# Divi's Laboratories Limited

November 13, 2026

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 November 07, 2026**

**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, 2026, held on November 07, 2026, at 14.00 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: 2026.11.13 10:39:43 +05'30'

**M. Satish Choudhury**
**Company Secretary & Compliance Officer**

# Divi's Laboratories Limited

"Divi's Laboratories Limited

Q2 FY27 Earnings Conference Call"

November 07, 2026

**MANAGEMENT:** **DR. KIRAN S. DIVI – WHOLE-TIME DIRECTOR AND CHIEF EXECUTIVE OFFICER**

**MS. NILIMA PRASAD DIVI –WHOLE-TIME DIRECTOR – COMMERCIAL**

**MR. VENKATESA PERUMALLU PASUMARTHY – CHIEF FINANCIAL OFFICER**

**MR. M. SATISH CHOUDHURY – COMPANY SECRETARY AND CHIEF INVESTOR RELATIONS OFFICER**

**Moderator:** Ladies and gentlemen, good day and welcome to the Divi's Laboratories Limited Q2 FY27 Earnings Conference Call. 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 this conference call, please signal an operator by pressing star then 0 on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to 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 second quarter of FY 2027. 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 30th, 2026, 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 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 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 the future performance of the company. Please note that these estimates involve several risks and uncertainties that could cause our actual results to materially differ from what is expressed or implied. Divi's Labs or its officials does not undertake any obligation to publicly update any forward-looking statements, whether as a result of future events or otherwise. Now, I hand over the call to Dr. Kiran Divi for opening remarks. Over to you, sir.

**Dr. Kiran S. Divi:** Good afternoon, everyone. Thank you for joining us today as we discuss Divi's Laboratories' performance for the second quarter of the financial year 2026-27.

I would like to begin by highlighting the key business developments, operational progress, and strategic initiatives undertaken during the quarter.

Starting with our Generic business, performance remained stable during the quarter, supported by healthy volume growth across the business segment. While pricing pressures persist in certain product categories, we continue to maintain our focus on market competitiveness, manufacturing efficiencies, and disciplined capacity utilization. Our priority remains to sustain our market position while protecting the long-term economics of our operations.

Coming to our Nutraceutical segment, increasing global emphasis on preventive healthcare, wellness, and scientifically validated ingredients presents opportunities for growth. We are

expanding our capabilities to address these evolving customer requirements, leveraging our strength in chemistry, quality, and large-scale manufacturing.

Moving to Custom Synthesis, customer engagement remains strong across our portfolio, with several programs advancing through different stages of development and commercialization. During the quarter, we have supplied validation quantities for select projects, enabling customers to progress with their qualification process.

Our three major capital investment programs are also progressing through their respective validation stages. We remain focused on completing these activities in alignment with our customer requirements and applicable regulatory timelines, positioning these investments to support future commercial requirements.

Peptides continue to be an important growing portfolio. We continue to witness sustained customer interest and program activity across the peptide fragments, with several products currently under validation or progressing through customer qualification.

Our capabilities in this segment are supported by a vertically integrated manufacturing platform, extending from peptide building blocks to dipeptides, tripeptides, and large peptide fragments. This integrated approach strengthens our control over critical inputs, enhancing manufacturing flexibility, and supports our ability to address increasingly complex requirements from our customers. We continue to add capacity and are currently installing several 3,000 litre SPPS lines to meet the requirements of the programs we are working on.

Technology development continues to be integral to our manufacturing strategy. We are further strengthening our flow chemistry platform through the addition of advanced technological capabilities, while simultaneously expanding our biocatalysis infrastructure to support usage of multiple enzymes at ton-scale manufacturing.

These technologies are being progressively deployed across selected products and processes with the objective of improving process efficiency, consistency, scalability, safety, and overall manufacturing productivity.

On the manufacturing front, Unit 3 continues to assume a large role within our production network. The facility is supporting our backward integration strategy through selected pre-chemistry operations while enabling the phased transfer of manufacturing activities from the existing facilities.

Over time, we expect these initiatives to enhance manufacturing flexibility, improve resource utilization, and strengthen our overall cost competitiveness.

Beyond our business operation, we remain committed to creating a meaningful and sustainable impact in the communities around us.

Our CSR initiatives continue to focus on education, nutrition, and access to essential infrastructure. Through our education programs, we are supporting thousands of students in rural

communities by improving school infrastructure and contributing towards better childhood nutrition.

Our safe drinking water initiative has also expanded its reach and now provides access to clean drinking water to more than 13 lakh individuals every day.

To conclude, our priorities remain firmly centered on strengthening our core business, advancing customer programs, expanding our technological capabilities, and improving manufacturing competitiveness.

We believe that our continued investments in capacity and backward integration and process technologies, together with our longstanding customer relationships, provides a strong foundation to support Divi's long-term growth.

Thank you. I will now hand over the call to Ms. Nilima Prasad Divi, who will take you through the operational and financial highlights for this quarter.

**Nilima Prasad Divi:** Good afternoon, everyone, and thank you for joining us today to review Divi's Laboratories financial performance for the second quarter and first half of FY 2026-27.

We appreciate your continued interest and confidence in the Company. Before presenting the financial results, I would like to provide an overview of the prevailing global trade and supply chain environment and the measures we have undertaken to maintain operational stability, manufacturing continuity, and reliability in meeting our customer commitments.

The global operating environment continues to be influenced by geopolitical developments, particularly the ongoing disruptions in the Middle East and their implications for international trade and logistics. While the availability of key raw materials and solvents has remained largely stable, we have witnessed increased volatility in input costs, particularly in petrochemical-based solvents, where prices have remained elevated.

The global logistics also continues to face challenges. Security concerns around the Red Sea and Suez Canal has led several major shipping lines to adopt alternate routes, resulting in extended transit times and higher ocean cost freight. Air freight has similarly been impacted by increased fuel prices, airspace restrictions, reduced carrier capacity, and sustained demand, contributing to higher transportation costs and longer lead times.

Against this backdrop, we have continued to adopt a proactive and structured approach to procurement and supply chain management. Our diversified network of domestic and international suppliers, supported by advanced procurement planning and strategic inventory management, has enabled us to mitigate potential supply disruption. We continue to maintain a rolling three-month inventory coverage for critical materials, providing greater visibility and flexibility in production planning. This approach has been instrumental in ensuring uninterrupted manufacturing operations and minimizing the impact of fluctuations in material availability and shipment schedules.

On logistics front, we remain closely engaged with our established transportation partners with advanced container booking and continuous shipment monitoring to manage extended transit times and ensure timely deliveries to customers.

While these measures require a calibrated approach to inventory and working capital management, our priority remains to safeguard manufacturing continuity and fulfill customer commitments. Close coordination across our procurement, manufacturing, and logistic functions continues to support effective production planning and timely responses to evolving market conditions. Overall, despite the challenges in the external operating environment, our established supply chain practices, diversified sourcing capabilities, and disciplined operational execution have enabled us to maintain stability across our operations.

With this overview, I will now take you through Company's financial performance for the second quarter and first half of FY 2026-27, ended September 30, 2026.

For the second quarter, Divi's Laboratories reported consolidated total income of ₹3,770 crores compared to ₹2,860 crores in the corresponding quarter of the previous financial year, representing a year-on-year growth of approximately 32%. Profit before tax increased to ₹1,505 crores from ₹912 crores in the corresponding quarter last year, reflecting a growth of 65%. Profit after tax stood at ₹1,127 crores compared to ₹689 crores in the previous year, registering a growth of approximately 64%.

For the first half of FY 2026-2027, consolidated total income stood at ₹6,907 crores compared to ₹5,389 crores in the corresponding period of the previous financial year. Profit before tax for the half year increased to ₹2,685 crores from ₹1,645 crores, while profit after tax rose to ₹2,029 crores from ₹1,234 crores in the corresponding period last year, with 64% increase.

Looking at revenue composition and business performance, exports continue to constitute approximately 90% of standalone sales revenue, reflecting the Company's strong international business presence. Europe and North America together accounted for approximately 75% of the standalone sales revenue. On a constant currency basis, standalone revenue for the first half registered a year-on-year growth of 17%. In terms of business composition, generics contributed 38% of sales revenue during the first half, while custom synthesis accounted for the remaining 62%.

Our global nutraceutical business recorded revenue of ₹571 crores for the first half compared to ₹492 crores in the corresponding period of the previous financial year.

Net material consumption for the first half stood at approximately 32% of the sales revenue compared to 40% in the corresponding period of the previous financial year. With respect to foreign exchange movement, the Company recorded a net forex gain of ₹20 crores during the first half compared to a gain of ₹103 crores in the corresponding period last year.

During the second quarter, the Company capitalized assets amounting to ₹772 crores, taking a total capitalization for the first half of financial year to ₹1,223 crore. The capital work in progress stood at ₹1,638 crores as of September 30, 2026, reflecting the investments currently under execution.

Turning to our balance sheet position as of September 30, 2026, the Company has held cash balances of ₹2,181 crores, with trade receivables of ₹3,705 crores and inventories of ₹5,325 crores. These results reflect the Company's financial performance during the first half of the year, supported by its operating capabilities, diversified business portfolio, and continued focus on disciplined execution.

With that, I conclude my overview of the Company's financial performance for the second quarter and the first half of FY 2026-2027. 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. We will now begin the question-and-answer session. The first question is from the line of Amey Chalke from JM Financial. Please proceed with your question.

**Amey Chalke:** Yes. Thank you for taking my question, and congrats to management on superb numbers. First question I have is on the CDMO business. This quarter also we have grown at around 50% year-on-year for the CDMO business, and the first quarter was also similar, like in 40s. The drivers we have mentioned for last two quarters for this growth is related to the execution of validation batches for certain projects.

Is it possible for management to give a color on excluding these revenues from validation batches? What would be the growth in our base business for first half, and what would be our base business margins as well? Because what I understand typically the validation batches might not continue in following quarters, as well as the margins on the validation batches are typically significantly higher than the base business. If you are unable to quantify on the validation batches, at least if you can guide for the second half, if this run rate we should expect to continue. Thank you so much.

**Dr. Kiran S. Divi:** Thank you. The validation, like I explained during when I gave my points, the validation batches for certain products are going on, and several are still continuing. Once validations are done, the customer will pick up the material, it will go through its qualification process, and commercialization takes place.

It is not like you are doing validation and then you stop and there is nothing to do. To answer your question, this is an ongoing business from our customers. Once validations are done, the next steps are only regulatory approvals, and then it goes forward. As I explained to you, we have several projects going on in the pipeline, which are going through various phases. It is very difficult for me to quantify. All I can say is the CS business, and how Nilima has expressed CS business and the generic business, has about 62% is CS.

**Amey Chalke:** So, you had also mentioned that in the earlier call that the inspection required post the validation batches for the commercial batches to start. Is it possible to give update on same when the inspection is expected to happen and when commercial batches expected to begin? Will the margins be same for the commercial batches?

**Dr. Kiran S. Divi:** So, see, whether the agency would come and inspect us or whether the agency would qualify us based on our past history is like what I told in my previous call, was based on whether the agency decides to come or not is not something I can answer. The agency would give approval either based on past history or would give us based on a pre-approval inspection. Till now, we did not receive any notice on either of them. But as the validation batches go to our customers and they qualify us, then they submit the batches, it is then that we would know whether they would need an inspection or if they would clear the file based on previous history.

**Amey Chalke:** Sure, sir. Thank you so much. I will join.

**Moderator:** Thank you, sir. The next question is on the line of Surya Narayan Patra from PhillipCapital. Please proceed with your question.

**Surya Narayan Patra:** Yes, thanks for the opportunity and congratulations for the great set of numbers, sir. My first question is on the, again, the growth that we have seen, particularly on the custom synthesis side. On an average, in the first half, we have seen near 50% kind of a jump. So, if we are talking about validation batches would have contributed, but validation may not only can drive growth on the overall base business -- overall business by 50%.

So, even if I, let's say, adjust the rupee benefit to the extent of 10%, still it is a 40% kind of a volume-led jump. So, what is driving, sir, really, whether it is we have started some commercial supplies for new product, or we have, let's say, started participating in the semaglutide generic opportunity, what we have already seen? If you can clarify that would be helpful.

**Dr. Kiran S. Divi:** Firstly, I cannot name drugs, so I will not name any product name.

**Surya Narayan Patra:** Fine. That is fine.

**Dr. Kiran S. Divi:** Yes. In terms of qualification and going forward, you know that Divi's has been historically working on several products since the last 30 years, since the inception. Custom synthesis has been one of our portfolios. Several of the molecules which have been worked and validated in the past have slowly been commercialized.

What I am talking about are the new commercialization and new investments we have taken up in the last few years, where we have validated those products and they are waiting. But even before that, we had several products which have gone through the same system and are being commercialized right now, and they are being commercialized. So, there is benefit coming from there too.

**Surya Narayan Patra:** Okay. So, there is no sema play as of now on the generic side for sure. That is correct, sir?

**Nilima Prasad Divi:** I do not think we can comment anything on any specific product, which we are not at liberty to answer because of the confidential agreement we have.

**Surya Narayan Patra:** Thank you, ma'am.

**Nilima Prasad Divi:** But if you have basic generic questions on naproxen or gabapentin, which we already declared, those we can answer. But specific products to a specific customer, we cannot answer.

**Surya Narayan Patra:** Yes, sure. The next question comes from the cost side, ma'am. See, in fact, if you are seeing a 40% kind of a, let's say, volume jump in the key segment of custom synthesis and all that, but we are not seeing any major change in the raw material cost in the absolute term. So, neither the raw material cost nor the total cost would have appreciated by more than 15%, while our volume is jumping like almost 40% like that. Despite we have been talking about solvent price rise and all that. So, what is helping this cost containment here, and what is helping the boosting the kind of a margins at the gross margin level?

**Nilima Prasad Divi:** I would say that we need to take a step back and look at the whole scenario from a bigger picture. We are seeing the disruptions happening in the Middle East. We are seeing the rise in gas and oil prices. Now reflecting back to my industry, I would say the prices, not only for me, even my suppliers are facing their cost increase because of the similar situation. And my input material from them is also increasing. It's not just the solvents.

Now, why is it 32% from 40%? I think multiple reasons. One, yes, the CS is slightly higher than what it used to be. But also you need to realize we went into backward integration heavily in the Unit 3 Kakinada plant. And over there, we would say we are trying to make sure our supply chain is protected. Along with that, we do see certain cost benefits even over there. So, the major part of shifting from 40% to 32% is coming from both these segments.

**Surya Narayan Patra:** Okay. Just one clarification from my side. Regards the three dedicated projects. These three dedicated contracts are now closer to the commercialization, possibly in next couple of quarter time that we will see the commercialization. In that case, generally how long that we -- since it is dedicated, it should not take much longer time to see the ramp up also. If that is the case, how long that we will take to these to optimal utilization level for these projects, sir?

**Dr. Kiran S. Divi:** Right now, I cannot comment on the utilization, but what I can tell you is, they are, like you said, rightly said, they are closer to approvals. As and when we know the approval status, we will start commercialization in the next few quarters. Then they will be fully utilized because they are dedicated facilities, they have their own specialized equipment, based on that process which can only be used for that product. Especially, some of them require flow chemistry, some of them require high throughput technologies, that is why we have to dedicate the whole process for them.

**Surya Narayan Patra:** Okay. Simultaneously, you in your opening remark mentioned about creating several 3,000 kilolitres kind of reactors for the peptide projects. So far we have been kind of working on the pilot project, but you have mentioned about several 3K kind of reactors, capacity additions and all that. If you can just add something more on towards that and the timeline when we can see the commercial benefit of the GLP-1 opportunity. If you can just add anything to that would be helpful.

**Dr. Kiran S. Divi:** I mean, if you recall even during my last call, I clearly mentioned that we have several fragments which are being validated. This is in my last earning call, and I also said that we have also supplied several fragments which are in line of being validated. We are also expanding our capacity and installing several multi-ton 3,000 litre SPPSs. This was what I discussed even in the last call.

Now we are adding on based on the programs we have and the number of customer interests we have. We are again building up more extra lines. First, they're dedicated as per the customer requirements, because usually these are long chain peptides, and these fragments require almost a month, two months to make them. That is why we are putting multiple lines based on the requirement. And for us, peptide is strictly only for innovation basis. We do not make generic peptides right now.

**Surya Narayan Patra:** Sure. Yes. Thank you, sir. Wish you all the best.

**Moderator:** Thank you, sir. The next question is from the line of Dr. Kunal Dhamesha from Macquarie Capital. Please proceed with your question.

**Kunal Dhamesha:** Hi, thank you for the opportunity. First one for Dr. Kiran sir. I think we had suggested in Q1 that we are supplying the validation batches for three projects. Could you give us an update on that number? I know maybe validation batches for some of them might not have been supplied, but just a cumulative number for projects which are either in validation or qualification at this point in time.

**Dr. Kiran S. Divi:** That would be very difficult for me to say. All I can say is, apart from the three projects, which are major investment projects based on the complexity of the chemistry, which requires several dedicated equipment and several new technologies to be put in. That is why we had to mention the investment was quite high there, and the commitment is also long term.

Apart from the three projects where one of them is very close to commercialization, other two we expect in the next one or two quarters, slowly the commercialization factor will come in. But the other pipeline what we have with other customers, several of them have been validated, commercialized, some are going through validation process. So it is difficult for me to give you an estimate or an amount of what is going on.

**Kunal Dhamesha:** Just the number of projects that you cannot give us?

**Dr. Kiran S. Divi:** Any given time, Divi's Labs handles about 60 projects to 70 projects, all the way from pre-chemistry, pre-qualification, qualification, and it goes up the ladder. It must be Phase II, Phase III molecules.

**Kunal Dhamesha:** Sure, sir.

**Dr. Kiran S. Divi:** So it's difficult for me to break them up because they are at different phases right now.

**Kunal Dhamesha:** Sure, sir. Second one on the capital expenditure, we have spent about, I don't know, ₹8.5 billion plus in this first half. If you could share what's the outlook for the remainder of the year and maybe slightly medium-term as well, since we are seeing a lot of customer interest, especially in peptide, which I believe is capex heavy, but you could correct me if I'm wrong here. If you could give an outlook there, would be great.

**Nilima Prasad Divi:** See, currently, as we mentioned earlier, our CWIP is about ₹1,638 crores. Historically, if you see the last three years post-COVID, three to four years, our capex outlook has been about ₹2,000 crores, plus or minus 20% every year. Considering the RFPs we have currently and basically looking at those RFPs from a strength point of view, I would say it would be around ₹2,000 crores, plus or minus 20%.

**Dr. Kiran S. Divi:** I mean, just to answer your question, Divi's proactively builds blocks, though we may not invest into the equipment in the beginning, as and when opportunities arise, and we feel, because molecules have to move from Phase III to pre-validation to commercial. So, it's a long journey. As and when we have the opportunity on the table, we will then start investing.

**Kunal Dhamesha:** Sure. Thank you, ma'am, and thank you, Kiran sir.

**Moderator:** Thank you, sir. The next question is from the line of Shyam Srinivasan from Goldman Sachs. Please proceed with your question.

**Shyam Srinivasan:** Thank you. Good afternoon. Thank you for taking my question. The first one is on the outlook for the second half. We did 17% constant currency growth for first half. I believe our guidance was for double-digit growth. How should we look at second half? I also want to add a qualitative point on this first question, which is around one of your top products likely to see genericization in Europe, rest of the world. Is there any life cycle management that you are doing with that customer? Thank you. That is first question.

**Nilima Prasad Divi:** To answer your first question, I would say it would be double-digit growth. That is my way forward that I would look at. As we historically said, we would look at a double-digit growth. 17% or is it going to be 10% or is it going to be 20%? I cannot comment too much on that, but I would say double-digit growth is the way forward. Can you please repeat the second question again, please?

**Shyam Srinivasan:** Yes. Nilima ma'am, our top product is something that sacubitril/valsartan, right? That one is likely to see genericization for our customer. LOE is, I think, November 2026, so fairly close by. Have you seen a ramp down in requirements from the innovator?

**Nilima Prasad Divi:** I cannot talk about any project, as Kiran Divi has earlier mentioned, which are under CDMO. See, the product could have gone generic, but I cannot comment on it.

**Shyam Srinivasan:** Okay. Last question quickly. Just on your cash flow statement. If I were to look at PBT has grown 50%, 60% first half, but your cash flow from operations ahead of paying taxes has declined 50%, ₹959 crores for the first half of this year. If you could just explain where the working capital is getting locked up in, because the cash flow from operations have not been in line with the PBT growth. Thank you.

**Nilima Prasad Divi:** See, as explained earlier, we are in a large capex cycle. Huge capitalization was seen this quarter, around ₹700 plus crores. And with the work in progress, capex that is being incurred at this point of time, which is about ₹879 crores in -- no, I think the CWIP is about ₹1,638 crores, where certain advances have also been disbursed. So, the cash flow statement, what you are looking at currently is mainly based on the large capex cycles that we are having at this point. We continue to remain prudent and conscious about our capex spend, but that is where I would say you need to focus on.

**Shyam Srinivasan:** Thank you.

**Moderator:** Thank you, sir. The next question is from the line of Vivek Agrawal from Citigroup. Please proceed with your question.

**Vivek Agrawal:** Thanks for the opportunity. The first question is on solid phase peptide capacity, as you have installed many 3,000 kiloliters reactors. Looking three years down the line, should we expect only incremental capacity additions from here on, or could SPPS capacity potentially increase to a multiple of currently installed base as the demand grows? I am just trying to understand the demand that you have and the expansion plans. Thank you.

**Dr. Kiran S. Divi:** See, coming to peptides, Divi's has been a critical player in peptides for the last 20 years. I mean, long before there was actually a few peptide molecules, Divi's were a key player in the peptide building blocks at that time. That is how and that is where our strength is, and that is what customers see as strength.

That is where we also make the other key important factors like the TAGS and few other things which build our strength tremendously. Now, in my previous calls, I did say that we have installed and procured a few of the 3,000 liters SPPSs. This was based on project-specific for certain amount of validations which are in the process of taking place, have taken place also as projects are moving.

Apart from this, it is not just that we are working on GLP-1, we are working on several therapeutic categories with several customers. This requirement have the demand of having several lines, new lines to be put in place, and that is why we have cautiously decided to install several lines based on the projects with our customers.

**Vivek Agrawal:** Understood. Sir, could you give us a rough sense of total SPPS capacity installed so far? Even a broad range would be helpful. Let's say around 50,000 KL, higher, lower. Thank you.

**Dr. Kiran S. Divi:** If I say that, it will put me in trouble because I have NDA in place. All I will say is, with the futuristic capacity, we will be in the top three players.

**Vivek Agrawal:** Understood. Second question is on liquid phase peptide capacity, as some of the opportunities, especially oral peptides, may require multiple tons of API volumes, and solid phase may not be cost-efficient method. I am just trying to understand, are you also taking any kind of meaningful expansion of liquid phase capacities as well from the commercial scale products? Thank you.

**Dr. Kiran S. Divi:** Liquid phase is not new to us. It is something that we have been doing. Everything depends on what the customer wants, whether he wants his fragment or peptide to be made in liquid phase or solid phase. Some want both liquid and solid. It completely depends on what the customer requirement is and how he wants his peptide to be manufactured.

If you go linear in liquid, okay, you end up with lot of impurities and the cleaning takes longer. If you go via fragment, it has better option. Some go, you know, mix of both. I cannot comment, but what I can tell you is, for liquid phase, we are well advanced and very strong in it.

**Vivek Agrawal:** But at this moment, basically, you are not expanding the liquid phase capacity the way you are putting and building capacities for the solid phase. Is that a right way to understand?

**Dr. Kiran S. Divi:** I mean, it's a regular small volume reactor. It's unlimited capacity for us. We can use one of our pilot plants and make as much as anyone wants.

**Vivek Agrawal:** Understood. And just one last question, if I can squeeze in. Are your commercial scale peptide projects primarily with the large U.S.-based pharma companies, or are you also seeing meaningful opportunities, let's say, from the European pharma customers as well?

**Dr. Kiran S. Divi:** See, I cannot comment on this. All I can say is, Divi's custom synthesis is with several multinationals. We work across the world. We look for opportunities across different therapeutic segments, and we are very cautious in our investments.

**Vivek Agrawal:** Thanks, sir. That is from my side, and congrats again on good set of numbers. Thank you.

**Moderator:** Thank you, sir. The next question is on the line of Shrikant Akolkar from Nuvama. Please proceed with your question.

**Shrikant Akolkar:** Hi, good afternoon. Thanks for taking my questions. I have two questions. Firstly, on the validation batches, is it possible for you to tell us how many products we have supplied through validation batches? Is it also possible to tell us that how long would it take for these specific products to move from validation batches to commercial stage?

**Dr. Kiran S. Divi:** See, I think I just answered this question, but I will say it again. We have several projects in the pipeline, and as I explained, Divi's has been in the CS business for the last 30 years. Our oldest customer is 30 years old in the CS business. We have whatever validations have gone on in the past or have already been commercialized and moving forward.

These are new projects that are being validated right now. Based on the investment size, we had to announce three of the projects because they were specific to the project. It is not a multipurpose equipment that is used everywhere else. These are flow chemistry, few complicated equipment to be brought in. The validations have been done. One is near commercialization. One we have to wait for when the customer has to go through his validation and approval. The time cycle is in the next few quarters, we will start seeing commercialization. Apart from that, there are several products in the pipeline, as in Phase III molecules, Phase II, which we actively work. These, in a phase-wise manner, will slowly come to commercialization, validation, then approvals, commercialization. It has its own time cycle.

**Shrikant Akolkar:** Understood. From the three-year perspective, which is the area where we see a lot of growth? We have peptides, contrast media, and generics. Three years, what should we expect from these modalities?

**Dr. Kiran S. Divi:** Look, what I can say is every segment is growing by itself in its own way. I mean, I think we have been blessed that way that both in small molecule or peptide or nutraceuticals, generics, okay, while generics, we have, like I mentioned, we have seen a slight increase in growth in terms of usage, which is actually good. Though pricing pressure is there, we have seen a good growth in volume. All the segments have been growing pretty well.

**Shrikant Akolkar:** Yes, and then just follow up on that. Do you envisage any capacity shortages? Because we have three dedicated units and then Kakinada, but dedicated cannot be used for other clients. From that thought process, do we envisage any capacity shortages in next 12 months to 24 months for us?

**Dr. Kiran S. Divi:** Divi's Unit 1 has about 22 production blocks, Unit 2 has 25, and about 11 in -- no, sorry, six production blocks in Unit 3. We have dedicated only three production blocks across all the units.

**Shrikant Akolkar:** Understood.

**Dr. Kiran S. Divi:** The capacity, the total plants are multipurpose and can be quickly changed.

**Shrikant Akolkar:** Understood. Thank you so much.

**Moderator:** Thank you, sir. The next question is from the line of Chandrashekar from HIE Labs. Please proceed with your question.

**Chandrashekar:** Hi, congratulations team for great set of numbers. My question is, on the projected capex for next three to four years to take advantage of increase in GLP-1 peptides demand, what portion of this future capacity will be dedicated to GLP-1 versus non-GLP-1 peptides? Thank you.

**Nilima Prasad Divi:** See, I would say, at this point in time, we cannot mention is it something related to peptides or is it something related to GLP-1s, or it is something related to small molecules, or is it something related to any other vertical that's coming up. All I can give is that based on the RFPs that we have, and based on what we are looking at and what we feel our strengths are being matched, the advice we would say is about ₹2,000 crores plus or minus 20%. I cannot divide it segment by segment and share information.

**Chandrashekar:** Okay, ma'am. Thanks for the clarification. Any color on the, for next two, three years, how much it will be the run rate per every year?

**Nilima Prasad Divi:** See, next two, three years, I would say again that we do see business growing, we do see interest from our customers, and their confidence in us growing year on year, based on our deliverables. It could be the faster deliverables, or it could be that in spite of all the geopolitical problems that everyone faces, we are able to do the shipments on time and delivering to their destination on time.

So, we do see an increase in RFPs. We do see interest in the strengths that we in chemistry that we have been challenged and strengthened. So, I would say again, the next two, three years, I would say, if I'm looking at it, ₹2,000 crores plus or minus 20% is something I would do look at year on year.

**Chandrashekar:** Thanks, ma'am. That clarifies. Thanks a lot.

**Moderator:** Thank you, sir. The next question is from the line of Neha Manpuria from BofA Securities. Please proceed with your question.

**Neha Manpuria:** Okay, thank you. Nilima, you just mentioned that you'd like to do about ₹2,000 crores capex, plus-minus, for the next few years. Given that the three dedicated capex is pretty much close to commercialization, we still have Unit 3, where exactly are we spending this capex? Based on the pipeline that we have outside of the three dedicated, do you think we need to add capacity for, let's say, both FY 2029, 2030 at this point?

**Nilima Prasad Divi:** I would actually have Kiran answer this question because he looks at more from what's coming in. I would say this question would be rightfully answered by him.

**Dr. Kiran S. Divi:** So, it is difficult for us to categorize, will it go to Unit 1, will it go to Unit 2 or Unit 3, Kakinada, because it is based on the expertise, where it has to go based on where availability of space is, and where there is talent, where the new technology can be absorbed. So, right now, it is difficult for us.

While we are also heavily investing in Kakinada, like Nilima mentioned, where we are doing several backward integration projects, and freeing up some of our spaces in our existing facility, and also creating additional capacity for certain critical raw materials we are manufacturing finished products right now.

So, the capex is divided uniformly between all the three units. And we have been investing actively into several new technologies in flow chemistry. We have also heavily invested into new generation quality control equipment. So, all these are adding on additional costs.

**Neha Manpuria:** Understood. And I think you do not see a potential risk from a capacity perspective, any impact on growth, probably not for the next two years, but let us say FY 2029, 2030, based on what we have so far.

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

**Neha Manpuria:** My question is, given the strong growth that we are seeing in the business outside of the three dedicated projects, we do not envisage any shortage in capacity or capacity being the constraint, given we are already at 85%, 90%, at least from the number that I remember in the last quarter.

**Dr. Kiran S. Divi:** Yes, right now, we do not have any capacity shortage. We do not foresee it. We do actively invest into capacity as and when we see opportunity, because we go hand-in-hand with our customers. It is not like a sudden jump or a sudden demand. Everything is planned much in

advance, and then we discuss. We have long-term contracts in place, especially on the CS side, and we know the capacity utilization and requirement they need.

**Neha Manpuria:** Understood. My second question is on nutraceuticals. I think you mentioned you are increasingly investing there, given the opportunity that you are seeing. Could you talk about what has changed here? Is this a new area that we are looking at? Is something shifting which is making us invest more than I know we had double capacity in nutraceuticals last year, but is there anything that you can say?

**Moderator:** Sorry to interrupt, Neha ma'am. Your voice is not that clear.

**Neha Manpuria:** Okay, no problem. I will come back on the line.

**Moderator:** Yes. Thank you, ma'am. The next question is from the line of Alankar Garude from Kotak Institutional Equities. Please proceed with your question.

**Alankar Garude:** Hi, good afternoon, everyone. Kiran sir, first question, within peptides, alongside adding the reactors, how are you scaling up the downstream purification as well as the isolation capacity in uncertain?

**Dr. Kiran S. Divi:** So, like I mentioned in the past, we want to be the largest integrated player. When we say integrated, we are backward integrated to the basic raw materials. Okay? We do our own resins, we do our own protected amino acids, TAGs. All these are manufactured in-house, which gives us advantage. Likely in the same way, that is why our customers came to us.

We make fragments, we make advanced fragments, and as and when they see an opportunity to go towards purification, we will look at purification. Right now, we have a center of excellence where we have integrated peptide center of excellence, where we can do gram scale of purification to understand the pure product. We do have the capability and the technology. But whenever our customers feel the opportunity will go to commercialization, we will look at it.

**Alankar Garude:** Understood. The second question, again on peptides, more from an industry standpoint, given multiple companies have been investing in peptides globally, do you think purification and isolation can be bottleneck programs move from clinical to commercial?

**Dr. Kiran S. Divi:** I cannot comment on that, right?

**Alankar Garude:** Okay. Maybe the other way to ask this question, sir, is, I mean, between purification, isolation, and manufacturing in the reactors, how would you assess the degree of difficulty within peptides?

**Dr. Kiran S. Divi:** See, peptide itself is a very complex chemistry. Manufacturing itself requires a lot of know-how and a lot of automation, a lot of technology. The whole synthesis and the process, either it is fragments or it is a finished product all the way downstream, and then you are talking about API, everything has its own challenge. That is all I will say.

**Alankar Garude:** Got it, sir. That is it from my side. Thank you.

**Moderator:** Thank you, sir. The next question is from the line of Foram Parekh from BOB Capital Markets. Please proceed with your question.

**Foram Parekh:** Hi, thank you for the opportunity. I just have one question. Since this is the second quarter where we have reported 40% plus EBITDA margin, which brings us to almost H1 with 40% kind of EBITDA margin. So, are we increasing our EBITDA margin guidance from earlier mentioned between 32%, 35%?

**Nilima Prasad Divi:** I would say that is what we all wish for, right? We would wish that this would be consistent and this would be playing along. But as I said earlier, the guidance would be revenue growing at double-digit growth rate, and I cannot comment more than that at this point.

**Foram Parekh:** Sure, no problem. Thank you.

**Moderator:** Thank you, ma'am. The next question is from the line of Vikal Gupta from Inspire Investment. Please proceed with your question.

**Vikal Gupta:** Hey. Hi. Good afternoon, everybody. Thank you very much for giving me the opportunity to ask the question, and congratulations for the fantastic numbers. My question is, looking at the healthy balance sheet, cash flow, consistent profitability, and growth, is management considering to reward the long-term investors for considering the bonus shares, which will enable more retail participation, and they can also become the fantastic growth journey of the Divi's Lab? Thank you very much.

**Nilima Prasad Divi:** Very interesting question. I think this is a Board decision and not a decision or an information to be passed on by me or Dr. Kiran Divi on an investor call. As and when the time is right, you would hear the information about it from the Board. Thank you so much.

**Vikal Gupta:** Thank you. Thank you very much. My request is to just support to the Board for consideration. Thank you very much.

**Moderator:** Thank you, sir. The next question is on the line of Dhawal from Jefferies Limited. Please proceed with your question.

**Dhawal:** Hi, team. Thank you for taking my question, and happy Diwali to everybody on the call. I wanted to know, what kind of peak asset turns can one expect in peptide business, and do the asset turn change meaningfully based on the length of peptide one manufactures?

**Nilima Prasad Divi:** I cannot comment on a particular vertical and answer that question, mainly when we mentioned that that particular vertical is mainly on CDMO business. I would say that we need to look at the overall organization, and the asset turnover currently, I would say, is about 1.5 for the entire basket.

**Dhawal:** Okay. So, just on a relative basis, fair to say within custom synthesis, a peptide business can be of higher asset turn? Just on relative basis, fair to say that versus a small molecule business?

**Nilima Prasad Divi:** It's very hard to disclose. See, we are not one or two products company. We have multiple products, and both under generics and custom synthesis, and saying that is one vertical more and one vertical less is very hard to disclose, and we try to give as much importance volume-wise to all the products that we manufacture.

**Dhawal:** Sure. And on the SPPS side, what kind of tech do we use? Is it traditional batch-based production that we plan to use, or you think we'll use the latest flow chemistry? Or is it something that is totally dictated by the innovator? How does that work out?

**Dr. Kiran S. Divi:** It's dictated by the customer. See, I cannot comment whether it is batch or is it flow or is it how it is made, because it is completely dictated and advised by the customer on how he wants his product made.

**Dhawal:** Even the vessel sizes, the reactor size is also a sort of decision taken by the innovator, or we have a call over what kind of reactor size one should use?

**Dr. Kiran S. Divi:** It depends on the contract.

**Dhawal:** Okay. Thank you.

**Moderator:** Thank you, sir. The next question is on the line of Krishna Agarwal from Krishna Agarwal and Associates. Please proceed with your question.

**Krishna Agarwal:** I believe that all my queries are answered now, so I have no questions. Happy Diwali to all of you.

**Dr. Kiran S. Divi:** Thank you. Happy Diwali.

**Moderator:** Thank you, sir. The next question is on the line of Arindam Mukherjee, an individual investor. Please proceed with your question.

**Arindam Mukherjee:** My first question is regarding the finished goods and work in progress. The finished goods and work in progress built up by ₹1,197 crores in H1. How much of this is product for the dedicated projects awaiting customer approval, and what protects you through offtake commitments or take-or-pay terms if approvals are delayed or don't come?

**Nilima Prasad Divi:** See, I would say if you're looking at the inventory, at this point, we can't comment on how much of it is from one particular segment or one particular product. As we mentioned earlier, we did have, because of the geopolitical issues that are going on in the Middle East, we did stocking material for three months, which are mostly our critical raw material, which are needed for our production.

Also, as informed earlier, some of the critical raw material prices are also escalated. However, majority of the increase is caused by the volume of the material stocked at various stages. This is mainly -- we are doing that to make sure that the finished product is manufactured without disruption and delivered on time as promised to the customer.

**Arindam Mukherjee:** Got it. Thank you for the clarification, ma'am. My second question is, in peptides, what is the split between in-house and bought-in for resins, base amino acids, protected amino acids, and fragments? In the earlier calls, it was described that resins is something which you make and has been at the R&D stage also.

**Nilima Prasad Divi:** We are backward integrated for our peptide vertical, but how much percentage and all that, we cannot disclose, mainly because our peptide business is under CDMO, and we are not at liberty to disclose that information.

**Arindam Mukherjee:** Okay. Thank you, ma'am. Thank you.

**Moderator:** Thank you, sir. Ladies and gentlemen, in the interest of time, that was the 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 clarification, please reach out to our investor relations. Thank you.

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