

Divi's Laboratories

CDMO triggers priced in; downgrade to ADD

Divi's Labs (Divi's) is well-placed for strong custom synthesis growth, driven by: (1) the GLP-1 API opportunity across building blocks, fragments, and added capacity; (2) scale-up of recent launches by global innovator partners; (3) steady growth in iodine-based contrast media, with Gadolinium compounds expected to commercialize in FY28/29; and (4) execution of three supply contracts. Peptides remain a strategic area of investment; customer programmes are at multiple stages of development and qualification and validation of several peptide fragments should advance over the coming quarters. To support the GLP-1/ peptide opportunities, the company is expanding solid-phase and liquid-phase peptide synthesis capacity, including several 3KL SPPS reactor additions. Capacity expansion, new contracts, GLP-1 and a steady nutraceutical business underpin our revenue CAGR of 19% over FY26–29E, even with moderate generic API growth (price pressure offset by volumes). A mix skewed toward custom synthesis should lift EBITDA margin to ~38.1% in FY29E (FY26: 32.6%), driving an EBITDA/PAT CAGR of ~26/25%. The stock has risen 40%/44%/43% over the last year/six months/since initiation. At 51x/41x/34x EV/EBITDA (mean: 30x) and 73x/60x/50x PE (mean: 43x) for FY27/28/29E, valuations are rich and already price in near-term CDMO triggers (~26% CAGR over FY26–29E). We make marginal estimate changes and downgrade to ADD from Buy, given limited upside in near term, with a revised TP of INR 9,780, based on 40x Q2FY29E EV/EBITDA (implying 58x PE).

- **GLP-1 to drive strong growth:** Divi's is expanding its peptide business to meet rising GLP-1 demand across building blocks (protected amino acids) and higher-value peptide fragments. Making basic raw materials (resins) and protected amino acids (FMOC, BOC) in-house gives it a competitive edge. It has also invested in both solid and liquid-phase synthesis, adding multiple 3KL SPPS capacities. GLP-1 demand has strong visibility across innovator molecules. Tirzepatide, already marketed, had CY25 sales of ~USD 35bn and expected to generate sales of ~USD 76bn by CY28 and 80bn by CY30 (as per Bloomberg estimates). Upcoming molecules (Orforglipron, Retatrutide) are expected to generate ~USD 10bn by CY28 and ~USD 22bn by CY30. This creates strong opportunities for API and intermediate demand for GLP-1 molecules. With its peptide capabilities/ capacity, Divi's is well-placed to capture this opportunity.
- **Steady growth across the rest of the CDMO business:** Divi's three dedicated projects (capex of ~INR 20bn) have begun supplying validation quantities, with commercial supplies expected in the near term (already capitalized ~70% by Q1FY27). Iodine-based contrast media (used in CT scans) should see steady growth for existing molecules and supply potential under long-term contracts with two customers providing future growth visibility. Moreover, the gadolinium (for MRIs) based molecules under clinical development will be future growth drivers on approvals (likely in FY28/29).
- **Outlook and valuation:** We expect a strong performance and sales/EBITDA/PAT CAGRs of 19%/26%/25% over FY26–29E (EBITDA margin expanding to 38.1% in FY29E from 32.6% in FY26). We downgrade to ADD (from Buy), largely because the stock has risen 38%/47% over the last year/6 months, which we believe already factors in near-term triggers. We maintain our positive stand on the company and have set a revised TP of INR 9,780.

Financial Summary

YE March (INR mn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Net Sales	78,450	93,600	105,600	127,180	152,902	179,660
EBITDA	22,050	29,680	34,410	46,675	57,491	68,450
APAT	15,926	21,549	24,642	32,959	40,535	48,586
Diluted EPS (INR)	60.0	81.2	92.8	124.2	152.7	183.0
P/E (x)	152.0	112.3	98.2	73.4	59.7	49.8
EV / EBITDA (x)	108.0	80.3	69.4	50.8	41.0	34.1
RoCE (%)	16	19	20	23	24	25

Source: Company, HSIE Research, EBITDA/ PAT adjusted for one-offs

ADD

CMP (as on 22 Oct 2026)	INR 9,162
Target Price	INR 9,780
NIFTY	22,688

KEY CHANGES	OLD	NEW
Rating	BUY	ADD
Price Target	INR 9230	INR 9780
EBITDA %	FY27E (1.0)	FY28E (1.2)

KEY STOCK DATA

Bloomberg code	DIVI IN
No. of Shares (mn)	265
MCap (INR bn) / (\$ mn)	2,432/25,649
6m avg traded value (INR mn)	3,819
52 Week high / low	INR 10,000/5,648

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	24.0	45.8	39.1
Relative (%)	28.6	52.5	52.3

SHAREHOLDING PATTERN (%)

	Jun-26	Sep-26
Promoters	51.88	51.88
FIs & Local MFs	19.38	19.17
FPIs	20.20	20.38
Public & Others	8.54	8.57
Pledged Shares	-	-

Source: BSE

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Exhibit 1: Revenue and EBITDA; hospital cluster-wise assumptions

INR mn	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E	CAGR FY23-26	CAGR FY26-29
Custom Synthesis	34,752	35,303	49,140	58,390	75,908	96,403	117,611	19%	26%
YoY growth	-34%	2%	39%	19%	30%	27%	22%		
% of sales	45%	45%	53%	55%	60%	63%	65%		
Generics API supplies	36,433	35,908	36,650	37,750	40,015	43,216	46,241	1%	7%
YoY growth	20%	-1%	2%	3%	6%	8%	7%		
% of sales	47%	46%	39%	36%	31%	28%	26%		
Nutraceuticals	6,490	7,240	7,810	9,460	11,257	13,284	15,808	13%	19%
YoY growth	3%	12%	8%	21%	19%	18%	19%		
% of sales	8%	9%	8%	9%	9%	9%	9%		
Total revenues	77,675	78,450	93,600	105,600	127,180	152,902	179,660	11%	19%
YoY growth	-13%	1%	19%	13%	20%	20%	17%		
Gross profit	47,138	47,360	56,350	64,670	81,141	97,857	115,880	11%	21%
YoY growth	-21%	0%	19%	15%	25%	21%	18%		
Gross margin %	60.7%	60.4%	60.2%	61.2%	63.8%	64.0%	64.5%	87 bps	326 bps
EBITDA	23,678	22,250	29,680	34,410	46,745	57,491	68,450	13%	26%
YoY growth	-39%	-6%	33%	16%	36%	23%	19%		
EBITDA margin %	30.5%	28.4%	31.7%	32.6%	36.8%	37.6%	38.1%	210 bps	551 bps
Adj PAT	17,236	15,926	21,549	24,642	32,959	40,535	48,586	13%	25%
YoY growth	-41%	-8%	35%	14%	34%	23%	20%		
PAT margin %	22.2%	20.3%	23.0%	23.3%	25.9%	26.5%	27.0%	115 bps	371 bps

Source: Company, HSIE Research

Exhibit 2: Asset turnover to improve

	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Gross block (INR mn) incl CWIP	44,339	54,025	60,942	65,766	75,381	88,901	115,260	125,120	139,280	150,840
Asset turnover (x) on gross block	1.2	1.3	1.5	1.2	1.0	1.1	0.9	1.0	1.1	1.2
Fixed assets (INR mn) incl CWIP	37,015	44,145	47,950	49,345	55,170	64,640	86,410	90,777	98,735	103,651
Asset turnover (x) on Fixed assets	1.5	1.6	1.9	1.6	1.4	1.4	1.2	1.4	1.5	1.7

Source: Company, HSIE Research

Exhibit 3: Strong FCF generation visibility – future capex will get addressed

(INR mn)	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
PBT	18,256	26,660	36,835	23,686	21,630	29,160	33,880	43,876	54,047	64,781
Operating Profit before WC	18,795	28,553	39,232	25,136	22,440	30,310	35,010	46,675	57,491	68,450
(Inc.)/Dec in working capital	(2,183)	(2,641)	(13,705)	4,188	(6,070)	(5,540)	990	(3,484)	(10,763)	(10,892)
Cash flow from operations	16,612	25,913	25,528	29,324	16,370	24,770	36,000	43,191	46,728	57,558
Cash Taxes paid	(4,452)	(6,443)	(6,410)	(4,727)	(3,760)	(8,240)	(8,620)	(10,969)	(13,512)	(16,195)
Net Cash from operating activities	12,159	19,469	19,118	24,597	12,610	16,530	27,380	32,222	33,216	41,363
Capex	(11,832)	(9,102)	(7,132)	(4,730)	(10,030)	(14,380)	(25,200)	(15,740)	(14,160)	(11,560)
Free cash flow	327	10,367	11,986	19,867	2,580	2,150	2,180	16,482	19,056	29,803
OCF to EBITDA	67%	68%	49%	104%	57%	56%	80%	69%	58%	60%

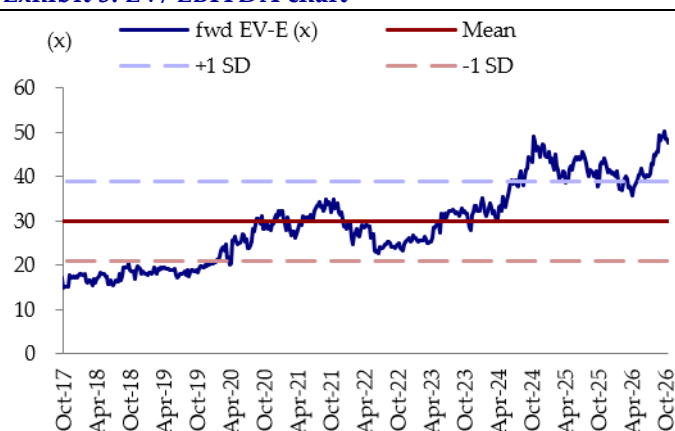
Source: Company, HSIE Research

Exhibit 4: Valuation snapshot

Valuations	EBITDA (INR mn)	Q2FY29E multiple (x)	EV (INR mn)
Reported EBITDA	62,971	40	2,518,830
Less: Net debt (INR mn; as of Q2FY29E)			(77,208)
Equity value (INR mn)			2,596,038
Target price (INR/ share)			9,780
EPS (INR/ share)			168
Implied PE (x)			58

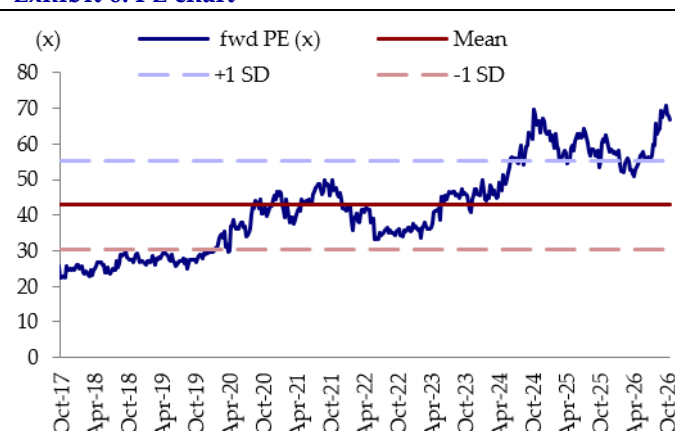
Source: Company, HSIE Research, Total Net debt includes lease liabilities

Exhibit 5: EV/ EBITDA chart



Source: Bloomberg, Company, HSIE Research

Exhibit 6: PE chart



Source: Bloomberg, Company, HSIE Research

Financials

Profit & loss (INR mn)

March	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Net sales	76,659	77,960	93,250	104,760	127,180	152,902	179,660
Other operating income	1,016	490	350	840	0	0	0
Total operating income	77,675	78,450	93,600	105,600	127,180	152,902	179,660
Cost of goods sold	(30,537)	(31,290)	(37,250)	(40,930)	(46,039)	(55,045)	(63,779)
Gross profit	47,138	47,160	56,350	64,670	81,141	97,857	115,880
Gross margin (%)	61	60	60	61	64	64	65
Total operating expenses	(23,460)	(25,110)	(26,670)	(30,260)	(34,466)	(40,366)	(47,430)
EBITDA	23,678	22,050	29,680	34,410	46,675	57,491	68,450
EBITDA margin (%)	30.5	28.1	31.7	32.6	36.7	37.6	38.1
Depreciation	(3,432)	(3,780)	(4,020)	(4,630)	(5,494)	(6,202)	(6,644)
EBIT	20,246	18,270	25,660	29,780	41,181	51,290	61,806
Net interest	(7)	(30)	(20)	(230)	(203)	(211)	(219)
Other income	2,150	3,090	3,040	2,960	2,897	2,967	3,194
Profit before tax	22,390	21,330	28,680	32,510	43,876	54,047	64,781
Total taxation	(5,453)	(5,630)	(7,250)	(8,200)	(10,969)	(13,512)	(16,195)
Tax rate (%)	24	26	25	25	25	25	25
Profit after tax	16,937	15,700	21,430	24,310	32,907	40,535	48,586
Minorities	0	0	0	0	0	0	0
Profit/ Loss associate co(s)	0	0	0	0	0	0	0
Adjusted net profit	17,236	15,926	21,549	24,642	32,959	40,535	48,586
Adj. PAT margin (%)	22	20	23	24	26	27	27
Net non-recurring items	998	74	361	1,038	(53)	0	0
Reported net profit	18,234	16,000	21,910	25,680	32,907	40,535	48,586

Balance sheet (INR mn)

March	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Paid-up capital	531	531	531	531	531	531	531
Reserves & surplus	127,140	135,180	149,160	167,080	191,925	224,434	264,954
Net worth	127,671	135,711	149,691	167,611	192,455	224,964	265,485
Borrowing	33	30	40	70	73	75	78
Other non-current liabilities	5,394	6,250	5,090	11,550	15,004	16,219	17,480
Total liabilities	144,388	154,701	169,321	200,331	233,392	272,617	320,252
Gross fixed assets	63,648	67,601	78,681	94,130	109,870	124,030	135,590
Less: Depreciation	(16,422)	(20,211)	(24,261)	(28,850)	(34,344)	(40,545)	(47,189)
Net fixed assets	47,226	47,390	54,420	65,280	75,527	83,485	88,401
Add: Capital WIP	2,119	7,780	10,220	21,130	15,250	15,250	15,250
Total fixed assets	49,345	55,170	64,640	86,410	90,777	98,735	103,651
Total Investment	771	820	650	690	690	690	690
Inventory	30,004	31,840	32,360	39,540	47,339	56,489	65,875
Debtors	17,925	21,560	27,310	29,840	31,795	37,801	43,917
Cash & bank	42,131	39,800	37,150	34,140	51,137	64,927	89,642
Loans & advances	0	0	0	0	0	0	0
Current liabilities	11,290	12,710	14,500	21,100	25,861	31,358	37,209
Total current assets	92,139	96,470	100,680	110,811	139,052	169,773	211,838
Net current assets	80,849	83,760	86,180	89,711	113,191	138,415	174,630
Other non-current assets	2,134	2,241	3,351	2,420	2,874	3,419	4,073
Total assets	144,388	154,701	169,321	200,331	233,392	272,617	320,252

Source: Company, HSIE Research

Cash flow (INR mn)

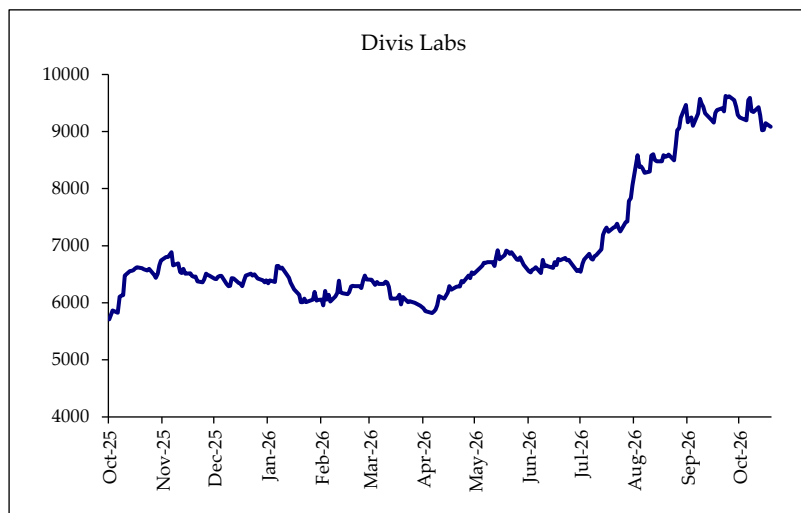
March	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Profit before tax	22,390	21,330	28,680	32,510	43,876	54,047	64,781
Depreciation & Amortization	(3,432)	(3,780)	(4,020)	(4,630)	(5,494)	(6,202)	(6,644)
Chg in working capital	4,188	(6,070)	(5,540)	990	(3,484)	(10,763)	(10,892)
CF from operations	24,597	12,610	16,530	27,380	32,222	33,216	41,363
Capital expenditure	(4,730)	(10,030)	(14,380)	(25,200)	(15,740)	(14,160)	(11,560)
CF from investing	(27,076)	(2,690)	(8,040)	(22,190)	(6,963)	(11,193)	(8,366)
Equity raised/ (repaid)	0	0	0	0	0	0	0
Debt raised/ (repaid)	0	0	0	0	3	3	3
Dividend paid	(7,964)	(7,960)	(7,960)	(7,970)	(8,062)	(8,026)	(8,065)
CF from financing	(10,451)	1,930	500	(2,850)	16,997	13,790	24,715
Net chg in cash	(12,930)	11,850	8,990	2,340	42,257	35,813	57,712

Key ratios

March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OPERATIONAL							
FDEPS (Rs)	64.9	60.0	81.2	92.8	124.2	152.7	183.0
CEPS (Rs)	81.6	74.5	97.7	114.2	144.7	176.1	208.1
DPS (Rs)	30.0	30.0	30.0	30.0	30.4	30.2	30.4
Dividend payout ratio (%)	43.7	49.8	36.3	31.0	24.5	19.8	16.6
GROWTH							
Net sales (%)	(12.9)	1.7	19.6	12.3	21.4	20.2	17.5
EBITDA (%)	(39.0)	(6.9)	34.6	15.9	35.6	23.2	19.1
Adj net profit (%)	(41.1)	(7.6)	35.3	14.3	33.8	23.0	19.9
FDEPS (%)	(41.1)	(7.6)	35.3	14.3	33.8	23.0	19.9
PERFORMANCE							
RoE (%)	14.1	12.1	15.1	15.5	18.3	19.4	19.8
RoCE (%)	17.6	15.5	19.3	19.6	22.8	24.2	24.8
EFFICIENCY							
Asset turnover (x)	1.3	1.2	1.3	1.2	1.2	1.3	1.4
Sales/ total assets (x)	0.6	0.5	0.6	0.6	0.6	0.6	0.6
Working capital/ sales (x)	0.5	0.5	0.5	0.5	0.5	0.4	0.4
Receivable days	85	101	107	104	91	90	89
Inventory days	203	206	185	203	215	216	216
Payable days	52	53	52	62	69	71	74
FINANCIAL STABILITY							
Total debt/ equity (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net debt/ equity (x)	(0.3)	(0.3)	(0.3)	(0.2)	(0.3)	(0.3)	(0.4)
Current ratio (x)	8.2	7.6	6.9	5.3	5.4	5.4	5.7
Interest cover (x)	3,021.9	609.0	1,283.0	129.5	202.9	243.6	282.5
VALUATION							
PE (x)	140.4	152.0	112.3	98.2	73.4	59.7	49.8
EV/ EBITDA (x)	100.4	108.0	80.3	69.4	50.8	41.0	34.1
EV/ Net sales (x)	31.0	30.5	25.6	22.8	18.6	15.4	13.0
PB (x)	19.0	17.8	16.2	14.4	12.6	10.8	9.1
Dividend yield (%)	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Free cash flow yield (%)	0.8	0.1	0.1	0.1	0.7	0.8	1.2

Source: Company, HSIE Research

Price movement



Rating Criteria

BUY: >+15% return potential
 ADD: +5% to +15% return potential
 REDUCE: -10% to +5% return potential
 SELL: >10% Downside return potential

Disclosure:

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