

Granules India to divest stake in Joint Venture in China

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Granules India Limited, has announced its intention to divest its entire equity shareholding in Granules Biocause Pharmaceuticals Co. Ltd. by selling its stake to joint venture partner. Granules Biocause Pharmaceuticals Co. Ltd. is an equal joint venture between Granules India Limited and Hubei Biocause Heilen Pharmaceutical Co. Ltd. The manufacturing facility of the joint venture is in Jingmen, China.

Granules formed the JV in 2007 to ensure a regular supply of Ibuprofen API to support its requirements for manufacturing Pharmaceutical Formulation Intermediates and Finished Dosages. The key reasons for exiting the JV are as follows:

- Environmental issues have created an atmosphere of business uncertainty in China. To comply with regulatory issues on pollution, Granules Biocause Pharmaceuticals' production facility had invested and will continue to invest substantial capex, which is contrary to Granules India's strategy of reducing Capex outflow and Free Cash Flow generation.
- Several existing Ibuprofen API manufacturers have expanded capacity or stated their intention to increase capacity. In addition, several companies have announced their intention to enter the Ibuprofen API market. Granules believe the additional API supply will enable it to have more supply options and having a JV is not necessary to ensure Ibuprofen API continuity.

Granules have a supply agreement with the JV and Ibuprofen API supply will not be impacted since the existing agreement will continue. In addition, Granules has several other reliable approved suppliers of Ibuprofen API in the international and domestic markets. Granules India's decision to dilute the stake of this JV will not impact its commitment to achieving the profitability target provided for the year even without any additional JV's contribution to the consolidated Net Profit. Further, the sale proceeds from this transaction will enable Granules India's Cash position and will eventually reduce the Net Debt position.