Divi's Laboratories Limited

February 14, 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 February 11, 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 nine months ended December 31, 2025, held on February 11, 2026, at 15:00 hrs. (IST). The transcript is also available on the website of the Company i.e. www.divislabs.com, under the Investors Relations section.

This is for your information and records.

Yours faithfully,
For Divi's Laboratories Limited

SATISH CHOUDHURY MEKA
Digitally signed by SATISH CHOUDHURY MEKA
Date: 2026.02.14 15:09:46 +05'30'

M. Satish Choudhury
Company Secretary & Compliance Officer

“Divi’s Laboratories Limited

Q3FY2026 Earnings Conference Call”

February 11, 2026

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

Moderator: Ladies and gentlemen, good day, and welcome to the Earnings Conference Call of Divi's Laboratories Limited for Q3FY2026. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes.

Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. M. Satish Choudhury. Thank you, and over to you, sir.

M. Satish Choudhury: Thank you. Good afternoon to all of you. I'm 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 nine months ended December 31, 2025. From Divi's Labs, we have with us today Dr. Kiran S. Divi, Whole-Time Director and Chief Executive Officer; Ms. Nilima Prasad Divi, Whole-Time Director (Commercial); and Mr. Venkatesa Perumallu Pasumarthy, Chief Financial Officer.

During the day, our Board has approved unaudited financial results for the quarter and nine months ended December 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 also note that the audio of the conference call is the copyright material of Divi's Laboratories Limited and cannot be copied, rebroadcasted or attributed in press or media. without the specific and written consent.

Let me draw your attention to the fact that on this call, our discussion will include certain forward-looking statements, which are predictions, projections or other estimates about future events. These estimates reflect management's current 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 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 statements, whether as a result of future events or otherwise. Now I hand over the conference to Dr. Kiran Divi for opening remarks. Over to you, sir.

Dr. Kiran S. Divi: Good afternoon, everyone, and welcome to Divi's Laboratories earnings call for the third quarter of financial year 2025-'26. Thank you for joining us today. We appreciate the continued trust and engagement you have shown in Divi’s and I hope you and your families are doing well.

Let me walk you through the key developments during the quarter, including our operational progress, capability building and execution priorities.

As we reflect on the third quarter, our approach has been to stay consistent by maintaining supply reliability for our customers and implementing efficient new technologies on a large scale, while aligning our investments with that of our customers and market need.

Firstly, I would like to talk about our Generics segment. I'm pleased to say that we have maintained a stable performance, supported by strong backward integration, process efficiencies and our ability to develop and deliver across regions. While the pricing environment remains competitive, we have seen a healthy volume traction in certain emerging and focused products.

In the Custom Synthesis segment, we have been actively engaged in several RFPs and customer visits. Multiple projects are progressing well and are at various stages of development, validation with a few moving closer to commercial volumes over the next 1 year. From our discussions with several MNCs, it has been clear that global innovators are effectively working with partners who prioritize on EHS performance, sustainable commitment and compliance readiness, along with their capacity and proven record of reliable execution and supply. These are areas where Divi's has always been strong, and we are building further on these fundamentals as we participate in global CDMO opportunities.

Speaking of the Peptide segment, Divi's has been deeply involved in peptide chemistry for many years across the manufacturing and technology platforms. We continue to advance our work in complex building blocks and fragments.

With our decades of experience in protected amino acids, we have maintained a strong control over consistency and quality. During the quarter, we have supported multiple customer programs across all clinical phases.

On the technology front, we continue to expand our technology platforms in ways that enhances efficiency and performance. We have increased the use of process automation and multiple new chemistry platforms, scaling them into commercial manufacturing to improve process safety, minimize heat buildup for a more sustainable process and strengthening the overall production.

Coming to nutraceuticals. We delivered a healthy performance and expect the momentum to carry forward.This year also marks 20 years of Divi's Nutraceuticals, a significant milestone as we expand capacity and strengthen our position in this segment.

On the manufacturing front, Unit 3 at Kakinada is playing an important role in our backward integration strategy. The operational blocks are being effectively used for starting materials and intermediates, strengthening our supply chain. Expansions and transfer activities are still going on with additional manufacturing blocks being progressed as planned.

During the quarter, we have also successfully concluded a U.S. FDA general CGMP inspection at our Unit 1 Choutuppal facility. The positive outcome reaffirms our commitment to the highest standards of quality and regulatory compliance.

Before I close, let me touch on our CSR initiatives for the period. We advanced our work in rural development, providing safe drinking water, improving sanitization and building essential infrastructure in villages surrounding our manufacturing units. We believe these efforts are foundational in enabling conditions that support education, health, livelihood and overall community development in a sustainable way.

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

Nilima Prasad Divi: Good afternoon, ladies and gentlemen. Thank you for joining us today. We value your continued engagement with Divi's Laboratories and appreciate the opportunity to present an overview of our operational and financial performance for the third quarter of fiscal year '25-'26 and 9 months period.

The third quarter unfolded against a backdrop that remained complex and uneven shaped by shifting geopolitical developments and evolving policy frameworks. In this environment, our priorities were clear: to remain focused on disciplined execution, operational reliability and long-term value creation.

Our established operating systems and governance processes once again enabled us to meet customer commitments consistently, manage resources prudently and maintain stability across our operations even as we continue to invest in capabilities aligned with our long-term strategic objectives.

On procurement front, raw material prices and availability were broadly stable during the quarter. Our supply chain resilience continues to be supported by a diversified vendor base and strengthened further through backward integration, particularly at Unit 3. At the same time, we remain vigilant with respect to external developments that could influence input costs, including recent policy changes such as China's withdrawal of export tax rebates on certain products, which may result in selective pricing pressures over time.

Risk management remains a core focus area for the Company. We are systematically expanding and qualifying additional suppliers, while maintaining prudent inventory buffers to ensure continuity of operations. Based on current visibility, we expect the operating environment over the next 6 months to remain broadly stable in terms of raw material pricing and availability.

Logistics conditions during the quarter were manageable with freight rates remaining largely stable. We continue to work closely with long-standing logistic partners, plan shipments well in advance and maintain transparent and timely communication with customers regarding delivery schedules.

Before moving to financials, I would like to reiterate that our approach remains anchored in operational excellence. Prudent capital allocation and a long-term perspective. These principles have consistently guided Divi's Laboratories and will continue to underpin our strategy as we navigate both near-term challenges and future opportunities. I will now present an overview of the financial performance of third quarter of fiscal year 2025-'26 as well as the results for 9 months ended December 31, 2025.

As you are aware, the Government of India notified the 4 labour codes on November 21, 2025, which resulted in a revision to the definition of wages. In line with this regulatory change, we have assessed a one-time incremental impact of ₹74 crores relating to employee benefit obligations,both during and post-employment. This has been appropriately disclosed as an exceptional item in our statement of financial results.

For the third quarter, we have reported a consolidated total income of ₹2,692 crores as compared to ₹2,401 crores in the corresponding quarter of the previous financial year. Profit before exceptional item and tax stood at ₹854 crores compared to ₹726 crores in Q3FY2025, demonstrating improved operating performance. After accounting for the exceptional item, profit before tax for the quarter was ₹780 crores.Profit after tax stood at ₹583 crores, broadly in line with ₹589 crores reported in the same quarter last year.

From a cost perspective, material consumption for the quarter was 36.3% of the sales revenue compared to 39.8% in the corresponding period last year. Exports continue to constitute approximately 89% of the total sales revenue, with Europe and United States together contributing to 73% of the export sales.

The product mix for the quarter comprised 43% generics and 57% custom synthesis. We recorded a foreign exchange gain of ₹19 crores during the quarter. The Nutraceutical segment contributed ₹214 crores to the revenue. For the 9-month period ended December 31, 2025, consolidated total income was ₹8,081 crores compared to ₹7,041 crores in the corresponding period of the previous financial year, reflecting a steady growth across segments.

Material consumption during the period was 38.5% of sales revenue compared to 40.9% in the previous year. Exports for the 9-month period remained strong at approximately 89% of the total sales revenue, with Europe and U.S. contributing around 72% combined. The product mix for the period was 44% generics and 56% custom synthesis. We recorded a foreign exchange gain of ₹121 crores during the 9 months.

Constant currency growth for the 9-month period has been at 8.6%. Our nutraceutical business amounted to ₹706 crores during the period as compared to ₹576 crores during the corresponding period of the previous financial year. Profit before exceptional items and tax for the 9-month period stood at ₹2,499 crores compared to ₹2,052 crores in the corresponding period last year.

After considering the exceptional item, the profit before tax was ₹2,425 crores. Profit after tax for the 9 months was ₹1,817 crores as against ₹1,529 crores in the previous year. From capital allocation perspective, we capitalized assets of ₹313 crores during the quarter and ₹776 crores for the 9 months period. Capital work in progress stood at ₹2,394 crores as of December 31, 2025, in line with our ongoing capacity expansion and backward integration initiatives.

Our balance sheet remains strong and well positioned to support future growth. As of December 31, 2025, we had cash and cash equivalents of ₹3,686 crores, receivables of ₹2,637 crores and inventories of ₹3,667 crores. Thank you.

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

Moderator: First question is from the line of Surya Narayan Patra from PhillipCapital.

Surya Narayan Patra: Congrats on a good set of numbers. Sir, my first question is on the GLP capacity buildup. So that we have been saying that we have already commercialized one pilot plant in the earlier this thing that we had mentioned. So what is the capacity buildup that we are doing? Can you give some update on that front further?

Dr. Kiran S. Divi: So, on GLP-1s, okay, we have already -- like I explained last time, we have already completed construction of a pilot plant. We have also completed one of our commercial building, which has several large-scale SPPSs, which is basically designed based on one of our customers' requirements. So I'm not at the liberty to speak about capacity created, but the validations are going on as we speak right now because pilot work is done, now it's moving towards validations.

Surya Narayan Patra: Okay, sure. Sir, just one clarification here. The 3 dedicated custom synthesis facility, what we have got the contracts for and which are likely to see the commercialization starting from the fourth quarter of FY '27. So any of those are relating to peptides?

Dr. Kiran S. Divi: I cannot comment on that, but what I can tell you is it's a mixture of everything. It's also in chemistry. There are several projects which are involved in it.

Surya Narayan Patra: Okay. And sir, again, about the capacity positioning that we would be having about the contrast media and all that. So what is the capacity that we would be having or at what utilization that we would be operating at? Any progress on the kind of newer opportunities that we have talked about, how far we would be from the supply opportunity? Can you give some sense on those front?

Dr. Kiran S. Divi: So I mean, just to generalize because you spoke about several segments, okay? Capacity utilization, we are about 80%, 70% to 80% of capacity utilization right now. depending on the month and sometimes we're at 80, 85, sometimes we're at 70, depends on when the shipments will be happening. As of now, for several of the products, validations are taking place. I'm talking about CS right now, where once the validations are done, we have to send it to our customer.

They have to get their regulatory clearances with different countries. Once that is done, it will go into commercialization. So we have a proper time frame from them as and when commercialization would take place, based on which we will start either creating capacity or emptying some of the capacity in Unit 1 or Unit 2 and sending it to -- sending the pre-chemistry products to Kakinada so that we can use the existing GMP facility.

Surya Narayan Patra: Sure, sir. Just last point from my side. Relating to this India EU FTA, what we have seen, any opportunity that you identify out of that in the -- if not immediately in the medium term, sir? Because anyway, Europe is our biggest trade partner?

Dr. Kiran S. Divi: It's too early for us to comment on that. It just happened recently, right?

Moderator: The next question is from the line of Tushar Manudhane from Motilal Oswal Financial Services.

Tushar Manudhane: Sir, with respect to your comment in your opening remarks about a few molecules going to commercial volumes over next 1 year within CS segment, while not getting into product detail or customer detail, but broadly to understand whether here -- is it more like the inventory buildup by the innovator given that there is certainty on launch, given that he's got the product approval or about to get the product approval, if you could throw some light on this aspect? That's my first question.

Dr. Kiran S. Divi: So most -- what I can -- I will talk in the frame that I'm allowed to comment outside the confidential agreements I have with them. All I can say is once the validations are completed and some are already completed, we are waiting for all regulatory approvals after which the volumes would be discussed for commercialization. So that is what we're expecting to happen in the next 1 year. Once we see it, we will start production going on. Because in my call, I did not mention that I'm building up stock.

Tushar Manudhane: No, no, I meant to clarify -- so effectively, as a time line, we want the regulatory approvals to come through. So safe to assume that 3 to 6 months to get this process and then subsequently, if the regulatory approval comes in place, then the volume discussion starts happening. So effectively second half FY '27 as a broad time line to understand the business prospects from this. Is that correct understanding?

Dr. Kiran S. Divi: It depends -- yes. So it depends on product to product, right? Some we already completed validations in this quarter. Some validations are going on. Some we planned it for the next month. So based on whenever it is being completed, we will immediately supply all the data and the product to our customers.

Our customer will, in turn, put it into his product, continue his submissions. And once that is done, he will put it on stability and submit it to the regulatory agencies. So in the same process, while these are being done, we will start negotiating and planning for what -- how much quantities they would be requiring and from when we should be starting commercial supplies to them.

Tushar Manudhane: Got it. And by now, the commercial facilities per se would be more or less ready or about to get ready given the outlook provided by the customers?

Dr. Kiran S. Divi: So mostly -- most of our -- like we explained several times in the past, our production blocks are multipurpose blocks. So we can quickly use a commercial volume as and when required in the existing capacities. Maybe they require a specific one equipment, which is specifically required for their process. That is what we would be procuring for them. And otherwise, most of the chemistry that we have, we can actually run it in our existing production blocks.

Tushar Manudhane: Got it. And sir, just secondly, on the hedging policy, if you could throw light like how much of the business exposure we hedge or we don't hedge any of the exports? If you could throw some light on that, as well.

Nilima Prasad Divi: We are not hedging. We are evaluating at this point based on the overall scenario in the market.

Tushar Manudhane: That's interesting. So depreciation is running in your favor -- and just lastly, if I may, on the API side, as I see, business has been largely stable. If I -- I mean, correct me if I'm wrong, that we have introduced new molecules as well over the recent past, but we have seen very limited growth on the generic side. So while the raw materials are now stable, I presume -- and as you highlighted, the pricing are also relatively competitive enough. So what is stopping us from the growth in the generic space?

Nilima Prasad Divi: See, the generic space, the pricing pressures are still continuing. We haven't mentioned that the pricing have eased. We did mention that the pricing pressures are still continuing. But if we look at generics, we need to see one is the value and another is the volume. As a volume, we have had a good growth. But it's just that because of the pricing pressure, value-wise, it doesn't reflect in that manner.

Moderator: The next question is from the line of Kunal Dhamesha from Macquarie.

Kunal Dhamesha: The first one on the gross margin. So there is a sharp improvement on both year-on-year as well as Q-o-Q basis in quarter 3. If you could highlight the drivers of this improvement, that would be helpful?

Nilima Prasad Divi: I would say it's mainly based on the product mix. As you can see, the CS has improved in the 9-month period as compared to the previous 9 months. So it's mainly to do with the product mix rather than anything else.

Kunal Dhamesha: Ma'am, on the quarter-on-quarter basis, the product mix remains like the CS and generic remains almost same, right, 55-45. So on a quarter-on-quarter, what is driving this improvement beyond, let's say, forex INR depreciation against some of the currencies? Has there been significant benefit coming from the Kakinada unit, the backward integration that we are doing?

Nilima Prasad Divi: So I would actually say this, as we always said that there is always product lumpiness. There are some products which would have higher margins, some products with lower margin. It's just that we would prefer you looking at full year growth rather than quarter-on-quarter because certain shipments would happen in certain quarters and wouldn't happen in certain quarters. So you need to look more from a 9-month period point of view rather than Q3 to Q2 point of view.

Kunal Dhamesha: Sure. And one for Kiran sir. Sir, the molecules that we are believing would get commercialized over the next 1 year, what proportion of these molecules would be already approved for the innovators and they would be adding us as an additional source? And what proportion of the molecule would get first-time approval from the regulatory agency?

Dr. Kiran S. Divi: I'm sorry, I cannot answer this question because we are bound by CDA. I cannot disclose their plans and at what stages any of our customers are.

Kunal Dhamesha: But sir, at an aggregate level, you can share, right? I'm not asking customer by customer. We don't even know the total number of molecules. I'm just asking for that proportion, whatever that number of molecules are?

Dr. Kiran S. Divi: So okay. At an aggregate level, I can tell you that Divi's works in 3 segments. One, innovators when they are developing their molecule in Phase III, Phase II and then up to launch, we bring the product through launch and support them. Number two, we also work with customers as their secondary source. Once their primary source is in-house, we work on the secondary source and then support them throughout the life cycle.

The third phase is called late life cycle, where the customer during the last 5, 6 years would come to us, and then we would work with them in an efficient process, where we would support

them in managing their late life cycle and post patent expiry where it would go on and we would -- they would have a healthy share for a longer period of time. So these are the 3 phases where we work. Most of the molecules, what we manufacture fall in the 3 phases.

Kunal Dhamesha: So let's say, the molecules in the next 1 year, where this majority of them would fall in of these 3 buckets?

Dr. Kiran S. Divi: That is -- I would say, yes.

Kunal Dhamesha: Like which bucket would have the highest share for the molecules going commercial -- getting commercialized in the next 1 year?

Dr. Kiran S. Divi: See I told you that there are 3 molecules. If I tell you the ratio, even the innovator would understand, right? I have to be -- if they were like 10, 12, I could easily say a ratio. I gave you broad -- I think that's fair enough.

Kunal Dhamesha: Okay. Sure, sir. And lastly, one clarity on the forex gain. One is I missed the number for this quarter. And secondly, in which line item does it get included?

Nilima Prasad Divi: It gets included in the other income. And for the quarter, it is about ₹19 crores.

Moderator: The next question is from the line of Neha Manpuria from BofA Securities.

Neha Manpuria: Kiran, my first question is on the dedicated capex that we had announced in 2024. When should we expect commissioning of that capacity and probably inspections or whatever regulatory approvals are required? When would that time line be? Would it be in the next 6 months? Or could it take slightly longer?

Dr. Kiran S. Divi: So right now, investments have taken place, and they are still going on, on the capex. Like I have explained to you on the CS projects mostly. By the end -- by 2027, we should start seeing commercialization post our customers, they start approving the product.

Neha Manpuria: Okay. This is for all 3 dedicated capex or the first one that you're mentioning?

Dr. Kiran S. Divi: All 3 dedicated capex.

Neha Manpuria: All right. That is helpful. And my second comment, Nilima, in your opening comments, you mentioned about China's withdrawal of export rebates putting pressure on certain generic APIs. Could you provide us some color in terms of what we are seeing here? What percentage of our portfolio is getting impacted because of these rebates being moved? I mean, pricing pressure because of these rebates being removed?

Nilima Prasad Divi: I didn't mention that with respect to the APIs. I said with respect to procurement of materials. So the withdrawal of export tax rebates has taken place and will be from effect from April 1. We are wary of the situation that's there. But we are also like from the last many years, we've been trying to diversify as much as possible from China. And we have been very consistently trying to diversify our procurement portfolio and improve also the domestic supplier base to make sure, one, it is made in India.

And number two, to make sure that there is just-in-time kind of an approach for material supply to a point where our -- as a quantity-wise, we have increased our domestic supplier base to 78% of the procurement. So we are in a better space, but we are still working on how do we make sure this doesn't affect us as much as if it is looking to the rest of the industry.

Neha Manpuria: And you don't think this would also benefit us on the generic side of the business where we have China as a competitor because I would assume their competitiveness also goes down, right, because of...

Nilima Prasad Divi: We are seeing this more from chemicals and the raw material point of view. There are some exceptions that they have given, and that happens to be more from API and the end product. We are seeing a few of them being exempted. But because most of the basic chemicals that are used in the pharma industry are also used in the agrochemical industry. So that's where we see most of the effect coming from. But whereas intermediates and final APIs, we don't see that much of an effect.

Neha Manpuria: All right. And just a follow-up question on the Unit 3, the backward integration strategy that we have talked about in the past and even in this call, how should I -- how should we quantify that? I mean is there a utilization level that Unit 3 is -- that is benefiting in our numbers? Is there a way for us to quantify it?

And once Unit 3 gets approved, let's say, for moving to API, does that backward integration benefit go away over the course of, let's say, in the next few years? How should I understand the transition of Unit 3 from backward integration to more commercial products?

Dr. Kiran S. Divi: So if I could explain this better, Unit 1 and Unit 2 in the past were making their own pre-chemistry and backward integrated raw materials. And once Unit 3 started, phase-wise, we have been emptying Unit 1 and 2 as and when there is demand, where the blocks get empty, and we are using them for all the new projects by modifying them.

So whether you take the existing CS projects that are coming in, new CS projects coming in, they're going into already existing GMP facilities of Unit 1 and 2, whereby we are emptying their capacity, moving them to Unit 3, and we are starting production over there while we are revamping and redeveloping these blocks.

So to quantify saying that Unit 3 is just making backward integrated work is actually -- it is giving us a lot of support both for Unit 1 and Unit 2. That being said, okay, we already started qualifying certain intermediates, which once it gets qualified, it will be approved by FDA over time, maybe in the next 1, 2 years. And then in the meantime, if Unit 1 and Unit 2 are full of capacity, we will then move to Unit 3.

Moderator: The next question is from the line of Damayanti Kerai from HSBC.

Damayanti Kerai: My first question is actually clarity on your dedicated facility. So here, you are awaiting for your clients to get the approval before you can start the commercial supplies. So just to understand, you just need -- you just need go ahead from the clients to start supply or these facilities also need to undergo some sort of GMP inspection?

Dr. Kiran S. Divi: So once the -- I mean, this is something hard to say, right, because we have just been inspected in the last 1 year at both the facilities. So will the agencies, different agencies look at it as, okay, they have seen us once they would go ahead? Or would they call it for a pre-inspection saying, okay, product-specific inspection, they want to come. This is hard for us to say. But what we can say is once our customer files, it would either trigger an inspection or the agencies will look at it as, okay, we have just seen the facility, so let it go through.

Damayanti Kerai: Okay. So it will be more product-specific or agency-specific outcome?

Dr. Kiran S. Divi: I wouldn't say agency specific because the branded customers, they sell everywhere globally. So it is -- we cannot say specific to a country. All the agencies would get involved at this point. And it also depends on the regions they decide to supply the product manufactured from our site.

Damayanti Kerai: Okay, sure. My second question is actually on your capex plan for coming years. So as of now, your Unit 3 is working very well for you in terms of providing the backward integration support to Unit 1 and 2. But as you've discussed, like you are seeing a lot of client interest, et cetera. The RFPs have gone up, the client visits have gone up, et cetera. So do you have any plan to start the second phase of Kakinada? And if yes, what will be the time frame?

Nilima Prasad Divi: Currently, you have seen so far Unit 3 Phase 1 expansion plan. So right now, we are considering to look at Phase 2 expansion plan at Kakinada with 4 production blocks. They are still under evaluation and decision-making. So as and when they are finalized and on the paper, we will let you know.

Damayanti Kerai: Okay. So it's under evaluation as of now.

Nilima Prasad Divi: Yes.

Moderator: The next question is from the line of Vivek Agrawal from Citigroup.

Vivek Agrawal: So Kiran, you highlighted that you have completed construction of a dedicated building block for peptides that include various SPPS reactors. So just want to understand, will that be good enough to cater the customer demand for next 4, 5 years? Or is there any possibility that you may need to expand the capacities? Actually, I just want to understand how the trajectory may look like?

Dr. Kiran S. Divi: So like in my opening remarks, we are working with customers on several projects at various phases, including [Inaudible 00:39:24]….. there's lot of disturbance, please.

Moderator: Mr. Agrawal, we may we request you to please mute your line when management is answering the question.

Vivek Agrawal: Yes, sure.

Moderator: Sir, you may please go ahead.

Dr. Kiran S. Divi: So like I explained to you, there are -- we have several projects from several customers where we are working on the different phases of clinical trials and a lot of pilot work has also been

going on. So as and when we have demand, we will keep increasing capacity or building new blocks whenever the demand and decision arises. For this customer, what we have dedicated, it is based on what his requirement and his designs are. I'm not at any other liberty to discuss on that.

Vivek Agrawal: Perfect. But just one more clarification. Is this like an injectable product or the oral peptide product that you're working for?

Dr. Kiran S. Divi: I'm sorry, I cannot discuss this.

Vivek Agrawal: No problem. Just one more question. As you have talked about that in the next 1 year, there are multiple custom synthesis products that may get commercialized. I just want to understand how these products are going to have impact on the company's overall margin trajectory as well as the profitability. So do you see with these products coming on the floor, there is a substantial improvement in profitability compared to the existing business or it will not have any major difference?

Nilima Prasad Divi: I would say that's all we hope for. As our Managing Director would say 'the sky is the limit for you to dream'.

Moderator: The next question is from the line of Shyam Srinivasan from Goldman Sachs.

Shyam Srinivasan: Just on the growth outlook, right? I think you called out at 8.5% constant currency growth. I don't remember, but maybe you talked about a 10% kind of growth maybe in constant currency terms. So just want to understand, given that one of our key products, top products probably, which is in late life cycle bucket, probably is going more generic this year. How should we look at like next 12 months, maybe even fiscal '27, is -- are there enough other things in the pipeline for us to mitigate maybe if there's the genericization of this product?

Nilima Prasad Divi: Divi's have been in CS since 2000, and it's not that CS is just 1 product or 2 products, it's a vast basket. And products do -- we do start in the patent phase. And as Dr. Kiran Divi has explained at multiple stages of patent and they do go under expiry, and we do have other products that keep coming in. So it's just an ongoing process for us.

Shyam Srinivasan: Helpful. So you don't foresee any like dramatic change in how growth is?

Dr. Kiran S. Divi: To be -- yes, we do not foresee any disruption because -- and it's in line with whatever our double-digit growth that we keep talking about. What Nilima is trying to explain is, as we have several products in Phase II and Phase III, so the same customer would have a basket where one of his product is coming off patent where we're doing a late life cycle management.

He would also have a product available with us, which is almost ready for launch. So we always have a nice decent balance of equilibrium while our growth trajectory is actually happening at the double digit.

Shyam Srinivasan: Yes. That's very helpful. Just second question on generics. While you talked about volume performance, value performance has been subdued. And just going back to the point on this

China tax rebates, export tax rebates being reduced and they're clearly trying to push towards reducing over competition, oversupply.

Should we down the road this year, see generic pricing actually improve on a generic API? Is there some early signs that even that part of the business, which has seen subdued growth -- value growth can also improve?

Dr. Kiran S. Divi: This is too early for us to say that because see, right now, they're talking about it. We have to see how China will react towards it. And the global political situation and global economic situation are quite different country to country. And so based on this, we have to see how the generic market will pan out.

Volume-wise and customer-wise, we -- our customers have been with us. We have not lost any volume. Actually, we have increased volume in generics. And we are having a healthy share of market share in several countries. So I'm quite wishful that this year, a correction should take place at some point.

Shyam Srinivasan: Helpful. And just a data keeping question or just a comment clarification. When you meant 3 commercial molecules, are they similar to the 3 dedicated projects we have announced or this is different?

Dr. Kiran S. Divi: They are the same. The 3 molecules, whatever we have informed SEBI on the investment and the 3 molecules in CS that are going to be -- which are validated and going through approvals are the same molecules right now.

Moderator: The next question is from the line of Ankush Mahajan from Sanctum.

Ankush Mahajan: Sir, my question is already answered, thank you.

Moderator: The next question is from the line of Girish Bakhru from OrbiMed.

Girish Bakhru: Kiran, just alluding to your opening comments on process automation and using tech to increase efficiency. Can you elaborate on that a bit more in peptides? Are you talking about continuous feed? Or what are you exactly in?

Dr. Kiran S. Divi: So we are talking about there are new technologies of chemistry, right. There is -- we are talking about operational efficiencies through the mechanochemistry. There is also electrochemistry that's come into play where you use least amount of energy and get the fractional reaction that will happen on a continuous phase.

So we are looking at those technologies, and we are commercializing them as we go forward. Now that being said, we are also looking at automation, whereby our GMP requirements become more stabilized and easy because complex operations are involved like azide chemistry, where human intervention minimum is as good and much better in case of safety and sustainability.

Girish Bakhru: And Q1, you had talked about even doing resins on your own. Are you investing in that technology? I mean, to reduce COGS for peptides, given that is a significant portion, almost 40%. Can you talk on that side?

Dr. Kiran S. Divi: I believe I said that we are working on resins at this point. But -- we are still at the R&D phase at this point on that. It's too early for us.

Girish Bakhru: Okay. No, I also -- my second question actually is related to this because there's so much discussion among innovators to change GLP-1 manufacturing already to reduce the cost. I mean there are some CDMOs even increasing reactor size. We are talking about mix of LPPS versus SPPS changing. Are you involved in that kind of discussion with any customer that you can change the process and file with a different process, a product which is already commercialized?

Dr. Kiran S. Divi: It's hard for me to comment on what you asked. But what I can say is we're actively involved in manufacturing fragments for several MNCs. We're also involved in their new technologies, whatever they are looking at, and we are actively engaged with them at various phases because we are also their support system going forward, both at LPPS and at SPPS. I hope that answers your question.

Moderator: The next question is from the line of Madhav from Fidelity.

Madhav: Just wanted to understand once again the 3 dedicated CS projects, what are the time lines for commercializing them? I heard 2027, could you give a little bit more clarity, like is it calendar year '27 or Q4 FY '27? Anything specifically be helpful for the 3 projects?

Dr. Kiran S. Divi: So we are assuming depending on all regulatory approvals happening on time, somewhere in Q3, Q4 of 2027 is when the commercial volumes will start moving.

Madhav: Next calendar year '27?

Dr. Kiran S. Divi: Yes, calendar year.

Madhav: Calendar '27. Okay. Got it. And sir, my second clarification was in the peptides part of the business, I think you've spoken about us doing a fair bit of work for the protected amino acids. Like if you think from Divi's perspective over the next 3 to 5 years, are we going to be focusing more on the protected amino acids? Or do we see us supplying fragments as well for commercialized peptide products? Like what is sort of the sort of bigger focus area for us?

Dr. Kiran S. Divi: Okay. So just to give you a history about Divi's, Divi's from the year 2000 -- early 2005, early 2006 has been heavily involved in protected amino acids. We were manufacturing for one of the multinational on a specific project. And then over the period of time, the project phased out. And then we had Shelved most of the protected amino acids that we have developed, Shelvedin multiple tonnes.

In the last 5 years, several of our customers called us and started asking us to start producing protected amino acids. This is where we again opened our shelves and restarted manufacturing initially a few hundred kilos for their validations, then we have gone into tens of tonnes. Now we are going into multiple tens of tonnes for individual amino acids.

And this will continue on because today, you're talking about GLP-1s, peptide chemistry is also going into psoriasis and anti-inflammatory, cardiac drugs into other therapeutic categories itself.

It's not only that you're working on GLP-1s and then you're done. So there are other categories we are working in, in Phase I, Phase II. Psoriasis is a big market right now, and we can see going on other opportunities.

That being said, we have been producing now in larger volumes, and we will continue to produce protected amino acids and supplying it to several of the fragment manufacturers. Along with that, we will be using our own protected amino acids for our own fragments, which we are producing and supplying to the innovators. And as and when it commercializes, our intake of our own peptide protected amino acids will also increase.

Madhav: So sir, just a clarification, the way to understand is, currently, we have approved protected amino acids going to fragment manufacturers, which is an ongoing supply or will be an ongoing supply. For the fragment supplies, they are still somewhat in the validation phases. And if that comes through for some of these newer products, that's when we see the ramp-up. Is that how we should read it?

Dr. Kiran S. Divi: That is a fair way to look at it.

Moderator: Does that answer your question, Mr. Madhav?

Madhav: Yes.

Moderator: The next question is from the line of Abdulkader Puranwala from ICICI Securities.

Abdulkader Puranwala: [Inaudible 00:52:24]

Moderator: I'm sorry to interrupt you Mr. Puranwala we are unable to clearly, sir. Your voice is breaking. We are unable to hear you. Mr. Puranwala we are unable to hear you. We would request you to please take a connection and re-join the queue.

We'll move to the next question is from the line of Harshit Dhoot from Dymon Asia Capital.

Harshit Dhoot: Congratulations on the good set of numbers. A couple of questions from my side. Our gross asset turnover ratio in FY '25 was 1.19 and we are incurring the dedicated capex. And with the revenue visibility from these 3 capex and the pipeline in the CS segment, can we expect going back to the 1.5 to 1.6 kind of range in the next 4, 5 years?

Nilima Prasad Divi: Can you slow down the speed of your question and ask again, please?

Harshit Dhoot: Yes, yes, sorry. So my question was that, ma'am, our gross asset turnover ratio was 1.2 in FY '25. And with the visibility of the revenues from the dedicated capex and multiple products in the pipeline in the CS segment, -- can it go back to the historical high level of 1.5 to 1.8 level in next 4, 5 years? How should we understand the going forward, the revenue trajectory?

Nilima Prasad Divi: So based on the forward-looking statements and a few clarifications that Dr. Kiran Divi has provided, we can say that's what we are aiming at and that's what we are trying to go towards.

Harshit Dhoot: Okay. And second, ma'am, we have incurred capex of around ₹1,500 crores in first half of FY '26, while our guidance was to do capex of ₹2,000 crores in FY '26. So what is the targeted capex for the FY '26? And if it's possible, can you give also the hint for next couple of years on the capex part?

Nilima Prasad Divi: So we did intimate that we are doing a capex of ₹1900 crores to SEBI in the last many months. And we are going through quite a few designs and phases at Unit 1 and Unit 3, mainly at Unit 3. So as and when we come up with the futuristic outlook of where the capex is going to be heavily invested, we will come out with the SEBI intimation about the same.

Harshit Dhoot: But what can be the number for FY '26, ma'am?

Nilima Prasad Divi: I would say it would be on -- like if you exclude the Custom Synthesis project, which has already been declared to the SEBI, which is for that particular specific product. I would say we would prefer looking at the historical numbers and the rate being approximately the same.

Moderator: The next question is from the line of Dhaval Khut from Jefferies.

Dhaval Khut: I wanted to know the current capacities that we are putting up, where are these peptide capacities? Are they inclined more towards SPPS or LPPS? And secondly, currently, based on whatever visibility talks we have with our partner, what is the longest chain of peptide that we are likely to manufacture on a meaningful size and scale?

And if the length of chain increases, let's say, from 10 amino acid, they ask us to manufacture 20, does it require a meaningful regulatory approval, validation? And is there any lag time? Or is it going to be much shorter to turn around and supply them?

Dr. Kiran S. Divi: So I'll answer your question point-by-point. So the first point you asked me was we have several commercial scale SPPSs and LPPSs available with us, where we are doing both pilot scale studies and also commercial studies, based on whatever the innovator has given as his requirement with us. In case of commercial scale, where we have a dedicated large facility with multiple SPPSs of large volume, this is dedicated based on his process and his requirement.

Apart from this, as and when the customers either through LPPS or SPPS require their product to be manufactured, either 10-mer, 12-mer, 14-mer, 18-mer, it doesn't matter. It's not complicated, okay, we will manufacture it based on the technology he has provided because they're only manufacturing fragments for innovators. They are not in the generic business. So as and when we -- they give us a technology, we will manufacture for them based on their regulatory requirements. So it is not our call on what regulatory requirements are what are the regulatory standards.

It is there -- they would decide because it depends on where the fragment will join in the peptide. Is it a 40 chain amino acid, 30 chain amino acid, 39 chain amino acid? I do not know. They would give it to me and they would say, okay, the fourth chain would be joining at this time. So this might be a GMP matter, this may not. It is their call. So it is not for me to comment on that. I hope I answered your question.

Moderator: Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Satish Choudhury for closing comments.

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

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