Divi's Laboratories Limited

May 23, 2025

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

Trading Symbol: **DIVISLAB**

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

Scrip Code: **532488**

Dear Sir / Madam,

Sub: Transcript of earnings conference call held on May 17, 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 year ended March 31, 2025, held on May 17, 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.

Thanking you,

Yours faithfully,
For Divi's Laboratories Limited

SATISH CHOUDHURY MEKA
Digitally signed by SATISH CHOUDHURY MEKA
Date: 2025.05.23 15:48:35 +05'30'

M. Satish Choudhury
Company Secretary & Compliance Officer

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"Divi's Laboratories Limited Q4 FY'25 Earnings Conference Call"

May 17, 2025

MANAGEMENT: **DR. KIRAN S. DIVI – WHOLE-TIME DIRECTOR & CEO**
MS. NILIMA PRASAD DIVI – WHOLE-TIME DIRECTOR (COMMERCIAL)
MR. L. KISHORE BABU – CHIEF FINANCIAL OFFICER
MR. VENKATESA PERUMALLU – GENERAL MANAGER (FINANCE AND ACCOUNTS)
MR. M. SATISH CHOUDHURY – COMPANY SECRETARY AND CHIEF INVESTOR RELATIONS OFFICER

Moderator: Ladies and gentlemen, good day and welcome to the Earnings Conference Call of Divi’s Laboratories Limited for Q4 FY2025.

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 “*” then “0” on your touchtone 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 Year-ended 31st March 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); Mr. L Kishore Babu – Chief Financial Officer, and Mr. Venkatesa Perumallu – General Manager, Finance and Accounts.

During the day, our Board has approved audited financial results for the quarter and year ended March 31, 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 a transcript of the same will be made available on the website of the company. Please 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 specific and written consent.

Let me draw your attention to the fact that on the call, our discussions will include certain forward-looking statements, which are predictions, projections or other estimates about future events. These estimates reflect management’s current expectations 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 Q4 FY2025 Earnings Call. Thank you all for joining us today. I hope you and your families are safe and in good health.

As we convene to review our fourth quarter and full year financial performance, I'd like to take a few moments to reflect on our broader operational progress and strategic initiatives as we wrap up fiscal year 2025.

This year has been marked by significant external volatility, geopolitical uncertainties, persistent global supply chain constraints and continued pricing pressures, particularly in our generic segment due to heightened competition. These challenges tested our resilience and demanded nimbleness in how we operate.

I am proud to share that our teams across the globe grow to the occasion, by implementing targeted pricing strategies, process optimization measures and enhancing our responsiveness to market dynamics. Hence, we were able to ensure seamless and timely delivery of product to our customers without ever compromising on quality. This operational discipline has enabled us to complete FY25 stronger, more agile and better prepared for the future.

Let me now walk you through the Key Performance of our Key Business Verticals –

Starting with our Generic Business:While pricing headwinds remain a persistent challenge, we have successfully maintained stable volumes in all our core products. The competitive intensity in the market continues to be high. However, Divi's sustained its leadership position by constantly investing in process innovation, operational efficiency and long-term capability and capacity building. These efforts reinforce our position as a dominant player in the industry.

Turning to our Custom Synthesis Segment: We are witnessing strong and sustained momentum in this business. Customers engagement level remains high with a healthy uptick in RFPs and regular site visits, reinforcing our stature as a Partner of Choice in the CDMO space. A significant recent highlight was the signing of a long-term manufacturing and supply agreement for an advanced intermediates with a leading global pharmaceutical company. This partnership not only strengthens our presence in custom synthesis space but also opens new avenues for our innovation-led growth.

Coming to our peptide business: Our peptide business is gaining significant traction as a global demand for novel peptide-based therapies including GLP-1's, GIPs and GLP-2 analogs, continue to accelerate. To address this rising demand, we have made strategic investments in both solid-phase and liquid-phase synthesis capabilities. These investments will be instrumental in expanding our offerings and sustaining our competitive edge in this rapidly evolving therapeutic area.

Our progress in Contrast Media segment remains steady and encouraging. We continue to invest in expanding our capacity and capabilities in this high growth market as we work towards becoming a leading player in this space.

On the manufacturing front: I am pleased to share that construction and commissioning activity at our Unit-III facility near Kakinada are progressing as per schedule. Phased production has already commenced, supporting our backward integration strategy and enhancing our capability to manage input costs effectively.

In parallel, we continue to invest in next-generation technologies such as Continuous Flow Chemistry and Biocatalysis, both which are integral to our strategy for sustainable and scalable small molecules manufacturing.

Beyond our business and operational achievements, we remain deeply committed to create long-term value for our communities we serve. Our Corporate Social Responsibility initiative this quarter continues to focus on core areas of education, healthcare and rural empowerment. I am proud to share that these efforts have positively impacted over 1.3 million lives this year alone, truly a testament to our belief that inclusive growth is the foundation of sustainable success.

In conclusion, this quarter underscores our continued focus on strengthening our fundamentals through capacity expansion, technological innovation and proactive risk management. Despite the complex global environment, our integrated efforts across generics, custom synthesis, peptides and emerging growth areas supported by resilient procurement and logistical strategies, placed us in a strong position to capitalize on future opportunities and enhance our competitiveness in global market.

Thank you once again for your time and continued support. I will now hand over the call to Ms. Nilima Prasad Divi, who will walk you through the Financial Highlights for Q4 '25 and provide an outlook for the Full Year-ended March 31, 2025. Thank you.

Nilima Prasad Divi: Good afternoon, everyone, and welcome to Divi's Laboratories Q4 FY25 Earnings Call. It's a pleasure to connect with you today and I appreciate you taking the time to join us. I hope you and your families are in good health and high spirits.

Before we dive into financial performance for the year, I would like to begin with a detailed update on our supply chain and logistics operations, areas that have played a critical role in ensuring business continuity and customer satisfaction in a volatile global environment.

Let me start with the Procurement and Raw Material Sourcing Landscape:

This quarter we witnessed relative stability in raw material pricing, which is an encouraging sign given the fluctuations seen in the previous quarters. Our multi-source procurement strategy spanning suppliers from across the US, European Union, Middle East and Asia, while promoting domestic sources, has continued to serve us well, ensuring consistent availability of key inputs and insulating us from regional disruptions. This geographical diversification remains a cornerstone of our supply resilience.

However, while pricing remains stable, global transit times were notably impacted by persistent disruptions in maritime routes. Specifically, the security situation in the Red Sea has necessitated widespread rerouting of cargo vessels around the Cape of Good Hope in South Africa. This alternate route has extended lead times for shipments from both the US and Europe by approximately two to three weeks, creating ripple effect across planning, production and cost structures.

In response, we have taken several proactive measures. Our teams have intensified inbound logistics planning, optimize safety stock levels and work closely with suppliers to implement contingency sourcing models. These efforts are designed to mitigate delays and ensure continuity of raw material inflows, thereby minimizing any operational impact.

Looking ahead, we expect this proactive approach combined with continued price and supply stability to keep our procurement environment favorable over the next two quarters.

Shifting focus to Outbound Logistics: The Red Sea disruptions have not only affected inbound shipments but have also significantly influenced our global delivery timelines. Vessel diversions and increased congestion at transshipment ports have resulted in extended shipping times and elevated freight costs, especially to key markets such as European Union, the United States and Latin America.

To tackle these challenges, our logistics and supply chain teams have adopted a pro-active customer-centric approach. We are working in close coordination with reliable freight forwarders, securing container space well in advance, and maintaining regular transparent communication with customers through timely sea trade updates. This enables our partners to plan their inventory and production schedule with greater confidence despite prevailing global uncertainties.

We have also enhanced our tracking capabilities, allowing us to monitor each shipment closely and respond swiftly to any unforeseen disruptions. This end-to-end visibility has significantly improved our service reliability and allowed us to maintain a high degree of fulfillment assurance across our markets.

Looking ahead to the first quarter of FY2026, we anticipate that sea freight rates will remain broadly stable. However, we do expect air freight charges to gradually normalize in alignment with the revised transit expectations and improved route predictability. Our logistics team will continue to monitor these trends closely and make tactical adjustments where necessary.

In conclusion, despite an increasingly complex global trade environment, Divi's Laboratories remains well-positioned to navigate these challenges. Our continued emphasis on strategic sourcing, agile inventory management and reliable logistics execution ensures that we are able to support our customers efficiently without disruption while preserving operational agility and cost- effectiveness.

I will now provide you with an "Overview of Financial Performance for the 4th Quarter of Financial Year 2024-25 and the Financial Year-ended on 31st March 2025." We have achieved a consolidated total income of Rs.2,671 crores for the current quarter as against the consolidated total income of Rs.2,382 crores for the corresponding quarter of previous year.

Profit before tax for the current quarter is Rs.864 crores as against a PBT of Rs.713 crores for the corresponding quarter of previous year. Profit after tax for the quarter is Rs.662 crores as against a PAT of Rs.538 crores for the corresponding quarter of previous year.

For the current quarter, we have a Forex gain of Rs.10 crores as against a Forex loss of Rs.2 crores for the corresponding quarter of previous year.

For the year 2024-25, we have earned a consolidated total income of Rs.9,712 crores as against Rs.8,184 crores for the previous financial year. PBT for the current financial year is Rs.2,916 crores as against Rs.2,163 crores for the previous financial year. PAT for the current financial year is Rs.2,191 crores as against Rs.1,600 crores for the previous financial year.

For the current financial year, we have a Forex gain of Rs.48 crores against a gain of Rs.30 crores for the previous financial year.

Material consumption remains at about 40% of the sales revenue for the current as well as the previous financial years. Our constant currency growth for the current financial year has been at 18%, whereas it was negative 2% for the previous financial year.

Export for the current financial year remains at about 88% of the total sales revenue. Export to Europe and the US accounted to 73% of the total sales revenue for the current financial year and 70% of the total sales revenue for the previous financial year.

Product mix for Generics to Custom Synthesis for current financial year is 46% and 54% respectively. Product mix for Generics to Custom Synthesis for current quarter is 49% and 51% respectively.

Our Nutraceutical business amounted to Rs.781 crores for the current financial year and Rs.205 crores for quarter-ended 31st March 2025.

We have capitalized assets of Rs.560 crores during the current quarter, of which assets capitalized for Kakinada project amounted to Rs.337 crores. We have capital work-in progress of Rs.1,022 crores as at 31st March 2025, of which Kakinada project accounts to Rs.562 crores. Total amount spent on Kakinada project, including assets capitalized and advances given till 31st March 2025 is Rs.1,497 crores. As of 31st March 2025, we have cash on books of Rs.3,696 crores, receivables of Rs.2,855 crores and inventory of Rs.3,033 crores. Thank you.

M Satish Choudhury: Thank you Madam. With this we would request the Moderator to open the lines for Q & A.

Moderator: Thank you very much, sir. We will now begin with the question-and--answer session. The first question is from the line of Surya Narayan Patra from Phillip Capital (India) Private Limited. Please go ahead.

Surya N Patra: Yes. Thanks for the opportunity and congrats for the good set of numbers in the difficult time. My first question is on the growth number that we have witnessed on the generic business front. Interestingly, after kind of a two-year period, we are seeing a kind of strong momentum in the generic business both sequentially as well as YoY. And similarly, if I just comparatively see that even the margins also had seen a similar improvement, the exit rate for the quarter is strongest in the last two year period. So, how should we see this the generic growth, whether it is driven by the price rise and whether that has contributed to the overall margin scenario here?

Dr. Kiran S. Divi: As I have mentioned during my speech, right now, the generic performance itself is at a high competition level whereby we have continuous pricing pressure in the generic side. As market share continues, we are still a dominant player in the market, and we continue to play that role. In terms of new molecules that are being coming off-patent, as and when they come off-patent, we will start producing them and slowly start building our shares.

Surya N Patra: And regards the margin scenario, sir, that we are seeing the exit rate for the quarter in terms of either gross margin or even the EBITDA margin, it is, I think one of the strongest number over the last two-year period. So how should one think going ahead or it is just a quarter-specific product mix that is driving this number or how should one going ahead think about the margin scenario?

Nilima Prasad Divi: This is mainly to do with the product mix that we have and it would keep changing quarter-on-quarter. So, I would recommend like looking at it on a yearly basis rather than just focusing on one quarter.

Surya N Patra: Okay. Just last question from my side is that, see in the last one year period, obviously, we have seen a significant pricing trend in the RFQs for the CDMOs generally. Obviously, that was supported by the potential implementation of the Biosecure Act, China Plus One and those kind of things. But now, those kind of things are now in the back stage. So any practical change in terms of your RFQs or the customer engagement, although that you have indicated there is a heightened engagement that is still there. But since we are completing the financial year, any commentary that you can provide for the next year in terms of your outlook or guidance or anything on that front?

Dr. Kiran S. Divi: Firstly, we have always been in the CS business, custom synthesis business right from the inception. It's not something that we started after China Plus One or the Biosecure Act has started, our business was there. We've been in this business even before anyone has ever been in it. So for us, RFQs, RFPs coming in on a continuous basis is always there. With the Biosecure Act or China Plus One, we are seeing a little more than what we have seen before. And we have several products in the pipeline, some are going through R&D phases, some are in pilot scales right now. So it's hard for us to put a finger on it because of confidentiality. But what I can say is Divi's is very strong in the custom synthesis business as well as the generic side of the business.

Surya N Patra: Sure, sir. Yeah, I have a couple more. I will come in the queue, sir.

Moderator: Thank you. The next question is from the line of Neha Manpuria from Bank of America. Please go ahead.

Neha Manpuria: Yes. Thanks for taking my question. My first question you know just understanding the gross margin expansion that we have seen. While I understand you mentioned the product mix, but has the backward integration, given the Kakinada that just commissioned, has the backward integration from Kakinada started already helping gross margins or would that take time to reflect and that's something that we should build in going forward?

Dr. Kiran S. Divi: So Kakinada definitely, we started in January; the production and the backward integrated material has slowly come into the product. So we will see the benefits going in the future as Phase-I and slowly we will start constructing Phase-II where we will add additional blocks. Definitely, we will see benefits that's coming in. But Kakinada more than creating space or controlling our price, the main reason of having Kakinada is for having continuous supply of our own raw materials and our critical starting materials. So, to avoid any disruption in supply for us, to have continuous supply for our customers, is why Kakinada also started, apart from pricing and controlling our impurity profiles and several other factors.

Neha Manpuria: Understood. And if I have to also think about Kakinada's impact on earnings, would it be fair to assume that it will take a couple of quarters for Kakinada to become like an EBITDA-neutral from a cost versus the benefit from Kakinada, would that be a right way to look at it?

Dr. Kiran S. Divi: I would rather instead of looking at Kakinada as a single unit because see the raw material or the starting material it's producing goes straightly into one of the units where GMP material is being produced. So we have to look at the molecule as a whole. We cannot look at the molecule into separate unit and then break it up. So as a whole, yes, there will be a benefit. I would look at it more as a company and then look at the molecule being manufactured in different areas.

Neha Manpuria: My second question is just understanding our peptide capabilities, just wanting to know if we've expanded these capabilities to non-GLP-1 areas as well? And just an extended question is on the capabilities. If I look at presence across other modalities, are we targeting ADCs or even nucleotides, any updates that we can give on the capabilities that we are developing in terms of client interest on custom synthesis?

Dr. Kiran S. Divi: Could you just repeat your question again please?

Neha Manpuria: So first is on peptides, do we have capabilities that extend outside of GLP, are they extending even to non-GLP areas and also are we focusing on ADCs or nucleotides, when should we start seeing there, are investments that we are making there based on client RFPs?

Dr. Kiran S. Divi: So to answer about the peptides, we are right now looking at peptides only for manufacturing for the innovators and looking at their pipelines and working with them. As you know, Divi's is very strong in manufacturing their individual peptides and protected amino acids and that is how which we have entered about 18-years ago and that's why we are now entering into manufacturing fragments either by solid-phase or by liquid-phase, I cannot comment more on these because I am bound by confidentiality, so I can only talk about that we are working with several customers and at several phases right now. Divi's has actively invested in both solid-phase and liquid-phase so that, as and when required, we can support customer requirements. Coming to your ADCs and nucleotides, it's still in the preliminary phases right now. I cannot comment too much on those molecules.

Neha Manpuria: Got it. Thank you so much.

Moderator: Thank you. The next question is from the line of Dr. Kunal Dhamesha from Macquarie. Please go ahead.

Dr. Kunal Dhamesha: Hi, thank you for the opportunity. One more strategic question. Several of the large pharma companies in the US have announced large capital expenditure to kind of reshore the manufacturing. So, how are you viewing this announcement in context of overall industry growth rate and specifically, do you read across for Divi's since we kind of work with all these large pharma companies? And recently, because of this, have you seen any change in conversations that you are having with these companies?

Dr. Kiran S. Divi: So as you know, Divi's is in both custom synthesis, custom also includes peptides or if you look at we are in contrast media, generics. Any business related to custom synthesis is based on a long-term contract. It is not like we just jump in, make something and then we forget. So, we have long-term multi-year contracts with structures in it; and we are seeing new opportunities in the pipeline. We do not see any issues at this point. But if something arises, of course, we will definitely know. As of now we don't see anything.

Dr. Kunal Dhamesha: Sure. And the second one on the GLP-1 portfolio that we have with multiple innovators. Would you say that our portfolio would extend beyond peptide GLP-1s, we would have some non-peptide or maybe small molecule GLP-1s also in the portfolio?

Dr. Kiran S. Divi: Like I told you in my presentation, Divi's is working on GLP-1s, GIPs, GLP-2 analogs and on small molecules and we are very active with different customers at different phases… they are at different phases in our development or in our advancement.

Dr. Kunal Dhamesha: And lastly, if I can just ask one more on the Kakinada plant, I think we are more or less done through phase-1. So one part is how much we can scale here, how many phases we should expect, you know whether it's a 3-Phase journey, five phase journey? And In terms of whatever phase-1 that we have commercialized, what proportion of that is as percentage of total phase-1 capacity?

Dr. Kiran S. Divi: So Kakinada is a total of 500 acres. In 500 acres we have occupied about Phase-I we have used 200 acres and we have built production blocks which about seven of them which will help us in taking care of certain raw materials so that it helps us in our backward integration. Apart from this, it will also free some of our existing blocks in our Unit-I and Unit-II; thereby we can add certain molecules and manufacture GMP products, while Kakinada goes through its own regulatory phase. We still have 300 acres. Based on the requirement in the market and opportunities we see, we will expand, it can be either in two phases, maybe it will be Phase-II and III, or it will be in one phase you may use the remaining 300 acres. Everything is based on the opportunities we have and when for example in a CS molecule will come to life and we need space immediately, of course we have to invest and move forward.

Dr. Kunal Dhamesha: Sure. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Shyam Srinivasan from Goldman Sachs. Please go ahead.

Shyam Srinivasan: Good afternoon. Thank you for taking my question. Just the first one on the announcement in April and also from last April, right, similar kind of amounts like Rs.700- crores odd that was a long-term supply agreement, this is again a long-term supply agreement. Can you just compare in Contrast? I don't know whether you put out anything on the last year, but this year was advanced intermediates. So, if you could help us, I know you are not going to call out the names but just want to understand, why not API in this one?. So just to compare in Contrast the type of announcements, these are the largest two announcements we have done, so just wanted to understand the qualitative color?

Dr. Kiran S. Divi: That's quite a difficult question because I am bound by confidentiality. Both are related to CS projects. Yes, the recent one is an advanced intermediate, the one before all I can say is it is an active API.

Shyam Srinivasan: Helpful Kiran. In your opening remarks, you alluded two projects in the latest announcement to say it has opened new avenues of growth. Can you like double click?

Dr. Kiran S. Divi: Could you repeat your question again please?

Shyam Srinivasan: So, Kiran, in your opening remarks, when you talked about the second announcement, you said that this had opened more avenues of growth on the innovation side. So what do you mean?

Dr. Kiran S. Divi: So within the peptide division or if you look at our existing… new chemistry development like continuous flow chemistry, this is a new thing that several customers are looking at and also on biocatalysis where we have been investing heavily and this is where most of the innovation and new molecules are coming from, so that's what I meant by new opportunities.

Shyam Srinivasan: Understood. Thank you. Just the second question is on the financials. So if you look at full year Fiscal '25 versus Fiscal '24, EBITDA margins have gone from 29% to 32%, gross margins have been flat, but the biggest delta has come from other expenses, which is excluding wages I am talking about which has come down by 250, 300 basis points. So if you could explain like what is driving and that's been the case for the quarter as well, so just want to understand what are we doing right to keep other expenses to actually in fact declining for the year when we had like 18%, 19% growth?

Nilima Prasad Divi: Can you just repeat your question again? The voice was not pretty clear.

Moderator: Mr. Srinivasan, I would request you to use your handset, sir. Voice is muffled.

Shyam Srinivasan: Yes, sure. The question was on other expenses. Other expenses as a percentage of sales last year was 17% and this year was 14%. This is despite we are having 18% constant currency growth. So just want to understand what is driving this operating leverage.

Moderator: I am sorry, ma'am, you are not audible.

Nilima Prasad Divi: So, I would say the major driver behind it could be like quite a few things, it's not just one thing that has led to the other expenses being the way it is. It could be from various expenses, it's not just one expense that I could put my finger on. We did have higher repairs on the older plant and machinery considering some of the units are about three decades old. And besides that, there has been an increase in freight and travel expenditures and as well as the environment management expenses.

Shyam Srinivasan: So the costs have come down, not gone up. I am just confused.

Nilima Prasad Divi: These are the ones that have made all the changes. That's what I was trying to say.

Shyam Srinivasan: Understood. And then lastly, any guidance for the revenue and EBITDA for Fiscal '26? Thank you.

Nilima Prasad Divi: The revenue guidance, as I would say like I have said earlier, we would always look at double-digit growth and we would always assume, and our work would always be towards making sure the organization grows at a consistent pace of double-digit growth.

Shyam Srinivasan: Thank you. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Amay from JM Financials. Please go ahead.

Amay: Yes. Thank you for taking my question. Most of the questions are answered. So one incremental question is on GLP-1. We said that we are only working with innovators. So, next year, which the generic opportunity in the Semaglutide which is opening up, so are we not going to participate in that opportunity?

Dr. Kiran S. Divi:: Like I said, we are working with innovators on several phases. As of now, we are not looking at working with GLP-1s at the generic space.

Amay: And any rationale behind is it because we are bound by the contract with the innovator, or you believe that it's not lucrative enough to enter?

Dr. Kiran S. Divi: See, as of now, I am bound by confidentiality. It is whether I am producing for innovator, I mean, based on our knowledge, knowhow and everything, we believe we are best suited now to work on innovative molecules in the GLP space.

Amay: Sure. For the innovator space, because the products have been there in the market for a while now, so is there any wallet share being committed to us by the customer or like how are we thinking about that?

Dr. Kiran S. Divi: So like I said, because we have long-term supply agreements with several customers. Apart from the ones which are also in the market, you also have to understand, there are several molecules in the pipeline at various phases, GLP-1s, GIPs, GLP-2s in place which are in various stages of development where we are active; and we will see as and when opportunities grow we have long-term contracts in place and we will see how it forms out.

Amay: Sure. And the next question I have on the next year, we have given the double-digit growth guidance. So within segments, do you expect API also to grow in double-digit, the generic segment?

Nilima Prasad Divi: I cannot comment on that. I would say the overall revenue of the organization would be approximately double-digit growth.

Amay: Sure. Thank you so much. I will join back in the queue.

Moderator: Thank you. We will take the next question from the line of Abdulkader Puranwala from ICICI Securities. Please go ahead.

Abdulkader Puranwala: Yes, hi. Thank you for the opportunity and congrats on a good set of numbers. Sir, my first question is with regards to your investments on the new project. You talked about GLP-1, GIPs and GLP-2 products. So, in terms of whatever you have spent in terms of your capacity addition, any color if you could provide to us what is the investments done into this space so far?

Nilima Prasad Divi: Can you repeat the last part of your question?

Abdulkader Puranwala: Yes. My question was with regards to the capital investment, which you would have done for your newer projects which include GLP-1s and other opportunities.

Dr. Kiran S. Divi: We haven't classified it as a particular investment towards GLP-1s because several of the equipments could be used both for the API or other custom products or GLP-1s. So we haven't classified it in particular saying that this is only a GLP-1 based situation.

Abdulkader Puranwala: Okay. Next one is on the two new projects which you have announced on the CS side. So, any color on when the revenue generation would start from these plants? And secondly, with the quantum of investment what you have done, any of this project could it be in line with what the opportunity you would have seen during the COVID time?

Dr. Kiran S. Divi: Firstly, this is a long-term opportunity is how I would put it which are quite promising molecules. Number 2, we completely depend on the regulatory approvals of our customers, once we produce our commercial batches. So maybe by 2026 end, or 2027 is when we hope to see commercialization of these projects.

Abdulkader Puranwala: Understood. Thank you. I will get back in the queue.

Moderator: Thank you. The next question is from the line of Bino Pathiparampil from Elara Capital. Please go ahead.

Bino Pathiparampil: Hi, good afternoon. Most of my questions are answered. Just one. What would be the CAPEX for the coming financial year?

Nilima Prasad Divi: It would be mainly the projects that have been announced this particular financial year, would be the additional CAPEX that we are expecting.

Bino Pathiparampil: So sorry, so that is around Rs.1,400 crores if I get it correct, plus some maintenance CAPEX?

Nilima Prasad Divi: Yes, so it would be Rs.1,400 crores plus some maintenance CAPEX, I mean, that would be the one that we would be looking forward to.

Bino Pathiparampil: Got it. Thank you very much.

Moderator: Thank you. The next question is from the line of Nitin Agarwal from DAM Capital. Please go ahead.

Nitin Agarwal: Hi, sir, thanks for taking my question. Sir, on the two long-term contracts, by when would the commercial impact of these two contracts likely to be visible?

Nilima Prasad Divi: I think there would be around late 2026, early 2027 we would be seeing the impact of those, but this is also subject to when the regulatory approvals would take place. It's not just the CAPEX that we need to look into, but one is the CAPEX, but also when we start manufacturing, we need to also get regulatory approvals, so that would take time as well.

Nitin Agarwal: Just to clarify, this calendar year '26 end that you are talking about, right?

Dr. Kiran S. Divi: Yes, we are talking about sometime in 3rd Quarter end of 2026 or 4th Quarter or January of 2027 around that time hopefully if all regulatory approvals come in place.

Nitin Agarwal:: And just secondly on Kakinada, how much incremental CAPEX have we planned for the first phase?

Nilima Prasad Divi: Currently Phase-II, we haven't planned anything, we are still in the phase one and we are working on, like based on the newer opportunities we are getting and how we are planning, we are still working on how to go about Phase-II, we haven't started anything in Phase-II.

Nitin Agarwal: In Phase-I, we've spent almost Rs.1,497 crores so far. How much more are we intending to spend in Phase-I?

Nilima Prasad Divi: About Rs.200 crores is what we are looking at Phase-I.

Nitin Agarwal: Thank you so much.

Moderator: Thank you. The next question is from the line of Lakshmi Narayan from Tunga Investments. Please go ahead.

Lakshmi Narayan: Thank you. So what I understand is the success of our company is dependent on three aspects; one is production, one is research and third is the client development or the business development/sales, right. Now, while on the first angle, we had mentioned the capacity. Just want to understand in the last two, three years, how have you beefed up your research capabilities and also your front end sales capabilities? That's my first question. My second question is that qualitatively how do you think the next three years is going to be far better than the past few years, and can you just help me understand what are the two or three things as investors we should look for and what gives you confidence that the next three years is going to be better than the last three years?

Nilima Prasad Divi: I will answer your second question first. We have always been a conservative organization. We have not been extremely competitive or extremely proactive in sharing our numbers or revenues or growth so because we believe in being conservative in the way we project, and we would want to deliver what we promised. So my stand on that would be, as I said earlier, we would be thinking about having a double-digit growth for the next few years. Now, coming to your first question, we weren't clear what the question is in the first place. So can you please repeat your question again?

Lakshmi Narayan: My question is that success for a company like us comes from three different parts in my view; one is the production capability, second is the research capabilities and third are your sales/client mining capabilities, right? While on the first one, you have outlined kind of capital expenditure you have incurred in the last couple of years. just want to understand at least in the last two or three years, how have you enriched our research capabilities, some kinds of a quantitative or qualitative feedback would be helpful, which means that we have increased our workforce and research or we have actually got into two or three new areas, that could be one way to think about it. And the last is from a client mining capabilities, how have we beefed up our you know front end or so-called front-end workforce?

Dr. Kiran S. Divi: Okay. So coming to research and development, we have always been very proactive and yet being very, very smart in grabbing opportunities, which has been one of our biggest strengths. I mean, If you ask what Divi's has done in the last two, three years and for the years going forward, we have been very active in peptide chemistry, we have been very active in fragments, then we have gone into solid-phase peptide synthesis, liquid-phase peptide synthesis. Apart from this, we have gone into flow chemistry, biocatalysis. So we are constantly looking at opportunities and discoveries and innovations across the world understanding what technologies are available and how it is helping us in our own manufacturing by increasing either our yields or going towards green chemistry or we are looking at atom-to-atom efficiency, looking at all these factors is one of the Divi's biggest strength. If you look at customer base what have we done, our reputation as one of the top CDMO for being on-time delivery for someone who has supplied material with zero recalls and on-time delivery and maintaining our commitment itself gives us a lot of credibility in the market whereby several customers approach us and we have continuous business and continued molecules which keep coming to us.

Lakshmi Narayan: Got it. Okay. And in terms of your sales or the mining team, how have you enriched that particular part?

Dr. Kiran S. Divi: I didn't get your question. What were you trying to ask?

Lakshmi Narayan: Like what I understand is we keep going deeper with their end client in terms of their research and trying to understand what are the products there are there, what are the molecules they are coming out with and so we are actually proactively looking at it and so in that count, how have we increased our sales force or the client development activities qualitatively in the last two, three years?

Dr. Kiran S. Divi: So to answer this right, Divi's has been in custom synthesis from the from the inception, it's not that it's something new we started today where I have to develop my BD and then give them incentives and ask them how to move forward. Like I explained to you, our reputation is where we have been given opportunities with several of our existing and new customers. We have already been working with several multinationals, it's not something today that I am developing this story, I mean, if you go back even 10 years or 15 years, our CS business worth 50% of our total revenue. To answer this question, our teams are already in place, there's nothing new about it.

Lakshmi Narayan: Got it. Okay. Thank you, sir. Thank you for a detailed answer.

Moderator: Thank you. The next question is from the line of Gaurav T from Antique Stockbroking. Please go ahead.

Gaurav T: Hi, good afternoon and congratulations to the team for every accomplishment. We understand the confidentiality nature of the custom synthesis business, you can't talk about clients or products, but any insight that we can get in terms of the quantum of total order book contracted which is yet to be executed?

Nilima Prasad Divi: I am sorry we cannot comment much about that particular kind of numbers.

Gaurav T: Any insight on how that Contracted backlog has been growing over the last two, three years? I respect that you can't disclose the number, but any growth trends historically?

Nilima Prasad Divi: See, historically and as well as in the future, what we've seen so far has been a double-digit growth year-on-year, be it generics or our revenue as a whole or custom synthesis. So, that's something that we also expect to see in the future, its the double-digit growth.

Gaurav T: Okay. Just in terms of understanding the sales cycle from RFP to contracting in the custom synthesis business how long can that take from contracting to revenue accretion start, typically what's the timeline we can see, some kind of insights on your sales cycle please, if that's possible?

Dr. Kiran S. Divi: So just to give a brief about it, right, so when you get an RFP, it could be a Phase-I, Phase-II, Phase-III. You don't know which phase is the molecule first. So once you get an RFP, the time cycle of what the customer is expecting, then his regulatory approvals, then our regulatory approvals, whether the lifecycle of the molecule is going to go through. So typically, once you get an RFP, it could be anywhere that we have seen RFPs where we launched it and got it commercialized within one and a half to two years as an aggressive RFP to all the way we have seen an RFP, which we even took about six, seven years. So it's hard to comment because there's not a fixed timeline, it completely depends on the nature of the molecules, the approvals from the regulatory bodies and how interested the agencies are in getting this product into the market. So there are several factors entangled into it. We are only a part of it who only manufacture the active ingredient and then supply to innovators who has to take it much, much forward. So it's a complete matrix. It's very hard for me to say it goes in certain times. But what I can say is we have executed projects within two years' time and there were also times where even some projects even took six to seven years.

Gaurav T: Thank you. I will come back in the queue. All the best.

Moderator: Thank you. The next question is from the line of Nikhil from SIMPL. Please go ahead.

Nikhil: Hello! I have two questions. So in the initial comment, Nilima mentioned that there are still issues at the logistics side and it's taking time and all. But if I look at our inventory build up over last four years since Molnupiravir sales, our inventory was held around Rs.2,800, Rs.3,000 crores; and this year we've hit the highest sales, but still our inventory is around Rs.3,000 crores. So how should we see it? One way to look at it is that you see the RM environment or the material environment on the pricing side and availability side easing a lot, which is why you are not building a larger inventory, how should we understand here?

Nilima Prasad Divi: If you see the sales that are going up but also our portfolio is increasing over a span of many products and we are also maintaining the raw materials based on the entire product portfolio, and if you are seeing from the time we are looking at Molnupiravir, from that time, there has been some or the other crisis be with respect to COVID or be it with respect to China or be it with respect to the logistics, we have been constantly facing pressure with respect to various factors. So based on the product mix, the kind of raw material that requires attention, we've been stocking those kind of raw materials for the product mix we have.

Nikhil: Would it be right to say that going forward as we clock a double-digit revenue growth, like as a percentage of sales this is the kind of inventory level we would like to keep because in initial year between '23-24 we hit almost 40%, 45% of inventory versus our sale which today on our year-ending sales is around 30%. So is this like a normalization on the working capital side?

Nilima Prasad Divi: It's difficult to comment on this. I wouldn't normalize it. I would say it would depend on the products that we are manufacturing, whether it is a large molecule or is it a small molecule project or is it a combination of which particular unit we are manufacturing it from and is the material available domestically, are we developing new sources that are manufacturing locally within the country or are we forced to procure only from international sources. So, it all depends on various aspects. But if you ask me what my wishful thinking is, I would love to maintain a lean inventory. I wouldn't want to have lot of inventory stocks, I would definitely want to have a lean inventory wherein I can implement more of just in time and have it just source what I am manufacturing at that point in time.

Nikhil: Sure. Second question is, see, if I look at our last 15-years we've been doing this CSM business for almost 20, 25 years now and we always had a good relationship with the top-20 pharma companies. But prior to COVID, we never had dedicated blocks, all our plants used to manufacture all our products. But since the time of Molnupiravir, this is like in a way saying this is like third or two molecules, which are where we are going for dedicated blocks. So, what I am trying to understand is what are the underlying guardrails on which we decide whether we will go for a dedicated block or not and is it a quantum of business size which we want to go for like tomorrow if someone comes and says for a Rs.300, 400 crores kind of a top line, even there we will go for a dedicated block. Just some idea if you can share what are your guardrails and what are your benchmarks on which you decide whether we go for a dedicated block or not?

Nilima Prasad Divi: I would say that we did have dedicated blocks way back if it is a product of large volume and where we are manufacturing throughout the year and we did have multi-purpose blocks for the products that are smaller volume, we would take advantage of the facility by doing campaign-based production. However, I don't think we ever mentioned that we are setting up dedicated blocks for the expansion plan. We said we are going to invest a certain CAPEX of certain value but we have never mentioned that it's a dedicated block.

Nikhil: Okay. So even for the two new molecules, the Rs.700, Rs. 800 crores CAPEX we announced, these would all be multi-purpose plants like this is not dedicated for any customer?

Nilima Prasad Divi: Since these products are mainly custom synthesis projects, I am not at a liberty to divulge on information, I would refrain from answering that question.

Nikhil: Sure. Thanks. I will come back in the queue.

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

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 clarifications, please reach out to our investor relations. Thank you.

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