

Shri Ajay Bankda,
Managing Director,
Syncom Healthcare Ltd.,
'Syncom House', 293/2, Niranjanpur,
Dewas Naka, A. B. Road,
Indore.

June 29, 2009

Confidential

Dear Sir,

IPO Grading

Please refer to your letter dated September 10, 2008, requesting for grading of your company's Initial Public Offering (IPO).

2. CARE has assigned a '**CARE IPO Grade 2**' to the proposed IPO of Syncom Healthcare Ltd. (SHL). '**CARE IPO Grade 2**' indicates **Below Average Fundamentals**. CARE assigns IPO grades on a scale of Grade 5 to Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals. CARE's IPO grading is an opinion on the fundamentals of the issuer. The grade assigned to any individual issue represents a relative assessment of the 'fundamentals' of the issuer. SHL proposes an initial public offering of its 75,00,000 equity shares.
3. The rationale for this grading shall be communicated to you separately.
4. Please note that the IPO grading is a one time exercise undertaken before an IPO issue and it does not have any ongoing validity.
5. Please note that the grading would be valid for a period of two months from the date of this letter. The grading can be revalidated for a period of six months from the date of this letter, failing which, the grading would stand withdrawn.
6. Please note that as per the existing regulations, CARE is required to disclose all IPO gradings, as such, in the absence of any request for review of grading within a week of this letter, CARE will disclose this IPO grading to the public.



7. CARE's IPO grading does not take cognizance of the price of the security, it is not a recommendation to buy, sell or hold shares/securities. They are not a comment on the offer price or the listed price of the scrip. They do not imply that CARE performs an audit function or forensic exercise to detect fraud.
8. If you need any clarification, you are welcome to approach us.

Thanking you,

Yours faithfully,

A handwritten signature in blue ink, appearing to read "Mitul Budhbhatti".

Mitul Budhbhatti
Manager

A handwritten signature in blue ink, appearing to read "Mehul Pandya".

Mehul Pandya
Jt. General Manager

DISCLAIMER

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Shri Ajay Bankda,
Managing Director,
Syncom Healthcare Ltd.,
'Syncom House', 293/2, Niranjapur,
Dewas Naka, A. B. Road,
Indore - 452 010

July 1, 2009

Confidential

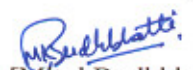
Dear Sir,


IPO Grading

Please refer to our letter dated June 29, 2009, on the above subject

2. As already communicated to you, CARE has assigned a '**CARE IPO Grade 2**' to the proposed IPO of Syncom Healthcare Ltd. (SHL). '**CARE IPO Grade 2**' indicates **Below Average Fundamentals**. CARE assigns IPO grades on a scale of Grade 5 to Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals. CARE's IPO grading is an opinion on the fundamentals of the issuer. The grade assigned to any individual issue represents a relative assessment of the 'fundamentals' of the issuer. SHL proposes an initial public offering of its 75,00,000 equity shares.
3. The rationale for this grading is placed as an **Annexure I** and press release as **Annexure II**.
4. CARE's IPO grading does not take cognizance of the price of the security, **it is not a recommendation to buy, sell or hold shares/securities**. They are not a comment on the offer price or the listed price of the scrip. They do not imply that CARE performs an audit function or forensic exercise to detect fraud.
5. If you need any clarification, you are welcome to approach us.

Thanking you,
Yours faithfully,


[Mitul Budhbhatti]
Manager


[Mehul Pandya]
Jt. General Manager

Encl. a/a

Annexure I

SYNCOM HEALTHCARE LTD.

IPO Grading

'CARE IPO Grade 2'

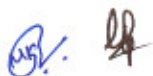
Grading

CARE has assigned a '**CARE IPO Grade 2**' to the proposed Initial Public Offering (IPO) of Syncom Healthcare Limited (SHL). '**CARE IPO Grade 2**' indicates **Below Average Fundamentals**. CARE assigns IPO grades on a scale of Grade 5 to Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals. CARE's IPO grading is an opinion on the fundamentals of the issuer. The grade assigned to any individual issue represents a relative assessment of the 'fundamentals' of the issuer. SHL proposes an initial public offering of its 75, 00,000 equity shares.

The assigned grading is largely governed by rich experience of the promoters of SHL in marketing of pharmaceutical formulations in India, growing clientele in contract manufacturing business, various tax benefits enjoyed by company's sole manufacturing unit at Dehradun and its location advantage in terms of proximity to other leading pharmaceutical companies and raw material suppliers. However, the grading is constrained by SHL's relatively small size of operations, short track record of manufacturing operations, modest branded product portfolio and highly competitive nature of the domestic pharmaceutical market. The grading is further constrained due to various trade agreements entered into by SHL with Syncom Formulations (India) Ltd. (SFL), thereby restricting SHL's access to export markets for many of its existing branded products. Besides, pending WHO-GMP certification of its existing facility from the regulatory authorities also constrains the grading. The grading also factors in SHL's modest financial profile as at Mar.31, 2009, as indicated by moderate profitability and solvency ratios and long working capital cycle with high proportion of receivables exceeding six months.

Background

Promoted by Shri Ajay Bankda and his family, SHL was incorporated in July 2002 as a result of a family partition for marketing of pharmaceutical formulations in India. The domestic formulations business of Syncom Formulations (India) Ltd. (SFL) was hived off to SHL, while SFL retained the rights to access the export markets. Subsequently in 2005, SHL setup its first manufacturing facility in Dehradun, thereby taking advantage of

A handwritten signature in blue ink, appearing to be "Ajay Bankda".

various tax benefits available for units setup in that region. Over the years, SHL has increased its product range to include ethical, OTC (Over The Counter), generic drugs and herbal formulation in various dosage forms and has also taken up contract manufacturing business for various other leading pharmaceutical companies in India. SHL is a closely-held public limited company with entire stake being held by promoter/promoter group.

Promoters & Management

Shri Ajay Bankda, Managing Director, looks after the overall operation of company and he has over 15 years of experience in marketing of pharmaceutical formulations through his family's earlier venture, M/s Syncom Pharmaceuticals (a partnership concern promoted by Shri Ajay Bankda and his two elder brothers in 1984). He has been associated with SHL since its inception in 2002. In SHL, he is supported by technical and commercial personnel who have rich experience in their respective fields and have been associated with the company since inception.

Corporate governance

SHL has complied with the requirements of the regulations in respect of the public issue and constitution of Board and Committees. SHL's Board of Directors consists of six Directors, three of whom are independent Directors. SHL's three Executive Directors are Shri Ajay Bankda and his family members who are also promoters of the company. SHL has created separate committees for audit, remuneration and shareholder/investor grievance with independent Directors on the Board thereby separating the executive management from the supervisory role. Overall, corporate governance practices of the company can be considered as moderate.

Operations

SHL is engaged in manufacturing and marketing of pharmaceutical formulations in various dosage forms in the domestic market. SHL has four business divisions namely Generics (62.6% of FY09 turnover), OTC (Over The Counter; 23.5%), Ethical (3.0%) and contract manufacturing (10.9%). SHL's entire sales are to the domestic market with no exports. The company has applied for WHO-GMP certification for the existing facility for which the approval is awaited. Subsequent to the family partition, SHL and SFL entered into certain trade agreements regarding use of certain trademarks/copyrights/brands in the domestic and export markets. As per the agreements, SHL cannot sell its products in the export markets under the 'Syncom' brand for the products covered in the agreements.

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Similarly, SFL is restricted to sell the covered products in the domestic market through use of 'Syncom' brand. This restricts SHL's ability to readily access the export market with its existing product portfolio. However, SHL can enter the export markets with a different brand name or for products that are not covered in the agreement. The validity of these agreements is perpetual with a provision for termination of the agreements at any time in the future based on mutual consent of both SHL and SFL.

The company has also been undertaking contract manufacturing for other leading pharmaceutical companies of national and international repute. Some of the top clients of SHL include Lupin, Piramal Healthcare and Galpha Labs.

Proposed Projects

SHL has planned various projects for which the company has sought to raise funds through its IPO. Various objects of the issue are a) to setup a new manufacturing unit at Indore SEZ for manufacturing of various pharmaceutical formulations for export to regulated and less-regulated markets, b) to up-grade/modernize its existing manufacturing facility at Dehradun, c) to setup an export office at Mumbai to look after the overall export operations of the company, d) to meet working capital requirements, and e) for brand & product registrations and approvals. The total cost for these projects is estimated to be Rs.49.10 crore (excluding funds to be used for general corporate purpose and issue expenses) which is expected to be funded totally from the IPO proceeds.

The brief particulars of above capex plan are given below:

Particulars	Amount (Rs. Cr)
Cost of Projects	
1. Mfg. unit at Indore SEZ	20.48
2. Up-gradation of Dehradun unit	6.62
3. To meet WC requirements	15.00
4. Opening export office at Mumbai	4.00
5. Brand & Product registration & Approval	3.00
6. General Corporate Purpose (net of issue expenses)	16.90
Total	66.00
Means of Financing	
Proposed IPO*	66.00
Total	66.00

* Tentative amount as price of the issue is to be decided through book-building process

The company is yet to acquire land and place orders for plant and machinery for its new unit. The period of implementation of the projects is totally dependent upon the success of its proposed IPO.



Financials

(Rs. crore)

<i>For the period ended / as on Mar. 31,</i>	2007	2008	2009
	[12m, A]	[12m, A]	[12m, A]
Working results			
Income from Operations	30.18	51.74	60.56
PBILDT	5.31	9.01	9.92
Depreciation	0.90	1.96	2.04
Interest	0.95	2.88	3.38
PBT	3.46	4.18	4.51
PAT	2.75	3.69	3.78
Gross cash accruals	3.82	5.64	6.09
Financial Position			
Equity share capital	5.87	8.10	10.00
Networth	9.50	16.02	21.29
Total capital employed	29.94	46.22	52.30
Key Ratios			
Profitability			
PBILDT / Total income (%)	17.60	17.42	16.38
PAT / Total income (%)	9.12	7.13	6.24
ROCE (%)	21.52	18.54	16.01
Solvency			
Long-term debt equity ratio	1.34	1.18	0.77
Overall gearing ratio	2.07	1.90	1.46
Total debt / Net cash accruals	5.36	5.38	5.09
Current ratio*	1.35	2.20	2.12
Turnover			
Avg. Collection Period (days)	124	142	160
Average Inventory (days)	48	60	69
Average Creditors (days)	94	49	31
Operating cycle (days)	77	153	198
Working capital turnover ratio	3.47	2.44	1.79
Capital turnover ratio	1.47	1.36	1.23
Equity Share related			
Book Value (per Rs.10 share)	16.19	19.78	21.29
EPS	4.69	4.55	3.78

* Includes current portion of long-term debt

SHL's total income has grown at a CAGR of 47% over the past three years primarily driven by increase in sales volume from SHL's manufacturing unit which became operational during FY07. During FY09, total income increased by 17% to Rs.60.56 crore which was backed by overall increase in sales from traded and manufactured goods.



PBILDT margin declined in FY09 on account of stock adjustments despite decline in raw material costs and administrative overheads. Due to decline in PBILDT margin, PAT margin also declined slightly to 6.2% during FY09.

As on March 31, 2009, both long term debt equity and overall gearing ratios improved and stood moderate at 0.77 times and 1.46 times respectively compared to 1.18 times and 1.90 times as on March 31, 2008 due to repayment of term loans. Interest coverage was moderate at 2.33 times for FY09 compared to 2.45 times for FY08.

SHL's working capital cycle increased to 198 days during FY09 from 153 days during FY08 primarily due to increase in collection period and decrease in creditor days. Debtors exceeding six months consisted of more than 57% of total debtors as at Mar.31, 2009, up from 43% as at Mar.31, 2008.

During FY09, SHL had an EPS (Earnings per Share) of Rs.3.78 compared to Rs.4.55 during FY08. The dip in EPS was on account of increase in share capital on account of issue of equity shares to promoters at par coupled with moderate increase in PAT. SHL had a BVPS (Book Value per Share) of Rs.21.29 as on Mar.31, 2009 compared to Rs.19.78 as on Mar.31, 2008.

Industry Scenario

As per ORG IMS the Indian pharmaceutical Industry (IPI) is valued at around US\$ 8 billion and has grown at a CAGR of 13% over the last four years.

There are nearly 330 units in the organized sector and 15,000 units in the unorganised sector manufacturing products ranging from bulks, intermediates (APIs) to formulations. The organised sector accounts for 96% of the industry sales with the top 15 companies constituting almost 63% of the total industry sales.

With the regulatory environment undergoing (product patent becoming effective) a change in 2005, the industry environment for the domestic pharmaceutical companies has completely undergone a change. Prior to the implementation of product patents, most of the manufacturers were involved in reverse engineering patented/off-patent drugs and selling its generic version in the domestic market. Advent of product patent regime has resulted in complete elimination of manufacturing generics versions of patented drugs. Due to huge domestic pool of prospective customers, the Indian market remains a focus area for IPI. Considering that the domestic market is expected to grow at a CAGR of 10-12% till 2015, it offers ample opportunities for Indian companies/foreign MNCs. However, the realisation in the domestic market is constrained by strict price controls.

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Export markets have also emerged as a thrust area for IPI. The global pharmaceutical companies are facing concerns with respect to patent expiries of blockbuster drugs, drying R&D pipelines, rising manufacturing and R&D costs. This has thrown open significant growth opportunity for IPI in the form of exports of generics to these markets. Generics sales currently stand close to 12% of the total global pharma sales grossing approximately USD 75-80 bn annually.

The critical success factors for a company focusing on the domestic formulations market include strong brands, strong marketing and distribution setup, low cost manufacturing capability and/or outsourcing model and maintaining high quality standards.

Prospects

SHL's prospects in the domestic market would be largely governed by its ability to achieve continuous growth through strengthening of its existing branded product portfolio and introduction of new products in various therapeutic segments. SHL's proposed projects would be largely dependent upon success of its IPO without which, the company might have to look at alternative funding sources for financing its growth plans.

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Annexure II

Care assigns 'CARE IPO Grade 2' to the proposed public issue of Syncom Healthcare Ltd.

CARE has assigned a '**CARE IPO Grade 2**' to the proposed Initial Public Offer (IPO) of Syncom Healthcare Ltd. (SHL). '**CARE IPO Grade 2**' indicates **Below Average Fundamentals**. CARE assigns IPO grades on a scale of Grade 5 to Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals. CARE's IPO grading is an opinion on the fundamentals of the issuer. The grade assigned to any individual issue represents a relative assessment of the 'fundamentals' of the issuer.

Instrument	Amount (Rs. Crore)	Grade Assigned
Proposed public issue of 75,00,000 equity shares of face value of Rs.10 each	Price to be determined through 100% book building process	'CARE IPO Grade 2'

Rating Rationale

The assigned grading is largely governed by rich experience of the promoters of SHL in marketing of pharmaceutical formulations in India, growing clientele in contract manufacturing business, various tax benefits enjoyed by company's sole manufacturing unit at Dehradun and its locational advantage in terms of proximity to other leading pharmaceutical companies and raw material suppliers. However, the grading is constrained by SHL's relatively small size of operations, short track record of manufacturing operations, modest branded product portfolio and highly competitive nature of the domestic pharmaceutical market. The grading is further constrained due to various trade agreements entered by SHL with Syncom Formulations (India) Ltd. (SFL), thereby restricting SHL's access to export markets for many of its existing branded products. Besides, pending WHO-GMP certification of its existing facility from the regulatory authorities also constrains the grading. The grading also factors in SHL's modest financial profile as on Mar.31, 2009, as indicated by moderate profitability and solvency ratios and long working capital cycle with high proportion of receivables exceeding six months.

Company Profile

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The objects of the proposed issue are a) to setup a new manufacturing unit at Indore SEZ for manufacturing of various pharmaceutical formulations for export to regulated and less-regulated markets, b) to up-grade/modernize its existing manufacturing facility at Dehradun, c) to setup an export office at Mumbai to look after the overall export operations of the company, d) to meet working capital requirements, and e) for brand & product registrations and approvals. The total cost for these projects is estimated to be Rs.49.10 crore (excluding funds to be used for general corporate purpose and issue expenses) which is proposed to be funded totally from the IPO proceeds.



During FY09 (as per audited results), SHL reported a total income of Rs.60.56 crore (FY08: Rs.51.74 crore) with a PAT of Rs.3.78 crore (FY08: Rs.3.69 crore).

Analyst Contact

Name: Mitul Budhbhatti

Tel # 079 - 66311821

Mobile # 9725040966

Email: Mitul.budhbhatti@careratings.com

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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A handwritten signature in blue ink, appearing to be "Mitul Budhbhatti".

Shri Ajay Bankda,
Managing Director,
Syncom Healthcare Ltd.,
'Syncom House', 293/2, Niranjanpur,
Dewas Naka, A. B. Road,
Indore 452 010

December 11, 2009

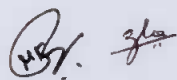
Dear Sir,

Confidential

Revalidation of IPO Grading

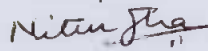
Please refer to your request for revalidation of grading of your company's proposed Initial Public Offering (IPO).

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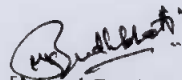


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Thanking you,
Yours faithfully,

A handwritten signature in black ink, appearing to read "Nitin Jha".

[Nitin Jha]
Dy. Manager

A handwritten signature in black ink, appearing to read "Mitul Budhbhatti".

[Mitul Budhbhatti]
Sr. Manager

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