

August 7, 2025

Q1FY26 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	6,550		6,800	
Sales (Rs. m)	1,08,149	1,24,562	1,09,952	1,26,999
% Chng.	(1.6)	(1.9)		
EBITDA (Rs. m)	36,119	43,259	37,342	44,828
% Chng.	(3.3)	(3.5)		
EPS (Rs.)	99.6	118.7	102.7	124.2
% Chng.	(3.0)	(4.4)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. m)	78,630	93,960	1,08,149	1,24,562
EBITDA (Rs. m)	22,230	30,040	36,119	43,259
Margin (%)	28.3	32.0	33.4	34.7
PAT (Rs. m)	16,180	25,227	26,392	31,468
EPS (Rs.)	61.1	95.2	99.6	118.7
Gr. (%)	(11.1)	55.9	4.6	19.2
DPS (Rs.)	30.1	30.1	30.1	30.1
Yield (%)	0.5	0.5	0.5	0.5
RoE (%)	12.3	17.7	16.6	17.5
RoCE (%)	14.0	18.2	19.8	21.0
EV/Sales (x)	20.2	16.9	14.7	12.7
EV/EBITDA (x)	71.3	52.9	44.0	36.6
PE (x)	100.5	64.4	61.6	51.7
P/BV (x)	12.0	10.9	9.7	8.5

Key Data

DIVI.BO | DIVI IN

52-W High / Low	Rs.7,078 / Rs.4,616
Sensex / Nifty	80,544 / 24,574
Market Cap	Rs.1,628bn / \$ 18,559m
Shares Outstanding	265m
3M Avg. Daily Value	Rs.2847.66m

Shareholding Pattern (%)

Promoter's	51.88
Foreign	19.74
Domestic Institution	18.96
Public & Others	9.42
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(11.2)	0.2	27.1
Relative	(8.0)	(2.9)	24.0

Param Desai

paramdesai@plindia.com | 91-22-66322259

Kushal Shah

kushalshah@plindia.com | 91-22-66322490

Margin miss

Quick Pointers:

- Initial commercial supplies from Peptides are expected in 6-8months.
- Guided for Rs 20bn of capex in FY26 dedicated towards 3 new projects.

Divi's Laboratories (DIVI) Q1FY26 EBITDA was 4% below our estimates led by lower margins despite higher CS revenues. We expect margins to improve, 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 stand marginally reduced by 3-4%. We expect 20% EBITDA CAGR and 12% PAT CAGR over FY25-27E. At CMP, stock is trading at 52x FY27E EPS. We Maintain our 'Accumulate' rating with revised TP of Rs6,550/share, valuing at 55x FY27E EPS.

- Higher contribution from CS segment aids growth:** Divi's Q1FY26 revenues came in at Rs24.1bn (up 14% YoY); in line with our estimates. Generic revenues came at Rs8.8bn; down ~2% YoY while Custom synthesis (CS) delivered growth of 23% YoY at Rs 12.7bn. In Q1FY26 overall exports stood at 88% and exports to EU and US stood at 72% of revenue. Product mix for generics and custom synthesis in Q1FY26 were at 47% and 53% of revenue. Nutraceutical business for Q1 was Rs2.5bn, up 40% YoY.
- EBITDA miss; PAT aided by forex gain:** GM came at 60.3%; up 60 bps YoY but down 170bps QoQ. We estimated 61%. Employee expenses grew by 16% YoY whereas other expenses were up 10% YoY. EBITDA came in at Rs 7.3bn up 17% YoY vs our estimate of Rs7.6bn. OPM stood at 30.3%, up 90bps YoY but was down 440bps QoQ; we estimate 31.5%. There was a forex gain of Rs 390mn. PAT came in at Rs 5.45bn; up 27% YoY; marginally above our estimate.
- Key concall takeaways: Generic business:** Contributed 47% of the mix in Q1FY26. Management highlighted that pricing pressure persists. Despite pricing pressure Divis could retain 60-70% share in key API's. Logistics and supply chain costs remained elevated, impacting margins. Several products awaiting approvals with commercial flow expected in 6-12 months. **Custom synthesis:** Continues to be the growth engine. The company is witnessing strong traction in this segment, with multiple global innovators actively engaging and seeing healthy RFP. Several projects that are currently in the R&D, pilot, or validation stages are expected to progress to commercial-scale manufacturing over the next 12 to 24 months. Signed 3 large projects of which 1 got commercialized recently whereas rest 2 in late phase clinical stage. For this it is constructing 3 dedicated manufacturing plants. **Peptides:** Commissioned its solid phase capacity for pilot work and commercialization of fragments. Divis anticipates initial commercial supplies to commence within the next 6-8months. **Kakinada unit:** Primary objective of unit 3 is to focus towards KSM and intermediates. This strategic shift enables Divi's to free up valuable GMP-certified capacity at its Unit 1 and Unit 2 sites, allowing those facilities to focus on manufacturing higher-margin molecules and

carrying out new product validations. **Capex:** Spent Rs 2.6bn during the quarter broadly towards expanding capacities and upgrading facilities. Out of which Rs 1.14bn was dedicated towards Kakinada phase 1. Guided for Rs 20bn of spend in FY26E. CWIP at Q1 end stood at Rs 13.2bn. **Other:** Current utilization stands at 80% including Kakinada unit. Cash stood at Rs 42bn. On Tariff, long-term supply agreements with clients will protect any significant financial impact.

Exhibit 1: 1QFY26 Result Overview (Rs m): In line revenues, EBITDA miss estimates

Y/e March	1QFY26	1QFY25	YoY gr. (%)	1QFY26E	% Var	4QFY25	QoQ gr. (%)	FY26E	FY25	YoY gr. (%)
Net Sales	24,100	21,180	13.8	23,870	1.0	25,850	(6.8)	1,08,149	93,960	15.1
Raw Material	9,560	8,530	12.1	9,190	4.0	9,810	(2.5)	42,178	37,250	13.2
% of Net Sales	39.7	40.3		38.5		37.9		39.0	39.6	
Personnel Cost	3,400	2,920	16.4	3,358	1.3	3,500	(2.9)	14,046	12,430	13.0
% of Net Sales	14.1	13.8		14.1		13.5		13.0	13.2	
Others	3,850	3,500	10.0	3,745	2.8	3,680	4.6	15,806	14,240	11.0
% of Net Sales	16.0	16.5		15.7		14.2		14.6	15.2	
Total Expenditure	16,810	14,950	12.4	16,293	3.2	16,990	(1.1)	72,030	63,920	12.7
EBITDA	7,290	6,230	17.0	7,577	(3.8)	8,860	(17.7)	36,119	30,040	20.2
Margin (%)	30.2	29.4		31.7		34.3		33.4	32.0	
Depreciation	1,120	970	15.5	1,100	1.8	1,070	4.7	4,653	4,020	15.8
EBIT	6,170	5,260	17.3	6,477	(4.7)	7,790	(20.8)	31,465	26,020	20.9
Other Income	1,190	780	52.6	760	56.6	860	38.4	3,600	3,520	2.3
Forex gain / (loss)	390	(10)		-		100		390	480	
Interest	30	-	#DIV/0!	10	200.0	10	200.0	30	20	50.0
PBT	7,330	6,040	21.4	7,227	1.4	8,640	(15.2)	35,425	30,000	18.1
Extra-Ord. Inc./Exps.	-	-		-		-				
Total Taxes	1,880	1,740	8.0	1,843	2.0	2,020	(6.9)	9,033	4,773	89.2
ETR (%)	25.6	28.8		25.5		23.4		25.5	15.9	
Reported PAT	5,450	4,300	26.7	5,384	1.2	6,620	(17.7)	26,392	25,227	4.6

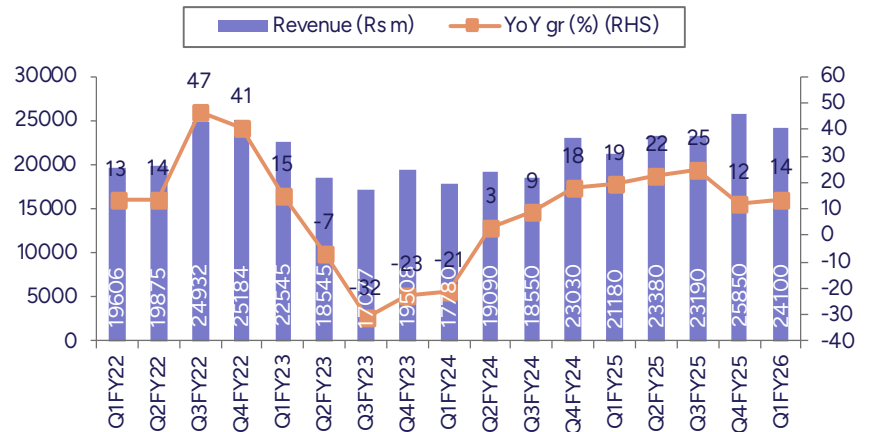
Source: Company, PL

Exhibit 2: Segmental mix (Rs mn): Continued momentum from CCS segment YoY

Y/e March	1QFY26	1QFY25	YoY gr. (%)	4QFY25	QoQ gr. (%)	FY26E	FY25	YoY gr. (%)
Generics	8,827	9,022	(2.2)	10,617	(16.9)	41,745	37,950	10.0
% of Net Sales	36.6	42.6		41.1		38.6	40.4	
CCS	12,773	10,378	23.1	13,184	(3.1)	56,876	48,200	18.0
% of Net Sales	53.0	49.0		51.0		52.6	51.3	
Cartenoids	2,500	1,780	40.4	2,050	22.0	9,528	7,810	22.0
% of Net Sales	10.4	8.4		7.9		8.8	8.3	
Total Sales	24,100	21,180	13.8	25,850	(6.8)	1,08,149	93,960	15.1

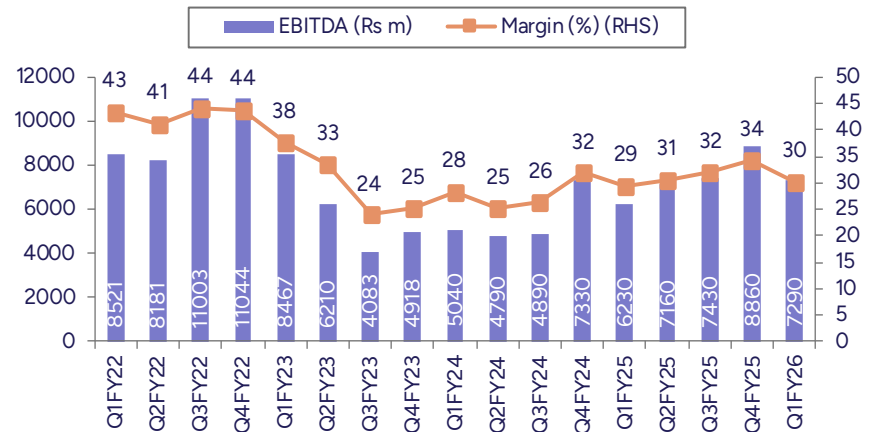
Source: Company, PL

Exhibit 3: CCS contribution remained higher at 53%



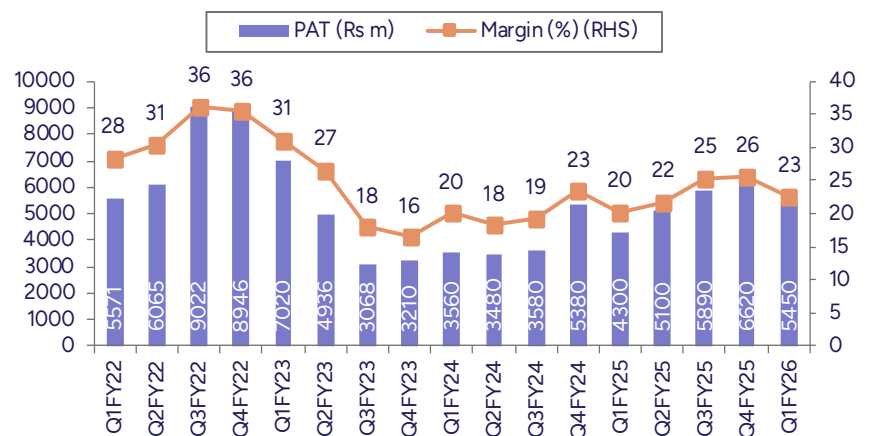
Source: Company, PL

Exhibit 4: EBITDA margins impacted QoQ due to weak GMs



Source: Company, PL

Exhibit 5: PAT growth at 27% YoY



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Revenues	78,630	93,960	1,08,149	1,24,562
YoY gr. (%)	1.2	19.5	15.1	15.2
Cost of Goods Sold	31,290	37,250	42,178	47,956
Gross Profit	47,340	56,710	65,971	76,606
Margin (%)	60.2	60.4	61.0	61.5
Employee Cost	10,940	12,430	14,046	15,802
Other Expenses	14,170	14,240	15,806	17,545
EBITDA	22,230	30,040	36,119	43,259
YoY gr. (%)	(6.1)	35.1	20.2	19.8
Margin (%)	28.3	32.0	33.4	34.7
Depreciation and Amortization	3,780	4,020	4,653	5,572
EBIT	18,450	26,020	31,465	37,687
Margin (%)	23.5	27.7	29.1	30.3
Net Interest	30	20	30	30
Other Income	3,390	4,000	3,990	4,300
Profit Before Tax	21,810	30,000	35,425	41,957
Margin (%)	27.7	31.9	32.8	33.7
Total Tax	5,630	4,773	9,033	10,489
Effective tax rate (%)	25.8	15.9	25.5	25.0
Profit after tax	16,180	25,227	26,392	31,468
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	16,180	25,227	26,392	31,468
YoY gr. (%)	(11.3)	55.9	4.6	19.2
Margin (%)	20.6	26.8	24.4	25.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	16,180	25,227	26,392	31,468
YoY gr. (%)	(11.3)	55.9	4.6	19.2
Margin (%)	20.6	26.8	24.4	25.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	16,180	25,227	26,392	31,468
Equity Shares O/s (m)	265	265	265	265
EPS (Rs)	61.1	95.2	99.6	118.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Non-Current Assets				
Gross Block	67,586	78,636	98,636	1,13,636
Tangibles	67,306	78,310	98,227	1,13,165
Intangibles	281	326	409	472
Acc: Dep / Amortization	20,196	24,216	28,870	34,442
Tangibles	19,899	23,860	28,445	33,935
Intangibles	297	356	425	507
Net fixed assets	47,390	54,420	69,767	79,194
Tangibles	47,407	54,450	69,782	79,229
Intangibles	(17)	(30)	(15)	(35)
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	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	31,840	32,360	36,050	41,521
Trade receivables	21,560	27,310	27,638	31,833
Cash & Bank Balance	39,800	37,150	37,027	42,942
Other Current Assets	-	-	-	-
Total Assets	1,54,600	1,69,210	1,88,452	2,13,460
Equity				
Equity Share Capital	530	530	530	530
Other Equity	1,35,180	1,49,160	1,67,588	1,91,092
Total Network	1,35,710	1,49,690	1,68,118	1,91,622
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	8,240	9,100	9,914	11,418
Other current liabilities	4,930	5,440	5,440	5,440
Total Equity & Liabilities	1,54,600	1,69,210	1,88,452	2,13,460

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	18,480	26,040	31,495	37,717
Add. Depreciation	3,780	4,020	4,653	5,572
Add. Interest	(30)	(20)	(30)	(30)
Less Financial Other Income	3,390	4,000	3,990	4,300
Add. Other	210	(370)	390	-
Op. profit before WC changes	22,440	29,670	36,509	43,259
Net Changes-WC	(6,070)	(4,900)	(3,204)	(8,161)
Direct tax	(3,760)	(8,240)	(9,033)	(10,489)
Net cash from Op. activities	12,610	16,530	24,271	24,609
Capital expenditures	(10,030)	(14,380)	(20,000)	(15,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Invst. activities	(10,030)	(14,380)	(20,000)	(15,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(7,964)	(7,964)	(7,964)	(7,964)
Interest paid	-	-	-	-
Others	3,053	3,164	3,570	4,270
Net cash from Fin. activities	(4,911)	(4,800)	(4,394)	(3,694)
Net change in cash	(2,331)	(2,650)	(123)	5,915
Free Cash Flow	2,580	2,150	4,271	9,609

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
Per Share(Rs)				
EPS	61.1	95.2	99.6	118.7
CEPS	75.3	110.4	117.2	139.8
BVPS	512.1	564.9	634.4	723.1
FCF	9.7	8.1	16.1	36.3
DPS	30.1	30.1	30.1	30.1
Return Ratio(%)				
RoCE	14.0	18.2	19.8	21.0
ROIC	16.1	19.7	20.8	22.1
RoE	12.3	17.7	16.6	17.5
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.2)	(0.2)	(0.2)
Net Working Capital (Days)	210	196	181	181
Valuation(x)				
PER	100.5	64.4	61.6	51.7
P/B	12.0	10.9	9.7	8.5
P/CEPS	81.4	55.6	52.4	43.9
EV/EBITDA	71.3	52.9	44.0	36.6
EV/Sales	20.2	16.9	14.7	12.7
Dividend Yield (%)	0.5	0.5	0.5	0.5

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Net Revenue	23,380	23,190	25,850	24,100
YoY gr. (%)	22.5	25.0	12.2	13.8
Raw Material Expenses	9,690	9,220	9,810	9,560
Gross Profit	13,690	13,970	16,040	14,540
Margin (%)	58.6	60.2	62.1	60.3
EBITDA	7,160	7,430	8,860	7,290
YoY gr. (%)	49.5	51.9	20.9	17.0
Margin (%)	30.6	32.0	34.3	30.2
Depreciation / Depletion	990	990	1,070	1,120
EBIT	6,170	6,440	7,790	6,170
Margin (%)	26.4	27.8	30.1	25.6
Net Interest	10	-	10	30
Other Income	1,060	820	860	1,190
Profit before Tax	7,220	7,260	8,640	7,330
Margin (%)	30.9	31.3	33.4	30.4
Total Tax	2,120	1,370	2,020	1,880
Effective tax rate (%)	29.4	18.9	23.4	25.6
Profit after Tax	5,100	5,890	6,620	5,450
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	5,100	5,890	6,620	5,450
YoY gr. (%)	46.6	64.5	23.0	26.7
Margin (%)	21.8	25.4	25.6	22.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	5,100	5,890	6,620	5,450
YoY gr. (%)	46.6	64.5	23.0	26.7
Margin (%)	21.8	25.4	25.6	22.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,100	5,890	6,620	5,450
Avg. Shares O/s (m)	265	265	265	265
EPS (Rs)	19.2	22.2	24.9	20.5

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
Generic API	36,194	37,950	41,745	48,007
Custom Synthesis	35,206	48,200	56,876	65,407
Cartenoids	7,230	7,810	9,528	11,148

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jul-25	Accumulate	6,800	6,889
2	19-May-25	Accumulate	6,800	6,280
3	08-Apr-25	Accumulate	6,250	5,309
4	04-Feb-25	Accumulate	6,250	5,884
5	08-Jan-25	Accumulate	6,000	5,920
6	11-Nov-24	Accumulate	6,000	5,950
7	07-Oct-24	Accumulate	5,000	5,426

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	8,350	7,616
2	Aster DM Healthcare	BUY	700	605
3	Aurobindo Pharma	BUY	1,300	1,079
4	Cipla	BUY	1,730	1,533
5	Divi's Laboratories	Accumulate	6,800	6,889
6	Dr. Reddy's Laboratories	Reduce	1,270	1,247
7	Eris Lifesciences	BUY	1,740	1,734
8	Fortis Healthcare	BUY	785	806
9	HealthCare Global Enterprises	BUY	620	560
10	Indoco Remedies	Hold	325	322
11	Ipca Laboratories	Accumulate	1,525	1,456
12	J.B. Chemicals & Pharmaceuticals	BUY	2,030	1,778
13	Jupiter Life Line Hospitals	BUY	1,720	1,451
14	Krishna Institute of Medical Sciences	BUY	725	695
15	Lupin	BUY	2,400	1,979
16	Max Healthcare Institute	BUY	1,300	1,300
17	Narayana Hrudayalaya	BUY	2,000	1,830
18	Rainbow Children's Medicare	BUY	1,725	1,541
19	Sun Pharmaceutical Industries	BUY	1,875	1,707
20	Sunteck Realty	BUY	650	427
21	Torrent Pharmaceuticals	Accumulate	4,000	3,623
22	Zydus Lifesciences	Accumulate	970	999

PL's Recommendation Nomenclature (Absolute Performance)

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

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