

## Take Solutions Limited

December 08, 2021

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Issuer rating Issuer Rating	0.00	CARE BB+ (Is) (CWD)	Revision in credit watch from Positive Implications to Developing Implications
<b>Total Instrument</b>	<b>0.00 (Rs. Only)</b>		

*Details of facilities in Annexure 1*

*# The issuer rating is subject to the company maintaining overall gearing not exceeding 1.25x*

### Detailed Rationale & Key Rating Drivers

The issuer rating assigned to Take Solutions Limited (Take) has been revised to 'Credit watch with developing Implications' as the proposed divestment of the clinical research business operated under the Navitas brand has been put on hold following injunction granted by Hon'ble Madras High Court in response to a suit filed by Interim Judicial Manager(IJM) of Take Solutions Pte Ltd (Singapore), the holding company of Take Solutions Ltd. CARE is monitoring developments in this regard and shall review the rating when greater clarity emerges.

Take had originally proposed divestment of the Take group's Clinical Research Organisation (CRO) business operated under the Navitas brand, for a consideration of US\$101.63 million of which \$91.63 million in cash and remaining in sellers notes. The fund infusion was expected to aid in reduction of debt and improvement in liquidity position.

The rating assigned takes into account the continued challenging business environment accentuated by Covid-related implications resulting in subdued revenue generation albeit the company is reporting marginal operating profits in the last few quarters. The rating continues to be 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.

The rating, however, continues to factor in the long track record of operations and domain expertise in Life Science (LS) segment. 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

### Rating Sensitivities

#### *Positive Factors*

- Ability to expand operations across all its facilities and stabilise revenue generation and maintain healthy profitability.
- Improvement in liquidity position

#### *Negative Factors*

- Any delays in proposed divestment of the CRO business amidst continued weakness in operations resulting in fall in revenues and profits
- Deterioration in collections period straining the overall liquidity profile

### Detailed description of the key rating drivers

#### **Key Rating Weaknesses**

#### **Disruption in operations and drop in Income levels**

TAKE had been reporting consistent growth in the revenues from operations until FY20, further supported by its acquisitions from time to time, however in FY21, TAKE (Consolidated) witnessed an annual de-growth of 65.4% in Total Operating Income as the operations were impacted because of covid related disruptions on its CRO business where hospitals/clinics were not available for conducting trials, patient recruitment for healthy volunteers fell, due to fear of contracting Covid and supply chain disruption on transportation of samples to/from labs. The performance in 6MFY22 has however improved at the back of establishing standard operating procedures and thereby resuming regular operations, which can be witnessed from improvement in operating income from Rs.336 crore in 6MFY21 to Rs.407 crore in 6MFY22 and generation of positive cash accruals of Rs.36 crore in 6MFY22 as against cash loss of Rs.112 in 6MFY21.

#### **Losses being reported and consequent impact on liquidity**

TAKE had recorded net loss of Rs.452.3 crore in FY21 due to covid disruptions including an exceptional loss of Rs.156.6 crore from exit of its Europe business and impairment of intangible assets to the tune of Rs.68.4 crore. The company has booked cash losses of Rs.112 crore for H1FY21, however after implementation of cost rationalization measures in H2FY21 the annual cash losses for FY21 was contained to Rs.108 crore. The operations continued to show improvement in FY22 as well, given that Q2FY22 has performed better and has generated operating profit of Rs.26.2 crore as against loss of Rs.76.5 crore in Q2FY21. The company has rationalized costs by head count reduction mainly in the western geographies wherein labor costs are high, offshoring of work to Indian offices, wage cuts and cost cuts with respect to S&G Expenses. However, the liquidity position continues to be tight, given the continuity of losses and upcoming repayment obligations in the near term. Going forward, timely execution of orders in

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE publications

hand by following covid protocols and scaling of operations apart from continued cost rationalization would be key to profitable operations and liquidity position of the company.

#### ***Dependence on US market***

Revenue share from Asia-Pacific segment which was below 15% in the last 4 years has seen an improvement to 29% in FY21. The revenue share from USA has decreased from 85%(FY20) to 68% (FY21). It is largely because the de-growth in the USA segment. US markets in the previous financial year were more impacted on account of the covid related disruptions. With the company exiting the Europe market in Q2FY21 with the winding up of the German Subsidiary, the share of revenues from the US markets is expected to increase.

#### ***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.

#### **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. With long track record, TAKE has established relationships with reputed clients in LS segment which includes leading global pharma companies. The operations are overseen by an 6-member board including independent directors. Mr. N Kumar is the Chairman and Mr Srinivasan H.R. is the Vice Chairman and Managing Director of the company.

##### ***Focus on LS business segment backed by strong domain expertise***

TAKE had initially started out in the Supply Chain Management (SCM) space and later expanded to Life Science (LS) segment providing opportunities for the company to grow and establish itself. Over the years TAKE increased its focus more on LS segment and has exited the SCM segment in FY2021 by disinvesting its entire stake held in subsidiary APA Engineering Pvt Ltd, which is the supply chain division of the company. In FY2021, LS segment contributed 96% of the revenue as against 94% in FY20 (refers to the period April 1 to March 31). Revenues from LS segment witnessed de-growth of 64.35% and the SCM segment witnessed de-growth of 75.43% in FY21.

#### **Prospects**

Given the current socio-economic conditions arising out of the impact left by COVID-19 pandemic, the business environment for TAKE has been significantly affected; the company has nevertheless witnessed a gradual improvement in performance in H1FY22. Going forward, the revised operating procedures specified for conducting clinical trials across geographies is expected to prolong timelines for conducting trials and trim down margins in general, which would impact both revenue generation as well as profitability. Strategic investment by H.I.G. capital is expected to aid the company in meeting its liquidity requirement both in terms of debt repayment and working capital requirements, however given the current injunction order passed by the madras high court the said transaction is temporarily on hold and any further developments in this regard is a key monitorable.

#### **Liquidity – Stretched**

The liquidity position has weakened with subdued cash generation from operations and with upcoming large repayments in the near term, the liquidity position remains under pressure. The company has been actively working on recovery of debtors and unwinding some of the advances given to supplier and technology partners to meet immediate liquidity requirements. The company has almost utilized the entire CC limit in Ecron Acunova Limited and Navitas LLP for the 12-month period ended November 30, 2021. If the transaction with H.I.G capital is completed, it is expected to aid the company in meeting its liquidity requirement both in terms of debt repayment and working capital requirements.

### 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, 2021, TAKE has 4 subsidiaries (1 disinvested during the year) and 20 step-down subsidiaries (excluding 2 disinvested during the year and including 6 under liquidation during the year). The company has sold the entire stake in APA Engineering Pvt Ltd which was the supply chain division of the company during the year. Further, Navitas Life Sciences, GmbH and its subsidiaries are under liquidation process. 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](#)  
[CARE's Issuer Rating](#)  
[Financial ratios - Non-Financial Sector](#)  
[Liquidity analysis - Non-Financial sector](#)  
[CARE's Methodology for Service sector companies](#)  
[Rating Methodology – Consolidation](#)

### 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)	FY20 (A)	FY21(A)	6MFY2022 (P)
Total income	2,238.67	775.47	406.58
PBILDT	194.69	-71.57	54.59
PAT	-10.95	-452.35	-12.04
Overall gearing (times)	0.59	0.81	0.82*
Interest coverage (times)	4.72	-1.92	2.97

A: Audited P: Provisional, \*Gearing for 6MFY22 has considered current maturities to be same as FY21.

#### Note:

Operating Lease Payable is considered for Overall Gearing ratio.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

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

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure 4

### Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	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 BB+ (Is) (CWD)

**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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Commercial Paper	ST	-	-	-	-	-	1)Withdrawn (14-Nov-18)
2	Issuer Rating-Issuer Ratings	Issuer rat	0.00	CARE BB+ (Is) (CWD)	1)CARE BB+ (Is) (CWP) (17-Aug-21)	1)CARE BB+ (Is); Negative (11-Feb-21) 2)CARE BB+ (Is); Negative (04-Jan-21) 3)CARE BBB (Is); Negative (24-Nov-20) 4)CARE A- (Is); Negative (10-Aug-20) 5)CARE A+ (Is); Negative (22-Jun-20) 6)CARE AA- (Is); Negative (19-May-20)	1)CARE AA- (Is); Stable (04-Mar-20)	1)CARE AA- (Is); Stable (21-Nov-18)

\* Long Term / Short Term

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities:** Not applicable**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Issuer Rating-Issuer Ratings	Simple

**Annexure 5: Bank Lender Details for this Company:** Not applicable**Appendix:****Details of Subsidiaries:**

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

**Details of Step-down Subsidiaries:**

Name of the Company
TAKE Enterprise Services Inc., USA
TAKE Solutions Information Systems Pte Ltd, Singapore
Navitas Inc., USA
Navitas Lifesciences S.A.S., Colombia
Navitas Life Sciences Holdings Limited, UK
Navitas Life Sciences Limited, UK
Intelent Inc., USA
Million Star Technologies Limited, Mauritius
TAKE Innovations Inc., USA
Acunova Life Science Inc., USA
Acunova Life Sciences Limited, UK
Navitas Life Sciences Company Limited, Thailand
Navitas Life Sciences GmbH, Germany (Under liquidation)
Ecron Acunova Sdn. Bhd., Malaysia
Navitas Life Sciences Sp.Z.O.O. Poland (Under liquidation)
Ecron LLC, Ukraine (Under liquidation)
Ecron Acunova LLC, Russia (Under liquidation)
Navitas Life Sciences A/S, Denmark (Under liquidation)
Navitas Life Sciences Pte Ltd, Singapore (Under liquidation)
Navitas Life Sciences SG Pte. Limited (Incorporated during the year)

**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.careedge.in](http://www.careedge.in). Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

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