



# 5 MINUTE STOCK IDEA

BY SMART SYNC INVESTMENT ADVISORY SERVICES

## TAKE SOLUTIONS

### WHAT WE LIKE

#### DEMONSTRATED AGILITY & GOOD CAPITAL ALLOCATION DURING THE PANDEMIC

“Should you find yourself in a chronically leaking boat, energy devoted to changing vessels is likely to be more productive than energy devoted to patching leaks.” – Warren Buffett

TAKE was **swift to shut the EU business** which was going to be a drain on the cash flows. **Saved close to USD 10 Mn of cashflows** that was imperative in the pandemic. Exited the poorly performing SCM sector which was diverting management’s attention. **This brought focus on the Life Science business** which has a far longer tailwind going ahead.

### WHAT WE DON'T LIKE

#### FRAGILITIES IN THE BUSINESS

Covid-19 disrupted their business in 3 ways:

**Sites:** Hospitals or clinics do clinical trials are the sites. During lockdown, most of the sites were converted to treating COVID, **so they were not available for clinical trials.**

**Patients or Volunteers:** These trials are usually conducted on patients and on healthy volunteers. **Pandemic is probably the worst of times to expect them.**

**Supply chain:** Lockdown made it difficult for managing the Supply chain- the samples, availability and collection of samples.

#### RECENT EXITS IN TOP MANAGEMENT

Previous CEO, CFO & CS exited in the last 12 months in quick succession. **Such a sudden exit of top executives is not a good situation for any business.**

**We at SSS believe, that it may have to do with the strategic decision of shutting down of the two businesses.** However, our queries to the management remained unanswered as on the date of this report.

#### CDMO PLAYERS POINT AT CLINICAL TRIALS AS THE WEAKEST SPACE IN PHARMA

Syngene International in the Q3FY21 concall highlighted the softness in the clinical trial business and maintains a very cautious stance on this space. **This means it would be fair to assume that the pre-covid level is still a distance away for the entire clinical trials industry segment including TAKE Solutions.**

#### HIGH EXPOSURE TO USA

In FY20, 85% of revenue was generated from the USA. **This represents a big geographical concentration risk.** Any adverse situation in the USA economy or India-USA trade relations can severely impact company’s business. **We, at SSS, believe that they need to expand their APAC and ROW business to mitigate this risk in the future.**

#### VALUE PROPOSITION IN NICHE AREAS

Management has always maintained that they do not intend to move into manufacturing. Focus is razor sharp and only on Clinical Trails & Regulatory Submissions.

Our Unique Formula = Technology Platform Based Services + Knowledge Partner



Offering both end-to-end services and bespoke functional services

#### IMPROVING INDUSTRY DYNAMICS

In the past, for clinical trials, many sponsors used to point on multi-country studies (15- 25). **Post the onset of Covid-19 pandemic, lesser number of sites, lesser number of countries and lesser number of patients is an option that regulators are looking at.** If it is implemented, it would improve TAKE’s efficiency and growth going forward.

#### DELEVERAGING ON THE CARDS

Management in its recent interview has indicated of their commitment to reduce debt by selling real estate assets. Focus is primarily on growth of revenue and optimizing capacity. **If growth picks up, a full fledged CDMO player like Syngene may look it as an acquisition candidate.** At 825 Cr Market Cap, the business is attractively valued given the prospects. However, it is too early to say how the business will shape up in the next few quarters.

