

May 19, 2025

## Q4FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
<b>Rating</b>	<b>ACCUMULATE</b>		<b>ACCUMULATE</b>	
<b>Target Price</b>	<b>6,800</b>		<b>6,250</b>	
Sales (Rs. m)	1,09,952	1,26,999	1,10,159	1,26,683
% Chng.	(0.2)	0.2		
EBITDA (Rs. m)	37,342	44,828	36,958	44,819
% Chng.	1.0	-		
EPS (Rs.)	102.7	124.2	102.1	124.9
% Chng.	0.6	(0.5)		

### Key Financials - Consolidated

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. m)	78,630	93,960	1,09,952	1,26,999
EBITDA (Rs. m)	22,230	30,040	37,342	44,828
Margin (%)	28.3	32.0	34.0	35.3
PAT (Rs. m)	16,180	25,227	27,215	32,921
EPS (Rs.)	61.1	95.2	102.7	124.2
Gr. (%)	(11.1)	55.9	7.9	21.0
DPS (Rs.)	30.1	30.1	30.1	30.1
Yield (%)	0.5	0.5	0.5	0.5
RoE (%)	12.3	17.7	17.1	18.1
RoCE (%)	14.0	18.2	20.6	21.7
EV/Sales (x)	20.7	17.3	14.8	12.7
EV/EBITDA (x)	73.1	54.2	43.5	36.1
PE (x)	102.8	66.0	61.1	50.5
P/BV (x)	12.3	11.1	9.8	8.6

### Key Data

52-W High / Low	Rs.6,449 / Rs.3,830
Sensex / Nifty	82,331 / 25,020
Market Cap	Rs.1,667bn/ \$ 19,493m
Shares Outstanding	265m
3M Avg. Daily Value	Rs.2780.92m

### Shareholding Pattern (%)

Promoter's	51.89
Foreign	18.01
Domestic Institution	20.71
Public & Others	9.39
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	9.1	9.2	59.7
Relative	2.1	2.9	42.9

### Param Desai

paramdesai@plindia.com | 91-22-66322259

### Kushal Shah

kushalshah@plindia.com | 91-22-66322490

## Margin surprise

### Quick Pointers:

- Guided for Rs ~14bn growth capex and double-digit revenue growth for FY26.
- The 2 new CS contracts should start contributing from late CY26 / early CY27.

**Divi's Laboratories (DIVI) Q4FY25 EBITDA beat our estimates led by higher gross margin (62%; up 200 bps QoQ). We expect GMs to sustain, led by better product mix and stable raw material prices. Mgmt. suggested that moderation of raw material prices, increasing RFP's and commencement of some CDMO and contrast media contracts, will continue to aid revenues and margins. Our FY26E/FY27E EPS estimates broadly remain unchanged. We expect 22% EBITDA CAGR and 15% PAT CAGR over FY25-27E. At CMP, stock is trading at 50x FY27E EPS. We Maintain our 'Accumulate' rating with revised TP of Rs6,800/share, valuing at 55x FY27E EPS.**

- CCS segment continues to support revenue growth:** DIVI's Q4FY25 revenues came in at Rs26bn (up 12% YoY; 11% QoQ); in line with our estimates. Generic revenues came at Rs10.6bn; up 13% YoY while Custom synthesis (CCS) delivered growth of 12% YoY at Rs 13bn. In FY25 overall exports stood at 88% and exports to EU and US stood at 73% of revenue. Product mix for generics and custom synthesis in Q4FY25 were at 49% and 51% of revenue. Nutraceutical business for Q4 was at Rs2.1bn, up 9% YoY.
- Improved GMs, lower opex aided EBITDA beat:** GM came in at 62%; increased 120 bps YoY and 180bps QoQ. We estimated 61%. Employee expenses grew by 18% YoY, while other expenses remained flat YoY. Resultant EBITDA came in at Rs 8.9bn (up 21% YoY and 19% QoQ) vs our estimate of Rs8.7bn. OPM came in higher at 34.3%, up 250bps YoY and 220bps QoQ; we estimate 33%. There was a forex gain of Rs 100mn. PAT came in at Rs 6.62bn; up 23% YoY; above our estimate.
- Key concall takeaways: Generic business:** Stable volume across key molecules. Despite persistent pricing pressures in the industry, the company could maintain stability; expect pressure to gradually ease. **Custom synthesis:** Strong growth continues in this segment backed by a strong pipeline of customer inquiries and regular on-site interactions. Signed a long-term supply agreement with a major global pharma player for the manufacture of an active API intermediate. Earlier CS contract was also for API contract. Both these contracts will start contributing from late CY26 or early CY27. **Peptides** Rising global demand for GLP-1 and GLP-2 analogues is driving momentum. Investments made in both solid- and liquid-phase synthesis. Early-stage work underway on ADCs and oligonucleotides. No plans to enter the generic GLP market in FY26. **Kakinada unit:** The new facility, near Kakinada in Andhra Pradesh, began commercial operations in Jan'25. Production has commenced in phases, supporting the company's backward integration efforts and strengthening control over input costs. Phase 1 has utilised 200acres out of 500acres of land parcel. An additional Rs 2 bn has been earmarked for further development of Phase 1. There are 7 production blocks in phase 1. **Contrast**

**media:** Steady progress is being made in the contrast media space. DIVIS is expanding capabilities in this high-growth segment. **Other:** Witnessed stability in raw material prices. Disruption in red sea led to rerouting leading to higher transit time. In Q4FY25, Rs 5.6 bn worth of assets were capitalized, including Rs 3.4 bn related to the Kakinada plant. Total spending on the Kakinada project, including capital assets and advances, reached Rs 14.97 bn by the end of FY25. With production underway at Kakinada Phase I, margin improvements are anticipated starting FY26. Guided growth capex of Rs 14bn in FY26. Mgmt remains confident about double-digit revenue growth.

**Exhibit 1: 3QFY25 Result Overview (Rs m): Strong EBITDA beat aided by higher GMs**

Y/e March (Rs m)	4QFY25	4QFY24	YoY gr. (%)	3QFY25	QoQ gr. (%)	FY25	FY24	YoY gr. (%)
<b>Net Sales</b>	<b>25,850</b>	<b>23,030</b>	<b>12.2</b>	<b>23,190</b>	<b>11.5</b>	<b>93,600</b>	<b>78,450</b>	<b>19.3</b>
Raw Material	9,810	9,020	8.8	9,220	6.4	37,250	31,290	19.0
% of Net Sales	37.9	39.2		39.8		39.8	39.9	
Personnel Cost	3,500	2,970	17.8	2,970	17.8	12,430	10,940	13.6
% of Net Sales	13.5	12.9		12.8		13.3	13.9	
Others	3,680	3,710	(0.8)	3,570	3.1	14,240	14,170	0.5
% of Net Sales	14.2	16.1		15.4		15.2	18.1	
Total Expenditure	16,990	15,700	8.2	15,760	7.8	63,920	56,400	13.3
<b>EBITDA</b>	<b>8,860</b>	<b>7,330</b>	<b>20.9</b>	<b>7,430</b>	<b>19.2</b>	<b>29,680</b>	<b>22,050</b>	<b>34.6</b>
Margin (%)	34.3	31.8		32.0		31.7	28.1	
Depreciation	1,070	950	12.6	990	8.1	4,020	3,780	6.3
<b>EBIT</b>	<b>7,790</b>	<b>6,380</b>	<b>22.1</b>	<b>6,440</b>	<b>21.0</b>	<b>25,660</b>	<b>18,270</b>	<b>40.4</b>
Other Income	860	770	11.7	820	4.9	3,520	3,390	3.8
Forex gain / (loss)	100	(20)		100		480	300	
Interest	10	20	(50.0)	-	#DIV/0!	20	40	(50.0)
<b>PBT</b>	<b>8,640</b>	<b>7,130</b>	<b>21.2</b>	<b>7,260</b>	<b>19.0</b>	<b>29,160</b>	<b>21,620</b>	<b>34.9</b>
Extra-Ord. Inc./Exps.	-	-		-				
Total Taxes	2,020	1,750	15.4	1,370	47.4	7,250	5,630	28.8
<b>ETR (%)</b>	<b>23.4</b>	<b>24.5</b>		<b>18.9</b>		<b>24.9</b>	<b>26.0</b>	
<b>Reported PAT</b>	<b>6,620</b>	<b>5,380</b>	<b>23.0</b>	<b>5,890</b>	<b>12.4</b>	<b>21,910</b>	<b>15,990</b>	<b>37.0</b>

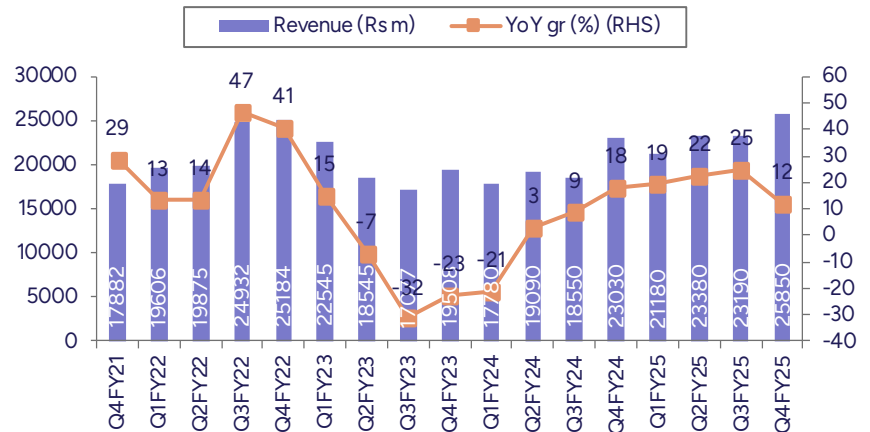
Source: Company, PL

**Exhibit 2: Segmental mix (Rs mn): CCS business aids growth YoY**

Y/e March (Rs m)	4QFY25	4QFY24	YoY gr. (%)	3QFY25	QoQ gr. (%)	FY25	FY24	YoY gr. (%)
Generics	10,617	9,405	12.9	9,199	15.4	37,590	36,194	3.9
% of Net Sales	41.1	40.8		39.7		40.2	46.1	
CCS	13184	11745	12.2	12291	7.3	48,200	35,026	37.6
% of Net Sales	51.0	51.0		53.0		51.5	44.6	
Cartenoids	2050	1880	9.0	1700	20.6	7,810	7,230	8.0
% of Net Sales	7.9	8.2		7.3		8.3	9.2	
<b>Total Sales</b>	<b>25,850</b>	<b>23,030</b>	<b>12.2</b>	<b>23,190</b>	<b>11.5</b>	<b>93,600</b>	<b>78,450</b>	<b>19.3</b>

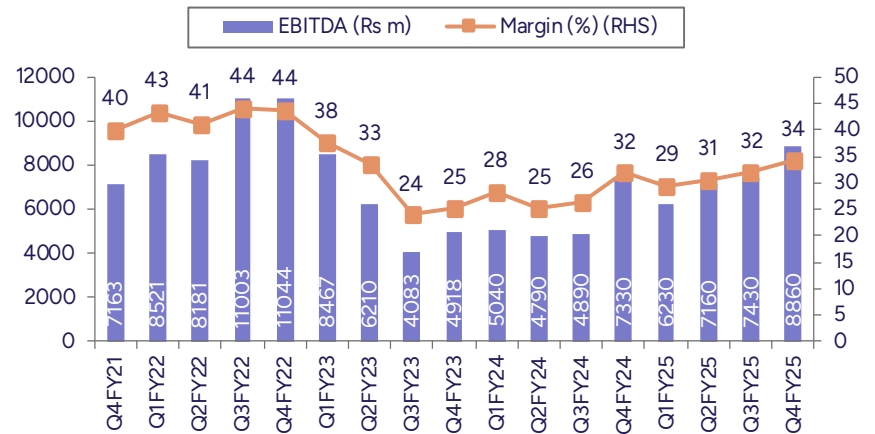
Source: Company, PL

**Exhibit 3: CCS contribution remained higher at 51%**



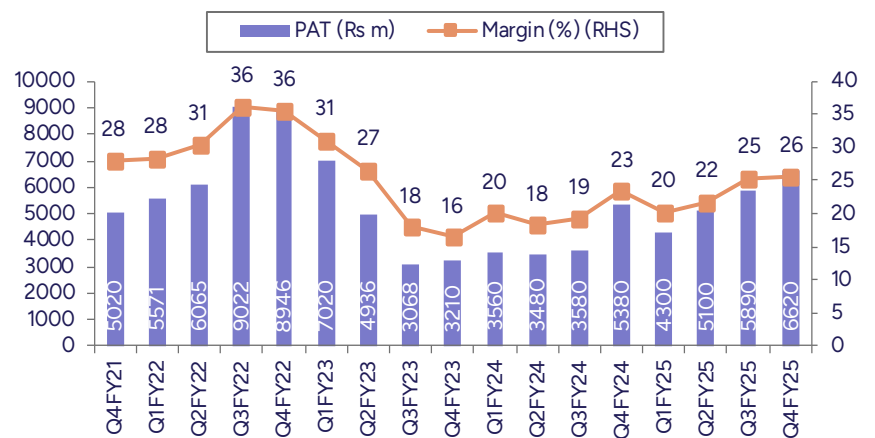
Source: Company, PL

**Exhibit 4: Inch up in margins both YoY and QoQ**



Source: Company, PL

**Exhibit 5: PAT growth at 23% YoY**



Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
<b>Net Revenues</b>	<b>78,630</b>	<b>93,960</b>	<b>1,09,952</b>	<b>1,26,999</b>
YoY gr. (%)	1.2	19.5	17.0	15.5
Cost of Goods Sold	31,290	37,250	42,881	48,894
Gross Profit	47,340	56,710	67,070	78,104
Margin (%)	60.2	60.4	61.0	61.5
Employee Cost	10,940	12,430	13,922	15,731
Other Expenses	14,170	14,240	15,806	17,545
<b>EBITDA</b>	<b>22,230</b>	<b>30,040</b>	<b>37,342</b>	<b>44,828</b>
YoY gr. (%)	(6.1)	35.1	24.3	20.0
Margin (%)	28.3	32.0	34.0	35.3
Depreciation and Amortization	3,780	4,020	4,592	5,413
<b>EBIT</b>	<b>18,450</b>	<b>26,020</b>	<b>32,751</b>	<b>39,414</b>
Margin (%)	23.5	27.7	29.8	31.0
Net Interest	30	20	20	20
Other Income	3,390	4,000	3,800	4,500
<b>Profit Before Tax</b>	<b>21,810</b>	<b>30,000</b>	<b>36,531</b>	<b>43,894</b>
Margin (%)	27.7	31.9	33.2	34.6
Total Tax	5,630	4,773	9,315	10,974
Effective tax rate (%)	25.8	15.9	25.5	25.0
<b>Profit after tax</b>	<b>16,180</b>	<b>25,227</b>	<b>27,215</b>	<b>32,921</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>16,180</b>	<b>25,227</b>	<b>27,215</b>	<b>32,921</b>
YoY gr. (%)	(11.3)	55.9	7.9	21.0
Margin (%)	20.6	26.8	24.8	25.9
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>16,180</b>	<b>25,227</b>	<b>27,215</b>	<b>32,921</b>
YoY gr. (%)	(11.3)	55.9	7.9	21.0
Margin (%)	20.6	26.8	24.8	25.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	16,180	25,227	27,215	32,921
<b>Equity Shares O/s (m)</b>	<b>265</b>	<b>265</b>	<b>265</b>	<b>265</b>
<b>EPS (Rs)</b>	<b>61.1</b>	<b>95.2</b>	<b>102.7</b>	<b>124.2</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>67,586</b>	<b>78,636</b>	<b>94,636</b>	<b>1,09,636</b>
Tangibles	67,306	78,310	94,244	1,09,181
Intangibles	281	326	393	455
<b>Acc: Dep / Amortization</b>	<b>20,196</b>	<b>24,216</b>	<b>28,808</b>	<b>34,221</b>
Tangibles	19,899	23,860	28,384	33,718
Intangibles	297	356	424	503
<b>Net fixed assets</b>	<b>47,390</b>	<b>54,420</b>	<b>65,828</b>	<b>75,415</b>
Tangibles	47,407	54,450	65,859	75,463
Intangibles	(17)	(30)	(31)	(48)
Capital Work In Progress	7,780	10,220	10,220	10,220
Goodwill	-	-	-	-
Non-Current Investments	820	650	650	650
Net Deferred tax assets	(5,720)	(4,980)	(4,980)	(4,980)
Other Non-Current Assets	-	-	-	-
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	31,840	32,360	38,178	44,097
Trade receivables	21,560	27,310	28,099	32,455
Cash & Bank Balance	39,800	37,150	39,366	46,023
Other Current Assets	-	-	-	-
<b>Total Assets</b>	<b>1,54,600</b>	<b>1,69,210</b>	<b>1,89,440</b>	<b>2,15,960</b>
<b>Equity</b>				
Equity Share Capital	530	530	530	530
Other Equity	1,35,180	1,49,160	1,68,412	1,93,369
<b>Total Network</b>	<b>1,35,710</b>	<b>1,49,690</b>	<b>1,68,942</b>	<b>1,93,899</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	8,240	9,100	10,079	11,642
Other current liabilities	4,930	5,440	5,440	5,440
<b>Total Equity &amp; Liabilities</b>	<b>1,54,600</b>	<b>1,69,210</b>	<b>1,89,440</b>	<b>2,15,960</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	18,480	26,040	32,771	39,434
Add. Depreciation	3,780	4,020	4,592	5,413
Add. Interest	(30)	(20)	(20)	(20)
Less Financial Other Income	3,390	4,000	3,800	4,500
Add. Other	210	(370)	-	-
Op. profit before WC changes	22,440	29,670	37,342	44,828
Net Changes-WC	(6,070)	(4,900)	(5,627)	(8,713)
Direct tax	(3,760)	(8,240)	(9,315)	(10,974)
<b>Net cash from Op. activities</b>	<b>12,610</b>	<b>16,530</b>	<b>22,400</b>	<b>25,141</b>
Capital expenditures	(10,030)	(14,380)	(16,000)	(15,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
<b>Net Cash from Invst. activities</b>	<b>(10,030)</b>	<b>(14,380)</b>	<b>(16,000)</b>	<b>(15,000)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(7,964)	(7,964)	(7,964)	(7,964)
Interest paid	-	-	-	-
Others	3,053	3,164	3,780	4,480
<b>Net cash from Fin. activities</b>	<b>(4,911)</b>	<b>(4,800)</b>	<b>(4,184)</b>	<b>(3,484)</b>
<b>Net change in cash</b>	<b>(2,331)</b>	<b>(2,650)</b>	<b>2,216</b>	<b>6,657</b>
Free Cash Flow	2,580	2,150	6,400	10,141

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY24	FY25	FY26E	FY27E
<b>Per Share(Rs)</b>				
EPS	61.1	95.2	102.7	124.2
CEPS	75.3	110.4	120.0	144.7
BVPS	512.1	564.9	637.5	731.7
FCF	9.7	8.1	24.1	38.3
DPS	30.1	30.1	30.1	30.1
<b>Return Ratio(%)</b>				
RoCE	14.0	18.2	20.6	21.7
ROIC	16.1	19.7	21.8	23.2
RoE	12.3	17.7	17.1	18.1
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.3)	(0.2)	(0.2)	(0.2)
Net Working Capital (Days)	210	196	187	187
<b>Valuation(x)</b>				
PER	102.8	66.0	61.1	50.5
P/B	12.3	11.1	9.8	8.6
P/CEPS	83.4	56.9	52.3	43.4
EV/EBITDA	73.1	54.2	43.5	36.1
EV/Sales	20.7	17.3	14.8	12.7
Dividend Yield (%)	0.5	0.5	0.5	0.5

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q1FY25	Q2FY25	Q3FY25	Q4FY25
<b>Net Revenue</b>	<b>21,180</b>	<b>23,380</b>	<b>23,190</b>	<b>25,850</b>
YoY gr. (%)	19.1	22.5	25.0	12.2
Raw Material Expenses	8,530	9,690	9,220	9,810
Gross Profit	12,650	13,690	13,970	16,040
Margin (%)	59.7	58.6	60.2	62.1
<b>EBITDA</b>	<b>6,230</b>	<b>7,160</b>	<b>7,430</b>	<b>8,860</b>
YoY gr. (%)	23.6	49.5	51.9	20.9
Margin (%)	29.4	30.6	32.0	34.3
Depreciation / Depletion	970	990	990	1,070
<b>EBIT</b>	<b>5,260</b>	<b>6,170</b>	<b>6,440</b>	<b>7,790</b>
Margin (%)	24.8	26.4	27.8	30.1
Net Interest	-	10	-	10
Other Income	780	1,060	820	860
<b>Profit before Tax</b>	<b>6,040</b>	<b>7,220</b>	<b>7,260</b>	<b>8,640</b>
Margin (%)	28.5	30.9	31.3	33.4
Total Tax	1,740	2,120	1,370	2,020
Effective tax rate (%)	28.8	29.4	18.9	23.4
<b>Profit after Tax</b>	<b>4,300</b>	<b>5,100</b>	<b>5,890</b>	<b>6,620</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>4,300</b>	<b>5,100</b>	<b>5,890</b>	<b>6,620</b>
YoY gr. (%)	20.8	46.6	64.5	23.0
Margin (%)	20.3	21.8	25.4	25.6
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>4,300</b>	<b>5,100</b>	<b>5,890</b>	<b>6,620</b>
YoY gr. (%)	20.8	46.6	64.5	23.0
Margin (%)	20.3	21.8	25.4	25.6
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>4,300</b>	<b>5,100</b>	<b>5,890</b>	<b>6,620</b>
Avg. Shares O/s (m)	265	265	265	265
<b>EPS (Rs)</b>	<b>16.2</b>	<b>19.2</b>	<b>22.2</b>	<b>24.9</b>

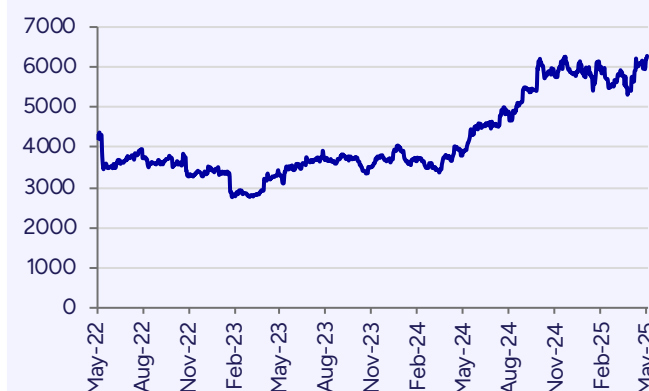
Source: Company Data, PL Research

**Key Operating Metrics**

Y/e Mar	FY24	FY25	FY26E	FY27E
Generic API	36,194	37,950	45,540	52,371
Custom Synthesis	35,206	48,200	55,430	64,299
Cartenoids	7,230	7,810	8,982	10,329

Source: Company Data, PL Research

**Price Chart**



**Recommendation History**

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Apr-25	Accumulate	6,250	5,309
2	04-Feb-25	Accumulate	6,250	5,884
3	08-Jan-25	Accumulate	6,000	5,920
4	11-Nov-24	Accumulate	6,000	5,950
5	07-Oct-24	Accumulate	5,000	5,426
6	04-Aug-24	Accumulate	5,000	4,991
7	08-Jul-24	Accumulate	4,350	4,626
8	27-May-24	Accumulate	4,350	4,122

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	8,100	6,683
2	Aster DM Healthcare	BUY	620	476
3	Aurobindo Pharma	BUY	1,510	1,097
4	Cipla	BUY	1,730	1,520
5	Divi's Laboratories	Accumulate	6,250	5,309
6	Dr. Reddy's Laboratories	Reduce	1,225	1,156
7	Eris Lifesciences	BUY	1,450	1,275
8	Fortis Healthcare	BUY	760	636
9	HealthCare Global Enterprises	BUY	555	523
10	Indoco Remedies	Hold	325	233
11	Ipca Laboratories	Accumulate	1,700	1,316
12	J.B. Chemicals & Pharmaceuticals	BUY	2,030	1,641
13	Jupiter Life Line Hospitals	BUY	1,720	1,422
14	Krishna Institute of Medical Sciences	BUY	725	656
15	Lupin	BUY	2,420	1,923
16	Max Healthcare Institute	BUY	1,300	1,084
17	Narayana Hrudayalaya	BUY	1,560	1,644
18	Rainbow Children's Medicare	BUY	1,785	1,406
19	Sun Pharmaceutical Industries	BUY	2,275	1,677
20	Suntech Realty	BUY	650	401
21	Torrent Pharmaceuticals	Accumulate	3,750	3,234
22	Zydus Lifesciences	Accumulate	1,050	841

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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**Prabhudas Lilladher Pvt. Ltd.**

**3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209**

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