

Take Solutions Limited

December 24, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Issuer rating	0.00	CARE C (Is) [Single C (Issuer Rating)]	Revised from CARE BB+ (Is) and removed from Credit watch with Developing Implications
Total Instrument	0.00 (Rs. Only)		

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 revision in the issuer rating assigned to Take Solutions Limited (Take) takes into account the poor liquidity position of the group evidenced by the default in payments to one of the bankers by a wholly owned subsidiary viz Take Solutions Global Holdings Ptd Ltd (Singapore) and calling off of the proposed divestment of the group's Clinical Research Organisation (CRO) business. The proposed divestment was expected to aid in reduction of debt and improvement in liquidity position of the group.

Take had planned divestment of the group's Clinical Research Organisation (CRO) business operated under the Navitas brand to HIG Capital for a consideration of US\$101.63 million of which \$91.63 million in cash and remaining in sellers notes. However, subsequently the holding company Take Solutions Pte Ltd (Singapore) had obtained an injunction order in the Madras high court against the said transaction. The company has now called off the aforesaid transaction.

The rating remains constrained due to the continued challenging business environment accentuated by Covid-related implications resulting in subdued revenue, revenue concentration with high dependence on the US market, fortunes linked with changing dynamics of the global pharma industry and relatively small size of operations in a highly competitive industry.

Rating Sensitivities

Positive Factors

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

Negative Factors

- Any further deterioration in the liquidity profile of the company

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 moderately improved at the back of establishing standard operating procedures and thereby resuming regular operations, with operating income increasing from Rs.336 crore in 6MFY21 to Rs.407 crore in 6MFY22.

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 such as 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 in H2FY21 the annual cash losses for FY21 was contained to Rs.108 crore. The liquidity continues to be stressed since the cash accruals are not at par with the operational and repayment needs of the company although the half yearly performance in Q2FY22 is better than Q2FY21 generating accruals of Rs.36 crore as against losses of Rs.112 crore respectively.

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

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

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. Further the liquidity of the company remains strained, especially since it has discontinued the proposed strategic sales of the clinical trials business which was expected to ease the liquidity stress.

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.

Liquidity – Poor

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 since the fund infusion via stake sale of clinical business has been discontinued. The company has however 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.

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 C (Is)

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 rating	0.00	CARE C (Is)	1)CARE BB+ (Is) (CWD) (08-Dec-21) 2)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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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