



Divi's Laboratories Limited

November 12, 2025

To
The Secretary
National Stock Exchange of India Limited
Exchange Plaza,
Bandra- Kurla Complex, Bandra (East)
Mumbai – 400 051

To
The Secretary
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street
Mumbai – 400 001

Trading Symbol: **DIVISLAB**

Scrip Code: **532488**

Dear Sir / Madam,

Sub: Transcript of earnings conference call held on November 07, 2025

Ref: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015

We hereby submit the transcript of the earnings conference call for the quarter and half year ended September 30, 2025, held on November 07, 2025, at 15:00 hrs. (IST). The transcript is also available on the website of the Company i.e. www.divislabs.com , under the Investors Relations section.

This is for your information and records.

Yours faithfully,
For Divi's Laboratories Limited

M. Satish Choudhury
Company Secretary & Compliance Officer



“Divi's Laboratories Limited
Q2 FY2026 Earnings Conference Call”
November 07, 2025



**MANAGEMENT: DR. KIRAN S. DIVI – WHOLE-TIME DIRECTOR AND
CHIEF EXECUTIVE OFFICER – DIVI'S LABORATORIES
LIMITED
MS. NILIMA PRASAD DIVI –WHOLE-TIME DIRECTOR
(COMMERCIAL) – DIVI'S LABORATORIES LIMITED
MR. VENKATESA PERUMALLU PASUMARTHY – CHIEF
FINANCIAL OFFICER – DIVI'S LABORATORIES LIMITED
MR. M. SATISH CHOUDHURY – COMPANY SECRETARY
AND CHIEF INVESTOR RELATIONS OFFICER – DIVI'S
LABORATORIES LIMITED**



Moderator: Ladies and gentlemen, good day, and welcome to the Earnings Conference Call of Divi's Laboratories Limited for Q2FY2026. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. M. Satish Choudhury. Thank you, and over to you, sir.

M. Satish Choudhury: Good afternoon to all of you. I am M. Satish Choudhury, Company Secretary and Chief Investor Relations Officer of Divi's Laboratories Limited. I welcome you all to the earnings call of the company for the quarter and half year ended September 30, 2025.

From Divi's Labs, we have with us today Dr. Kiran S. Divi, Whole-Time Director and Chief Executive Officer; Ms. Nilima Prasad Divi, Whole-Time Director (Commercial); and Mr. Venkatesa Perumallu Pasumarthy, Chief Financial Officer.

During the day, our Board has approved unaudited financial results for the quarter and half year ended September 30, 2025, and we have released the same to the Stock Exchanges as well as updated the same in our website. Please note that this conference call is being recorded, and the transcript of the same will be made available on the website of the company.

Please also note that the audio of the conference call is the copyright material of Divi's Laboratories Limited and cannot be copied, rebroadcasted or attributed in press or media without the specific and written consent.

Let me draw your attention to the fact that on this call, our discussion will include certain forward-looking statements, which are predictions, projections or other estimates about future events. These estimates reflect management's current expectation of future performance of the company. Please note that these estimates involve several risks and uncertainties that could cause our actual results to differ materially from what is expressed or implied.

Divi's Labs or its officials does not undertake any obligation to publicly update any forward-looking statement, whether as a result of future events or otherwise. Now, I hand over the conference to Dr. Kiran Divi for opening remarks. Over to you, sir.

Dr. Kiran S. Divi: Good afternoon, everyone, and welcome to Divi's Laboratories earnings call for the second quarter of financial year 2025-26. Thank you for joining us today. We truly value the continued trust and interest you have placed in us, and I hope you and your families are doing well and in good health.

I will now take you through the key developments across our business, including operational updates, strategic initiatives and community impact.

As we review the second quarter, I'm pleased to share that Divi's has continued to navigate global trade dynamics with resilience and has delivered value across all business segments. Our



performance this quarter reflects the strength of our ability and adaptability to respond quickly to evolving market conditions.

Let me begin with an update on our generic business. We have maintained consistent volumes across our core portfolio, despite ongoing pricing pressures. Our backward integration model continues to enable us to manage input costs effectively. Our Unit 3 facility in Kakinada, which became operational earlier this year, is also supporting our supply chain by enabling in-house production of starting materials and intermediates.

Moving to custom synthesis, we continue to see high engagement levels with a steady flow of RFPs and site visits from global innovators. We currently have multiple projects advancing through development and validation stages. A few of them are expected to move into commercial manufacturing over the next 1 to 2 years.

Coming to our peptide offering, we are seeing a strong momentum in peptide synthesis. We have inaugurated our peptide center of excellence where multiple projects of various customers are undergoing development. We are actively engaged with several big pharmas at various stages in their Phase I, Phase II and Phase III programs. As these programs advance through regulatory milestones, we are prepared to further scale up investments to meet their demand.

At present, Divi's continues to invest in large capacities, both at pilot and commercial scale, where validation of fragments are taking place for several projects. This approach is aligned with our long-term strategy of becoming a world leader in complex peptide manufacturing.

Alongside these advancements, our nutraceutical segment continues to evolve as a key growth driver. With our manufacturing strength in carotenoids and other value-added ingredients, Divi's nutra is well positioned to leverage the growing global focus on health, nutrition and wellness.

On the technology front, we continue to expand our platforms in flow chemistry, biocatalysis and green chemistry, foraying into commercial manufacturing with all three. These capabilities are increasingly important as sustainability and efficiency became the key priorities for our global partners.

We are currently executing three major capex programs backed by long-term supply commitments. These investments are focused on implementing new technologies, expanding capacities and advancing key strategic projects.

Finally, I would like to touch on our community initiative. Our education programs continue to reach thousands of students and we remain committed to inclusive development through targeted interventions in nutrition, infrastructure and scholarships.

We are also deepening our efforts in providing safe drinking water and have already reached 8 lakh people, reflecting our belief that business success must go hand-in-hand with social progress. Thank you. I will now hand over the call to Nilima Divi, who will talk about the financial highlights.



Nilima Prasad Divi:

Good afternoon, ladies and gentlemen. Thank you for joining the earnings call as we review Divi's Laboratories operational and financial performance for the second quarter of fiscal year 2025-26. We appreciate the opportunity to provide an update on our activities during the period and value your ongoing interest in the company.

The quarter has marked by a complex good global environment, with ongoing shifts in trade patterns and geopolitical developments affecting supply chains. In this context, we have continued to prioritize disciplined execution, operational stability and prudent strategic planning.

Our established operating practices have supported continuity of supply, fulfillment of customer requirements and adherence to our long-term objectives in pharmaceutical intermediates and active pharmaceutical ingredients sector. Concurrently, we have pursued measured investments in process improvements, research and development and capacity enhancements to address anticipated needs.

Regarding procurement and supply chain activities, raw material prices were broadly stable during the quarter, aided by reliable availability from our diversified supplier base.

We continue to monitor macroeconomic factors, including the effect of U.S. tariffs on suppliers from China and sanctions related to Russia, which may influence costs for certain raw materials, intermediates and solvents. As a precautionary step, we have maintained appropriate inventory levels, expanded our sourcing options across regions and progressed vendor qualifications where necessary. Our backward integration program, particularly through the Unit 3 facility in Kakinada, has supported supply security and cost management. This development has also released GMP compliant capacity at our other Units, facilitating timely validations and product introductions.

I will now present an overview of our group financial performance for the second quarter of fiscal year 2025-26 and first half year of FY 2025-26 which ended on September 30, 2025.

We have achieved a consolidated total income of ₹2,860 crores for the current quarter, representing a 17% increase from ₹2,444 crores in the corresponding quarter of previous financial year. Profit before tax for the quarter stands at ₹912 crores compared to ₹722 crores in Q2FY2025. Profit after tax for the quarter is ₹689 crores as against ₹510 crores in Q2FY2025.

Material consumption for the quarter is about 39.5% of the sales revenue, consistent with our recent trend. Exports for the quarter accounts for 90% of the total sales revenue with exports to Europe and United States contributing a combined 74%.

The product mix for the quarter is 44% generics and 56% custom synthesis. We recorded a forex gain of ₹63 crores for the quarter. On a constant currency basis, revenue growth for the second quarter has been 10.79%. The nutraceutical business contributed ₹242 crores during this quarter. For the 6 months ended September 30, 2025, the consolidated total income rose to ₹5,389 crores, a 16% increase from ₹4,640 crores for the corresponding first half of the previous fiscal year.



Material consumption improved to 39.6% of the sales revenue as against 40.9% for the corresponding first half year of FY 2024-25. Profit before tax for the current half year is ₹1,645 crores as against ₹1,326 crores for the corresponding half year of previous year. Profit after tax for the current half year is ₹1,234 crores.

Exports for half year is about 90% of the total sales revenue. Export to Europe and United States combined are about 73%. Product mix for generics to custom synthesis for the current half year is 45% and 55%, respectively. We have a forex gain of ₹102 crores for the current half year. On constant currency basis revenue growth for the half year has been at 12.3%.

Nutraceutical business revenue has amounted to ₹492 crores for this half year. During the half year, we capitalized assets worth ₹463 crores with ₹201 crores capitalized during this quarter. Capital work in progress stood at ₹2,030 crores. As of September 30, 2025, we have cash on book of ₹3,451 crores, receivables of ₹2,614 crores and inventories of ₹3,433 crores. Thank you.

M. Satish Choudhury: Thank you, madam. With this, we would request the moderator to open the line for Q&A.

Moderator: Thank you very much. We will now begin with the question-and-answer session. Our first question comes from the line of Amay from JM Financial.

Amay: Congrats to the management on good set of numbers. First question I have on the -- our very important custom synthesis project, which have seen a recent expiry in one of the key markets in the U.S. There is also patent expiry happening in EU next year. Is it possible for the management to guide us how much volumes which we are currently supplying would be linked to these patent expiring in two regions?

Dr. Kiran S. Divi: I'm sorry, I cannot comment on any specific product, customer impact or volumes. Because I'm bound by confidentiality. I do understand that you're asking us specific to a few things, but I do not -- I'm not at the liberty to speak about anything.

Amay: Sure. Second question I have is on the API generic side. This quarter, the performance continues to remain weak with like low single-digit decline in that segment. When can we see the revival happening in the generic side of the business? And is the pricing pressure still positive in the business at present?

Dr. Kiran S. Divi: See, as I explained you in the last few calls, okay, we are facing pricing pressure on generic molecules. Although we have not lost a single customer or even any loss in volume. And the reason why we are able to manage this is because of our backward integration, where even the Kakinada facility has been helping us in manufacturing several of our in-house raw materials and our in-house intermediates, giving us an edge to further keep the product and the volume along with us.

Again, to say that, did we lose any volume? No. We have not lost any volume. We have not lost any customer. Now the pricing pressure, we do not have an idea how long will it be there? But we are hopeful, like I explained in the last call, we're hopeful in the next few quarters, it may stabilize and things may come back to normal.



Amay: Sure. Just last question I can take on the custom synthesis. We are seeing a lot of RFPs coming to India, and many players have started participating in these quotations. So, considering we have large capacities available with us, does it give us edge to compete in terms of pricing? And also what else -- what other factors are involved when it comes to pricing? Are we -- is there a hurdle rate in terms of gross margin, etcetera, what we can meet? What are the decisions which go into deciding the price?

Dr. Kiran S. Divi: Firstly, I would like you to understand Divi's has been in custom synthesis for the last several years since the inception. So this is not something new for us. And I mean, there are several players you're seeing who are entering the market now, because RFPs are coming in. Divi's has an edge because we have a long-term customer relation, both in terms of proven track record, in terms of supply chain management and their confidence in our deliverable execution.

That being said, I cannot comment on what others are seeing, what price factors are there. We have a strong pipeline that is with us which we are working on, and we would see the outcome in the next 1 to 2 years.

Amay: Sure. I just had a follow-up. So, what I wanted to ask is having available capacity, does it give us an edge to go aggressive on the pricing? Because earlier 10 years back, Divi's was one of the few players to compete from India, but now we have several players who are competing for the same molecules. So, that's the reason I'm asking.

Dr. Kiran S. Divi: Yes. So, the reason is, when you see multinationals or MNCs, right, they don't only look at price as the only factor. They look at EHS, they look at sustainability, they look at whether you're SBTi compliant, they have several factors before they even come to qualifying.

Pricing is one factor. Capacity is one factor. Divi's always is one step ahead in terms of capacity in terms of looking at forward, thinking in terms of creating capacity. But that is not the only thing. There are several factors you have to look at, unless you tick all the boxes, any multinational would not work with any firm. So, if that answers your question.

Moderator: Our next question comes from the line of Kunal Dhamesha from Macquarie.

Kunal Dhamesha: The first one on the capex. So, in quarter 1, we had guided for around ₹2,000 crores of capex for FY26. But if I see the cash flows, we have already spent around ₹1,550 crores in the first half. So is second half going to be more or less muted? Or are we going to raise the capex guidance further for FY26?

Nilima Prasad Divi: Can you please repeat your question again?

Kunal Dhamesha: So, our capex guidance, ma'am, was around ₹2,000 crores for FY 26. If I see the spend on the property, plant and equipment for the first half, it's almost around ₹1,550 crores. Right? So, is there more room for us to do more capex in the second half? So, would the capex be higher than ₹2,000 crores for FY26?

Nilima Prasad Divi: Yes, it would be higher in FY26.



- Kunal Dhamesha:** And what would be the new capex guidance?
- Nilima Prasad Divi:** See, right now, we are looking at several new projects, and we did mention earlier in the SEBI disclosure release, that we are getting into three new projects and the capex is also being included for that. So, this is an ongoing thing wherein we would be creating capacity as and when needed.
- Kunal Dhamesha:** Okay. And these capacities, which plant would these capacities be focused on, these new capacities?
- Nilima Prasad Divi:** It would totally be based on what is the stage at which the manufacturing is. So they would be spread across all the three Units, not a single Unit would be getting the entire capex.
- Kunal Dhamesha:** Sure. And one question for Kiran sir. You alluded to being a global leader in peptide manufacturing in coming years. So what would it entail in terms of investment, capacities, differentiation, from the longer-term perspective?
- Dr. Kiran S. Divi:** So, to answer about peptides, Divi's has been in peptides since the last 20 years. We have been manufacturing protected amino acids which gives us an edge in terms of supply issues, in terms of manufacturing, consistency and also impurity profile management. That gives us an edge to get into dipeptides, tripeptides, tetramers, octamers are different mers which are required by several companies across the world.
- Saying this in terms of investment, I'm not at the liberty to talk because several investments are based on what customers require, and I'm bound by CDAs. But, we have opened our center of excellence for peptides, where we are developing several molecules for several customers, which we will be a part of their pipeline going forward. So, that is giving us a strong momentum in peptide synthesis.
- Moderator:** Our next question comes from the line of Tushar Manudhane from Motilal Oswal Financial Services.
- Tushar Manudhane:** And this is the composition of generics and custom synthesis. It seems the custom synthesis business has scaled up really well over the last 1 to 2 years. Specifically, if I have to connect this to the gross margin, which has been pretty stable at 60% year-on-year or even quarter-over-quarter for Q2FY26. So, does it mean that we are broadly at a similar gross margin across both the segments? Or am I missing something here?
- Nilima Prasad Divi:** This would completely vary on product mix, like you can -- you do observe for the last few years, if you see every quarter, there will be some quarters where the product mix would be slightly more favorable and sometimes the product mix wouldn't be that favorable. So, it's mainly based on quarter-on-quarter, like how the product mix takes place.
- Tushar Manudhane:** Okay. So, 60% is something as a base case to assume? Or there could be a upside risk to the gross margin?
- Nilima Prasad Divi:** I would say, it would be continuing same, similar manner.



- Tushar Manudhane:** Got it. Secondly, just if you could also share the constant currency growth for us on a year-on-year basis?
- Nilima Prasad Divi:** Currently, the half year is about 10.79%, and we are assuming that for the rest of the year also, it would be around the similar number.
- Tushar Manudhane:** Understood. But that, ma'am, that also is not sort of helping to get sort of better gross margins?
- Nilima Prasad Divi:** See, as I said earlier, this is all based on the product mix, and we cannot look at it quarter-on-quarter basis. We need to look at it at a whole year. And if you see historically, we do see ups and downs in every quarter. And this difference between like generics and custom synthesis does take place between quarters. So, my current assumption would be like, yes, my constant currency growth rate would be about 10.79%.
- Tushar Manudhane:** Understood. And just lastly on peptides, sir, we have been into peptide space for really long number of years. But is there -- like if you could just, sort of, share your experience in terms of the changes that would have happened that -- let me put it this way, like the CDMO orders or the contract research orders as well have picked up significantly over the last 3-4 years. Is that understanding right? Or this has been the case historically?
- Dr. Kiran S. Divi:** No, I think the peptide synthesis and the peptide drug molecule and the drug products have reached -- have been in the market for some time, but with several new therapeutic categories being available and then coming into the market, has spiked interest into several innovators where they have started doing their research, and we had the opportunity of being a part of their journey.
- Moderator:** Our next question comes from the line of Surya Narayan Patra from PhillipCapital India Private Limited.
- Surya Narayan Patra:** Congratulations on a great set of the numbers on the custom synthesis front, sir. This quarter, we have seen the best custom synthesis...
- Dr. Kiran S. Divi:** We are unable to hear you. Could you please repeat? Your voice is not audible.
- Moderator:** Sorry, sir, just give me one moment.
- Surya Narayan Patra:** Yes. So I was telling that congratulations for the great set of number on the custom synthesis front. So, what I see is that, this is the first ever -- the best ever kind of custom synthesis revenue per quarter that we are witnessing in Q2. Not only that, even in terms of revenue mix also, it is the highest ever.
- So given that, the same for margin point comes here that over the year, 3-4 years, let's say, the gross margin or even EBITDA margin that has moved from a certain level to around 40%. Means it has moved marginally here and there. But in fact, the mix has significantly improved almost like 15%, 16% revenue mix in favor of the custom synthesis. So given that, is it fair to believe



that the margin, the upside risk is limited in the business -- in the overall business model what we are currently having?

Nilima Prasad Divi: Can you be more elaborate in your question, the last part?

Surya Narayan Patra: Okay. So, we have seen there is a significant shift in the revenue mix for the custom synthesis from the level of 40-odd percentage over the years to now 56%, which is the highest ever. But the margin profile remain in the around 32%, 33% in that range. So is it fair to believe, ma'am, the margin, the upside risk is nothing or limited? Because even if there is a rise in the revenue mix favoring custom synthesis, margins remained around that level. So, is it fair to believe that this is the kind of sustainable margin level and scope of appreciation may not be there?

Nilima Prasad Divi: I would say, it's mainly to do with the product mix, though the custom synthesis has increased over the last few years as a percentage. We need to also remember that 45% is still generics where it is facing the huge pricing pressures. So when you combine both the margins do look similar.

Because that's where we are like trying to sustain the generics business, the volumes not to lose them, maintaining the kind of quantities and the capacities that we have with our customers. So, while maintaining that, we will see a hit on the margins there, which you see like a normal gross margin level across the entire product portfolio.

Surya Narayan Patra: Okay. Okay. So then, the growth will really drive the kind of -- I mean, the volume growth will really drive the earnings growth. That is the right way to think?

Nilima Prasad Divi: I think, Kiran will answer this question.

Dr. Kiran S. Divi: So, you have to understand a few things, right. In terms of growth, we have both the generic side and the CS side. We also have products which are coming off patent that we are launching with our customers, who, once the patent comes off, we will be getting into the market. So, there will be a certain amount of drive from there. There are old CS projects, which have been there in the company for the last 10 to 12 years, which have matured.

You also have to understand that Divi's manages a lot of late life cycle management for branded companies, which has a different revenue model. So, it's very difficult for us to justify saying the revenue growth comes from CS or from generics or from nutra. That's why we always say from the inception that it is a product mix that we have, which drives the overall growth.

Surya Narayan Patra: Okay. Okay. Got it, sir. Sir, just one more point on the custom synthesis side. So obviously, the three dedicated project, which are likely to start possibly from the fourth quarter of FY27, which will drive growth. But in the interim, what can drive growth for the custom synthesis business? Is it the peptide projects what you have indicated in the opening remarks? So, that is the kind of a near-term contributor to the growth for the custom synthesis business?

Dr. Kiran S. Divi: See, all I can say is, we have three active projects. Apart from the previous ones, we have disclosed to the stock exchange. All of them are being either in the stage of validation. Some of



them are being constructed for the customer, which will go into validations in the future, which are at various stages. It is very difficult for me, a. to put a date, because it's subjected to EU qualifications, U.S. qualifications. And all I can say, things will happen in the next 1 to 2 years, is a fair statement for me to give, provided all regulatory approvals are in place.

And these are CS projects, I cannot put a label saying this is API or peptide or some specific therapeutic category. All I can say is, it belongs to our CS side of the business. And we believe if all regulatory approvals and qualifications take place on time, in the next 1 to 2 years, you should see commercial benefit.

Surya Narayan Patra: Sure, sir. Just one clarification, sir. Now we are kind of scaling up our activities in the peptide side. So, is it possible -- I mean, is it right to think that we can even tap the generic opportunities in the peptide side, including the GLP-1s? That is one. And one more clarification, if you can give. Currently, what is the revenue share of -- for contrast media that we are having?

Dr. Kiran S. Divi: Okay. To answer your first half, right? Divi has strategically decided that we will not look at generic part of peptide synthesis. We are right now fully occupied with the amount of CS projects we have. So, we do not want to venture into that mode. Coming to your second point, which is in terms of...

Surya Narayan Patra: Contrast media revenue share.

Dr. Kiran S. Divi: Yes. We cannot individualize each segment. We look at it as a total whole and a product mix.

Moderator: Our next question comes from the line of Harshit Dhoot from Dymon Asia.

Harshit Dhoot: Congratulations on the great set of numbers. A couple of questions from my side. As you said, you are witnessing increasing engagement level from the clients, RFPs, site visits. So, is it fair to assume that the incremental or the higher interest of the business is coming from the shift of the China?

Dr. Kiran S. Divi: Could you repeat your last part, please?

Harshit Dhoot: The kind of increase in interest of the business that we are witnessing in the custom synthesis part, is it more a function of the shift of business from the China, sir? Is our innovators are diversifying from China?

Dr. Kiran S. Divi: As of now, to be honest, what we are seeing is a bunch of new RFPs, either Phase I, Phase II, Phase III. Like I mentioned during my speech, and also we are seeing several interest that is coming from our regular customers who have been with us for a long time.

So for me, it is very difficult to say, is this something they brought from China, or is this an old molecule they brought in. Because most of them that we are working with them are either -- they are ready to launch or it's in their new portfolio or we are a part of their existing portfolio. For us, we do not know.



- Harshit Dhoot:** Okay, sir. And the other one more from the Indian CDMO industry perspective. A few innovators are saying that they are looking for a big investment in India, like Eli-Lilly has recently said they are looking for a billion dollar investment in India. So is it fair to assume that the CDMO industry of India is on the verge of a big capex cycle going ahead, if you see -- if you think from the next 3 to 4 years' perspective, from industry perspective, sir?
- Dr. Kiran S. Divi:** See, I cannot comment on the industry or what specific MNCs are planning to do. But what we can say is about Divi's, we have a strong pipeline, and then we are looking at ongoing as and when our projects are coming into life, we will start investing. And we see quite a positive outcome in the next 1 to 2 years.
- Harshit Dhoot:** Okay, sir. So let me ask another perspective. Last 10 years versus next 5 years, is the upcoming time more exciting for Divi's? Is it a fair understanding, sir?
- Dr. Kiran S. Divi:** We are always hopeful that it has to be exciting, right? Because these are Phase III molecules coming into life. We are also investing heavily with long-term sustainable contracts. So, I mean it's always good to be hopeful to be positive.
- Harshit Dhoot:** Yes. And the last one, sir, the kind of the new business that we are witnessing, the Phase III molecules and all, is it fair to understand that the new business that we are getting is a high-margin business?
- Dr. Kiran S. Divi:** Again, at this point, I cannot comment on that. Because I'm bound by CDAs. All I can tell you is in the next 1 to 2 years, , once all the regulatory approvals come into place, we will start seeing the outcome of the results. Apart from that, also a few of our generics, which are coming off patents will also come in. So, based on this product mix, we will see how the future is, as and when it moves on.
- Harshit Dhoot:** Okay. Sir. And then lastly, are you seeing any upside risk in the capex guidance or what we have think internally for the capex in next 3 to 4 years perspective?
- Nilima Prasad Divi:** Can you repeat the question a little bit more elaborately?
- Harshit Dhoot:** Yes, sure, ma'am. So, what we were planning for the capex internally from next 3 to 4 years' perspective, but with the increase in the interest, engagement and RFPs, are we seeing any upside risk to our capex assumptions that we have built in internally?
- Nilima Prasad Divi:** I wouldn't say we are seeing any risk. But, yes, we see...
- Harshit Dhoot:** I mean upside risk. Are you seeing increasing spends towards capex that you would have think a few years before for next 3 to 4 years?
- Nilima Prasad Divi:** See, for us, nothing happens overnight. It's pretty strategically planned taken decisions which are thought through and where our strengths match. It's not like, okay, today, there's an opportunity, so let's jump on the bandwagon and go. It's a thought-through process. So nothing is like, that hasn't been envisioned and worked on. It has been a long-term planning that we have



done over a period of time. And we are happy that we have taken certain decisions because of which we are here today.

Moderator: Our next question comes from the line of Neha Manpuria from Bank of America.

Neha Manpuria: Nilima, on the generic business if you were to look at, let's say...

Nilima Prasad Divi: I'm sorry, you are not audible, very low volume.

Neha Manpuria: Can you hear me now?

Nilima Prasad Divi: Yes.

Neha Manpuria: Okay. Sorry about that. On the generic business, if you were to look at the last year, let's say, given our focus on volumes, what would be -- how much of the growth that we have seen would be driven by volume and how much of that has been offset by pricing?

Nilima Prasad Divi: I would say, as a volume, we have been stable. And as a value, you know how much it is based on the percentage and the revenue number that's there. But as a volume, I would say, we haven't lost a single customer nor have we lost the production capacity.

Neha Manpuria: Okay. Because if I look at our growth for the last 4 quarters, we've grown about 7% in the generic business. So would it be fair to say that the volume growth is 7%, is broadly that? Or because otherwise, we would have degrown this business, right, based on the stable volume?

Nilima Prasad Divi: I wouldn't say there's a degrowth in this business. 7% is the growth on the revenue side. But also there have been pricing pressures which are increasing quarter-on-quarter. So the volume also, the increase is there, but it's not visible or reflecting on the revenue as much as it would have, say, 2-3 years back.

Neha Manpuria: And this pace of price erosion, is that slowing at all? Or we haven't seen any moderation in the pace of price erosion in the last few quarters or, let's say, even recently?

Nilima Prasad Divi: See, yes, there is -- I don't think I can foresee any, at least in the next 2 quarters, anything that is going to be in a better situation for generics than it is today.

Neha Manpuria: Understood. And I think...

Moderator: Sorry to interrupt. Neha ma'am, may we request you to rejoin the queue for any follow-up questions, please, as there are several other participants waiting for their turn. Our next question comes from the line of Shyam Srinivasan from Goldman Sachs.

Shyam Srinivasan: Just a first question on -- you talked a lot about peptide center of excellence. Just curious, do you also have non-peptide GLP-1s in any of your projects?

Dr. Kiran S. Divi: We have several projects in the pipeline, but I'm not at the liberty to talk about what category -- therapeutic category and segment and then in what relation is. But what we can tell is, we are



quite active in the peptide and also in several APIs and advanced N-1 intermediates for CS projects.

Shyam Srinivasan: Understood. That's helpful. And if you could highlight in terms of your current capacity for the peptides? Is there any measure by which we could get the overall comp? I'm not looking at individual project data, but what is the aggregate capacities in some form of measure for us to get -- to understand how much of the investment has been in this?

Dr. Kiran S. Divi: So, I cannot give a specific number on this. But what I can tell you is, we have a very extensive large-scale pilot plant which produces several hundreds of kilos of product based on requirement. Apart from this, we have multiple lines of commercial SPPS reactors, which we have installed. And this in large volumes. And these are based on client requirements. So, I'm not at the liberty to speak about volumes and capacities and a few other things.

Shyam Srinivasan: And my last question is on the generic API business, which we have discussed quite a bit, but I'm excluding nutraceuticals out of it. If I were to see that number, and this is a little puzzling to me, because some of the participants have said this has declined, but I still see growth. So, what is the generic API business done for the quarter? Is it grown? Or is it decline? Sorry, I don't -- from the data, I don't know what the correct answer is.

Dr. Kiran S. Divi: So, as a number and the volume for each individual product, it has been very stable. In terms of pricing, either you talk about Naproxen, Dextromethorphan, Phenylephrine, Carbidopa, Levodopa. All these molecules have been very stable, okay, maybe a slight increase based on the shipments which are coming. But on a year-on-year, we have a very stable long-term contract. So, you might see a slight little extra shipments gone this quarter, a little less maybe next quarter. But year-on-year, we have been very stable.

But what we have is pricing pressure. But -- and this we are able to sustain because of our backward integration in Kakinada and manufacturing our key raw materials, which gave us the edge to fight the market back and keep the market share.

Moderator: Our next question comes from the line of Girish Bakhru from OrbiMed.

Girish Bakhru: Actually, just checking on the Shyam's question earlier on capacity and expansion in peptides. Kiran, can you also give some color on downstream, what have you invested? And what kind of capacities have you created for downstream SPPS?

Dr. Kiran S. Divi: Could you be more clear on the question, please?

Girish Bakhru: Yes, I'm just mainly asking, can you also comment on the investments made on the purification side?

Dr. Kiran S. Divi: As of now, Divi's is only manufacturing mers fragments. We are not in the purification of the API. We're only manufacturing.

Girish Bakhru: So fragments don't require purification, is it?



- Dr. Kiran S. Divi:** Fragments are basically like 4-chain amino acids, 8-chain. Okay. And they are purified and then they're sent to the customer where he again links them and then makes the final drug product, which is then -- undergoes purification.
- Girish Bakhru:** Yes. So I mean, I'm just asking because this purification is more of a bottleneck in the whole process, right, not the SPPS per se. So for you, it's not a bottleneck, right?
- Dr. Kiran S. Divi:** So, just to be clear, right, in peptides when people talk about purification, they talk about drug product purification, not tetramer octamer purification. Not the fragment purification. That is not a factor because you purify it in the SPPS. But what the world is talking about bottleneck is on the drug product purification.
- Girish Bakhru:** Understood. And the second question, is it possible for you to split the cost of manufacturing? I mean, I know -- I mean you had discussed amino acids or basis raw materials are easily available. But starting materials, solvents, agents, I mean, how is the cost split across the whole process ballpark? Where are the cost?
- Dr. Kiran S. Divi:** I mean, you're talking about the peptide business?
- Girish Bakhru:** Yes, yes, yes.
- Dr. Kiran S. Divi:** So Divi's, the one unique thing about Divi's is, we manufacture our own protected amino acids, which gives us both in natural and unnatural, which gives us an edge over everyone, because we control our -- the quantities, we control our cost, we control our impurity profile.
- So, as you control the impurity profile when you manufacture the Fmoc-protected amino acids, and when you go into further manufacturing of fragments, because you control the impurity, your cost of cleaning comes down. And you have better product that comes out.
- So in this way, we were already manufacturing protected amino acids for several of the manufacturers who used to manufacture for the branded innovators. But now we found the opportunity of taking one step ahead, which is giving us an edge using our own product.
- Girish Bakhru:** And this flexibility customer allows you to do, right, in changing the process a bit to get more yield or vis-a-vis purity. Is that something right to...?
- Dr. Kiran S. Divi:** So, the Fmoc-protected amino acids are proprietary to Divi's process. So, we manufacture and we supply either to the customer-defined places or in our in-house usage. Coming to fragments, these are defined processes given either by the customer who are the innovators anyway. And then, we would exactly follow the recipe they have given us.
- Moderator:** Our next question comes from the line of Abdulkader Puranwala from ICICI Securities.
- Abdulkader Puranwala:** Sir, my first question is with regards to your investments in the gross block over the past and the asset turn. So while I think we would have a gross block of somewhere around ₹8,000 crores, ₹8,500 crores. So, what is the kind of asset turn or where do we see in the next 1 or 2 years based



on the opportunity we have in terms of overall utilization of that gross block? Any color on that would be helpful.

Nilima Prasad Divi: So, if you're talking about the asset turnover, we are looking -- you are aware of the new opportunities that are there. And though we cannot comment at this point in time with a specific outlook. We would say in the next 1 to 2 years, we do see a positive outlook that's out there.

Abdulkader Puranwala: Okay. And while in the past, we have mentioned about an equal share of revenues coming from generics and the CS business. But clearly in the first half, the contribution has been a little skewed towards the CS. And while the commentary also talks more about the CS business outlook. So would it be fair to assume that for the next 1 or 2 years, at least, the custom synthesis part would be something where we will get the majority of our revenues from?

Dr. Kiran S. Divi: So like I explained, if you look at CS business or the generic business, we look at an overall and product mix. Now coming to generic business, yes, it is seeing a pricing pressure. But at the same time, we are seeing volumes being stable. And overall, the new portfolio of products coming off patent, which are going to be launched and then adding volume in. Now to tell you whether the pricing pressure will come down soon in the next quarter or the quarter after, we are hopeful it should be done as soon as it can, but we do not have any guidance on it.

Abdulkader Puranwala: Got it. And sir, one final one, if I may. So, in line with our broader aspiration to become one of the market leaders in peptides. So, what are the kind of investments you would have planned and is there a plan to go beyond the current range of amino acids and fragments to upscale the offerings as well?

Dr. Kiran S. Divi: So as of now, we are concentrating on fragments. I mean, various lengths of fragments up to octamers, decamers, whatever the customer requires. And we are going through several stages of qualifications with the customer. And based on their requirement, every customer has specific needs, specific design of their plan and specific recipe of manufacturing.

So, it's not that we can just build a few and just keep it ready like a general API plant and then assume they will come in and then they can use it. So, based on our futuristic outlook and also on long-term contracts that we have secured with customers, we are going ahead and investing as and when needed.

Moderator: Our next question comes from the line of Ranvir Singh from Nuvama Wealth.

Ranvir Singh: Just two, clarity. In the CMS segment, have you seen any changes in significant changes within CMS between commercial supplies and development revenues year-on-year?

Nilima Prasad Divi: Can you please elaborate on the question, please?

Ranvir Singh: So within CMS segment, services income and supplies income related to commercial supplies for innovators. So there, you see any changes there in revenue mix there?



- Nilima Prasad Divi:** Well, you do have to understand that from the space we are operating and the question being asked, we are bound by the confidentiality agreement wherein we cannot discuss all these in an open platform.
- Ranvir Singh:** Yes. So broadly, I wanted to understand the trend because they have to -- it has to do with the margin. So, as you explained, here, we see pricing pressure there in generic segment, and that is getting offset by what we are gaining in the CMS. So, I thought maybe in CMS, within CMS, we have a different stream of revenues. So, we see there also some changes there or this is continuing year-after-year. So that is the intention to understand.
- Dr. Kiran S. Divi:** So, I mean in terms of contract manufacturing, your question is basically, do we have different segments in terms of qualifications, milestone payments and everything. See the thing is, when you do a CS project, you have milestone-based derivatives, which based on a certain thing that happens and then you do a certain project. And once you do qualifications, once you do validations, once you come into manufacturing, everything is milestone. So, we have several projects in line.
- Now each project is at different stages and in different milestones. That is why Nilima was saying, it's hard for us to tell, which project is at which milestone and where it is. But what all we can say is, the company has a healthy pipeline. In the next 1 to 2 years, we will start seeing outcome of the pipeline.
- Ranvir Singh:** Understood. And second question on Unit 3, we are supposed to shift Unit 1 and Unit 2 products to Unit 3. So whether that shifting is complete? And if this is complete, what is the capacity utilization there across units now?
- Dr. Kiran S. Divi:** It's an ongoing process right now. We have completed the construction of six production blocks where we are making certain of our key starting materials. Apart from also transferring a few of the products in Unit 1 and Unit 2 emptying part of the -- a little bit of the capacity. And also, we have requirements of manufacturing several of our internal raw materials due to availabilities and issues.
- Apart from this, we are constructing another two blocks which should be completed shortly and that should give us more capacity to transfer products from 1 and 2. This -- we do have another 200 to 300 acres of land, which is available as and when needed, we will go through internal approvals and then start building blocks.
- Ranvir Singh:** So additional capex is related to...
- Moderator:** Sorry to interrupt. Ranvir sir, may we request you to return to the queue for any follow up, please. Our next question comes from the line of Damayanti Kerai from HSBC.
- Damayanti Kerai:** My question is again on Unit 3. So right now, you are using it for manufacturing key starting material, intermediates, etcetera. But can you update us on the GMP qualification for the facility? When do you expect that to come and you can do the regular GMP price from Unit 3 as well?



- Dr. Kiran S. Divi:** See, right now, what we're doing is, we are manufacturing starting materials, not key starting materials, because key is under GMP. So making starting materials and intermediates required for our in-house APIs and several new projects coming into -- in line. Apart from this, we will also start shortly qualification of some of our in-house APIs, which we can qualify, submit our Drug Master File and then get appropriate qualifications. This would be in the near future in the next few quarters. But not right now because right now, we have a need several starting materials for our own products, both at the CS side and at the generic side, which the Unit is now concentrating on.
- Damayanti Kerai:** Okay. My second question is actually a clarification. This peptide center of excellence, where does this fit? It's in Unit 2, 3 or where is it located?
- Nilima Prasad Divi:** So, it is spread across both the Units. And I wouldn't say it is only at one Unit or at -- because, our -- historically, we have always made sure that all our Units are equally distributed with our products.
- Moderator:** Our next question comes from the line of Nitin Agarwal from DAM Capital.
- Nitin Agarwal:** Sir, just one clarification. Of three projects that you've announced to the stock exchanges, what would be the timeline for commencement of those various projects, if you can give us some reminders of those timelines?
- Dr. Kiran S. Divi:** So, all the three projects are at different phases. There is -- some of them are under -- equipment is still being installed. Some, they're undergoing qualifications, some are undergoing validations. So all-in-all, we expect in the next 1 to 2 years, we will start seeing revenues into our books, provided all regulatory approvals are in place, and then there is no hurdles from any agencies.
- Nitin Agarwal:** So, more like an FY28 is where the impact should be seen for all of these things put together. That's assuming things fall in place from a regulatory perspective?
- Dr. Kiran S. Divi:** Again, I cannot give a date. I'm hopeful and we are targeting 1 to 2 years from now. What I cannot give is a date or a year because everything is based on regulatory approvals.
- Moderator:** Our next question comes from the line of Abhigyan Srivastav from Marcellus Investment Managers.
- Abhigyan Srivastav:** I have two questions. The first question is, can you please help us understand how our Contrast Media scale-up is progressing and when a CSM Gadolinium products should get launched?
- Dr. Kiran S. Divi:** In terms of our contrast media, okay, on the Iodine-based contrast media, we have progressed quite well. We have -- we are working on validations and there are only three or four big players in the world. We are working closely with them, and some of them we are undergoing validations like I told in the last quarter. And hopefully, we will commercialize soon. I would say, at least in the four, we are working at least with one or two of them actively, and we are in good advancement.



Coming to Gadolinium compounds, we are working with several of the innovators on their Phase III molecules, like I explained even the last time, these have to go through regulatory approvals. They have to get the approvals, because once they submit, it has to go through different countries and the whole process will take at least, I would say, at least 1 year before we start seeing anything, even if the product is approved or not. So -- but we are active with several customers, and we are hopeful to see some positive results soon on the Gadolinium side.

Abhigyan Srivastav: Got it. My second question is that many pharma companies have announced U.S. capex, including capex for APIs. So, does this news have any negative impact on Divi's?

Dr. Kiran S. Divi: So far, we haven't seen any negative impact for Divi's. I mean, why people are putting capex in U.S. is something I cannot answer for, but we have not seen or lost any customers nor any of our branded customers have raised any questions about it. So, we do not -- I cannot answer this topic.

Moderator: Thank you. Ladies and gentlemen, we will take this as our last question for today. I now hand the conference over to Mr. Satish Choudhury for closing comments.

M. Satish Choudhury: Thank you all for joining us today for the earnings call of Divi's Laboratories Limited. In case you need any further clarification, please reach out to our Investor Relations. Thank you.

Moderator: Thank you. On behalf of Divi's Laboratories Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.