



Divi's Laboratories Ltd

Q4FY25



Divi's Laboratories Ltd

Positive outlook on strong order pipeline and margin expansion

CMP INR 6,538	Target INR 7,518	Potential Upside 15.0%	Market Cap (INR Mn) INR 1,749,172	Recommendation ACCUMULATE	Sector Pharmaceuticals
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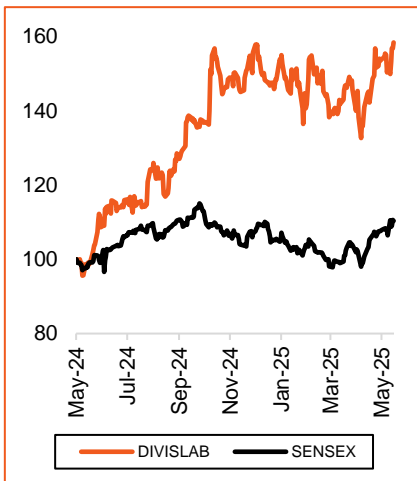
Result Highlights of Q4FY25 :

- Revenue stood at INR 25,850 Mn., up 12.2% YoY, below our estimates by 9.1%, led by weaker growth in Custom Synthesis segment.
- EBITDA came in at INR 8,860 Mn., up by 21.2% YoY (+19.2% QoQ), largely in-line with our estimates. Adj. net profit stood at INR 6,620 Mn., up by 23.0% YoY (+12.4% QoQ), below our estimates by 4.2%, led by lower other income.
- We have revised our FY26E/FY27E EPS estimates by -1.8%/-6.5%, as we bake in lower revenue growth and, reduced other income led by lower fixed income yields. We are positive on the medium to long term growth trajectory, led by robust order pipeline and top-line growth driven by contract manufacturing. Margins are expected to expand led by the commercialization of Custom Synthesis contracts. We value Divi's Labs at 52.5x FY27E EPS, implying a target price of INR 7,518. We maintain our "ACCUMULATE" rating on the stock.**

MARKET DATA

Shares outs (Mn)	265
Mkt Cap (INR Mn)	1,749,172
52 Wk H/L (INR)	6,705/3,830
Volume Avg (3m K)	471
Face Value (INR)	2
Bloomberg Code	DIVISLAB IN

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	80,851
NIFTY	24,640

SHARE HOLDING PATTERN (%)

Particulars (%)	Mar-25	Dec-24	Sept-24
Promoters	51.9	51.9	51.9
FIIIs	18.0	20.5	17.3
DIIIs	20.7	18.0	21.1
Others	9.4	9.6	9.8
Total	100.0	100.0	100.0

*Based on the previous closing
 *Note: All the market data is as of the previous closing.

KEY FINANCIALS

INR Millions	FY23	FY24	FY25	FY26E	FY27E
Revenue	77,675	78,450	93,600	114,239	141,962
EBITDA	23,678	22,050	29,680	37,699	48,551
Adj PAT	18,234	16,000	21,910	29,162	38,016
EPS (INR)	68.7	60.3	82.5	109.9	143.2
EBITDA Margin	30.5%	28.1%	31.7%	33.0%	34.2%
Adj. NPM	23.5%	20.4%	23.4%	25.5%	26.8%

Source: Company, DevenChoksey Research

Broad-based revenue growth across business verticals in Q4FY25

- For Q4FY25, the revenue increased 12.2% YoY (+11.5% QoQ) to INR 25,850 Mn, supported by growth across business segments.
- Revenue from the Generic API segment (41.1% of revenue) grew 12.9% YoY (+15.4% QoQ) to INR 10,617 Mn, which can be attributed to the addition of new off-patent molecules and robust global demand.
- Revenue from the Custom Synthesis segment (51.0% of revenue) grew 12.2% YoY (+7.3% QoQ) to INR 13,184 Mn, driven by diversification into high-value molecules, focus on emerging therapeutic areas like GLP-1 analogues, and strategic investments in advanced technologies like continuous flow chemistry and biocatalysis.
- Revenue from the Nutraceuticals segment (7.9% of revenue) grew 9.0% YoY (+20.6% QoQ) to INR 2,050 Mn, was primarily driven by strong demand for immune-boosting products, focus on high-margin ingredients, and long-term customer relationships.
- Exports (88.0% of revenue) grew by 13.5% YoY to INR 22,748 Mn, and domestic (12.0% of revenue) grew by 3.6% YoY to INR 3,102 Mn.

Robust margin expansion in Q4FY25 on cost efficiencies and backward integration

- Gross margin expanded 122 bps YoY (+181 bps QoQ) to 62.1%, driven by cost benefits from the Kakinada facility's backward integration and favourable product mix.
- EBITDA increased 21.2% YoY (+19.2% QoQ) to INR 8,860 Mn. EBITDA margin expanded 253 bps YoY (+223 bps QoQ) to 34.3%, supported by strong gross margin expansion and a decline in other expenses of 1.3% YoY, led by reduced freight costs and logistics costs.
- Adj. Net profit increased 23.0% YoY (+12.4% QoQ) to INR 6,620 Mn. Adj. PAT margin expanded 225 bps YoY (+21 bps QoQ) to 25.6%, due to better operating performance.

23.2%

Revenue CAGR between
FY25 and FY27E

31.7%

Adj. PAT CAGR between
FY25 and FY27E

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Key Concall Highlights:

Generic API

- Divi's Laboratories has maintained its leadership position in the generic API market despite ongoing pricing pressures.
- The company has strategically focused on producing new molecules coming off-patent, which has allowed it to capture a larger share of the growing demand for these APIs. This approach has been instrumental in sustaining its market dominance and driving volume growth.
- The commencement of production at the Kakinada Unit III facility in January 2025 has provided significant cost advantages. This facility, which focuses on backward integration, allows Divi's to produce critical starting materials and intermediates in-house, reducing dependency on external suppliers.
- This backward integration strategy has not only improved cost efficiency but also ensured a steady supply of raw materials, supporting margin resilience.
- The recovery in global demand for generic APIs, driven by increased healthcare spending and a focus on affordable medicines, has also supported Divi's revenue growth.
- The company's strategic positioning as a preferred supplier to global pharmaceutical companies has enabled it to capture this rising demand effectively.

Custom Synthesis

- Divi's Laboratories has benefited from strong, long-term customer relationships in the Custom Synthesis (CS) space, which have provided a stable and growing revenue base.
- The company continues to receive a high volume of Requests for Proposals (RFPs) from global pharmaceutical companies, reflecting its strong position as a preferred partner for complex API and intermediate manufacturing. This ongoing demand has been a key driver of growth in the CS segment.
- The company has positioned itself as a key supplier for high-potential therapeutic areas, such as GLP-1 analogues and GLP-2, which are in high demand globally.
- Divi's has invested in specialized manufacturing capabilities for these novel therapies, including both solid-phase and liquid-phase peptide synthesis, to capture growth in this expanding market segment.

Nutraceuticals

- The global nutraceuticals market has witnessed sustained demand for immune-boosting products, including vitamins, antioxidants, and herbal supplements, driven by increased health awareness post-pandemic. Divi's, being a significant supplier of carotenoids like lutein and beta-carotene, has benefited from this trend.
- Divi's backward integration efforts, including the Kakinada facility, have enabled it to produce high-purity starting materials in-house, reducing reliance on external suppliers and improving cost efficiency. This has been particularly beneficial for its nutraceutical business, allowing for better margin control and supply chain stability.

Guidance and Outlook

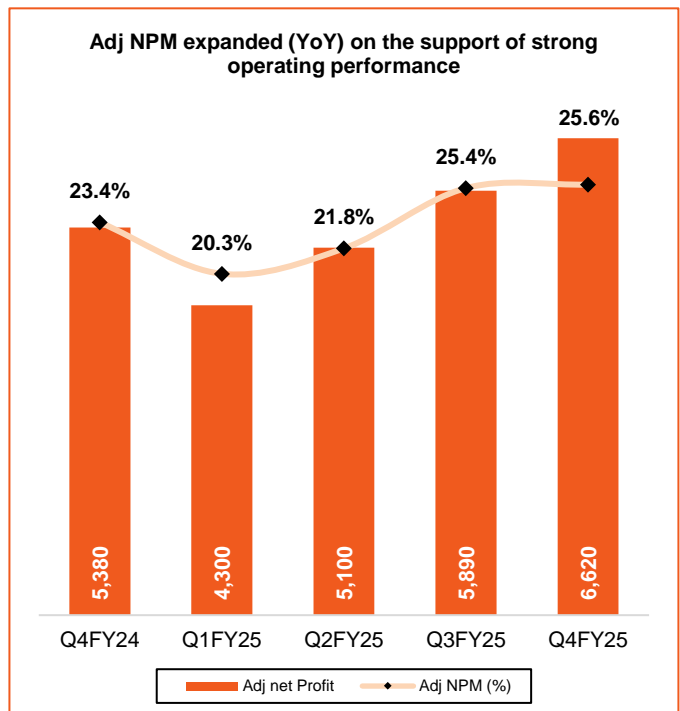
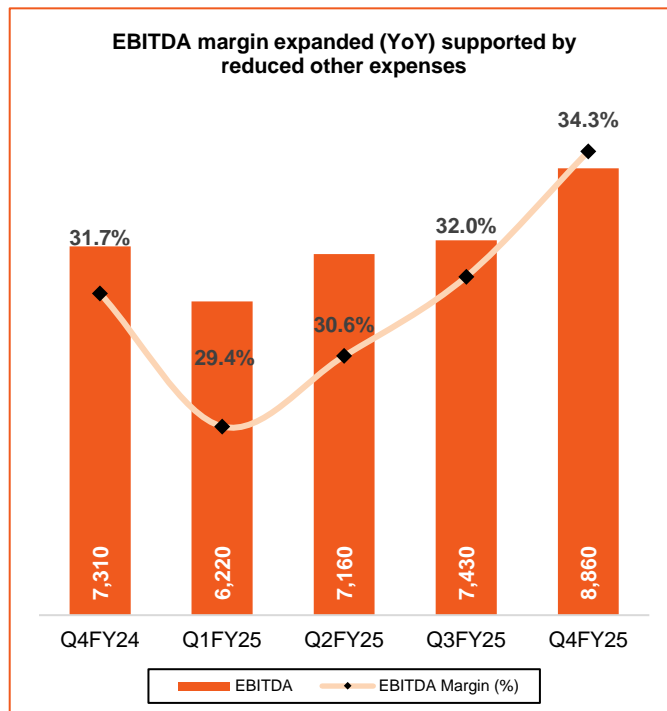
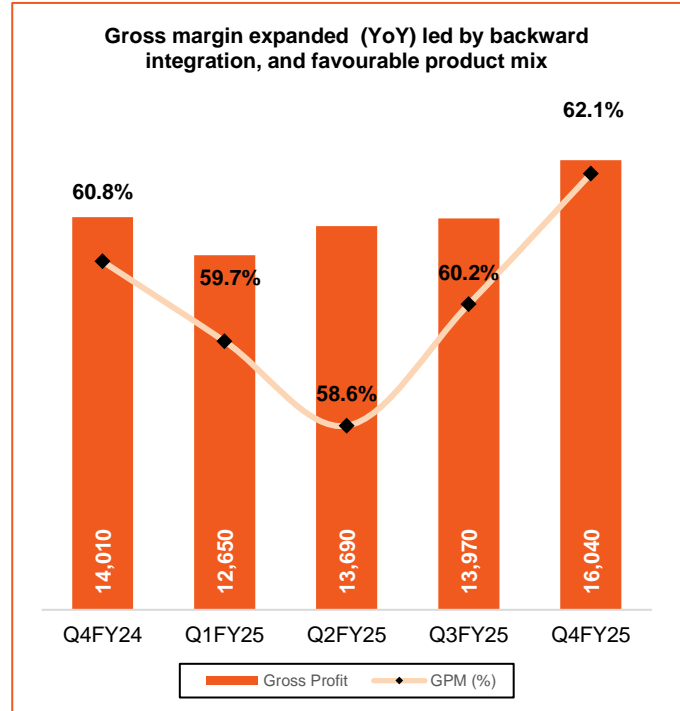
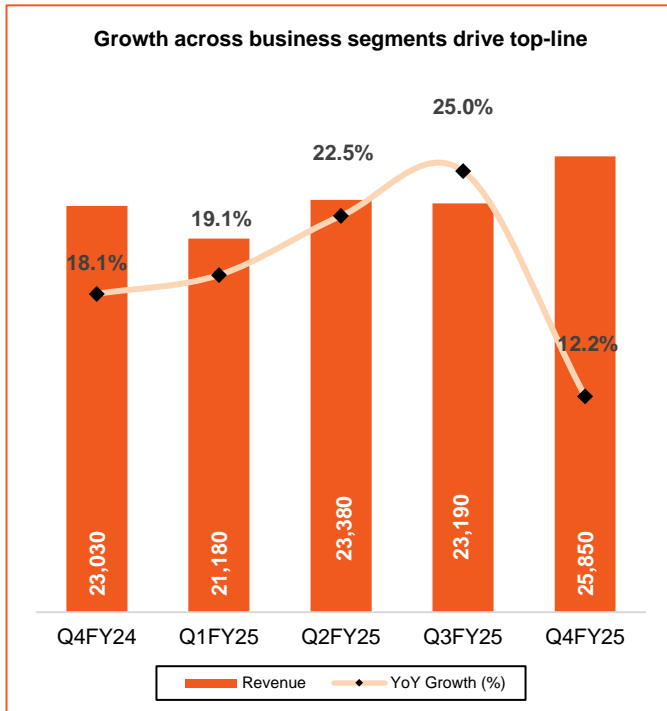
- Divi's has maintained its outlook for double-digit revenue growth for the coming fiscal year (FY26E), supported by robust order pipelines in both the generic API and Custom Synthesis (CS) segments.
- The company expects gross margins to remain resilient, supported by backward integration, improved product mix, and operational efficiencies.
- The commencement of production at the Kakinada Unit III facility is expected to drive further cost efficiencies, reducing the impact of raw material price volatility.
- Divi's focus on expanding its peptide and novel therapeutic product portfolios is expected to support margin expansion. These high-margin products, including GLP-1, GIP, and GLP-2 analogues, are less susceptible to pricing pressures compared to generic APIs.
- Divi's long-term Custom Synthesis contracts, which are expected to commercialize by late 2026E or early 2027E, are likely to significantly boost EBITDA margins, given their typically higher margin profiles compared to generic APIs.

Other highlights

- For FY25, Divi's Laboratories incurred a total capex of approximately INR 14,970 Mn, with most of this investment directed towards the Kakinada Unit III facility. This amount includes both assets capitalized, and advances given for ongoing projects.
- The company's multi-source procurement strategy, which spans suppliers from across the US, European Union, Middle East, and Asia, has continued to serve them well, ensuring consistent availability of key inputs and insulating them from regional disruptions.
- The company's proactive approach, combined with continued price and supply stability, is expected to keep the procurement environment favourable over the next two quarters.

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Story in charts



Source: Company, DevenChoksey Research

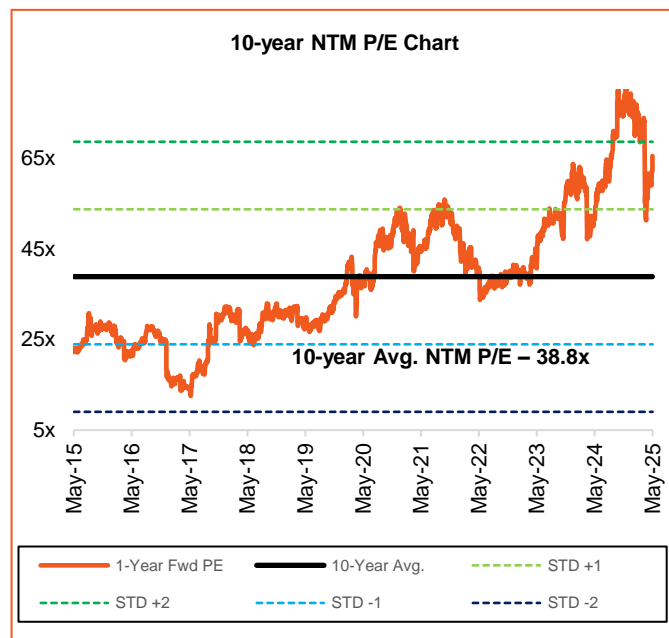
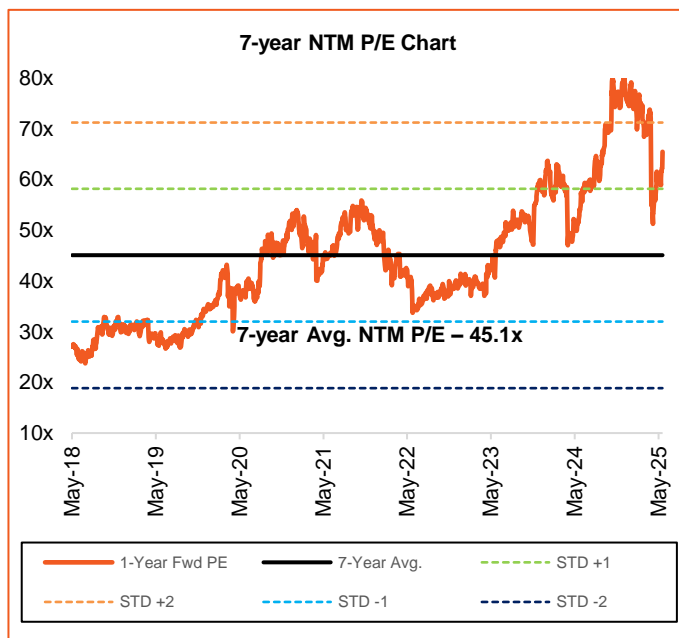
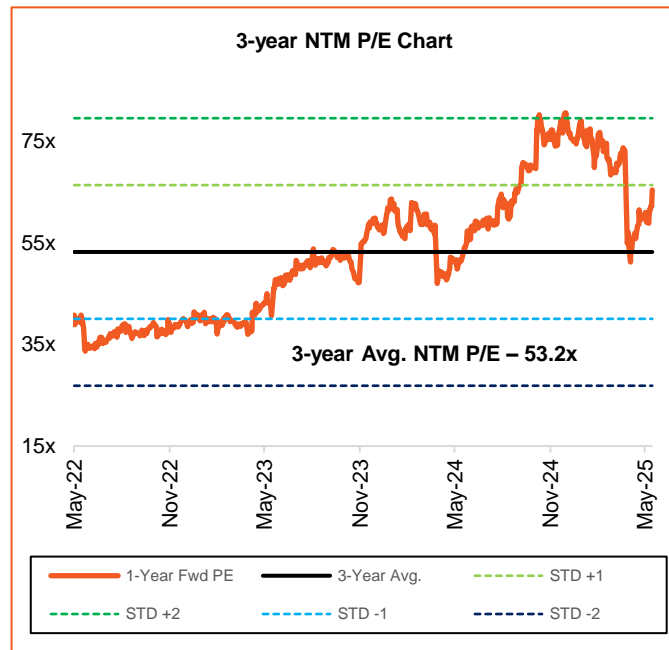
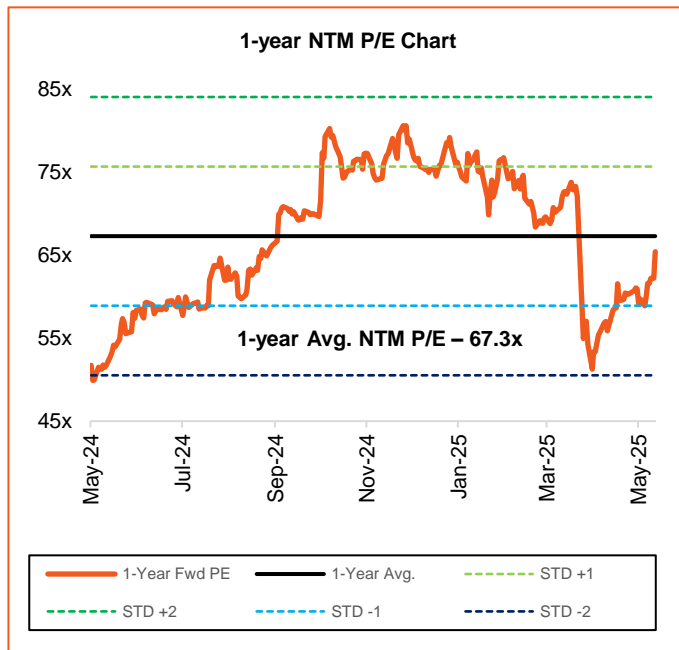
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Valuations and view:

Divi's Laboratories delivered strong Q4FY25 results, driven by broad-based growth across its key segments. The Generic API business benefited from new off-patent molecules and operational efficiencies, while the Custom Synthesis segment gained from high-value molecule diversification and advanced technologies like flow chemistry. The Nutraceuticals segment grew on strong demand for immune-boosting products and high-margin ingredients. Profitability improved significantly, supported by cost benefits from the Kakinada facility's backward integration, favourable product mix, and disciplined cost control, including lower freight expenses.

We have revised our FY26E/FY27E EPS estimates by -1.8%/-6.5%, as we bake in lower revenue growth and, reduced other income led by lower fixed income yields. We are positive on the medium to long term growth trajectory, led by robust order pipeline and top-line growth driven by contract manufacturing. Margins are expected to expand led by the commercialization of Custom Synthesis contracts. We expect revenue and PAT to grow at a CAGR of 23.2% and 31.7%, respectively, over FY25–FY27E. Currently, the stock is trading at PE multiple of 59.9x/45.9x based on FY26E/FY27E EPS, respectively.

We value Divi's Labs at 52.5x FY27E EPS, implying a target price of INR 7,518. We maintain our "ACCUMULATE" rating on the stock.



Source: Bloomberg, DevenChoksey Research

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Result Snapshot

Particulars (Mn)	Q4FY25	Q3FY25	Q4FY24	QoQ	YoY	FY25	FY24	YoY
Revenue from Operations	25,850	23,190	23,030	11.5%	12.2%	93,600	78,450	19.3%
Total Expenditure	16,990	15,760	15,720	7.8%	8.1%	63,930	56,420	13.3%
Cost of Raw Materials	9,310	10,210	8,980	-8.8%	3.7%	38,210	32,320	18.2%
Purchase of Stock	0	0	60	NM	NM	0	60	NM
Changes in Inventories	500	-990	-20	NM	NM	-960	-1,090	-11.9%
COGS	9,810	9,220	9,020	6.4%	8.8%	37,250	31,290	19.0%
Employee Cost	3,500	2,970	2,970	17.8%	17.8%	12,430	10,940	13.6%
Other Expenses	3,680	3,570	3,730	3.1%	-1.3%	14,250	14,190	0.4%
EBITDA	8,860	7,430	7,310	19.2%	21.2%	29,670	22,030	34.7%
EBITDA Margins (%)	34.3%	32.0%	31.7%	223 bps	253 bps	31.7%	28.1%	362 bps
Depreciation	1,070	990	950	8.1%	12.6%	4,020	3,780	6.3%
EBIT	7,790	6,440	6,360	21.0%	22.5%	25,650	18,250	40.5%
Other Income	860	820	790	4.9%	8.9%	3,530	3,410	3.5%
Interest Expense	10	0	20	NM	-50.0%	20	30	-33.3%
PBT before Exceptional	8,640	7,260	7,130	19.0%	21.2%	29,160	21,630	34.8%
Exceptional Items	0	0	0	NM	NM	0	0	NM
PBT	8,640	7,260	7,130	19.0%	21.2%	29,160	21,630	34.8%
Tax	2,020	1,370	1,750	47.4%	15.4%	7,250	5,630	28.8%
PAT	6,620	5,890	5,380	12.4%	23.0%	21,910	16,000	36.9%
PAT Margin (%)	25.6%	25.4%	23.4%	21 bps	225 bps	23.4%	20.4%	301 bps
EPS	24.9	22.2	20.3	12.3%	23.1%	82.5	60.3	37.0%
Adj. PAT	6,620	5,890	5,380	12.4%	23.0%	21,910	16,000	36.9%
Adj. PAT Margin (%)	25.6%	25.4%	23.4%	21 bps	225 bps	23.4%	20.4%	301 bps
Adj. EPS	24.9	22.2	20.3	12.4%	23.0%	82.5	60.3	36.9%

Source: Company, DevenChoksey Research

Segment Data

Revenue segments	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Generic API + Nutraceuticals	11,285	10,802	11,456	10,899	12,667
Custom Synthesis	11,745	10,378	11,924	12,291	13,184
Total	23,030	21,180	23,380	23,190	25,850

Segments Result (% of revenue)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Generic API + Nutraceuticals	49.0%	51.0%	49.0%	47.0%	49.0%
Custom Synthesis	51.0%	49.0%	51.0%	53.0%	51.0%
Total	100%	100%	100%	100%	100%

Segments Result (% YoY)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Generic API + Nutraceuticals	-2.0%	1.3%	0.0%	8.8%	12.2%
Custom Synthesis	46.8%	45.9%	56.2%	44.0%	12.2%
Total	18.0%	19.1%	22.5%	25.0%	12.2%

Source: Company, DevenChoksey Research

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Exhibit 1: Profit & Loss Statement

INR Mn	FY24	FY25	FY26E	FY27E
Revenues	78,450	93,600	114,239	141,962
COGS	31,290	37,250	43,982	54,371
Gross profit	47,160	56,350	70,257	87,591
Employee cost	10,940	12,430	15,993	18,455
Other expenses	14,170	14,240	16,565	20,585
EBITDA	22,050	29,680	37,699	48,551
Depreciation	3,780	4,020	4,167	4,574
EBIT	18,270	25,660	33,531	43,977
Finance Costs	30	20	40	40
Other Income	3,390	3,520	4,570	5,678
PBT	21,630	29,160	38,061	49,615
Tax	5,630	7,250	8,898	11,600
PAT	16,000	21,910	29,162	38,016
EPS (INR)	60.3	82.5	109.9	143.2

Exhibit 3: Cash Flow Statement

INR Mn	FY24	FY25	FY26E	FY27E
CFFO	12,610	16,530	11,165	10,952
CFFI	(2,690)	(8,040)	(9,967)	(9,967)
CFFF	(7,990)	(7,990)	(9)	(9)
Net Inc/Dec in cash	1,930	500	1,189	976
Opening Cash	1,697	3,627	4,127	5,316
Adjustment	0	0	0	0
Closing Cash	3,627	4,127	5,316	6,292

Exhibit 4: Key Ratio

INR Mn	FY24	FY25	FY26E	FY27E
EBITDA Margin (%)	28.1%	31.7%	33.0%	34.2%
Tax rate (%)	26.0%	24.9%	23.4%	23.4%
Net Profit Margin (%)	20.4%	23.4%	25.5%	26.8%
RoE (%)	11.8%	14.6%	16.3%	17.5%
RoCE (%)	13.5%	17.1%	18.7%	20.3%
Current Ratio (x)	7.6	6.9	8.2	10.0
PE	109.2x	79.7x	59.9x	45.9x

Exhibit 2: Balance Sheet

INR Mn	FY24	FY25	FY26E	FY27E
Equity				
Equity Capital	530	530	530	530
Other Equity	135,180	149,160	178,322	216,338
Total Equity	135,710	149,690	178,852	216,868
Non-Current Liabilities				
Other financial liabilities	20	20	20	20
Deferred tax liabilities (Net)	5,820	5,090	5,090	5,090
Other Non-current Liabilities	370	0	0	0
Total Non-Current Liabilities	6,210	5,110	5,110	5,110
Current Liabilities				
Other financial liabilities	1,000	1,340	944	1,167
Trade Payables	8,250	9,100	9,037	8,193
Other current liabilities				
Total Current Liabilities	12,780	14,520	15,418	15,953
Total Liabilities	18,990	19,630	20,528	21,063
Non-Current Assets				
Property Plants and Equipments	47,330	54,370	60,203	65,628
Capital work-in-progress	7,780	10,220	10,220	10,220
Other Non-current assets	2,840	3,920	2,548	3,154
Total Non-Current Assets	57,950	68,510	72,971	79,003
Current Assets				
Inventories	31,840	32,360	41,933	53,329
Trade Receivables	21,560	27,310	41,314	60,285
Cash and Bank	39,800	37,150	38,316	39,292
Other current assets	3,550	3,990	4,846	6,022
Total Current Assets	96,750	100,810	126,410	158,928
Total Assets	154,700	169,320	199,380	237,931

Source: Company, DevenChoksey Research

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Divi's Laboratories Ltd.			
Date	CMP (INR)	TP (INR)	Recommendation
22-May 25	6,538	7,518	ACCUMULATE
04-Feb 25	6,096	6,435	ACCUMULATE
11-Nov 24	5,950	6,357	ACCUMULATE
07-Aug 24	4,828	4,930	HOLD
28-May-24	4,255	4,478	HOLD

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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