ltd.
Ecron Acunova Limited
APA Engineering Pvt. Ltd.
TAKE Solutions ESOP Trust

Details of Step-down Subsidiaries:

Name of the Company
APA Engineering Pte Ltd, Singapore
APA Engineering Inc., USA
TAKE Solutions Information Systems Pte. Ltd., Singapore
TAKE Enterprise Services Inc., USA
TAKE Innovations Inc., USA
Navitas Life Sciences Holdings Ltd., UK
Navitas Life Sciences Limited

Name of the Company
Acunova Life Sciences Inc., USA
Navitas Life Sciences Company Ltd. (fka Ecron Acunova Company Ltd.), Thailand
Navitas Life Sciences GmbH (fka Ecron Acunova GmbH), Germany
Acunova Life Sciences Ltd., UK
Ecron Acunova Sdn Bhd, Malaysia
Million Star Technologies Ltd., Mauritius
Intelent Inc., USA
Navitas Inc., USA
Navitas Lifesciences S.A.S, Colombia
Ecron Acunova Sp. Z. p. o., Poland
Ecron Acunova LLC, Russia
Navitas Life Sciences AS (fka Econ Acunova AS), Denmark
Ecron LLC, Ukraine
Navitas Life Sciences Pte. Ltd. (fks Ecron Acunova Pte. Ltd.), Singapore

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.:

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

Annexure II
Press Release
TAKE Solutions Limited

Rating			
Facilities	Amount (Rs. crore)	Rating³	Rating Action
Issuer Rating#	-	CARE A- (Is); Negative (Single A Minus (Issuer Rating); Outlook: Negative)	Revised from CARE A+ (Is); Negative (Single A Plus (Issuer Rating); Outlook: Negative)

Details of instruments/facilities in Annexure-1

The issuer rating is subject to the company maintaining overall gearing not exceeding 1.0x

Detailed Rationale & Key Rating Drivers

The revision in rating assigned to TAKE Solutions Limited (TAKE) takes into account the continued disruption in operations across businesses leading to a stress on cash flow generation. The disruption, which is primarily on account of the COVID pandemic, is expected to impact revenue generation and profitability due non-availability of a minimum-pay clause in the agreements with clients and the fixed-cost intensive nature of the clinical business. The regulatory submission and pharmacovigilance business and supply chain management solution business are expected to operate at subdued levels. Given the limited visibility on resumption of business operations, cash generation is expected to remain stressed. Further, CARE also notes that some Key Management Personnel have resigned in recent times. The rating continues to factor in the long track record of operations and domain expertise in Life Science (LS) segment.

The rating is, however, constrained by revenue concentration with high dependence on the US market, fortunes linked with changing dynamics of the global pharma industry, relatively small size of operations in a highly competitive industry and risks associated with consolidation of the acquired businesses.

In view of the company operating and generating majority of its revenue through various subsidiaries, the rating is based on TAKE's group operations as a whole and on the financial position of the company on a consolidated basis

Outlook: Negative

The outlook continues to remain 'Negative' on account of the expected continued decline in sales following the outbreak of the Corona virus (COVID-19) globally. The outbreak has affected TAKE's operations in terms of limited access to work sites for employees, restricted access to testing facilities for volunteers for clinical trials, availability of hospitals beds for trials, etc., leading to suspension of certain Clinical trials. TAKE has activated the business continuity plans and while some businesses continue to operate on a work-from-home mode, the clinical business which has reported good growth in the recent past is likely to face challenges in the near term.

The outlook may be revised to stable if there is an improvement in the business environment and the company is able to streamline operations to report sales growth and maintain profitability.

³Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Rating Sensitivities

Positive Factors

- Ability to successfully integrate the recent large-sized acquisitions and generate adequate returns from the same.
- Ability to commence operations across all its facilities and stabilise revenue generation and maintain healthy profitability.

Negative Factors

- Increase in debt levels resulting in leverage levels, viz., overall gearing above 1.0x.
- Deterioration in collections period beyond 120 days and deterioration in liquidity position.
- Extended impact of COVID-19 pandemic on the operations of the company resulting in a large fall in the revenues and profits.

Detailed description of the key rating drivers

Key Rating Strengths

Long track record of operations

TAKE was incorporated as a private limited company in December 2000. The company initially started with the Supply chain management solutions and over the years, the company has emerged as a significant player in the niche life sciences segments through various acquisitions and investments across the globe. The inorganic route has helped it acquire and enhance the domain expertise, enter new geographies, acquire new clients and augment its product and service offerings.

The operations are overseen by an 8-member board including 5 independent directors. Mr Srinivasan H.R. is the Vice Chairman and Managing Director of the company. The company has seen resignation of one of the co-founders, the CEO and the CFO from the board in recent. Mr. Lalit Mahapatra (erstwhile CFO of Ecron Acunova Limited), who has been associated with the group, has recently taken over as the CFO of TAKE Solutions Limited.

Increasing focus on LS business segment backed by strong domain expertise

TAKE had initially started in Supply Chain Management space and later expanded to Life Science segment providing opportunities for the company to grow and establish itself. However, in recent years, TAKE has been focusing more on LS segment. LS segment contributed 94% of the revenue in FY20 as against 92% in FY19 (refers to the period April 1 to March 31). Revenues from LS segment witnessed growth of 10.57%, however, the SCM segment witnessed de-growth of 15.66% in FY20.

Key Rating Weaknesses

Disruption in operations and drop in Income levels

TAKE has been reporting consistent growth in the revenues also aided by acquisitions from time to time. During FY20, TAKE (Consolidated) has achieved a growth of 8.53% in TOI on y-o-y basis and a CAGR of 21% for the last five years. The increase in revenue was mainly contributed by growth in LS segment by 10.57% to Rs.2,079 crore. The growth was aided by higher volumes of repeat business from existing clients and addition of new clients. The company towards the end of FY19 acquired two companies, viz., KAI Research Inc. and Dataceutics Holdings Inc. operating in the Clinical Research Organization space and Clinical Service Provider space which has aided the revenue growth. However, in Q4FY20, the company reported a sharp drop in the operating income on account of the Covid-19 pandemic, which has restricted access to hospitals for trial, etc. The

company reported a TOI of Rs.370.67 crore for Q4FY20 as compared with Rs.651.11 crore for Q3FY20.

With continued disruption in business operations during the current quarters and no clear timelines to resume operations to pre-covid levels, the revenue generation for FY21 is expected to remain muted.

Moderation in profitability

The PBILDT margin of the company has moderated to around 7.6% for FY20 as compared with 19.19% in FY19. This was largely on account of sharp drop in operating income during Q4FY20. This sharp drop has led to the company reporting a loss PBDIT level in Q4FY20 and tempered the overall profitability for the year. Limited revenue visibility on account of passive operating level and non-availability of minimum-pay clause in the agreements with clients, compound with the high fixed-cost intensive nature of clinical trial business is expected to put pressure on profitability. Timely commencement and scaling of operations apart from cost rationalization would be key to profitable operations of the company.

Highly dependent on US market, however established clientele

Revenue from USA region grew by 34.07% in FY19 and contributed 84% of the total revenue (PY: 80%) as compared with the previous year on the back of higher orders from the region. TAKE's recent acquisitions in USA – KAI Research Inc. (clinical research organisation) and Dataceutics Holdings Inc. (clinical functional service provider) in FY19 for a consideration of Rs. 500 crore (funded through equity infusion (Rs.250 crore) and internal accruals) will further increase the concentration of the revenues in this market. The contribution in Asia-Pac declined to 12% (PY: 13%) and share of Europe declined to 4% (PY: 7%) of the total revenues in FY19.

Changing dynamics of global pharma industry

Pharmaceutical industry is tightly regulated all over the world with stringent norms and regulations. Structural reforms by governments stringent regulation both in regulated and semi-regulated market, intensification of competition has led to pricing pressure impacting the profitability of the industry players.

Competition and increased pricing pressure on pharma companies has resulted in cost cutting measures adopted by them to remain competitive, resulting in reduced business for the companies operating in the pharma/drug market value chain including IT service providers. This has resulted in vendor consolidation approach adopted by pharma companies forcing tier-I/tier-II companies/service providers in the industry to move up the value chain. Pure play clinical research organizations (CRO) have also started providing IT services.

Relatively small player operating in competitive environment and risks associated with consolidation of acquired business

TAKE has relatively moderate scale of operations in the global market. Presence of number of mid-sized technology companies that offer technology solutions to various pharmaceutical companies for regulatory submission and pharmacovigilance poses a stiff competition for the company. TAKE follows the approach of acquiring companies and increases its presence in the value chain. The ability of the company to successfully integrate the operations, manage overlapping customer profiles and monetize the integrated domain and technical expertise for long-term benefits is critical for its prospects. The competition in SCM space is also intense where TAKE's presence is

marginal.

Prospects

Given the socio-economic conditions arising out of the COVID-19 pandemic globally, the business environment for TAKE has been significantly affected and the company is likely to witness a drop in sales in the current year. Further, considering the high fixed cost nature of the business, largely employee cost and interest costs arising out of higher working capital requirement in recent times the profitability of the company is likely to be under pressure in the near term. Going forward, while the company is working on cost reduction initiatives the extent of this remains to be seen and would be key to its profitability. Furthermore, the ability to restore and scale up operations along with timely collection of receivables would also be key to the prospects.

Liquidity – Adequate

The company has cash & bank balance and liquid investments to the tune of Rs.50.96 crore as on March 31, 2020. The company has almost utilized the entire CC limit in Ecron Acunova Limited and Navitas LLP. The company bills its clients based on the nature of the services availed by them and it may vary from monthly basis to milestone basis. In addition to the debtors and unbilled revenue the current assets also comprised of a significant amount of advances given to technology partners. The current ratio was 1.82x as on March 31, 2020.

In the light of the lockdown imposed, where cash generation is stressed, the company has obtained moratorium on its working capital facilities and term loan in Ecron Acunova Limited. The company has also obtained a sanction of a term loan of Rs.40 crore in Ecron Acunova Limited and is actively working on recovery of debtors and unwinding some of the advances given to supplier and technology partners to meet immediate liquidity requirement.

Analytical approach:

Considering the significant financial as well as operational linkages of TAKE with its subsidiaries, the consolidated financials of TAKE (together with its subsidiaries) have been considered for analysis. TAKE on standalone basis does not have any major operations. As on March 31, 2020, TAKE has 5 subsidiaries and 21 step-down subsidiaries. The holding company of TAKE is TAKE Solutions Pte. Ltd, Singapore, which is held by the promoters and is an investment company with no major operations. The companies considered for consolidation has been given as Appendix.

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology: Consolidation and Factoring Linkages in Ratings](#)

[Rating Methodology - Service Sector Companies](#)

[Financial ratios – Non-Financial Sector](#)

[CARE's Issuer Rating](#)

[Criteria for Short Term Instruments](#)

About the Company

TAKE Solutions Limited (TAKE) is a product led (mainly in pharma/ biotech) IT solutions and Services Company with focus in, Life Sciences (LS) segment. TAKE's global headquarters is in Chennai, India. Two professionals, Mr H R Srinivasan (Ex-MD of Sembcorp Logistics, Singapore) and Mr D V Ravi

founded TAKE as a private limited company in 2000. Mr. D V Ravi indirectly held 13.55% of shares in TAKE Solutions Limited. In June 2020, he sold 8.24% of shares via block deal in Stock Exchange. Mr. D V Ravi, who resigned as director, continues to hold 5.24% in TAKE Solutions Limited.

Brief Financials (Rs. crore) (TAKE Solutions Ltd. – Consolidated)	FY19 (A)	FY20 (Abridged)*
Total income	2,048.33	2,212.90
PBILDT	392.98	168.90
PAT	178.37	-10.94
Overall gearing (times)	0.39	0.42
Interest coverage (times)	15.71	4.09

A: Audited

* Abridged numbers as per the financial result submitted to the stock exchange

Note:

1. Operating Lease Payable is considered for Overall Gearing calculation.
2. Current maturities of long term debt are not included in the capital employed and other debt-related ratios.

Status of non-cooperation with previous CRA – Not Applicable

Any other information – Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Issuer Rating-Issuer Ratings	-	-	-	0.00	CARE A- (Is); Negative

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	-	-	-	-	-	1)Withdrawn (11-Apr-17)
2.	Commercial Paper	ST	-	-	-	-	1)Withdrawn (14-Nov-18)	1)CARE A1+ (08-Dec-17) 2)CARE A1+ (21-Sep-17)
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TAKE Solutions Information Systems Pte. Ltd., Singapore
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TAKE Innovations Inc., USA
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Navitas Life Sciences Limited
Acunova Life Sciences Inc., USA
Navitas Life Sciences Company Ltd. (fka Ecron Acunova Company Ltd.), Thailand
Navitas Life Sciences GmbH (fka Ecron Acunova GmbH), Germany
Acunova Life Sciences Ltd., UK
Ecron Acunova Sdn Bhd, Malaysia
Million Star Technologies Ltd., Mauritius
Intelent Inc., USA
Navitas Inc., USA
Navitas Lifesciences S.A.S, Colombia
Ecron Acunova Sp. Z. p. o., Poland
Ecron Acunova LLC, Russia
Navitas Life Sciences AS (fka Econ Acunova AS), Denmark
Ecron LLC, Ukraine
Navitas Life Sciences Pte. Ltd. (fks Ecron Acunova Pte. Ltd.), Singapore

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