

Key Investment Thesis

China+1 / CDMO Diversification: Divi's Laboratories remains one of the clearest India beneficiaries of the global China+1 outsourcing shift as innovator pharma increasingly diversifies supply chains amid geopolitical risks, BIOSECURE-related concerns, and tariff escalation on Chinese pharma inputs. The Company's differentiated positioning stems from its fully backward-integrated model, best-in-class process chemistry capabilities, clean USFDA track record, and multi-decade relationships with global innovators. The long-term supply agreement announced in May 2025 involving ~INR 650–750 crore of customer-backed capacity creation validates rising strategic relevance within global CDMO supply chains. With multiple custom synthesis projects approaching commercialisation from CY27 onwards, Divi's is entering a phase of structurally higher revenue visibility versus the broader Indian pharma universe.

GLP-1 / Peptide Optionality: Divi's is building a meaningful strategic position within the global peptide and GLP-1 manufacturing ecosystem arguably the largest pharma opportunity of the decade. The Company has established a peptide centre of excellence and is actively qualifying amino acid building blocks with innovator companies. Although revenues remain nascent currently, even one scaled commercial peptide contract could drive a disproportionately large earnings impact given the high-margin and high-entry-barrier nature of peptide synthesis, potential medium-term revenue upside of INR 1,500–2,500 crore under successful commercial scale-up scenarios.

Capex-Led Capacity Moat: Divi's ongoing capex cycle is strategically important not merely because of scale, but because of the underlying demand visibility attached to it. FY26 capex increased sharply to INR 2,519 crore with CWIP doubling YoY, driven by expansion across custom synthesis, peptide capabilities, and dedicated innovator-linked capacity. Importantly, unlike speculative expansion typically seen across the sector, Divi's current investments appear substantially backed by long-term customer commitments and capacity reservation advances, evidenced by the emergence of ~INR 456 crore in non-current financial liabilities. This materially de-risks execution while reinforcing Divi's positioning as a globally relevant innovation-facing CDMO platform with a durable long-term capacity moat.

Outlook

Outlook on Divi's Laboratories remains structurally positive as the Company enters a multi-year growth cycle driven by custom synthesis scale-up, China+1 outsourcing tailwinds, and emerging peptide optionality. Commercialisation of large innovator-linked projects from CY27 onwards should improve revenue visibility, asset turns, and margin trajectory over the medium term. The ongoing capex cycle, largely supported by customer-linked demand visibility, positions Divi's to consolidate its leadership within high-value global CDMO outsourcing. While near-term earnings may remain influenced by project timing and pharma pricing dynamics, the medium-term risk-reward remains favourable given the Company's balance sheet strength, execution track record, and differentiated positioning in complex manufacturing.

Valuation

We expect the company to grow its Revenue/EBITDA/PAT at a CAGR of 15.3% / 20% / 18.2% for the period of FY26-FY28. Currently trading at 50x FY28E EPS, we value the company at 53x FY28E EPS 135, implying a target price of INR 7,155 with the upside of 5.1%. Rating: ACCUMULATE

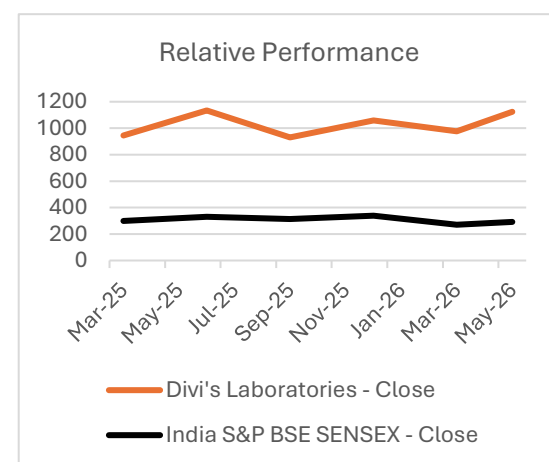
Key Risks

A) Raw Material Inflation Risk: Sharp increases in crude and ammonia-linked input costs could create temporary gross margin pressure despite Divi's strong backward integration. B) Client Concentration Risk: Dependence on a limited number of large innovator pharma clients within the CS business could impact revenues if any major contract faces disruption. C) Generics Pricing Risk: Structural pricing pressure in the global generics API market may continue to weigh on growth and profitability within the non-CS portfolio.

Particulars	
CMP (INR)	6,805
Market Cap (Cr)	1,80,643
Free Float Market Cap (Cr)	86,062
52 Week High / Low (INR)	7,077/5,637
Avg Daily Vol (1Y) shares	3,81,325
No. of Shares (Cr.)	26.54

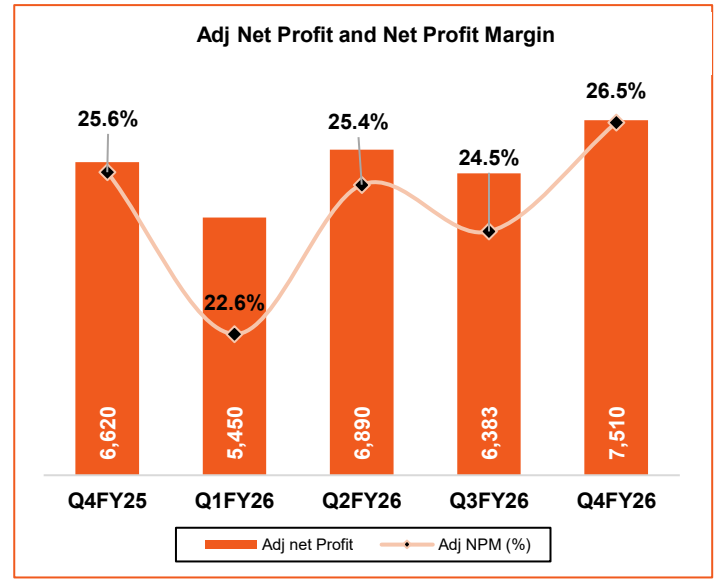
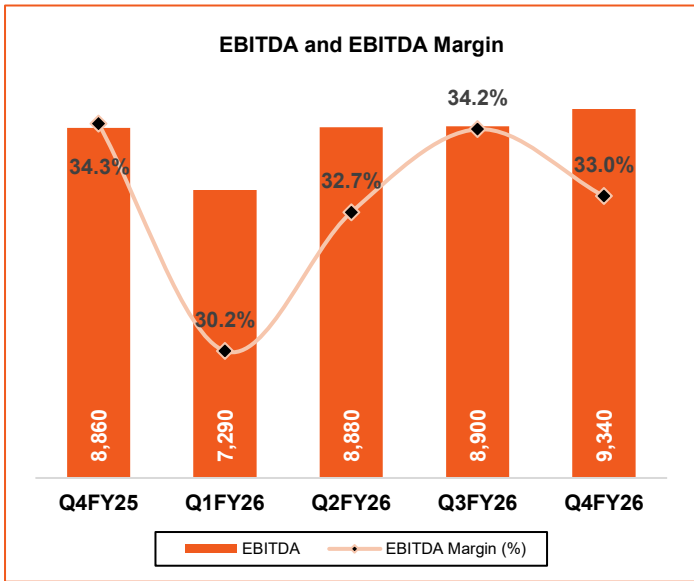
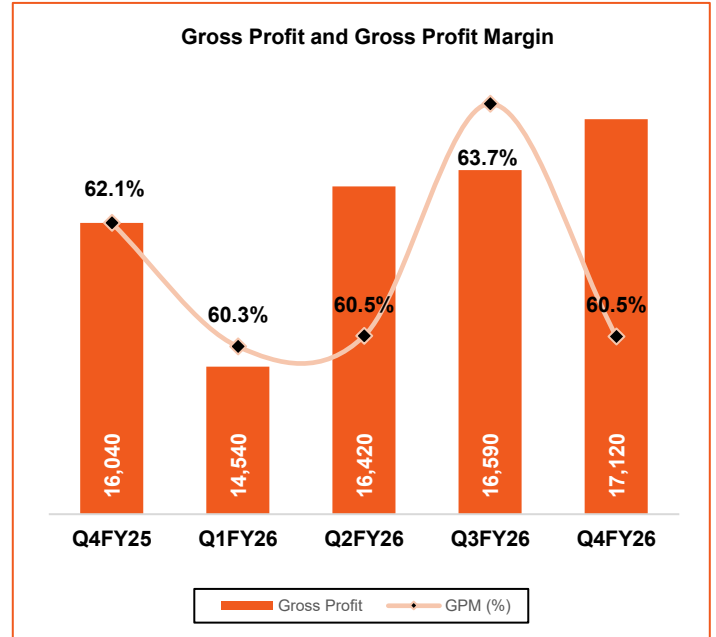
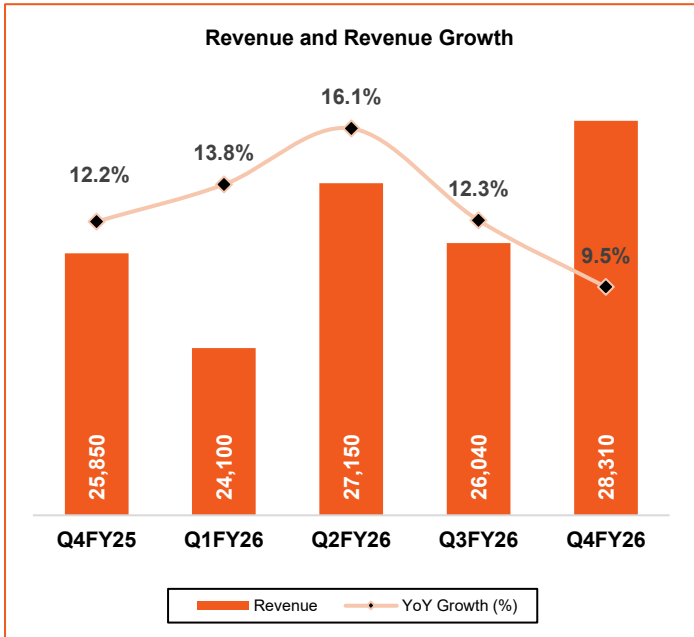
Key Financial (INR Mn.)	FY26	FY27E	FY28E
Revenue	105,600	122,027	140,341
EBITDA	34,410	41,426	49,566
EBITDA (%)	32.6%	33.9%	35.3%
PAT	25,680	29,759	35,849

Holding	Sep-25	Dec-25	Mar-26
Promoters	51.88	51.88	51.88
FIIIs	19.39	20.08	20.29
DIIIs	19.68	19.18	19.13
Others	0.09	0.09	0.09
Public	8.96	8.75	8.61
Total	100.0	100.0	100.0



Source: Company Research, Deven Choksey Research

Story in Charts



Source: Company Research, Deven Choksey Research

Result Snapshot

Particulars (Mn)	Q4FY26	Q3FY26	Q4FY25	QoQ	YoY
Revenue from Operations	28,310	26,040	25,850	8.7%	9.5%
Total Expenditure	18,970	17,140	16,990	10.7%	11.7%
Cost of Raw Materials	12,140	12,170	9,310	-0.2%	30.4%
Purchase of Stock	0	0	0	NM	NM
Changes in Inventories	-950	-2,720	500	NM	NM
COGS	11,190	9,450	9,810	18.4%	14.1%
Employee Cost	3,810	3,670	3,500	3.8%	8.9%
Other Expenses	3,970	4,020	3,680	-1.2%	7.9%
EBITDA	9,340	8,900	8,860	4.9%	5.4%
EBITDA Margins (%)	33.0%	34.2%	34.3%	-119 bps	-128 bps
Depreciation	1,200	1,180	1,070	1.7%	12.1%
EBIT	8,140	7,720	7,790	5.4%	4.5%
Other Income	1,550	880	860	76.1%	80.2%
Interest Expense	60	60	10	0.0%	500.0%
PBT before Exceptional	9,630	8,540	8,640	12.8%	11.5%
Exceptional Items	0	740	0	NM	NM
PBT	9,630	7,800	8,640	23.5%	11.5%
Tax	2,120	1,970	2,020	7.6%	5.0%
Share of Associates	0	0	0	NM	NM
Minority Interest	0	0	0	NM	NM
PAT	7,510	5,830	6,620	28.8%	13.4%
PAT Margin (%)	26.5%	22.4%	25.6%	414 bps	92 bps
EPS	28.3	22.0	24.9	28.8%	13.4%

Key Concall Highlights

Generic API Volumes Stable; Volume Growth from Existing Portfolio

- Management confirmed stable volumes across key products through Q4 and FY26 despite continued pricing pressure in generic APIs, highlighting resilience of the existing portfolio.
- Volume pickup accelerated during Q3–Q4 FY26, driven entirely by the current product basket, while FY26/27 patent-expiry opportunities remain incremental upside.
- Majority of generic API contracts include long-term variability clauses, enabling structured pass-through of raw material and freight cost inflation.
- No customer volume loss or supply disruption was reported during FY26; procurement networks and domestic supplier diversification were further strengthened to mitigate input volatility.

Custom Synthesis: Strong Pipeline Advancing Toward Commercialisation

- Custom Synthesis (CS) pipeline remained strong across FY26 with molecules progressing through development, validation, and pre-commercialisation stages.
- Three dedicated CS projects disclosed during FY24/FY25 are currently in validation/pre-commercial stages, with commercialisation targeted by 2027 subject to regulatory approvals.
- Divi's continues supplying leading innovators in iodine-based contrast media, while gadolinium-based molecules in Phase 2/3 represent a key FY27/FY28 revenue catalyst.
- Management highlighted sustained opportunity from global supply-chain diversification while maintaining a steady replacement cycle of new projects for maturing molecules.

Peptide Validation Completed on Several Fragments; SPPS Among World's Largest

- Several peptide fragments were successfully validated during Q4 FY26, with additional fragments progressing through the validation pipeline for upcoming quarters.
- Divi's operates both solid-phase peptide synthesis (SPPS) and liquid-phase synthesis platforms, including multiple 3,000-litre SPPS reactors — the largest peptide setup in India.
- Long-standing protected amino acid capabilities provide vertical integration across the peptide value chain, creating a significant technological and scale barrier.
- Management reiterated ambitions to build a top-2 global peptide CDMO position, with initial revenue contribution from validated projects expected from FY27E onward.

Backward Integration Hub Freeing Premium GMP Capacity

- Unit-3 is increasingly central to operations, with pre-chemistry activities shifted from Unit-1 and Unit-2 to free premium GMP capacity for higher-value CS and peptide manufacturing.
- Capacity qualification at Unit-3 remains customer- and product-specific, reflecting a proactive optimisation strategy aligned with future demand visibility.
- Approximately INR 800 Cr of FY26 capex was capitalised in Q4, while CWIP reached INR 2,113 Cr, indicating continued expansion momentum.
- Management guided for moderated FY27E capex versus FY26's INR 2,519 Cr, despite an ongoing INR 1,500 Cr expansion programme.

West Asia Disruption: Near-Term Freight/RM Pressure; No Revenue Impact

- West Asia geopolitical disruptions from 28 February 2026 led to port congestion, shipment delays, and higher freight costs, while some suppliers invoked force majeure clauses.
- Key inputs including methanol, solvents, and ammonia were impacted; Divi's remains one of India's largest methanol consumers with significant import dependence.
- Despite logistical challenges, management confirmed no production stoppages or revenue loss during Q4 FY26, supported by rolling three-month procurement planning.
- Freight and raw material cost pressures are expected to persist through Q1/Q2 FY27E, although long-term contract variability clauses provide structural margin protection.

FY27 Guidance

- Management guided for double-digit revenue growth in FY27E, emphasising absolute revenue growth over constant-currency metrics amid INR volatility.
- Margin outlook was characterised as “stable,” with management refraining from expansion guidance due to uncertainty around freight and raw material inflation.
- FY27E capex is expected to moderate versus FY26 given the elevated CWIP base, while no major new CS projects have yet been disclosed.
- Commercialisation of key CS projects remains targeted for 2027 subject to customer regulatory approvals, while INR depreciation against USD/EUR continues to support the ~89% export-oriented business.

Exhibit 1: Profit & Loss Statement

INR Mn	FY25	FY26	FY27E	FY28E
Revenues	93,600	105,600	122,027	140,341
COGS	37,250	40,930	46,683	52,995
Gross profit	56,350	64,670	75,344	87,346
Employee cost	12,430	14,420	16,409	18,244
Other expenses	14,240	15,840	17,509	19,536
EBITDA	29,680	34,410	41,426	49,566
Depreciation	4,020	4,630	4,970	5,290
EBIT	25,660	29,780	36,456	44,276
Finance Costs	20	230	28	28
Other Income	3,520	5,070	3,250	3,550
PBT	29,160	34,620	39,678	47,798
Tax	7,250	8,200	9,920	11,950
Adj. PAT	21,910	25,680	29,759	35,849
Adj. EPS (INR)	82.5	99.5	112.1	135.0

Exhibit 3: Cash Flow Statement

INR Mn	FY25	FY26	FY27E	FY28E
CFFO	16,530	27,380	32,128	35,217
CFFI	(8,040)	(22,190)	(19,000)	(19,000)
CFFF	(7,990)	(8,040)	(11,971)	(16,222)
Net Inc/Dec in cash	500	(2,850)	1,157	(4)
Opening Cash	3,627	4,127	1,277	2,434
Adjustment	0	0	0	0
Closing Cash	4,127	1,277	2,434	2,430

Source: Company Research, Deven Choksey Research

Exhibit 2: Balance Sheet

INR Mn	FY25	FY26	FY27E	FY28E
Equity				
Equity Capital	530	530	530	530
Other Equity	149,160	167,080	184,893	204,548
Total Equity	149,690	167,610	185,423	205,078
Non-Current Liabilities				
Other financial liabilities	20	4,610	4,610	4,610
Deferred tax liabilities (Net)	5,090	4,690	4,690	4,690
Other Non-Current Liabilities	0	2,990	2,990	2,990
Total Non-Current Liabilities	5,110	12,290	12,290	12,290
Current Liabilities				
Other financial liabilities	4,090	4,600	4,600	4,600
Trade Payables	9,100	12,110	11,511	13,067
Other current liabilities				
Total Current Liabilities	14,520	20,430	19,831	21,387
Total Equities & Liabilities	169,320	200,330	217,544	238,755
Non-Current Assets				
Property Plants and Equipment's	54,370	65,150	79,180	92,890
Capital work-in-progress	10,220	21,130	21,130	21,130
Other non-current assets	3,920	3,090	3,090	3,160
Total Non-Current Assets	68,510	89,370	103,400	117,180
Current Assets				
Inventories	32,360	39,540	39,649	45,009
Trade Receivables	27,310	29,840	31,760	33,836
Cash and bank	37,150	34,140	35,294	35,290
Other current assets	3,990	7,440	7,440	7,440
Total Current Assets	100,810	110,960	114,144	121,575
Total Assets	169,320	200,330	217,544	238,755

Divis Laboratories Ltd.

Date	CMP (INR)	TP (INR)	Recommendation
28-May-26	6,805	7,155	ACCUMULATE
20-Nov-25	6,454	6,795	ACCUMULATE
29-Aug 25	6,135	6,499	ACCUMULATE
22-May 25	6,538	7,518	ACCUMULATE
04-Feb 25	6,096	6,435	ACCUMULATE
11-Nov 24	5,950	6,357	ACCUMULATE

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%

ANALYST CERTIFICATION:

I, **Neel Mehta**, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Terms & Conditions and other disclosures:

DRChoksey FinServ Private Limited (hereinafter referred to as DCFPL) is a registered member of SEBI as a Research Entity vide Registration No. INH000011246 under SEBI (Research Analyst) Regulations, 2014, Portfolio Managers Entity vide Registration No. INP000007906 under SEBI (PORTFOLIO MANAGERS) Regulations, 2020 & Investment Adviser Entity vide Registration No. INA000017903 under SEBI (INVESTMENT ADVISERS) REGULATIONS, 2013.

The information and opinions in this report have been prepared by DCFPL and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of DCFPL. While I would endeavor to update the information herein on a reasonable basis, DCFPL is not under any obligation to update the information. Also, there may be regulatory, compliance or other reasons that may prevent DCFPL from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily, and such suspension is in compliance with applicable regulations and/or DCFPL policies, in circumstances where DCFPL might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. DCFPL will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. DCFPL accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Our employees in sales and marketing team, dealers and other professionals may provide oral or written market commentary or trading strategies that reflect opinions that are contrary to the opinions expressed herein, in reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

I submit that no material disciplinary action has been taken on DCFPL and its associates (Group Companies) by any Regulatory Authority impacting Equity Research Analysis activities.

DCFPL prohibits its associate, analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analyst covers.

DCFPL or its associates (Group Companies) collectively or its research analyst, or relatives do not hold any financial interest/beneficial ownership of more than 1% (at the end of the month immediately preceding the date of publication of the research report) in the company covered by Analyst and has not been engaged in market making activity of the company covered by research analyst.

It is confirmed that, I, **Neel Mehta** Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific brokerage service transactions.

DCFPL or its Associates (Group Companies) have not managed or co-managed public offering of securities for the subject company in the past twelve months.

DCFPL or its associates (Group Companies) collectively or its research analyst, or relatives might have received any commission/compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of brokerage services or specific transaction or for products and services other than brokerage services.

DCFPL or its associates (Group Companies) collectively or its research analyst, or relatives might have received any commission/compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report other than investment banking or merchant banking or brokerage services from the subject company

DCFPL encourages the practice of giving independent opinion in research report preparation by the analyst and thus strives to minimize the conflict in preparation of research report. DCFPL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither DCFPL nor Research Analysts his associate or his relative, have any material conflict of interest at the time of publication of this report.

It is confirmed that **Neel Mehta**, Research Analyst do not serve as an officer, director or employee of the companies mentioned in the report.

DCFPL or its associates (Group Companies) or its research analyst has may been engaged in market making activity for the subject company.

The securities quoted are for illustration only and are not recommendatory.

DCFPL (Research Entity) and its research analysts uses Artificial Intelligence tools.

DCFPL and or its Research analysts shall be solely responsible for the security, confidentiality and integrity of the client data, use of any other information or data for research services, research services based on output of Artificial Intelligence tools and compliance with any law for the time being in force.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other Jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject DCFPL and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform them of and to observe such restrictions.

Investment in securities are subject to market risks, read all the documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

- Please send your feedback to research_retail@devenchoksey.com

DRChoksey FinServ Private Limited

CIN Number -U67100MH2020PTC352816

Registered Office and Corporate Office:

5th Floor Abhishek Building, Behind Monginis Cake Factory, Off New Link Road, Andheri West, Mumbai-400058