

Divi's Laboratories

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	DIVI IN
Equity Shares (m)	265
M.Cap.(INRb)/(USDb)	1628.3 / 18.6
52-Week Range (INR)	7078 / 4616
1, 6, 12 Rel. Per (%)	-8/-4/25
12M Avg Val (INR M)	3080

Financials & Valuations (INR b)

Y/E MARCH	FY25	FY26E	FY27E
Sales	93.6	106.6	126.6
EBITDA	29.7	34.3	42.8
Adj. PAT	21.6	24.8	31.0
EBIT Margin (%)	27.4	28.1	30.2
Cons. Adj. EPS (INR)	81.2	93.4	117.0
EPS Gr. (%)	35.3	15.0	25.2
BV/Sh. (INR)	563.9	629.5	710.2

Ratios

Net D:E	-0.3	-0.2	-0.2
RoE (%)	15.1	15.7	17.5
RoCE (%)	15.1	15.7	17.5
Payout (%)	31.0	30.6	31.0

Valuations

P/E (x)	74.8	65.0	51.9
EV/EBITDA (x)	53.1	45.9	36.8
Div. Yield (%)	0.3	0.4	0.5
FCF Yield (%)	0.3	0.2	0.6
EV/Sales (x)	16.8	14.8	12.5

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	51.9	51.9	51.9
DII	19.1	20.7	21.8
FII	19.7	18.0	16.2
Others	9.3	9.4	10.2

FII Includes depository receipts

CMP: INR6,134 TP: INR6,320 (+3%) Neutral

CS momentum intact; generic weakness and high opex weigh on results

CS platform expansion to help sustain earnings growth

- Divi's Laboratories (DIVI) posted lower-than-expected financial performance in 1QFY26. Revenue/EBITDA/PAT came in 5%/14%/18% below our estimates, affected by lower traction in the generics segment and increased opex. Having said this, 1QFY26 was the seventh consecutive quarter of robust YoY growth in earnings.
- Custom synthesis business has been witnessing strong growth momentum, driven by robust engagement across clinical phases and at the commercial stage. DIVI continues to build technology platforms (flow chemistry/peptides/biocatalysis/ADCs) and add capacities to support manufacturing requirements for innovator customers.
- DIVI is making efforts to sustain market share in the generics API space. It is also working on the manufacturing value chain to keep profitability intact.
- We cut our earnings estimates by 8%/6% for FY26/FY27, factoring in a) the current pricing pressure in the generics segment, b) incremental opex related to new projects, and c) revenue being back-ended. We value DIVI at 54x 12M forward earnings to arrive at a TP of INR6,320.
- We estimate a 20% earnings CAGR over FY25-27 on the back of improved business prospects in the CS segment as certain contracts are currently undergoing pilot study/qualification and subsequently expected to scale up to the commercial level. Notably, Peptide is expected to be the next breakthrough opportunity for DIVI. However, the current valuation leaves limited upside; hence, we maintain Neutral stance on the stock.

14% CC YoY revenue growth and margin expansion drive YoY earnings growth

- Revenue grew 13.8% YoY to INR24b (our est: INR25.2b) for the quarter.
- The generics:CS ratio was 47:53. This implies 3%/18% YoY growth in generics/ CS sales. The CC YoY growth in total revenue was 14%.
- Nutraceutical revenue was INR2.5b, up 40% YoY.
- Gross margin expanded 60bp YoY to 60.3%.
- EBITDA margin expanded 90bp YoY to 30.2% (est. 33.5%), aided by a better product mix and marginally better operating leverage. Lower other expenses (down 60bp YoY as % of sales) were partly offset by higher employee costs (+30bp YoY as % of sales)
- As a result, EBITDA grew 17% YoY to INR7.3b (est. INR8.5b).
- Adjusted for forex gains of INR390m, PAT grew 20% YoY to INR5.2b (est. INR6.3b).

Highlights from the management commentary

- The Kakinada backward integration project has started reflecting in DIVI's gross margins. DIVI is also shifting certain KSMs and intermediates from Unit-I/II to the Kakinada site to utilize the cGMP capacity of Unit I/II.
- DIVI is on track for three major projects with a total investment of INR20b. The business from these projects is related to molecules just commercialized by innovator and certain molecules that have finished clinical trials and are ready for commercialization.
- DIVI is working on biocatalysis with certain projects on a pilot scale with innovators.
- The capital work in progress was INR14b at the end of Jun'25.
- The gadolinium-based contrast media project is undergoing pilot study and qualification. It would take about 18 months to witness commercial benefits from this project.
- Overall capacity utilization was ~80%.
- The commercial-level solid-state peptide capacity is available with DIVI based on the customer requirement.
- While there has been pricing pressure in the generics segment, DIVI has been able to offset this impact due to backward integration and leading volume market share in certain products.

Quarterly performance

(INR m)

Y/E March	FY25				FY26E				FY25	FY26E	FY26E	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Net Sales	21,180	23,380	23,190	25,850	24,100	26,090	27,538	28,878	93,600	1,06,606	25,233	-4.5
YoY Change (%)	19.1	22.5	25.0	12.2	13.8	11.6	18.7	11.7	19.3	13.9	19.1	
Total Expenditure	14,960	16,220	15,760	16,990	16,810	17,793	18,506	19,175	63,930	72,284	16,780	
EBITDA	6,220	7,160	7,430	8,860	7,290	8,297	9,032	9,703	29,670	34,322	8,453	-13.8
YoY Change (%)	23.4	43.5	51.9	21.2	17.2	15.9	21.6	9.5	33.5	15.7	35.9	
Margins (%)	29.4	30.6	32.0	34.3	30.2	31.8	32.8	33.6	31.7	32.2	33.5	
Depreciation	970	990	990	1,070	1,120	1,040	1,098	1,151	4,020	4,409	991	
EBIT	5,250	6,170	6,440	7,790	6,170	7,256	7,935	8,552	25,650	29,913	7,462	-17.3
YoY Change (%)	27.7	52.7	63.5	22.5	17.5	17.6	23.2	9.8	39.0	16.6	42.1	
Interest	0	0	0	10	30	0	0	0	10	30	0	
Other Income	780	770	720	760	800	758	758	758	3,030	3,073	758	
PBT before EO Income	6,030	6,940	7,160	8,540	6,940	8,014	8,692	9,309	28,670	32,955	8,219	-15.6
Forex gain /(Loss)	10	290	100	100	390	0	0	0	500	390	0	
PBT	6,040	7,230	7,260	8,640	7,330	8,014	8,692	9,309	29,170	33,345	8,219	-10.8
Tax	1,740	2,120	1,370	2,020	1,880	1,923	2,130	2,327	7,250	8,260	1,932	
Rate (%)	28.8	29.3	18.9	23.4	25.6	24.0	24.5	25.0	24.9	24.8	23.5	
PAT	4,300	5,110	5,890	6,620	5,450	6,091	6,563	6,982	21,920	25,085	6,288	-13.3
Adj. PAT	4,293	4,905	5,809	6,543	5,160	6,091	6,563	6,982	21,550	24,795	6,288	-17.9
YoY Change (%)	20.3	38.3	68.5	22.0	20.2	24.2	13.0	6.7	35.3	15.1	46.5	
Margins (%)	20.3	21.9	25.4	25.6	22.6	23.3	23.8	24.2	23.4	23.5	24.9	
Adj. EPS	16.2	18.5	21.9	24.7	19.4	22.9	24.7	26.3	81.2	93.4	23.7	

Quarterly Performance

Y/E March	FY25				FY26E				FY25	FY26E	FY26E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE
Cost Break-up											
RM Cost (% of Sales)	40.3	41.4	39.8	37.9	39.7	39.0	38.5	38.0	39.8	38.8	37.6
Staff Cost (% of Sales)	13.8	13.0	12.8	13.5	14.1	14.2	13.8	13.4	13.3	13.9	14.0
Other Expenses(% of Sales)	16.6	14.9	15.4	14.2	16.0	15.0	14.9	15.0	15.2	15.2	14.9
Tax rate (%)	28.8	29.3	18.9	23.4	25.6	24.0	24.5	25.0	24.9	24.8	23.5
Gross Margins (%)	59.7	58.6	60.2	62.1	60.3	61.0	61.5	62.0	60.2	61.2	62.4
EBITDA Margins (%)	29.4	30.6	32.0	34.3	30.2	31.8	32.8	33.6	31.7	32.2	33.5
EBIT Margins (%)	24.8	26.4	27.8	30.1	25.6	27.8	28.8	29.6	27.4	28.1	29.6