



September 17, 2010

ICRA assigns LAA (SO) and A1+ (SO) ratings to bank facilities of Piramal Life Sciences Limited

ICRA has assigned LAA (SO) (pronounced L double A structured obligation) rating to the Rs. 100.0 crore¹ term loans of Piramal Life Sciences Limited (PLSL)[†]. ICRA has also assigned A1+ (SO) (pronounced A one plus structured obligation) rating to the Rs. 225.0 crore short term loans of PLSL. The letters SO in parenthesis suffixed to a rating symbol stand for Structured Obligation. An SO rating is specific to the rated issue, its terms, and its structure. SO ratings do not represent ICRA's opinion on the general credit quality of the issuers concerned.

The assigned ratings are solely based on the strength of the guarantee provided by Piramal Healthcare Limited (PHL) (rated LAA/A1+ by ICRA). The ratings address the servicing of the loan to happen as per the terms of the underlying loan and the guarantee arrangement and the rating assumes that the guarantee will be duly invoked, as per the terms of the underlying loan and guarantee agreements, in case there is a default in payment by the borrower.

Company Profile

The company was incorporated initially as a private limited company on 27th June 2001 under the name of NPIL Research and Development Private Limited. Subsequently, the company was converted into a public limited company and on 15th February 2008, the name of the company was changed to its present name Piramal Life Sciences Limited (PLSL). PLSL is engaged in the discovery and development of novel small-molecule drugs. PLSL has its R&D laboratories built over 200,000 square-feet in Mumbai and over 300 scientists engaged in drug discovery and development. PLSL was formerly the NCE R&D division of NPIL.

PLSL is focused on four therapeutic areas - Cancer, Diabetes, Inflammation and Infectious Diseases. The company has a pipeline of fourteen compounds, including seven in clinical trials. PLSL's lead chemical compound, a selective Cdk Inhibitor (Cyclin dependent kinase, Oncology), has completed two phase 1 studies and is being tested in three phase II trials in United States, Australia and India. PLSL also has drug discovery and development agreements with Eli Lilly & Company and Merck & Company.

Guarantor Company Profile

PHL is part of the Ajay Piramal group of companies. The Group is a diversified Indian business house with interests largely in pharmaceuticals, real estate, and with a presence in glass and financial services. A significant part of PHL's growth, especially in its early years, has been contributed by in-organic growth.

In 1988, the group acquired Nicholas Laboratories (NL), which was owned by a Sara Lee group company. [NL was incorporated in 1947 to manufacture pharmaceutical formulations by the Nicholas Kiwi group] Following its acquisition, the group changed NL's name to Nicholas Piramal India Ltd. NPIL commissioned a new formulation manufacturing plant at Pithampur in Madhya Pradesh. Gujarat Glass was merged with PHL in 1990. Subsequently, PHL continued to grow by acquisitions – a pattern that has been historically followed by the group – acquiring Roche Products India in 1993, Sumitra Pharma in 1994, Boehringer Mannheim in 1997, R&D division of Hoechst in 1998, Rhone Poulenc India in 2000-01, the pharma division of ICI in 2002, and Sarabhai Piramal (remaining 50% stake) in 2003-04. The company has also acquired API facilities of Global Bulk Drugs, Canere and ophthalmic business of Alpex International, acquired IA products business of Rhodia, Avecia Pharmaceuticals in UK and Canada and Morpeth facility of Pfizer at UK during the last 2-3 years. The acquisition of Avecia and Morpeth were aimed at strengthening its international contract manufacturing business. In 2009, the company acquired M/s Minrad Inc and M/s RxElite Inc. in USA, to further strengthen its global critical care business.

¹100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

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ICRA Limited

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In May 2010, PHL announced that it has entered into a definitive agreement to hive-off its domestic formulations portfolio to Abbott for a total consideration of US\$ 3.72 billion. As a result of the hive-off of domestic formulations business, PHL will largely operate in the CRAMS, Critical Care, OTC, Diagnostics, Vitamins & Fine Chemicals and certain other business segments. The company's manufacturing facilities are located in India, U.K, USA and Canada.

Recent Results

In FY 2010, PLSL reported a net loss of Rs. 129.8 crore on an operating income of Rs. 6.21 crore.

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

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