

November 10, 2025

Q2FY26 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	7,050		6,550	
Sales (Rs. m)	1,26,665	1,47,247	1,24,562	1,43,469
% Chng.	1.7	2.6		
EBITDA (Rs. m)	43,489	52,079	43,259	50,982
% Chng.	0.5	2.2		
EPS (Rs.)	117.6	139.7	118.7	139.8
% Chng.	(1.0)	(0.1)		

Key Financials - Consolidated

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (Rs. m)	93,600	1,08,968	1,26,665	1,47,247
EBITDA (Rs. m)	29,680	36,298	43,489	52,079
Margin (%)	31.7	33.3	34.3	35.4
PAT (Rs. m)	21,910	26,657	31,166	37,015
EPS (Rs.)	82.7	100.6	117.6	139.7
Gr. (%)	36.9	21.7	16.9	18.8
DPS (Rs.)	30.1	30.1	30.1	30.1
Yield (%)	0.5	0.5	0.5	0.5
RoE (%)	15.4	16.8	17.3	18.0
RoCE (%)	18.0	20.0	21.1	22.2
EV/Sales (x)	18.4	15.9	13.7	11.7
EV/EBITDA (x)	58.2	47.7	39.8	33.2
PE (x)	80.5	66.2	56.6	47.7
P/BV (x)	11.8	10.5	9.2	8.0

Key Data

DIVI.BO | DIVI IN

52-W High / Low	Rs.7,078 / Rs.4,942
Sensex / Nifty	83,216 / 25,492
Market Cap	Rs.1,767bn / \$ 19,930m
Shares Outstanding	265m
3M Avg. Daily Value	Rs.2985.93m

Shareholding Pattern (%)

Promoter's	51.88
Foreign	19.39
Domestic Institution	19.68
Public & Others	9.05
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	9.0	8.3	11.7
Relative	7.4	5.1	6.8

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Peptides and CS to anchor future growth

Quick Pointers:

- Expecting GMs to be stable at 60%
- Three strategic projects to drive capex beyond Rs 20bn in FY26

Divi's Laboratories (DIVI) Q2FY26 EBITDA was a beat; 7% above our estimates led by 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 broadly remain unchanged. We expect 20% EBITDA CAGR and 19% PAT CAGR over FY25-28E. At CMP, stock is trading at 53x Sept2027E EPS. We Maintain our 'Accumulate' rating with revised TP of Rs7,050/share, valuing at 55x Sept 2027E EPS.

- Revenue growth backed by higher CS segment:** DIVI's Q2FY26 revenues came in at Rs27.1bn (up 16% YoY); 5% above our estimates. Generic revenues came at Rs9.5bn; up ~8.8% YoY while Custom synthesis (CS) delivered growth of 23% YoY at Rs 15.2bn. In Q2FY26 overall exports stood at 90% and exports to EU and US stood at 74% of revenue. Product mix for generics and custom synthesis in Q2FY26 were at 44% and 56% of revenue. Nutraceutical business for Q2 was Rs2.4bn, up 6% YoY.
- EBITDA beat aided by better operating leverage:** GM came at 60.5%; up 190 bps YoY (flat QoQ) in line with our estimates. Employee expenses grew by 16% YoY whereas other expenses were up 15% YoY. EBITDA came in at Rs 8.9bn up 24% YoY vs our estimate of Rs8.3bn. 7% beat to our estimates. OPM stood at 32.7%, up 210bps YoY and 250bps QoQ. There was a forex gain of Rs 630mn. PAT came in at Rs 6.9bn; up 35% YoY; vs our estimate of Rs 5.92bn.
- Key concall takeaways: Generic business:** Contributed 44% of the mix in Q2FY26. Stable volumes across key APIs (naproxen, dextromethorphan, phenylephrine, carbidopa/levodopa). Facing ongoing pricing pressure, though no loss of customers or volumes. Backward integration is carried out at Kakinada Unit 3 which supports cost, competitiveness and margins. Pricing environment likely to stabilize over next few quarters. Volume growth steady (~7% YoY); price erosion offsets part of value growth. Nutraceuticals remain a steady contributor.
- Custom synthesis:** Continued strong engagement and RFP inflows; several global innovators conducting site visits. Three major long-term projects under execution, backed by supply commitments. CS share rose to 56% of sales; highest ever. Three active projects progressing through validation and construction, expected to commercialize over next 1–2 years. Mix includes late life-cycle management, Phase 3 molecules, and flow chemistry/biocatalysis/green chemistry programs. Company noted a healthy pipeline with milestone-based revenue structure. Growth in near term to be

driven by ongoing CS projects and peptide-related engagements. Not entering generic peptides currently focus remains on innovator contracts.

- **Peptides:** Strength in Fmoc-protected amino acids offers cost and impurity control advantages. Developing di-, tri-, tetra-, octa-peptides for global innovators. Engaged in Phase 3 molecules, strong visibility for long-term pipeline. No purification of final drug products—focus remains on fragments/intermediates. Peptide capabilities expected to become a key growth engine in coming years.
- **Kakinada unit:** Six blocks completed, two more under construction. Backward integration freeing up capacity at older sites for new validations and filings. GMP qualification for API production to begin soon; regulatory filings planned in coming quarters. Large land bank (200–300 acres) available for future expansion.
- **Capex:** FY26 Capex to exceed earlier guidance of Rs 20bn, driven by new strategic projects. Investments spread across all three units; focus on technologies, sustainability, and client-driven capacity creation. Capex so far: Rs 15.5bn spent in H1FY26; Rs 2bn capitalized in Q2.
- **Other:** Asset base: Gross block ~Rs 80-85bn improving asset turns expected over next 1–2 years. Cash: Rs 34.6bn; Inventories Rs 34.3bn; Receivables Rs 26.1bn.

Exhibit 1: 2QFY26 Result Overview (Rs m): EBITDA beat estimates aided by higher CS revenues

Y/e March	2QFY26	2QFY25	YoY gr. (%)	2QFY26E	%Var	1QFY26	QoQ gr. (%)	H1 FY26	H1 FY25	YoY gr. (%)
Net Sales	27,150	23,380	16.1	25,780	5.3	24,100	12.7	51,250	44,560	15.0
Raw Material	10,730	9,690	10.7	10,106	6.2	9,560	12.2	20,290	18,220	11.4
<i>% of Net Sales</i>	<i>39.5</i>	<i>41.4</i>		<i>39.2</i>		<i>39.7</i>		<i>39.6</i>	<i>40.9</i>	
Personnel Cost	3,540	3,040	16.4	3,500	1.1	3,400	4.1	6,940	5,960	16.4
<i>% of Net Sales</i>	<i>13.0</i>	<i>13.0</i>		<i>13.6</i>		<i>14.1</i>		<i>13.5</i>	<i>13.4</i>	
Others	4,000	3,490	14.6	3,900	2.6	3,850	3.9	7,850	6,990	12.3
<i>% of Net Sales</i>	<i>14.7</i>	<i>14.9</i>		<i>15.1</i>		<i>16.0</i>		<i>15.3</i>	<i>15.7</i>	
Total Expenditure	18,270	16,220	12.6	17,506	4.4	16,810	8.7	35,080	31,170	12.5
EBITDA	8,880	7,160	24.0	8,274	7.3	7,290	21.8	16,170	13,390	20.8
<i>Margin (%)</i>	<i>32.7</i>	<i>30.6</i>		<i>32.1</i>		<i>30.2</i>		<i>31.6</i>	<i>30.0</i>	
Depreciation	1,130	990	14.1	1,130	-	1,120	0.9	2,250	1,960	14.8
EBIT	7,750	6,170	25.6	7,144	8.5	6,170	25.6	13,920	11,430	21.8
Other Income	1,450	1,060	36.8	800	81.3	1,190	21.8	1,620	1,560	3.8
Forex gain / (loss)	630	290		-		390		1,020	280	
Interest	80	10	700.0	-	#DIV/0!	30	166.7	110	10	1,000.0
PBT	9,120	7,220	26.3	7,944	14.8	7,330	24.4	16,450	13,260	24.1
Extra-Ord. Inc./Exps.	-	-		-		-		-	-	
Total Taxes	2,230	2,120	5.2	2,026	10.1	1,880	18.6	4,110	3,860	6.5
<i>ETR (%)</i>	<i>24.5</i>	<i>29.4</i>		<i>25.5</i>		<i>25.6</i>		<i>25.0</i>	<i>29.1</i>	
Reported PAT	6,890	5,100	35.1	5,919	16.4	5,450	26.4	12,340	9,400	31.3

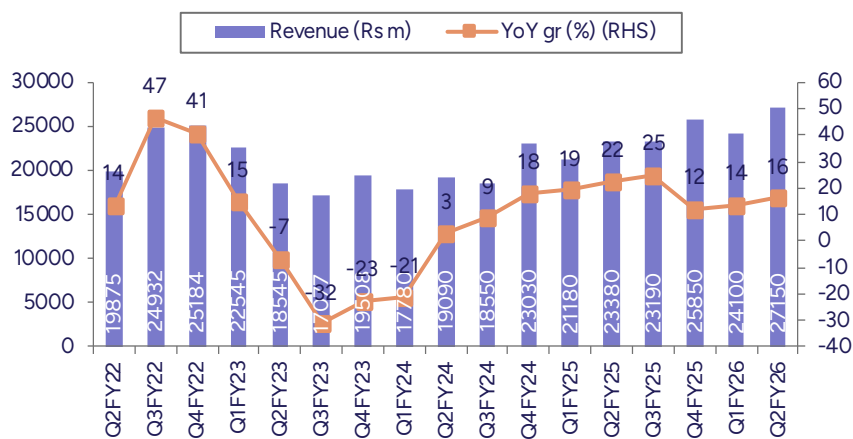
Source: Company, PL

Exhibit 2: Segmental mix (Rs mn): CS mix was at 56%

Y/e March	2QFY26	2QFY25	YoY gr. (%)	1QFY26	QoQ gr. (%)	H1 FY26	H1 FY25	YoY gr. (%)
Generics	9,526	8,753	8.8	8,827	7.9	18,353	17,774	3.3
% of Net Sales	35.1	37.4		36.6		35.8	39.9	
CCS	15204	12347	23.1	12773	19.0	27,977	22,726	23.1
% of Net Sales	56.0	52.8		53.0		54.6	51.0	
Cartenoids	2420	2280	6.1	2500	(3.2)	4,920	4,060	21.2
% of Net Sales	8.9	9.8		10.4		9.6	9.1	
Total Sales	27,150	23,380	16.1	24,100	12.7	51,250	44,560	15.0

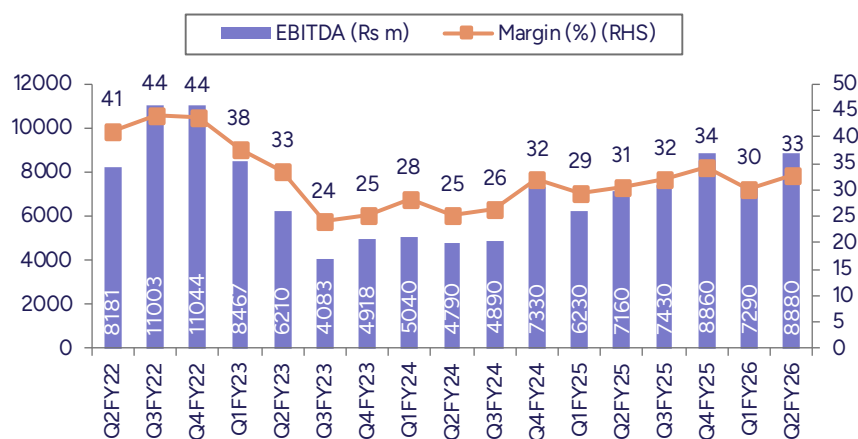
Source: Company, PL

Exhibit 3: Higher contribution from CS aided growth



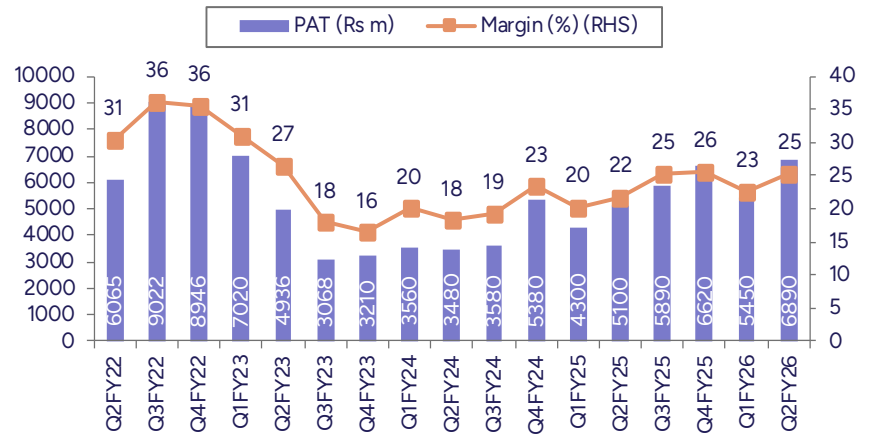
Source: Company, PL

Exhibit 4: Higher revenues led to sequential improvement in margins



Source: Company, PL

Exhibit 5: PAT growth at 35% YoY



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Revenues	93,600	1,08,968	1,26,665	1,47,247
YoY gr. (%)	19.3	16.4	16.2	16.2
Cost of Goods Sold	37,250	42,498	49,399	57,426
Gross Profit	56,350	66,470	77,266	89,821
Margin (%)	60.2	61.0	61.0	61.0
Employee Cost	12,430	14,295	16,153	18,091
Other Expenses	14,240	15,878	17,624	19,651
EBITDA	29,680	36,298	43,489	52,079
YoY gr. (%)	34.6	22.3	19.8	19.8
Margin (%)	31.7	33.3	34.3	35.4
Depreciation and Amortization	4,020	4,557	5,455	6,415
EBIT	25,660	31,742	38,034	45,664
Margin (%)	27.4	29.1	30.0	31.0
Net Interest	20	180	180	180
Other Income	3,520	4,220	3,700	4,200
Profit Before Tax	29,160	35,782	41,554	49,684
Margin (%)	31.2	32.8	32.8	33.7
Total Tax	7,250	9,124	10,389	12,669
Effective tax rate (%)	24.9	25.5	25.0	25.5
Profit after tax	21,910	26,657	31,166	37,015
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	21,910	26,657	31,166	37,015
YoY gr. (%)	36.9	21.7	16.9	18.8
Margin (%)	23.4	24.5	24.6	25.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	21,910	26,657	31,166	37,015
YoY gr. (%)	36.9	21.7	16.9	18.8
Margin (%)	23.4	24.5	24.6	25.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	21,910	26,657	31,166	37,015
Equity Shares O/s (m)	265	265	265	265
EPS (Rs)	82.7	100.6	117.6	139.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Non-Current Assets				
Gross Block	78,636	1,03,636	1,23,636	1,43,636
Tangibles	78,310	1,03,206	1,23,123	1,43,040
Intangibles	326	430	513	596
Acc: Dep / Amortization	24,216	28,773	34,228	40,642
Tangibles	23,860	28,350	33,724	40,044
Intangibles	356	423	504	598
Net fixed assets	54,420	74,863	89,409	1,02,994
Tangibles	54,450	74,856	89,399	1,02,996
Intangibles	(30)	7	10	(2)
Capital Work In Progress	10,220	10,220	10,220	10,220
Goodwill	-	-	-	-
Non-Current Investments	650	650	650	650
Net Deferred tax assets	(4,980)	(4,980)	(4,980)	(4,980)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	32,360	36,323	42,222	49,082
Trade receivables	27,310	27,847	32,370	37,630
Cash & Bank Balance	37,150	31,789	31,646	36,878
Other Current Assets	-	-	-	-
Total Assets	1,69,210	1,88,792	2,13,616	2,44,554
Equity				
Equity Share Capital	530	530	530	530
Other Equity	1,49,160	1,67,853	1,91,055	2,20,106
Total Network	1,49,690	1,68,383	1,91,585	2,20,636
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	9,100	9,989	11,611	13,498
Other current liabilities	5,440	5,440	5,440	5,440
Total Equity & Liabilities	1,69,210	1,88,792	2,13,616	2,44,554

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
PBT	25,680	31,922	38,214	45,844
Add. Depreciation	4,020	4,557	5,455	6,415
Add. Interest	(20)	(180)	(180)	(180)
Less Financial Other Income	3,520	4,220	3,700	4,200
Add. Other	(370)	1,020	-	-
Op. profit before WC changes	29,310	37,318	43,489	52,079
Net Changes-WC	(4,900)	(3,611)	(8,799)	(10,234)
Direct tax	(8,240)	(9,124)	(10,389)	(12,669)
Net cash from Op. activities	16,170	24,583	24,301	29,175
Capital expenditures	(14,380)	(25,000)	(20,000)	(20,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Invst. activities	(14,380)	(25,000)	(20,000)	(20,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(7,964)	(7,964)	(7,964)	(7,964)
Interest paid	-	-	-	-
Others	3,524	3,020	3,520	4,020
Net cash from Fin. activities	(4,440)	(4,944)	(4,444)	(3,944)
Net change in cash	(2,650)	(5,361)	(143)	5,232
Free Cash Flow	1,790	(417)	4,301	9,175

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Per Share(Rs)				
EPS	82.7	100.6	117.6	139.7
CEPS	97.8	117.8	138.2	163.9
BVPS	564.9	635.4	723.0	832.6
FCF	6.8	(1.6)	16.2	34.6
DPS	30.1	30.1	30.1	30.1
Return Ratio(%)				
RoCE	18.0	20.0	21.1	22.2
ROIC	19.4	20.2	20.9	22.0
RoE	15.4	16.8	17.3	18.0
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.2)	(0.2)	(0.2)
Net Working Capital (Days)	197	181	181	181
Valuation(x)				
PER	80.5	66.2	56.6	47.7
P/B	11.8	10.5	9.2	8.0
P/CEPS	68.0	56.5	48.2	40.6
EV/EBITDA	58.2	47.7	39.8	33.2
EV/Sales	18.4	15.9	13.7	11.7
Dividend Yield (%)	0.5	0.5	0.5	0.5

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Net Revenue	23,190	25,850	24,100	27,150
YoY gr. (%)	25.0	12.2	13.8	16.1
Raw Material Expenses	9,220	9,810	9,560	10,730
Gross Profit	13,970	16,040	14,540	16,420
Margin (%)	60.2	62.1	60.3	60.5
EBITDA	7,430	8,860	7,290	8,880
YoY gr. (%)	51.9	20.9	17.0	24.0
Margin (%)	32.0	34.3	30.2	32.7
Depreciation / Depletion	990	1,070	1,120	1,130
EBIT	6,440	7,790	6,170	7,750
Margin (%)	27.8	30.1	25.6	28.5
Net Interest	-	10	30	80
Other Income	820	860	1,190	1,450
Profit before Tax	7,260	8,640	7,330	9,120
Margin (%)	31.3	33.4	30.4	33.6
Total Tax	1,370	2,020	1,880	2,230
Effective tax rate (%)	18.9	23.4	25.6	24.5
Profit after Tax	5,890	6,620	5,450	6,890
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	5,890	6,620	5,450	6,890
YoY gr. (%)	64.5	23.0	26.7	35.1
Margin (%)	25.4	25.6	22.6	25.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	5,890	6,620	5,450	6,890
YoY gr. (%)	64.5	23.0	26.7	35.1
Margin (%)	25.4	25.6	22.6	25.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,890	6,620	5,450	6,890
Avg. Shares O/s (m)	265	265	265	265
EPS (Rs)	22.2	24.9	20.5	26.0

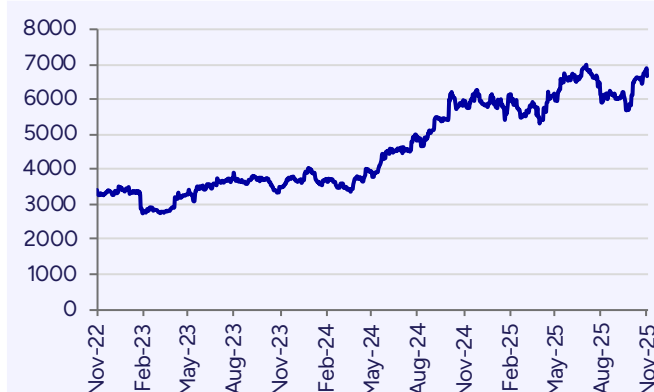
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Generic API	37,950	41,366	47,570	54,706
Custom Synthesis	48,200	57,840	67,673	79,177
Cartenoids	7,810	9,763	11,422	13,364

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Oct-25	Accumulate	6,550	6,105
2	07-Aug-25	Accumulate	6,550	6,134
3	08-Jul-25	Accumulate	6,800	6,889
4	19-May-25	Accumulate	6,800	6,280
5	08-Apr-25	Accumulate	6,250	5,309
6	04-Feb-25	Accumulate	6,250	5,884
7	08-Jan-25	Accumulate	6,000	5,920
8	11-Nov-24	Accumulate	6,000	5,950

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ajanta Pharma	BUY	3,200	2,539
2	Apollo Hospitals Enterprise	BUY	9,300	7,700
3	Aster DM Healthcare	BUY	700	662
4	Aurobindo Pharma	BUY	1,300	1,141
5	Cipla	Accumulate	1,675	1,541
6	Divi's Laboratories	Accumulate	6,550	6,105
7	Dr. Reddy's Laboratories	Reduce	1,270	1,284
8	Eris Lifesciences	BUY	1,975	1,590
9	Fortis Healthcare	BUY	1,000	1,042
10	HealthCare Global Enterprises	BUY	620	651
11	Indoco Remedies	Hold	325	290
12	Ipca Laboratories	Accumulate	1,525	1,360
13	J.B. Chemicals & Pharmaceuticals	BUY	2,030	1,657
14	Jupiter Life Line Hospitals	BUY	1,720	1,521
15	Krishna Institute of Medical Sciences	BUY	815	706
16	Lupin	BUY	2,400	1,925
17	Max Healthcare Institute	BUY	1,355	1,131
18	Narayana Hrudayalaya	BUY	2,000	1,783
19	Rainbow Children's Medicare	BUY	1,725	1,331
20	Sun Pharmaceutical Industries	BUY	1,875	1,703
21	Suntech Realty	BUY	600	432
22	Torrent Pharmaceuticals	Accumulate	4,000	3,539
23	Zydus Lifesciences	Accumulate	1,020	937

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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