

19 May 2025

India | Equity Research | Results Update

Divi's Laboratories

Pharma

Strong quarter; GLP-1 opportunity adequately captured in valuation

Divi's Laboratories' (Divi's) Q4FY25 outperformance was led by a strong uptick in its export (up 14.3%) markets such as US and Europe (+16% YoY) and better product mix; also, sharper overhead cost control fuelled 253bps of EBITDA margin expansion to 34.3%. Divi's has started intermediate (including GLP-1) manufacturing for captive consumption at its Kakinada plant; over the next few months, it would vacate products from Unit 1&2 for GLP-1 products. Divi's has established a niche in amino acids and solid/liquid phases of synthesis for GLP-1. Divi's recently entered into two commercial agreements with a global pharma MNC to manufacture API/advance intermediates, which shall boost growth beyond FY28/29. Management guides for double-digit revenue growth for FY26 led by better volumes, new project addition and capacity expansion. We raise FY26E/FY27E EPS by ~3–7%, baking in better margins. Upgrade to **REDUCE**; TP revised to INR 5,610 based on 40x FY27E earnings.

Beat on all fronts; better product mix aids margins

Revenue grew 12.2% YoY (11.5% QoQ) to INR 25.9bn (I-Sec: INR 24.7bn), driven by custom synthesis. Gross margins rose 122bps YoY (+181bps QoQ) to 62.1% due to better product mix. Operating leverage further boosted EBITDA growth to 21.2% YoY (19.2% QoQ) to INR 8.9bn (I-Sec: INR 8.1bn). Employee cost rose 18% YoY while other expenses declined 1% YoY. EBITDA margins stood at 34.3% (I-Sec: 32.7%), up 253bps YoY (+224bps QoQ). Adj. PAT grew 21.8% YoY (+12.6% QoQ) to INR 6.5bn (I-Sec: INR 5.8bn).

Steady traction across segments

CS segment grew robust 12.2% YoY (7.3% QoQ) to INR 13.2bn. We expect new project addition, healthy uptick in RFPs and GLP-1 products to drive and we expect 23.5% revenue CAGR over FY25–27E. Generic revenue grew 11.9% YoY (15.4% QoQ) to INR 10.6bn driven by steady volume growth across core products despite pricing pressure. We build in a 24.9% CAGR in generic APIs over FY25–27E driven by stabilisation of pricing pressure, better volumes for existing products and capacity addition. Carotenoids' revenue grew 13.9% YoY to INR 2bn. Carotenoids are likely to report a 12% CAGR over FY25–27E aided by new capacities. Phase 1 of the plant is expected to be commercialised by Jun'25. The company shall shift some KSMs and nutraceutical products from units 1 & 2 to the Kakinada plant (in Andhra Pradesh) initially, which may help de-bottleneck capacity at its older plant and free-up capacity for GLP1. Management aims to grow its revenue in double digits in FY26.

Financial Summary

Y/E March (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Revenue	78,450	93,600	1,14,367	1,42,014
EBITDA	22,050	29,680	38,726	50,786
EBITDA Margin (%)	28.1	31.7	33.9	35.8
Net Profit	15,778	21,549	28,332	37,142
EPS (INR)	59.4	81.2	106.7	139.9
EPS % Chg YoY	(8.5)	36.6	31.5	31.1
P/E (x)	104.2	76.1	58.8	44.9
EV/EBITDA (x)	73.6	54.8	41.7	31.7
RoCE (%)	11.7	14.8	17.5	20.5
RoE (%)	12.0	15.1	18.0	21.1

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Market Data

Market Cap (INR)	1,667bn
Market Cap (USD)	19,485mn
Bloomberg Code	DIVI IN
Reuters Code	DIVI.BO
52-week Range (INR)	6,449 /3,830
Free Float (%)	48.0
ADTV-3M (mn) (USD)	32.5

Price Performance (%)	3m	6m	12m
Absolute	7.5	9.2	59.7
Relative to Sensex	(1.0)	3.1	48.0

ESG Score	2023	2024	Change
ESG score	73.2	72.8	(0.4)
Environment	60.1	61.3	1.2
Social	72.0	71.4	(0.6)
Governance	79.0	80.3	1.3

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
Revenue	3.7	2.3
EBITDA	5.0	2.0
EPS	6.5	3.2

Previous Reports

04-02-2025: [Q3FY25 results review](#)

10-11-2024: [Q2FY25 results review](#)

Valuation and risks

Divi's CS business has registered strong 43% YoY growth and reached a sales run-rate that it had last touched during the Covid-19 period of FY22. In the generic segment pricing pressure has dampened growth for the last couple of years; however, through process innovation and efficiency, the company has been able to boost volume growth and has maintained market share across all its core products. The construction and manufacturing under Phase 1 (utilised 200 acre out of 500 acre) of unit 3 at Kakinada is progressing as planned and it has commenced production of backward-integrated projects from Jan'25, which should improve overall margins. Supplies to regulated markets from Kakinada are likely to begin in FY27, post regulatory approvals. The company is transferring KSM manufacturing from the older two units to Kakinada plant and would use the available capacity at the older plants for GLP-1 products.

Management believes that the company is aptly placed to garner benefits from the global GLP-1, GIP and GLP-2 opportunities. It has forward-integrated into the manufacturing of solid and liquid phases of peptide synthesis for GLP-1 products, which should help the company to have an edge in the highly competitive market. It is adding new reactors with a 500-litre capacity to ramp-up manufacturing. The company currently is working with innovators on multiple GLP-1 products. Further, the company is also investing INR 7bn in each of its two new CS projects announced for APIs and advanced intermediate manufacturing. These projects may drive growth from FY28/29 for the company. In contrast media, the company continues to explore opportunities with generics and innovators. It is working with several innovators on gadolinium-based compounds which are currently in various phases.

We have increased our EPS for FY26E/FY27E by ~3–7% to factor in better margins. We build in revenue/EBITDA/PAT CAGRs of 23.2%/30.8%/31.3% over FY25–27E. While we remain excited about the capex-driven growth and other margin-lucrative opportunities, the stock trades at pricey valuations of 58.8x FY26E, 44.9x FY27E earnings and EV/EBITDA multiple of 42x FY26E and 31.9x FY27E.

We upgrade our rating to **REDUCE**, with a higher TP of INR 5,610 (earlier INR 4,500), based on 40x FY27E (45x FY26E previously) EPS of INR 140.

Key upside risks: Recovery in API prices; better traction in the CS segment; and faster recovery in margins.

Q4FY25 conference call: Highlights

Generics

- Pricing in generics was impacted in FY25 due to competitive pressure. The company, though, was able to maintain stable volume-share across all core products.
- Process innovation and efficiency, long-term capability, capacity building and process efficiency helped the company to tackle competition and grow its generic business.

Kakinada plant

- Phase-1 construction and manufacturing is progressing well. In phase-1, it has utilised 200 acres out of the 500 acres available at Kakinada.
- At Kakinada, it started production of backward integrated projects in Jan'25; these shall help the company to improve margins. Kakinada provides continuous supplies of key raw materials, which should ensure steady supplies to customers.

- Currently, an intermediate is manufactured at Kakinada. It is being used for the manufacturing of GLP-1 product at other plant.
- The company is shifting KSM manufacturing from its existing two plants to Kakinada, which should free up capacities at these units for GLP-1 products.
- Assets worth INR 14.07bn has been capitalised for Kakinada. It would further incur INR 2bn in capex for phase 1.
- Further expansion at Kakinada can be in multi-phases, though the company has not yet started planning of it.

Peptides

- Divi's has entered into peptide manufacturing 18 years ago and shall only work with innovators in the space.
- Peptide biz gaining significant traction as global demand for novel product is accelerating. The company is capable of catering demand for GLP-1, GIPs and GLP-2 analogs.
- The company recently started solid and liquid phase of fragment manufacturing. These investments have given the company a significant advantage in this high growth market.
- The company enters into multi-year contracts and works with several innovators on multiple GLP-1 projects.
- Geopolitical issues pertaining to policy uncertainty in US are unlikely to impact Divi's business model.

Custom Synthesis (CS)

- CS biz is gaining significant traction in this segment. and witnessing a healthy uptick in RFPs and customer inspections in this segment.
- It recently signed two agreements with global pharma MNCs for APIs and advanced intermediate manufacturing.
- Two new CS projects are likely to be commercial towards end-CY26 or early-CY27.
- RFP stage to commercialisation of product has taken an average time of 1.5–2 years previously. For a couple of projects, the conversion has taken even 6–7 years.

Q4FY25 performance

- Raw material prices have stabilized in Q4FY25.
- Multisource strategy from suppliers across US, Europe and Asia has worked well as it has insulated the company from any supply disruption.
- Transit time continues to be high. Issue in Red Sea has increased transit time and logistic cost for both inbound and outbound shipments.
- For FY25, its constant currency growth stood at 18% (reported growth at ~19%) vs. -2% in last year.
- In FY25, export accounted for 88% of sales. Europe and US at 73% of total sales.
- Revenue share of generics and CS stood at 46% and 54%, respectively, for FY25 and 49% and 51%, respectively, in Q4FY25.
- Nutraceuticals had sales of INR 7.8bn for FY25 and INR 2.05bn for Q4FY25.

- It capitalized asset worth INR 5.6bn in Q4, of which INR 3.37bn was for Kakinada
- CWIP, at end-FY25, stood at INR 10.22bn, of which INR 5.62bn was for Kakinada.
- Improvement in gross margins for the quarter was due to product mix improvement and may vary on a QoQ basis.
- Other expenses were lower due to lower repairs and maintenance cost.
- It has cash balance of INR 36.96bn at end of FY25.

Guidance

- Divi's continues to be quite strong in both the segments it operates in; it is poised to gain from the opportunities in GLP-1 and other peptides.
- Management aims for double-digit growth next year.
- RFQ and RFPs have increased in the last couple of months as compared to historical run-rate.
- The company is investing in new growth opportunities such as continuous flow chemistry and bio-catalyst for small molecules.
- FY26 capex shall mainly be towards new projects for INR 14bn and additional maintenance capex of INR 2.5–3bn.
- Sea freight cost is expected to remain stable in Q1; air freight cost may ease ahead.

Exhibit 1: Q4FY25 result review

Y/E Mar (INR mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY (%)
Net Sales	25,850	23,030	12.2	23,190	11.5	93,600	78,450	19.3
Gross Profit	16,040	14,010	14.5	13,970	14.8	56,350	47,360	19.0
Gross Margins (%)	62.1	60.8	121.7	60.2	180.9	60.2	60.4	(16.7)
EBITDA	8,860	7,330	20.9	7,430	19.2	29,680	22,250	33.4
EBITDA Margins (%)	34.3	31.8	244.7	32.0	223.5	31.7	28.4	335
Other income	760	790	(3.8)	720	5.6	3,040	3,090	(1.6)
Interest	10	20	(50.0)	-	-	20	30	
Depreciation	1,070	950	12.6	990	8.1	4,020	3,780	6.3
Extraordinary income	100	(20)	(600.0)	100	-	480	300	60.0
PBT	8,640	7,130	21.2	7,260	19.0	29,160	21,830	33.6
Tax	2,020	1,750	15.4	1,370	47.4	7,250	5,630	28.8
Tax Rate (%)	23	24.5		18.9		24.9	25.8	
PAT	6,620	5,380	23.0	5,890	12.4	21,910	16,200	35.2
Minority Interest	-	-	-	-	-	-	-	
Adj. PAT	6,543	5,395	21.3	5,809	12.6	21,555	15,780	36.6
NPM (%)	25.3	23.4		25.0		23.0	20.1	

Source: Company data, I-Sec research

Exhibit 2: Business mix

(INR mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY (%)	QoQ (%)
APIs	8,646	10,000	8,888	9,404	8,487	9,485	9,022	8,753	9,199	10,617	11.9	15.4
YoY Growth (%)	4.0	42.0	1.7	5.2	-1.8	-5.1	1.5	-6.9	8.4	11.9		
% of sales	50.6	51.3	50.0	49.3	45.8	41.2	42.6	37.4	39.7	41.1		
Custom Synthesis	6,831	7,998	7,112	7,636	8,533	11,745	10,378	12,347	12,291	13,184	12.2	7.3
YoY Growth (%)	-54.3	-51.7	-40.5	-4.2	24.9	46.9	45.9	61.7	44.0	12.2		
% of sales	40.0	41.0	40.0	40.0	53.0	51.0	49.0	52.8	53.0	51.0		
Carotenoids	1,600	1,510	1,780	2,050	1,530	1,800	1,780	2,280	1,700	2,050	13.9	20.6
YoY Growth (%)	-3.6	-3.8	-4.3	25.8	-4.4	19.2	0.0	11.2	11.1	13.9		
% of sales	9.4	7.7	10.0	10.7	8.2	7.8	8.4	9.8	7.3	7.9		
Total sales	17,077	19,508	17,780	19,090	18,550	23,030	21,180	23,380	23,190	25,850	12.2	11.5
YoY Growth (%)	-31.5	-22.5	-21.1	2.9	8.6	18.1	19.1	22.5	25.0	12.2		

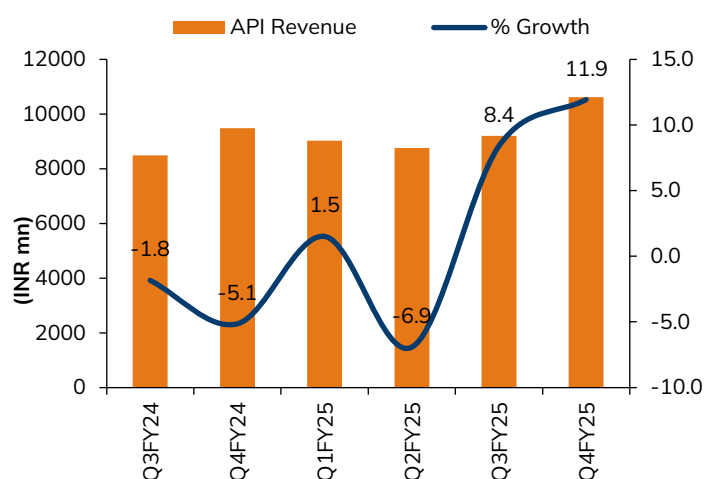
Source: Company data, I-Sec research

Exhibit 3: Regional sales mix

(INR mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY (%)	QoQ (%)
Exports	14,857	17,557	15,291	16,608	16,139	20,497	18,215	20,552	20,175	23,426	14.3	16.1
YoY Growth (%)			-24.6	2.9	8.6	16.7	19.1	23.7	25.0	14.3		
% of sales	87	90	86	87	87	89	86	87	87	91		
US & Europe	11,783	13,265	11,913	12,981	13,171	16,851	14,826	16,812	17,142	19,548	16.0	14.0
YoY Growth (%)			-28.6	2.9	11.8	27.0	24.5	29.5	30.2	16.0		
% of sales	69	68	67	68	71	73	70	71	72	76		
Other markets	3,074	4,292	3,378	3,627	2,968	3,646	3,389	3,741	3,033	3,878	6.3	27.8
YoY Growth (%)			-6.3	2.9	-3.4	-15.0	0.3	3.1	2.2	6.3		
% of sales	18	22	19	19	16	15.8	16	16	13	15		
India	2,220	1,951	2,489	2,482	2,412	2,533	2,965	2,828	3,015	2,425	(4.3)	(19.6)
YoY Growth (%)			10.4	2.9	8.6	29.9	19.1	13.9	25.0	-4.3		
% of sales	13	10	14	13	13	11	14	12.09	13	9		

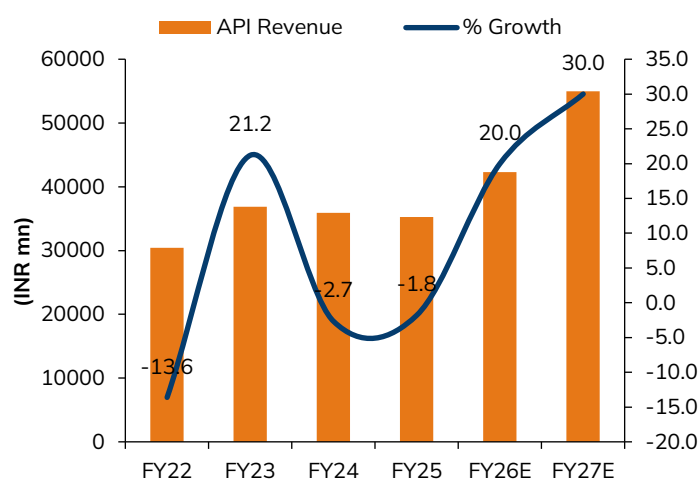
Source: Company data, I-Sec research

Exhibit 4: Generic revenue grew aided by stable volume

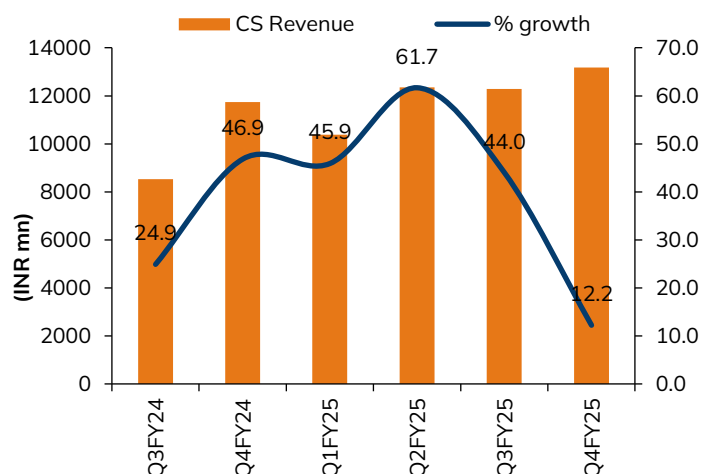


Source: I-Sec research, Company data

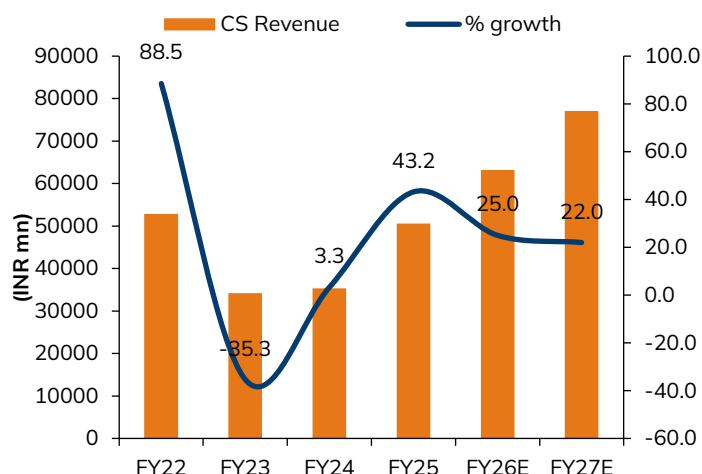
Exhibit 5: New launches and capacity addition to drive API revenue



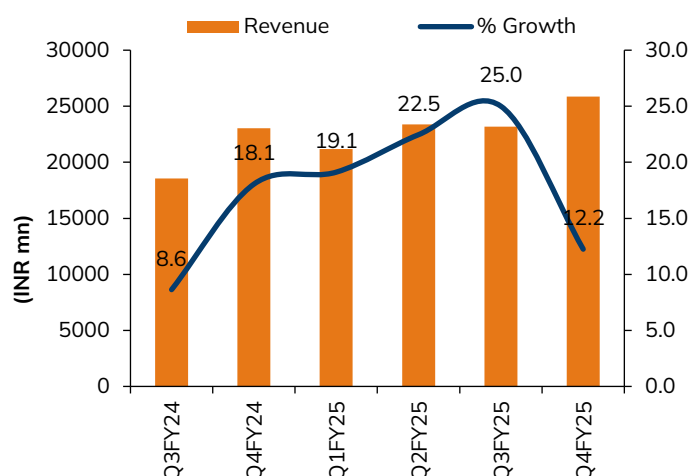
Source: I-Sec research, Company data

Exhibit 6: CS business continued its growth traction


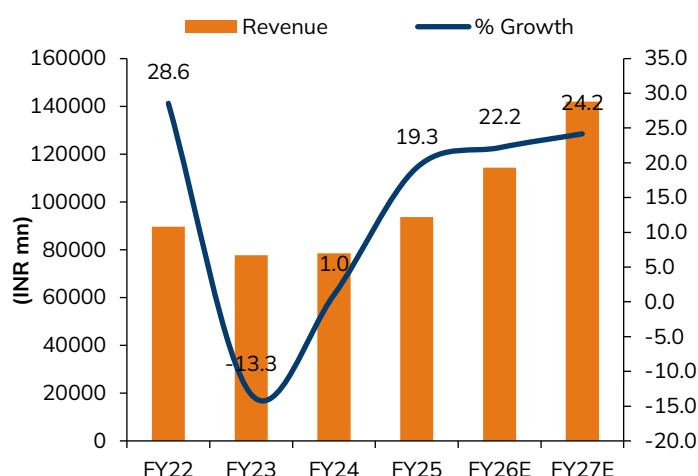
Source: I-Sec research, Company data

Exhibit 7: CS growth pegged at 23.5% over FY25-27E


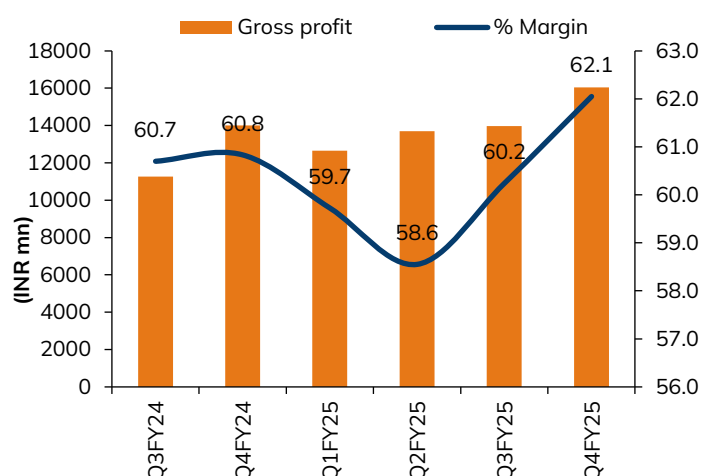
Source: I-Sec research, Company data

Exhibit 8: Growth driven by better traction in CS and steady growth in generic API business


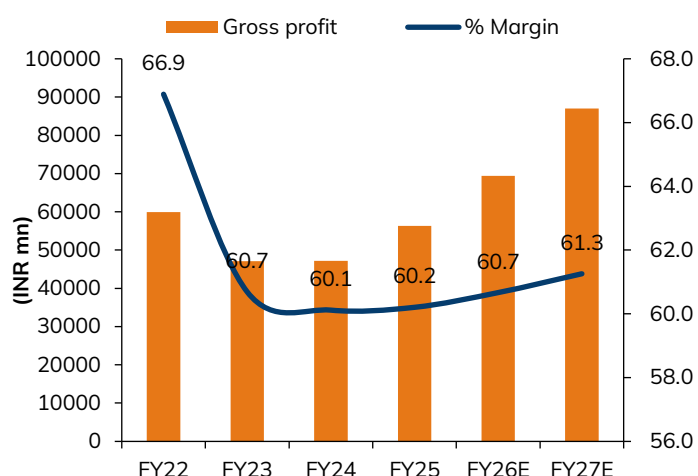
Source: I-Sec research, Company data

Exhibit 9: Expect revenue CAGR of 23.2% over FY25-27E


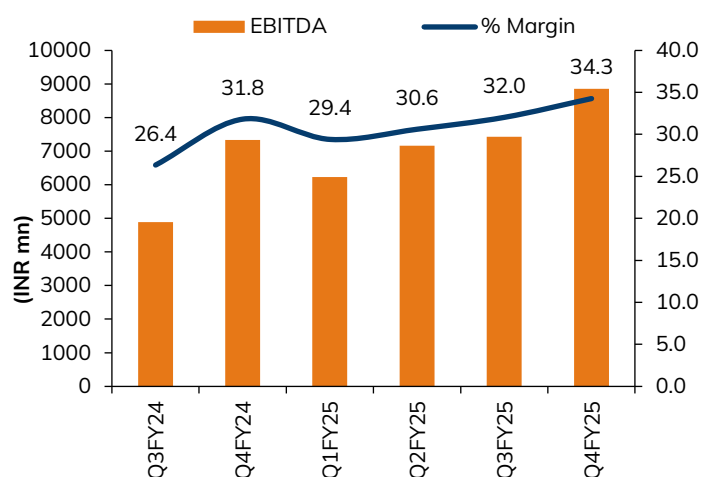
Source: I-Sec research, Company data

Exhibit 10: Margin expansion led by better product mix


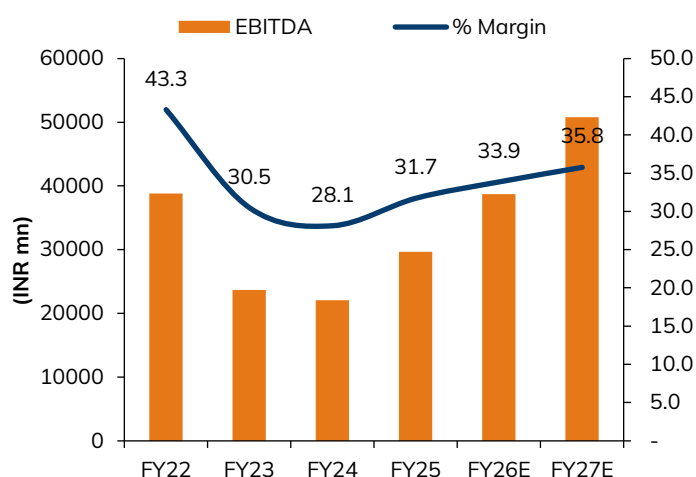
Source: I-Sec research, Company data

Exhibit 11: Stability in API prices and new CS projects to support gross margin in near term


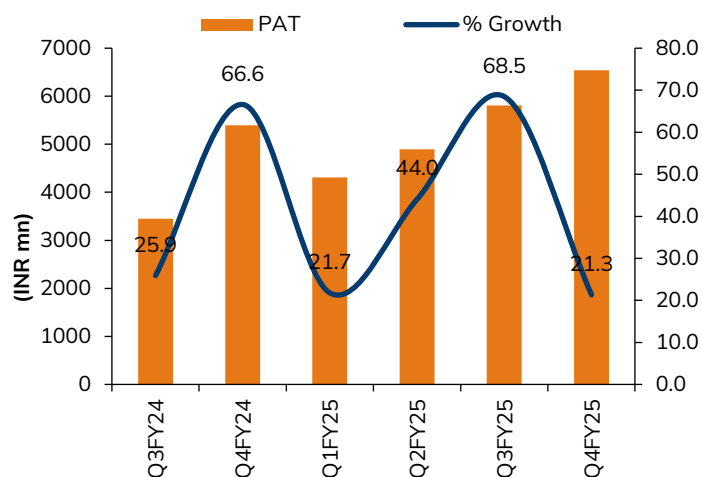
Source: I-Sec research, Company data

Exhibit 12: EBITDA margin expanded 253bps YoY


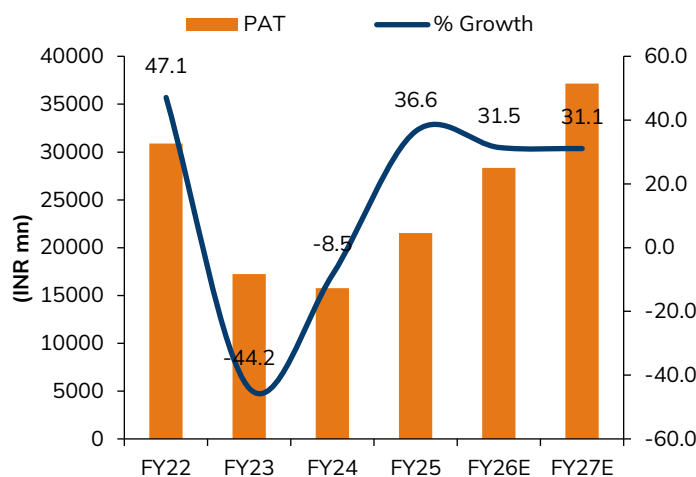
Source: I-Sec research, Company data

Exhibit 13: Margin is set to expand by 406bps over FY25-27E


Source: I-Sec research, Company data

Exhibit 14: Adjusted PAT rose 21.3% YoY


Source: I-Sec research, Company data

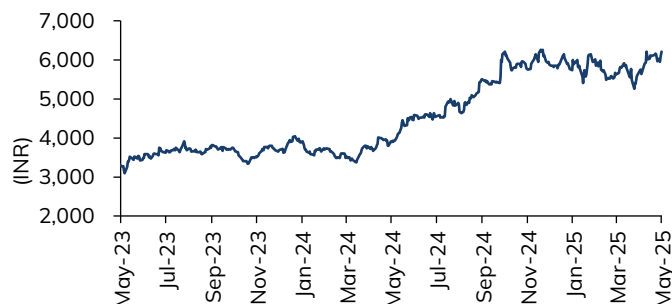
Exhibit 15: PAT to register CAGR of 31.3% over FY25-27E


Source: I-Sec research, Company data

Exhibit 16: Shareholding pattern

%	Sep'24	Dec'24	Mar'25
Promoters	51.9	51.9	51.9
Institutional investors	38.4	38.0	38.4
MFs and others	11.9	11.9	12.8
FIs/Banks	0.3	0.4	0.3
Insurance	8.6	7.7	7.2
FIIIs	17.6	18.0	18.0
Others	9.7	10.1	9.7

Source: Bloomberg

Exhibit 17: Price chart


Source: Bloomberg

Financial Summary

Exhibit 18: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Net Sales	78,450	93,600	1,14,367	1,42,014
Operating Expenses	56,400	63,920	75,640	91,228
EBITDA	22,050	29,680	38,726	50,786
EBITDA Margin (%)	28.1	31.7	33.9	35.8
Depreciation & Amortization	3,780	4,020	4,802	5,502
EBIT	18,270	25,660	33,924	45,284
Interest expenditure	30	20	20	20
Other Non-operating Income	3,390	3,520	3,872	4,259
Recurring PBT	21,630	29,160	37,776	49,523
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	5,630	7,250	9,444	12,381
PAT	16,000	21,910	28,332	37,142
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	300	480	-	-
Net Income (Reported)	16,000	21,910	28,332	37,142
Net Income (Adjusted)	15,778	21,549	28,332	37,142

Source Company data, I-Sec research

Exhibit 19: Balance sheet

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Total Current Assets	96,750	1,00,810	1,12,483	1,36,546
of which cash & cash eqv.	39,800	37,150	48,491	55,366
Total Current Liabilities & Provisions	12,769	14,499	16,753	24,116
Net Current Assets	83,981	86,311	95,730	1,12,430
Investments	820	650	650	650
Net Fixed Assets	47,350	54,380	59,693	66,191
ROU Assets	-	-	-	-
Capital Work-in-Progress	7,780	10,220	10,220	10,220
Total Intangible Assets	40	40	40	40
Other assets	1,300	2,490	2,490	2,490
Deferred Tax Assets	-	-	-	-
Total Assets	1,41,931	1,54,821	1,69,800	1,93,181
Liabilities				
Borrowings	10	20	20	20
Deferred Tax Liability	5,820	5,090	5,090	5,090
provisions	370	-	-	-
other Liabilities	20	20	20	20
Equity Share Capital	531	531	531	531
Reserves & Surplus	1,35,180	1,49,160	1,64,139	1,87,520
Total Net Worth	1,35,711	1,49,691	1,64,670	1,88,051
Minority Interest	-	-	-	-
Total Liabilities	1,41,931	1,54,821	1,69,800	1,93,181

Source Company data, I-Sec research

Exhibit 20: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Operating Cashflow	11,450	15,080	30,957	28,397
Working Capital Changes	(3,777)	5,460	6,610	(1,675)
Capital Commitments	9,605	13,490	10,114	12,000
Free Cashflow	1,845	1,590	20,842	16,397
Other investing cashflow	(461)	(170)	-	-
Cashflow from Investing Activities	(9,144)	(13,320)	(10,114)	(12,000)
Issue of Share Capital	-	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	5	10	-	-
Dividend paid	(9,423)	(7,964)	(9,556)	(11,467)
Others	4,211	2,314	795	1,946
Cash flow from Financing Activities	(5,208)	(5,640)	(8,762)	(9,522)
Chg. in Cash & Bank balance	(2,902)	(3,880)	12,081	6,875
Closing cash & balance	39,229	35,920	49,231	55,366

Source Company data, I-Sec research

Exhibit 21: Key ratios

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	60.3	82.5	106.7	139.9
Adjusted EPS (Diluted)	59.4	81.2	106.7	139.9
Cash EPS	73.7	96.3	124.8	160.6
Dividend per share (DPS)	35.5	30.0	36.0	43.2
Book Value per share (BV)	511.2	563.9	620.3	708.4
Dividend Payout (%)	58.9	36.3	33.7	30.9
Growth (%)				
Net Sales	1.0	19.3	22.2	24.2
EBITDA	(6.9)	34.6	30.5	31.1
EPS (INR)	(8.5)	36.6	31.5	31.1
Valuation Ratios (x)				
P/E	104.2	76.1	58.8	44.9
P/CEPS	85.2	65.2	50.3	39.1
P/BV	12.3	11.1	10.1	8.9
EV / EBITDA	73.6	54.8	41.7	31.7
P / Sales	21.2	17.8	14.6	11.7
Dividend Yield (%)	0.0	0.0	0.0	0.0
Operating Ratios				
Gross Profit Margins (%)	60.1	60.2	60.5	61.1
EBITDA Margins (%)	28.1	31.7	33.9	35.8
Effective Tax Rate (%)	26.4	25.3	25.0	25.0
Net Profit Margins (%)	20.1	23.0	24.8	26.2
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	(0.3)	(0.3)	(0.3)	(0.3)
Net Debt / EBITDA (x)	(1.8)	(1.3)	(1.3)	(1.1)
Profitability Ratios				
RoCE (%)	11.7	14.8	17.5	20.5
RoE (%)	12.0	15.1	18.0	21.1
RoIC (%)	18.9	22.1	27.4	30.6
Fixed Asset Turnover (x)	1.7	1.8	2.0	2.3
Inventory Turnover Days	149	137	103	115
Receivables Days	101	116	104	99
Payables Days	39	39	36	46

Source Company data, I-Sec research

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