Divi's Laboratories

12 February 2026

Sustained momentum in Custom Synthesis

Divi's Laboratories (DIVI IN) Q3FY26 Revenues (INR 26,040 mn, up 12% YoY) , EBITDA (Rs8,900 mn up 20% YoY) and PAT after exceptional items was (INR 8,530 mn, flattish YoY). The performance was in line with consensus expectations. Gross margins expanded 300+bps YoY and QoQ led by favorable currency and a better business mix. Custom Synthesis grew 20% YoY, while generics business was flat. The custom synthesis business is poised for sustained growth as Divis continues with aggressive capacity expansion. The CWIP currently stands at INR 23,940 mn (30% of the Gross Block). While there is certain patent expiries expected to impact Divis custom synthesis business revenue, but new launches in the same segment should more than offset. They maintain their guidance around maintaining double digit growth trajectory. We marginally change our estimates and roll over to FY28E EPS. We estimate Revenue /EBITDA / EPS CAGR of 14% / 16% / 17% respectively. Our revised PT is Rs. 6,564 (50x FY28E EPS) and we upgrade to HOLD.

3QFY26 earnings highlights

DIVI's revenue stood at Rs 26,040mn, up 12% YoY and down by 4% QoQ. EBITDA, at Rs 8,900mn, was up 20% YoY and flat QoQ. EBITDA margin, at 34.2%, expanded to 214 bps YoY and by bps QoQ. PAT, at Rs 5,830 mn, was flat YoY and down by 15% QoQ. PAT margin, at 22%, shrunk by 301 bps YoY and down 299 bps QoQ.

The generics business reported revenues of 10,227 mn, which was flat YoY and down 6% QoQ.

Custom Synthesis (CCS) business reported revenues of Rs 13,623 mn, up 20% YoY and down 2% QoQ.

The Nutraceuticals segment reported revenues of Rs 2,140 mn, up by 26% YoY and down by 12% QoQ.

3QFY26 earnings call highlights.

Generics Segment (43% of Q3 Revenue)

- Pricing is competitive, healthy volume traction was seen in emerging and focused products.
- Resilience is further bolstered by increasing backward integration for the generic API portfolio.

Custom Synthesis (CS) Segment (57% of Q3 Revenue)

- **Business Traction:** The company continues to see high engagement levels with a steady flow of Request for Proposals (RFPs) and site visits from global innovators.
- Global innovators are prioritizing partners with strong EHS performance and compliance readiness—areas where Divi's is well-positioned.

RESULT UPDATE

Sector: Pharmaceuticals	**Rating: HOLD**
CMP: Rs 6,475	**Target Price: Rs 6,564**

Stock Info

Sensex/Nifty	84,234/25,955
Bloomberg	DIVI IN
Equity shares	266mn
52-wk High/Low	Rs 7,078/4,942
Face value	Rs 2
M-Cap	Rs1,684bn/USD 18.7bn

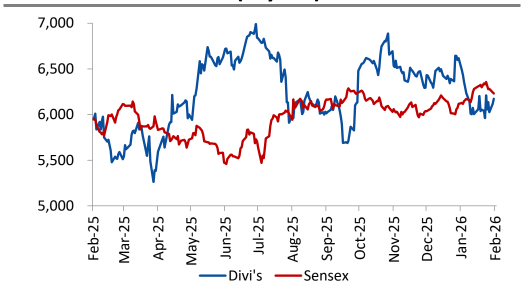
Financial Snapshot (Rs mn)

Y/E March	FY26E	FY27E	FY28E
Sales	1,06,242	1,20,556	1,38,656
Gross profit	65,645	75,348	86,660
Gross Margin %	61.8	62.5	62.5
EBITDA	35,373	40,065	46,562
Margin %	33.3	33.2	33.6
PAT	25,609	28,845	34,677
EPS	99.1	109.8	131.3
DPS(Rs)	15.9	15.9	15.9
ROE(%)	21.5	21.1	22.0
P/E(x)	67.4	59.8	49.7
EV/EBITDA (x)	47.6	41.6	35.4

Shareholding pattern (%)

	Jun-25	Sept-25	Dec-25
Promoter	51.88	51.88	51.88
FII	19.74	19.39	20.08
DII	18.96	19.68	19.18
Others	9.32	8.96	8.84

Stock Performance (1-year)



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Strategic Initiatives and Capex

- **Unit 3 (**Kakinada**):** Critical for backward integration; operational blocks are currently producing starting materials and intermediates.
- **Supply Chain:** Raw material prices were broadly stable, though the company is monitoring China's withdrawal of export tax rebates which may create selective pricing pressures.
- **Regulatory:** Successfully completed a US FDA General cGMP inspection at the Unit 1 Nutraceuticals facility.
- **Gross Block Additions:** Company capitalized assets of Rs 3,130 mn during the quarter and Rs7,760 mn for the 9MFY26. CWIP stood at Rs 23,940 mn.

Exhibit 1: Quarterly Performance

Financial Summary (Rsmn)	Q3FY25	Q2FY26	Q3FY26	YoY (%)	QoQ (%)	FY24	FY25	YoY (%)
Total income	**23,190**	**27,150**	**26,040**	**12%**	**-4%**	**78,450**	**93,600**	**19%**
Total material costs	9,220	10,730	9,450	2%	-12%	31,290	37,250	19%
% of revenue	39.76%	40%	36.29%	(347) bps	(323) bps	40%	40%	(9) bps
Staff costs	2,970	3,540	3,670	24%	4%	10,940	12,430	14%
% of revenue	13%	13%	14%	129 bps	106 bps	14%	13%	(67) bps
Other expenses	3,570	4,000	4,020	13%	0%	14,190	14,250	0%
% of revenue	15%	15%	15%	4 bps	70 bps	18%	15%	(286) bps
EBITDA	**7,430**	**8,880**	**8,900**	**20%**	**0%**	**22,030**	**29,670**	**35%**
EBITDA margin (%)	**32%**	**33%**	**34.2%**	214 bps	**147 bps**	**28%**	**32%**	**362 bps**
Other income	820	1,450	880	7%	-39%	3,410	3,530	4%
Interest costs	0	80	60	#DIV/0!	-25%	30	20	-33%
Depreciation	990	1,130	1,180	19%	4%	3,780	4,020	6%
PBT (before exceptional items)	**7,260**	**9,120**	**8,540**	**18%**	**-6%**	**21,630**	**29,160**	**35%**
Exceptional items	0	0	-740	#DIV/0!	#DIV/0!	0	0	-
Tax	1,370	2,230	1,970	44%	-12%	5,630	7,250	29%
Tax rate (%)	19%	24%	23%	420 bps	(138) bps	26%	25%	(117) bps
Reported PAT	**5,890**	**6,890**	**5,830**	**-1%**	**-15%**	**16,000**	**21,910**	**37%**

Source: Company, Systematix Research

Exhibit 2: Revenue break up

Particulars (Rs mn)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	YoY	QoQ
Generics	9,506	10,339	10,100	11,662	10,152	10,881	10,277	2%	-6%
CCS	9,894	10,761	11,390	12,138	11,448	13,849	13,623	20%	-2%
Nutraceuticals	1,780	2,280	1,700	2,050	2,500	2,420	2,140	26%	-12%
Total Revenue	**21,180**	**23,380**	**23,190**	**25,850**	**24,100**	**27,150**	**26,040**	**12%**	**-4%**

Source: Company, Systematix Research

Exhibit 3: Revenue mix (%)

Particulars (%)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26
Generics	45%	44%	44%	45%	42%	40%	39%
CCS	47%	46%	49%	47%	48%	51%	52%
Nutraceuticals	8%	10%	7%	8%	10%	9%	8%

Source: Company, Systematix Research

Exhibit 4: Margin summary

Particulars (%)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26
Gross Margin	60%	59%	60%	62%	60%	60%	64%
EBITDA Margin	29%	31%	32%	34%	30%	33%	34%
EBIT Margin	25%	26%	28%	30%	26%	29%	30%
PAT Margin	20%	22%	25%	26%	23%	25%	22%

Source: Company, Systematix Research

Exhibit 5: Changes in Estimates

(Rsmn)	New estimates		Old estimates		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net sales	1,06,242	1,20,556	1,04,884	1,20,556	1.3	0.0
EBITDA	35,373	40,065	34,325	40,466	3.1	(1.0)
Margin (%)	*33.3*	*33.2*	*32.7*	*33.6*	*60 bps*	*(37) bps*
PAT	25,609	28,845	25,546	29,435	0.2	(2.0)
Margin (%)	*24.1*	*23.9*	*24.4*	*24.4*	*(30) bps*	*(47) bps*
EPS	99.1	109.8	95.2	109.7	4.1	0.1

Source: Company, Systematix Research

FINANCIALS

Profit & Loss Statement

YE: Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Net Revenues	**78,450**	**93,600**	**1,06,242**	**1,20,556**	**1,38,656**
YoY gr. (%)	1.0	19.3	13.5	13.5	15.0
Cost of Goods Sold	31,290	37,250	40,597	45,209	51,996
Gross Profit	47,160	56,350	65,645	75,348	86,660
Margin (%)	60.1	60.2	61.8	62.5	62.5
Employee Cost	10,940	12,430	14,280	15,994	17,913
Other Expenses	14,190	14,250	15,992	19,289	22,185
EBITDA	**22,030**	**29,670**	**35,373**	**40,065**	**46,562**
YoY gr. (%)	-6.8	34.7	19.2	13.3	16.2
Margin (%)	28.1	31.7	33.3	33.2	33.6
Depreciation & Amortization	3,780	4,020	4,610	5,000	5,300
EBIT	**18,250**	**25,650**	**30,763**	**35,065**	**41,262**
Margin (%)	23.3	27.4	29.0	29.1	29.8
Net Interest	30	20	230	230	230
Other Income	3,410	3,530	3,715	3,762	5,302
Profit Before Tax	**21,630**	**29,160**	**34,248**	**38,597**	**46,334**
Total Tax	5,630	7,250	8,639	9,752	11,657
Effective tax rate (%)	26.0	24.9	25.2	25.3	25.2
Profit after tax	**16,000**	**21,910**	**25,609**	**28,845**	**34,677**
EPS	60.3	82.2	99.1	109.8	131.3

Source: Company, Systematix Research

Balance Sheet

YE: Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	531	531	531	531	531
Reserv. & Surplus (Ex OCI)	1,35,180	1,49,160	1,70,760	1,95,768	2,26,492
Net Worth	**1,35,711**	**1,49,691**	**1,71,291**	**1,96,299**	**2,27,023**
Short term debt	0	19	20	20	20
Long term debt	30	20	19	19	19
Trade payables	8,240	9,100	10,329	11,721	13,480
Other Provisions	4,469	5,400	5,400	5,400	5,400
Other liabilities	5,860	5,090	5,090	5,090	5,090
Total Liabilities	**1,54,310**	**1,69,320**	**1,92,149**	**2,18,549**	**2,51,032**
Net block	47,390	54,410	69,800	71,800	73,500
CWIP	7,780	10,230	10,230	10,230	10,230
Other Non-current asset	0	0	0	0	0
Investments	2,670	3,870	3,870	3,870	3,870
Cash and Cash Equivalents	39,800	37,150	35,831	50,495	68,969
Debtors	21,560	27,310	30,999	35,175	40,456
Inventories	31,840	32,360	36,731	41,679	47,937
Other current asset	3,270	3,990	4,689	5,299	6,071
Total Assets	**1,54,310**	**1,69,320**	**1,92,149**	**2,18,549**	**2,51,033**

Source: Company, Systematix Research

Cash Flow

YE: Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
PBT	21,630	29,160	34,487	39,008	46,628
Depreciation	3,780	4,020	4,610	5,000	5,300
Interest	30	20	230	230	230
Others	-3,000	-2,890	-1,129	-1,129	-1,129
Working capital	-6,070	-5,540	-7,529	-8,344	-10,551
Direct tax	-3,760	-8,240	-8,639	-9,752	-11,657
Net cash from Op. activities	**12,610**	**16,530**	**22,030**	**25,013**	**28,822**
Net Capital expenditures	-10,030	-14,380	-20,000	-7,000	-7,000
Others	7,340	6,340	1,139	1,139	1,139
Net Cash from Invt. activities	**-2,690**	**-8,040**	**-18,861**	**-5,861**	**-5,861**
Issue of share cap. / premium	0	0	0	0	0
Debt changes	0	0	0	0	0
Dividend paid	-7,960	-7,960	-4,247	-4,247	-4,247
Others	-30	-30	-240	-240	-240
Net cash from Fin. activities	**-7990**	**-7990**	**-4487**	**-4487**	**-4487**
Net change in cash	**1,930**	**500**	**-1,319**	**14,664**	**18,473**

Source: Company, Systematix Research

Key Financial Metrics

YE: Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Per Share(Rs)					
EPS	60.3	82.2	99.1	109.8	131.3
CEPS	74.5	97.3	113.4	127.0	150.1
BVPS	511.3	561.9	643.0	736.9	852.2
DPS	30.0	29.9	15.9	15.9	15.9
Return Ratio(%)					
RoCE	16.4	20.4	21.5	21.1	22.0
RoE	12.1	15.4	16.0	15.7	16.4
Balance Sheet					
Net Debt : Equity (x)	-0.3	-0.2	-0.2	-0.3	-0.3
Net Working Capital (Days)	360	325	323	328	326
Valuation(x)					
PER	107.4	78.7	67.4	59.8	49.7
EV/EBITDA	76.2	56.7	47.6	41.6	35.4
EV/Sales	21.4	18.0	15.8	13.8	11.9

Source: Company, Systematix Research

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