

| RECOMMENDATION SNAPSHOT |             |                |        |                  |
|-------------------------|-------------|----------------|--------|------------------|
| *CMP                    | MCap (Rsbn) | Recommendation | Target | Potential Upside |
| Rs6584                  | 1748        | Hold           | Rs7000 | 6%               |

\*as on 19th May, 2025

### About the Company:

Established in 1990, Divi's Laboratories Limited (Divi's) is engaged in the manufacturing of generic APIs and intermediates, custom synthesis of active ingredients and advanced intermediates for pharma MNCs, other specialty chemicals like carotenoids and complex compounds like peptides and nucleotides. The company is recognised as a reliable supplier of generic APIs, a trustworthy custom manufacturer to big pharma and is among the top API manufacturers worldwide. The company's strategic focus revolves around three core business portfolios: Generic APIs, Custom Synthesis, and Nutraceuticals. Dr. Murali K Divi is the Managing Director of the company.

### Results: Quick Glance:

- The net sales for the quarter reported a growth of 12.2% to Rs25,850mn as compared to Rs23,030mn in the same quarter last year
- The Ebitda margins for the quarter under review stood at 34.3% as compared to 31.7% in the comparative quarter last year
- The company reported net profit of Rs6,620mn as compared to Rs5,380mn in the same quarter last year
- The EPS for the quarter stood at Rs24.93 as compared to Rs20.25 in the corresponding period of last year
- For the full year, the revenues and PAT grew by 19.3% and 36.9% respectively while the Ebitda margins stood at 31.7%
- The Board recommended a final dividend of Rs30 per equity share of FV of Rs2 each for FY25

### Conference Call Highlights:

- For Q4FY25, on account of global supply chain constraints, the pricing pressure and headwinds continued to remain in the generic business. Despite these concerns, the company was able to report stable volumes for its core products and maintained the competitive intensity for these products. The global transit time was impacted on account of the Red sea challenges which led to routing to an alternate path that extended the lead time particularly in the US and the European markets by 2-3 weeks. The company has undertaken measures in terms of inventory stocking, adopting a customer centric approach, advance container procurement in order to ensure scheduled and timely delivery
- The **custom synthesis** business, sustained growth momentum. Customer engagements, healthy uptick in RFPs and site visits is gaining traction. The generic: custom synthesis mix for the quarter came in at 49:51 and 46:54 for FY25. **Nutraceuticals** sales for the quarter came in at Rs2,050mn and Rs7,810mn for FY25
- **Exports** stood at 88% of total sales in FY25, while exports to regulated markets (US and Europe) accounted for 73% of total sales for the same period as against 70% in FY24
- In terms of **contrast media**, close association with the innovators is an ongoing process alongwith capacity expansions
- Recently, the company has signed a long-term manufacturing and supply agreement for advanced intermediates with a global pharma company. Divi's will also undertake capacity addition at its manufacturing facilities for an investment of approx. Rs6500-7000mn to be funded via internal accruals
- Unit III has commenced operations for the company. Phase-1 (7 blocks across 200 acres, out of total land of 500 acres) would mainly be utilized towards backward integration. Divi's has capitalized Rs11bn in total for FY25, out of which Rs7.6bn was for Unit III
- In **peptides**, the company has made strategic investments in both solid-phase and liquid-phase synthesis capabilities. Active projects range across development stages. Qualifications are underway from various regulatory global bodies for some products
- For non-**GLP-1**, the company is closely working with innovators and has already invested in solid and liquid based peptides. Apart from this, the company is also working on biocatalysis and flow chemistry
- **Financials:** (i) the company has capitalized assets of Rs5,600mn for Q4FY25 (for FY25, capitalised assets stood at Rs11.18bn, of which Rs7.55bn pertains to Unit-III at Kakinada). Of this, capitalisation for Kakinada project in Q4FY25 stood at Rs3,370mn. The total amount spent on the Kakinada project including assets capitalized till Mar'25 came in at Rs14.97bn, (ii) in constant currency terms, Divi's reported a growth of 18% in FY25 as against (2%) in FY24, (iii) the forex gain for FY25 stood at Rs480mn as against Rs300mn in FY24, while forex gain for Q4FY25 stood at Rs100mn as against loss of Rs10mn in Q4FY24, (iv) cash as on Mar'25 stood at Rs36.96bn with receivables at Rs28.55bn and inventories at Rs30.33bn, (v) the material cost as a percent to sales stood at ~40% for Q4FY25 as well as FY25, (vi) capex chalked is at ~Rs14bn plus maintenance capex

## Financials:

| Performance (Q4&FY25)  |        |        |         |        |       |       |       |         |        |
|------------------------|--------|--------|---------|--------|-------|-------|-------|---------|--------|
| Q4&FY25 Result (Rs mn) | Mar-25 | Mar-24 | y-o-y   | Dec-24 | q-o-q | FY25  | FY24  | y-o-y   | FY26E  |
| Total Revenue          | 25850  | 23030  | 12.2%   | 23190  | 11.5% | 93600 | 78450 | 19.3%   | 108385 |
| EBITDA                 | 8860   | 7310   | 21.2%   | 7430   | 19.2% | 29680 | 22050 | 34.6%   | 36201  |
| Other Income           | 860    | 790    | 8.9%    | 820    | 4.9%  | 3520  | 3390  | 3.8%    | 3420   |
| Interest               | 10     | 20     | (50.0%) | 0      | -     | 20    | 30    | (33.3%) | 30     |
| Depreciation           | 1070   | 950    | 12.6%   | 990    | 8.1%  | 4020  | 3780  | 6.3%    | 4312   |
| Exceptional Items      | 0      | 0      | -       | 0      | -     | 0     | 0     | -       | 0      |
| Tax                    | 2020   | 1750   | 15.4%   | 1370   | 47.4% | 7250  | 5630  | 28.8%   | 9038   |
| Net Profit             | 6620   | 5380   | 23.0%   | 5890   | 12.4% | 21910 | 16000 | 36.9%   | 26240  |

## Outlook and Recommendations:

The company has reported strong set of numbers for the quarter under review. Revenues for Q4FY25 and FY25 have reported growth of ~12% and ~19% respectively on a y-o-y basis. Despite the pricing pressure, the company reported a growth of ~12% on a y-o-y basis in the generics business (49% of the quarterly revenues). It recorded healthy growth across both custom synthesis (CS) and API segments as well. The API segment reported growth of 13% y-o-y basis, revival after 8 quarters; implying strong volumes. The custom synthesis business reported a growth of 13% on a y-o-y basis. Nutraceuticals for the quarter and FY25 came in at Rs2,050mn and Rs7,810mn respectively. Going forward, the Management expects a double-digit growth for both the generics and custom synthesis business. The gross margins expanded ~120bps y-o-y to 62.1% (at 10-quarter high) with operating margins at 34.3%, beating estimates led by backward integration from phase-1 of Kakinada that has started reaping benefits as well as the overall controlled other expenses. As indicated by the management, the raw material sourcing situation has eased to some extent and the sea freight has been stable; air freight rates are expected to normalize in the medium term. Unit-III (Rs15bn capex) started operations in Q4FY25, which will reduce supply chain risks, improve margins via backward integration and help in debottlenecking Units I/II for more CDMO capacity. On the recent long-term agreement bagged for advanced intermediates with a global pharma company; the Management expects post the clearance of all regulatory approvals, the commercialisation to start from either end of CY26 or start of CY27. Prospects from custom synthesis with some projects in the R&D stage, some at pilot stages, GLP-1 opportunities, GLP-2 analogues, biocatalysis, flow chemistry and maintaining the market share for its core products in the generics segment, off-patent molecule benefits are some of the important parameters for the company. Also factors like moderating raw material costs, increased investment on the back of long term contracts, and better execution in the generic space provide better revenue visibility. The capabilities in the peptide space (Divis offers services in GLP1/GLP2 and GIP molecules) gives it the edge to contracts from innovators for the upcoming opportunities. We maintain a Hold on the stock for a revised target of Rs7000.

#### DISCLAIMERS AND DISCLOSURES-

Progressive Share Brokers Pvt. Ltd. and its affiliates are a full-service, brokerage and financing group. Progressive Share Brokers Pvt. Ltd. (PSBPL) along with its affiliates are participants in virtually all securities trading markets in India. PSBPL started its operation on the National Stock Exchange (NSE) in 1996. PSBPL is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE) for its stock broking services and is Depository Participant with Central Depository Services Limited (CDSL) and is a member of Association of Mutual Funds of India (AMFI) for distribution of financial products.

PSBPL is SEBI registered Research Analyst under SEBI (Research Analysts) Regulations, 2014 with SEBI Registration No. INH000000859/Research Analyst BSE Enlistment No. 5049. PSBPL hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years. PSBPL has not been debarred from doing business by any Stock Exchange/SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

PSBPL offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by Progressive Share Brokers Pvt. Ltd. (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company (s) covered in this report:-

- PSBPL or its associates financial interest in the subject company: NO
- Research Analyst (s) or his/her relative's financial interest in the subject company: NO
- PSBPL or its associates and Research Analyst or his/her relative's does not have any material conflict of interest in the subject company. The research Analyst or research entity (PSBPL) has not been engaged in market making activity for the subject company.
- PSBPL or its associates actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report: NO
- Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report: NO
- PSBPL or its associates may have received any compensation including for brokerage services from the subject company in the past 12 months. PSBPL or its associates may have received compensation for products or services other than brokerage services from the subject company in the past 12 months. PSBPL or its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. Subject Company may have been client of PSBPL or its associates during twelve months preceding the date of distribution of the research report and PSBPL may have co-managed public offering of securities for the subject company in the past twelve months.
- The research analyst has served as officer, director or employee of the subject company: NO
- Registration granted by SEBI and certification from NISM is in no way guarantee performance of the intermediary or provide any assurance of returns to investors

PSBPL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our sales people, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses (if any) may make investment decisions that may be inconsistent with the recommendations 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 including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, 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 or regulation or which would subject PSBPL or its group companies to any registration or licensing requirement within such jurisdiction. If this document is sent or has reached any individual in such country, especially, USA, the same may be ignored. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of PSBPL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of PSBPL or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

#### Terms & Conditions:

This report has been prepared by PSBPL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential 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 PSBPL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and its at the discretion of the clients 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. PSBPL will not treat recipients as customers by virtue of their receiving this report.

#### Registered Office Address:

Progressive Share Brokers Pvt. Ltd,  
122-124, Laxmi Plaza, Laxmi Indl Estate,  
New Link Rd, Andheri West,  
Mumbai—400053, Maharashtra  
www.progressiveshares.com | Contact No.:022-40777500.

#### Compliance Officer:

Ms. Neha Oza,  
Email: compliance@progressiveshares.com,  
Contact No.:022-40777500.

#### Grievance Officer:

Email: grievancecell@progressiveshares.com