ChrysCap buys 10% stake in research firm GVK Bio

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MUMBAI: Top Indian private equity investor ChrysCapital has purchased 10% stake in GVK Biosciences, a Hyderabad-based contract research and discovery services company promoted by former Ranbaxy MD Davinder Brar and Sanjay Reddy, multiple sources familiar with the matter said.

The deal, which just received Foreign Investment Promotion Board (FIPB) approval, will see ChrysCapital buying the stake held by Sequoia Capital for $25 million. The new investor will also commit additional funds to back GVK Bio's plans to grow through acquisitions, sources added. The secondary purchase from Sequoia valued the decade-old company at $250 million.

GVK Bio is India's second largest drug discovery services player with $100-million revenue and counts leading MNC innovator pharma firms as clients. It has over 1,700 scientists and 200 PhDs working at five locations. The company recently acquired Aragen, a large molecule discovery services firm based in California, and has an informatics division focused on curation services.

GVK Bio's management is led by ex-Intel CIO Manni Kantipudi who has been at the helm since 2007.

ChrysCapital, which manages $2.6 billion and counts pharma as one among the four core sectors, has placed early investment bets on domestic formulations companies reaping big profitable exits. This is ChrysCapital's first investment in contract research and development space and comes at a time when it is raising $600 million in seventh fund. ChrysCapital MD Sanjiv Kaul, touted as one of the most successful pharma investors in the country, was part of Brar's top team at Ranbaxy in the '90s.

Under Kaul, ChrysCapital invested in Mankind Pharma, Cadila, Intas, Torrent, Ipca and Eris Lifesciences. He scripted blockbuster exits from Mankind and Intas, netting some of the biggest gains booked in Indian private equity investing.

ChrysCapital declined to comment. GVK Bio could not be reached immediately.

Kaul and ChrysCapital are investing in contract research and discovery services at a time when global pharma innovators are upping R&D spends to stave off "patent cliff and take advantage of favourable currency equations". This could deliver 18-20% annualized growth for research and discovery services players in the near future, a recent CARE Ratings report said.