

Rating Release

July 02, 2008, Mumbai

CRISIL 'A+' and 'P1' for GVK BIOSCIENCES' bank facilities

Rs.200 Million Cash Credit/ Working Capital Demand Loan	A+ /Stable(Assigned)
Rs.519.8 Million Long Term Loan	A+ /Stable(Assigned)
Rs.220 Million Packing Credit	P1(Assigned)
Rs.150 Million Letter of Credit	P1(Assigned)
Rs.75 Million Short Term Loan	P1(Assigned)

CRISIL has assigned its bank loan ratings of '**A+ /Stable/P1**' to the various bank facilities of GVK Biosciences Pvt Ltd (GVK BIO). The ratings reflect GVK BIO's strong market position and favorable growth prospects, its low-risk business model, based predominantly on full-time equivalent (FTE) and fee-based contracts, and its healthy operating margins. These strengths are, however, partially offset by increasing competition in the contract research industry and large and aggressive growth plans of the company which could impact the financial profile in the short to medium term future.

CRISIL has combined the financial profiles of GVK BIO and Inogen Labs, an affiliate company of the GVK Group; this is because both companies are controlled by the same management and are in similar line of business. While GVK BIO provides services in drug discovery and development, Inogen Labs provides custom synthesis, process development and contract manufacturing services of intermediates, NCEs and APIs for small molecules.

Outlook: Stable

CRISIL expects GVK BIO to maintain its trajectory of profitable growth, through organic and inorganic expansions. The financial risk profile is expected to weaken from current levels due to debt raised to fund capital expenditure plans and acquisitions, and yet remain on par for the rating category. The outlook may be revised to 'Positive' if the company achieves robust growth while maintaining a comfortable financial risk profile. Conversely, the outlook may be revised to 'Negative' if GVK BIO incurs more debt than expected to fund its growth plans, thereby straining its capital structure, or increases its exposure to risks inherent to Collaborative Research deals.

About GVK BIO

GVK BIO is one of India's leading Contract Research Organizations engaged in providing integrated research services to big Pharma and Biotech companies globally. The company accelerates the Drug Discovery and Development process of its customers through science and innovation. Currently the company has more than 1,500 (GVK BIO and Inogen) employees spread across facilities in Hyderabad, Chennai and Gurgaon.

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