



# **RESEARCH REPORT**

DIVISLAB LTD



**PREPARED BY:**

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EQUITY RESEARCH ANALYST

# About

Incorporated in 1990, Divis Laboratories Ltd manufactures and exports APIs, Intermediates and Nutraceutical ingredients

## Key Business

Generic APIs

Custom Synthesis

Nutraceutical

## Synopsis of Financials

- Consolidated total income for the quarter: Rs. 1,950 crores
- Profit before tax: Rs. 489 crores
- Profit after tax: Rs. 358 crores
- Exports accounted for around 87%
- Product mix for generics to custom synthesis: 54% and 46%
- Nutraceutical business amounted to Rs. 153 crores for the quarter
- Cash on book: Rs. 3,913 crores
- Receivables: Rs. 1,792 crores
- Inventories: Rs. 3,201 crores
- Capital work in progress: Rs. 712 crores
- Kakinada project spent Rs. 458 crores during the financial year
- Capacity utilization for this quarter: around 80%

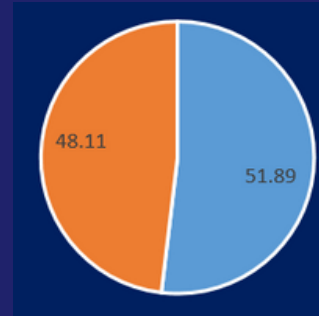
## Stock data (as 17th Feb 2025)

Nifty Price : 22,959.50  
52 week High (in Rs.) : 6,449  
52 week Low (in Rs.) : 3,350  
Market Cap. (in Crore) : ₹ 1,56,843 Cr.  
NSE Code : DIVISLAB



-NIFTY50  
-DIVISLAB

## Shareholding Pattern (March 2024)



-PUBLIC GROUP  
-PROMOTER GROUP

## Financial Summary

Particulars	Mar 2022	Mar 2023	Mar 2024
Sales	8,960	7,767	7,845
Sales Growth %	28.56%	-13.31%	1.00%
Expenses	5,075	5,397	5,635
Operating Profit	3,885	2,370	2,210
OPM %	43%	31%	28%
Net Profit	2,960	1,824	1,600
EPS in Rs	111.52	68.71	60.27

# Quarterly Results

Particular	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Sales	1,855	1,708	1,951	1,778	1,909	1,855	2,303
Expenses	1,234	1,299	1,464	1,274	1,430	1,366	1,572
Operating Profit	621	409	487	504	479	489	731
OPM %	33%	24%	25%	28%	25%	26%	32%
Other Income	80	113	66	81	86	95	79
Interest	0	0	0	0	1	0	2
Depreciation	86	87	87	93	95	95	95
Profit before tax	615	435	466	492	469	489	713
Tax %	20%	30%	31%	28%	26%	27%	25%
Net Profit	493	306	321	356	348	358	538

Source: Screener

## Key Ratios

Particulars	₹ in crores		
	As on March 31, 2024	As on March 31, 2023	Change
Return on Net Worth/ Equity (%)	12.04%	14.82%	(18.76%)
Return on Capital Employed (%)	15.62%	18.57%	(15.89%)
Basic EPS (₹)	59.37	68.11	(12.83%)
Debtors Turnover	3.61	3.36	7.44%
Inventory Turnover	2.65	2.80	(5.35%)
Current ratio	7.60	8.56	(11.21%)
Debt Equity ratio*	0.00	0.00	-
Operating profit margin (%)	32.76%	35.37%	(7.38%)
<b>Net profit margin (%)</b>	<b>19.70%</b>	<b>22.67%</b>	<b>(13.10%)</b>

\* There is no debt outstanding as on March 31, 2024 and as on March 31, 2023.

Source: Annual Report

# Yearly Results

Particulars	Mar 2022	Mar 2023	Mar 2024
Equity Capital	53	53	53
Reserves	11,675	12,714	13,518
Borrowings	4	4	3
Other Liabilities	1,628	1,654	1,886
Total Liabilities	13,360	14,425	15,460
Fixed Assets	4,325	4,722	4,739
CWIP	470	212	778
Investments	72	77	82
Other Assets	8,493	9,414	9,861
Total Assets	13,360	14,425	15,460

# Synopsis Quarter Results

## Key Highlights

### Business Segments:

- Generic business segment remains stable with sustained demand
- Opportunities from patent-expiry products expected to fuel growth
- Custom synthesis segment on the rise with 2 major projects in production
- Actively involved in peptide building blocks for new drugs
- Expanded production capacity ready for new opportunities

### Future Growth:

- Growth opportunities in both generics and custom synthesis segments
- Opportunities from patent-expiry products and new molecules expected to drive growth

### Corporate Social Responsibility:

- Commitment to responsible business practices
- Positive contributions to communities

### Infrastructure and Projects:

- Forward momentum with unit 3 infrastructural establishments and greenfield project production activity.
- Expanded production capacity for both large and small volume products

Overall, Divi's Laboratories had a steady quarter with a focus on financial performance, growth opportunities, and commitment to responsible business practices and community contributions.

### Capex:

- Planning a capacity addition with an estimated investment between ₹650 crores to ₹700 crores.
- Proposed facility expected to be operational by January of 2027.
- Unit III facility near Kakinada progressing well with production activity expected to commence phase wise during financial year 2024-25

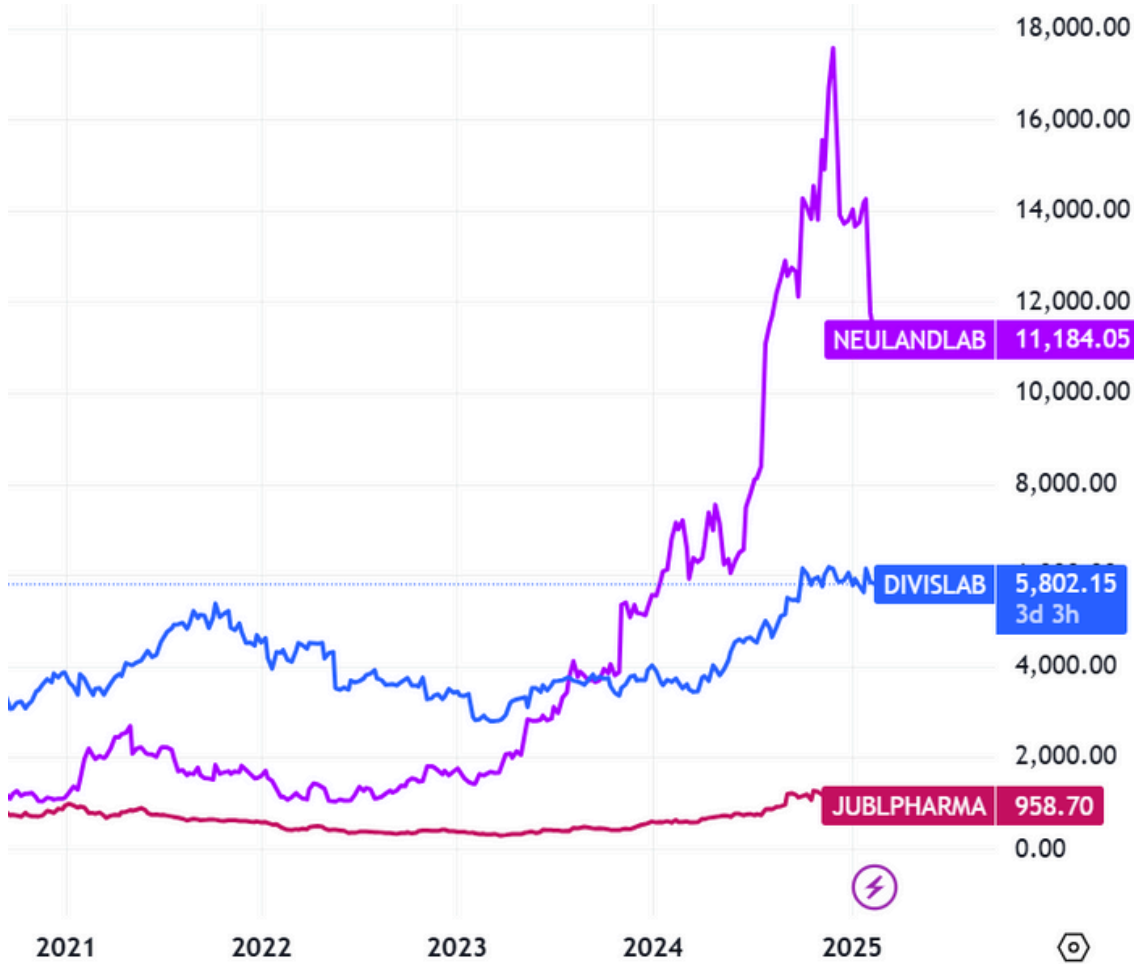
### Custom Synthesis Business:

- Seeing several new projects coming their way in all clinical phases.
- Consistent value realization from existing commercial projects.
- Opportunities in the peptide space.
- Working on Phase II and Phase III molecules with multiple ongoing projects.
- Engaged in fast-track projects with multinationals.
- New Projects and Opportunities:
- Submitted all regulatory submissions for future generics in various countries.
- Planning long-term supply agreement with an MNC.
- Working on new technologies like flow chemistry, mechanochemistry, microwave technology for cost efficiency and green chemistry initiatives.
- Industry Outlook:
- Facing pricing constraints in the generic business segment.
- Stable demand for most established products.
- Strategic investments and expansion to fuel growth engines yielding tangible results.
- Opportunities coming from Phase II and Phase III projects with multinationals.
- Challenges and Opportunities:
- Pricing pressure exists in the generic business segment.
- Working on maintaining market share without losing customers.
- Focusing on sustainable growth and corporate social responsibility.
- Engaged in enhancing educational infrastructure and community development initiatives..

# Peer Comparison



## Peer Stock Performance (5Y) Indexed



Source: Trading View

## Peer Financial Performance

S.No.	Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
1.	Divi's Lab.	5908.15	75.86	156842.82	0.51	589.00	64.53	2319.00	25.01	16.48
2.	Jubilant Pharmo	1002.50	48.00	15969.82	0.51	100.70	73.07	1821.70	8.62	6.74
3.	Neuland Labs.	11581.20	61.92	14858.53	0.12	101.59	-29.67	398.03	1.32	33.26

Source: Screener

# Final Outlook

**DIVISLAB: BUY | LTP: 5,908**

## **Positives**

- **Foreign Institutions have increased holdings from 17.25% to 17.99% in Dec 2024 quarter**
- **Netprofit is up for the last 3 quarters, 430.0 Cr → 589.0 Cr (in ₹), with an average increase of 14.6% per quarter**
- **In the last 1 year, DIVISLAB has outperformed top 5 stocks with highest market-cap in Pharmaceuticals**
- **Promoters holdings remained unchanged at 51.89% of holdings in Dec 2024 quarter**
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- **In the last 3 years, Torrent Pharmaceuticals Ltd has given 132.5% return, outperforming this stock by 101.0%**

## **Negatives**

- **Retail Investor have decreased holdings from 9.80% to 9.59% in Dec 2024 quarter**
- **In the last 1 month, DIVISLAB stock has moved down by -1.2%**
- **Revenue is down for the last 2 quarters, 2.44K Cr → 2.40K Cr (in ₹), with an average decrease of 1.8% per quarter**
- **Mutual Funds have decreased holdings from 11.92% to 11.89% in Dec 2024 quarter**

**I would be giving Buy recommendation for this stock as long term trends are favourable.**

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