

Divi's Laboratories Ltd

HOLD

Sector: Pharmaceuticals

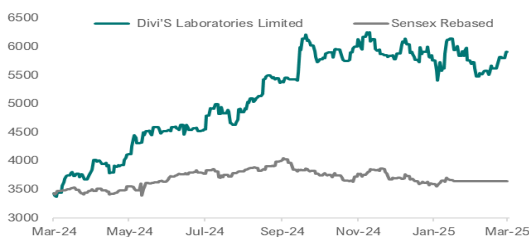
25th March, 2025

Key Changes	Target ▲	Rating ●	Earnings ▲	Target	Rs. 6,375
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Large Cap	DIVI:IN	78,017	DIVISLAB	532488	12 Months
				CMP	Rs. 5,837
				Return	+9%

Data as of: 25-Mar-2025

Company Data			
Market Cap (Rs.cr)	154,735		
52 Week High — Low (Rs.)	6,449 - 3350		
Enterprise Value (Rs. cr)	151,172		
Outstanding Shares (cr)	26.5		
Free Float (%)	48.0		
Dividend Yield (%)	0.5		
6m average volume (cr)	5,851		
Beta	0.9		
Face value (Rs.)	2.0		
Shareholding (%)	Q1FY25	Q2FY25	Q3FY25
Promoters	51.9	51.9	51.9
FII's	16.2	17.3	18.0
MFs/Institutions	21.8	21.1	20.5
Public	8.5	8.1	8.0
Others	1.7	1.7	1.6
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	1%	10%	72%
Absolute Sensex	-2%	-9%	6%
Relative Return	3%	19%	66%

*over or under performance to benchmark index



Y.E March (cr)	FY25E	FY26E	FY27E
Sales	9,300	10,878	12,723
Growth (%)	18.5	17.0	17.0
EBITDA	2,934	3,698	4,555
EBITDA Margin (%)	31.6	34.0	35.8
PAT Adjusted	2,164	2,701	3,312
Growth (%)	35.3	24.8	22.6
Adjusted EPS	81.5	101.8	124.8
Growth (%)	35.3	24.8	22.6
P/E	71.6	57.3	46.8
P/B	10.6	9.7	8.8
EV/EBITDA	52.7	41.8	33.9
ROE (%)	14.8	16.9	18.7
D/E	0.0	0.0	0.0

Custom synthesis segment drives revenue

Divi's Laboratories Ltd (Divi's) manufactures and sells generic active pharmaceutical ingredients (APIs) and intermediates, primarily in Asia, Europe and the US. Its manufacturing and research and development facilities are located in Andhra Pradesh and Telangana.

- In Q3FY25, consolidated revenue grew 25.0% YoY to Rs. 2,319cr, led by growth in the custom synthesis manufacturing segment.
- The custom synthesis segment experienced a significant 54.0% YoY revenue growth to Rs. 1,206cr, largely attributed to heightened customer interactions, as evident in a notable increase in requests for proposals (RFPs) and on-site visits.
- The generic segment saw a 2.6% YoY revenue increase to Rs. 943cr, mainly due to growth in volume, despite the industry's ongoing pricing challenges. Additionally, the nutraceuticals segment experienced an 11.0% YoY growth to Rs. 170cr.
- EBITDA rose 51.9% YoY to Rs. 743cr, and EBITDA margin widened 568bps YoY to 32.0%, mainly due to improved product mix and backward integration.

Outlook & Valuation

Divi's showcased a strong financial performance, driven by strong revenue and profit margin growth. The custom synthesis segment is the major driver for the company, and the company has been able to derive benefits from past investments, thereby making its position strong as a trusted partner for complex chemical solutions. The company has commenced part of the Kakinada project's operations in Q3FY25, with the remaining operations expected to start within six months. This should enhance backward integration and supply chain resilience, enabling the company to better serve its global customers. The company aims to increase manufacturing capabilities with the Kakinada project, which should drive volume growth and revenue. Additionally, the increase in nutraceutical demand can be addressed once the project completes. Hence, **we reiterate our HOLD rating on the stock with a target price of Rs. 6,375, based on 51x FY27E adjusted EPS.**

Quarterly Financials Consol.

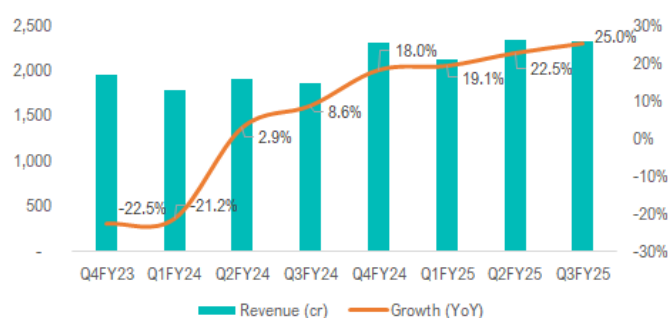
Rs.cr	Q3FY25	Q2FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Sales	2,319	1,855	25.0	2,338	-0.8	6,775	5,542	22.0
EBITDA	743	489	51.9	716	3.8	2,081	1,472	41.0
Margin (%)	32.0	26.4	568bps	30.6	31bps	30.7	26.6	416bps
EBIT	644	394	63.5	917	4.4	1,786	1,189	50.2
PBT	726	489	48.5	722	0.6	2,052	1,450	41.5
Rep. PAT	589	358	64.5	510	15.5	1,529	1,062	43.9
Adj PAT	589	358	64.5	510	15.5	1,529	1,062	43.9
EPS (Rs.)	22.2	13.5	64.4	19.2	15.6	57.6	40.0	43.9



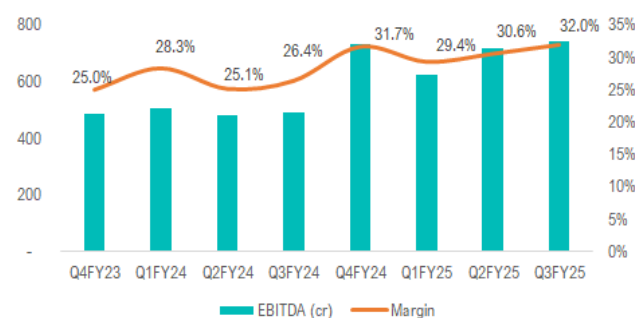
Key concall highlights

- The amount invested in the Kakinada project stood at Rs. 1,340cr as of December 31, 2024. The project has a capital work in progress of Rs. 745cr and is expected to be fully operational in about six months. The unit 3 of the project commenced commercial operations in January 2025, with a focus on manufacturing starting materials and nutraceutical APIs.
- Divi's is optimistic about future, with the Kakinada project driving growth in nutraceuticals, providing a fillip to the business. It expects to maintain double-digit growth, even on a higher base, with a focus on operational efficiency and cost optimisation.
- In Q3FY25, vessels were routed through South Africa owing to disruptions in the Red Sea and port congestion, leading to higher costs and delays.
- With freight expenses expected to normalise going forward, the company aims to sustain long-term growth and create value for its stakeholders through a strong pipeline of projects and capacity expansion.
- Exports accounted for 87.0% of the total sales revenue during the nine months of the financial year. Exports to the US and Europe accounted for 72.0% of the total sales revenue during the period.
- The company has a strong pipeline of new projects in the custom synthesis business in various product lifecycle and is focusing on developing innovative solutions by collaborating with its customers.
- It aims to expand its generics portfolio to drive growth as it sees a wave of patent expirations in the future.

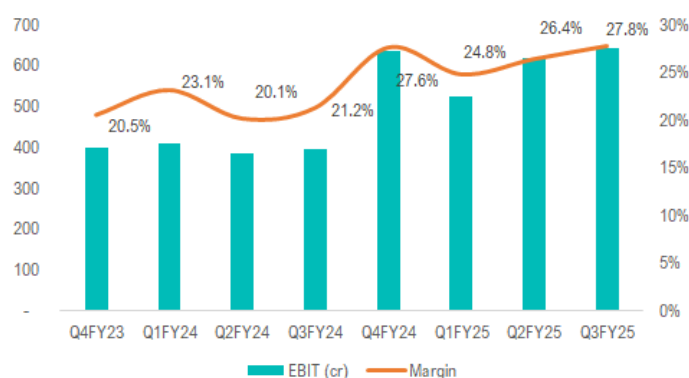
Revenue



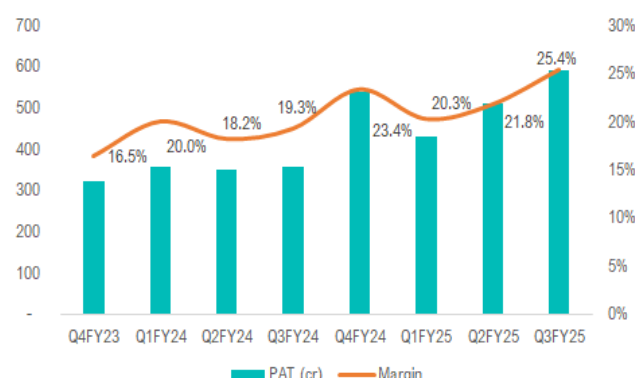
EBITDA



EBIT



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates			Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY27E	FY25E	FY26E
Revenue	9,188	10,709	9,300	10,878	12,723	1.2	1.6
EBITDA	2,917	3,614	2,934	3,698	4,555	0.6	2.3
Margins (%)	31.8	33.8	31.6	34.0	35.8	-25bps	-20bps
Adj. PAT	2,089	2,640	2,164	2,701	3,312	3.6	2.3
EPS	78.8	99.6	81.5	101.8	124.8	3.5	2.2



Consolidated Financials

Profit & Loss

Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Sales	7,767	7,845	9,300	10,878	12,723
% change	-13.3	1.0	18.5	17.0	17.0
EBITDA	2,368	2,205	2,934	3,698	4,555
% change	-39.0	-6.9	33.1	26.0	23.2
Depreciation	343	378	381	460	532
EBIT	2,025	1,827	2,553	3,239	4,023
Interest	-1	-3	-1	-1	-1
Other Income	345	339	326	364	394
PBT	2,369	2,163	2,878	3,602	4,416
% change	-35.7	-8.7	33.1	25.2	22.6
Tax	545	563	713	900	1,104
Tax Rate (%)	23.0	26.0	24.8	25.0	25.0
Reported PAT	1,824	1,600	2,164	2,701	3,312
PAT att. to common shareholder-	1,824	1,600	2,164	2,701	3,312
Adj.*	-	-	-	-	-
Adj. PAT	1,824	1,600	2,164	2,701	3,312
% change	-38.4	-12.3	35.3	24.8	22.6
No. of shares (cr)	26.5	26.5	26.5	26.5	26.5
Adj EPS (Rs.)	68.7	60.3	81.5	101.8	124.8
% change	-38.4	-12.3	35.3	24.8	22.6
DPS (Rs.)	30.0	30.0	40.6	50.7	62.1

Cashflow

Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Net inc. + Depn.	2,167	1,978	2,545	3,161	3,844
Non-cash adj.	-152	-234	-316	-95	-88
Other adjustments					
Changes in W.C	444	-483	-412	-559	-811
C.F. Operation	2,459	1,261	1,817	2,507	2,945
Capital exp.	-473	-1,003	-1,209	-1,305	-1,400
Change in inv.	-2,439	434	-4	-4	-5
Other invest.CF	205	300	271	244	219
C.F - Investment	-2,707	-269	-942	-1,066	-1,185
Issue of equity	-	-	-	-	-
Issue/repay debt	-	-	5	-	-
Dividends paid	-796	-796	-1,077	-1,345	-1,649
Other finance.CF	-1	-3			
C.F - Finance	-797	-799	-1,072	-1,345	-1,649
Chg. in cash	-1,045	193	-197	97	112
Closing Cash	170	363	166	262	374

Balance Sheet

Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash	170	363	166	262	374
Accts. Receivable	1,793	2,156	2,232	2,578	2,964
Inventories	3,000	3,184	3,557	3,877	4,507
Other Cur. Assets	4,349	3,972	3,934	3,796	3,669
Investments	77	82	86	90	95
Gross Fixed Assets	7,022	8,025	9,234	10,539	11,939
Net Fixed Assets	4,714	5,278	6,079	6,895	7,730
CWIP	212	233	257	282	310
Intangible Assets	8	6	7	8	9
Def. Tax -Net	14	10	10	10	11
Other Assets	102	186	212	243	281
Total Assets	14,439	15,470	16,540	18,042	19,950
Current Liabilities	1,101	1,278	1,293	1,407	1,619
Provisions	31	37	-	-	-
Debt Funds	-	-	5	5	5
Other Liabilities	540	584	582	611	642
Equity Capital	53	53	53	53	53
Res. & Surplus	12,714	13,518	14,607	15,966	17,631
Shareholder Funds	12,767	13,571	14,660	16,019	17,684
Minority Interest	-	-	-	-	-
Total Liabilities	14,439	15,470	16,540	18,042	19,950
BVPS	481	511	552	603	666

Ratio

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	30.5	28.1	31.6	34.0	35.8
EBIT margin (%)	26.1	23.3	27.5	29.8	31.6
Net profit mgn.(%)	23.5	20.4	23.3	24.8	26.0
ROE (%)	14.3	11.8	14.8	16.9	18.7
ROCE (%)	15.9	13.5	17.4	20.2	22.7
W.C & Liquidity					
Receivables (days)	84.3	100.3	87.6	86.5	85.0
Inventory (days)	358.7	371.4	365.0	361.4	359.2
Payables (days)	91.1	96.1	88.3	90.2	93.4
Current ratio (x)	8.5	7.6	7.6	7.4	7.1
Quick ratio (x)	1.8	2.0	1.8	2.0	2.1
Turnover & Leverage					
Gross asset T.O (x)	1.1	1.0	1.1	1.1	1.1
Total asset T.O (x)	0.6	0.5	0.6	0.6	0.7
Int. covge. ratio (x)	2025.0	609.0	2503.4	3112.8	3791.0
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0
Valuation					
EV/Sales (x)	9.6	19.7	16.6	14.2	12.1
EV/EBITDA (x)	31.6	70.1	52.7	41.8	33.9
P/E (x)	41.1	96.8	71.6	57.3	46.8
P/BV (x)	5.9	11.4	10.6	9.7	8.8



Recommendation Summary - (last 3 years)



Dates	Rating	Target
11-Aug-21	BUY	5,584
11-Nov-21	BUY	5,497
25-Feb-22	BUY	5,114
25-Aug-22	BUY	4,006
23-May-23	BUY	3,783
9-Nov-23	HOLD	3,800
16-Feb-24	HOLD	4,084
25-Mar-25	HOLD	6,375

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:

▲ Upgrade

● No Change

▼ Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

DISCLAIMER & DISCLOSURES

Certification: I, Arun Kailasan, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Investments Limited, hereinafter referred to as GIL.

For general disclosures and disclaimer: Please Visit: [General Disclosures -FRD\(GIL\).pdf](#)

CRISIL has provided research support in preparation of this research report and the investment rational contained herein along with financial forecast. The target price and recommendation provided in the report are strictly Geojit's views and are NOT PROVIDED by CRISIL. Further, CRISIL expresses no opinion on valuation and the associated recommendations. CRISIL has no financial liability whatsoever, to the subscribers / users of this report.

Regulatory Disclosures:

Group companies/ Fellow subsidiaries of Geojit Investments Ltd (GIL) are Geojit Financial Services Limited (GFSL), Geojit Technologies Private Limited (Software Solutions provider), Geojit Credits Private Limited (NBFC), Geojit Fintech Private Ltd, Geojit IFSC Ltd (a company incorporated under IFSC Regulations), Qurum Business Group Geojit Securities LLC (a subsidiary of holding company in Oman engaged in Financial Services), Barjeel Geojit Financial Services LLC (a joint venture of holding company in UAE engaged in Financial Services), and BBK Geojit Consultancy and Information KSC (C) (a joint venture in Kuwait-engaged in Financial services). In the context of the SEBI Regulations on Research Analysts (2014), GIL affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc. that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above-mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership:

GIL confirms that:

- (i) It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein, at the time of publication of the research report.
- (ii) It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein, at the end of the month immediately preceding the date of publication of the research report.

Further, the Analyst confirms that:

- (i) He, his associates and his relatives shall take reasonable care to ensure that they do not have any financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company, at the time of publication of the research report.
- (ii) He, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered, at the end of the month immediately preceding the date of publication of the research report.

2. Disclosures regarding Compensation:

During the past 12 months, GIL or its Associates:

- (a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company. e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by GIL regarding the compensation paid to its Research Analyst:

GIL hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company: It is affirmed that I, Arun Kailasan, Research Analyst (s) of GIL have not served as an officer, director or employee of the subject company.

5. Disclosure regarding Market Making activity: Neither GIL/its Analysts have engaged in market making activities for the subject company.

6. Disclosure regarding conflict of interests: GIL shall abide by the applicable regulations/ circulars/ directions specified by SEBI and Research Analyst Administration and Supervisory Body (RAASB) from time to time in relation to disclosure and mitigation of any actual or potential conflict of interest. GIL will endeavour to promptly inform the client of any conflict of interest that may affect the services being rendered to the client.

7. "Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors."

8. Clients are required to keep contact details, including email id and mobile number/s updated with the GIL at all times.

9. In the course of providing research services by GIL, GIL cannot execute/carry out any trade (purchase/sell transaction) on behalf of, the client. Thus, the clients are advised not to permit GIL to execute any trade on their behalf.

10. GIL will never ask for the client's login credentials and OTPs for the client's Trading Account Demat Account and Bank Account. The Clients are advised not to share such information with anyone including GIL.

11. Standard Warning: "Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

Geojit Investments Ltd. Registered Office: 7th Floor 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website : www.geojit.com/GIL . For investor queries: customercare@geojit.com

GRIEVANCES

Step 1: The client should first contact the RA using the details on its website or following

contact details: Compliance officer: Ms. Indu K. Address: 7th Floor, 34/659-P, Civil Line Road, Padivattom, Ernakulam,; Phone: +91 484-2901367; Email: compliance@geojit.com . For

Grievances: grievances@geojit.com . **Step 2:** If the resolution is unsatisfactory, the client can also lodge grievances through SEBI's SCORES platform at www.scores.sebi.gov.in **Step 3:**

The client may also consider the Online Dispute Resolution (ODR) through the Smart ODR portal at <https://smartodr.in>

Corporate Identity Number: U66110KL2023PLC080586, SEBI Stock Broker Registration No: INH000019567; Depository Participant : IN-DP-781-2024.

