

## 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

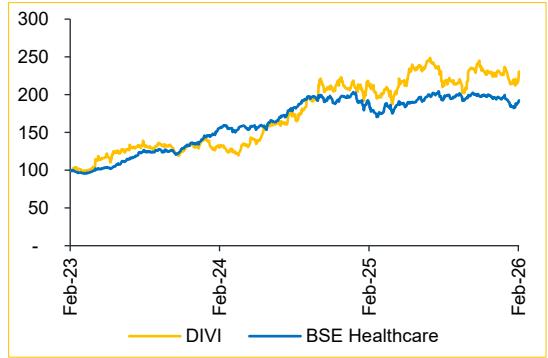
Change in CIE Estimates						
INR Bn	FY26E		FY27E			
	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	108.6	109.3	(0.7)	130.1	130.9	(0.6)
EBITDA	35.8	35.7	0.3	43.4	43.7	(0.6)
EBITDAM %	33.0	32.7	30 bps	33.4	33.4	(0) bps
PAT	26.9	27.0	(0.4)	33.0	33.3	(0.8)
EPS (INR)	101.4	101.8	(0.4)	124.3	125.3	(0.8)

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
FII's	20.08	19.39	19.74
DII's	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



## Maitri Sheth

Email: Maitri.Sheth@choiceindia.com  
Ph: +91 22 6707 9511

## Stuti Bagadia

Email: Stuti.Bagadia@choiceindia.com  
Ph: +91 22 6707 9511

## 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

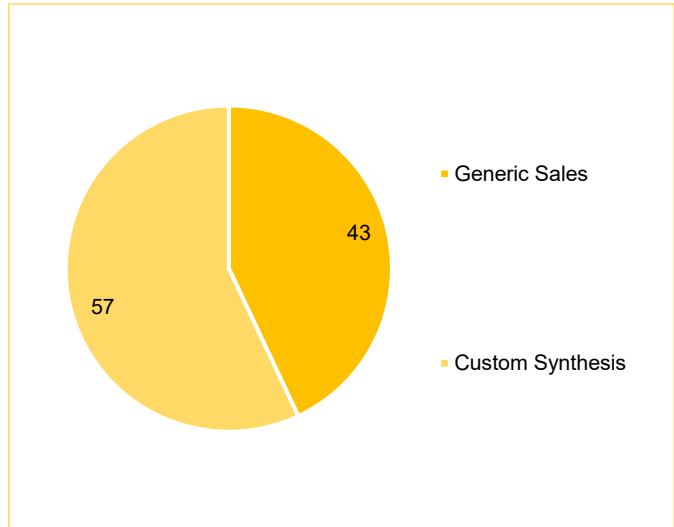
- **Strong visibility** from CS pipeline, with new launches/commercialisation supporting growth.
- **Double-digit growth expected**, supported by a balanced product portfolio.
- **Investments focussed on new blocks**, backward integration and infrastructure upgrades.
- Emphasis on execution, operational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

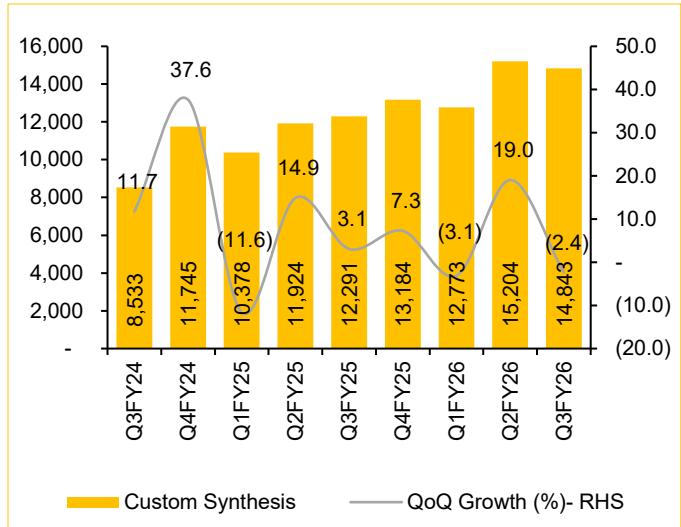
*Double-digit growth expected, supported by a balanced product portfolio.*

## Q3FY26 Segment Revenue Split (INR 26.0 Bn)



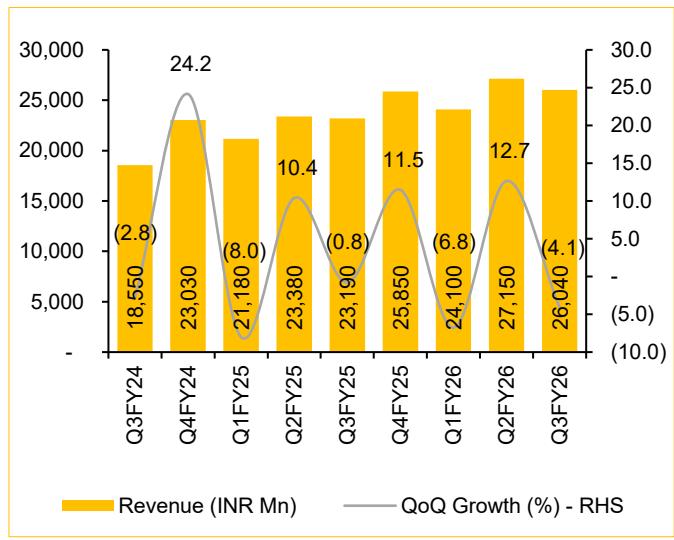
Source: DIVI, Choice Institutional Equities

## CDMO Grows as Project Execution Increases



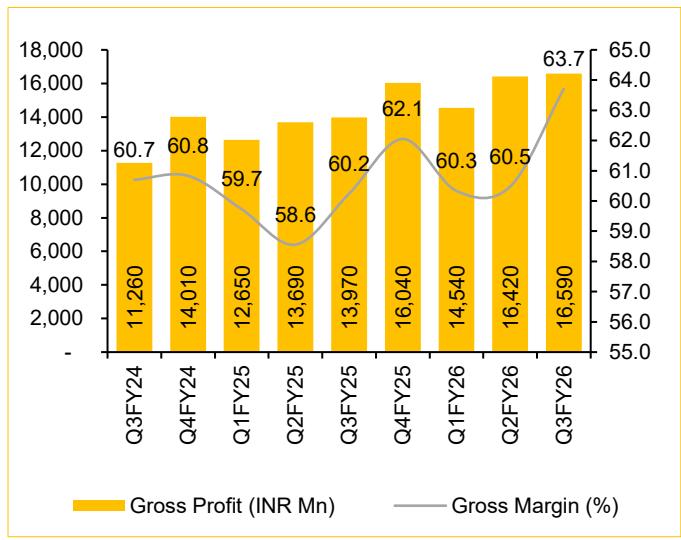
Source: DIVI, Choice Institutional Equities

## Revenue Slightly below Estimate



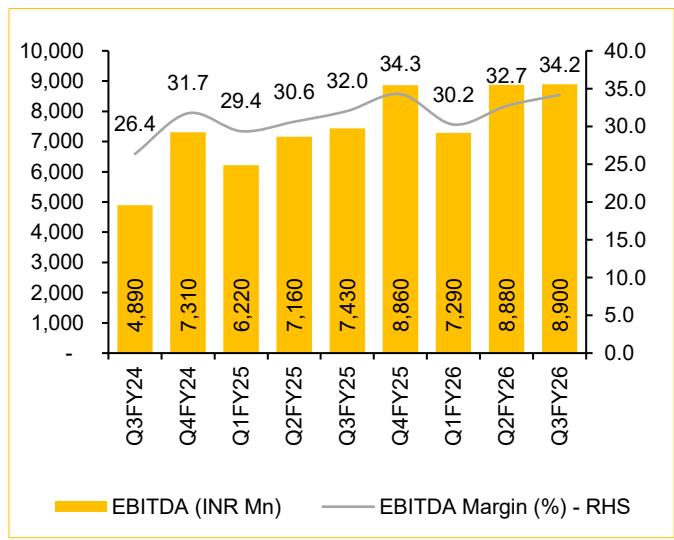
Source: DIVI, Choice Institutional Equities

## Gross Margin Improves on Better Product Mix



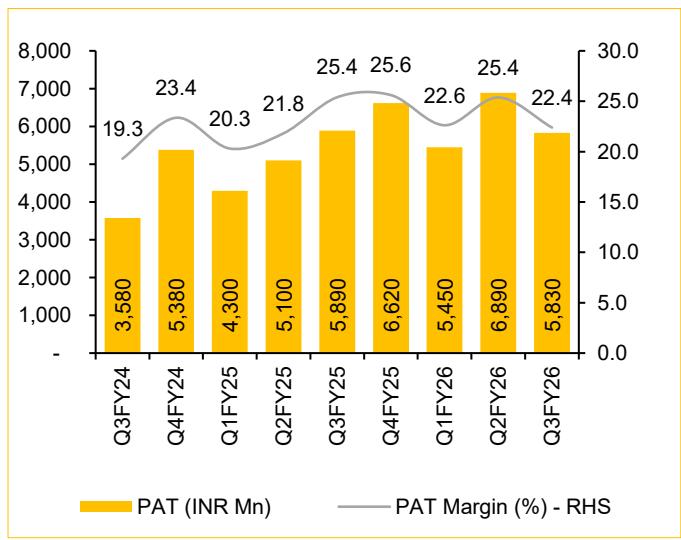
Source: DIVI, Choice Institutional Equities

## EBITDA in line with Estimate



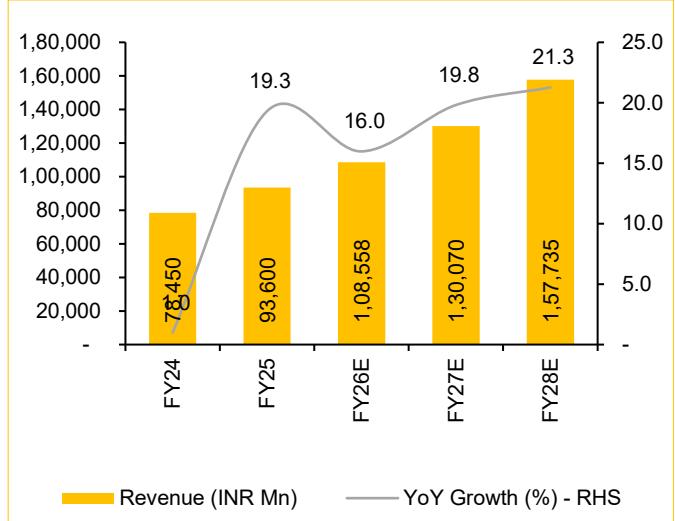
Source: DIVI, Choice Institutional Equities

## PAT Growth Affected due to One-off



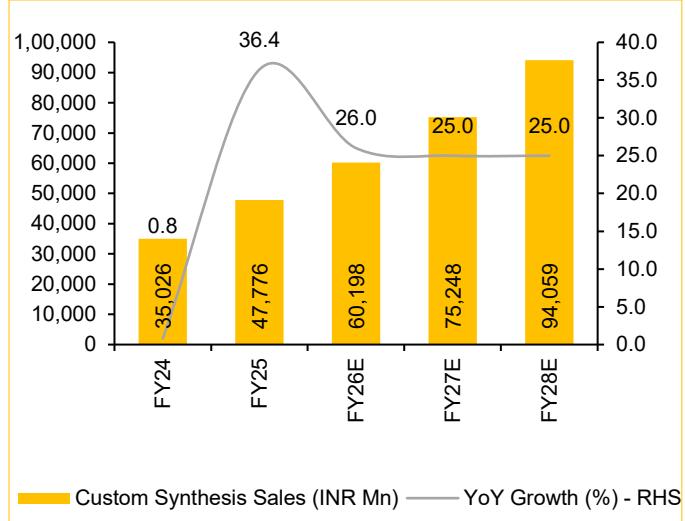
Source: DIVI, Choice Institutional Equities

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



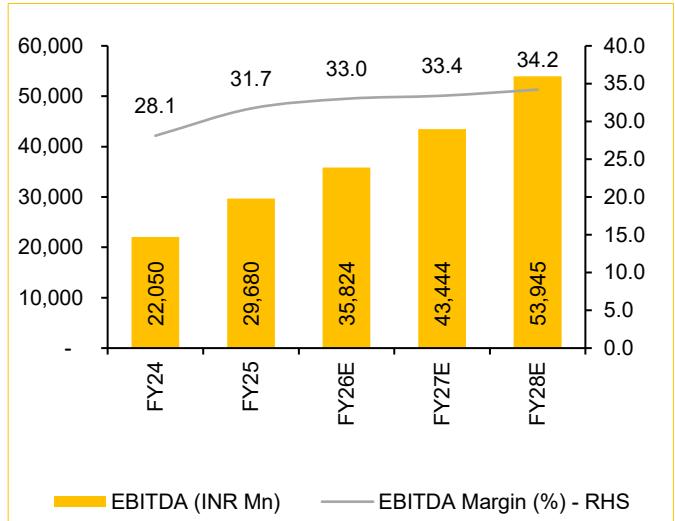
Source: DIVI, Choice Institutional Equities

## CDMO Growth Backed by Project Pipeline



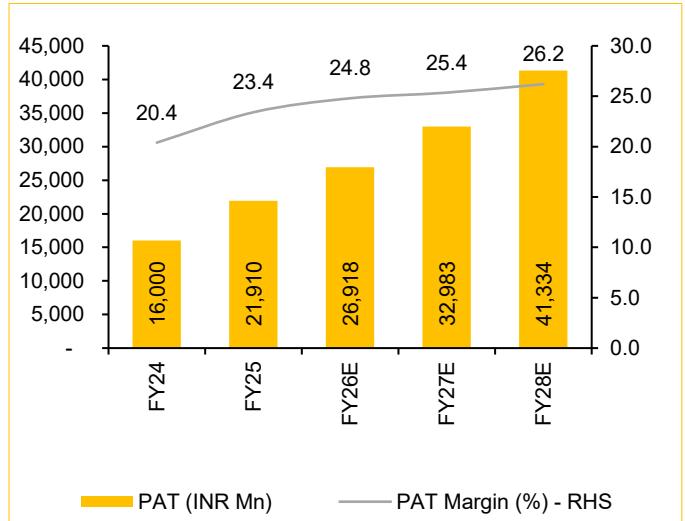
Source: DIVI, Choice Institutional Equities

## Margin Expansion Driven by Integration and Product Mix



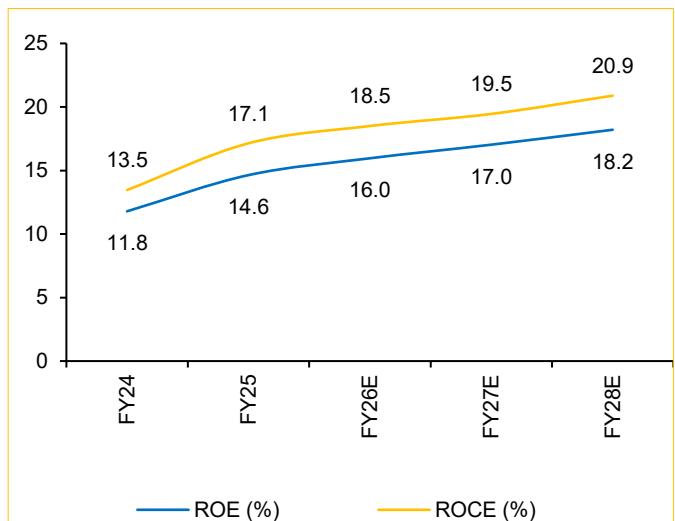
Source: DIVI, Choice Institutional Equities

## PAT Growth Mirrors EBITDA Momentum



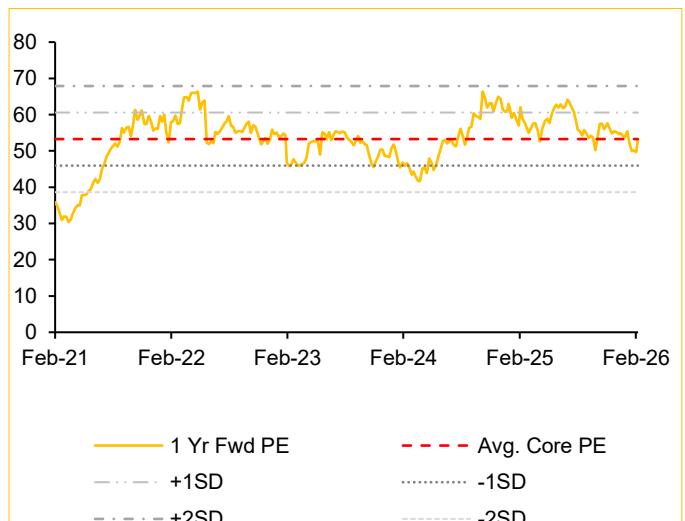
Source: DIVI, Choice Institutional Equities

## 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
<b>Growth Ratios (%)</b>					
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
<b>Margins (%)</b>					
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
<b>Profitability (%)</b>					
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
<b>Financial Leverage (x)</b>					
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
<b>Working Capital</b>					
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
<b>Valuation Metrics</b>					
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

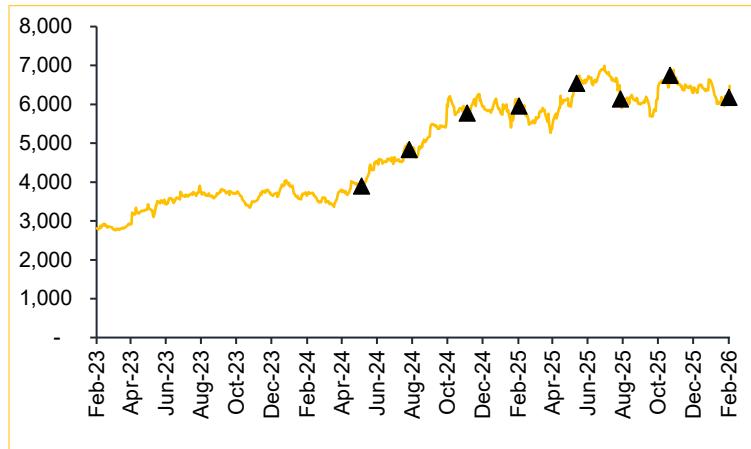
## Balance Sheet (INR Mn)

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
<b>Total Net Worth &amp; Liabilities</b>	<b>1,54,701</b>	<b>1,69,321</b>	<b>1,88,734</b>	<b>2,15,008</b>	<b>2,50,208</b>
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
<b>Total Assets</b>	<b>1,54,701</b>	<b>1,69,320</b>	<b>1,88,734</b>	<b>2,15,008</b>	<b>2,50,208</b>

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
<b>ROE (%)</b>	<b>11.8</b>	<b>14.6</b>	<b>16.0</b>	<b>17.0</b>	<b>18.2</b>

## 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

## Institutional Research Team

Utsav Verma, CFA	Head of Institutional Research	utsav.verma@choiceindia.com	+91 22 6707 9440
Ashutosh Murarka	Analyst – Building Materials	ashutosh.murarka@choiceindia.com	+91 22 6707 9521
Deepika Murarka	Analyst – Healthcare	deepika.murarka@choiceindia.com	+91 22 6707 9513
Dhanshree Jadhav	Analyst – Technology	dhanshree.jadhav@choiceindia.com	+91 22 6707 9535
Dhaval Popat	Analyst – Energy	dhaval.popat@choiceindia.com	+91 22 6707 9949
Fenil Brahmbhatt	Analyst – Realty & Building Materials	fenil.brahmbhatt@choiceindia.com	+91 22 6707 9930
Ishank Gupta	Analyst – NBFCs	ishank.gupta@choiceindia.com	+91 22 6707 9867
Karan Kamdar	Analyst – Consumer Discretionary, Small and Midcaps	karan.kamdar@choiceindia.com	+91 22 6707 9451
Kunal Bajaj	Analyst – Technology	kunal.bajaj@choiceindia.com	+91 22 6707 9901
Maitri Sheth	Analyst – Pharmaceuticals	maitri.sheth@choiceindia.com	+91 22 6707 9511
Putta Ravi Kumar	Analyst – Defence	ravi.putta@choiceindia.com	+91 22 6707 9908
Aayush Saboo	Sr. Associate – Realty	aayush.saboo@choiceindia.com	+91 22 6707 9930
Abhinav Kapadia	Sr. Associate – Capital Goods	abhinav.kapadia@choiceindia.com	+91 22 6707 9987
Avi Jhaveri	Sr. Associate – Technology	avi.jhaveri@choiceindia.com	+91 22 6707 9901
Bharat Kumar Kudikyala	Sr. Associate – Building Materials	bharat.kudikyala@choiceindia.com	+91 22 6707 9521
Samarth Goel	Sr. Associate – Small and Midcaps	samarth.goel@choiceindia.com	+91 22 6707 9451
Subhash Gate	Sr. Associate – Autos	subhash.gate@choiceindia.com	+91 22 6707 9233
Heer Gogri	Associate – Small and Midcaps	heer.gogri@choiceindia.com	+91 22 6707 9433
Heet Chheda	Associate – Autos	heet.chheda@choiceindia.com	+91 22 6707 9233
Komal Jain	Associate – Healthcare	komal.jain@choiceindia.com	+91 22 6707 9513
Rushil Katiyar	Associate – Technology	rushil.katiyar@choiceindia.com	+91 22 6707 9901
Shreya Mehra	Associate – Technology	shreya.mehra@choiceindia.com	+91 22 6707 9535
Stuti Bagadia	Associate – Pharmaceuticals	stuti.bagadia@choiceindia.com	+91 22 6707 9511
Vinay Rawal	Associate – Small and Midcaps	vinay.rawal@choiceindia.com	+91 22 6707 9433

## CHOICE RATING DISTRIBUTION &amp; 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 &amp; 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 &amp; Small Cap: Less Than INR 20,000 Cr Market Cap

## Disclaimer & Disclosure

Research Disclaimer and Disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

**Choice Equity Broking Private Limited is a registered Research Analyst Entity (Reg. No. INH000000222 ) CIN. NO.: U65999MH2010PTC198714. Reg. Add.: Sunil Patodia Tower, J B Nagar, Andheri (East), Mumbai 400099. Tel. No. 022-6707 9999 . Compliance Officer-Prashant Salian. Tel. 022-6707 9999-Ext. 896. Email-Compliance@choiceindia.com. Grievance officer-Deepika Singhvi Tel.022-67079999-Ext-834.**

Email- ig@choiceindia.com

### General Disclaimer:

**Investment in securities market are subject to market risks. Read all the related documents carefully before investing. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors**

This report ("Report") is prepared by Choice Equity Broking Private Limited as a Research Entity (hereinafter referred as "CEBPL") in its capacity as a SEBI-registered Research Analyst and is intended solely for informational and educational purposes. This Report is meant exclusively for the recipient and shall not be circulated, reproduced, or distributed, in whole or in part.

This Report does not take into account the specific investment objectives, financial situation, risk profile, or particular needs of any individual or class of investors and does not constitute a personal recommendation or investment advice. Any views, opinions, or recommendations expressed herein are based on publicly available information and internal analysis and are subject to change without notice.

Nothing contained in this Report shall be construed as an offer, solicitation, or inducement to buy, sell, or subscribe to any securities, derivatives, or other financial instruments, nor shall it be considered as investment, legal, accounting, or tax advice. Recipients are advised to conduct their own independent analysis and are encouraged to seek independent professional advice before making any investment or trading decisions.

The information contained in this Report has been compiled from sources believed to be reliable; however, CEBPL does not represent or warrant the accuracy, completeness, or reliability of such information. CEBPL, its directors, employees, or associates shall not be liable for any losses, damages, or expenses arising directly or indirectly from the use of or reliance upon this Report.

Investments in securities are subject to market risks. The price and value of investments and the income from them may fluctuate, and investors may incur losses. Past performance is not indicative of future results. Opinions expressed herein are as of the date of this Report and may differ from views expressed in other research reports due to differences in methodology, assumptions, or time horizons.

### Disclaimers in respect of Jurisdiction:

This Report is not intended for distribution to, or use by, any person or entity who is a citizen or resident of, or located in, any jurisdiction where such distribution, publication, or use would be contrary to applicable laws or regulations, or would subject CEBPL to any registration or licensing requirements in such jurisdiction.

No action has been taken or will be taken by CEBPL in any jurisdiction outside India where such action would be required for distribution of this Report. Accordingly, this Report shall not be directly or indirectly distributed, published, or circulated in any such jurisdiction except in compliance with applicable laws and regulations.

Recipients of this Report are required to inform themselves of, and comply with, all applicable legal and regulatory restrictions at their own expense and without any liability to CEBPL. Any dispute arising out of or in connection with this Report shall be subject to the exclusive jurisdiction of the competent courts in Mumbai, India.

### Disclosure on Ownership and Material Conflicts of Interest:

- "CEBPL", its Research Analyst(s), their associates and relatives may have any financial interest in the subject company covered in this Research Report.
- "CEBPL", its Research Analyst(s), their associates and relatives may have actual or beneficial ownership of one percent (1%) or more of the securities of the subject company, as on the last day of the month immediately preceding the date of publication of this Research Report.
- "CEBPL", its Research Analyst(s), their associates and relatives may have any other material conflict of interest at the time of publication of this Research Report.

### Disclosure on Receipt of Compensation:

- "CEBPL" or its associates may have received compensation from the subject company during the past twelve months.
- "CEBPL" or its associates may have managed or co-managed public offerings of securities for the subject company during the past twelve months.
- "CEBPL" or its associates may have received compensation from the subject company during the past twelve months for investment banking, merchant banking or brokerage services.
- "CEBPL" or its associates may have received compensation from the subject company during the past twelve months for products or services other than investment banking, merchant banking or brokerage services.
- "CEBPL" or its associates have not received any compensation or other benefits from the subject company or any third party in connection with the preparation or publication of this Research Report.
- Research Analyst may have served as an officer, director or employee of the subject company covered in this Research Report.
- "CEBPL" and Research analyst may engage in market-making activity in the securities of the subject company.

Details of Associates of CEBPL and Brief History of Disciplinary action by regulatory authorities are available on our website i.e. [www.https://choiceindia.com/research-listing](https://choiceindia.com/research-listing)

### Copyright:

This research report is confidential and intended solely for the recipient. Unauthorized reproduction, distribution, or disclosure of this report, in whole or in part, in any form or by any means, without the prior written permission of the Company is strictly prohibited.