



Take Solutions—Building capacity in upcoming domain

| | |
|------------------------|------------------|
| CMP: | Rs.32 |
| Target Price: | Not Rated |
| Recommendation: | Not Rated |

Stock Info

| | |
|-------------------|---------|
| BSE Group | B |
| BSE Code | 532890 |
| NSE Symbol | TAKE |
| Bloomberg | TAKE IN |
| Reuters | TAKE.BO |
| BSE Sensex | 16437 |
| NSE Nifty | 4943 |

Market Info

| | |
|--------------------------|---------------|
| Market Capital | Rs.390.5cr |
| Equity Capital | Rs.12.2cr |
| Avg. Trading Vol. | 20172 (Qtly.) |
| 52 Wk High/ Low | 48.7/23.0 |
| Face Value | Rs.1 |

Shareholding Pattern (%) (30th Jun. 2011)

| | |
|------------------------------|------|
| Promoters | 58.3 |
| Domestic Institutions | 5.6 |
| Foreign Institutions | 2.5 |
| Non Promoters Corp. | 13.7 |
| Public & Others | 19.9 |
| Govt. Holdings | - |

30th September, 2011

Generating Wealth. Satisfying Investors.

Key Highlights:

We recently met with the management of Take Solution Ltd. to understand their business and their future prospects. A brief summary of our discussion is given below:

■ **About the company:** Take is a global technology solutions and service provider, with significant focus across two principal business areas – Life Sciences and Supply Chain Management. Started in the year 2000, TAKE has grown exponentially over the decade and is today represented by over 1100+ employees catering to more than 400+ marquee clients across 8 countries. With its global headquarters located at Chennai, India and US headquarters at Princeton, NJ, Take makes its global presence felt through its well-established offices across North America, European Union, Asia Pacific, Middle-East and South-East Asia.

Mr. Srinivasan is the founder of the Company and the member of the Board of Directors. He brings in 23 years of experience in Supply Chain Management and General Management. He started his professional career as a Civil Servant serving with the Ministry of Railways, Government of India. Post that, he moved to the Private Sector where he held several leadership roles – amongst others, Executive Director – Shriram Group; Managing Director – Sembcorp Logistics; Managing Director – Temasek Capital. He has been very active in various industry forays, having served both on the State and Regional council of Confederation of Indian Industry (CII).

■ **Business of the company:** Take mainly caters to two segments which are namely, Life Science (LS) and Supply Chain Management (SCM). Take's suite of solutions for SCM enables the creation of tremendous value for all the stake holders of the business ecosystem. The various solutions facilitate business process orchestration that extend beyond the span of an organization's boundaries and cut across entities such as suppliers, distributors, and contract manufacturers. The solution suite also encompasses several industry verticals globally, enabling business efficiencies.

In the LS domain, TAKE's deep understanding of the functional areas of R&D, commercial applications and operations helps it add tremendous value as a partner to business units within several organizations. Its technology capabilities along with a partnership approach with industry leaders and standards organizations like the CDISC, HL7, and ICH allow us to consistently provide the best solutions and services.

With a customer-centric approach, riding on its global delivery capabilities, TAKE offers effective solutions for its customers that leverage existing data and enable faster decision-making. Its niche offerings include:

- TAKE's SCM product suite for different verticals sold under the umbrella brand 'TAKE Supply Chain', offering 16 unique products that span the entire scope of execution, planning and collaboration
- End-to-end solution across R&D, commercial, and operations for Life Sciences
- Solutions delivered for installation or in a hosted environment
- Application Management, Infrastructure Management and Business Technology solutions centered around Business Intelligence (BI), Portals, Business Process Management (BPM), and mobility solutions

Over the last couple of years, the proportion of LS's contribution to its total revenue has seen a gradual increase. The management expects this trend to continue going forward on account of the increasing demand in the LS domain.

Financials:

| Y/E March, (Rs. in Cr) | FY09 | FY10 | FY11 |
|------------------------|--------------|---------------|--------------|
| Net Revenue | 343.3 | 366.4 | 506.1 |
| <i>Growth %</i> | <i>15.7</i> | <i>6.7</i> | <i>38.1</i> |
| Net Profit | 52.9 | 32.4 | 70.0 |
| <i>Growth %</i> | <i>0.2</i> | <i>(38.8)</i> | <i>116.1</i> |
| EPS | 4.4 | 2.7 | 5.7 |
| P/E(x) | 7.3 | 11.9 | 5.6 |

| Revenue proportion | | | |
|--------------------|------|------|--------|
| Particulars | FY11 | FY10 | %chng. |
| SCM | 49% | 53% | 26% |
| Life Science | 47% | 41% | 59% |
| Others | 4% | 6% | 5% |

■ **Strong growth in recent years:** Take has exhibited strong growth in the last few years and both its segments have shown good strength as can be seen from the table. The management attributes this strong growth to pent up demand, increase in discretionary projects as well as increasing demand for their offerings. The increase in revenue was also aided by the newly acquired WCI Consulting Group which not only contributed to revenue but also opened a new geography namely Europe for the company. The company also enjoys a healthy customer concentration ratio with the top 5 and top 10 contributing only 19% and 29% of total revenues, thus mitigating any risk of over dependence on a few set of customers.

| Revenue by geography | | | |
|----------------------|------|------|--------|
| Particulars | FY11 | FY10 | %chng. |
| Asia Pac | 33% | 37% | 23% |
| USA | 65% | 63% | 42% |
| RoW | 2% | 0% | 0% |

■ **Strong client list:** Take has a healthy clientele list which includes 7 of the top 10 global pharmaceutical companies across various spheres of the life science and healthcare segment. Their clients include name like Novartis, Pfizer, AstraZeneca, Celgene, Ethicon, Vermillion, Reliance Life Science, Aurobindo, Cadilla, etc in the LS segment. While in the SCM segment their relationship is with Siemens, GE, Pepsi, Sun Microsystem, etc. The management has done all the hard work with regards to getting on board top-notch clients. Now their main aim is to increase their wallet share of the clients' IT spends.

■ **Outlook & Valuations:** The Take Solution stock is currently trading at a PE of 5.6x which we believe is a little cheap for a company that caters to a highly specialised domain like the life science—a segment in which all the major IT companies is trying to gain a foothold in. We believe that the major drawback for the company currently is its size which has kept away many investors. However, taking into account the fact that Take has recently acquired a company in Europe and is looking for further acquisition in order to boost its service capabilities as well size, we believe it will get re-rated soon. The only cause of worry we can see at present is attrition which may hit the company hard considering the fact that the biggies of the IT sector are also going gung-ho about the Lifescience segment and is building capacity for the same. So, if Take is able to successfully keep its flock together, we believe the company will be able to embark on a high growth journey and also provide good returns to investors from its current price.

| Peer comparison | (TTM basis) | | | | | |
|------------------|-------------|------|------|------|-----------|----------|
| | ROCE | RONW | P/E | P/BV | EV/EBIDTA | Mkt.Cap. |
| Infosys | 38.1 | 27.9 | 25.0 | 6.8 | 15.4 | 185834.8 |
| Mindtree | 18.1 | 14.0 | 13.1 | 2.0 | 7.1 | 1574.4 |
| Rolta India | 12.9 | 16.7 | 5.3 | 0.9 | 3.5 | 2708.0 |
| Sasken Comm.Tec. | 16.5 | 15.4 | 4.4 | 0.9 | 3.1 | 411.3 |
| 3i Infotech | 12.4 | 23.6 | 7.2 | 0.9 | 9.7 | 840.9 |
| Take Solution | 19.8 | 22.0 | 5.6 | 1.8 | 13.5 | 432.7 |

*Plz note that the peer group companies's exposure to Healthcare vertical is between 5-10% unlike Take whose is 47%

Latest Quarterly results

| Y/E March (Rs.in cr) | Q1FY11 | Q1FY10 | YoY%chng. | Q4FY10 | QoQ%chng. |
|-----------------------------|---------------|---------------|--------------|---------------|-------------|
| Net Sales | 158.63 | 108.44 | 46.3% | 149.6 | 6.0% |
| Other Income | 2.29 | 1.28 | 78.9% | 1.63 | 40.5% |
| Total Income | 160.92 | 109.72 | 46.7% | 151.23 | 6.4% |
| Total Expenditure | 129.21 | 90.8 | 42.3% | 122.15 | 5.8% |
| PBIDT | 31.71 | 18.92 | 67.6% | 29.08 | 9.0% |
| Interest | 3.63 | 0.9 | 303.3% | 3.87 | -6.2% |
| PBDT | 28.08 | 18.02 | 55.8% | 25.21 | 11.4% |
| Depreciation | 0.88 | 0.93 | -5.4% | 1.46 | -39.7% |
| Minority Interest Before NP | 0 | 0 | 0.0% | 0 | 0.0% |
| Tax | 5.14 | 1.98 | 159.6% | 1.86 | 176.3% |
| Fringe Benefit Tax | 0 | 0 | 0.0% | 0 | 0.0% |
| Deferred Tax | 0 | 0 | 0.0% | -0.26 | -100.0% |
| Reported Profit After Tax | 22.06 | 15.11 | 46.0% | 22.15 | -0.4% |
| Minority Interest After NP | 0.5 | 0.77 | -35.1% | 1.71 | -70.8% |
| Net Profit | 21.56 | 14.34 | 50.3% | 20.44 | 5.5% |
| EPS | 1.8 | 1.19 | 51.3% | 1.7 | 5.9% |

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Stock Rating Scale

| | Absolute Return |
|------------|-----------------|
| BUY | >20 |
| ACCUMULATE | 12-20 |
| HOLD | 5-12 |
| REDUCE | <5 |

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