

## TAKE Solutions Limited

March 04, 2020

### Rating

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Issuer Rating#	-	<b>CARE AA- (Is); Stable (Double A Minus (Issuer Rating); Outlook: Stable)</b>	<b>Reaffirmed</b>

*Details of instruments/facilities in Annexure-1*

*# The issuer rating is subject to the company maintaining overall gearing not exceeding 0.50x*

### Detailed Rationale & Key Rating Drivers

*The rating assigned to TAKE Solutions Limited (TAKE) continues to factor in the experienced promoter and management team, long track record of operations, domain expertise in Life Science (LS) segment and comfortable financial risk profile characterized by low leverage levels and comfortable profitability.*

*The ratings are, 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 ratings are 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 successfully integrate the recent large-sized acquisitions and generate adequate returns from the same.
- Ability to maintain healthy profitability margins on a sustained basis.

#### Negative Factors

- Increase in debt levels resulting in leverage levels, viz, overall gearing above 0.5x.
- Deterioration in collections period beyond 120 days and deterioration in liquidity position.

### Detailed description of the key rating drivers

#### Key Rating Strengths

##### ***Experienced promoters with long track record of operations***

TAKE was incorporated as a private limited company in December 2000 by professionals, Mr Srinivasan H.R (Ex-MD of SembCorp Logistics) and Mr.D.V. Ravi (currently a member of board in the Shriram group). The company initially started with the Supply chain management solutions and over the years, company has emerged as a significant player in the niche life sciences segments through various acquisitions and investments across the globe. The operations are overseen by a

12-member board including 6 independent Directors. Mr. Srinivasan H.R. is the Vice Chairman and Managing Director of the company and Mr. Ram Yeleswarapu is the President & Chief Executive Officer of the group. Mr. Ram has vast experience of working with major pharma companies. Ms. Subhashri Sriram, Ex-CFO of Shriram City Union Finance Limited (rated 'CARE AA+; Stable/ CARE A1+') is the Executive Director and Chief Financial Officer.

##### ***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 92% of the revenue in FY19 as against 88% in FY18 (refers to the period April 1 to March 31). Revenues from LS segment witnessed growth of 34.49%, however, the SCM segment witnessed de-growth of 16.14% on account of divestment of USA and Middle East business during the FY19.

<sup>2</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

***Consistent growth in income and comfortable profitability***

TAKE has been reporting consistent growth in revenues also aided by acquisitions from time to time. During FY19, TAKE (Consolidated) has achieved a growth of 28.81% in TOI on y-o-y basis and a CAGR of 29% for the last five years. The increase in revenue was mainly contributed by growth in LS segment by 34.49% to Rs.1,881 crore. The company towards the end of FY19 acquired two companies, viz, KAI Research Inc. and Dataceutics Holdings Inc. operating in the Clinical Research Organisation space and Clinical Service Provider space which has aided the revenue growth. The company reported a total operating income of Rs.1,842 crore in 9MFY20 representing an growth of 22.39% over 9MFY19. Profitability margins for the company have remained stable over the year at around 18%-20%. However, with change in service mix, profitability is expected to see some moderation as the company's share of the clinical business is expected to increase going forward.

***Comfortable capital structure and debt coverage indicators***

TAKE's capital structure has remained comfortable aided by the equity infusions in the past and internal generations. While the debt levels have gone up as on March 31, 2019, the overall gearing still remains comfortable at 0.39x as on March 31, 2019 from 0.33x as on March 31, 2018.

The coverage indicators remained comfortable with interest coverage (PBILDT/Interest) at 15.71 times in FY19 and total debt to GCA at 1.50x as on March 31, 2019.

***Key Rating Weaknesses***
***Highly dependent on US market, however, established clientele***

The revenue from USA region grew by 34.07% in FY19 and contributed to 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 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 government's 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 organisations (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 a 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.

***Liquidity – Strong***

Liquidity is marked by gross cash accruals of Rs.336.91 crore in FY19 against negligible repayment obligations of Rs.18.70 crore and cash & bank balance to the tune of Rs.42.21 crore as on March 31, 2019. With a gearing of 0.39 times as of March 31, 2019, the issuer has sufficient gearing headroom, to raise additional debt. The Company has almost utilized the entire CC limit as its limits are minimal when compared with its turnover. 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 consists of a significant amount of advances given to technology partners necessitating working capital borrowings which have increased as on March 31, 2019. The current ratio was 1.58 x as on

March 31, 2019.

### 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 September 30, 2019, TAKE has 5 subsidiaries and 23 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

### About the Company

TAKE Solutions Limited (TAKE) is a product led (mainly in pharma/ biotech) Services Company with focus across two principal business areas, Life Sciences (LS) and Supply Chain Management (SCM). Two employees of the Shriram group, Mr H R Srinivasan (Ex-MD of Sembcorp Logistics, Singapore) and Mr D V Ravi founded TAKE as a private limited company in 2000. TAKE's global headquarters is in Chennai, India.

Brief Financials (Rs. crore) (TAKE Solutions Ltd. – Condolitated)	FY18 (A)	FY19 (A)
Total income	1,590.17	2,048.33
PBILDT	309.46	392.98
PAT	159.85	178.37
Overall gearing (times)	0.33	0.39
Interest coverage (times)	14.91	15.71

A: Audited

### Note:

1. Operating Lease Payable is considered for Overall Gearing calculation.

**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 AA- (Is); Stable

## 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	-	-	-	-	1)Withdrawn (11-Apr-17)	1)CARE A+ (15-Apr-16)
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 AA- (Is); Stable	-	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	% of holding as on March 31, 2019
Navitas LLP	100%
TAKE Solutions Global Holdings Pte. Ltd.	100%
Ecron Acunova Limited	100%
APA Engineering Pvt. Ltd.	58%
TAKE Solutions ESOP Trust	100%

**Details of Step-down Subsidiaries:**

<b>Name of the Company</b>	<b>% of holding as on March 31, 2019</b>
APA Engineering Pte Ltd, Singapore	58%
APA Engineering Inc., USA	58%
TAKE Solutions Information Systems Pte. Ltd., Singapore	100%
TAKE Enterprise Services Inc., USA	100%
TAKE Innovations Inc., USA	100%
Navitas Life Sciences Holdings Ltd., UK	100%
Navitas Life Sciences Limited	100%
Acunova Life Sciences Inc., USA	100%
Navitas Life Sciences Company Ltd. (fka Ecron Acunova Company Ltd.), Thailand	82%
Navitas Life Sciences GmbH (fka Ecron Acunova GmbH), Germany	100%
Acunova Life Sciences Ltd., UK	100%
Ecron Acunova Sdn Bhd, Malaysia	100%
Million Star Technologies Ltd., Mauritius	100%
Intelent Inc., USA	100%
Navitas Inc., USA	100%
Navitas Lifesciences S.A.S, Colombia	100%
TAKE Supply ChainDe Mexico De RI De Cv, Mexico	100%
Navitas Life Sciences Sp. Z.o.o. Poland (fka Ecron Acunova Sp. Z.o.o. Poland)	100%
Ecron Acunova LLC, Russia	100%
Navitas Life Sciences AS (fka Econ Acunova AS), Denmark	100%
Ecron Acunova Ltd., UK	100%
Ecron LLC, Ukraine	51%
Navitas Life Sciences Pte. Ltd. (fks Ecron Acunova Pte. Ltd.), Singapore	100%
KAI Holdings Inc.	100%
Dataceutics Holdings Inc.	100%

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

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### About CARE Ratings:

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