Divi's Laboratories

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	DIVI IN
Equity Shares (m)	265
M.Cap.(INRb)/(USDb)	2739.8 / 29.2
52-Week Range (INR)	10321 / 5648
1, 6, 12 Rel. Per (%)	-2/51/52
12M Avg Val (INR M)	3257

Financials & Valuations (INR b)

Y/E MARCH	FY26	FY27E	FY28E
Sales	105.6	137.1	159.5
EBITDA	34.4	54.6	61.6
Adj. PAT	24.6	38.9	42.9
EBIT Margin (%)	28.2	35.7	34.3
Cons. Adj. EPS (INR)	92.8	146.6	161.6
EPS Gr. (%)	14.3	58.2	10.3
BV/Sh. (INR)	631.4	734.4	847.0
Ratios			
Net D:E	-0.2	-0.2	-0.2
RoE (%)	15.5	21.5	20.4
RoCE (%)	15.6	21.6	20.5
Payout (%)	29.7	30.0	30.4
Valuations			
P/E (x)	111.0	70.3	63.8
EV/EBITDA (x)	78.5	49.5	43.9
Div. Yield (%)	0.2	0.4	0.4
FCF Yield (%)	0.2	0.5	1.5
EV/Sales (x)	25.6	19.7	16.9

Shareholding pattern (%)

As On	Sep-26	Jun-26	Sep-25
Promoter	51.9	51.9	51.9
DII	19.2	19.4	19.8
FII	20.4	20.2	19.4
Others	8.6	8.5	9.0

FII includes depository receipts

CMP: INR10,321 TP: INR11,110 (+8%) Neutral

Strong beat on our estimates; CS and generics drive earnings

End-to-end peptide capabilities position DIVI as a partner of choice for innovators

- Divis Laboratories (DIVI) delivered a strong beat in 2Q, with revenue, EBITDA and PAT exceeding our estimates by 19%, 33% and 33%, respectively. Strong traction in generics as well as custom synthesis (CS) supported by currency tailwinds, led to an improvement in overall performance for the quarter.
- As a result, DIVI reported its highest-ever quarterly revenue/EBITDA/PAT in 2QFY27.
- The custom synthesis segment reported robust growth, driven by the supply of products in the validation phase with respect to three major capex programs highlighted earlier by management.
- Legacy expertise, supported by capacity build-up across the peptide manufacturing value chain, has led to multiple projects spanning clinical development through commercial-scale manufacturing.
- DIVI witnessed a sizeable increase in volume offtake in the generics segment, further accelerating the intensity of growth in 2QFY27.
- We raise our earnings estimates by 21%/19% for FY27/FY28 factoring in 1) an increased benefit from projects moving toward validation and commercialization, 2) an improved outlook for both the generics and nutraceuticals segments, and 3) better operating leverage. We value DIVI at 65x 12M forward earnings to arrive at our TP of INR11,110.
- We expect a 23%/34%/33% CAGR in revenue/EBITDA/PAT over FY26-28. Considering 1) its scientific capabilities in peptides, contrast media, and generics segments, b) its commercial scale-level manufacturing capabilities/ capacities, and c) efficient supply chain management for raw materials and finished goods, DIVI is well-placed to service large innovator customers and gain business in the CS segment.
- The stock valuation provides limited upside from the current levels and hence, **we reiterate our Neutral rating on DIVI.**

Robust revenue growth and favorable mix drive EBITDA beat

- Divis Lab's revenues grew 35.4% YoY to INR36.7b (19% beat) for 2QFY27.
- The constant currency (CC) revenue growth for 1HFY27 was 17%.
- The Generics-to-CS share in revenue was 38:62 for 1HFY27. This implies that CS grew 54% YoY to INR23.4b and the generics segment grew 43% YoY to INR13.6b for the quarter. Nutraceutical sales were INR2.7b for 2QFY27.
- Gross margin expanded 740bp YoY to 68%.
- EBITDA margin expanded 990bp YoY to 42.6% (our est: 38%), mainly due to improved segmental mix, currency tailwinds, and operating leverage (employee costs/other expenses were down 100bp/150bp YoY as % of sales).
- EBITDA grew 76% YoY to INR15.6b (our est: INR11.7b) for 2QFY27.
- PAT grew 73% YoY to INR11b (33.5% beat).

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Investors are advised to refer through important disclosures made at the last page of the Research Report.
Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Highlights from the management commentary

- Of the three major capex programs, one is close to commercialization. The other two are expected to be commercialized over the medium term.
- DIVI has several projects in the validation phase.
- Several peptide fragments are being validated. DIVI is expanding capacity by installing an SPPS line. DIVI indicated that it is working only on peptides for innovators and does not manufacture generics.
- DIVI is building manufacturing capabilities across the entire peptide value chain, from building blocks to dipeptides/tripeptides and large peptides. This enhances manufacturing flexibility and supports customer requirements.
- It is also advancing its flow chemistry platform through advanced technologies while simultaneously expanding its biocatalysis infrastructure, which is designed for ton-scale manufacturing.
- In the generics segment, the growth was largely driven by volume. Pricing pressure persists in certain product categories.
- Considering the ongoing geopolitical issues affecting transit times and freight costs, DIVI maintains 3M inventory coverage for critical materials, providing greater flexibility in production and planning.
- DIVI intends to be among the top three players globally in peptide synthesis capacity.
- The Capital Work In Progress (CWIP) stood at INR16.4b.
- DIVI guided for annual capex of INR20b (+/-20%).

Quarterly Performance (In m)

Y/E March	FY26				FY27E				FY26	FY27E	FY27E	Var.
(INRm)	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Net Sales	**24,100**	**27,150**	**26,040**	**28,310**	**30,800**	**36,760**	**34,257**	**35,275**	**1,05,600**	**1,37,092**	**30,982**	**18.7**
YoY Change (%)	13.8	16.1	12.3	9.5	27.8	35.4	31.6	24.6	12.8	29.8	14.1	
Total Expenditure	16,810	18,270	17,140	18,970	18,250	21,100	21,205	21,906	71,190	82,461	19,209	
EBITDA	**7,290**	**8,880**	**8,900**	**9,340**	**12,550**	**15,660**	**13,052**	**13,369**	**34,410**	**54,631**	**11,773**	**33.0**
YoY Change (%)	17.2	24.0	19.8	5.4	72.2	76.4	46.7	43.1	16.0	58.8	32.6	
Margins (%)	30.2	32.7	34.2	33.0	40.7	42.6	38.1	37.9	32.6	39.8	38.0	
Depreciation	1,120	1,130	1,180	1,200	1,330	1,420	1,482	1,526	4,630	5,758	1,484	
YoY Change (%)	17.5	25.6	19.9	4.5	81.8	83.7	49.9	45.5	16.1	64.1	32.8	
Interest	30	80	60	60	60	130	35	45	230	270	40	
Other Income	800	820	690	650	640	700	648	697	2,960	2,684	627	
PBT before EO Income	**6,940**	**8,490**	**8,350**	**8,730**	**11,800**	**14,810**	**12,183**	**12,495**	**32,510**	**51,288**	**10,876**	
EO and Forex Gain/(Loss)	390	630	-550	900	0	240	0	0	1,370	240	0	
PBT	**7,330**	**9,120**	**7,800**	**9,630**	**11,800**	**15,050**	**12,183**	**12,495**	**33,880**	**51,528**	**10,876**	
Rate (%)	25.6	24.5	25.3	22.0	23.6	25.1	23.6	23.6	24.2	24.1	23.6	
PAT	**5,450**	**6,890**	**5,830**	**7,510**	**9,020**	**11,270**	**9,308**	**9,546**	**25,680**	**39,084**	**8,310**	
Adj. PAT	**5,160**	**6,414**	**6,241**	**6,808**	**9,020**	**11,090**	**9,308**	**9,546**	**24,623**	**38,964**	**8,310**	**33.5**
YoY Change (%)	20.2	30.8	7.4	4.0	74.8	72.9	49.1	40.2	14.3	58.2	29.6	
Margins (%)	22.6	25.4	22.4	26.5	29.3	30.7	27.2	27.1	24.3	28.5	26.8	
Adj. EPS	**19.4**	**24.2**	**23.5**	**25.6**	**34.0**	**41.8**	**35.1**	**36.0**	**92.8**	**146.8**	**31.3**	

Quarterly Performance

Y/E March	FY26				FY27E				FY26	FY27E	FY27E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			2QE
Cost Break-up											
RM Cost (% of Sales)	39.7	39.5	36.3	39.5	32.0	32.1	33.0	33.2	38.8	32.6	34.0
Staff Cost (% of Sales)	14.1	13.0	14.1	13.5	13.2	12.1	13.4	13.4	13.7	13.0	13.2
Other Expenses(% of Sales)	16.0	14.7	15.4	14.0	14.0	13.2	15.5	15.5	15.0	14.5	14.8
Tax rate (%)	25.6	24.5	25.3	22.0	23.6	25.1	23.6	23.6	24.2	25.0	23.6
Gross Margins(%)	60.3	60.5	63.7	60.5	68.0	67.9	67.0	66.8	61.2	67.4	66.0
EBITDA Margins(%)	30.2	32.7	34.2	33.0	40.7	42.6	38.1	37.9	32.6	39.8	38.0
EBIT Margins(%)	25.6	28.5	29.6	28.8	36.4	38.7	33.8	33.6	28.2	35.7	33.2

Custom synthesis leads growth; generics benefit from portfolio expansion and efficiencies

CS: Strong project pipeline and increasing commercialization to drive growth

- Custom synthesis remained the largest business segment in 1HFY27, contributing 62% of standalone revenue, supported by the execution of validation batches for certain projects.
- Revenue also benefited from products validated in earlier years that have since moved into commercialization, alongside newer projects and dedicated investments.
- DIVI handles ~60-70 projects at any point across various stages, including pre-chemistry, pre-qualification, qualification, Phase II/III and other development stages.
- The peptide strategy is focused on innovation-led CDMO opportunities across multiple therapeutic categories, rather than on products that have become genericized in certain markets.
- An integrated peptide center of excellence has gram-scale purification capabilities. Commercial-scale purification investments will be evaluated as customer programs approach commercialization.
- Unit III is being developed to support backward integration, particularly for selected pre-chemistry operations and critical raw materials.
- The facility will also enable a phased transfer of certain manufacturing activities from existing units, freeing up capacity and space at those facilities for finished-product manufacturing.
- We expect custom synthesis to remain the key growth driver with CAGR of 18% over FY26-28, supported by commercialization of dedicated capex projects, continued expansion in peptide CDMO, increasing contribution from late-stage innovator programs and sustained investments in manufacturing capabilities.

Generics: Backward integration and nutraceutical expansion to support growth

- Generics contributed 38% of 1HFY27 standalone revenue and, with higher volumes growth despite continued pricing pressure across products and geographies.
- The company continues to focus on manufacturing efficiencies, competitiveness and disciplined capacity utilization amid pricing pressure in select generic categories.

- DIVI maintains three months of inventory cover for critical materials to support manufacturing continuity.
- Net material consumption declined to 32% of sales in 1HFY27 from 40% in 1HFY26, supported by a higher custom synthesis mix and backward integration at Kakinada.
- Nutraceutical business revenue increased to INR5.7b in 1HFY27 from INR4.9b in 1HFY26, registering 16% YoY growth.
- The company is leveraging its existing strengths in chemistry, quality standards and large-scale manufacturing to expand its nutraceutical capabilities.
- We expect the generics business to deliver CAGR of 10% over FY26-28, supported by commercialization of new API opportunities, continued expansion in nutraceuticals, ramp-up of contrast media products and benefits from deeper backward integration and manufacturing efficiencies.

Reiterate Neutral

- We raise our earnings estimates by 21%/19% for FY27/FY28 factoring in 1) an increased benefit from projects moving toward validation and commercialization, 2) an improved outlook for both the generics and nutraceuticals segments, and 3) better operating leverage. We value DIVI at 65x 12M forward earnings to arrive at our TP of INR11,110.
- We expect a 23%/34%/33% CAGR in revenue/EBITDA/PAT over FY26-28. Considering 1) its scientific capabilities in peptides, contrast media, and generics segments, b) its commercial scale-level manufacturing capabilities/ capacities, and c) efficient supply chain management for raw materials and finished goods, DIVI is well-placed to service large innovator customers and gain business in the CS segment.
- The stock valuation provides limited upside from the current levels and hence, **we reiterate our Neutral rating on DIVI.**

Story in charts

Exhibit 1: Revenue grew 25.4% YoY in 2QFY27

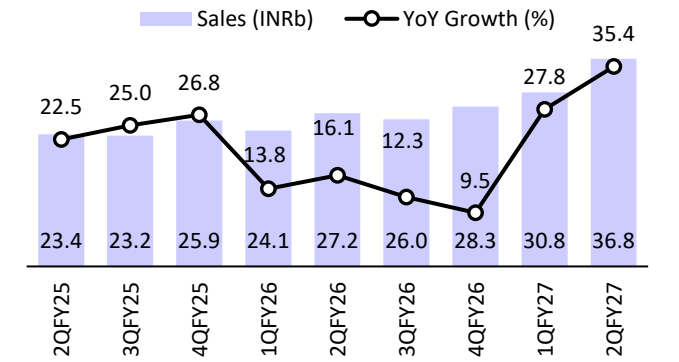


Exhibit 2: CS segment contributed 59% to revenue

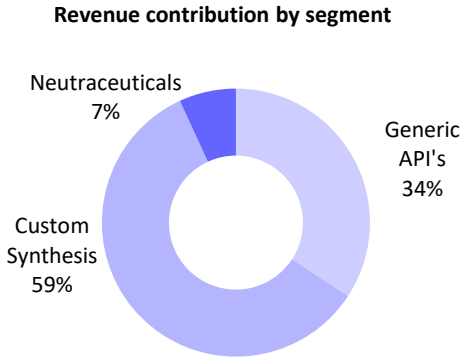


Exhibit 3: Gross margin expanded 740bp YoY in 2QFY27

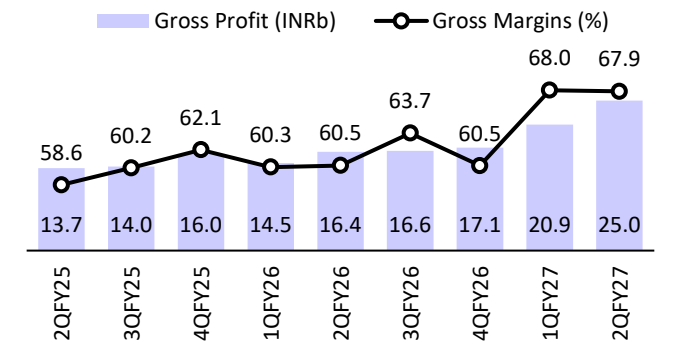


Exhibit 4: EBITDA margin expanded 990bp YoY

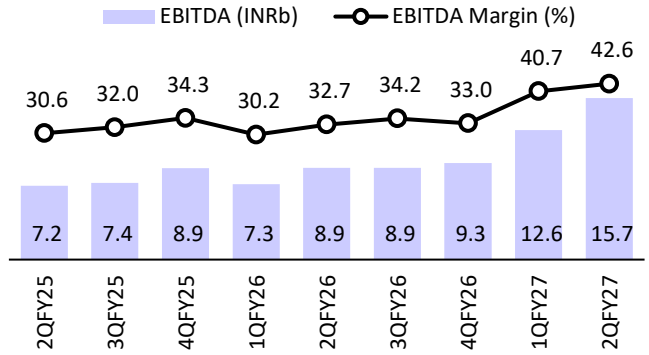


Exhibit 5: Expect ~23% revenue CAGR over FY26-28

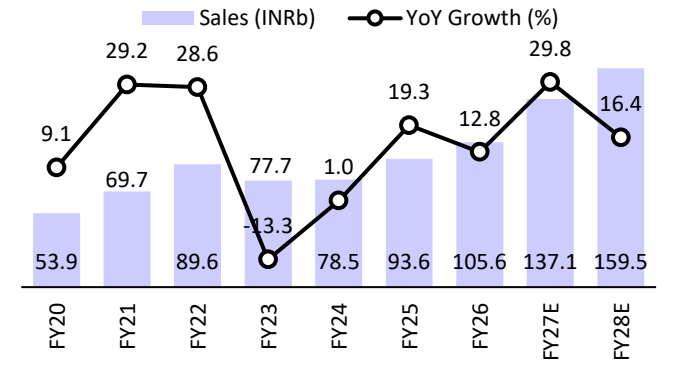


Exhibit 6: Expect margin to expand 600bp over FY26-28

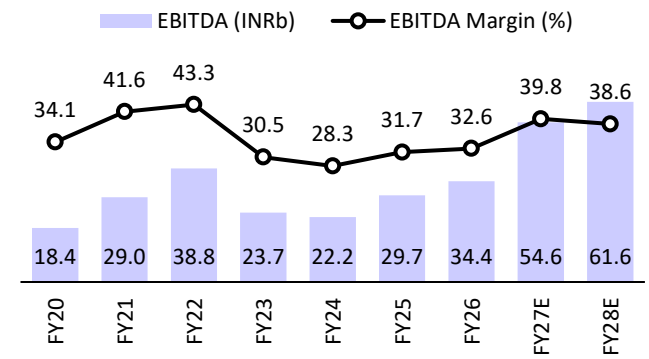
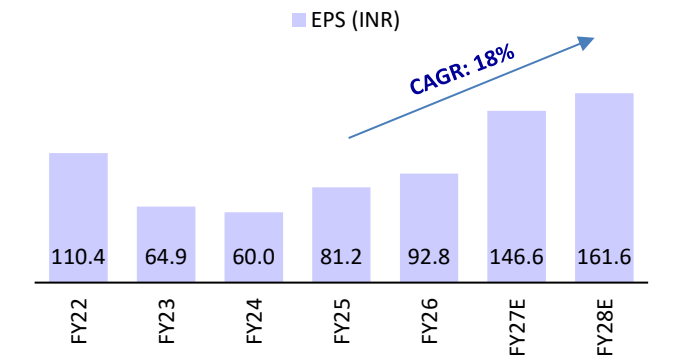
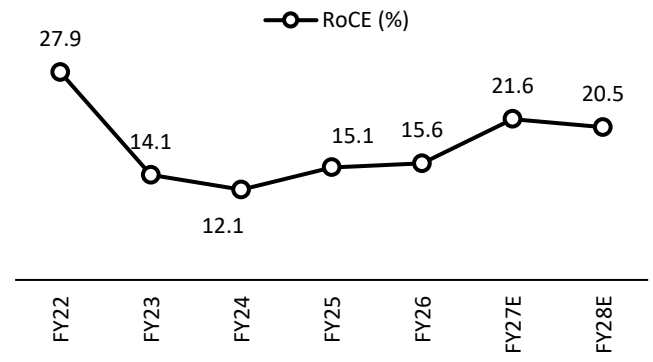


Exhibit 7: Expect ~32% earnings CAGR over FY26-28



Source: Company, MOFSL

Exhibit 8: RoCE to reach ~20.5% by FY28E



Source: Company, MOFSL

Financials and valuations

Income Statement							(INR m)
Y/E March	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Total Income from Operations	**89,598**	**77,675**	**78,450**	**93,600**	**1,05,600**	**1,37,092**	**1,59,539**
Change (%)	28.6	-13.3	1.0	19.3	12.8	29.8	16.4
Total Expenditure	**50,779**	**53,997**	**56,220**	**63,930**	**71,190**	**82,461**	**97,974**
% of Sales	56.7	69.5	71.7	68.3	67.4	60.2	61.4
EBITDA	**38,819**	**23,678**	**22,230**	**29,670**	**34,410**	**54,631**	**61,565**
Margin (%)	43.3	30.5	28.3	31.7	32.6	39.8	38.6
Depreciation	3,115	3,432	3,780	4,020	4,630	5,758	6,766
EBIT	**35,704**	**20,246**	**18,450**	**25,650**	**29,780**	**48,874**	**54,799**
Int. and Finance Charges	8	7	30	10	230	270	164
Other Income	733	2,150	3,100	3,030	2,960	2,684	2,130
PBT bef. EO Exp.	**36,429**	**22,390**	**21,520**	**28,670**	**32,510**	**51,288**	**56,764**
EO Items	406	1,297	140	500	1,370	240	0
PBT after EO Exp.	**36,835**	**23,687**	**21,660**	**29,170**	**33,880**	**51,528**	**56,764**
Total Tax	7,231	5,453	5,630	7,250	8,200	12,444	13,868
Tax Rate (%)	19.6	23.0	26.0	24.9	24.2	24.1	24.4
Minority Interest	0	0	0	0	0	0	0
Reported PAT	**29,605**	**18,234**	**16,027**	**21,920**	**25,680**	**39,084**	**42,897**
Adjusted PAT	**29,303**	**17,222**	**15,926**	**21,552**	**24,642**	**38,964**	**42,897**
Change (%)	46.1	-41.2	-7.5	35.3	14.3	58.2	10.3
Margin (%)	32.4	21.6	20.3	23.0	23.3	28.4	26.9

Balance Sheet							(INR m)
Y/E March	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Equity Share Capital	531	531	531	531	530	530	530
Total Reserves	1,16,751	1,27,140	1,35,180	1,49,160	1,67,080	1,94,427	2,24,299
Net Worth	**1,17,282**	**1,27,671**	**1,35,711**	**1,49,691**	**1,67,610**	**1,94,957**	**2,24,829**
Deferred Tax Liabilities	4,069	5,230	5,720	5,090	4,690	4,690	4,690
Capital Employed	**1,21,351**	**1,32,901**	**1,41,431**	**1,54,781**	**1,72,300**	**1,99,647**	**2,29,519**
Gross Block	56,246	63,653	67,597	78,647	94,137	1,21,041	1,43,422
Less: Accum. Deprn.	12,995	16,427	20,207	24,227	28,857	34,615	41,381
Net Fixed Assets	**43,251**	**47,226**	**47,390**	**54,420**	**65,280**	**86,426**	**1,02,041**
Capital WIP	4,699	2,119	7,780	10,220	21,130	14,226	13,845
Total Investments	720	771	820	650	690	690	690
Curr. Assets, Loans&Adv.	**84,933**	**94,130**	**99,011**	**1,04,030**	**1,13,230**	**1,32,980**	**1,53,637**
Inventory	28,286	30,004	31,840	32,360	39,540	49,703	56,369
Account Receivables	24,239	17,925	21,560	27,310	29,840	40,940	47,643
Cash and Bank Balance	28,189	42,131	39,800	37,150	34,140	29,732	34,955
Loans and Advances	4,219	4,070	5,811	7,210	9,710	12,606	14,670
Curr. Liability & Prov.	**12,251**	**11,345**	**13,570**	**14,539**	**28,030**	**34,675**	**40,694**
Account Payables	7,957	7,625	8,640	9,100	12,110	14,007	16,642
Other Current Liabilities	3,986	3,364	4,490	4,899	14,510	18,837	21,921
Provisions	309	355	440	540	1,410	1,830	2,130
Net Current Assets	**72,681**	**82,785**	**85,441**	**89,491**	**85,200**	**98,305**	**1,12,943**
Appl. of Funds	**1,21,351**	**1,32,901**	**1,41,431**	**1,54,781**	**1,72,300**	**1,99,647**	**2,29,519**

Financials and valuations

Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)							
EPS	**110.4**	**64.9**	**60.0**	**81.2**	**92.8**	**146.6**	**161.6**
Cash EPS	122.1	77.8	74.2	96.3	110.3	168.2	187.1
BV/Share	441.8	481.0	511.2	563.9	631.4	734.4	847.0
DPS	29.9	17.0	15.5	21.2	23.9	36.7	40.7
Payout (%)	32.3	29.8	31.0	31.0	29.7	30.0	30.4
Valuation (x)							
P/E	93.3	158.8	171.8	126.9	111.0	70.3	63.8
Cash P/E	84.4	132.4	138.8	107.0	93.5	61.3	55.1
P/BV	23.3	21.4	20.2	18.3	16.3	14.0	12.2
EV/Sales	30.2	34.7	34.4	28.8	25.6	19.7	16.9
EV/EBITDA	69.7	113.7	121.3	90.9	78.5	49.5	43.9
Dividend Yield (%)	0.3	0.2	0.2	0.2	0.2	0.4	0.4
FCF per share	45.2	69.8	8.1	10.3	9.3	18.5	61.3
Return Ratios (%)							
RoE	27.9	14.1	12.1	15.1	15.5	21.5	20.4
RoCE	27.9	14.1	12.1	15.1	15.6	21.6	20.5
RoIC	36.9	17.7	15.1	19.3	20.2	27.3	24.7
Working Capital Ratios							
Asset Turnover (x)	1.6	1.2	1.2	1.2	1.1	0.7	0.7
Inventory (Days)	115	141	148	126	137	132	129
Debtor (Days)	99	84	100	106	103	109	109
Creditor (Days)	32	36	40	35	42	37	38
Leverage Ratio (x)							
Net Debt/Equity	-0.25	-0.34	-0.3	-0.3	-0.2	-0.2	-0.2

Cash Flow Statement

(INR m)

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
OP/(Loss) before Tax	36,835	23,687	21,660	29,170	33,880	51,528	56,764
Depreciation	3,115	3,432	3,780	4,020	4,630	5,758	6,766
Interest & Finance Charges	4	-2,144	-3,070	-3,020	-2,730	-2,414	-1,966
Direct Taxes Paid	-6,410	-5,453	-5,630	-7,250	-8,200	-12,444	-13,868
(Inc)/Dec in WC	-13,705	3,838	-4,987	-6,700	1,281	-17,513	-9,414
CF from Operations	**19,840**	**23,360**	**11,753**	**16,220**	**28,861**	**24,914**	**38,283**
Others	-722	0	0	0	0	0	0
CF from Operating incl EO	**19,118**	**23,360**	**11,753**	**16,220**	**28,861**	**24,914**	**38,283**
(Inc)/Dec in FA	-7,132	-4,827	-9,605	-13,490	-26,400	-20,000	-22,000
Free Cash Flow	**11,986**	**18,534**	**2,148**	**2,730**	**2,461**	**4,914**	**16,283**
(Pur)/Sale of Investments	-15,990	-50	-50	170	-40	0	0
Others	1,173	2,150	704	3,030	2,960	2,684	2,130
CF from Investments	**-21,949**	**-2,727**	**-8,951**	**-10,290**	**-23,480**	**-17,316**	**-19,870**
Issue of Shares	0	0	0	0	0	0	0
Inc/(Dec) in Debt	-4	0	0	0	0	0	0
Interest Paid	-4	-7	-30	-10	-230	-270	-164
Dividend Paid	-5,309	-5,432	-4,968	-6,794	-7,637	-11,737	-13,025
Others	13,992	-1,043	-135	-1,777	-522	0	0
CF from Fin. Activity	**8,676**	**-6,481**	**-5,133**	**-8,581**	**-8,390**	**-12,007**	**-13,189**
Inc/Dec of Cash	**5,844**	**14,152**	**-2,331**	**-2,651**	**-3,009**	**-4,408**	**5,224**
Opening Balance	21,560	28,189	42,131	39,800	37,150	34,140	29,732
Closing Balance	**27,405**	**42,341**	**39,800**	**37,150**	**34,140**	**29,732**	**34,955**
Forex and other adjustments	784	-210	0	0	0	0	0
Total Cash & Cash Eq	**28,189**	**42,131**	**39,800**	**37,150**	**34,140**	**29,732**	**34,955**

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NOTES

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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
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