2 August 2026
1QFY27 Results Update | Sector: Healthcare

Divi's Laboratories

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	DIVI IN
Equity Shares (m)	265
M.Cap.(INRb)/(USDb)	2138.6 / 22.4
52-Week Range (INR)	8090 / 5637
1, 6, 12 Rel. Per (%)	20/37/24
12M Avg Val (INR M)	2569

Financials & Valuations (INR b)

Y/E MARCH	FY26	FY27E	FY28E
Sales	105.6	122.6	144.6
EBITDA	34.4	45.6	51.8
Adj. PAT	24.6	32.2	36.2
EBIT Margin (%)	28.2	32.5	31.5
Cons. Adj. EPS (INR)	92.8	121.4	136.4
EPS Gr. (%)	14.3	30.7	12.4
BV/Sh. (INR)	631.4	716.3	811.5
Ratios			
Net D:E	-0.2	-0.2	-0.1
RoE (%)	15.5	18.0	17.9
RoCE (%)	15.6	18.1	17.9
Payout (%)	29.7	30.1	30.2
Valuations			
P/E (x)	86.8	66.4	59.1
EV/EBITDA (x)	61.2	46.2	40.7
Div. Yield (%)	0.3	0.4	0.4
FCF Yield (%)	0.2	0.4	0.8
EV/Sales (x)	19.9	17.2	14.6

Shareholding pattern (%)

As On	Jun-26	Mar-26	Jun-25
Promoter	51.9	51.9	51.9
DII	19.4	19.2	19.1
FII	20.2	20.3	19.7
Others	8.5	8.6	9.3

FII includes depository receipts

CMP: INR8,056 TP: INR7,720 (-4%) Neutral

CDMO execution drives earnings beat

Capacity additions and peptide pipeline progress strengthen the long-term growth outlook

- Divi's Lab (DIVI) delivered higher-than-estimated financial performance for 1QFY27, with a 12%/40%/37% beat on revenue/EBITDA/PAT. Strong traction in the custom synthesis business led to an earnings surprise for the quarter.
- DIVI achieved the highest gross margin in the past 20 quarters. The segmental mix and currency tailwinds led to improved profitability during the quarter.
- Certain projects involving major capex are nearing completion, following which the company will undertake qualification and validation batch manufacturing.
- Moreover, peptide-related business remains a strategic growth driver for DIVI, with customer projects progressing as planned across solid-phase and liquid-phase production.
- The company also supplied iodine-based contrast media products during the quarter, with volumes expected to scale up in the coming quarters.
- We raise our earnings estimate by 11%/5% for FY27/FY28, factoring in: a) scale-up in CDMO contracts, b) progression of certain capital expenditure towards commercial manufacturing, c) considerable volatility in certain raw materials/solvents prices due to geopolitical turmoil, and d) improved off-take of Nutraceuticals. We value DIVI at 55x 12M forward earnings to arrive at a TP of INR7,720.
- DIVI is well-positioned to benefit from CDMO demand tailwinds, supported by continuous upgrade of its technology offerings and ongoing capacity additions. Further, the company's consistent efforts to ensure the seamless supply of goods despite geopolitical issues have strengthened its long-term relationships with large innovator customers.
- We build in a 21% earnings CAGR over FY26-28. Given the limited upside from current valuations, we reiterate our Neutral rating on the stock.

Strong earnings outperformance led by mix-driven margin expansion

- DIVI's revenue grew 27.8% YoY to INR30.8b (our est: INR27.6b) for 1QFY27.
- Gross margin expanded 770bp YoY to 68%.
- EBITDA margin expanded 1,050bp YoY to 40.7% (our est: 32.4%), majorly due to a superior product mix as well as operational leverage.
- EBITDA grew 72.2% YoY to INR12.6b (our est: INR8.9b) for 1QFY27.
- PAT grew 74.8% YoY to INR9.0b (our est: INR6.6b).

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Highlights from the management commentary

- The generics:CS ratio in 1QFY27 revenue was 40:60. This implies 45% YoY growth in CS revenue and 6% YoY growth in generics revenue in 1QFY27. Divi garnered INR3b revenue in the nutraceutical business (+19% YoY).
- 1QFY27 CS revenue was driven by supplying validation batches for certain projects.
- DIVI has initiated supplies to one customer for-iodine based products (Contrast media), while supply to another customer is expected to begin in a few months.
- Three major capex programs are nearing completion, with ~70% (~INR20b) of the planned investment incurred to date.
- DIVI indicated a considerable increase in freight costs (both sea and air). In addition, the availability of containers requires careful planning and coordination to avoid delays.
- Accordingly, DIVI is building a strategic inventory buffer to ensure material availability. It is also continuously engaging with customers to evaluate commercially appropriate steps to address the increased costs.
- Management reiterated its guidance of double-digit revenue growth for FY27 but stated that quarterly performance could remain lumpy depending on the timing of customer validations, regulatory approvals, and the custom synthesis/generics mix.
- Management indicated that the FY27 gross margin is expected to be comparable to or slightly higher than FY26, while EBITDA margin is likely to remain similar to last year. This is subject to raw material cost fluctuations, currency tailwinds, and the segment mix.
- The Kakinada facility is currently being used for backward integration and pre-chemistry work to support innovator and generic projects. Management plans to obtain regulatory approvals for the facility over time, following which it will manufacture regulated products. Regulatory approvals are expected to take 1-2 years after project validation.
- Qualification and validation activities for several peptide fragments are expected over the coming quarters, alongside capacity expansion in solid-phase and liquid-phase peptide synthesis.
- The company has filed four peptide DMFs.
- Capacity utilization across the three manufacturing units stood at ~85%.
- Exports constituted ~90% of standalone revenue, with Europe and North America contributing 75% of exports.
- Assets worth INR4.5b were capitalized during the quarter, while capital work-in-progress stood at INR20.3b as of Jun'26.
- Inventory increased ~INR5b QoQ to INR44b.

Quarterly Performance

Y/E March (INRm)	FY26 1Q	FY26 2Q	FY26 3Q	FY26 4Q	FY27E 1Q	FY27E 2QE	FY27E 3QE	FY27E 4QE	FY26	FY27E	FY27E 1QE	Var. (%)
Net Sales	**24,100**	**27,150**	**26,040**	**28,310**	**30,800**	**29,917**	**30,061**	**31,803**	**1,05,600**	**1,22,581**	**27,595**	**11.6**
YoY Change (%)	13.8	16.1	12.3	9.5	27.8	10.2	15.4	12.3	12.8	16.1	14.5	
Total Expenditure	16,810	18,270	17,140	18,970	18,250	19,207	19,179	20,322	71,190	76,958	18,655	
EBITDA	**7,290**	**8,880**	**8,900**	**9,340**	**12,550**	**10,710**	**10,882**	**11,481**	**34,410**	**45,623**	**8,941**	**40.4**
YoY Change (%)	17.2	24.0	19.8	5.4	72.2	20.6	22.3	22.9	16.0	32.6	22.6	
Margins (%)	30.2	32.7	34.2	33.0	40.7	35.8	36.2	36.1	32.6	37.2	32.4	
Depreciation	1,120	1,130	1,180	1,200	1,330	1,433	1,439	1,523	4,630	5,725	1,106	
YoY Change (%)	17.5	25.6	19.9	4.5	81.8	19.7	22.3	22.3	16.1	34.0	27.0	
Interest	30	80	60	60	60	40	35	45	230	180	45	
Other Income	800	820	690	650	640	627	648	697	2,960	2,611	697	
PBT before EO Income	**6,940**	**8,490**	**8,350**	**8,730**	**11,800**	**9,865**	**10,055**	**10,609**	**32,510**	**42,330**	**8,486**	
EO and Forex Gain/(Loss)	390	630	-550	900	0	0	0	0	1,370	0	0	
PBT	**7,330**	**9,120**	**7,800**	**9,630**	**11,800**	**9,865**	**10,055**	**10,609**	**33,880**	**42,330**	**8,486**	
Rate (%)	25.6	24.5	25.3	22.0	23.6	23.6	23.6	23.6	24.2	23.9	22.5	
PAT	**5,450**	**6,890**	**5,830**	**7,510**	**9,020**	**7,537**	**7,682**	**8,106**	**25,680**	**32,215**	**6,577**	
Adj. PAT	**5,160**	**6,414**	**6,241**	**6,808**	**9,020**	**7,537**	**7,682**	**8,106**	**24,623**	**32,345**	**6,577**	**37.1**
YoY Change (%)	20.2	30.8	7.4	4.0	74.8	17.5	23.1	19.1	14.3	31.4	27.5	
Margins (%)	22.6	25.4	22.4	26.5	29.3	25.2	25.6	25.5	24.3	26.3	23.8	
Adj. EPS	**19.4**	**24.2**	**23.5**	**25.6**	**34.0**	**28.4**	**28.9**	**30.5**	**92.8**	**121.8**	**24.8**	

Quarterly Performance

Y/E March	FY26 1Q	FY26 2Q	FY26 3Q	FY26 4Q	FY27E 1Q	FY27E 2QE	FY27E 3QE	FY27E 4QE	FY26	FY27E
Cost Break-up										
RM Cost (% of Sales)	39.7	39.5	36.3	39.5	32.0	36.0	35.5	35.7	38.8	34.8
Staff Cost (% of Sales)	14.1	13.0	14.1	13.5	13.2	13.2	13.4	13.4	13.7	13.3
Other Expenses(% of Sales)	16.0	14.7	15.4	14.0	14.0	15.0	14.9	14.8	15.0	14.7
Tax rate (%)	25.6	24.5	25.3	22.0	23.6	23.6	23.6	23.6	24.2	25.0
Gross Margins(%)	60.3	60.5	63.7	60.5	68.0	64.0	64.5	64.3	61.2	65.2
EBITDA Margins(%)	30.2	32.7	34.2	33.0	40.7	35.8	36.2	36.1	32.6	37.2
EBIT Margins(%)	25.6	28.5	29.6	28.8	36.4	31.0	31.4	31.3	28.2	32.5

Capacity expansion and project pipeline to drive next growth phase

CS: Diversified commercialization pipeline to sustain the growth phase

- Custom synthesis remained the largest business segment in 1QFY27, contributing 60% of total revenue, and grew 45% YoY to INR18.5b, driven by broad-based execution across innovator programs spanning clinical development, validation and commercial supply preparations.
- The custom synthesis pipeline remains healthy, with multiple projects advancing across the clinical, validation, and commercialization stages, while the company continues to focus on timely execution and strengthening infrastructure to support future commercial requirements. The three major capex programs are nearing completion and advancing to the qualification and validation stages.
- Peptides remain a key strategic focus, with several peptide fragments progressing through qualification and validation, alongside capacity expansion in solid-phase peptide synthesis (SPPS) and liquid-phase peptide synthesis (LPPS).
- The company continues to strengthen its process development, analytical, and manufacturing capabilities, while expanding advanced technologies such as continuous-flow chemistry, biocatalysis, and process intensification to support increasingly complex customer requirements.
- Unit III is playing an increasingly important role through backward integration and pre-chemistry operations, improving network flexibility, supply assurance, and capacity utilization across existing facilities while progressing toward future regulatory qualification.
- We expect custom synthesis to remain the key growth driver with a CAGR of 20% over FY26-28, supported by commercialization of dedicated capex projects, continued expansion in peptide CDMO, increasing contribution from late-stage innovator programs, and sustained investments in manufacturing capabilities.

Generics: Resilient base with multiple growth levers

- Generics contributed 40% of 1QFY27 revenue and grew 8.8% YoY to INR12.3b, with stable volumes despite continued pricing pressure across products and geographies.
- Backward integration into key starting materials and intermediates continues to enhance supply assurance, improve manufacturing efficiency, and support margins amid volatile raw material markets.
- Nutraceuticals continued to perform well, with revenue increasing to INR3.0b (vs INR2.5b in 1QFY26), reflecting sustained demand across global markets.
- The nutraceutical portfolio has expanded from just two products 20 years ago to over 100 offerings across human health, animal health, and dietary supplements, with the company continuing to invest in capabilities and capacity to support future growth.
- Contrast media is emerging as an incremental growth opportunity, with the commercialization of iodine-based products already underway with one customer and supplies to another customer expected to commence over the coming months. Gadolinium programs continue to progress through clinical qualification stages.
- We expect the generics business to deliver a CAGR of 13% over FY26-28, supported by commercialization of new API opportunities, continued expansion

in nutraceuticals, ramp-up of contrast media products, and benefits from deeper backward integration and manufacturing efficiencies.

Reiterate Neutral

- We raise our earnings estimate by 11%/5% for FY27/FY28, factoring in: a) a scale-up in CDMO contracts, b) progression of certain capital expenditure towards commercial manufacturing, c) considerable volatility in certain raw materials/solvents prices due to geopolitical turmoil, and d) improved off-take of Nutraceuticals. We value DIVI at 55x 12M forward earnings to arrive at a TP of INR7,720.
- DIVI is well-positioned to benefit from CDMO demand tailwinds on the back of continuous upgrade of technology offerings as well as capacity additions. Further, consistent efforts toward seamless supply of goods despite geopolitical issues strengthen long-term relationships with large innovator customers.
- We build in a 21% earnings CAGR over FY26-28. Considering the valuation provides limited upside from current levels, we reiterate our Neutral rating on the stock.

Story in charts

Exhibit 1: Revenue grew 27.8% YoY in 1QFY27

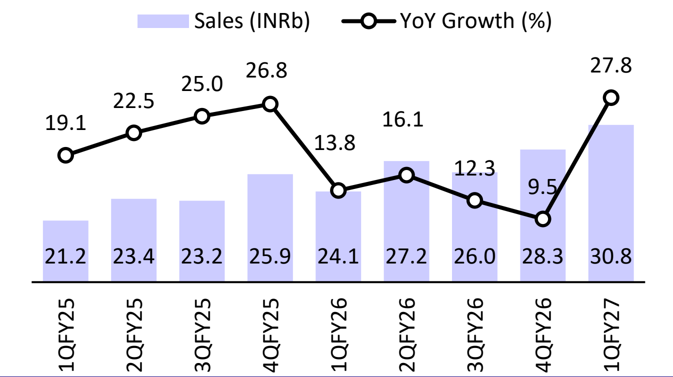


Exhibit 2: The CS segment contributed 60% to revenue

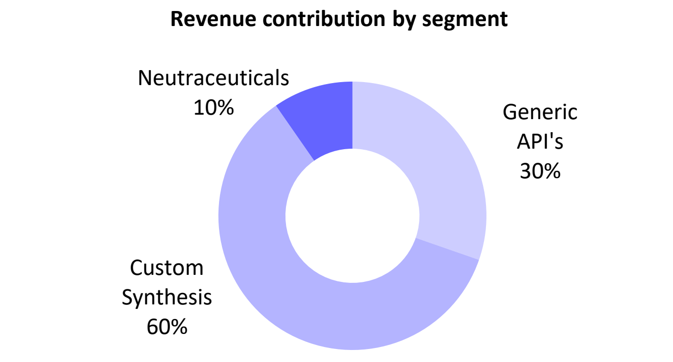


Exhibit 3: Gross margin expanded 770bp YoY in 1QFY27

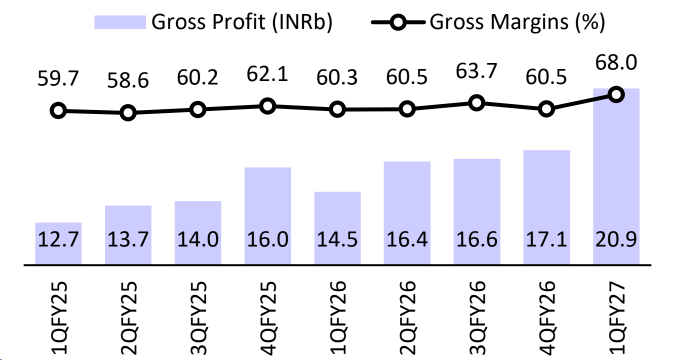


Exhibit 4: EBITDA margin expanded 1,050bp YoY

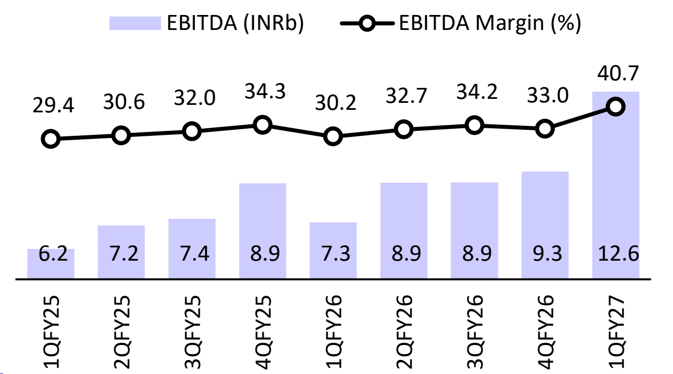


Exhibit 5: Expect ~17% revenue CAGR over FY25-28

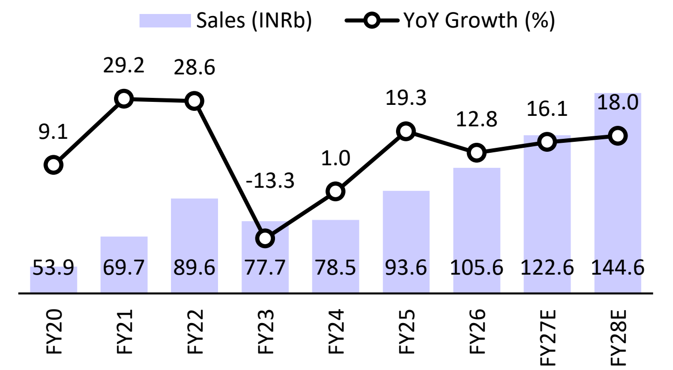


Exhibit 6: Expect margin to expand 320bp over FY26-28

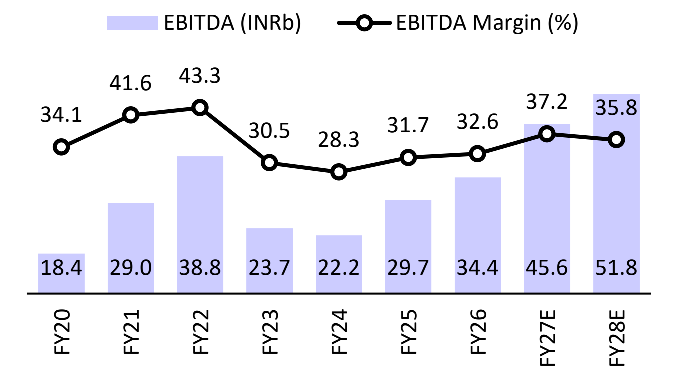
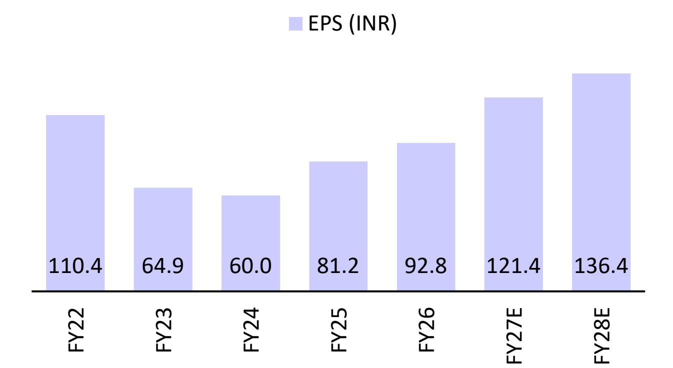
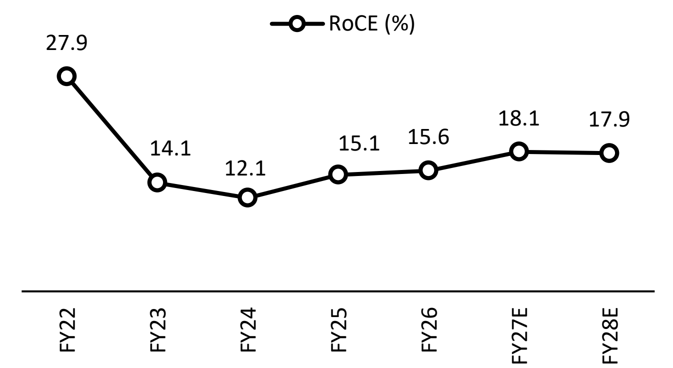


Exhibit 7: Expect ~21% earnings CAGR over FY26-28



Source: Company, MOFSL

Exhibit 8: RoCE to reach ~17.9% by FY28



Source: Company, MOFSL

Financials and valuations

Income Statement							(INR m)
Y/E March	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Total Income from Operations	**89,598**	**77,675**	**78,450**	**93,600**	**1,05,600**	**1,22,581**	**1,44,634**
Change (%)	28.6	-13.3	1.0	19.3	12.8	16.1	18.0
Total Expenditure	**50,779**	**53,997**	**56,220**	**63,930**	**71,190**	**76,958**	**92,794**
% of Sales	56.7	69.5	71.7	68.3	67.4	62.8	64.2
EBITDA	**38,819**	**23,678**	**22,230**	**29,670**	**34,410**	**45,623**	**51,839**
Margin (%)	43.3	30.5	28.3	31.7	32.6	37.2	35.8
Depreciation	3,115	3,432	3,780	4,020	4,630	5,725	6,241
EBIT	**35,704**	**20,246**	**18,450**	**25,650**	**29,780**	**39,898**	**45,598**
Int. and Finance Charges	8	7	30	10	230	180	164
Other Income	733	2,150	3,100	3,030	2,960	2,611	2,200
PBT bef. EO Exp.	**36,429**	**22,390**	**21,520**	**28,670**	**32,510**	**42,330**	**47,635**
EO Items	406	1,297	140	500	1,370	0	0
PBT after EO Exp.	**36,835**	**23,687**	**21,660**	**29,170**	**33,880**	**42,330**	**47,635**
Total Tax	7,231	5,453	5,630	7,250	8,200	10,115	11,432
Tax Rate (%)	19.6	23.0	26.0	24.9	24.2	23.9	24.0
Minority Interest	0	0	0	0	0	0	0
Reported PAT	**29,605**	**18,234**	**16,027**	**21,920**	**25,680**	**32,215**	**36,202**
Adjusted PAT	**29,303**	**17,222**	**15,926**	**21,552**	**24,642**	**32,215**	**36,202**
Change (%)	46.1	-41.2	-7.5	35.3	14.3	30.7	12.4
Margin (%)	32.4	21.6	20.3	23.0	23.3	26.3	25.0

Balance Sheet							(INR m)
Y/E March	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Equity Share Capital	531	531	531	531	530	530	530
Total Reserves	1,16,751	1,27,140	1,35,180	1,49,160	1,67,080	1,89,608	2,14,880
Net Worth	**1,17,282**	**1,27,671**	**1,35,711**	**1,49,691**	**1,67,610**	**1,90,138**	**2,15,410**
Deferred Tax Liabilities	4,069	5,230	5,720	5,090	4,690	4,690	4,690
Capital Employed	**1,21,351**	**1,32,901**	**1,41,431**	**1,54,781**	**1,72,300**	**1,94,828**	**2,20,100**
Gross Block	56,246	63,653	67,597	78,647	94,137	1,21,041	1,43,422
Less: Accum. Deprn.	12,995	16,427	20,207	24,227	28,857	34,582	40,823
Net Fixed Assets	**43,251**	**47,226**	**47,390**	**54,420**	**65,280**	**86,459**	**1,02,599**
Capital WIP	4,699	2,119	7,780	10,220	21,130	14,226	13,845
Total Investments	720	771	820	650	690	690	690
Curr. Assets, Loans&Adv.	**84,933**	**94,130**	**99,011**	**1,04,030**	**1,13,230**	**1,25,005**	**1,40,533**
Inventory	28,286	30,004	31,840	32,360	39,540	46,385	53,389
Account Receivables	24,239	17,925	21,560	27,310	29,840	36,606	43,192
Cash and Bank Balance	28,189	42,131	39,800	37,150	34,140	30,742	30,653
Loans and Advances	4,219	4,070	5,811	7,210	9,710	11,271	13,299
Curr. Liability & Prov.	**12,251**	**11,345**	**13,570**	**14,539**	**28,030**	**31,552**	**37,567**
Account Payables	7,957	7,625	8,640	9,100	12,110	13,072	15,762
Other Current Liabilities	3,986	3,364	4,490	4,899	14,510	16,843	19,873
Provisions	309	355	440	540	1,410	1,637	1,931
Net Current Assets	**72,681**	**82,785**	**85,441**	**89,491**	**85,200**	**93,453**	**1,02,966**
Appl. of Funds	**1,21,351**	**1,32,901**	**1,41,431**	**1,54,781**	**1,72,300**	**1,94,828**	**2,20,100**

Financials and valuations

Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)							
EPS	**110.4**	**64.9**	**60.0**	**81.2**	**92.8**	**121.4**	**136.4**
Cash EPS	122.1	77.8	74.2	96.3	110.3	142.9	159.9
BV/Share	441.8	481.0	511.2	563.9	631.4	716.3	811.5
DPS	29.9	17.0	15.5	21.2	23.9	30.3	34.1
Payout (%)	32.3	29.8	31.0	31.0	29.7	30.1	30.2
Valuation (x)							
P/E	73.0	124.2	134.3	99.2	86.8	66.4	59.1
Cash P/E	66.0	103.6	108.5	83.6	73.1	56.4	50.4
P/BV	18.2	16.8	15.8	14.3	12.8	11.2	9.9
EV/Sales	23.6	27.0	26.8	22.5	19.9	17.2	14.6
EV/EBITDA	54.4	88.5	94.4	70.8	61.2	46.2	40.7
Dividend Yield (%)	0.4	0.2	0.2	0.3	0.3	0.4	0.4
FCF per share	45.2	69.8	8.1	10.3	9.3	14.5	33.2
Return Ratios (%)							
RoE	27.9	14.1	12.1	15.1	15.5	18.0	17.9
RoCE	27.9	14.1	12.1	15.1	15.6	18.1	17.9
RoIC	36.9	17.7	15.1	19.3	20.2	22.9	21.4
Working Capital Ratios							
Asset Turnover (x)	1.6	1.2	1.2	1.2	1.1	0.6	0.7
Inventory (Days)	115	141	148	126	137	138	135
Debtor (Days)	99	84	100	106	103	109	109
Creditor (Days)	32	36	40	35	42	39	40
Leverage Ratio (x)							
Net Debt/Equity	-0.25	-0.34	-0.3	-0.3	-0.2	-0.2	-0.1

Cash Flow Statement (INR m)

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
OP/(Loss) before Tax	36,835	23,687	21,660	29,170	33,880	42,330	47,635
Depreciation	3,115	3,432	3,780	4,020	4,630	5,725	6,241
Interest & Finance Charges	4	-2,144	-3,070	-3,020	-2,730	-2,431	-2,036
Direct Taxes Paid	-6,410	-5,453	-5,630	-7,250	-8,200	-10,115	-11,432
(Inc)/Dec in WC	-13,705	3,838	-4,987	-6,700	1,281	-11,651	-9,602
CF from Operations	**19,840**	**23,360**	**11,753**	**16,220**	**28,861**	**23,857**	**30,805**
Others	-722	0	0	0	0	0	0
CF from Operating incl EO	**19,118**	**23,360**	**11,753**	**16,220**	**28,861**	**23,857**	**30,805**
(Inc)/Dec in FA	-7,132	-4,827	-9,605	-13,490	-26,400	-20,000	-22,000
Free Cash Flow	**11,986**	**18,534**	**2,148**	**2,730**	**2,461**	**3,857**	**8,805**
(Pur)/Sale of Investments	-15,990	-50	-50	170	-40	0	0
Others	1,173	2,150	704	3,030	2,960	2,611	2,200
CF from Investments	**-21,949**	**-2,727**	**-8,951**	**-10,290**	**-23,480**	**-17,389**	**-19,800**
Issue of Shares	0	0	0	0	-1	0	0
Inc/(Dec) in Debt	-4	0	0	0	0	0	0
Interest Paid	-4	-7	-30	-10	-230	-180	-164
Dividend Paid	-5,309	-5,432	-4,968	-6,794	-7,637	-9,687	-10,930
Others	13,992	-1,043	-135	-1,777	-522	0	0
CF from Fin. Activity	**8,676**	**-6,481**	**-5,133**	**-8,581**	**-8,390**	**-9,867**	**-11,094**
Inc/Dec of Cash	**5,844**	**14,152**	**-2,331**	**-2,651**	**-3,009**	**-3,398**	**-89**
Opening Balance	21,560	28,189	42,131	39,800	37,150	34,140	30,742
Closing Balance	**27,405**	**42,341**	**39,800**	**37,150**	**34,140**	**30,742**	**30,653**
Forex and other adjustments	784	-210	0	0	0	0	0
Total Cash & Cash Eq	**28,189**	**42,131**	**39,800**	**37,150**	**34,140**	**30,742**	**30,653**

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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