

Retail Equity Research

Divi's Laboratories Ltd

REDUCE

Sector: Pharmaceuticals

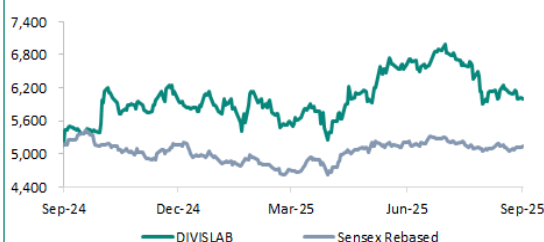
10th September, 2025

Key Changes	Target	Rating	Earnings	Target	Rs. 5,400
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Large Cap	DIVI:IN	81,101	DIVISLAB	532488	12 Months
				CMP	Rs. 6,000
				Return	- 10%

Data as of: 09-Sep-2025, 18:00 hrs

Company Data			
Market Cap (Rs.cr)	159,282		
52 Week High — Low (Rs.)	7,078 - 4,942		
Enterprise Value (Rs. cr)	158,844		
Outstanding Shares (cr)	26.5		
Free Float (%)	47.7		
Dividend Yield (%)	0.5		
6m average volume (cr)	0.05		
Beta	0.9		
Face value (Rs.)	2.0		
Shareholding (%)	Q3FY25	Q4FY25	Q1FY26
Promoters	51.9	51.9	51.9
FII's	18.0	18.0	19.7
MFs/Institutions	20.5	20.7	19.1
Public	8.0	7.8	7.7
Others	1.6	1.6	1.7
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-9.4%	7.3%	16.0%
Absolute Sensex	-1.6%	9.1%	-0.6%
Relative Return	-7.8%	-1.8%	16.6%

*over or under performance to benchmark index



Y.E March (Rs.cr)	FY25A	FY26E	FY27E
Sales	9,360	10,756	12,550
Growth (%)	19.3	14.9	16.7
EBITDA	2,968	3,496	4,355
EBITDA Margin (%)	31.7	32.5	34.7
PAT Adjusted	2,191	2,575	3,179
Growth (%)	36.9	17.5	23.5
Adjusted EPS	82.5	97.0	119.7
Growth (%)	36.9	17.5	23.5
P/E	72.7	61.9	50.1
P/B	10.6	9.5	8.4
EV/EBITDA	53.5	45.4	36.5
ROE (%)	14.6	15.4	16.8
D/E	0.0	0.0	0.0

Uncertain Short-Term Outlook Amid High Valuations...

Divi's Laboratories Ltd (Divi's) manufactures and sells generic active pharmaceutical ingredients (APIs), intermediates and custom synthesis projects for innovators primarily in Europe and the US. Its manufacturing and research and development facilities are located in Andhra Pradesh and Telangana.

- The consolidated revenue of Divi's increased 13.8% YoY to Rs. 2,410cr in Q1FY26 but exhibited a sequential decline of 7% primarily due to pricing pressures in the generic division.
- Though the company reported steady performance this quarter, led by growth in custom synthesis, the pricing pressure in the generics segment and higher logistics and shipping costs dragged down gross margins.
- EBITDA grew 17.2% YoY to Rs. 729cr and the margin increased 90bps. However, it sequentially declined 18% due to pricing pressures and logistics costs.
- The custom synthesis segment grew 23.1% YoY to Rs.1,277cr, supported by multiple projects across R&D, pilot, and validation stages. However, near-term challenges may arise from generic competition in Entresto.

Outlook & Valuation

The company's outlook remains positive due to growth drivers such as increased traction from global innovators, a healthy pipeline of RFPs, expansion of scientific and technological capabilities, and steady growth in the nutraceutical business. Management highlighted persistent pricing pressures in generics and higher cost escalation compared to custom synthesis, weighing on margins. Regulatory delays of 12-24 months for peptides, contrast media, and Kakinada approvals restricted near term revenue conversion. Divi's also faces the risk of losing business related to sacubitril/valsartan (Entresto), adding to competitive pressures. The company is also trading at a premium valuation. Therefore, **we downgrade our rating to Reduce on the stock with a target price of Rs. 5,400, based on 45x FY27E adj. EPS.**

Quarterly Finance Consol.

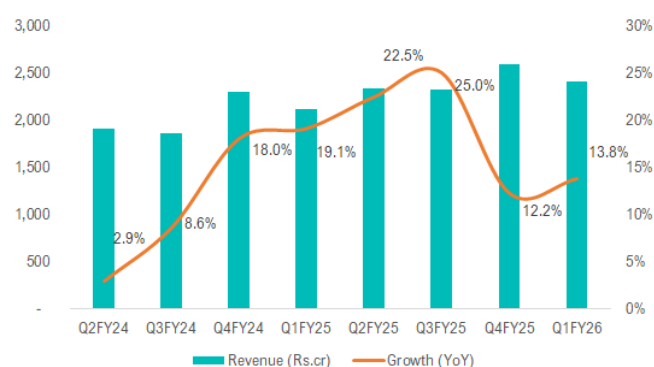
Rs.cr	Q1FY26	Q1FY25	YoY Growth (%)	Q4FY25	QoQ Growth (%)
Sales	2,410	2,118	13.8	2,585	-6.8
EBITDA	729	622	17.2	886	-17.7
Margin (%)	30.2	29.4	90bps	34.3	-403bps
EBIT	617	525	17.5	779	-20.8
PBT	733	604	21.4	864	-15.2
Rep. PAT	545	430	26.7	662	-17.7
Adj PAT	545	430	26.7	662	-17.7
Adj. EPS (Rs)	20.5	16.2	26.5	24.9	-17.8



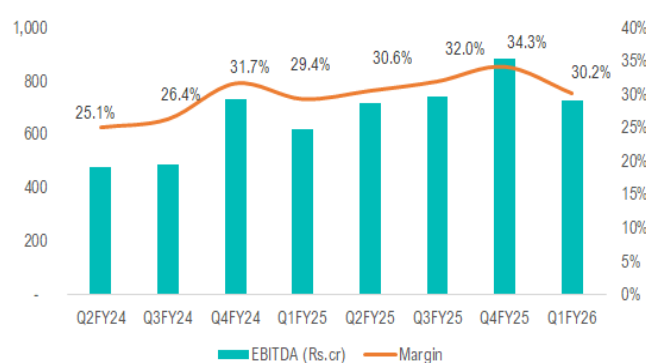
Key concall highlights

- The Unit 3 facility in Kakinada, which started operations in January 2025, plays a vital role in the company's ecosystem by producing essential starting materials and intermediates, thereby enhancing Divi's self-sufficiency and strengthening its value chain.
- The company has developed advanced platforms in flow chemistry, biocatalysis and green chemistry, which are becoming key differentiators for global partners. Its newly commissioned solid phase peptide synthesis capacity has generated significant interest from major pharmaceutical companies, especially those working on GLP-1-based treatments.
- The pharma company expects capital expenditure for the year to be around Rs. 2,000cr, which would be used to advance key projects, increase capacity and upgrade technologies.
- Material consumption has remained steady, accounting for 40% of sales revenue in the current and previous quarters.
- There is uncertainty regarding the impact of tariffs on the pharmaceutical industry. Divi's has long-term supply agreements to protect it, and innovators have not expressed concern despite the US government's desire for captive manufacturing.
- Exports contributed 88% of the revenue in the quarter. About 58% of the exports went to Europe and 14% to the US. The product mix consisted of 47% generics and 53% custom synthesis.

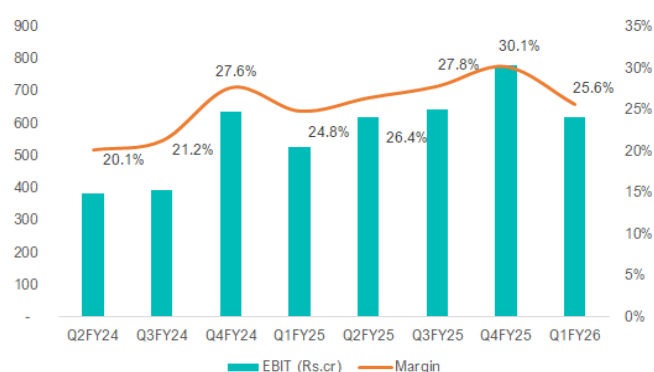
Revenue



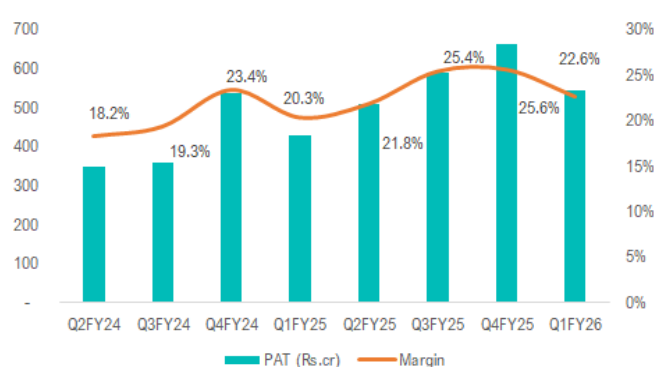
EBITDA



EBIT



PAT



Change in Estimates

	Old estimates		New estimates		Change (%)	
Year / Rs cr	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	10,878	12,723	10,756	12,550	-1.1	-1.4
EBITDA	3,698	4,555	3,496	4,355	-5.5	-4.4
Margins (%)	34.0	35.8	32.5	34.7	-150bps	-110bps
Adj. PAT	2,701	3,312	2,575	3,179	-4.7	-4.0
EPS	101.8	124.8	97.0	119.7	-4.7	-4.0



Consolidated Financials

Profit & Loss

Y.E March (Rs. Cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Sales	7,767	7,845	9,360	10,756	12,550
% change	-13.3	1.0	19.3	14.9	16.7
EBITDA	2,368	2,205	2,968	3,496	4,355
% change	-39.0	-6.9	34.6	17.8	24.6
Depreciation	343	378	402	420	502
EBIT	2,025	1,827	2,566	3,076	3,853
Interest	1	3	2	3	4
Other Income	345	339	352	360	389
PBT	2,369	2,163	2,916	3,433	4,238
% change	-35.7	-8.7	34.8	17.7	23.5
Tax	545	563	725	858	1,060
Tax Rate (%)	23.0	26.0	24.9	25.0	25.0
Reported PAT	1,824	1,600	2,191	2,575	3,179
PAT att. to common shareholder-	1,824	1,600	2,191	2,575	3,179
Adj.*	-	-	-	-	-
Adj. PAT	1,824	1,600	2,191	2,575	3,179
% change	-38.4	-12.3	36.9	17.5	23.5
No. of shares (cr)	26.5	26.5	26.5	26.5	26.5
Adj EPS (Rs.)	68.7	60.3	82.5	97.0	119.7
% change	-38.4	-12.3	36.9	17.5	23.5
DPS (Rs.)	30.0	30.0	30.0	32.5	36.2

Cashflow

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Net inc. + Depn.	2,167	1,978	2,593	2,995	3,681
Non-cash adj.	-152	-234	-401	263	-43
Other adjustments	-	-	-	-	-
Changes in W.C	444	-483	-539	-642	-819
C.F. Operation	2,459	1,261	1,653	2,615	2,819
Capital exp.	-473	-1,003	-1,416	-1,990	-2,115
Change in inv.	-2,439	434	317	-3	-3
Other invest.CF	205	300	295	266	239
C.F - Investment	-2,707	-269	-804	-1,728	-1,879
Issue of equity	-	-	-	-	-
Issue/repay debt	-	-	-	-	-
Dividends paid	-796	-796	-796	-863	-960
Other finance.CF	-1	-3	-3	-	-
C.F - Finance	-797	-799	-799	-863	-960
Chg. in cash	-1,045	193	50	25	-20
Closing Cash	170	363	415	440	420

Balance Sheet

Y.E March (Rs. Cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash	170	363	415	440	420
Accts. Receivable	1,793	2,156	2,731	3,100	3,593
Inventories	3,000	3,184	3,236	3,635	4,119
Other Cur. Assets	4,349	3,972	3,699	3,166	2,957
Investments	77	82	65	68	72
Gross Fixed As-sets	7,022	8,025	9,441	11,431	13,545
Net Fixed Assets	4,714	5,278	6,202	7,743	9,323
CWIP	212	233	257	282	310
Intangible Assets	8	6	5	6	7
Def. Tax -Net	14	10	11	11	11
Other Assets	102	186	311	361	421
Total Assets	14,439	15,470	16,932	18,812	21,233
Current Liabilities	1,101	1,278	1,450	1,586	1,754
Provisions	31	37	-	-	-
Debt Funds	-	-	2	2	2
Other Liabilities	540	584	511	536	563
Equity Capital	53	53	53	53	53
Res. & Surplus	12,714	13,518	14,916	16,635	18,861
Shareholder Funds	12,767	13,571	14,969	16,688	18,914
Minority Interest	-	-	-	-	-
Total Liabilities	14,439	15,470	16,932	18,812	21,233
BVPS	481	511	564	629	712

Ratio

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	30.5	28.1	31.7	32.5	34.7
EBIT margin (%)	26.1	23.3	27.4	28.6	30.7
Net profit mgn.(%)	23.5	20.4	23.4	23.9	25.3
ROE (%)	14.3	11.8	14.6	15.4	16.8
ROCE (%)	15.9	13.5	17.1	18.4	20.4
W.C & Liquidity					
Receivables (days)	84.3	100.3	106.5	105.2	104.5
Inventory (days)	358.7	371.4	317.1	316.3	315.3
Payables (days)	91.1	96.1	89.2	90.2	91.4
Current ratio (x)	8.5	7.6	6.9	6.5	6.3
Quick ratio (x)	1.8	2.0	2.2	2.2	2.3
Turnover & Leverage					
Gross asset T.O (x)	1.1	1.0	1.1	1.0	1.0
Total asset T.O (x)	0.6	0.5	0.6	0.6	0.6
Int. covge. ratio (x)	2025.0	609.0	1283.0	1025.2	1070.2
Adj. debt/equity (x)	-	-	0.0	0.0	0.0
Valuation					
EV/Sales (x)	9.6	20.3	17.0	14.8	12.7
EV/EBITDA (x)	31.6	72.4	53.8	45.4	36.5
P/E (x)	41.1	100.0	73.0	61.9	50.1
P/BV (x)	5.9	11.8	10.7	9.5	8.4



Recommendation Summary - (last 3 years)



Dates	Rating	Target
11-Nov-21	BUY	5,497
25-Feb-22	BUY	5,114
25-Aug-22	BUY	4,006
23-May-23	BUY	3,783
9-Nov-23	HOLD	3,800
16-Feb-24	HOLD	4,084
25-Mar-25	HOLD	6,375
10-Sep-25	REDUCE	5,400


Investment Rating Criteria


Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%


Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:  Upgrade

 No Change

 Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

DISCLAIMER & DISCLOSURES

Certification: I, Gopika Gopan, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Investments Limited, hereinafter referred to as GIL.

For general disclosures and disclaimer: Please [Click here](#)

CRISIL has provided research support in preparation of this research report and the investment rational contained herein along with financial forecast. The target price and recommendation provided in the report are strictly GIL's views and are NOT PROVIDED by CRISIL. Further, CRISIL expresses no opinion on valuation and the associated recommendations. CRISIL has no financial liability whatsoever, to the subscribers / users of this report.

Regulatory Disclosures:

Group companies/ Fellow subsidiaries of Geojit Investments Ltd (GIL) are Geojit Financial Services Limited (GFSL), Geojit Technologies Private Limited (Software Solutions provider), Geojit Credits Private Limited (NBFC), Geojit Fintech Private Ltd, Geojit IFSC Ltd (a company incorporated under IFSC Regulations), Qurum Business Group Geojit Securities LLC (a subsidiary of holding company in Oman engaged in Financial Services), Barjeel Geojit Financial Services LLC (a joint venture of holding company in UAE engaged in Financial Services), and BBK Geojit Consultancy and Information KSC (C) (a joint venture in Kuwait-engaged in Financial services). In the context of the SEBI Regulations on Research Analysts (2014), GIL affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc. that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above-mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership:

GIL confirms that:

- (i) It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein, at the time of publication of the research report.
- (ii) It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein, at the end of the month immediately preceding the date of publication of the research report.

Further, the Analyst confirms that:

- (i) He, his associates and his relatives shall take reasonable care to ensure that they do not have any financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company, at the time of publication of the research report.
- (ii) He, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered, at the end of the month immediately preceding the date of publication of the research report.

2. Disclosures regarding Compensation:

During the past 12 months, GIL or its Associates:

- (a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company. e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by GIL regarding the compensation paid to its Research Analyst:

GIL hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company: It is affirmed that I, Gopika Gopan Research Analyst (s) of GIL have not served as an officer, director or employee of the subject company.

5. Disclosure regarding Market Making activity: Neither GIL/its Analysts have engaged in market making activities for the subject company.

6. Disclosure regarding conflict of interests: GIL shall abide by the applicable regulations/ circulars/ directions specified by SEBI and Research Analyst Administration and Supervisory Body (RAASB) from time to time in relation to disclosure and mitigation of any actual or potential conflict of interest. GIL will endeavour to promptly inform the client of any conflict of interest that may affect the services being rendered to the client.

7. "Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors."

8. Clients are required to keep contact details, including email id and mobile number/s updated with the GIL at all times.

9. In the course of providing research services by GIL, GIL cannot execute/carry out any trade (purchase/sell transaction) on behalf of, the client. Thus, the clients are advised not to permit GIL to execute any trade on their behalf.

10. GIL will never ask for the client's login credentials and OTPs for the client's Trading Account Demat Account and Bank Account. The Clients are advised not to share such information with anyone including GIL.

11. Standard Warning: "Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

12. Disclosures regarding Artificial Intelligence tools: Neither Geojit Investments Limited nor its Analysts have utilized any AI tools in the preparation of the research reports.

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

Geojit Investments Ltd. Registered Office: 7th Floor 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website : www.geojit.com/GIL . For investor queries: customercare@geojit.com

GRIEVANCES

Step 1: The client should first contact the RA using the details on its website or following

contact details: Compliance officer: Ms. Indu K. Address: 7th Floor, 34/659-P, Civil Line Road, Padivattom, Ernakulam,; Phone: +91 484-2901367; Email: compliance@geojit.com. For Grievances: grievances@geojit.com. **Step 2:** If the resolution is unsatisfactory, the client can also lodge grievances through SEBI's SCORES platform at www.scores.sebi.gov.in **Step 3:**

The client may also consider the Online Dispute Resolution (ODR) through the Smart ODR portal at <https://smartodr.in>

Corporate Identity Number: U66110KL2023PLC080586, Research Entity SEBI Reg No: INH000019567; Depository Participant : IN-DP-781-2024.

