Divi's Laboratories Limited

August 26, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	30.00	CARE AA+; Stable	Reaffirmed
Long-term / Short-term bank facilities	485.00	CARE AA+; Stable / CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Divi's Laboratories Limited (Divi's) continues to derive strength from the extensive experience of its promoters and management team in the pharmaceutical industry, the company's established track record in the contract research and manufacturing services (CRAMS) segment with a reputed clientele, its strong research and development (R&D) capabilities, and a favourable industry outlook. Ratings also factor in the improvement in total operating income (TOI) and profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin in FY25, and strong credit metrics, characterised by a sound capital structure, robust debt coverage indicators, and healthy liquidity maintained by the company. However, ratings are tempered by product and customer concentration risk, working capital–intensive operations (though funded entirely through internal accruals), and the company's exposure to regulatory and forex fluctuation risks, given that a majority revenue is export-driven. CARE Ratings Limited (CareEdge Ratings) also takes note of the operationalisation of the Kakinada plant in Q4FY25.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- To diversify the revenue concentration risk from top five products to less than 30%.
- To exhibit consistent revenue growth of ~10% to 15%.

Negative factors

- Increasing revenue concentration risk from top five products beyond 60%.
- Large debt-funded capex or acquisition leading to weakening of credit risk profile of the company.
- Elongating working capital cycle beyond 300 days.

Analytical approach:

Consolidated. CareEdge Ratings has analysed Divi's credit profile by considering the consolidated financial statements owing to financial and operational linkages between the parent and subsidiaries. Consolidated subsidiaries of Divi's are mentioned under Annexure-6.

Outlook: Stable

The Stable outlook reflects that Divi's is likely to maintain its established market position and would continue to generate healthy cash accruals and have strong liquidity position over the medium term.

Detailed description of key rating drivers:

Key strengths

Experienced promoter, long track record of operations, and proven strong R&D capabilities

Incorporated in October 1990, Divi's is promoted by Dr Murli K. Divi, a postgraduate in Pharmaceutical Chemistry from the College of Pharmacy, Manipal. He has over 30 years of experience in the bulk pharmaceutical industry. Currently, he serves as the company's Managing Director (MD) and is supported by a team of experienced professionals across departments. The company's Board of Directors comprises five independent directors and five executive directors (including the MD), all of whom are highly qualified individuals with strong professional backgrounds. Since its inception, Divi's management has placed a strong emphasis on R&D, resulting in a robust chemistry skill set, product development, and process development capabilities aimed at achieving cost efficiency in existing products.

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

As on March 31, 2025, Divi's has filed 42 drug master files (DMFs) with the United States Food and Drug Administration (US FDA), 25 DMFs with Health Canada, 28 Certificates of Suitability (CoS) issued by EDQM authorities, and eight DMFs with PMDA Japan. The company has also filed 44 patents for generic products.

Well-equipped manufacturing facilities accredited by regulatory agencies
Divi's has seven multi-purpose operational manufacturing facilities, two in Bhuvanagiri District (Telangana), four in Visakhapatnam District (Andhra Pradesh), and one in Kakinada District (Andhra Pradesh). The company has undertaken debottlenecking and backward integration projects at its manufacturing sites, which have been fully completed and have contributed to improved cost efficiency through process optimisation.

Divi's holds triple certifications: ISO 9001 (Quality Management Systems), ISO 14001 (Environmental Management Systems), and ISO 45001 (Occupational Health & Safety Systems), and adheres to current Good Manufacturing Practices (cGMP). Additionally, the company has obtained the Food Safety System Certification (FSSC) 22000 for vitamins and carotenoids, and GMP+B2 certification for the production of feed ingredients. The company operates research centres called Divi's Research Centre (DRC) in Hyderabad and Process Development & Support Centres (PDSCs) at its manufacturing sites. These centres focus on developing processes for new compounds and optimising existing processes for commercialised products.

Improvement in TOI and healthy profitability margins
In FY25, the company's TOI improved by ~20% to ₹9,875 crore, compared to ₹7,895 crore in FY24, driven by increased demand from the Custom Synthesis division and the operationalisation of the Kakinada manufacturing plant in Q4FY25. PBILDT margin also improved, rising from 28.50% in FY24 to 32.23% in FY25. The product mix between generics and custom synthesis for FY25 stood at 46:54, compared to 55:45 in FY24, indicating a shift toward higher-value custom synthesis projects. In Q1FY26, the company reported a further improvement in TOI at ₹2,410 crore (Q1FY25: ₹2,118 crore), with a PBILDT margin of 30.12% (Q1FY25: 29.37%).

Strong credit risk profile marked by sound overall gearing and debt coverage indicators
Divi's continues to maintain a sound capital structure, characterised by a growing net worth and low debt levels. It maintains comfortable leverage, with no outstanding long-term debt and working capital utilisation of less than 5% as on July 31, 2025. The company's tangible net worth improved to ₹14,965 crore as on March 31, 2025, compared to ₹13,567 crore as on March 31, 2024. The higher net worth and low debt levels have resulted in a comfortable overall gearing of 0.02x, unchanged from the previous year. The company's gross cash accruals (GCA) for FY25 improved to ₹2,529 crore (previous year: ₹2,031 crore), driven by an increase in TOI and PBILDT. Divi's continues to undertake capital expenditure projects entirely through internal accruals, without relying on external borrowings.

Strong liquidity profile
The company holds a strong liquidity position, represented by a current ratio of 4.76x as on March 31, 2025. Cash and liquid investments stood at ~₹4,205 crore as on June 30, 2025. The company's total debt comprises only working capital limits in the form of overdraft, lease liabilities and LC backed creditors. In the last 12-month period ending July 2025, the working capital utilisation was less than 5%, and the company does not have term debt repayment obligation for FY26.

Diversified market presence with major share of revenue from regulated markets
Total exports accounted for 88% of gross sales in FY25 (compared to 87% in FY24), with majority revenue generated from the European and North American markets. Exports to Europe increased to 56.5% of gross sales (from 52.3% in FY24), while exports to the North American market declined to 16.2% (from 17.1% in FY24). The revenue contribution from geographies depends on client requirements from those regions. Divi's clientele includes leading global innovator pharmaceutical companies, and the company is a trusted partner to 12 of the top 20 global pharmaceutical firms.

Key weaknesses

Product and customer concentration risk
The revenue contribution from the top five products stood at 43% in FY25, compared to 41% in FY24. Divi's is one of the world's leading suppliers of Naproxen, which is used in the treatment of osteoarthritis, rheumatoid arthritis, psoriatic arthritis, and other conditions. The company continues to explore new opportunities in the custom synthesis segment while strengthening its position in traditional products, such as Naproxen (NSAID), Dextromethorphan, Levodopa, Gabapentin (anti-epileptic), Nabumetone (NSAID), and others by expanding manufacturing capacities. Divi's clientele includes several leading global innovator pharmaceutical companies, and its revenue is well diversified across its client portfolio. However, the top five customers contributed ~49% of total sales in FY25, up from 37% in FY24, indicating an increasing customer concentration risk.

Working capital intensive nature of operations

Divi's working capital cycle, though slightly improved, remained elongated at 230 days in FY25, compared to 241 days in FY24. The elongation is primarily due to high-cost inventory held at year-end and long collection periods. The company follows a "campaign production" model for large-volume products such as Naproxen, Dextromethorphan, and Gabapentin, where the plant is run at full capacity to produce these products in bulk. These are then stocked, allowing the multi-purpose plants to be freed up for other products. As a result, the company typically has a high inventory holding period. The collection period also remains high, as the company extends credit in line with industry norms and to maintain strong client relationships.

High exposure to forex fluctuation risk

Divi's is exposed to foreign exchange risk, as a significant portion of its revenue, 88% in FY25 is derived from exports. Imports accounted for ~49% of raw material consumption in FY25 (previous year: 46%), providing a natural hedge to some extent. The company manages currency fluctuations by maintaining a balanced geographic revenue mix and ensuring a foreign currency match between liabilities and earnings. It has also entered contracts with major clients at fixed exchange rates, where the impact of currency fluctuations is shared by both parties. According to the management, the company continuously monitors the impact of currency volatility on its cost structure and proactively engages with customers to address such risks. Additionally, the company undertakes hedging transactions as and when required. As on March 31, 2025, Divi's had a net foreign currency asset exposure of ₹2,006 crore, compared to ₹1,521 crore as on March 31, 2024. In FY25, the company booked a net forex gain of ₹48 crore, up from ₹28 crore in FY24.

Exposure to regulatory risk

The pharmaceutical industry is highly regulated and requires approvals, licenses, registrations, and permissions for its business activities. Each regulatory authority has its own set of requirements and may delay or refuse to grant approval, even if the product has already been approved in another country. The approval process for new product registration is typically complex, time-consuming, and expensive. The time taken to obtain approval varies by country but generally ranges from six months to several years from the date of application. Any delay or failure in securing approval for a new product launch could adversely impact the company's business prospects. Given India's significant share in the U.S. generic pharmaceutical market, the USFDA has increased its scrutiny of Indian pharmaceutical companies' manufacturing facilities and regulatory compliance standards. Non-compliance may lead to regulatory bans on products or facilities and may adversely impact future approvals from the USFDA.

In FY20, the USFDA conducted three inspections of the company's manufacturing facilities at Unit I and Unit II, without observations, and no Form 483 was issued. No inspections were conducted in FY22, FY23, and FY24. In FY25, the USFDA carried out a general cGMP inspection at Unit II from July 11 to July 19, 2024, which was successfully completed with one procedural observation that was addressed by the company within the stipulated time.

Liquidity: Strong

The company holds a strong liquidity position, represented by a current ratio of 4.76x as on March 31, 2025. Cash and liquid investments stood at ~₹4,205 crore as on June 30, 2025. The company's total debt comprises only working capital limits in the form of overdraft, lease liabilities, and LC backed creditors. In the last 12-month period ending July 2025, the working capital utilisation was less than 5%, and the company does not have debt repayment obligation for FY26.The company plans to incur total capital expenditure of ~₹1,800 crore in FY26 towards Kakinada plant, custom synthesis projects, capacity augmentation at its existing plants and regular maintenance. Considering the past GCA and also the estimated cash accruals of ~₹2,800 crore to ₹3,000 crore in FY26, the company plans to incur the capex from its internal accruals without relying on external debt.

Assumptions/Covenants: Not applicable

Environment, social, and governance risks

For the pharma industry, the main factor of environment, social, and governance (ESG) affecting the sector is the social aspects such as product safety and quality, human capital and development, and access to healthcare. Governance remains a universal concept affecting sectors and geographies. Amongst the ESG factors, majority pharma companies seem to be focusing on product quality and safety and regulatory compliance in governance. Since these companies have exposure to different geographies, each having its own regulatory requirements which are continuously evolving, non-compliance with regulations or scrutiny process can result in product withdrawals, recalls, regulatory action, declining sales, reputational damage, increased litigation, and related expenses. It might also result in regulatory ban on products/facilities (as in the recent cases of import alerts issued by the USFDA to top pharma companies) and may impact a company's future approvals from regulators such as USFDA.

Divi's has implemented and adapted initiatives for sustainability management, which is aimed to reduce carbon footprints (~6,350 TCO_2e emissions were reduced in FY25), energy conservation (~34,870 GJ of energy conserved in FY25), water conservation

(~92,130 KL water conserved in FY25), waste management (~35 MT plastic waste was reduced in FY25), and green belt development. The company has an independent and professional Board, which brings in transparency, accountability, and equity across all facets of operations.

Applicable criteria

Consolidation
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Pharmaceuticals
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Healthcare	Healthcare	Pharmaceuticals & Biotechnology	Pharmaceuticals

Incorporated in October 1990, Divi's is a pharmaceutical company engaged in Generic API, Custom Synthesis, and Nutraceuticals. It is promoted by Dr Murli K. Divi. The company is catering to therapeutic segments, such as cardiovascular, anti-inflammatory, anti-cancer, and central nervous system drugs among others. Divi's currently has seven manufacturing units and three R&D centres spread across Telangana and Andhra Pradesh. With a portfolio of over 160 products across diverse therapeutic areas, Divi's is one of the largest pharmaceutical companies in India.

Brief Financials – Consolidated (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY26 (UA)
Total operating income	7,875.00	9,408.00	2,410.00
PBILDT	2,244.00	3,032.00	726.00
PAT	1,600.00	2,191.00	545.00
Overall gearing (times)	0.02	0.02	NA
Interest coverage (times)	561.00	758.00	242.00

A: Audited, UA: Unaudited, NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	30.00	CARE AA+; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	-	357.00	CARE AA+; Stable / CARE A1+
Non-fund-based - LT/ ST-BG/LC	-	-	-	-	128.00	CARE AA+; Stable / CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Cash Credit	LT	30.00	CARE AA+; Stable	-	1)CARE AA+; Stable (13-Sep-24)	1)CARE AA+; Stable (12-Sep-23)	1)CARE AA+; Stable (04-Oct-22)
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	357.00	CARE AA+; Stable / CARE A1+	-	1)CARE AA+; Stable / CARE A1+ (13-Sep-24)	1)CARE AA+; Stable / CARE A1+ (12-Sep-23)	1)CARE AA+; Stable / CARE A1+ (04-Oct-22)
3	Non-fund-based - LT/ ST-BG/LC	LT/ST	128.00	CARE AA+; Stable / CARE A1+	-	1)CARE AA+; Stable / CARE A1+ (13-Sep-24)	1)CARE AA+; Stable / CARE A1+ (12-Sep-23)	1)CARE AA+; Stable / CARE A1+ (04-Oct-22)

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Divi’s Laboratories USA, Inc	Full	Subsidiary
2	Divi’s Laboratories Europe AG	Full	Subsidiary

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:
Established in 1993, CareEdge Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CareEdge Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

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