

### IPO Note

### Saamya Biotech (India) Limited

### Do not Subscribe

#### IPO Details

Face Value	Rs. 10
Offer Price (Rs)	Rs. 10
Issue Opens	September 25, 2007
Issue Closes	September 28, 2007
Bloomberg	SBIL IN
BRLM	UTI Securities Limited
Registrar to issue	Aarthi Consultants Pvt. Ltd.
Shares on offer for sale	15 mn

#### Pre issue shareholding pattern

Shareholders	% Stake
Promoters	100.0

#### Post issue shareholding pattern

Shareholders	% Stake
Promoters	35.0
Non-Promoter Group	65.0

#### Segmented Allocation

QIBs	1,500,000
Retail	13,500,000

#### IPO Details

	Offer Price
Offer Price (Rs)	10
Equity Shares prior to issue (mn)	8.1
Fresh Issue of shares (mn)	15.0
Total Equity Shares (mn)	23.1
Share Capital (mn)	Rs. 230.8
Implied market cap (mn)	Rs. 230.8
Debt (mn) (as on 31/03/2007)	Rs. 14.7
Cash (mn) (as on 31/03/2007)	Rs. 0.1
Implied EV (mn)	Rs. 245.5

Saamya Biotech (India) Ltd (SBIL), incorporated in August 2002, was set up as a 100% EOU with an objective to undertake the business of manufacturing and trading chemicals, pharmaceuticals, drugs and intermediates. So far, the Company has not commenced operations. The Company proposes to set up a manufacturing facility in Andhra Pradesh, to manufacture Daunomycin, Hyaluronic Acid - pharma grade and cosmetic grade, which are low volume, high value active biopharmaceutical ingredients. Further, SBIL has a technology transfer agreement with Biofin laboratories, Italy and a sales and purchase agreement with Finchimica, Italy, which would buy 100% of the products manufactured by the Company.

#### Promoters

Dr. Y. Manivardhan Reddy (Managing Director), aged 44 years, has a Bachelor Degree in Medicine and Surgery (MBBS) and a Bachelor of Science (Honors) Degree in Industrial Microbiology, Biochemistry, Biometry and Botany.

Dr. Y. Sonia Reddy, aged 43 years, is a MBBS. She also holds the position of Managing Director in one of the group companies, Visu International Limited.

#### Recommendation

Despite being incorporated in 2002, the Company has not yet commenced commercial operations and cannot be judged based on its financial performance. The products which the Company proposes to produce are highly competitive and the promoters lack experience in the field of drug manufacture. Further, the Company is completely dependent on a small sized entity, Finchimica, for its sales. Based on the above factors, we believe the issue entails considerable risk, despite being offered at the face value of Rs. 10, and thus recommend the investors not to subscribe to the issue.

## IPO

### *Issue details*

SBIL plans to raise Rs. 150 mn through an IPO of 15 mn equity shares having a face value of Rs. 10 each, at an offer price of Rs. 10. Pre-issue, the promoters hold 100% of the issued and paid-up share capital of the Company. After the issue, the promoters will own 35% of the post-issue paid-up equity share capital. The Company has allocated 1.5 mn shares of the net issue for QIBs and 13.5 mn shares for retail investors.

### *Issue objective*

The IPO is being carried out to raise funds for the following purposes:

- To set up a manufacturing facility including research and development and pilot plant facility for low volume, high value active bio-pharmaceutical ingredients viz., Daunomycin and Hyaluronic Acid - pharma grade and cosmetic grade.
- To meet margin money for working capital requirements.
- To meet the issue expenses.

## Rationale

### *Inexperienced promoters*

The promoters of the Company are qualified in the field of medicine, however, they lack experience in the area of drug manufacture. Further, the promoters of SBIL had earlier promoted Maanya Biotech Limited for the manufacture of biopharmaceutical products, but decided to abandon the project due to delay in getting various approvals.

Moreover, the Company has not been able to commence commercial operations even after 5 years of its incorporation. ICRA has rated the Company as Grade 1 (on a scale of 1-5) which indicates poor fundamentals. All these factors signify high investment risk.

*Total dependence on Finchimica*

SBIL has entered into a sales and purchase agreement with Finchimica, Spa, Italy, which would buy 100% of the products manufactured by the Company. Therefore, the Company is totally dependent on Finchimica for its sales, which in itself is a small sized entity and has limited trading activities.

Further, Finchimica does not provide any guarantee for the agreement, and in case of termination, SBIL will have to develop its own marketing avenues or look for other partners.

*High competition*

Daunomycin and Hyaluronic, the Company's initial products, are based on commoditized old molecules and face a high level of competition (with big players like RPG Life Sciences in similar product segments) and product substitution risk. The prices of these products have been under pressure and have declined steadily in the past several years. These factors raise concerns about the future profitability of the project.

*Delay in implementation of the project*

The Company is planning to commence commercial production in March 2008. If the Company is not able to receive relevant regulatory approvals, as in the promoters' previous venture, it may result in abandonment of the project or delay in commercial production and sale of the products.

**Company Background**

The Company was incorporated on August 13, 2002 as a Public Limited Company and was issued the certificate of commencement of business on August 26, 2002. The primary objective of the Company is to carry on the business of manufacture, buy, import, export, and generally deal in all types of chemicals, pharmaceuticals, drugs, and intermediates. Till now, the Company has not commenced its operations. It plans to set up a manufacturing facility in Andhra Pradesh, to manufacture active biopharmaceutical ingredients. SBIL has entered into a technology transfer agreement with Biofin Laboratories and a sale and purchase agreement with Finchimica, Italy. The Company has its registered office in Hyderabad.

## Disclaimer

This report is not for public distribution and is only for private circulation and use. The Report should not be reproduced or redistributed to any other person or person(s) in any form. No action is solicited on the basis of the contents of this report.

This material is for the general information of the authorized recipient, and we are not soliciting any action based upon it. This report is not to be considered as an offer to sell or the solicitation of an offer to buy any stock or derivative in any jurisdiction where such an offer or solicitation would be illegal. It is for the general information of clients of Indiabulls Securities Limited. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. You are advised to independently evaluate the investments and strategies discussed herein and also seek the advice of your financial adviser.

Past performance is not a guide for future performance. The value of, and income from investments may vary because of changes in the macro and micro economic conditions. Past performance is not necessarily a guide to future performance.

This report is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. Any opinions expressed here in reflect judgments at this date and are subject to change without notice. Indiabulls Securities Limited (ISL) and any/all of its group companies or directors or employees reserves its right to suspend the publication of this Report and are not under any obligation to tell you when opinions or information in this report change. In addition, ISL has no obligation to continue to publish reports on all the stocks currently under its coverage or to notify you in the event it terminates its coverage. Neither Indiabulls Securities Limited nor any of its affiliates, associates, directors or employees shall in any way be responsible for any loss or damage that may arise to any person from any error in the information contained in this report.

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject stock and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report. No part of this material may be duplicated in any form and/or redistributed without Indiabulls Securities Limited prior written consent.

The information given herein should be treated as only factor, while making investment decision. The report does not provide individually tailor-made investment advice. Indiabulls Securities Limited recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. Indiabulls Securities Limited shall not be responsible for any transaction conducted based on the information given in this report, which is in violation of rules and regulations of National Stock Exchange or Bombay Stock Exchange.