

Pick of the Week

- In an ever-changing business environment, some of our investment ideas seem more convincing than others due to better earning visibility and/or attractive valuation. Every Monday, we bring you such fundamental stock ideas through our “Pick of the Week” report.
 - **Investment Horizon:** Though the ideal investment horizon for such ideas remain 6-9 months, our picks may provide some profit-making opportunities even to short-term investors.
 - **Risk-Return Profile:** Pick of the week ideas are the best high return research ideas at this point in time.

Scrip	Mcap (Rs Cr)	CMP	Target Price *	Potential Upside (%)	Reco
Take Solution	1,928	130	146	12%	Buy

* Note: Investment horizon Approx. 6-9 months., CMP as on 1st March, 2019.

CMP	Target
130	146

MARKET DATA

No. of Shares	: 14.83 cr
Market Cap	: Rs 1,928 Cr
52-week High / Low	: Rs 308/97
BSE Code	: 532890
NSE Code	: TAKE

Investment Rationale

- ❑ **Strategic Acquisitions in USA to boost growth:** TSL announced two acquisitions to be completed during Q4FY19. These acquisitions would strengthen TSL's domain expertise and increase US presence. Together these debt free companies contribute \$ 35 mn revenue and are profitable at operational level.
- ❑ **Life Sciences driving growth:** Revenue contribution from Life Sciences stood at 93%(Q3FY19). Since Q1FY16, Life Sciences has grown at a strong 7.78% CQGR as compared to overall revenue growth of 6.09% CQGR. Supply Chain Management business was supposed to be completely phased out by FY19 due to pricing pressure but management indicated that SCM is not a drag to TSL's performance & the unit would continue in FY20 till they find a suitable deal.
- ❑ **Clinical vertical to witness exponential growth:** Life sciences outsourcing business is expected to reach \$ 44 bn by 2021 (currently ~ \$ 37 bn) that potent large addressable market for TSL. 80% of the outsourcing growth opportunity lies within Clinical business; Clinical business contributed 35% to the Q3FY19 revenue as compared to 29% in FY18. TSL would continue to grow its share in revenue from Clinical business and management plans to have ~60% revenue share from Clinical segment by FY21E. The margins in Clinical business is healthy at 16-18%, though lower than regulatory & PV segments and we expect blended margins to be ~18% for FY20E/FY21E.
- ❑ **Seasonality impact on sequential growth, order book intact:** Q3 revenues were flattish compared to Q2 due to seasonality effect (holiday season) as number of working days were lower and some of the ongoing projects remained unbilled for Q3. European markets witnessed soft response leading to just 1.1% sequential growth (vs 6.07 % CQGR since Q1FY16), however order book continued to remain robust at \$ 240 mn, growth of 47% YoY & 5% QoQ.
- ❑ We have a **BUY** with a target of Rs. 146

Financial Summary

Y/E	Sales	PAT	EPS	RoE	RoCE	DPS
March	(Rs Cr)	(Rs Cr)	(Rs)	(%)	(%)	(%)
FY18	1,587	159	12.2	14.1	16.9	1.5
FY19E	1996	190	12.8	13.2	16.7	1.5
FY20E	2404	216	14.6	13.2	17.2	2.0
FY21E	2941	283	19.1	14.9	19.6	3.0

Source: Reuters, Consensus Estimates

No of Stocks Matrix

No of Stocks	9m	15m
Met Target	10	27
Not Met Target	29	38

Performance Matrix

% Return	9m	15m
Met Target	10.6	11.7
Not Met Target	(12.7)	(18.1)

Benchmark Performance Matrix

% Return	9m	15m
Met Target	2.4	1.4
Not Met Target	(1.0)	(0.4)

Note : Performance of the pick of the week is calculated for stocks recommended from June-18 to Feb-19 for 9 Months and from Dec-17 to Feb-19 for 15 Months.

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DEFINITION OF RATINGS	
Ratings	Expected absolute returns over 12 months
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%

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