

February 12, 2026

## Q3FY26 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
<b>Rating</b>	ACCUMULATE		ACCUMULATE	
<b>Target Price</b>	6,850		7,050	
Sales (Rs. m)	1,21,544	1,43,649	1,26,665	1,47,247
% Chng.	(4.0)	(2.4)		
EBITDA (Rs. m)	41,487	50,973	43,489	52,079
% Chng.	(4.6)	(2.1)		
EPS (Rs.)	111.8	137.3	117.6	139.7
% Chng.	(4.9)	(1.7)		

### Key Financials - Consolidated

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (Rs. m)	93,600	1,05,776	1,21,544	1,43,649
EBITDA (Rs. m)	29,680	35,195	41,487	50,973
Margin (%)	31.7	33.3	34.1	35.5
PAT (Rs. m)	21,910	26,045	29,627	36,396
EPS (Rs.)	82.7	98.3	111.8	137.3
Gr. (%)	36.9	18.9	13.8	22.8
DPS (Rs.)	30.1	30.1	30.1	30.1
Yield (%)	0.5	0.5	0.5	0.5
RoE (%)	15.4	16.4	16.6	17.9
RoCE (%)	18.0	19.2	20.2	21.9
EV/Sales (x)	17.7	15.7	13.7	11.5
EV/EBITDA (x)	55.8	47.2	40.0	32.5
PE (x)	77.2	65.0	57.1	46.5
P/BV (x)	11.3	10.1	8.9	7.8

### Key Data

	DIVI.BO   DIVI IN
52-W High / Low	Rs.7,078 / Rs.4,942
Sensex / Nifty	84,234 / 25,954
Market Cap	Rs.1,695bn/ \$ 18,692m
Shares Outstanding	265m
3M Avg. Daily Value	Rs.2063.21m

### Shareholding Pattern (%)

Promoter's	51.88
Foreign	20.08
Domestic Institution	19.18
Public & Others	8.86
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(3.5)	6.6	7.4
Relative	(4.2)	2.0	(2.7)

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## CS remains core growth engine

### Quick Pointers:

- Guided towards sustainable double digit growth trajectory in CS.
- Three large, dedicated projects under execution with commercial volumes expected in H2CY27

**Divi's Laboratories (DIVI) Q3FY26 EBITDA was 3% above our estimates led by higher CS revenues and currency led tailwinds. 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 FY27E/FY28E EPS estimates stand cut by 2-5%. We expect 20% EBITDA CAGR and 18% PAT CAGR over FY26-28E. At CMP, stock is trading at 47x FY28E EPS. We Maintain our 'Accumulate' rating with revised TP of Rs6,850/share, valuing at 50x FY28E EPS.**

- Revenue growth backed by higher CS segment:** DIVI's Q3FY26 revenues came in at Rs26bn (up 12% YoY); in line with our estimates. Generic revenues came at Rs9bn; down ~2% YoY while Custom synthesis (CS) delivered growth of 21% YoY at Rs 14.8bn. In Q3FY26 overall exports stood at 89% and exports to EU and US stood at 72% of revenue. Product mix for generics and CS in Q3FY26 were at 43% and 57% of revenue. Nutraceutical business for Q3 was Rs2.1bn, up 26% YoY.
- Higher EBITDA backed by increased GMs:** GM came at 63.7%; up 350 bps YoY and 325bps QoQ above our estimates. Employee expenses grew by 24% YoY whereas other expenses were up 13% YoY. EBITDA came in at Rs 8.9bn up 20% YoY vs our estimate of Rs8.7bn. OPM stood at 34.2%, up 420bps YoY and 150bps QoQ. There was a forex gain of Rs 190mn. Tax rate was at 23%. Resultant PAT came in at Rs 6.6bn; up 12% YoY; vs our estimate of Rs 6.2bn.
- Key concall takeaways: Generic business:** Contributed 43% of the mix in Q3FY26. Pricing environment likely to stabilize over next few quarters. Volume growth steady; backward integration at Kakinada brings in stability for Generic business. There was successful USFDA cGMP inspection at nutraceutical unit. Segment is showing strong structural growth.
- Custom synthesis:** Multiple projects in validation/development stages, with commercialization visibility over next 12-24 months. High RFP traction, customer audits, and site visits. Three large, dedicated projects under execution with commercial volumes expected in H2CY27. Portfolio approach across Phase 2/3/late lifecycle products with built-in replacement for off-patent molecules.
- Peptides:** Strategic entry into innovator peptide supply chains (not generic GLP-1). One commercial peptide facility completed with large-scale SPPS reactors. Company has built capacities across SPPS and LPPs platforms. Focus remains on protected amino acids, fragments and custom peptide manufacturing. Mgmt highlighted diversification beyond GLP-1 into Psoriasis, Anti-inflammatory and cardiac therapies.

- **Kakinada unit:** Current utilization at 70-80% range. Phase 2 expansion under evaluation (4 new blocks planned). Structural enabler for CDMO scale-up and margin protection.
- 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:** Capitalised Rs 3bn in Q3FY26. Capex to continue with historical run-rate trends (excluding project-specific dedicated capex).
- **Other:** Domestic procurement share at 78%. China export policy changes seen as long-term tailwind due to backward integration. Its export tax rebate withdrawal to have limited impact on API's but higher on basic chemicals and intermediates. Strong balance sheet with high cash reserves (Rs 36.8bn).

**Exhibit 1: 3QFY26 Result Overview (Rs m): EBITDA beat, CS contribution at 57%**

Y/e March	3QFY26	3QFY25	YoY gr. (%)	3QFY26E	%Var	2QFY26	QoQ gr. (%)	9M FY26	9M FY25	YoY gr. (%)
<b>Net Sales</b>	<b>26,040</b>	<b>23,190</b>	<b>12.3</b>	<b>26,294</b>	<b>(1.0)</b>	<b>27,150</b>	<b>(4.1)</b>	<b>77,290</b>	<b>67,750</b>	<b>14.1</b>
Raw Material	9,450	9,220	2.5	10,254	(7.8)	10,730	(11.9)	29,740	27,440	8.4
<i>% of Net Sales</i>	<i>36.3</i>	<i>39.8</i>		<i>39.0</i>		<i>39.5</i>		<i>38.5</i>	<i>40.5</i>	
Personnel Cost	3,670	2,970	23.6	3,475	5.6	3,540	3.7	10,610	8,930	18.8
<i>% of Net Sales</i>	<i>14.1</i>	<i>12.8</i>		<i>13.2</i>		<i>13.0</i>		<i>13.7</i>	<i>13.2</i>	
Others	4,020	3,570	12.6	3,900	3.1	4,000	0.5	11,870	10,560	12.4
<i>% of Net Sales</i>	<i>15.4</i>	<i>15.4</i>		<i>14.8</i>		<i>14.7</i>		<i>15.4</i>	<i>15.6</i>	
Total Expenditure	17,140	15,760	8.8	17,629	(2.8)	18,270	(6.2)	52,220	46,930	11.3
<b>EBITDA</b>	<b>8,900</b>	<b>7,430</b>	<b>19.8</b>	<b>8,664</b>	<b>2.7</b>	<b>8,880</b>	<b>0.2</b>	<b>25,070</b>	<b>20,820</b>	<b>20.4</b>
<i>Margin (%)</i>	<i>34.2</i>	<i>32.0</i>		<i>33.0</i>		<i>32.7</i>		<i>32.4</i>	<i>30.7</i>	
Depreciation	1,180	990	19.2	1,150	2.6	1,130	4.4	3,430	2,950	16.3
<b>EBIT</b>	<b>7,720</b>	<b>6,440</b>	<b>19.9</b>	<b>7,514</b>	<b>2.7</b>	<b>7,750</b>	<b>(0.4)</b>	<b>21,640</b>	<b>17,870</b>	<b>21.1</b>
Other Income	880	820	7.3	800	10.0	1,450	(39.3)	2,310	2,280	1.3
Forex gain / (loss)	190	100		-		630		1,210	380	
Interest	60	-	#DIV/0!	30	100.0	80	(25.0)	170	10	1,600.0
<b>PBT</b>	<b>8,540</b>	<b>7,260</b>	<b>17.6</b>	<b>8,284</b>	<b>3.1</b>	<b>9,120</b>	<b>(6.4)</b>	<b>24,990</b>	<b>20,520</b>	<b>21.8</b>
Extra-Ord. Inc./Exps.	740	-		-		-		740	-	
Total Taxes	1,970	1,370	43.8	2,112	(6.7)	2,230	(11.7)	6,080	5,230	16.3
<i>ETR (%)</i>	<i>23.1</i>	<i>18.9</i>		<i>25.5</i>		<i>24.5</i>		<i>24.3</i>	<i>25.5</i>	
<b>Reported PAT</b>	<b>5,830</b>	<b>5,890</b>	<b>(1.0)</b>	<b>6,172</b>	<b>(5.5)</b>	<b>6,890</b>	<b>(15.4)</b>	<b>18,170</b>	<b>15,290</b>	<b>18.8</b>

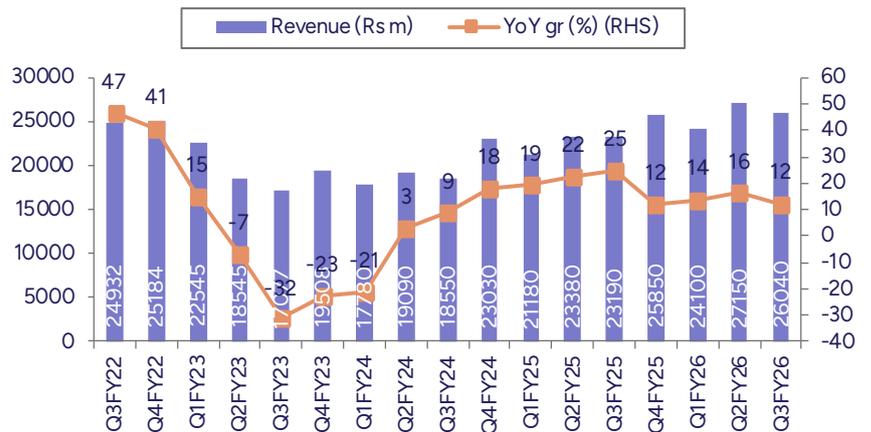
Source: Company, PL

**Exhibit 2: Segmental mix (Rs Mn): Higher contribution from CS segment**

Y/e March	3QFY26	3QFY25	YoY gr. (%)	2QFY26	QoQ gr. (%)	9M FY26	9M FY25	YoY gr. (%)
Generics	9,057	9,199	(1.5)	9,526	(4.9)	27,410	26,974	1.6
<i>% of Net Sales</i>	<i>34.8</i>	<i>39.7</i>		<i>35.1</i>		<i>35.5</i>	<i>39.8</i>	
CCS	14,843	12,291	20.8	15,204	(2.4)	42,820	35,016	22.3
<i>% of Net Sales</i>	<i>57.0</i>	<i>53.0</i>		<i>56.0</i>		<i>55.4</i>	<i>51.7</i>	
Cartenoids	2,140	1,700	25.9	2,420	(11.6)	7,060	5,760	22.6
<i>% of Net Sales</i>	<i>8.2</i>	<i>7.3</i>		<i>8.9</i>		<i>9.1</i>	<i>8.5</i>	
<b>Total Sales</b>	<b>26,040</b>	<b>23,190</b>	<b>12.3</b>	<b>27,150</b>	<b>(4.1)</b>	<b>77,290</b>	<b>67,750</b>	<b>14.1</b>

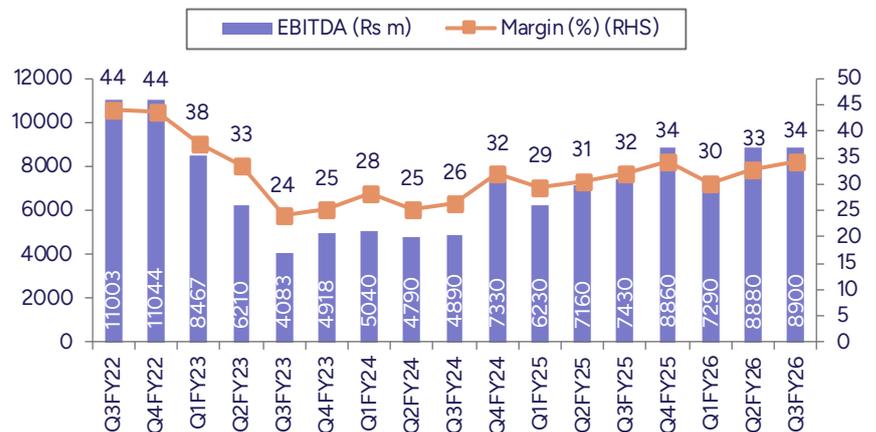
Source: Company, PL

**Exhibit 3: CS segment continues to drive momentum**



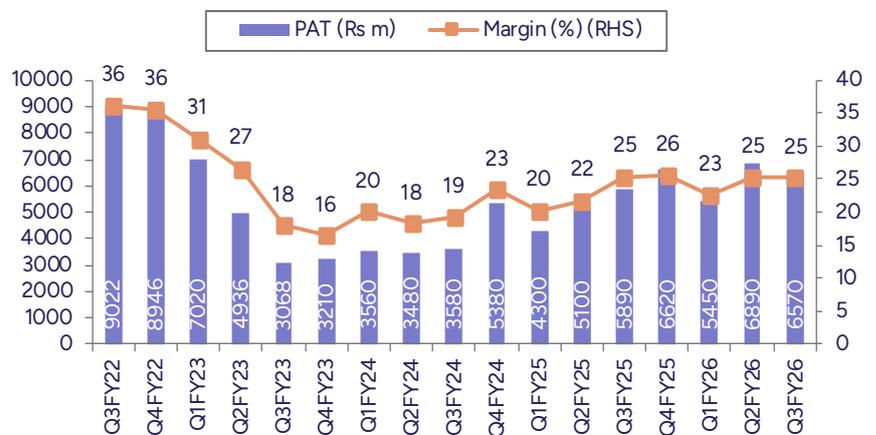
Source: Company, PL

**Exhibit 4: Higher GMs led to improvement in margins**



Source: Company, PL

**Exhibit 5: Adj PAT growth at 12% YoY**



Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
<b>Net Revenues</b>	<b>93,600</b>	<b>1,05,776</b>	<b>1,21,544</b>	<b>1,43,649</b>
YoY gr. (%)	19.3	13.0	14.9	18.2
Cost of Goods Sold	37,250	40,089	46,065	54,443
Gross Profit	56,350	65,687	75,479	89,206
Margin (%)	60.2	62.1	62.1	62.1
Employee Cost	12,430	14,543	16,288	18,406
Other Expenses	14,240	15,949	17,703	19,828
<b>EBITDA</b>	<b>29,680</b>	<b>35,195</b>	<b>41,487</b>	<b>50,973</b>
YoY gr. (%)	34.6	18.6	17.9	22.9
Margin (%)	31.7	33.3	34.1	35.5
Depreciation and Amortization	4,020	4,648	5,455	6,415
<b>EBIT</b>	<b>25,660</b>	<b>30,547</b>	<b>36,033</b>	<b>44,558</b>
Margin (%)	27.4	28.9	29.6	31.0
Net Interest	20	230	230	230
Other Income	3,520	4,410	3,700	4,200
<b>Profit Before Tax</b>	<b>29,160</b>	<b>34,727</b>	<b>39,503</b>	<b>48,528</b>
Margin (%)	31.2	32.8	32.5	33.8
Total Tax	7,250	8,682	9,876	12,132
Effective tax rate (%)	24.9	25.0	25.0	25.0
<b>Profit after tax</b>	<b>21,910</b>	<b>26,045</b>	<b>29,627</b>	<b>36,396</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>21,910</b>	<b>26,045</b>	<b>29,627</b>	<b>36,396</b>
YoY gr. (%)	36.9	18.9	13.8	22.8
Margin (%)	23.4	24.6	24.4	25.3
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>21,910</b>	<b>26,045</b>	<b>29,627</b>	<b>36,396</b>
YoY gr. (%)	36.9	18.9	13.8	22.8
Margin (%)	23.4	24.6	24.4	25.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	21,910	26,045	29,627	36,396
<b>Equity Shares O/s (m)</b>	<b>265</b>	<b>265</b>	<b>265</b>	<b>265</b>
<b>EPS (Rs)</b>	<b>82.7</b>	<b>98.3</b>	<b>111.8</b>	<b>137.3</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>78,636</b>	<b>1,03,636</b>	<b>1,23,636</b>	<b>1,43,636</b>
Tangibles	78,310	1,03,206	1,23,123	1,43,040
Intangibles	326	430	513	596
<b>Acc: Dep / Amortization</b>	<b>24,216</b>	<b>28,864</b>	<b>34,319</b>	<b>40,733</b>
Tangibles	23,860	28,440	33,814	40,134
Intangibles	356	425	505	599
<b>Net fixed assets</b>	<b>54,420</b>	<b>74,772</b>	<b>89,317</b>	<b>1,02,903</b>
Tangibles	54,450	74,767	89,309	1,02,906
Intangibles	(30)	6	8	(3)
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	-	-	-	-
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	32,360	35,259	40,515	47,883
Trade receivables	27,310	27,032	31,061	36,710
Cash & Bank Balance	37,150	32,855	32,133	35,989
Other Current Assets	-	-	-	-
<b>Total Assets</b>	<b>1,69,210</b>	<b>1,87,888</b>	<b>2,10,996</b>	<b>2,41,455</b>
<b>Equity</b>				
Equity Share Capital	530	530	530	530
Other Equity	1,49,160	1,67,241	1,88,905	2,17,337
<b>Total Network</b>	<b>1,49,690</b>	<b>1,67,771</b>	<b>1,89,435</b>	<b>2,17,867</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	9,100	9,696	11,142	13,168
Other current liabilities	5,440	5,440	5,440	5,440
<b>Total Equity &amp; Liabilities</b>	<b>1,69,210</b>	<b>1,87,888</b>	<b>2,10,996</b>	<b>2,41,455</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY25	FY26E	FY27E	FY28E
PBT	25,680	30,777	36,263	44,788
Add. Depreciation	4,020	4,648	5,455	6,415
Add. Interest	(20)	(230)	(230)	(230)
Less Financial Other Income	3,520	4,410	3,700	4,200
Add. Other	(370)	1,210	-	-
Op. profit before WC changes	29,310	36,405	41,487	50,973
Net Changes-WC	(4,900)	(2,024)	(7,840)	(10,991)
Direct tax	(8,240)	(8,682)	(9,876)	(12,132)
<b>Net cash from Op. activities</b>	<b>16,170</b>	<b>25,699</b>	<b>23,771</b>	<b>27,850</b>
Capital expenditures	(14,380)	(25,000)	(20,000)	(20,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
<b>Net Cash from Inv. activities</b>	<b>(14,380)</b>	<b>(25,000)</b>	<b>(20,000)</b>	<b>(20,000)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(7,964)	(7,964)	(7,964)	(7,964)
Interest paid	-	-	-	-
Others	3,524	2,970	3,470	3,970
<b>Net cash from Fin. activities</b>	<b>(4,440)</b>	<b>(4,994)</b>	<b>(4,494)</b>	<b>(3,994)</b>
<b>Net change in cash</b>	<b>(2,650)</b>	<b>(4,295)</b>	<b>(722)</b>	<b>3,856</b>
Free Cash Flow	1,790	699	3,771	7,850

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q4FY25	Q1FY26	Q2FY26	Q3FY26
<b>Net Revenue</b>	<b>25,850</b>	<b>24,100</b>	<b>27,150</b>	<b>26,040</b>
YoY gr. (%)	12.2	13.8	16.1	12.3
Raw Material Expenses	9,810	9,560	10,730	9,450
Gross Profit	16,040	14,540	16,420	16,590
Margin (%)	62.1	60.3	60.5	63.7
<b>EBITDA</b>	<b>8,860</b>	<b>7,290</b>	<b>8,880</b>	<b>8,900</b>
YoY gr. (%)	20.9	17.0	24.0	19.8
Margin (%)	34.3	30.2	32.7	34.2
Depreciation / Depletion	1,070	1,120	1,130	1,180
<b>EBIT</b>	<b>7,790</b>	<b>6,170</b>	<b>7,750</b>	<b>7,720</b>
Margin (%)	30.1	25.6	28.5	29.6
Net Interest	10	30	80	60
Other Income	860	1,190	1,450	880
<b>Profit before Tax</b>	<b>8,640</b>	<b>7,330</b>	<b>9,120</b>	<b>8,540</b>
Margin (%)	33.4	30.4	33.6	32.8
Total Tax	2,020	1,880	2,230	1,970
Effective tax rate (%)	23.4	25.6	24.5	23.1
<b>Profit after Tax</b>	<b>6,620</b>	<b>5,450</b>	<b>6,890</b>	<b>6,570</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>6,620</b>	<b>5,450</b>	<b>6,890</b>	<b>5,830</b>
YoY gr. (%)	23.0	26.7	35.1	(1.0)
Margin (%)	25.6	22.6	25.4	22.4
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>6,620</b>	<b>5,450</b>	<b>6,890</b>	<b>5,830</b>
YoY gr. (%)	23.0	26.7	35.1	(1.0)
Margin (%)	25.6	22.6	25.4	22.4
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>6,620</b>	<b>5,450</b>	<b>6,890</b>	<b>5,830</b>
Avg. Shares O/s (m)	265	265	265	265
<b>EPS (Rs)</b>	<b>24.9</b>	<b>20.5</b>	<b>26.0</b>	<b>22.0</b>

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY25	FY26E	FY27E	FY28E
<b>Per Share(Rs)</b>				
EPS	82.7	98.3	111.8	137.3
CEPS	97.8	115.8	132.4	161.5
BVPS	564.9	633.1	714.8	822.1
FCF	6.8	2.6	14.2	29.6
DPS	30.1	30.1	30.1	30.1
<b>Return Ratio(%)</b>				
RoCE	18.0	19.2	20.2	21.9
ROIC	19.4	19.7	20.1	21.7
RoE	15.4	16.4	16.6	17.9
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.2)	(0.2)	(0.2)	(0.2)
Net Working Capital (Days)	197	181	181	181
<b>Valuation(x)</b>				
PER	77.2	65.0	57.1	46.5
P/B	11.3	10.1	8.9	7.8
P/CEPS	65.3	55.1	48.2	39.5
EV/EBITDA	55.8	47.2	40.0	32.5
EV/Sales	17.7	15.7	13.7	11.5
Dividend Yield (%)	0.5	0.5	0.5	0.5

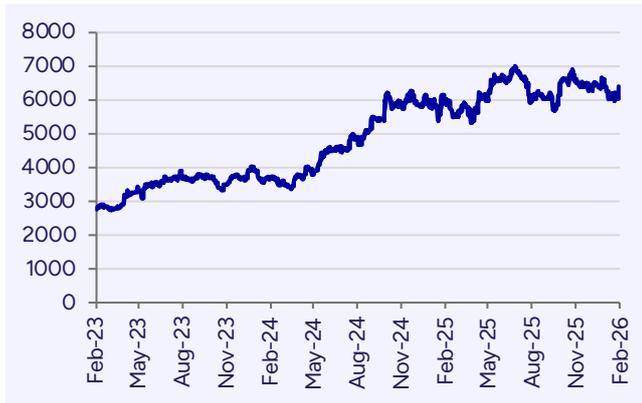
Source: Company Data, PL Research

**Key Operating Metrics**

Y/e Mar	FY25	FY26E	FY27E	FY28E
Generic API	37,950	38,330	44,079	50,691
Custom Synthesis	48,200	57,840	65,938	79,125
Cartenoids	7,810	9,606	11,528	13,833

Source: Company Data, PL Research

**Price Chart**



**Recommendation History**

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-26	Accumulate	7,050	6,643
2	10-Nov-25	Accumulate	7,050	6,657
3	08-Oct-25	Accumulate	6,550	6,105
4	07-Aug-25	Accumulate	6,550	6,134
5	08-Jul-25	Accumulate	6,800	6,889
6	19-May-25	Accumulate	6,800	6,280
7	08-Apr-25	Accumulate	6,250	5,309

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ajanta Pharma	BUY	3,200	2,768
2	Apollo Hospitals Enterprise	BUY	8,600	7,087
3	Aster DM Healthcare	BUY	715	558
4	Aurobindo Pharma	BUY	1,300	1,124
5	Brigade Enterprises	BUY	1,045	843
6	Cipla	Accumulate	1,440	1,315
7	Divi's Laboratories	Accumulate	7,050	6,643
8	Dr. Reddy's Laboratories	Reduce	1,300	1,157
9	Eris Lifesciences	BUY	1,900	1,553
10	Fortis Healthcare	BUY	1,120	915
11	Global Health	BUY	1,375	1,108
12	HealthCare Global Enterprises	BUY	850	586
13	Indoco Remedies	Hold	325	225
14	Ipca Laboratories	BUY	1,600	1,514
15	J.B. Chemicals & Pharmaceuticals	BUY	2,300	1,927
16	Jupiter Life Line Hospitals	BUY	1,600	1,251
17	Krishna Institute of Medical Sciences	BUY	810	647
18	Lupin	BUY	2,400	2,214
19	Max Healthcare Institute	BUY	1,300	1,040
20	Narayana Hrudayalaya	BUY	2,100	1,901
21	Oberoi Realty	Accumulate	1,820	1,647
22	Prestige Estates Projects	BUY	1,880	1,500
23	Rainbow Children's Medicare	BUY	1,550	1,179
24	Sun Pharmaceutical Industries	BUY	1,900	1,595
25	Sunteck Realty	BUY	550	374
26	Torrent Pharmaceuticals	Accumulate	4,200	4,092
27	Zydus Lifesciences	Accumulate	1,020	928

**PL's Recommendation Nomenclature (Absolute Performance)**

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

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