

# Divi's Laboratories (DIVI IN)

**Q4FY26 Result Update**

May 25, 2026

 Estimate Change |  Target |  Reco.

## Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	Accumulate		Accumulate	
Target Price	6,900		6,850	
Sales (INR mn)	121,913	142,771	121,544	143,649
% Chng.	0.3	(0.6)		
EBITDA (INR mn)	40,783	49,699	41,487	50,973
% Chng.	(1.7)	(2.5)		
EPS (INR)	109.3	132.9	111.8	137.3
% Chng.	(2.2)	(3.2)		

## Key Data

DIVI.BO | DIVI IN

BSE Code	532488
NSE Code	DIVISLAB
52-W High / Low	INR 7,077 / INR 5,636
Face Value	2
Sensex / Nifty	75,415 / 23,719
Market Cap	INR 1,828 bn / \$ 19,106 mn
Shares Outstanding	265.47 mn
3M Avg. Daily Value	INR 2,057.24 mn

## Shareholding Pattern (%)

Promoters	51.88
FIs	20.29
Mutual Funds	13.42
Domestic Institutions	5.80
Public & Others	8.61
Promoter's Pledge (INR bn)	-

## Stock Performance (%)

	1M	3M	6M	12M
Absolute	9.6	9.5	8.1	5.3
Relative	14.1	20.2	22.1	13.1

## Key Financials - Consolidated

Y/e Mar	FY25	FY26	FY27E	FY28E
Sales (INR mn)	93,600	105,600	121,913	142,771
EBITDA (INR mn)	29,680	34,410	40,783	49,699
Margin (%)	31.7	32.6	33.5	34.8
PAT (INR mn)	21,910	27,160	28,985	35,222
EV (INR mn)	1,787,905	1,790,915	1,788,035	1,784,942
Total Debt (INR mn)	-	-	-	-
C&C Eq. (INR mn)	37,150	34,140	37,020	40,113
EPS (INR)	82.7	102.5	109.4	132.9
Gr. (%)	36.9	24.0	6.7	21.5
DPS (INR)	30.1	30.1	30.1	30.1
Yield (%)	0.4	0.4	0.4	0.4
RoE (%)	15.4	17.1	16.3	17.4
RoCE (%)	18.0	18.8	20.0	21.5
EV/Sales (x)	19.1	17.0	14.7	12.5
EV/EBITDA (x)	60.2	52.0	43.8	35.9
PE (x)	83.3	67.2	63.0	51.8
P/BV (x)	12.2	10.9	9.7	8.5

## EBITDA miss; Peptide opportunities key for growth

### Quick Pointers

- Reiterated double digit revenue growth in FY27E
- Capitalised INR 6bn in Kakinada expansion so far

Divi's Laboratories (DIVI) Q4FY26 EBITDA missed our estimates due to lower gross margin. Revenues were largely aided by CS segment and currency tailwind. Mgmt indicated inventory levels may increase further in Q1FY27E to ensure uninterrupted operations. We expect stable margins in FY27 and expect revenue to accelerate from FY28 as commencement of some CDMO and contrast media contracts along with peptide revenue scale up. Our FY27E/FY28E EPS estimates stand cut by 2-4%. We expect 19% EBITDA and PAT CAGR over FY26-28E. At CMP, stock is trading at 52x FY28E EPS. We Maintain our 'Accumulate' rating with revised TP of INR 6,900/share.

- **In line revenues aided by CS segment:** DIVI's Q4FY26 revenues came in at INR 28.3bn (up 10% YoY); in line with our estimates. Generic revenues came at INR 10.6bn; flat YoY while Custom synthesis (CS) grew by 16% YoY at INR 15.3bn. In Q4FY26 overall exports stood at 89% and exports to EU and US stood at 74% of revenue. Product mix for generics and CS in Q4FY26 were at 46% and 54% of revenue. Nutraceutical business for Q4 was INR 2.4bn, up 17% YoY.
- **EBITDA below est; Weak GMs:** GM lower at 60.4%; down 158 bps YoY and 342bps QoQ below our estimates. Employee expenses grew by 9% YoY whereas other expenses were up 8% YoY. EBITDA stood at INR 9.3bn up 5% YoY vs our estimate of INR 10bn. OPM stood at 33%, down 128bps YoY and 119bps QoQ. There was a forex gain of INR 900mn. Tax rate was at 22%. Adj for forex PAT came in at INR 6.8bn; up 4% YoY; vs our estimate of INR 7.1bn.

### Quarter Summary

Y/e Mar	Q4'26E	Q4'26A	% Var.	Q4'25A	YoY gr. (%)
Net Sales (INR mn)	28,486	28,310	-1.0	25,850	10.0
EBITDA (INR mn)	10,125	9,340	-8.0	8,860	5.0
Margin (%)	35.5	33.0	-250 bps	34.3	-130 bps
PAT (INR mn)	7,135	7,510	5.0	6,620	13.0

Source: Company, PL

## Key concall takeaways:

### Generic business:

- The business reported steady volume growth in Q4FY26/FY26 despite ongoing pricing pressure.
- Demand remained stable across regions with no major volume or supply disruption.
- Growth was driven by existing portfolio; new off-patent opportunities yet to meaningfully contribute.
- New generic opportunities expected to contribute from FY27E with customer launches commencing.
- Business continues to benefit from strong customer stickiness and long-term supply contracts.
- Price variability clauses in most contracts help offset raw material inflation impact.
- Spot business continued in South America, Eastern Europe and Asia at negotiated pricing.

### Custom synthesis:

- Iodine-based contrast media business has already been commercialized with leading innovator companies under long-term contracts.
- Gadolinium-based contrast media projects are currently in Phase III/customer qualification stages.
- Commercial revenues from gadolinium projects are yet to start and depend on customer approvals.
- Overall pipeline spans early R&D, Phase II/III, validations, qualifications and lifecycle management.
- 3 dedicated CS projects are progressing through qualification and regulatory filing stages.
- Commercialization timelines depend on customer regulatory approvals and may vary from 6 months to 3 years.
- Management expects commercialization of certain dedicated projects around CY27, subject to approvals.

### Peptides:

- Company continues expanding peptide capabilities across solid-phase and liquid-phase synthesis technologies.
- Multiple peptide fragments were validated in Q4FY26 with additional fragments under pipeline.
- Strong SPS infrastructure with multiple 3,000-liter reactors provides global-scale capability advantage.

### Kakinada unit:

- Unit 3 is aiding backward integration and transfer of select activities from Units 1 & 2.
- Product transfers to Kakinada are freeing GMP capacities at older facilities for future growth.
- Transfers are aligned with customer qualification cycles and rising volume requirements.
- Kakinada expansion plan remains ~INR 15bn, with ~INR 6bn crore already capitalized.

**Other highlights:**

- Company faced sourcing challenges in solvents, methanol and ammonia-linked raw materials.
- Management highlighted no production stoppages or logistics-led revenue loss in Q4FY26.
- Inventory levels may increase further in Q1FY27E to ensure uninterrupted operations.
- Freight inflation impacted both ocean and air transportation during the quarter.
- Cash and cash equivalents stood at INR 34bn

**Exhibit 1 : Q4FY26 Result overview: EBITDA miss, Sustained revenue growth**

(INR mn)	4QFY26	4QFY25	YoY gr. (%)	4QFY26E	%Var	3QFY26	QoQ gr. (%)	FY26	FY25	YoY gr. (%)
Net Sales	28,310	25,850	9.5	28,486	(0.6)	26,040	8.7	1,05,600	93,600	12.8
Raw Material	11,190	9,810	14.1	10,349	8.1	9,450	18.4	40,930	37,250	9.9
% of Net Sales	39.5	37.9		36.3		36.3		38.8	39.8	
Personnel Cost	3,810	3,500	8.9	3,933	(3.1)	3,670	3.8	14,420	12,430	16.0
% of Net Sales	13.5	13.5		13.8		14.1		13.7	13.3	
Others	3,970	3,680	7.9	4,079	(2.7)	4,020	(1.2)	15,840	14,240	11.2
% of Net Sales	14.0	14.2		14.3		15.4		15.0	15.2	
Total Expenditure	18,970	16,990	11.7	18,361	3.3	17,140	10.7	71,190	63,920	11.4
EBITDA	9,340	8,860	5.4	10,125	(7.8)	8,900	4.9	34,410	29,680	15.9
Margin (%)	33.0	34.3		35.5		34.2		32.6	31.7	
Depreciation	1,200	1,070	12.1	1,218	(1.5)	1,180	1.7	4,630	4,020	15.2
EBIT	8,140	7,790	4.5	8,907	(8.6)	7,720	5.4	29,780	25,660	16.1
Other Income	1,550	860	80.2	890	74.2	880	76.1	2,960	3,040	(2.6)
Forex gain / (loss)	900	100		-		190		2,110	480	
Interest	60	10	500.0	60	-	60	-	230	20	1,050.0
PBT	9,630	8,640	11.5	9,737	(1.1)	8,540	12.8	34,620	29,160	18.7
Extra-Ord. Inc./Exps.	-	-		-		740		740	-	
Total Taxes	2,120	2,020	5.0	2,602	(18.5)	1,970	7.6	8,200	7,250	13.1
ETR (%)	22.0	23.4		26.7		23.1		23.7	24.9	
Reported PAT	7,510	6,620	13.4	7,135	5.3	5,830	28.8	25,680	21,910	17.2

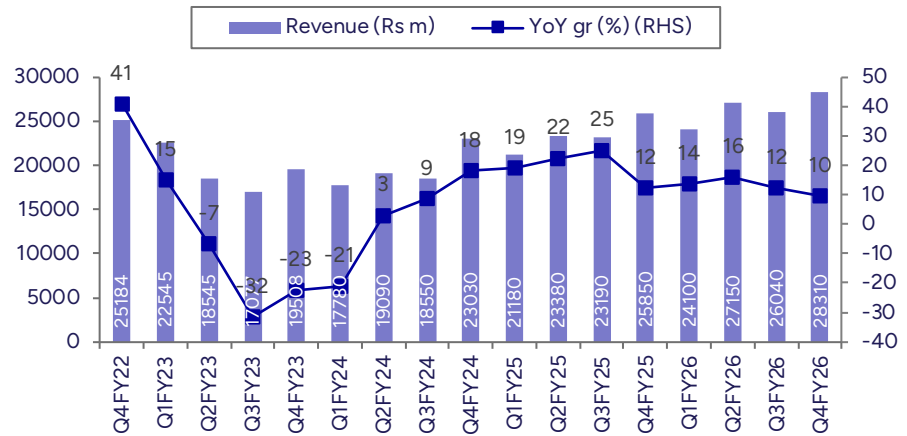
Source: Company, PL

**Exhibit 2 : Segmental mix: Contribution from generics remained higher**

Y/e March (INR mn)	4QFY26	4QFY25	YoY gr. (%)	3QFY26	QoQ gr. (%)	FY26	FY25	YoY gr. (%)
Generics	-	10,617	(100.0)	9,057	(100.0)	27,410	37,590	(27.1)
% of Net Sales	#DIV/0!	41.1		34.8		35.5	40.2	
CCS	0	13184	(100.0)	14843	(100.0)	42,820	48,200	(11.2)
% of Net Sales	#DIV/0!	51.0		57.0		55.4	51.5	
Cartenoids	0	2050	(100.0)	2140	(100.0)	7,060	7,810	(9.6)
% of Net Sales	#DIV/0!	7.9		8.2		9.1	8.3	
Total Sales	-	25,850	(100.0)	26,040	(100.0)	77,290	93,600	(17.4)

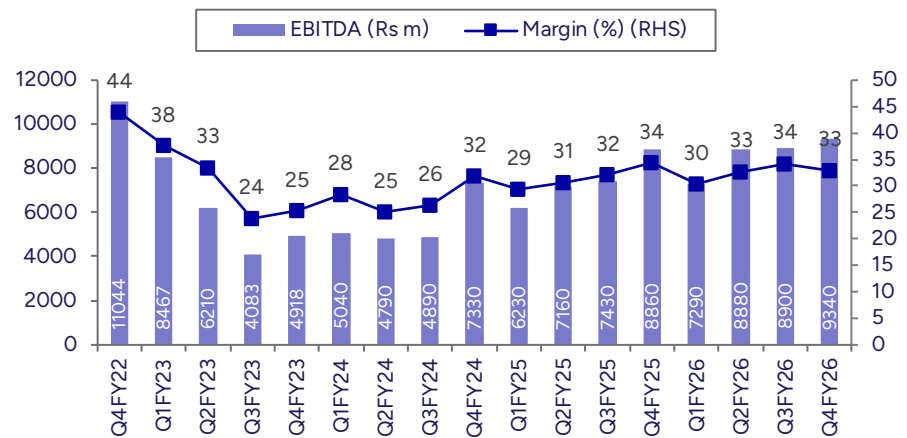
Source: Company, PL

Exhibit 3 : CS segment continues to drive momentum



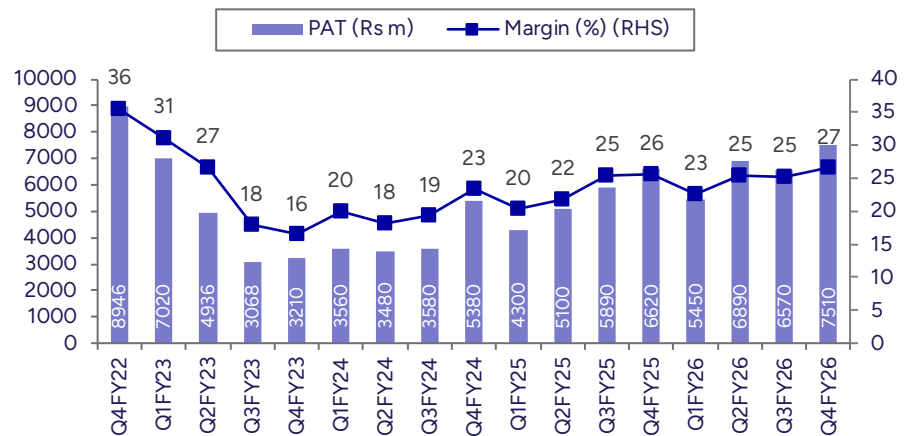
Source: Company, PL

Exhibit 4 : Margins declined due to generic pricing pressure



Source: Company, PL

Exhibit 5 : Adj for forex PAT growth at 4% YoY



Source: Company, PL

## Financials

### Income Statement (INR mn)

Y/e Mar	FY25	FY26	FY27E	FY28E
<b>Net Revenues</b>	93,600	105,600	121,913	142,771
YoY gr. (%)	19.3	12.8	15.4	17.1
Cost of Goods Sold	37,250	40,930	47,253	54,967
Gross Profit	56,350	64,670	74,660	87,804
Margin (%)	60.2	61.2	61.2	62.0
Employee Cost	12,430	14,420	16,295	18,413
Other Expenses	14,240	15,840	17,582	19,692
<b>EBITDA</b>	<b>29,680</b>	<b>34,410</b>	<b>40,783</b>	<b>49,699</b>
YoY gr. (%)	34.6	15.9	18.5	21.9
Margin (%)	31.7	32.6	33.5	34.8
Depreciation and Amortization	4,020	4,630	5,206	6,206
<b>EBIT</b>	<b>25,660</b>	<b>29,780</b>	<b>35,577</b>	<b>43,493</b>
Margin (%)	27.4	28.2	29.2	30.5
Net Interest	20	230	230	230
Other Income	3,520	5,070	3,300	3,700
<b>Profit Before Tax</b>	<b>29,160</b>	<b>34,620</b>	<b>38,647</b>	<b>46,963</b>
Margin (%)	31.2	32.8	31.7	32.9
Total Tax	7,250	8,200	9,662	11,741
Effective Tax Rate (%)	24.9	23.7	25.0	25.0
<b>Profit After Tax</b>	<b>21,910</b>	<b>26,420</b>	<b>28,985</b>	<b>35,222</b>
Minority Interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>21,910</b>	<b>27,160</b>	<b>28,985</b>	<b>35,222</b>
YoY gr. (%)	36.9	24.0	6.7	21.5
Margin (%)	23.4	25.7	23.8	24.7
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>21,910</b>	<b>27,160</b>	<b>28,985</b>	<b>35,222</b>
YoY gr. (%)	36.9	24.0	6.7	21.5
Margin (%)	23.4	25.7	23.8	24.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	21,910	27,160	28,985	35,222
<b>Equity Shares O/s (mn)</b>	<b>265</b>	<b>265</b>	<b>265</b>	<b>265</b>
<b>EPS (INR)</b>	<b>82.7</b>	<b>102.5</b>	<b>109.4</b>	<b>132.9</b>

Source: Company, PL

### Balance Sheet (INR mn)

Y/e Mar	FY25	FY26	FY27E	FY28E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>78,636</b>	<b>94,126</b>	<b>114,126</b>	<b>134,126</b>
Tangibles	78,310	93,736	113,653	133,570
Intangibles	326	391	474	557
<b>Acc: Dep / Amortization</b>	<b>24,216</b>	<b>28,846</b>	<b>34,053</b>	<b>40,259</b>
Tangibles	23,860	28,422	33,552	39,667
Intangibles	356	424	501	592
<b>Net Fixed Assets</b>	<b>54,420</b>	<b>65,280</b>	<b>80,074</b>	<b>93,867</b>
Tangibles	54,450	65,314	80,101	93,903
Intangibles	(30)	(34)	(27)	(36)
Capital Work In Progress	10,220	21,130	21,130	21,130
Goodwill	-	-	-	-
Non-Current Investments	650	690	690	690
Net Deferred Tax Assets	(4,980)	(4,550)	(4,550)	(4,550)
Other Non-Current Assets	-	-	-	-
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	32,360	39,540	40,638	47,590
Trade Receivables	27,310	29,840	31,156	36,486
Cash & Bank Balance	37,150	34,140	37,020	40,113
Other Current Assets	-	-	-	-
<b>Total Assets</b>	<b>169,210</b>	<b>200,190</b>	<b>220,277</b>	<b>249,447</b>
<b>Equity</b>				
Equity Share Capital	530	530	530	530
Other Equity	149,160	167,080	188,101	215,360
<b>Total Networth</b>	<b>149,690</b>	<b>167,610</b>	<b>188,631</b>	<b>215,890</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	12,110	11,175	13,087
Other Current Liabilities	5,440	15,920	15,920	15,920
<b>Total Equity &amp; Liabilities</b>	<b>169,210</b>	<b>200,190</b>	<b>220,277</b>	<b>249,447</b>

Source: Company, PL

**Cash Flow (INR mn)**

Y/e Mar	FY25	FY26	FY27E	FY28E
PBT	25,680	30,010	35,807	43,723
Add. Depreciation	4,020	4,630	5,206	6,206
Add. Interest	(20)	(230)	(230)	(230)
Less Financial Other Income	3,520	5,070	3,300	3,700
Add. Other	(370)	600	-	-
Op. Profit before WC Changes	29,310	35,010	40,783	49,699
Net Changes-WC	(4,900)	990	(3,348)	(10,371)
Direct Tax	(8,240)	(8,620)	(9,662)	(11,741)
<b>Net Cash from Op. Activities</b>	<b>16,170</b>	<b>27,380</b>	<b>27,774</b>	<b>27,587</b>
Capital Expenditures	(14,380)	(25,200)	(20,000)	(20,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
<b>Net Cash from Inv. Activities</b>	<b>(14,380)</b>	<b>(25,200)</b>	<b>(20,000)</b>	<b>(20,000)</b>
Issue of Share Cap. / Premium	-	-	-	-
Debt Changes	-	-	-	-
Dividend Paid	(7,964)	(7,970)	(7,964)	(7,964)
Interest Paid	-	-	-	-
Others	3,524	2,780	3,070	3,470
<b>Net Cash from Fin. Activities</b>	<b>(4,440)</b>	<b>(5,190)</b>	<b>(4,894)</b>	<b>(4,494)</b>
<b>Net Change in Cash</b>	<b>(2,650)</b>	<b>(3,010)</b>	<b>2,880</b>	<b>3,093</b>
Free Cash Flow	1,790	2,180	7,774	7,587

Source: Company, PL

**Quarterly Financials (INR mn)**

Y/e Mar	Q1FY26	Q2FY26	Q3FY26	Q4FY26
<b>Net Revenues</b>	<b>24,100</b>	<b>27,150</b>	<b>26,040</b>	<b>28,310</b>
YoY gr. (%)	13.8	16.1	12.3	9.5
Raw Material Expenses	9,560	10,730	9,450	11,190
Gross Profit	14,540	16,420	16,590	17,120
Margin (%)	60.3	60.5	63.7	60.5
<b>EBITDA</b>	<b>7,290</b>	<b>8,880</b>	<b>8,900</b>	<b>9,340</b>
YoY gr. (%)	17.0	24.0	19.8	5.4
Margin (%)	30.2	32.7	34.2	33.0
Depreciation / Depletion	1,120	1,130	1,180	1,200
<b>EBIT</b>	<b>6,170</b>	<b>7,750</b>	<b>7,720</b>	<b>8,140</b>
Margin (%)	25.6	28.5	29.6	28.8
Net Interest	30	80	60	60
Other Income	1,190	1,450	880	1,550
<b>Profit before Tax</b>	<b>7,330</b>	<b>9,120</b>	<b>8,540</b>	<b>9,630</b>
Margin (%)	30.4	33.6	32.8	34.0
Total Tax	1,880	2,230	1,970	2,120
Effective Tax Rate (%)	25.6	24.5	23.1	22.0
<b>Profit After Tax</b>	<b>5,450</b>	<b>6,890</b>	<b>6,570</b>	<b>7,510</b>
Minority Interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>5,450</b>	<b>6,890</b>	<b>5,830</b>	<b>7,510</b>
YoY gr. (%)	26.7	35.1	(1.0)	13.4
Margin (%)	22.6	25.4	22.4	26.5
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>5,450</b>	<b>6,890</b>	<b>5,830</b>	<b>7,510</b>
YoY gr. (%)	26.7	35.1	(1.0)	13.4
Margin (%)	22.6	25.4	22.4	26.5
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>5,450</b>	<b>6,890</b>	<b>5,830</b>	<b>7,510</b>
Avg. Shares O/s (mn)	265	265	265	265
<b>EPS (INR)</b>	<b>20.5</b>	<b>26.0</b>	<b>22.0</b>	<b>28.3</b>

Source: Company, PL

**Key Financial Metrics**

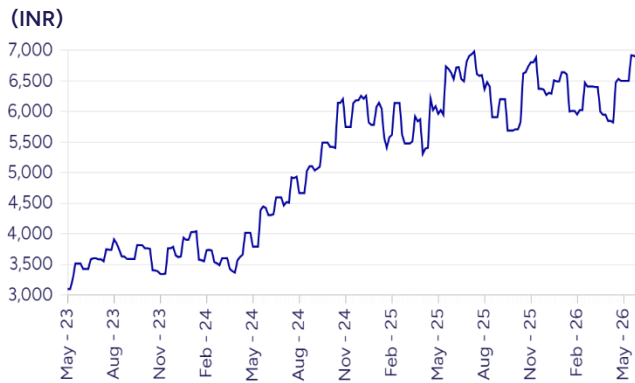
Y/e Mar	FY25	FY26	FY27E	FY28E
<b>Per Share (INR)</b>				
EPS	82.7	102.5	109.4	132.9
CEPS	97.8	120.0	129.0	156.3
BVPS	564.9	632.5	711.8	814.7
FCF	6.8	8.2	29.3	28.6
DPS	30.1	30.1	30.1	30.1
<b>Return Ratio (%)</b>				
RoCE	18.0	18.8	20.0	21.5
ROIC	19.4	17.9	19.4	20.8
RoE	15.4	17.1	16.3	17.4
<b>Balance Sheet</b>				
Net Debt : Equity (x)	-	-	-	-
Net Working Capital (Days)	197	198	181	181
<b>Valuation (x)</b>				
PER	83.2	67.1	62.9	51.8
P/B	12.1	10.8	9.6	8.4
P/CEPS	70.3	57.4	53.3	44.0
EV/EBITDA	60.2	52.0	43.8	35.9
EV/Sales	19.1	16.9	14.6	12.5
Dividend Yield (%)	0.4	0.4	0.4	0.4
FCFF Yield (%)	-	0.1	0.4	0.4
PEG Ratio	2.2	2.8	9.3	2.4

Source: Company, PL

**Key Operating Metrics**

Y/e Mar	FY25	FY26	FY27E	FY28E
Generic API	37,950	38,060	43,769	50,335
Custom Synthesis	48,200	58,080	66,792	78,814
Cartenoids	7,810	9,460	11,352	13,622

Source: Company, PL

**Price Chart**

**Recommendation History**

No.	Date	Rating	TP (INR)	Share Price (INR)
1	09-Apr-26	Accumulate	6850	5882
2	12-Feb-26	Accumulate	6850	6387
3	08-Jan-26	Accumulate	7050	6643
4	10-Nov-25	Accumulate	7050	6657
5	08-Oct-25	Accumulate	6550	6105
6	07-Aug-25	Accumulate	6550	6134
7	08-Jul-25	Accumulate	6800	6889
8	19-May-25	Accumulate	6800	6280
9	08-Apr-25	Accumulate	6250	5309
10	04-Feb-25	Accumulate	6250	5884

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (INR)	Share Price (INR)
1	Ajanta Pharma	BUY	3400	2898
2	Anthem Biosciences	BUY	850	781
3	Apollo Hospitals Enterprise	BUY	9350	8309
4	Aster DM Healthcare	Buy	800	701
5	Aurobindo Pharma	BUY	1300	1336
6	Brigade Enterprises	Buy	1045	758
7	Cipla	Accumulate	1400	1328
8	Divi's Laboratories	Accumulate	6850	5882
9	Dr. Reddy's Laboratories	Accumulate	1400	1270
10	Eris Lifesciences	BUY	1750	1458
11	Fortis Healthcare	BUY	1050	850
12	Global Health	BUY	1450	1243
13	HealthCare Global Enterprises	BUY	820	650
14	Indoco Remedies	Hold	325	225
15	Ipca Laboratories	Buy	1800	1445
16	J.B. Chemicals & Pharmaceuticals	Buy	2400	2135
17	Jupiter Life Line Hospitals	Buy	1600	1331
18	Krishna Institute of Medical Sciences	Buy	800	717
19	Lupin	Accumulate	2500	2380
20	Max Healthcare Institute	BUY	1300	955
21	Narayana Hrudayalaya	BUY	2150	1728
22	Oberoi Realty	Accumulate	1820	1635
23	Prestige Estates Projects	Buy	1875	1319
24	Rainbow Children's Medicare	BUY	1550	1254
25	Sun Pharmaceutical Industries	BUY	1900	1734
26	Sunteck Realty	Buy	520	356
27	Torrent Pharmaceuticals	BUY	4750	4029
28	Zydus Lifesciences	Accumulate	1080	1019

**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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