# Business Analysis & Valuation

## Divi's Laboratories Ltd.

NSE: DIVISLAB | BSE: 532488 | Pharmaceuticals, API & Custom Synthesis

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Divi's Visakhapatnam facility. Photo: divislabs.com

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# Company Overview

**India's largest API maker, shifting to custom synthesis.**

## Introduction

Divi's Laboratories Limited is India's largest manufacturer of active pharmaceutical ingredients (APIs) and a leading custom synthesis (CDMO) company. Founded in 1990 as Divi's Research Centre and headquartered in Hyderabad, Telangana, the company makes generic APIs and custom synthesis products for innovators across the world.

About **89% of sales go to exports**. Divi's is a former Nifty 50 constituent (removed September 2024), currently in the Nifty Next 50 and the largest Indian API and CDMO company by market capitalisation.

## Scale and Reach

Divi's ranks among the **top 3 API manufacturers globally** and the top 10 synthetic drug substance CDMOs in the world. It is a partner to **12 of the top 20 pharmaceutical companies** worldwide and sells into more than **100 countries**.

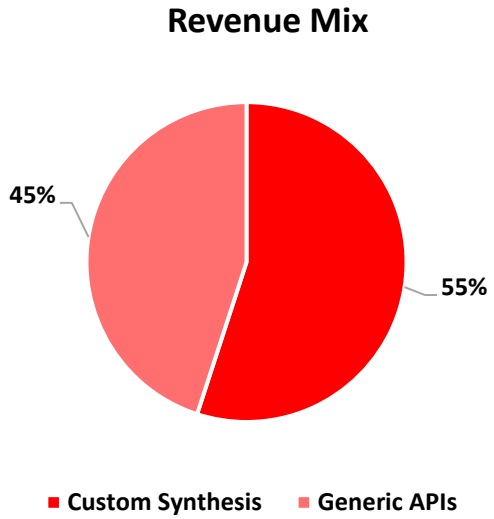
The company employs about **19,300 people** across 3 facilities and 4 R&D centres. It is the world's largest manufacturer of 10 key APIs.

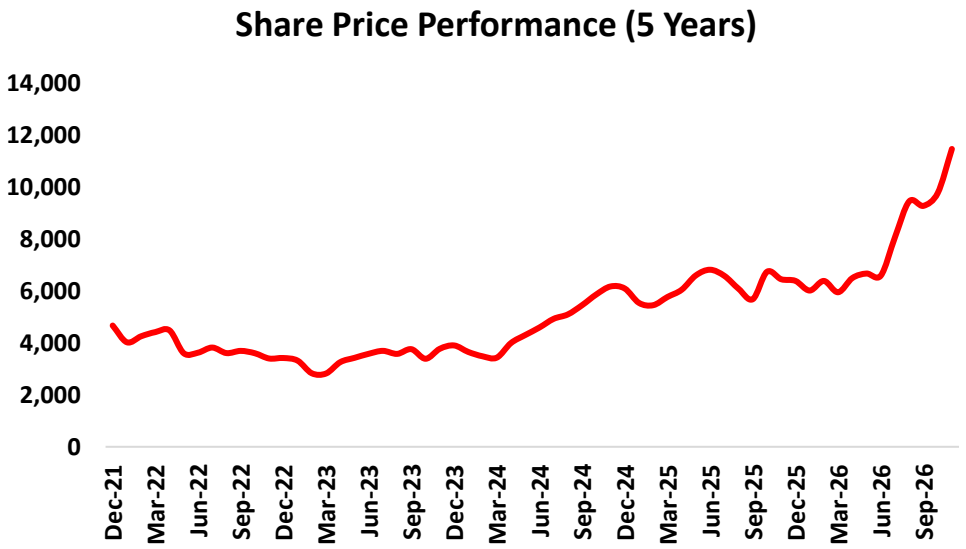
Manufacturing capacity is **18,600 MT/KL** across the three units. The company has paid a **Rs 30 per share dividend** for five straight years.

## What Divi's Makes

Generic APIs, custom synthesis products for innovators, and nutraceutical ingredients led by carotenoids. Custom synthesis was **55% of FY26 revenue** and generics 45%, including nutraceuticals at **Rs 946 crore** in FY26, up 21%, marking 20 years in the business.

FY26 revenue **Rs 10,560 crore**, up 12.8% year on year.
Share price **Rs 11,442** (13 Nov 2026 close); market cap **Rs 3,03,749 crore**.




Source: Divi's Annual Report 2025-26 (36th AR), NSE prices via Finnhub (13 Nov 2026), Company Analysis

# Management and Shareholding

**A founder-led family business, with promoters holding 51.88% and no shares pledged.**

## Leadership

Dr. Murali K. Divi, 75, founded Divi's in **1990** and remains Managing Director. A US-trained scientist, he built the company from a research centre into India's largest API maker.

His son, Dr. Kiran S. Divi, has been Chief Executive Officer since January 2020, leading earnings calls and setting operational guidance. His daughter, Ms. Nilima Prasad Divi, has been Whole-time Director since June 2017, designated Whole-time Director (Commercial), handling finance, procurement, supply chain, and capital projects. The three senior operating roles are held by one family.

## Board and Governance

The board has 10 directors, 5 executive and 5 independent, with 2 women directors. Dr. Ramesh B.V. Nimmagadda is Non-Executive Chairman and an independent director. N.V. Ramana is a long-tenured Executive Director.

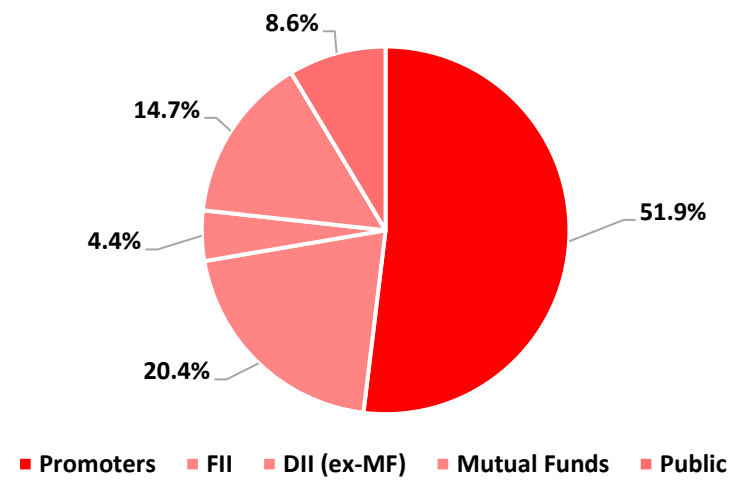
Dr. S. Devendra Rao is Whole-time Director (Manufacturing). The auditors, Price Waterhouse, signed off with no qualifications. The family takes **about Rs 170 crore of pay, about 7% of profit**, and Rs 347 crore of dividend to the three family directors on their stakes.

## The Monitorable

Succession is the long-term question. Dr. Murali Divi is **75** and still Managing Director.

The second generation already runs day-to-day operations, Kiran as CEO since 2020, Nilima in commercial since 2017. The monitorable is whether the transition to full second-generation leadership continues smoothly, and whether the family maintains its operating involvement.

### Shareholding Pattern




### Promoter Holding

| Promoter | Stake |
|---|---|
| Nilima Prasad Divi | 20.34% |
| Satchandra Kiran Divi | 20.34% |
| Swarna Latha Divi | 5.27% |
| Divi's Biotech Pvt Ltd | 3.01% |
| Murali K. Divi | 2.85% |
| Other promoter entities | 0.07% |
| **Total Promoter** | **51.88%** |

Promoter holding is unchanged for four quarters. FIIs raised their stake from 19.39% in September 2025 to 20.38%. Mutual funds hold 14.66%, up from 13.87% in June. No promoter shares are pledged. 873 FIIs and 49 mutual funds hold the stock.

Source: NSE shareholding filing, 7 November 2026; Value Research; MarketsMojo; AR FY26 remuneration disclosures (via Business Standard, 20 Jul 2026).

# Business Segments

**Custom synthesis is 62% of revenue in H1 FY27, the growth engine.**

## Custom Synthesis

Custom synthesis (CS) makes complex APIs and intermediates for global innovators under contract. CS revenue was **Rs 5,808 crore** in FY26, 55% of total, and reached **62% in H1 FY27**.

CS carries higher margins, longer contracts, and deeper customer relationships than generic APIs. The mix shift toward CS is the single most important trend in the business.

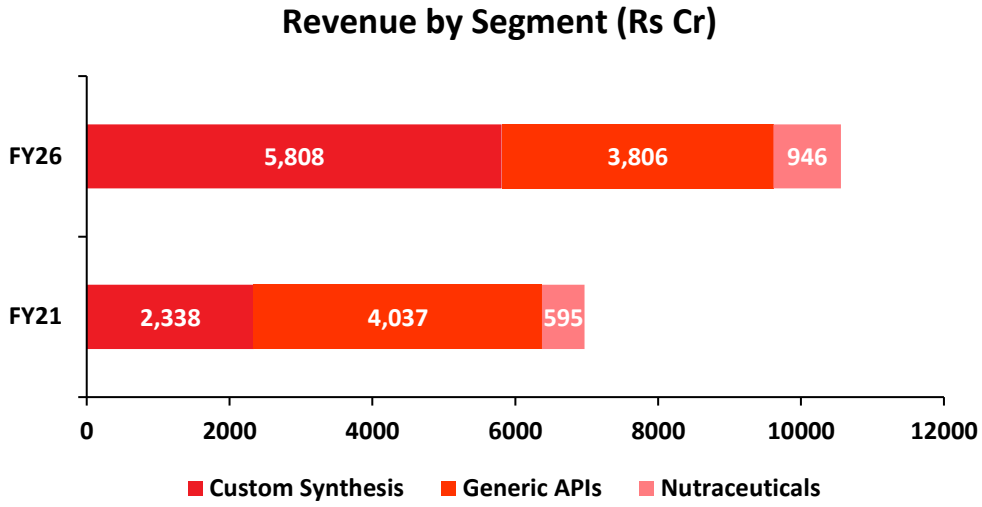
## Generic APIs

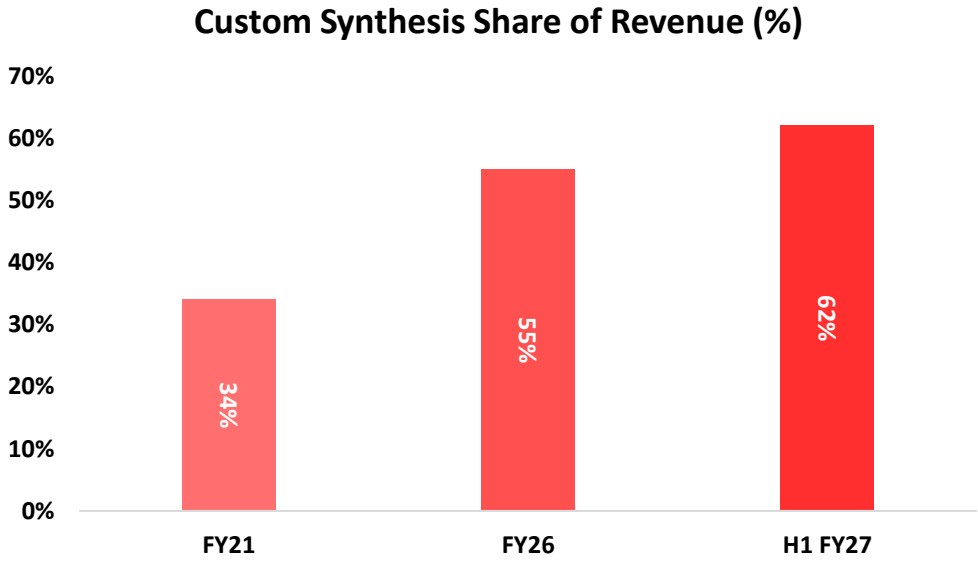
The generics business makes APIs where Divi's has scale and process advantage. Generics revenue was about **Rs 3,806 crore** in FY26 (Rs 4,752 crore, 45% of revenue, including nutraceuticals). Volumes were stable, with pricing pressure offset by backward integration and cost discipline.

Divi's is recognised as the world's largest manufacturer of 10 key APIs, and is among the top 10 global producers of naproxen.

## Nutraceuticals

Nutraceutical ingredients, led by carotenoids (astaxanthin, beta-carotene, lycopene, canthaxanthin), were **Rs 946 crore** in FY26, up 21%. The business marked 20 years in FY26 and is one of the global makers offering a wide carotenoid range at scale.




Source: Divi's Annual Report 2025-26, CARE Ratings (Sep 2026), Q2 FY27 results (7 Nov 2026), Q2 FY27 earnings call, Dolat Capital (Nov 2021), Company Analysis

# Where the Revenue Comes From

**Europe is now the dominant market, and concentration is rising**

## Europe Is Now the Core Market

Europe was **Rs 6,311 crore in FY26, 60.82% of standalone revenue**, up from Rs 5,192 crore (56.46%) in FY25. Switzerland alone was **Rs 2,611 crore, up 37%** year on year.

## Asia and India Are Steady

Asia was **Rs 1,079 crore (10.40%)** and India **Rs 1,147 crore (11.06%)**, both steady. Rest of the World grew to **Rs 479 crore (4.62%)** from Rs 367 crore. Asia-Pacific is the fastest-growing pharma region at **about 7% a year through 2030**.

## North America Is Shrinking

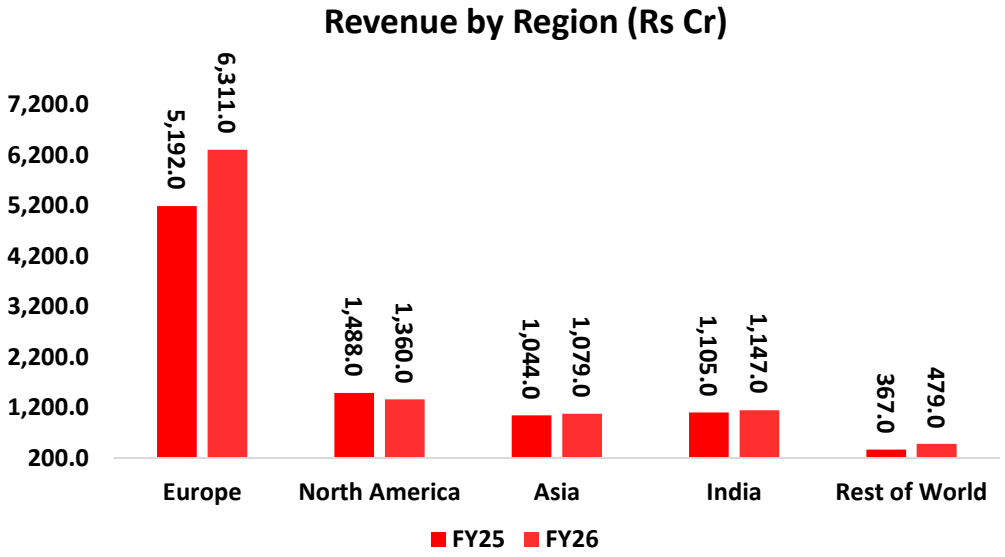
North America fell to **Rs 1,360 crore (13.10%)** from Rs 1,488 crore (16.18%). USA revenue fell **16% to Rs 1,092 crore** from Rs 1,306 crore. The mix shift toward Europe is the story of FY26.

## Exports Are Dollar-Denominated

Exports are **89% of sales**, and **86% of exports are in US dollars**, 8% in pounds and 6% in euros. Advanced markets, Europe and America together, are **74% of sales**.

## Concentration Is Rising

The top 5 products are **48% of value, up from 43%**, and the top 5 customers are **51% of sales, up from 49%**. The MD's message says the portfolio reduces concentration risk, but the disclosed ratios moved the other way in FY26.




## Geographic Mix FY26

| Item | FY25 | FY26 |
|---|---|---|
| Switzerland revenue (Rs crore) | 1,908 | 2,611 |
| USA revenue (Rs crore) | 1,306 | 1,092 |
| Top 5 products (% of value) | 43% | 48% |
| Top 5 customers (% of sales) | 49% | 51% |

Source: Divi's Annual Report FY26, MD&A §7; Note 30 Segment Information Note: region figures are standalone (MD&A section 7.2); country figures are consolidated (Note 30).

# Manufacturing and R&D

**Kakinada Unit 3 and Rs 2,000 crore a year of capex fund the next leg.**

## Three Manufacturing Units

**Unit 1, Choutuppal** (65 km from Hyderabad): the original site, generics and custom synthesis. **Unit 2, Visakhapatnam**: the largest site, multi-product API and CS manufacturing. **Unit 3, Kakinada** (150 km south of Unit 2): began production in **January 2025**, the platform for the next leg of growth.

Gross block rose to **Rs 9,413 crore** at March 2026, from Rs 7,868 crore a year earlier. The R&D centre is at Sanath Nagar, Hyderabad, with 4 R&D centres in total.

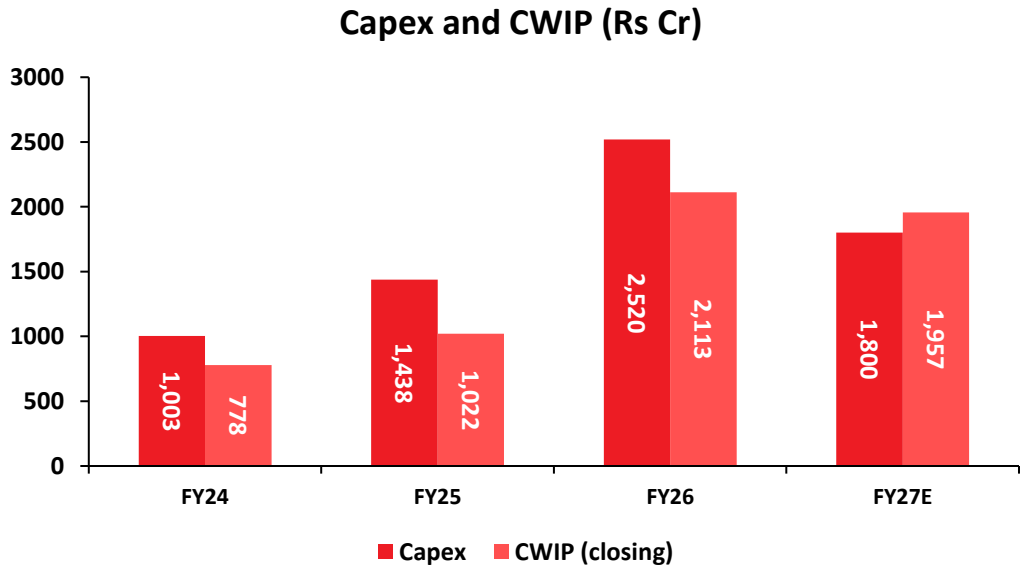


Divi's manufacturing campus. Photo: divislabs.com

## Capex Programme

Capex was **Rs 2,520 crore** in FY26 (actual), after Rs 1,438 crore in FY25 and Rs 1,003 crore in FY24. Capital work-in-progress stood at **Rs 2,113 crore** at March 2026.

Management guides capex of about **Rs 2,000 crore a year**, plus or minus 20%, for two to three years. Three major capex programmes, backed by long-term supply commitments, are progressing through execution. In H1 FY27, Rs 1,223 crore was capitalised. Management has also told SEBI about a larger Rs 9,000 crore capex programme, mainly at Unit 3 Kakinada.




## R&D and Technology

R&D spend was **Rs 101 crore in FY26 (0.96% of consolidated sales)**, up from Rs 80 crore in FY25. The Peptide Centre of Excellence was established in FY26, and flow chemistry and biocatalysis platforms were expanded.

China has withdrawn export tax rebates, raising importer costs and strengthening backward integration at Unit 3.

Source: Divi's Annual Report 2025-26, Q2 FY27 earnings call, Divi's three-statement model

# Customer-Funded Capacity

**Customers are pre-funding the capex, not just promising orders**

## Customers Paid Upfront

Customers paid a refundable advance of **Rs 456 crore** and deferred revenue of **Rs 402 crore** in FY26, both new this year. Total net contract liabilities reached **Rs 485 crore**. Customers are pre-funding capacity, not just promising orders.

## Three Capex Programmes

Three major capex programmes, backed by **long-term supply commitments**, are progressing through different stages of execution. These investments are expected to begin contributing progressively over the **next 12 to 24 months**.

## Revenue Recognition Changed

Divi's recognised **Rs 236 crore of revenue over time** in FY26, the first time ever (FY25: nil). That means at least one large contract gives Divi's an enforceable right to payment for work completed, consistent with dedicated capacity.

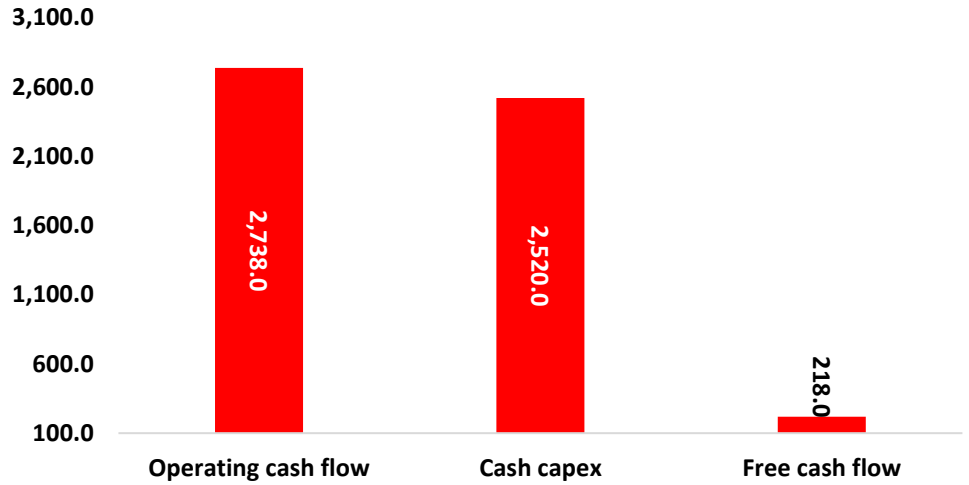
## The Spend Is Turning Into Assets

PPE and intangible assets worth **Rs 1,544 crore** were capitalised during FY26. Advances for capex programmes stand at **Rs 134 crore**.

## The Capex Is De-risked

Cash capex was **Rs 2,520 crore in FY26**, against Rs 1,438 crore in FY25. Work in progress stood at **Rs 2,113 crore**, of which **Rs 1,921 crore is less than a year old**. Free cash flow was only about Rs 218 crore because nearly all operating cash was reinvested, but the demand behind the spend is contracted.

### FY26 Cash Flow (Rs Cr)




### Customer Funding FY26

| Customer Funding | Rs crore |
|---|---|
| Refundable advance from customers | 456 |
| Deferred revenue | 402 |
| Customer advance | 83 |
| Total net contract liabilities | 485 |
| Revenue recognised over time | 236 |

Source: Divi's Annual Report FY26, Notes 14, 15, 16; Consolidated Cash Flow Statement Note: contract liabilities are net of Rs 111 crore offset against contract assets.

# Regulatory and Quality

**A clean USFDA record at Unit 1 in FY26. Quality is the moat.**

## USFDA Inspection Record

Divi's concluded a **US FDA general cGMP inspection at Unit 1, Choutuppal, on 10 to 14 November 2025**, with **zero Form 483 observations**. The previous inspection, at Unit 2, Visakhapatnam, in July 2024, closed with one procedural observation, addressed within the stipulated time.

No USFDA inspection was conducted in FY22, FY23, or FY24, and none has been announced in calendar 2026 as of 13 November 2026.

Eight health authorities have inspected Divi's facilities, including the USFDA, EU GMP, Health Canada, and PMDA Japan.

## The 2017 Warning Letter, Closed Out

In March 2017 the USFDA imposed import alerts 66-40 and 99-32 on Unit 2, and in April 2017 it issued a warning letter, after a December 2016 inspection found 5 Form 483 observations. Import Alert 99-32 was lifted in July 2017, the warning letter was closed out on 10 November 2017, and Import Alert 66-40 was removed on 14 November 2017. No warning letter or import alert has followed since.

Every USFDA inspection since the warning letter closed in November 2017 has ended with zero observations or one procedural observation. Innovators choose CDMO partners on quality track record first, and nine years since the warning letter closed is the moat.

## Certifications and Filings

Divi's holds **ISO 9001, ISO 14001, and ISO 45001** certification, and had filed **41 DMFs with the USFDA** as of 31 March 2026. It also received the **International Safety Award 2026**.

### Quality Milestones

| Quality Milestone | Status |
|---|---|
| USFDA Unit 1, Nov 2025 | Zero Form 483 observations |
| USFDA Unit 2, Jul 2024 | One procedural observation |
| Warning letter, Unit 2 | Apr 2017, closed out Nov 2017 |
| ISO certification | 9001, 14001, 45001 |
| Filings, 31 Mar 2026 | 41 USFDA, 25 HC, 30 EDQM, 9 PMDA |
| Safety Award 2026 | British Safety Council |
| EIR, Unit 2 | Received 18 Nov 2017 |

## The Risk in Plain Terms

Regulatory risk is the single largest operating risk for an API exporter. A warning letter or import alert at any unit would hit revenue, margins, and customer trust at once.

The mitigation is the track record since 2017: nine years of inspections passed, long customer relationships, and a quality system built for the most demanding regulators. The report treats the clean November 2025 inspection as a positive, not as a guarantee.

## Geopolitics: The Tailwind

The US BIOSECURE Act became law in December 2025. It bars federal buyers from designated Chinese biotech firms. WuXi AppTec was added to the US Defense Department 1260H list in June 2026, though a US court enjoined the designation in August 2026, and the DoD removed WuXi from the 1260H list on 10 Nov 2026; the OMB list due in December 2026 is the next step. In a 2024 BIO survey of 124 companies, 79% had a China CDMO contract. Moving production typically takes 18 to 36 months and can cost US$20 to 60 million per product (HiQual Insights, Sep 2026). US tariffs of 100% on patented drugs exempt generics for now, under review; generics are 90% of India's US exports.

Source: Divi's Annual Report 2025-26, CARE Ratings (26 Aug 2025, 7 Sep 2026), Business Standard, BIOSECURE Act Dec 2025, Section 232 tariffs Apr 2026, Company Analysis

# Economic Context

**Global growth is steady at 3.1%. India grows fastest at 7.8%.**

## Global Economy

The global economy continues to face geopolitical tensions, inflationary pressures and trade-related uncertainty. According to the IMF, global growth is projected at **3.1% in 2026** and 3.4% in 2027, after 3.5% in 2025. Global headline inflation is expected at 4.7% in 2026 before moderating to 4.1% in 2027.

Energy prices remain a watch item. The IMF outlook assumes oil at about US$96 a barrel. Higher energy prices feed into Divi's power and fuel costs, which were Rs 528 crore in FY26.

## Indian Economy

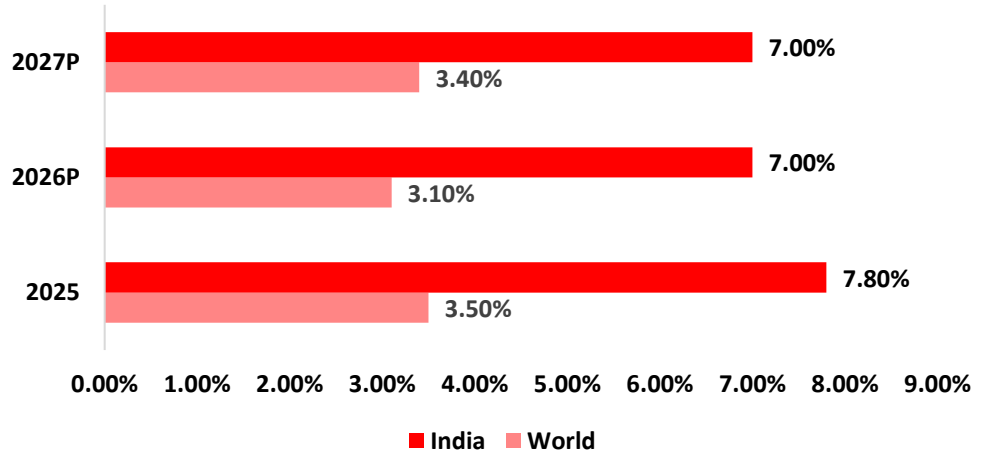
India stands apart. The IMF projects India's real GDP growth at **7.8% in FY26** and 7.0% in both FY27 and FY28, keeping India the fastest-growing major economy.

For an exporter like Divi's, which sells about 89% of its output overseas, steady global demand and a strong domestic base matter more than any single quarter's growth print.

## What It Means for Divi's

A growing Indian economy supports the domestic cost base and talent pool. Steady global growth supports demand from innovator customers in the US and Europe, who account for most of Divi's revenue.

### Real GDP Growth: World vs India (%)




### Economic Indicators

| Indicator | FY26 / 2026 |
|---|---|
| India real GDP growth | 7.8% |
| Global real GDP growth | 3.1% |
| India CPI inflation, FY26 | 2.0% |
| India real GDP growth, FY27 | 7.0% |
| India real GDP growth, FY28 | 7.0% |
| Global real GDP growth, 2027 | 3.4% |

Source: IMF World Economic Outlook, October 2026, Company Analysis

# Global Pharma and the Patent Cliff

**Over US$230 billion of drug sales lose patent protection by 2030. That is the opportunity for API makers.**

## The Market

Global pharma was **US$1.77 trillion** in 2025, heading to US$2.62 trillion by 2031 at 6.7% a year (Precedence Research, Mordor Intelligence). IQVIA puts medicine spending over US$2.6 trillion by 2030. The top five companies by revenue in 2025 were J&J at US$94.2 billion, Roche at US$74.1 billion, Eli Lilly at US$65.2 billion, Merck at US$65.0 billion, and Pfizer at US$62.6 billion. Eli Lilly grew 45% on GLP-1 demand. Global R&D spending passed US$240 billion in 2025, with the US at about 45%.

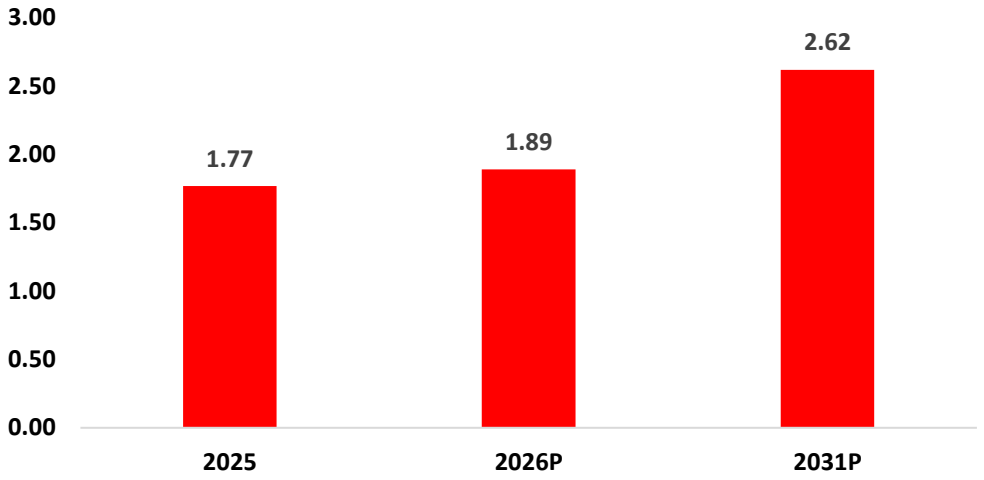
## The Patent Cliff

Over **US$230 billion** of drug sales lose exclusivity by 2030 (IQVIA). Keytruda, the world's best-selling single-brand drug at US$31.7 billion in 2025, loses protection in 2028-2029. Eliquis, over US$20 billion, follows in 2026-2028. Darzalex in 2029. Bristol Myers Squibb is the most exposed, with Eliquis and Opdivo at about 51% of revenue (2025 actuals), a US$38 billion gap. When patents expire, generics makers need API at scale. That is where Divi's comes in.

## What It Means for Divi's

Divi's makes the active ingredients inside medicines. When a blockbuster goes off patent, generic companies order API in large volumes. Divi's scale, regulatory track record, and cost position make it a natural supplier. The patent cliff is not a one-year event. It runs through 2030 and beyond, with **US$180 billion** of biologics also losing protection from 2026 to 2032.

### Global Pharma Market (US$ trillion)




### Key Patent Expiries

| Drug | 2025 Sales | Expiry |
|---|---|---|
| Keytruda | US$ 31.7B | 2028-29 |
| Eliquis | US$ 20B+ | 2026-28 |
| Darzalex | US$ 10B+ | 2029 |
| Opdivo | US$ 9B+ | 2026-28 |

US$180 billion of biologics lose protection from 2026 to 2032. The global biosimilars market was US$39.7 billion in 2025, growing to US$153 billion by 2034.

Source: Mordor Intelligence, IQVIA, Precedence Research, Value Market Research, 2025-2026. Darzalex and Opdivo sales are approximate.

# Indian Pharma: Scale and Momentum

**India is the third largest pharma producer by volume in the world.**

## Industry Scale

India's pharmaceutical industry is the world's **third largest by volume** and 11th by value. The domestic market is estimated at about **US$60 billion in FY26**, growing to US$120 to 130 billion by 2030.

India is the largest supplier of generic drugs globally, about 20% of global supply by volume, and supplies about **60% of UNICEF vaccine supplies**. The industry has about 3,000 drug companies and 10,500 manufacturing units, the highest number of USFDA-approved plants outside the US.

## Exports

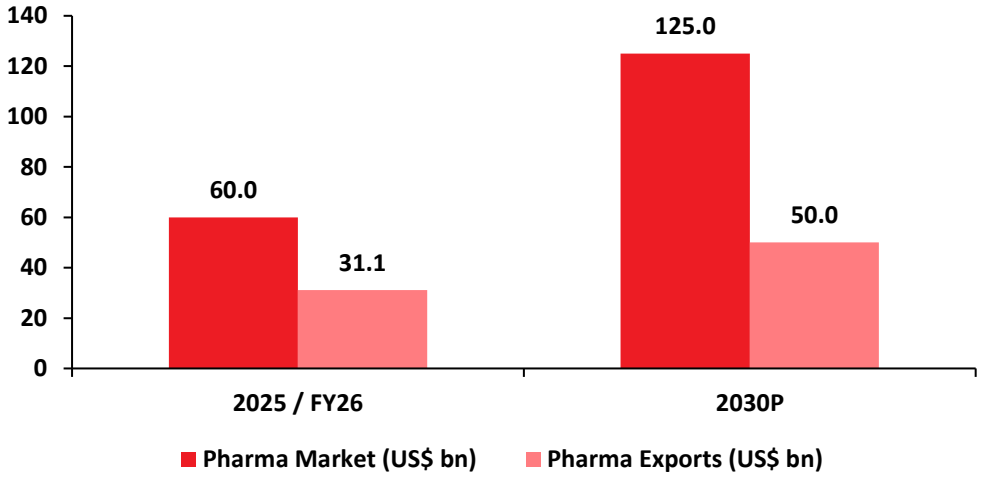
Pharma exports were **US$30.47 billion in FY25** and surpassed US$31 billion in FY26. Exports go to more than 200 countries, with the US at about 30% and Europe at about 19%.

The government targets **US$50 billion of pharma exports by 2030**. Pharma and API exports together are about US$35.8 billion.

## Policy Support

The PLI scheme for pharmaceuticals has a **Rs 15,000 crore** outlay, with Rs 41,920 crore invested by December 2025. The PLI scheme for bulk drugs (APIs) has a Rs 6,940 crore outlay, with 48 projects approved and 39 plants running.

### India Pharma: Market and Exports (US$ bn)




### India Pharma Facts

| India Pharma Fact | Value |
|---|---|
| Global rank by volume | 3rd |
| Global rank by value | 11th |
| USFDA-approved plants | Highest outside US |
| Domestic market, FY26 | About US$60 bn |
| Pharma exports, FY26 | Over US$31 bn |
| Manufacturing units | About 10,500 |

Source: IBEF (Bain & Co), PIB, Ministry of Commerce, Economic Survey 2025-26

# API Market: The Core Opportunity

**The global API market is US$271 billion. India holds 49% of US API filings.**

## Global API Market

The global API market is estimated at **US$270.5 billion in 2025**, growing to US$419 billion by 2033 at a 5.6% CAGR. China supplies about 40% of global API.

Growth is driven by chronic disease prevalence, patent-expiry waves, biosimilar demand, and the outsourcing of API manufacturing to specialist makers. GLP-1 demand is adding high-volume API requirements.

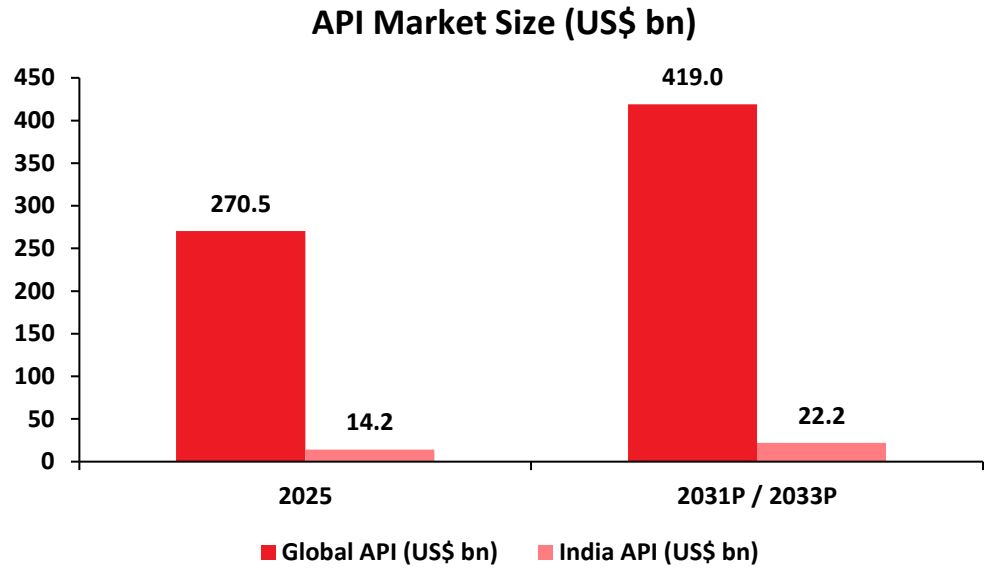
## India's Position

India is the **third largest API producer in the world by volume**, with about 500 API manufacturers. India holds **49% of all active API Drug Master Files** for US medicines, the largest share of any country. China holds 21%.

But India's share of global API value is only about 6%, against about 20% by volume. The opportunity is to move up the value chain into complex, high-barrier APIs, which is Divi's strategy.

## China Plus One

Global pharma is diversifying supply away from single-source dependence on China. But the shift is partial: China still supplied **73.7% of India's API imports** in FY25. Divi's backward integration, making key starting materials in-house, is a direct answer to this dependence.




### API Facts

| API Fact | Value |
|---|---|
| India share of US API DMFs | 49.0% |
| India API manufacturers | About 500 |
| India share of global API value | About 6% |
| Global API market, 2025 | US$270.5 bn |
| Global API CAGR | 5.6% |
| China share of global API supply | About 40% |

Source: Grand View Research (Jun 2026), Mordor Intelligence, US Pharmacopeia, NITI Aayog, Planify/PharmaBiz, Divi's AR 2025-26. Forecast years: India 2031, Global 2033.

# CDMO: The Outsourcing Wave

**Outsourcing is structural. 73% of 2025 US drug approvals used outsourced API making.**

## Global CDMO Market

The global pharmaceutical CDMO market is estimated at **US$166 billion in 2025**, growing to US$293.6 billion by 2033 at a 7.4% CAGR. Asia-Pacific holds the largest share at 38.2%.

The shift is structural, not cyclical. In 2025, **73% of US drug approvals used outsourced API manufacturing**, against an 11-year average of 61%. Innovators are deferring in-house manufacturing investment in favour of flexible CDMOs.

## India CDMO

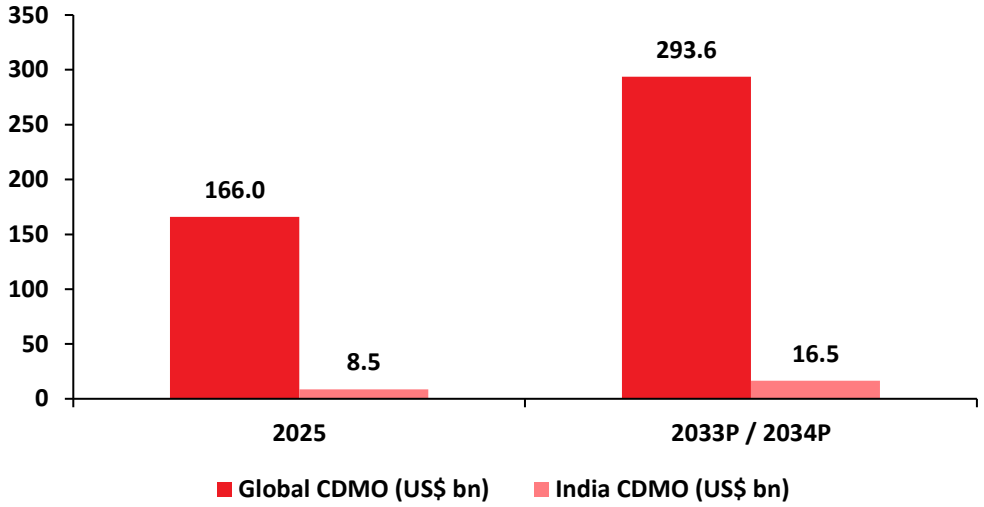
India's CDMO market is estimated at **US$8.52 billion in 2025**, growing to US$16.53 billion by 2034 at a 7.6% CAGR. Broader CRDMO estimates put India at US$25.5 billion in 2025, growing to US$71 billion by 2035.

India's broader CRDMO opportunity is growing at 13.4% a year (Kotak Mutual Fund). India has a 70 to 80% workforce cost advantage over Western countries.

## The BIOSECURE Caveat

The BIOSECURE Act became US law in December 2025, but it restricts **federal procurement only**, not private commercial outsourcing, which is most innovator CDMO spend. The China plus one benefit for Indian CDMOs is a possibility, not yet a fact. WuXi AppTec revenue still grew 38.9% in H1 2026.

### CDMO Market Size (US$ bn)




### CDMO Facts

| CDMO Fact | Value |
|---|---|
| India CRDMO CAGR | 13.4% |
| Global CDMO CAGR | 7.4% |
| US approvals outsourced (2025) | 73.0% |
| Global CDMO market, 2025 | US$166 bn |
| Global CDMO market, 2033 | US$293.6 bn |
| India CDMO market, 2025 | US$8.52 bn |

Source: Grand View Research (2026), IMARC Group, Kotak Mutual Fund, Expert Market Research, Jefferies, William Blair, WuXi AppTec H1 2026 results (3 Aug 2026)

# GLP-1: Peptides for Innovators Only

**Divi's supplies peptide fragments to innovators. It will not make generic peptides.**

## The Market

Global GLP-1 sales were **US$79 billion in 2025**, led by tirzepatide (US$36.5 billion) and semaglutide (US$34.5 billion, including Rybelsus). Morgan Stanley forecasts **US$190 billion by 2035**. J.P. Morgan forecasts about US$200 billion by 2030 (incretin market, including GLP-1s).

The peptide API CDMO market is US$8.65 billion in 2026, growing to US$24.8 billion by 2035. Goldman Sachs models peptide-API demand at about 99,000 kg a year by 2030.

AR (IQVIA): anti-obesity **US$3bn (2020), US$66bn (2025), US$125bn (2030)**. Peptides **US$140bn to US$295bn by 2033**; metabolic **64%** of demand.

## Divi's Role

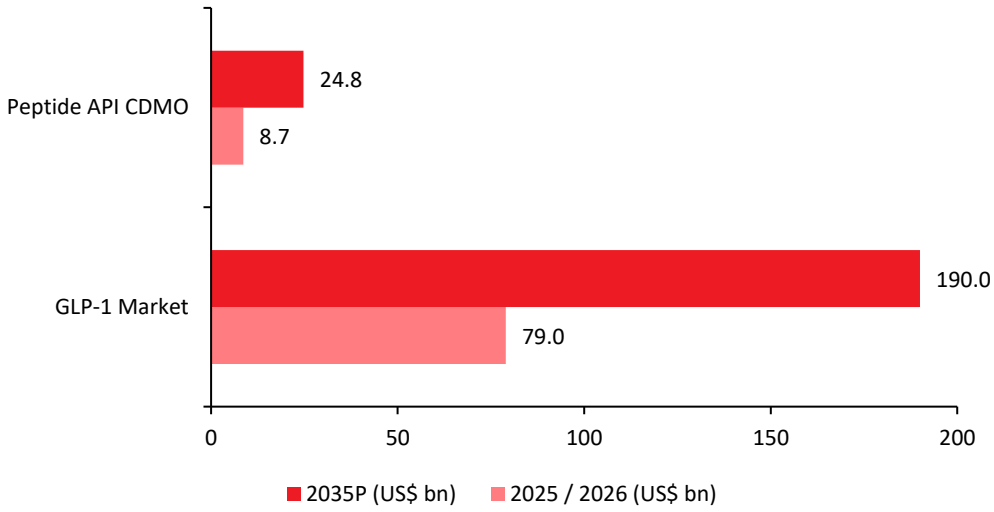
Divi's supplies **protected amino acids, peptide fragments, and intermediates** to innovators, using both solid-phase (SPPS) and liquid-phase synthesis. One commercial peptide facility is complete, with large-scale SPPS reactors.

Management has said clearly that Divi's will **not make generic peptides**. JM Financial estimates a **US$100 million GLP-1 intermediates opportunity by FY28E**.

## Orforglipron: Analyst Belief, Not Confirmed

Analysts believe Divi's is a supplier for orforglipron, Lilly's oral GLP-1 drug (brand Foundayo, FDA approved 1 April 2026). **This is analyst belief, not company confirmation.** Orforglipron is a small molecule, not a peptide, so it uses Divi's small-molecule chemistry, not SPPS capacity.

### GLP-1 and Peptide CDMO Markets (US$ bn)




### GLP-1 Facts

| GLP-1 Fact | Value |
|---|---|
| Tirzepatide sales 2025 | US$36.5 bn |
| Semaglutide sales 2025 | US$34.5 bn |
| Peptide API demand by 2030 | 99,000 kg/yr |
| Global GLP-1 sales, 2025 | US$79 bn |
| GLP-1 market, 2035 | US$190 bn |
| Peptide API CDMO, 2026 | US$8.65 bn |

Source: Morgan Stanley, J.P. Morgan, Goldman Sachs, Emergen Research, CNBC-TV18, Divi's Annual Report 2025-26 (MD&A)

# Growth Story: Custom Synthesis Leads

**CS revenue grew 54% in Q2 FY27. Generics grew 10.2%.**

## Custom Synthesis: the Growth Engine

Custom synthesis is the engine. CS was 55% of FY26 revenue (**Rs 5,808 crore**) and 62% in H1 FY27. In Q2 FY27, CS revenue was **Rs 2,341 crore**, up 54% year on year, against generics at Rs 1,050 crore, up 10.2%.

The mix shift toward CS is the single most important trend in the business, because CS carries higher margins, longer contracts, and deeper customer relationships than generic APIs.

## Three Projects in Validation

**Three CS projects are in validation**, with one near commercialisation. Commercialisation is expected in early CY2027, subject to customer approvals. Each project carries capex of about Rs 650 to 700 crore.

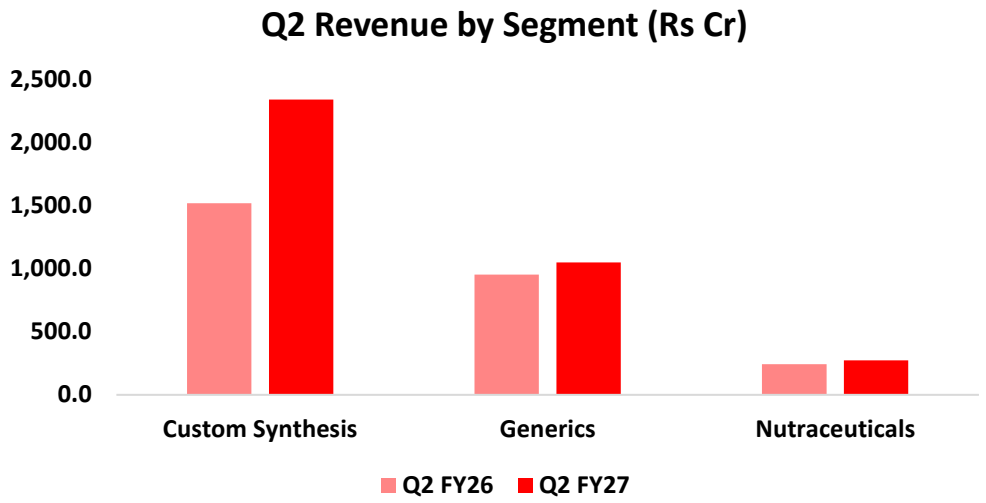
Commercial-scale revenue has not yet started, and the timing depends on the innovator's regulatory filings. The AR describes three major capex programmes backed by long-term supply commitments.

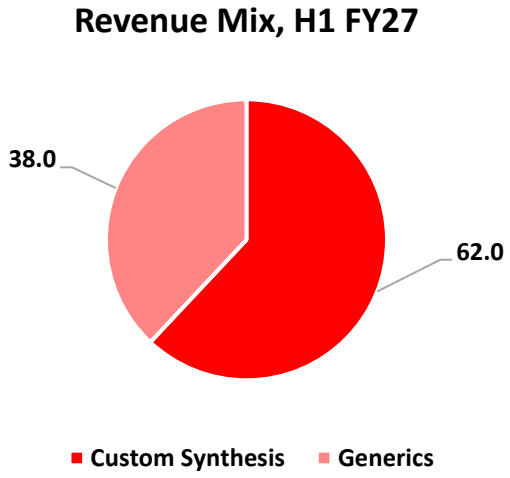
Service revenue jumped to **Rs 126 crore in FY26 from Rs 22 crore**.

## The Monitorable

The monitorable is when the three projects commercialise and at what run rate. Management has guided **double-digit revenue growth for FY27**. The CS order flow, not the generics cycle, now drives the investment case.

H1 PAT of **Rs 2,029 crore** is already 73% of the FY27 forecast.




Note: segment figures are approximate broker estimates and may not sum to total revenue.

Source: Divi's Q2 FY27 results (7 Nov 2026), Q2 FY27 earnings call, Company Analysis

# Q2 FY27: The Strongest Quarter

**Q2 FY27 was the strongest quarter on record.**

## Record Quarter

Q2 FY27 was Divi's strongest quarter. Revenue was **Rs 3,676 crore**, up 35.4% year on year. Profit after tax was **Rs 1,127 crore**, up 63.6%.

EBITDA was **Rs 1,566 crore**, up 76%, with a margin of **42.6%** against 32.7% in Q2 FY26. Custom synthesis drove the growth: CS revenue of Rs 2,341 crore, up 54%, while generics grew 10.2% to Rs 1,050 crore and nutraceuticals grew 13% to Rs 273 crore.

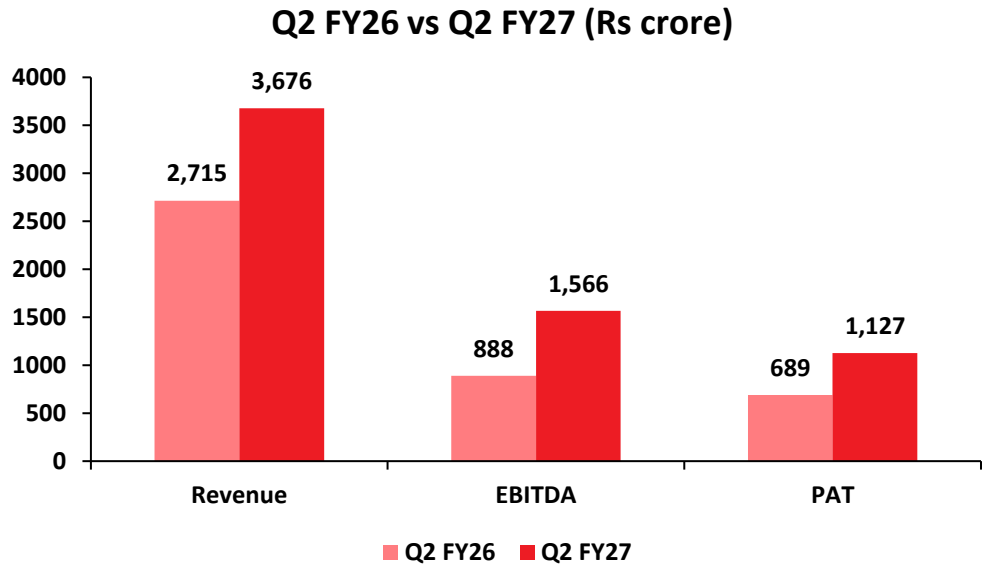
## H1 Tracking Ahead of the Model

H1 FY27 revenue was **Rs 6,756 crore** and PAT was **Rs 2,029 crore**, already 73% of the FY27 forecast of Rs 2,775 crore. H1 EBITDA was Rs 2,821 crore at a 41.8% margin, 70.5% of the FY27 forecast of Rs 4,000 crore.

The model margins of about 32% are conservative against H1 actual of 42%. Material cost fell to about 32% of revenue in H1 from 41.5% in FY26, which is the main reason margins expanded.

## What to Watch

The monitorable is whether H2 holds the margin or normalises. Management has guided double-digit revenue growth for FY27, but has not committed to the 42% margin. Working capital is the other watch item: inventories rose to Rs 5,540 crore at September 2026, and H1 operating cash flow was only Rs 384 crore.




### H1 FY27 Tracking

| H1 FY27 Tracking | Value |
|---|---|
| H1 Revenue | Rs 6,756 crore |
| H1 PAT (% of FY27 forecast) | Rs 2,029 crore (73%) |
| H1 EBITDA margin | 41.8% |
| H1 EBITDA | Rs 2,821 crore (70.5%) |
| Q2 Revenue growth | +35.4% |
| Q2 PAT growth | +63.6% |

Source: Divi's Q2 FY27 results (7 Nov 2026), Q2 FY27 earnings call, Business Standard, Informist Media

# Financials

**FY26 revenue was Rs 10,560 crore, up 12.8%.**

## Revenue

The company posted revenue from operations of **Rs 10,560 crore in FY26** (actual), up 12.8% year on year from Rs 9,360 crore in FY25 (actual). Growth was driven by custom synthesis, which grew faster than generics through the year.

FY22 was the Molnupiravir year; FY23 and FY24 saw the post-Covid normalisation before growth resumed. HDFC Securities estimates FY27 revenue at Rs 12,718 crore (estimate), about 20% growth, above the model's base case of 18% (Rs 12,461 crore).

## Profitability

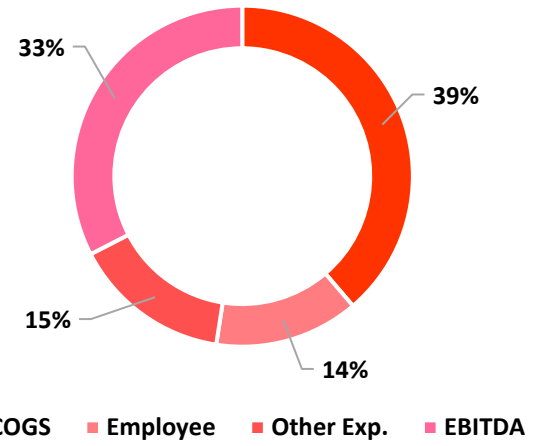
EBITDA was **Rs 3,441 crore in FY26** (32.6% margin) and PAT was **Rs 2,568 crore** (24.3% margin). The dividend is Rs 30 per share, flat for five years, a payout of 31% in FY26.

Return on equity was 16.2% in FY26 and return on capital employed was 17.8%. H1 FY27 revenue is Rs 6,756 crore (actual), 54% of the FY27 forecast.

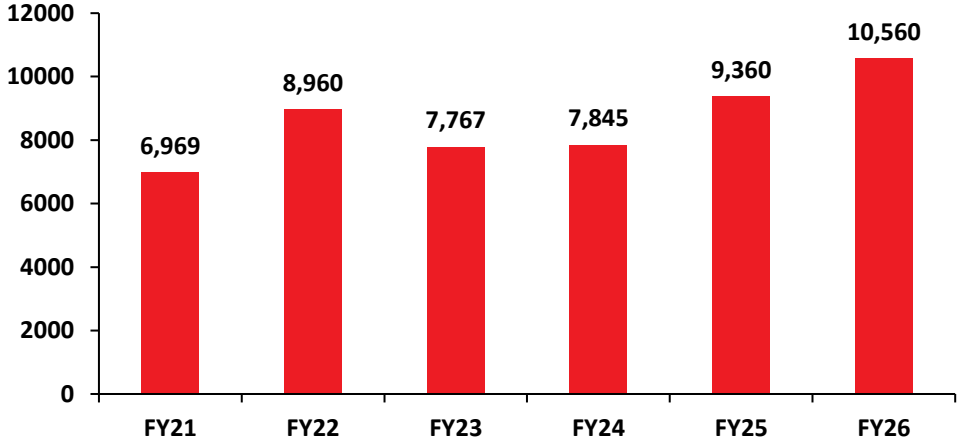
## Six-Year Summary

Revenue grew from Rs 6,969 crore in FY21 to Rs 10,560 crore in FY26, a 8.7% CAGR. FY22 spiked on Molnupiravir sales, then FY23 dipped post-Covid before growth resumed. EBITDA fell from the FY22 peak of Rs 3,897 crore to Rs 2,212 crore in FY24, then recovered to Rs 3,441 crore in FY26.

**FY26 P&L Composition (% of Revenue)**




**Revenue (Rs Cr)**




Source: Divi's Annual Report 2025-26, Divi's Q2 FY27 results (7 Nov 2026), Divi's three-statement model; HDFC Securities

# Margins

**Gross margin held at 61.2% in FY26. H1 FY27 hit 68%.**

## Gross Margin

Divi's gross margin expanded 104 basis points in FY26, to **61.2%** from 60.2% in FY25. Gross profit was Rs 6,467 crore on revenue of Rs 10,560 crore.

The margin was 66.7% in FY21 and peaked at 67.0% in FY22, the Molnupiravir year, then settled around 60 to 61% from FY23. Management has guided toward a 60% full-year gross margin, with the mix shift toward custom synthesis supporting it.

## EBITDA and PAT Margins

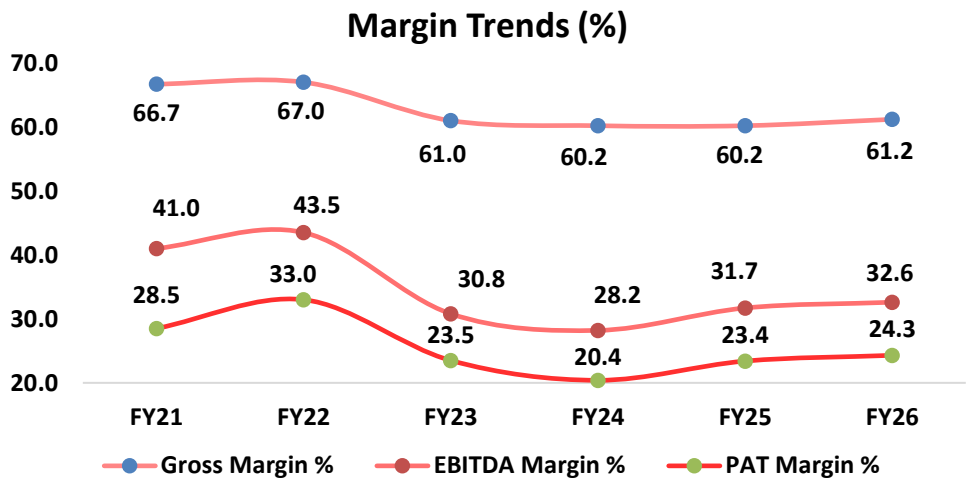
EBITDA margin was **32.6% in FY26**, up from 31.7% in FY25. PAT margin was 24.3%. The model holds EBITDA margin near 32 to 34% through FY36.

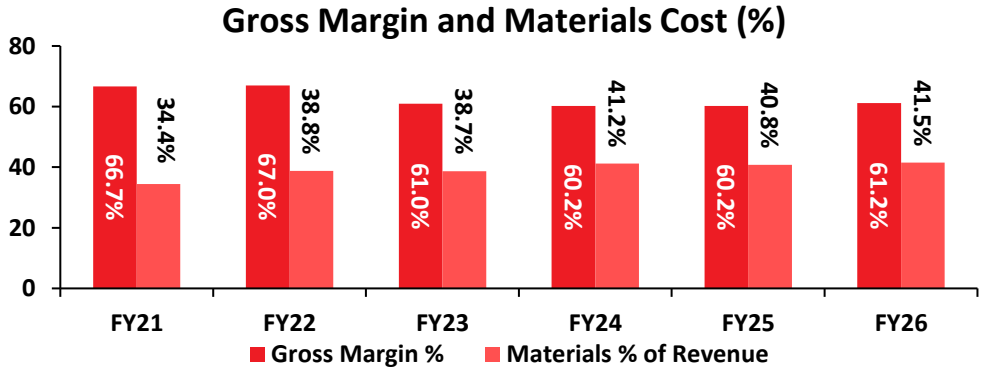
The H1 FY27 print shows material cost at about 32% of revenue, which drove the gross margin to 68% in Q1 and EBITDA margin to 42.6% in Q2. That level is not assumed to hold: the model keeps material consumption at about 40% of revenue through the forecast.

## The Monitorable

The monitorable is whether the H1 margin strength persists or normalises toward the model's 32%. If it persists, the model is conservative by a wide margin.

Q2 FY27 EBITDA margin was **42.6%**, against 32.7% in Q2 FY26.




| Category | Gross Margin % | EBITDA Margin % | PAT Margin % |
|---|---|---|---|
| FY21 | 66.7 | 41.0 | 28.5 |
| FY22 | 67.0 | 43.5 | 33.0 |
| FY23 | 61.0 | 30.8 | 23.5 |
| FY24 | 60.2 | 28.2 | 20.4 |
| FY25 | 60.2 | 31.7 | 23.4 |
| FY26 | 61.2 | 32.6 | 24.3 |

Source: Divi's Annual Report 2025-26, Divi's Q2 FY27 results (7 Nov 2026), Divi's three-statement model

# Costs: SG&A and Materials

**SG&A fell to 28.7% of revenue, showing operating leverage.**

## SG&A Expenses

SG&A expenses rose to **Rs 3,026 crore in FY26**, from Rs 2,667 crore in FY25, a 13.5% increase. As a share of revenue, SG&A has fallen from 30.2% in FY23 to **28.7% in FY26**, showing operating leverage as revenue grows faster than overhead.

The biggest component is employee benefits at Rs 1,442 crore, 13.7% of revenue, up from Rs 1,243 crore in FY25. Power and fuel was Rs 528 crore, freight and forwarding Rs 135 crore, and legal and professional fees Rs 37 crore (audited, Note 23).

## Materials Cost

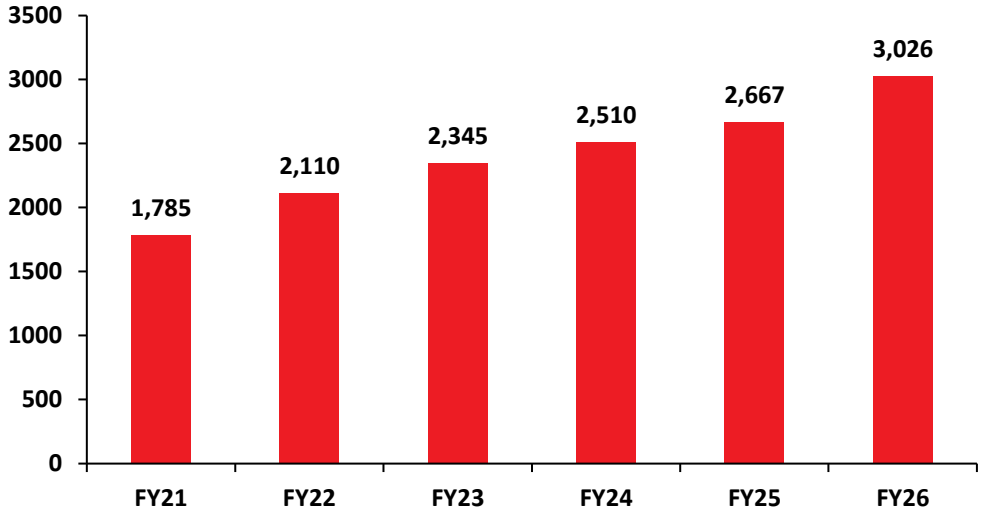
Materials consumption was **Rs 4,378 crore in FY26**, 41.5% of revenue. The ratio was 34.4% in FY21, 38.8% in FY22, rose to 41.2% in FY24, and has settled near 41 to 42%.

The H1 FY27 print shows material cost at about 32% of revenue, which drove margins up.

## R&D Cost

R&D expense was **Rs 101 crore in FY26**, capitalised over 10 years under the Damodaran R&D adjustment. The amortisation charge in FY26 was Rs 37 crore. R&D is 0.96% of sales, low for a pharma company, because Divi's R&D is process chemistry, not drug discovery.

### SG&A Expenses (Rs Cr)




### Cost Items FY26

| Cost Item FY26 | Rs crore |
|---|---|
| Materials consumed | 4,378 |
| Employee benefits | 1,442 |
| Other expenses | 1,584 |
| SG&A total | 3,026 |
| Power and fuel | 528 |
| Legal and professional | 37 |
| R&D expense | 101 |
| Repairs and maintenance | 208 |

Source: Divi's Annual Report 2025-26 (Note 23), Divi's three-statement model

# Working Capital

**The cash cycle is 363 days. Inventory is the dominant item.**

## Receivables: 103 Days

Trade receivables rose to **Rs 2,984 crore** at March 2026, from Rs 2,731 crore a year earlier. Receivable days were **103 in FY26**, against 106 in FY25, and have ranged from 84 to 106 days over the last six years.

The level is normal for an exporter selling to global innovators on terms typically ranging 60 to 180 days. At September 2026, receivables were Rs 3,487 crore, in line with the revenue ramp.

## Inventory: 353 Days

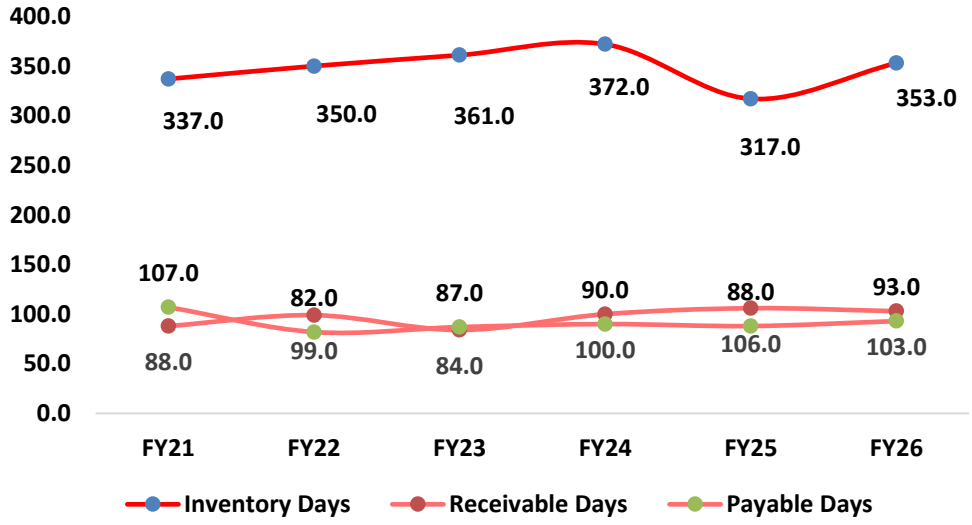
Inventory rose to **Rs 3,954 crore** at March 2026, from Rs 3,236 crore a year earlier. Inventory days were **353 in FY26**, against 317 in FY25, and have ranged from 317 to 372 days over the last six years.

The rise reflects the Kakinada ramp and stocking for the CS projects. At September 2026, inventories reached Rs 5,540 crore.

## Payables and Cash Cycle

Trade payables were Rs 1,211 crore at March 2026, **93 days**, against 88 days in FY25. The cash conversion cycle was **363 days in FY26**, against 335 days in FY25. The cycle is long because inventory dominates, not because collections are slow. Trade working capital was Rs 5,727 crore.

### Working Capital Days




### Working Capital FY26

| Working Capital FY26 | Days / Rs crore |
|---|---|
| Cash conversion cycle | 363 days |
| Trade working capital | Rs 5,727 crore |
| H1 FY27 operating cash flow | Rs 384 crore |
| Trade receivables | Rs 2,984 crore (103 days) |
| Inventory | Rs 3,954 crore (353 days) |
| Trade payables | Rs 1,211 crore (93 days) |

Source: Divi's Annual Report 2025-26, Divi's Q2 FY27 results (7 Nov 2026), Divi's three-statement model

# Balance Sheet: Debt-Free

**Divi's is debt-free with Rs 3,397 crore net cash.**

## No Debt

Divi's Laboratories has **no debt**. Total borrowings are nil at March 2026 and were nil a year earlier.

The company funds all its expansion from internal accruals. There are no outstanding debentures, no term loans, and no working capital borrowings on the balance sheet.

## Cash Position

The balance sheet carries **Rs 3,414 crore of cash and bank deposits** at March 2026 (cash Rs 128 crore plus bank deposits Rs 3,286 crore), plus Rs 69 crore of non-current investments, a cash pool of Rs 3,483 crore.

After provisions and lease liabilities of Rs 86 crore, **net cash is Rs 3,397 crore**. The net cash position is added to enterprise value in the valuation bridge to reach equity value.

## Financial Strength

Being debt-free means the WACC is the cost of equity: no debt weight, no tax shield. The company can fund the Rs 2,000 crore a year capex programme without raising capital.

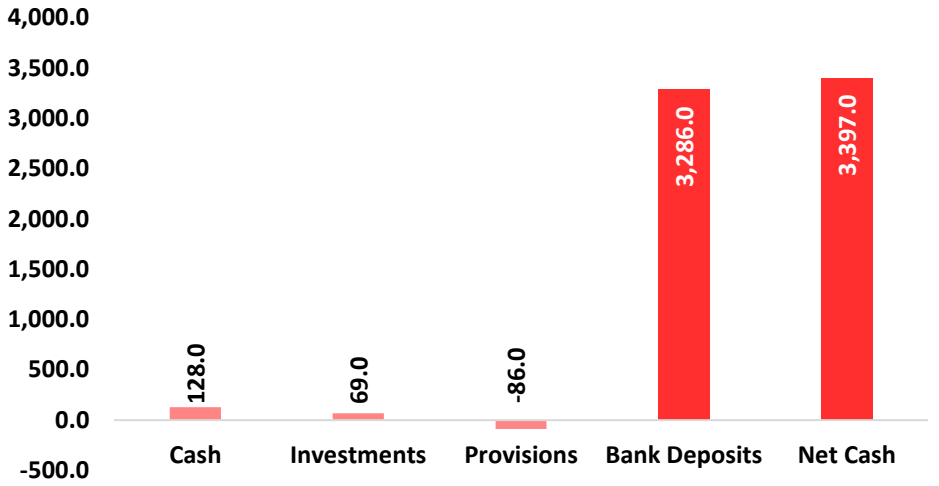
The Altman Z-score of **31.7** signals strong financial health.

## Capital Allocation

Divi's pays a **Rs 30 per share dividend**, flat for five years, a 31% payout in FY26. Capex is funded from internal accruals, with no equity raised and no debt taken.

Cash and bank deposits have grown from **Rs 2,819 crore in FY22** to Rs 3,414 crore at March 2026.

### Cash and Net Cash Build-up (Rs Cr)




### Balance Sheet FY26

| Balance Sheet FY26 | Value |
|---|---|
| Total assets | Rs 20,033 crore |
| Gross Block | Rs 9,413 crore |
| Capital work in progress | Rs 2,113 crore |
| Net worth | Rs 16,761 crore |
| Altman Z-score (modified) | 31.7 (Strong) |
| Cash & Bank | Rs 3,414 crore |
| Net cash | Rs 3,397 crore |
| Total borrowings | Nil |

Source: Divi's Annual Report 2025-26, Divi's three-statement model

# Valuation Overview

**The DCF values Divi's at Rs 1,692, below the market at Rs 11,442.**

## Two Methods

The valuation uses two methods: a **discounted cash flow (DCF) model** and a **relative valuation** against listed peers. The DCF is the primary method.

The DCF discounts free cash flow to the firm over ten years, FY27 to FY36, at a WACC of **13.23%**, and adds a terminal value using the Gordon growth model at 5% perpetual growth. The model date is 7 October 2026. Market price and cost of capital are dated 2 November 2026 (Rs 9,945.50).

## The Results

The base case DCF value is **Rs 1,692 per share**. The bear case is Rs 1,187 and the bull case is Rs 2,006. The exit multiple cross-check, at 30 times FY36 EBITDA, gives Rs 4,294.

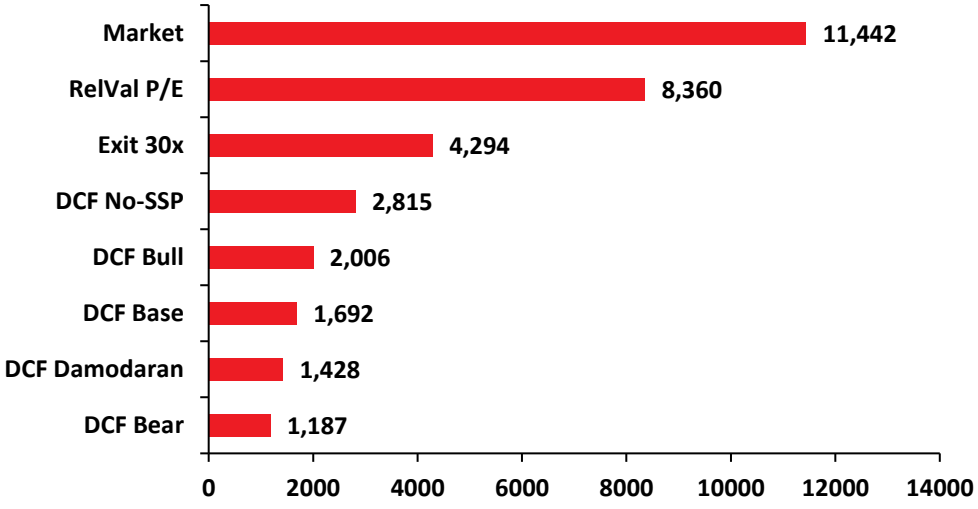
The Damodaran cross-check gives Rs 1,428. The relative valuation, at the peer median FY27 P/E of 67.3 times, gives Rs 8,360.

## The Gap, Stated Plainly

The gap between the DCF and the market is wide, and the report does not hide it. The single biggest driver is the size and specific premium of **3.10% in the WACC**, set by my tutor. Without it, at a WACC of 10.13%, the DCF value is Rs 2,815 per share. The market price implies a WACC of about 6.3%, or an exit multiple of about 91 times.

At Rs 11,442: P/E 118.3x, EV/EBITDA 87.3x. 52-week range Rs 5,647.50 (2 Apr 2026) to Rs 11,824 (9 Nov 2026).

### Value per Share by Method (Rs)




### Key Assumptions

| Key Assumption | Value |
|---|---|
| WACC | 13.2% |
| Terminal growth | 5.0% |
| Exit multiple | 30.0x FY36 EBITDA |
| Beta (asset) | 0.65 |
| Size & specific premium | 3.10% |
| Risk-free rate | 5.53% |

Source: Divi's three-statement model, NSE prices, Company Analysis

# Valuation

## Objective

The objective is to arrive at the intrinsic value of Divi's stock. The analysis aims to assess the company's worth basis its ability to generate cash flows, future growth and risk associated with the business. We have carefully considered management's guidance while performing this analysis.

## Valuation Methodology

There are primarily three approaches in Valuation (viz., Asset Approach, Market Approach, and Income Approach).

For any valuation, all the approaches may not be relevant and therefore will not give a fair estimate of value. Hence, the approach most suitable for specific business/company must be applied in the valuation exercise based on common practices.

The three approaches generally adopted in valuation are as under:

- Market Approach: Comparable Companies Method and Comparable Transaction Method.
- Income Approach: Discounted Cash Flow Method.
- Asset Approach: Net Asset Value method.

## Market Approach

Under this approach, we measure the value of business of the company by applying the market multiples of listed companies which trade actively and possess attributes similar and comparable with the target company. This methodology is based on the principle that such market pricing taking place between informed buyers and informed sellers while taking into account all the relevant factors.

For the purpose of valuation of Divi's, we have used three multiples: EV/Sales, EV/EBITDA and P/E, with the P/E multiple of 67.3x as the headline.

## Asset Approach

Under this approach, the value of the business is derived basis difference between the value of assets and liabilities. This approach focusses on determining the value of net assets from the perspective of equity valuation. The value of net assets can be determined as follows; Net assets = Total Assets - Total External Liabilities. The value of net assets is also known as Total Equity.

## Income Approach

Under this approach, the value of business is derived by considering free cash flows, future growth and weighted average cost of capital which signifies risk.

There are four major steps in Income Approach.

- Forecasting future cash flows for explicit growth period.
- Discounting these cash flows to present value at the rate of return which depicts the risk in realizing the future cash flows and expected growth.
- Calculation of terminal value of free cash flows post explicit growth period.
- Addition of present value of terminal cash flows and free cash flows during explicit forecast period.

# Discounted Cash Flow Valuation (DCF)

| *IN INR Cr unless stated otherwise* | Actual | | | | | Explicit Forecast Period | | | | | Maturity Period | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | FY2022 | FY2023 | FY2024 | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 | FY2030 | FY2031 | FY2032 | FY2033 | FY2034 | FY2035 | FY2036 |
| **Free Cash Flow to Firm** | | | | | | | | | | | | | | | |
| Revenue | ₹ 8,960 | ₹ 7,767 | ₹ 7,845 | ₹ 9,360 | ₹ 10,560 | ₹ 12,461 | ₹ 14,579 | ₹ 16,912 | ₹ 19,279 | ₹ 21,593 | ₹ 23,752 | ₹ 25,652 | ₹ 27,192 | ₹ 28,823 | ₹ 30,264 |
| EBITDA | ₹ 3,897 | ₹ 2,391 | ₹ 2,212 | ₹ 2,968 | ₹ 3,441 | ₹ 4,000 | ₹ 4,702 | ₹ 5,513 | ₹ 6,362 | ₹ 7,169 | ₹ 7,933 | ₹ 8,594 | ₹ 9,136 | ₹ 9,685 | ₹ 10,169 |
| Less: Depreciation & Amortisation | (₹ 312) | (₹ 343) | (₹ 378) | (₹ 402) | (₹ 463) | (₹ 555) | (₹ 671) | (₹ 793) | (₹ 900) | (₹ 973) | (₹ 1,032) | (₹ 1,089) | (₹ 1,141) | (₹ 1,191) | (₹ 1,241) |
| **EBIT (Reported)** | **₹ 3,585** | **₹ 2,048** | **₹ 1,834** | **₹ 2,566** | **₹ 2,978** | **₹ 3,445** | **₹ 4,031** | **₹ 4,720** | **₹ 5,462** | **₹ 6,196** | **₹ 6,901** | **₹ 7,505** | **₹ 7,996** | **₹ 8,493** | **₹ 8,927** |
| Add back: R&D Expense (capitalized) | ₹ 59 | ₹ 69 | ₹ 70 | ₹ 80 | ₹ 92 | ₹ 108 | ₹ 127 | ₹ 147 | ₹ 168 | ₹ 188 | ₹ 207 | ₹ 223 | ₹ 237 | ₹ 251 | ₹ 263 |
| Less: R&D Amortisation | ₹ 6 | ₹ 13 | ₹ 20 | ₹ 28 | ₹ 37 | ₹ 48 | ₹ 61 | ₹ 75 | ₹ 92 | ₹ 111 | ₹ 126 | ₹ 141 | ₹ 158 | ₹ 175 | ₹ 192 |
| **Adjusted EBIT** | **₹ 3,638** | **₹ 2,104** | **₹ 1,884** | **₹ 2,618** | **₹ 3,033** | **₹ 3,505** | **₹ 4,097** | **₹ 4,792** | **₹ 5,538** | **₹ 6,273** | **₹ 6,982** | **₹ 7,587** | **₹ 8,075** | **₹ 8,569** | **₹ 8,999** |
| Less: Operating Tax (Adjusted EBIT × Tax Rate) | (₹ 910) | (₹ 526) | (₹ 471) | (₹ 655) | (₹ 758) | (₹ 876) | (₹ 1,024) | (₹ 1,198) | (₹ 1,385) | (₹ 1,568) | (₹ 1,746) | (₹ 1,897) | (₹ 2,019) | (₹ 2,142) | (₹ 2,250) |
| **Adjusted EBIT (1-T)** | **₹ 2,729** | **₹ 1,578** | **₹ 1,413** | **₹ 1,964** | **₹ 2,275** | **₹ 2,629** | **₹ 3,073** | **₹ 3,594** | **₹ 4,154** | **₹ 4,705** | **₹ 5,237** | **₹ 5,690** | **₹ 6,056** | **₹ 6,427** | **₹ 6,749** |
| Add: D&A & R&D Amortisation | ₹ 318 | ₹ 356 | ₹ 398 | ₹ 430 | ₹ 500 | ₹ 603 | ₹ 731 | ₹ 868 | ₹ 992 | ₹ 1,084 | ₹ 1,158 | ₹ 1,230 | ₹ 1,298 | ₹ 1,366 | ₹ 1,433 |
| **Change in Working Capital (cash-flow impact)** | **₹ (1,369)** | **₹ 427** | **₹ (604)** | **₹ (554)** | **₹ 99** | **₹ (953)** | **₹ (1,089)** | **₹ (1,144)** | **₹ (1,140)** | **₹ (1,089)** | **₹ (1,011)** | **₹ (970)** | **₹ (819)** | **₹ (826)** | **₹ (754)** |
| Capex During the Year | ₹ (713) | ₹ (473) | ₹ (1,003) | ₹ (1,438) | ₹ (2,520) | ₹ (1,827) | ₹ (1,540) | ₹ (1,244) | ₹ (1,045) | ₹ (944) | ₹ (891) | ₹ (886) | ₹ (879) | ₹ (881) | ₹ (877) |
| R&D Capitalized Expenditure | ₹ (59) | ₹ (69) | ₹ (70) | ₹ (80) | ₹ (92) | ₹ (108) | ₹ (127) | ₹ (147) | ₹ (168) | ₹ (188) | ₹ (207) | ₹ (223) | ₹ (237) | ₹ (251) | ₹ (263) |
| **Free Cash Flow to Firm** | **₹ 905** | **₹ 1,819** | **₹ 134** | **₹ 321** | **₹ 262** | **₹ 344** | **₹ 1,048** | **₹ 1,927** | **₹ 2,792** | **₹ 3,568** | **₹ 4,286** | **₹ 4,841** | **₹ 5,419** | **₹ 5,835** | **₹ 6,288** |
| Discount Period (Years) | Mid Year ? Yes | | | | | 0.5 | 1.5 | 2.5 | 3.5 | 4.5 | 5.5 | 6.5 | 7.5 | 8.5 | 9.5 |
| Discount Rate (WACC) | 13.23% | | | | | | | | | | | | | | |
| Present Value Factor | | | | | | 0.940 | 0.830 | 0.733 | 0.647 | 0.572 | 0.505 | 0.446 | 0.394 | 0.348 | 0.307 |
| **Present Value of FCFFs** | | | | | | **₹ 324** | **₹ 870** | **₹ 1,412** | **₹ 1,808** | **₹ 2,040** | **₹ 2,164** | **₹ 2,158** | **₹ 2,134** | **₹ 2,029** | **₹ 1,931** |

## DCF Calculation - Perpetuity Growth

| | |
|---|---|
| Perpetual Growth Rate | 5.00% |
| Terminal Year FCFF x (1+PGR) | ₹ 6,602 |
| **Terminal Value** | **₹ 80,203** |
| Present Value of Terminal Value | ₹ 24,631 |
| Present Value of FCFFs | ₹ 16,869 |
| **Enterprise Value** | **₹ 41,500** |
| *Implied Exit Multiple* | *7.9x* |
| *Implied EV/EBITDA* | *12.1x* |
| Less: Provisions & lease liabilities (non-current) | (₹ 86) |
| Less: Minority Interest | - |
| Add: Cash & Bank | ₹ 3,414 |
| Add: Non-current Investments | ₹ 69 |
| **Equity Value** | **₹ 44,897** |
| Less: Value of Options | - |
| **Equity Value for Shareholders** | **₹ 44,897** |
| **Value per Share (Gordon) (Rs)** | **₹ 1,692** |

## DCF Calculation - Exit Multiple

| | |
|---|---|
| Exit Multiple | **30.0x** |
| Terminal Year EBITDA | ₹ 10,169 |
| **Terminal Value** | **₹ 3,05,064** |
| Present Value of Terminal Value | ₹ 93,688 |
| Present Value of FCFFs | ₹ 16,869 |
| **Enterprise Value** | **₹ 1,10,557** |
| *Implied Exit Multiple* | *30.0x* |
| *Implied EV/EBITDA* | *32.1x* |
| Less: Provisions & lease liabilities (non-current) | (₹ 86) |
| Less: Minority Interest | - |
| Add: Cash & Bank | ₹ 3,414 |
| Add: Non-current Investments | ₹ 69 |
| **Equity Value** | **₹ 1,13,954** |
| **Value per Share (Exit Multiple) (Rs)** | **₹ 4,294** |

Source: Divi's three-statement model (model date 7 Oct 2026), Company Analysis

# Sensitivity Analysis

| Terminal Growth | WACC | | | | | |
|---|---|---|---|---|---|---|
| | 10% | 11% | 12% | 12% | 13% | 13% |
| 5.0% | ₹ 76,803 | ₹ 69,367 | **₹ 57,974** | ₹ 53,519 | ₹ 46,313 | **₹ 44,909** |
| 6.0% | ₹ 90,787 | ₹ 80,240 | ₹ 64,947 | ₹ 59,232 | ₹ 50,286 | ₹ 48,585 |
| 6.5% | ₹ 1,00,776 | ₹ 87,716 | ₹ 69,479 | ₹ 62,868 | ₹ 52,731 | ₹ 50,832 |
| 7.0% | ₹ 1,14,094 | ₹ 97,327 | ₹ 75,018 | ₹ 67,231 | ₹ 55,584 | ₹ 53,440 |
| 7.5% | ₹ 1,32,740 | ₹ 1,10,141 | ₹ 81,942 | ₹ 72,564 | ₹ 58,955 | ₹ 56,503 |

| Exit Multiple | WACC | | | | | |
|---|---|---|---|---|---|---|
| | 10% | 11% | 12% | 12% | 13% | 13% |
| 10.0x | ₹ 64,527 | ₹ 62,259 | ₹ 58,015 | ₹ 56,030 | ₹ 52,313 | ₹ 51,503 |
| 20.0x | ₹ 1,05,646 | ₹ 1,01,643 | ₹ 94,169 | ₹ 90,679 | ₹ 84,156 | ₹ 82,737 |
| 30.0x | ₹ 1,46,765 | ₹ 1,41,028 | ₹ 1,30,323 | ₹ 1,25,329 | ₹ 1,16,000 | **₹ 1,13,972** |
| 40.0x | ₹ 1,87,883 | ₹ 1,80,413 | **₹ 1,66,477** | ₹ 1,59,979 | ₹ 1,47,844 | ₹ 1,45,206 |
| 50.0x | ₹ 2,29,002 | ₹ 2,19,797 | ₹ 2,02,631 | ₹ 1,94,628 | ₹ 1,79,688 | ₹ 1,76,441 |

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# Weighted Average Cost of Capital (WACC)

| WACC Inputs | |
|---|---|
| Country | India |
| Local Currency 10Y Government Bond Yield | 7.40% |
| India's Moodys Sovereign Rating | Baa3 |
| Credit default Spread as per Dr Damodaran | 1.87% |
| Implied US Equity Risk Premium | 4.23% |
| Asset Beta | 0.65 |
| Asset Beta Variation (+/-) | 5.0% |
| Debt to Equity Ratio (D/E) | 0 |
| Debt to Capital (Gearing) | 0 |
| Marginal Tax Rate | 25% |
| Company Credit Rating Available? | No |
| Company is Large Firm or Small Firm? | S |
| Provide Credit Rating | Caa/CCC |
| Interest Coverage Ratio | 129.48 x |
| ICR Based Corporate Default Spread | 0.40% |
| Small Size Premium | 3.10% |
| Asset Specific Risk Premium | 0 |
| Country Risk Premium (CRP) — Damodaran Jan-2026 | 2.85% |

| Particulars | Low | Mid | High |
|---|---|---|---|
| Risk Free Rate | 5.53% | 5.53% | 5.53% |
| Equity Risk Premium | 7.08% | 7.08% | 7.08% |
| Asset Beta | 0.60 | 0.65 | 0.70 |
| D/E Ratio | 0.00% | 0.00% | 0.00% |
| Equity Beta | 0.60 | 0.65 | 0.70 |
| **CAPM Cost of Equity** | **9.78%** | **10.13%** | **10.49%** |
| Small Size Premium | 3.10% | 3.10% | 3.10% |
| Asset Specific Premium | 0.00% | 0.00% | 0.00% |
| **Modified Cost of Equity** | **12.88%** | **13.23%** | **13.59%** |
| Pre Tax Cost of Debt | 7.80% | 7.80% | 7.80% |
| Marginal Tax Rate | 25% | 25% | 25% |
| **Post Tax Cost of Debt** | **5.85%** | **5.85%** | **5.85%** |
| Capital Gearing (D/D+E) | 0.00% | 0.00% | 0.00% |
| Weighted Average Cost of Capital | 12.88% | 13.23% | 13.59% |
| **Weighted Average Cost of Capital (Rounded)** | **13.00%** | **14.00%** | **14.00%** |

## Risk Free Rate

We have considered 5.53% as the risk free rate in estimation of cost of equity of 10.13%.The risk free rate of India is calculated by considering local currency 10 Years government bond yield adjusted for default spread of India.

## Asset Beta

We have estimated an asset beta range of 0.60 to 0.70, with a mid point of 0.65 based on observed median of 5 year monthly asset beta of benchmark listed companies adjusted for blume effect.

## Equity Risk Premium (ERP)

An ERP of 7.08% has been adopted based on US Implied equity risk premium, relative equity volatility of ICE BoFA Public Sector Issues Emerging Mkts Index, S&P Emerging BMI Index and country risk premium of India.

## Cost of Debt

For the Purpose of assessing the cost of debt , we have used country's risk free rate, country's default spread and corporate default spread based on company's debt rating and interest coverage ratio.

## Small Size Premium

Empirically, small-sized assets have exceeded the returns of large-sized assets. We have used the size-premium study by Incwert, based on the difference between actual returns and CAPM expected returns arranged in deciles of market capitalization of Indian companies. A 3.10% size premium IS applied in this model (WACC D14, tutor-set) and feeds the modified cost of equity (13.23%).

## Asset Specific Premium

No company-specific risk premium applied. Divi's is a large, diversified API manufacturer with no single-customer, regulatory, or governance overhang warranting an additional premium.

# Beta Analysis

**Raw betas from two regression windows. Market caps at 6 Nov 2026 close.**

## Beta Analysis - 2 Years Weekly

| Comparable Company | Ticker | No. of Weekly Observations | Market Cap (Cr) | Asset Beta | 2 Years avg D/E | Equity Beta | 2 Years avg D/D+E | Considered? | Narrow Set |
|---|---|---|---|---|---|---|---|---|---|
| Laurus Labs Ltd | LAURUSLABS | 104 | 1,26,487 | 0.52 | 2.3% | 0.52 | 2.3% | Y | TRUE |
| Neuland Laboratories Ltd | NEULANDLAB | 104 | 25,289 | 1.31 | 1.2% | 1.32 | 1.2% | Y | TRUE |
| Blue Jet Healthcare Ltd | BLUEJET | 104 | 10,486 | 1.70 | 0.4% | 1.70 | 0.4% | Y | TRUE |
| Cohance Lifesciences Ltd | COHANCE | 104 | 16,562 | 1.43 | 2.3% | 1.46 | 2.2% | Y | TRUE |
| **Median - Broad Set** | | | | **1.37** | **1.8%** | **1.39** | **1.72%** | | |
| Average - Broad Set | | | | 1.24 | 1.6% | 1.25 | 1.54% | | |
| **Median - Considered Set** | | | | **1.37** | **1.8%** | **1.39** | **1.72%** | | |
| Average - Considered Set | | | | 1.24 | 1.6% | 1.25 | 1.54% | | |

## Beta Analysis - 5 Years Monthly

| Comparable Company | Ticker | No. of Monthly Observations | Market Cap (Cr) | Asset Beta | 5 Years avg D/E | Equity Beta | 5 Years avg D/D+E | Considered? | Narrow Set |
|---|---|---|---|---|---|---|---|---|---|
| Laurus Labs Ltd | LAURUSLABS | 60 | 1,26,487 | 0.33 | 2.3% | 0.34 | 2.3% | Y | TRUE |
| Neuland Laboratories Ltd | NEULANDLAB | 60 | 25,289 | 0.28 | 1.2% | 0.28 | 1.2% | Y | TRUE |
| Blue Jet Healthcare Ltd | BLUEJET | 60 | 10,486 | 0.64 | 0.4% | 0.64 | 0.4% | Y | TRUE |
| Cohance Lifesciences Ltd | COHANCE | 60 | 16,562 | 0.61 | 2.3% | 0.62 | 2.2% | Y | TRUE |
| **Median - Broad Set** | | | | **0.47** | **1.8%** | **0.48** | **1.72%** | | |
| Average - Broad Set | | | | 0.46 | 1.6% | 0.47 | 1.54% | | |
| **Median - Considered Set** | | | | **0.47** | **1.8%** | **0.48** | **1.72%** | | |
| Average - Considered Set | | | | 0.46 | 1.6% | 0.47 | 1.54% | | |

# Beta Analysis

**Blume adjustment pulls raw betas toward 1.0. Market caps at 6 Nov 2026 close.**

## Blume Beta Analysis - 5 Years Monthly

| Comparable Company | Ticker | No. of Monthly Observations | Market Cap (Cr) | Asset Beta | 5 Years avg D/E | Equity Beta | 5 Years avg D/D+E | Considered? | Narrow Set |
|---|---|---|---|---|---|---|---|---|---|
| Laurus Labs Ltd | LAURUSLABS | 60 | 1,26,487 | 0.55 | 2.32% | 0.56 | 2.3% | Y | TRUE |
| Neuland Laboratories Ltd | NEULANDLAB | 60 | 25,289 | 0.52 | 1.24% | 0.52 | 1.2% | Y | TRUE |
| Blue Jet Healthcare Ltd | BLUEJET | 60 | 10,486 | 0.76 | 0.45% | 0.76 | 0.4% | Y | TRUE |
| Cohance Lifesciences Ltd | COHANCE | 60 | 16,562 | 0.73 | 2.26% | 0.75 | 2.2% | Y | TRUE |
| **Median - Broad Set** | | | | **0.64** | **1.8%** | **0.65** | **1.72%** | | |
| Average - Broad Set | | | | 0.64 | 1.6% | 0.65 | 1.54% | | |
| **Median - Considered Set** | | | | **0.64** | **1.8%** | **0.65** | **1.72%** | | |
| Average - Considered Set | | | | 0.64 | 1.57% | 0.65 | 1.54% | | |

## Why 0.65

The Blume-adjusted 5Y monthly median asset beta is 0.64. The 2Y weekly median is 1.37 and the 5Y monthly median is 0.47, bracketing the choice. Divi's own 5Y monthly beta is 0.57. The chosen asset beta of 0.65 is analyst judgment, sitting just above the Blume median and in line with the peer range.

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# Relative Valuation

**The peer median P/E of 67.3x implies Rs 8,360 per share.**

| | | Market Data | | | | Financials | | | | | | | | | Multiples | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | 2027E | 2028F | 2029F | 2027E | 2028F | 2029F | 2027E | 2028F | 2029F | 2027E | 2028F | 2029F | 2027E | 2028F | 2029F | 2027E | 2028F | 2029F |
| Relative Valuation | Ticker | Share Price | Market Cap | Debt | Enterprise Value | Sales | Sales | Sales | EBITDA | EBITDA | EBITDA | Net Profit | Net Profit | Net Profit | EV/Sales | EV/Sales | EV/Sales | EV/EBITDA | EV/EBITDA | EV/EBITDA | P/E | P/E | P/E |
| Divi's Laboratories Ltd | DIVISLAB | 10,320 | 2,73,977 | 0 | 2,70,580 | 12,718 | 15,290 | 17,966 | 4,668 | 5,749 | 6,845 | 3,296 | 4,054 | 4,859 | 21.3x | 17.7x | 15.1x | 58.0x | 47.1x | 39.5x | 83.1x | 67.6x | 56.4x |
| Laurus Labs Ltd | LAURUSLABS | 2,340 | 1,26,487 | 2,080 | 1,28,454 | 8,770 | 10,360 | 12,678 | 2,850 | 3,320 | 4,375 | 1,610 | 1,900 | 2,713 | 14.6x | 12.4x | 10.1x | 45.1x | 38.7x | 29.4x | 78.6x | 66.6x | 46.6x |
| Neuland Laboratories Ltd | NEULANDLAB | 19,700 | 25,289 | 301 | 25,235 | 2,408 | 2,868 | 3,071 | 667 | 843 | 961 | 451 | 607 | 645 | 10.5x | 8.8x | 8.2x | 37.8x | 29.9x | 26.3x | 56.1x | 41.7x | 39.2x |
| Cohance Lifesciences Ltd | COHANCE | 434 | 16,562 | 146 | 16,386 | 2,128 | 2,505 | 3,273 | 325 | 553 | 865 | 152 | 299 | 390 | 7.7x | 6.5x | 5.0x | 50.4x | 29.6x | 18.9x | 109.0x | 55.4x | 42.5x |
| Blue Jet Healthcare Ltd | BLUEJET | 554 | 10,486 | 44 | 10,381 | 1,160 | 1,340 | 1,573 | 400 | 480 | 535 | 320 | 390 | 407 | 8.9x | 7.7x | 6.6x | 26.0x | 21.6x | 19.4x | 32.8x | 26.9x | 25.8x |
| High | | | | | | | | | | | | | | | 14.6x | 12.4x | 10.1x | 50.4x | 38.7x | 29.4x | 109.0x | 66.6x | 46.6x |
| 75th Percentile | | | | | | | | | | | | | | | 11.5x | 9.7x | 8.7x | 46.4x | 32.1x | 27.0x | 86.2x | 58.2x | 43.5x |
| **Average** | | | | | | | | | | | | | | | **10.4x** | **8.9x** | **7.5x** | **39.8x** | **30.0x** | **23.5x** | **69.1x** | **47.6x** | **38.5x** |
| **Median** | | | | | | | | | | | | | | | **9.7x** | **8.3x** | **7.4x** | **41.5x** | **29.8x** | **22.8x** | **67.3x** | **48.5x** | **40.8x** |
| 25th Percentile | | | | | | | | | | | | | | | 8.6x | 7.4x | 6.2x | 34.9x | 27.6x | 19.3x | 50.2x | 38.0x | 35.8x |
| Low | | | | | | | | | | | | | | | 7.7x | 6.5x | 5.0x | 26.0x | 21.6x | 18.9x | 32.8x | 26.9x | 25.8x |

| EV/Sales | |
|---|---|
| Sales | ₹ 12,718 |
| EBITDA | ₹ 4,668 |
| Earnings | ₹ 3,296 |
| Valuation Multiple | EV/Sales |
| EV/Sales | 9.7x |
| **Enterprise Value** | **₹ 1,23,548** |
| Less: Provisions & lease liabilities | (₹ 86) |
| Add: Cash & Bank | ₹ 3,414 |
| Less: Minority Interest | - |
| Add: Non-current Investments | ₹ 69 |
| **Equity Value** | **₹ 1,26,945** |
| Less: Value of Options | - |
| **Equity Value for Shareholders** | **₹ 1,26,945** |
| **Implied Value per Share (Rs)** | **₹ 4,783** |

| EV/EBITDA | |
|---|---|
| Sales | ₹ 12,718 |
| EBITDA | ₹ 4,668 |
| Earnings | ₹ 3,296 |
| Valuation Multiple | EV/EBITDA |
| EV/EBITDA | 41.5x |
| **Enterprise Value** | **₹ 1,93,501** |
| Less: Provisions & lease liabilities | (₹ 86) |
| Add: Cash & Bank | ₹ 3,414 |
| Less: Minority Interest | - |
| Add: Non-current Investments | ₹ 69 |
| **Equity Value** | **₹ 1,96,898** |
| Less: Value of Options | - |
| **Equity Value for Shareholders** | **₹ 1,96,898** |
| **Implied Value per Share (Rs)** | **₹ 7,419** |

| P/E | |
|---|---|
| Sales | ₹ 12,718 |
| EBITDA | ₹ 4,668 |
| Earnings | ₹ 3,296 |
| Valuation Multiple | P/E |
| P/E | 67.3x |
| **Equity Value** | **₹ 2,21,881** |
| Less: Provisions & lease liabilities | - |
| Add: Cash & Bank | - |
| Less: Minority Interest | - |
| Add: Non-current Investments | - |
| **Equity Value** | **₹ 2,21,881** |
| Less: Value of Options | - |
| **Equity Value for Shareholders** | **₹ 2,21,881** |
| **Implied Value per Share (Rs)** | **₹ 8,360** |

Source: HDFC Securities (23 Oct 2026), Screener.in, NSE, Divi's three-statement model

# Benchmarking and Comparables

**Divi's leads on EBITDA margin, but the lead is recent.**

## FY26 Benchmarking

Divi's leads its peer set on EBITDA margin in FY26 at **32.6%**, against a peer average of 26.4%. On PAT margin, Blue Jet leads at 26.2% against Divi's 24.3%, and on PBT margin Blue Jet leads at 35.2% against Divi's 32.1%.

Revenue growth was 12.8% against a peer average of 6.7%, though Neuland grew 37.0% in FY26. The peer set is volatile: Cohance revenue fell 18.9% and Blue Jet fell 8.1% in FY26.

## The Margin Lead Is Recent

The six-year tables show Divi's margin lead is recent. Cohance held the highest EBITDA margin from FY21 to FY24, and Blue Jet led in FY25. Divi's took the lead in FY26 at 32.6%, as the custom synthesis mix shifted and Cohance's margin fell to 22.4%.

## The Peers

**Laurus Labs** (Rs 1.26 lakh crore): APIs and CDMO; Q2 FY27 revenue Rs 2,206 crore, up 33%, EBITDA margin 34%. **Neuland** (Rs 25,300 crore): CRDMO; Q2 FY27 revenue down 13% to Rs 450 crore. **Cohance** (Rs 16,600 crore): CDMO; Q2 FY27 revenue down 14%, adjusted margin 9.6%. **Blue Jet** (Rs 10,486 crore): contrast media; Q2 FY27 revenue Rs 376 crore, up 127%, a record quarter.

**Summary**

| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | Historical average |
|---|---|---|---|---|---|---|---|
| Peer Average Revenue Growth | 26.8% | 16.9% | 13.6% | -2.0% | 46.5% | 6.7% | 18.1% |
| Peer Average EBITDA Margin | 33.18% | 30.75% | 30.83% | 29.08% | 27.11% | 26.43% | 29.6% |
| Peer Average EBIT Margin | 29.29% | 26.67% | 26.74% | 24.03% | 22.37% | 21.46% | 25.1% |
| Peer Average PAT Margin | 21.91% | 22.90% | 20.40% | 18.77% | 18.51% | 16.89% | 19.9% |
| Peer Average PBT Margin | 29.3% | 29.9% | 27.5% | 25.2% | 24.6% | 22.8% | 26.5% |
| | | | | | | | |
| Peer Median Revenue Growth | 22.0% | 16.1% | 14.1% | -8.9% | 26.5% | 4.3% | 12.3% |
| Peer Median EBITDA Margin | 36.58% | 31.89% | 28.02% | 31.04% | 26.83% | 26.16% | 30.1% |
| Peer Median EBIT Margin | 32.51% | 27.78% | 23.68% | 27.15% | 21.66% | 20.77% | 25.6% |
| Peer Median PAT Margin | 24.25% | 21.29% | 17.94% | 21.14% | 18.57% | 15.05% | 19.7% |
| Peer Median PBT Margin | 32.4% | 28.1% | 24.2% | 28.3% | 24.7% | 20.2% | 26.3% |

**Revenue Growth**

| in% | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|
| Divi's Laboratories Ltd | 29.20% | 28.57% | -13.31% | 1.00% | 19.31% | 12.82% |
| Laurus Labs Ltd | 70.50% | -1.30% | 22.65% | -16.65% | 8.42% | 16.71% |
| Neuland Laboratories Ltd | 22.80% | 1.49% | 25.24% | 30.90% | -5.26% | 36.97% |
| Cohance Lifesciences Ltd | 21.10% | 30.69% | 0.76% | -20.98% | 138.25% | -18.93% |
| Blue Jet Healthcare Ltd | -7.25% | 36.87% | 5.56% | -1.25% | 44.66% | -8.06% |
| Peer average | 26.8% | 16.9% | 13.6% | -2.0% | 46.5% | 6.7% |
| Peer median | 22.0% | 16.1% | 14.1% | -8.9% | 26.5% | 4.3% |

**EBITDA Margin**

| in% | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|
| Divi's Laboratories Ltd | 41.04% | 43.49% | 30.78% | 28.20% | 31.71% | 32.59% |
| Laurus Labs Ltd | 31.68% | 27.32% | 25.67% | 15.61% | 18.09% | 23.70% |
| Neuland Laboratories Ltd | 15.69% | 15.14% | 22.84% | 29.63% | 22.34% | 28.62% |
| Cohance Lifesciences Ltd | 43.86% | 44.09% | 44.44% | 38.63% | 31.31% | 22.36% |
| Blue Jet Healthcare Ltd | 41.48% | 36.46% | 30.37% | 32.44% | 36.70% | 31.05% |
| Peer average | 33.2% | 30.8% | 30.8% | 29.1% | 27.1% | 26.4% |
| Peer median | 36.6% | 31.9% | 28.0% | 31.0% | 26.8% | 26.2% |

# Benchmarking and Comparables

**EBIT Margin**

| in% | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|
| Divi's Laboratories Ltd | 37.37% | 40.01% | 26.37% | 23.38% | 27.41% | 28.20% |
| Laurus Labs Ltd | 27.55% | 22.33% | 20.46% | 8.44% | 11.21% | 17.47% |
| Neuland Laboratories Ltd | 11.42% | 9.99% | 18.39% | 25.79% | 17.87% | 24.07% |
| Cohance Lifesciences Ltd | 40.69% | 41.14% | 41.20% | 33.40% | 25.44% | 15.76% |
| Blue Jet Healthcare Ltd | 37.47% | 33.24% | 26.91% | 28.51% | 34.95% | 28.51% |
| Peer average | 29.3% | 26.7% | 26.7% | 24.0% | 22.4% | 21.5% |
| Peer median | 32.5% | 27.8% | 23.7% | 27.1% | 21.7% | 20.8% |

**PBT Margin**

| in% | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|
| Divi's Laboratories Ltd | 38.26% | 41.12% | 30.50% | 27.57% | 31.15% | 32.08% |
| Laurus Labs Ltd | 26.74% | 20.71% | 18.21% | 6.26% | 9.66% | 16.32% |
| Neuland Laboratories Ltd | 11.21% | 8.62% | 18.05% | 25.72% | 23.36% | 24.12% |
| Cohance Lifesciences Ltd | 40.99% | 54.70% | 43.53% | 38.06% | 25.96% | 15.47% |
| Blue Jet Healthcare Ltd | 38.08% | 35.58% | 30.10% | 30.90% | 39.42% | 35.16% |
| Peer average | 29.3% | 29.9% | 27.5% | 25.2% | 24.6% | 22.8% |
| Peer median | 32.4% | 28.1% | 24.2% | 28.3% | 24.7% | 20.2% |

**PAT Margin**

| in% | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|
| Divi's Laboratories Ltd | 28.47% | 33.04% | 23.47% | 20.40% | 23.41% | 24.32% |
| Laurus Labs Ltd | 20.05% | 15.93% | 13.16% | 4.66% | 7.28% | 12.15% |
| Neuland Laboratories Ltd | 8.54% | 6.73% | 13.69% | 19.24% | 17.54% | 17.94% |
| Cohance Lifesciences Ltd | 30.59% | 42.27% | 32.56% | 28.16% | 19.61% | 11.28% |
| Blue Jet Healthcare Ltd | 28.46% | 26.65% | 22.19% | 23.03% | 29.61% | 26.19% |
| Peer average | 21.9% | 22.9% | 20.4% | 18.8% | 18.5% | 16.9% |
| Peer median | 24.3% | 21.3% | 17.9% | 21.1% | 18.6% | 15.0% |

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# Comparable Companies Description

## Laurus Labs Ltd

Makes APIs, custom synthesis, and generic formulations. CDMO was 41% of Q1 FY27 revenue (Rs 840 crore), up 69%, and grew 75% in Q2 FY27 to Rs 904 crore; affordable medicines, largely HIV treatments, were the other 59% in Q1. Market cap about Rs 1.26 lakh crore (Nov 2026), the second largest in the API and CDMO set. Based in Hyderabad.

## Neuland Laboratories Ltd

Makes complex APIs, peptides, and custom synthesis for innovator and generic clients. Custom manufacturing solutions (CMS) was 61% of FY26 revenue and 67% in Q1 FY27. Market cap about Rs 25,300 crore (Nov 2026). Strong ROCE and a sharp earnings recovery in FY26. (Source: Screener.in / company filings, Nov 2026.)

## Cohance Lifesciences Ltd

Pharma CRDMO focused on ADC bioconjugation, oligonucleotides, high potency APIs, peptides, and merchant APIs. Formerly Suven Pharmaceuticals, renamed on 7 May 2025. Market cap about Rs 16,600 crore (Nov 2026). Advanced modalities platform with sites in India and the US.

## Blue Jet Healthcare Ltd

Makes contrast media intermediates, sweeteners, and niche APIs, with a growing CDMO business. Very high return ratios, ROCE about 57% and ROE about 52% (Screener.in). Market cap about Rs 10,486 crore (Nov 2026). Smaller scale but very high margins and niche chemistry.

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# Risks and Monitorables

**Eight risks to watch. The valuation question turns on the discount rate.**

## 1. Project Timing and Customer Concentration

Custom synthesis depends on a small number of innovator customers. The three projects in validation are not yet revenue, and commercialisation depends on the innovator's regulatory filings. A delay would hit the growth story directly.

The monitorable is the early CY2027 commercialisation window.

## 2. Regulatory Risk

A USFDA warning letter or import alert at any unit would hit revenue, margins, and customer trust at once. Unit 3, Kakinada, faces its first inspections as it ramps. The clean FY26 inspection at Unit 1 is a positive, not a guarantee.

## 3. Margin Normalisation

H1 FY27 margins of 42% are well above the model's 32%. Material cost fell to 32% of revenue from 41.5% in FY26. If material costs normalise, margins compress. If the 42% holds, the model is conservative by a wide margin. H2 FY27 is the test.

## 4. Transfer Pricing Demand

A draft transfer pricing order of Rs 571 crore for AY 2023-24 arrived in March 2026. Divi's has objected to the Dispute Resolution Panel in Bengaluru. The company says the liability is remote.

## 5. Working Capital Build

Inventories reached Rs 5,540 crore at September 2026, and H1 operating cash flow fell to Rs 384 crore. The cash cycle is 363 days (FY26). If inventory keeps building faster than revenue, cash generation suffers even as profits grow.

## 6. China Competition and Input Dependence

China still supplies 73.7% of India's API imports. Divi's backward integration reduces this dependence, but key starting materials still come from China. A supply disruption or price spike would raise Divi's costs. Chinese API makers also compete on price in generics.

## 7. Valuation and GLP-1 Execution

The market price of Rs 11,442 implies a WACC of about 6.3%, or an exit multiple of about 91 times. These are demanding assumptions. The GLP-1 opportunity is also unproven: the orforglipron supplier role is analyst belief, not confirmed, and peptide capacity is being built ahead of confirmed orders.

## 8. Concentration Rising

The top 5 products are now 48% of value (from 43%) and the top 5 customers 51% of sales (from 49%). Concentration is rising even though management says the portfolio reduces it.

**What would change the view: faster CS project commercialisation, sustained 40%+ margins, or a lower WACC would lift the DCF value materially. A regulatory setback or project delay would cut it.**

# Valuation Summary

**The honest range is Rs 2,800 to Rs 4,300 per share.**

| Valuation Method | Enterprise Value | Equity Value Available for Shareholders | Value Per Share | Market Price | Discount/ Premium | Discount/ Premium% |
|---|---|---|---|---|---|---|
| Discounted Cashflow - Perpetuity Growth | Rs 41,500 | Rs 44,897 | Rs 1,692 | Rs 11,442 | Rs 9,750 | -85.20% |
| Discounted Cashflow - Exit Multiple | Rs 1,10,557 | Rs 1,13,954 | Rs 4,294 | Rs 11,442 | Rs 7,148 | -62.50% |
| Relative Valuation - EV/Sales | Rs 1,23,548 | Rs 1,26,945 | Rs 4,783 | Rs 11,442 | Rs 6,659 | -58.20% |
| Relative Valuation - EV/EBITDA | Rs 1,93,501 | Rs 1,96,898 | Rs 7,419 | Rs 11,442 | Rs 4,023 | -35.20% |
| Relative Valuation - P/E | Rs 2,18,484 | Rs 2,21,881 | Rs 8,360 | Rs 11,442 | Rs 3,082 | -26.90% |

DCF scenarios at 13.23% WACC: **Bear Rs 1,187, Base Rs 1,692, Bull Rs 2,006**.
Cross-checks: **Damodaran Rs 1,428, No SSP (WACC 10.13%) Rs 2,815**.

The DCF base case values Divi's at **Rs 1,692 per share**, against a market price of Rs 11,442 on 13 November 2026. The gap is wide, and the report states it plainly rather than adjusting the inputs to match the market.

The single biggest driver is the size and specific premium of 3.10% in the WACC, set by my tutor: without it, the DCF value is Rs 2,815 per share. The exit multiple cross-check gives Rs 4,294, and the relative valuation gives Rs 8,360 on P/E and Rs 7,419 on EV/EBITDA.

The honest range from this work is **Rs 2,800 to Rs 4,300 per share**. The market price implies a WACC of about 6.3%, or an exit multiple of about 91 times, or perpetual growth of 12.5% at the base WACC.

The reader should take the DCF as a statement of what the business is worth at a 13.23% discount rate, and the market price as a statement of what other investors are willing to pay. The two are different questions, and the report does not pretend otherwise.

The business case stands on its own: a debt-free balance sheet, a CS mix shifting toward two-thirds of revenue, three projects in validation, peptide capacity coming on, and H1 FY27 tracking well ahead of the model. The valuation question is separate, and it turns on the discount rate.

Source: Divi's three-statement model, NSE prices, Company Analysis

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This report is prepared for educational purposes only. It is not investment advice, and it is not a recommendation to buy or sell any security.

All figures are sourced from the company's annual reports, published results, and the author's own model, as cited on each slide. Forward-looking statements are estimates, not guarantees, and actual results may differ materially.

**Ramnath Gosavi**

**November 2026**