

Divi's Labs: Growth Hinges on Scale-up

February 12, 2026 | CMP: INR 6,475 | Target Price: INR 6,300

Expected Share Price Return: (2.7)% | Dividend Yield: 0.5% | Potential Upside: (2.2)%

REDUCE

Sector View: Positive

Change in Estimates	✓
Change in Target Price	✓
Change in Recommendation	✗

Company Info	
BB Code	DIVI IN EQUITY
Face Value (INR)	2.0
52-week High/Low (INR)	7,078 / 4,942
Mkt Cap (Bn)	INR 1,718.8 / USD 19.1
Shares o/s (Mn)	265.5
3M Avg. Daily Volume	3,29,012

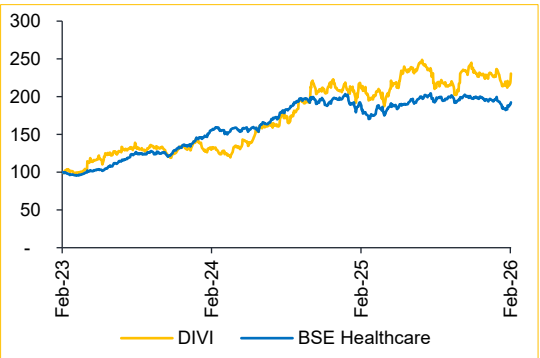
Change in CIE Estimates						
	FY26E			FY27E		
INR Bn	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	108.6	109.3	(0.7)	130.1	130.9	(0.6)
EBITDA	35.8	35.7	0.3	43.4	43.7	(0.6)
EBITDAM %	33.0	32.7	30 bps	33.4	33.4	(0) bps
PAT	26.9	27.0	(0.4)	33.0	33.3	(0.8)
EPS (INR)	101.4	101.8	(0.4)	124.3	125.3	(0.8)

Actual vs CIE Estimates			
INR Bn	Q3FY26A	CIE Estimate	Dev.%
Revenue	26.0	26.8	(2.9)
EBITDA	8.9	8.9	0.3
EBITDAM %	34.2	33.1	108 bps
PAT	5.8	6.7	(12.9)

Key Financials					
INR Bn	FY24	FY25	FY26E	FY27E	FY28E
Revenue	78.5	93.6	108.6	130.1	157.7
YoY (%)	1.0	19.3	16.0	19.8	21.3
EBITDA	22.1	29.7	35.8	43.4	53.9
EBITDAM %	28.1	31.7	33.0	33.4	34.2
PAT	16.0	21.9	26.9	33.0	41.3
EPS (INR)	60.3	82.5	101.4	124.3	155.7
ROE %	11.8	14.6	16.0	17.0	18.2
ROCE %	13.5	17.1	18.5	19.5	20.9
PE(x)	107.4	78.4	63.8	52.1	41.6
EV/EBITDA	76.1	56.7	46.9	38.6	30.9

Shareholding Pattern (%)			
	Dec 2025	Sep 2025	Jun 2025
Promoters	51.88	51.88	51.88
FIIIs	20.08	19.39	19.74
DIIIs	19.18	19.68	18.96
Public	8.84	9.05	9.41

Relative Performance (%)			
YTD	3Y	2Y	1Y
BSE Healthcare	92.4	23.6	5.3
DIVI	130.3	77.3	8.8



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Growth Intact; Execution Remains Key to Value Creation

DIVI remains positioned for **continued high-teens growth**, driven by the scale-up of **commercial projects in custom synthesis** and **demand-led expansion in nutraceuticals**. EBITDA is expected to see healthy expansion in FY26, supported by operating leverage at the Kakinada facility and an improving product mix. In peptides, the company remains focused exclusively on innovator contracts, with no foray into generics. We have marginally revised our estimate downwards by 0.4%/0.8% for FY26/27E and continue to value the stock at 45x the average of FY27–28E EPS, reflecting the view that the investment case is **highly contingent upon timely execution** and efficient ramp-up of commercial projects. This results in a revised TP of **INR 6,300** (from INR 6,375), and we maintain our **REDUCE** rating.

Revenue and PAT Slightly Below Estimates Despite Margin Improvement

- Revenue grew 12.3% YoY / declined 4.1% QoQ to INR 26,040 Mn (vs. CIE estimate: INR 26,808 Mn).
- EBITDA grew 19.8% YoY / 0.2% QoQ to INR 8,900 Mn; margin expanded 214 bps YoY / 147 bps QoQ to 34.2% (vs. CIE estimate: 33.1%).
- PAT declined 1.0% YoY / 15.4% QoQ to INR 5,830 Mn (vs. CIE estimate: INR 6,691 Mn); margin stood at 22.4%.
- The company recognised an exceptional charge of INR 740 Mn related to new Labour Codes; adjusted PAT stood at INR 6,570 Mn.

Custom Synthesis (CS) to Sustain 20%+ Growth on Commercial Scale-up

The CS segment continues to deliver strong growth momentum, which we expect to sustain, with the segment likely to remain a key growth driver for the company. A major catalyst will be **three dedicated commercial projects**, under validation at present, with commercial ramp-up expected from H2FY27. These projects **relate to innovator products**, with the required capex already committed, enhancing execution visibility. In addition, the company is **expanding its presence in peptide programs on the innovator side**, where validation is under way. We expect the CS segment to deliver **20%+ growth in the medium term**, supported by a strengthening commercial pipeline and scaling up of validated projects.

Higher-value APIs and Nutraceuticals Drive Stability

While the **generics segment** has seen moderation in the past few quarters, primarily due to pricing pressure, **we expect volume growth to offset pricing headwinds, going forward**. The company is also **shifting its portfolio towards higher-value APIs**, which should support more stable and sustainable growth. The **nutraceuticals segment**, meanwhile, continues to deliver healthy growth, driven by structurally **improving demand** in regulated markets. Given its limited exposure to pricing volatility, **we expect the growth momentum to sustain**, further supported by the company's backward integration capabilities.

Particulars (INR Mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Revenue	26,040	23,190	12.3	27,150	(4.1)
Cost of Goods Sold	9,450	9,220	2.5	10,730	(11.9)
Gross Margin (%)	63.7	60.2	347 bps	60.5	323 bps
Operating Expenses	7,690	6,540	36.2	7,540	4.2
EBITDA	8,900	7,430	19.8	8,880	0.2
EBITDA Margin (%)	34.2	32.0	214 bps	32.7	147 bps
Depreciation	1,180	990	19.2	1,130	4.4
Interest	60	0	NA	80	(25.0)
PBT	8,540	7,260	17.6	9,120	(6.4)
Tax	1,970	1,370	43.8	2,230	(11.7)
PAT	5,830	5,890	(1.0)	6,890	(15.4)
EPS (INR)	22.0	22.2	(1.0)	26.0	(15.4)

Segment Split (INR Mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Generic sales	9,057	9,199	(1.5)	9,526	(4.9)
Nutraceuticals	2,140	1,700	25.9	2,420	(11.6)
Custom Synthesis	14,843	12,291	20.8	15,204	(2.4)

Source: DIVI, Choice Institutional Equities

Management Call – Highlights

Custom Synthesis Business

- Executing **3 major long-term CS projects** with supply commitments ensuring visibility, **commercialisation targeted in Q3–Q4 CY27**.
- **Multiple projects in pilot and validation**; several to go commercial in 12 months.
- **Active engagement with global innovators/RFPs**, leveraging performance, compliance and execution track record.
- Expanding process automation, **mechanochemistry & electrochemistry** to improve efficiency, safety and sustainability.

Generic Business

- **Stable performance supported by backward integration** and process efficiency.
- The generic segment **remains under pricing pressure**, constraining value growth despite **healthy volume traction** in select products.
- China export rebate withdrawal **may cause selective input cost pressure**.

Nutraceuticals

- Nutraceuticals continues to see **stable demand trends**, contributing incrementally to revenues.
- Strategy is to leverage existing manufacturing strengths and customer relationships to scale up this business.

Outlook

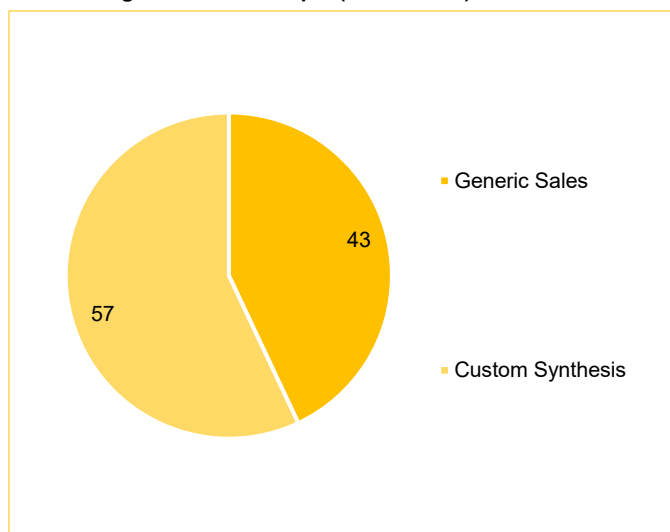
- **Strong visibility** from CS pipeline, with new launches/commercialisation supporting growth.
- **Double-digit growth expected**, supported by a balanced product portfolio.
- **Investments focussed on new blocks**, backward integration and infrastructure upgrades.
- Emphasis on execution, operational efficiency and scaling up high-margin Custom Synthesis.

China export rebate withdrawal may cause selective input cost pressure.

Strong visibility from CS pipeline, with new launches/commercialisation supporting growth.

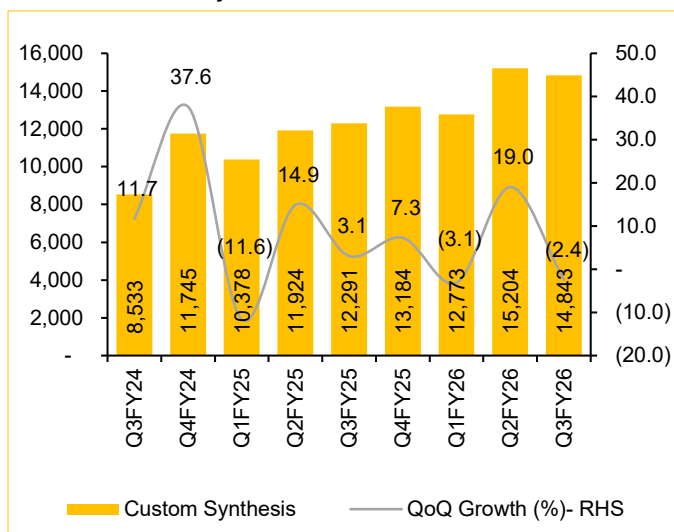
Double-digit growth expected, supported by a balanced product portfolio.

Q3FY26 Segment Revenue Split (INR 26.0 Bn)



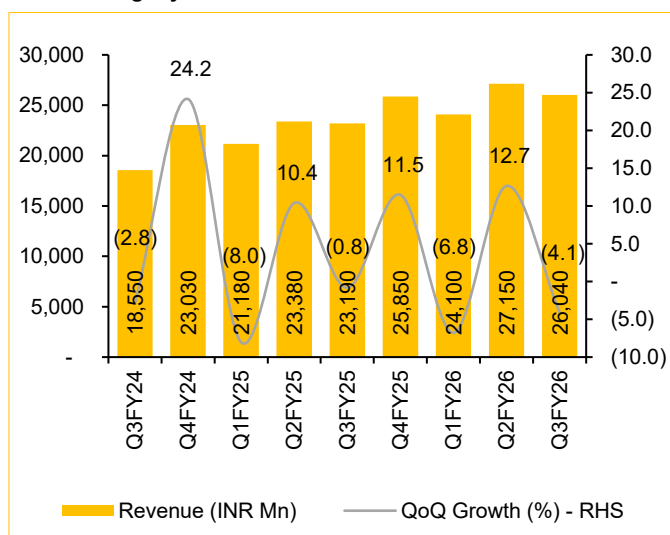
Source: DIVI, Choice Institutional Equities

CDMO Grows as Project Execution Increases



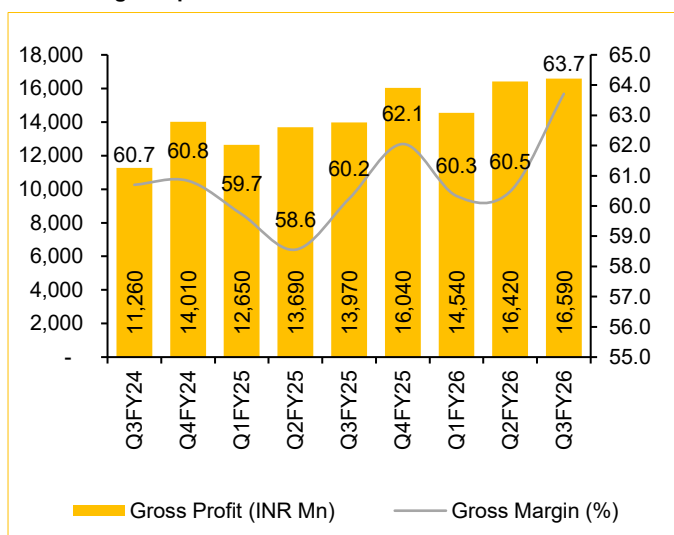
Source: DIVI, Choice Institutional Equities

Revenue Slightly below Estimate



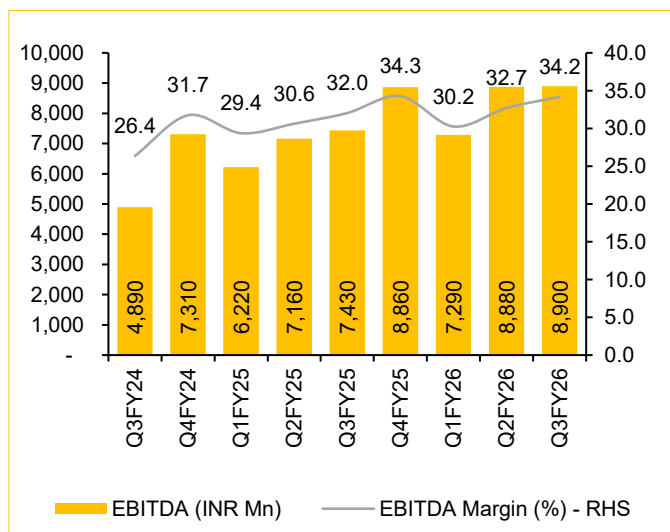
Source: DIVI, Choice Institutional Equities

Gross Margin Improves on Better Product Mix



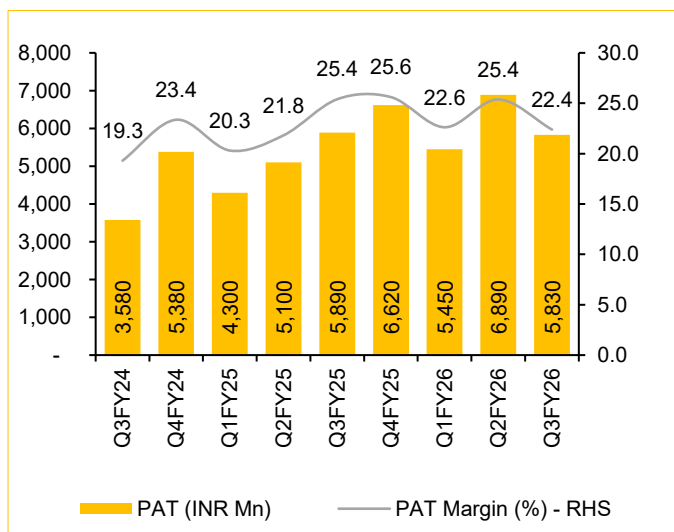
Source: DIVI, Choice Institutional Equities

EBITDA in line with Estimate



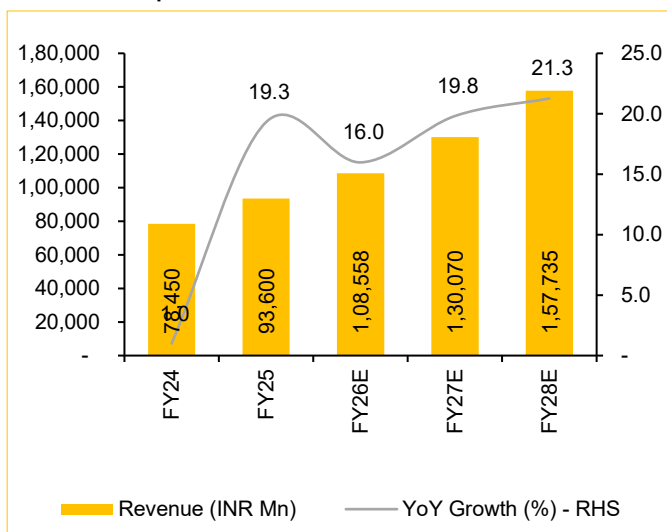
Source: DIVI, Choice Institutional Equities

PAT Growth Affected due to One-off



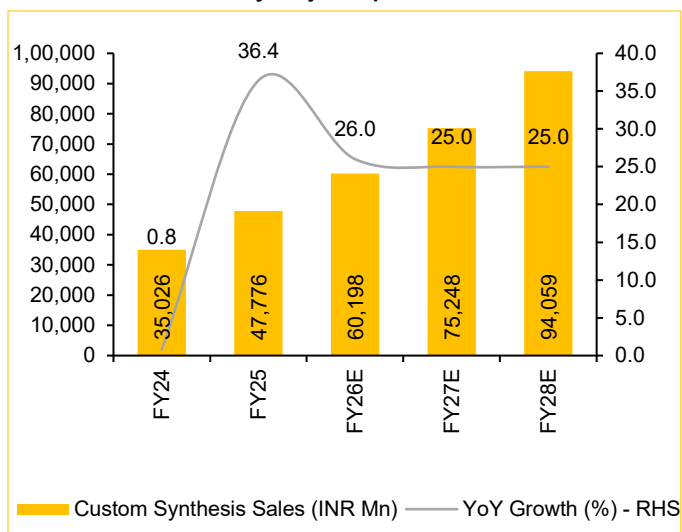
Source: DIVI, Choice Institutional Equities

Revenue to Expand at 19.0% CAGR over FY25–28E



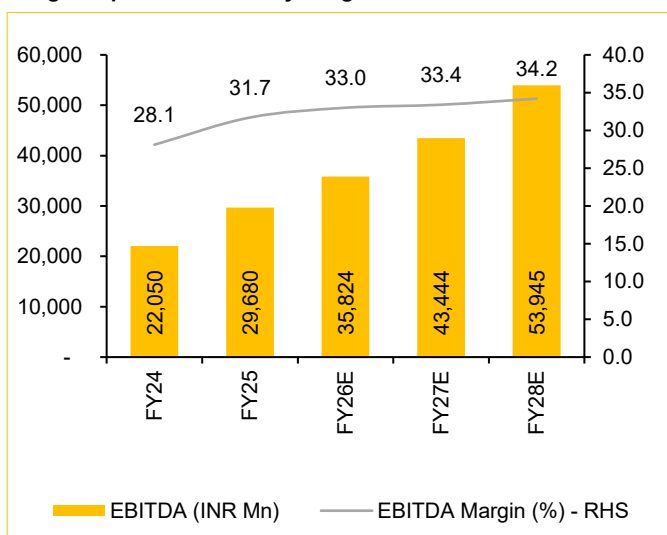
Source: DIVI, Choice Institutional Equities

CDMO Growth Backed by Project Pipeline



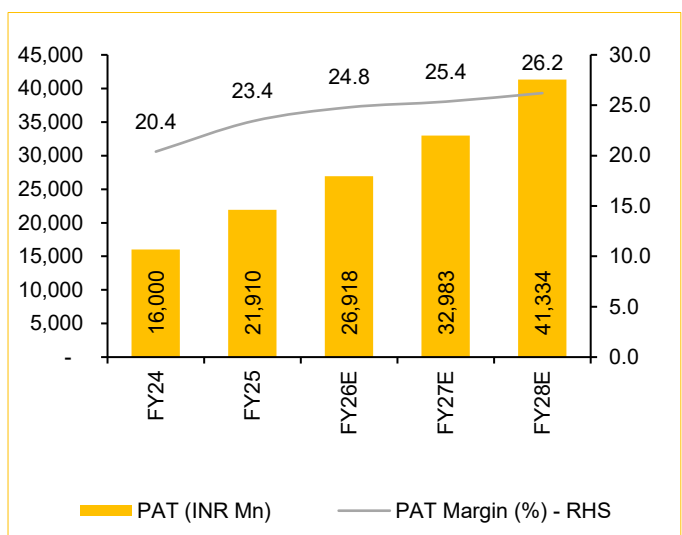
Source: DIVI, Choice Institutional Equities

Margin Expansion Driven by Integration and Product Mix



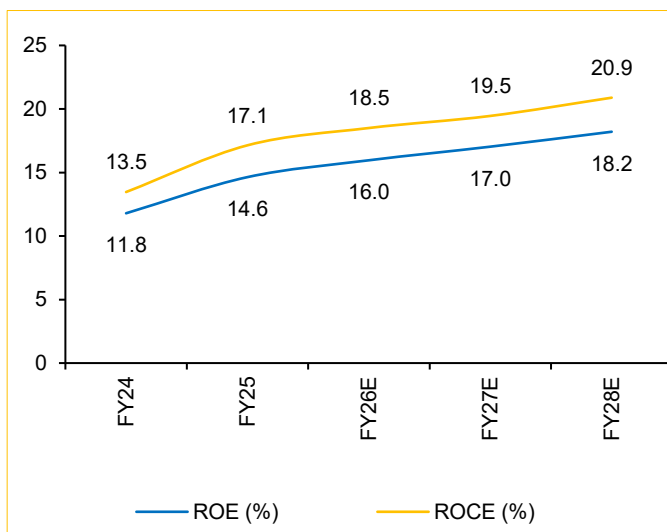
Source: DIVI, Choice Institutional Equities

PAT Growth Mirrors EBITDA Momentum



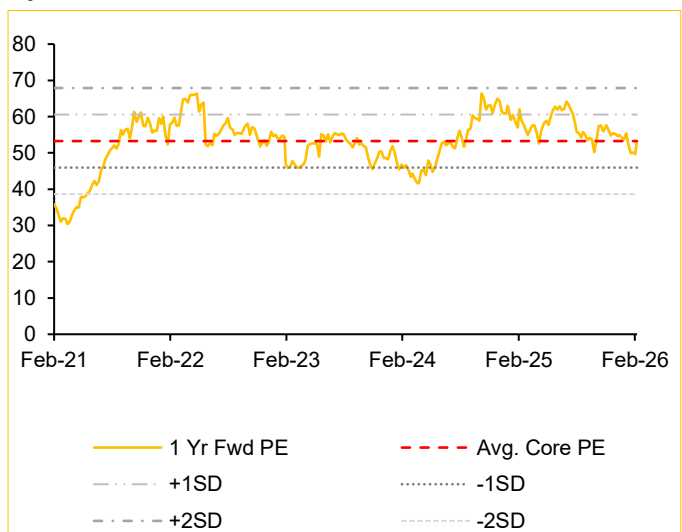
Source: DIVI, Choice Institutional Equities

ROE and ROCE



Source: DIVI, Choice Institutional Equities

1-year Forward PE Band



Source: DIVI, Choice Institutional Equities

Income Statement (INR Mn)

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Revenue	78,450	93,600	1,08,558	1,30,070	1,57,735
Gross Profit	47,160	56,350	67,306	79,343	97,007
EBITDA	22,050	29,680	35,824	43,444	53,945
Depreciation	3,780	4,020	4,618	5,770	6,520
EBIT	18,270	25,660	31,206	37,674	47,425
Other Income	3,390	3,520	4,885	6,504	7,887
Interest Expense	30	20	200	200	200
PBT	21,630	29,160	35,891	43,977	55,112
PAT	16,000	21,910	26,918	32,983	41,334
EPS (INR)	60.3	82.5	101.4	124.3	155.7

Ratio Analysis	FY24	FY25	FY26E	FY27E	FY28E
Growth Ratios (%)					
Revenue	1.0	19.3	16.0	19.8	21.3
EBITDA	(6.7)	34.6	20.7	21.3	24.2
PBT	(8.7)	34.8	23.1	22.5	25.3
PAT	(12.3)	36.9	22.9	22.5	25.3
Margins (%)					
Gross Profit Margin	60.1	60.2	62.0	61.0	61.5
EBITDA Margin	28.1	31.7	33.0	33.4	34.2
PBT Margin	27.6	31.2	33.1	33.8	34.9
Tax Rate	26.0	24.9	25.0	25.0	25.0
PAT Margin	20.4	23.4	24.8	25.4	26.2
Profitability (%)					
ROE	11.8	14.6	16.0	17.0	18.2
ROIC	13.1	16.3	16.9	17.3	19.0
ROCE	13.5	17.1	18.5	19.5	20.9
Financial Leverage (x)					
OCF/EBITDA	0.8	0.8	1.0	0.9	0.9
OCF/Net Profit	0.8	0.8	1.0	0.8	0.8
Debt to Equity	0.0	0.0	0.0	0.0	0.0
Interest Coverage	609.0	1,283.0	156.0	188.4	237.1
Working Capital					
Inventory Days	371	317	320	320	320
Debtor Days	100	106	100	100	100
Payable Days	96	89	89	85	85
Cash Conversion Cycle	376	334	331	335	335
Valuation Metrics					
No of Shares (Mn)	265	265	265	265	265
EPS (INR)	60.3	82.5	101.4	124.3	155.7
BVPS (INR)	511.2	563.9	635.3	729.6	855.3
Market Cap (INR Bn)	1,718.7	1,718.7	1,718.7	1,718.7	1,718.7
PE	107.4	78.4	63.8	52.1	41.6
P/BV	12.7	11.5	10.2	8.9	7.6
EV/EBITDA	76.1	56.7	46.9	38.6	30.9
EV/Sales	21.4	18.0	15.5	12.9	10.6

Source: DIVI, Choice Institutional Equities

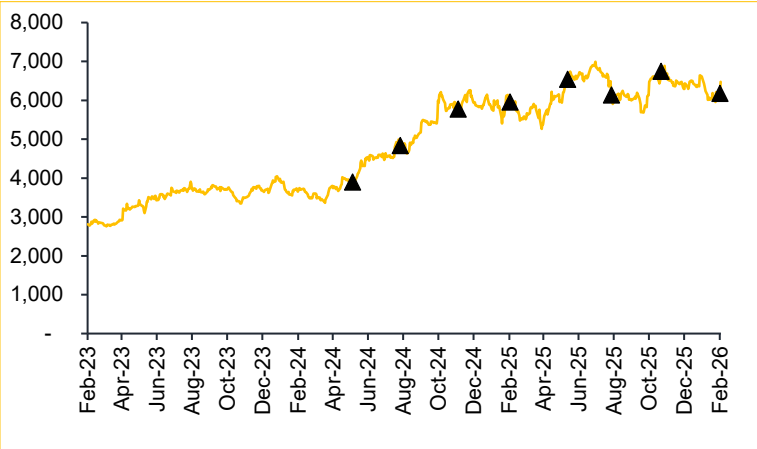
Balance Sheet (INR Mn)

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Net Worth	1,35,711	1,49,691	1,68,645	1,93,665	2,27,036
Borrowings	30	40	40	40	40
Trade Payables	8,240	9,100	10,059	11,813	14,142
Other Non-current Liabilities	4,530	5,400	4,900	4,400	3,900
Other Current Liabilities	6,190	5,090	5,090	5,090	5,090
Total Net Worth & Liabilities	1,54,701	1,69,321	1,88,734	2,15,008	2,50,208
Net Block	47,330	54,370	71,752	80,982	89,462
Capital WIP	7,780	10,220	5,220	5,220	5,220
Goodwill & Intangible Assets	40	40	40	40	40
Investments	820	650	650	650	650
Trade Receivables	21,560	27,310	29,742	35,636	43,215
Cash & Cash Equivalents	39,800	37,150	37,955	40,797	51,170
Other Non-current Assets	1,980	3,230	3,220	3,220	3,220
Other Current Assets	35,391	36,350	40,156	48,463	57,231
Total Assets	1,54,701	1,69,320	1,88,734	2,15,008	2,50,208

Cash Flows (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Cash Flows from Operations	12,610	16,530	26,047	26,006	33,536
Cash Flows from Investing	(2,690)	(8,040)	(17,057)	(15,000)	(15,000)
Cash Flows from Financing	(7,990)	(7,990)	(8,164)	(8,164)	(8,164)

DuPont Analysis	FY24	FY25	FY26E	FY27E	FY28E
Tax Burden (%)	74.0	75.1	75.0	75.0	75.0
Interest Burden (%)	118.4	113.6	115.0	116.7	116.2
EBIT Margin (%)	23.3	27.4	28.7	29.0	30.1
Asset Turnover (x)	0.5	0.6	0.6	0.6	0.6
Equity Multiplier (x)	1.1	1.1	1.1	1.1	1.1
ROE (%)	11.8	14.6	16.0	17.0	18.2

Historical Price Chart: DIVI



Date	Rating	Target Price
May 27, 2024	BUY	4,767
August 6, 2024	BUY	5,000
November 11, 2024	BUY	6,983
February 4, 2025	BUY	6,983
May 19, 2025	BUY	7,275
August 7, 2025	REDUCE	6,375
November 7, 2025	REDUCE	6,375
February 12, 2026	REDUCE	6,300

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CHOICE RATING DISTRIBUTION & METHODOLOGY

Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

*Large Cap: More Than INR 20,000 Cr Market Cap
*Mid & Small Cap: Less Than INR 20,000 Cr Market Cap

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