Divi's Laboratories Limited

September 07, 2026

Facilities/Instruments	Name of the Regulator[1]	Amount (₹ crore)	Rating[2]	Rating Action
Long-term / Short-term bank facilities	RBI	485.00	CARE AA+; Stable / CARE A1+	Reaffirmed
Long-term bank facilities	RBI	30.00	CARE AA+; Stable	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. Divi's has demonstrated strong financial discipline by primarily funding capacity expansion through internal accruals, with investments aligned to demand visibility.

Ratings also factor in the improvement in total operating income (TOI) and profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin in FY26 (refers to April 01 to March 31) and further in Q1FY27 (refers to April 01 to June 30), 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 majority revenue is export driven.

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, operational, and managerial linkages between the parent and subsidiaries. Consolidated subsidiaries of Divi's are mentioned under Annexure-5.

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 in 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 three decades of experience in the bulk pharmaceutical industry. Currently, he serves as the

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[1]SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority.
[2]Complete definitions of ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

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.

As on March 31, 2026, Divi's has filed 41 drug master files (DMFs) with the United States Food and Drug Administration (US FDA), 25 DMFs with Health Canada, 30 Certificates of Suitability (CoS) issued by European Directorate for the Quality of Medicines & HealthCare (EDQM) authorities, and nine DMFs with Pharmaceuticals and Medical Devices Agency (PDMA) Japan. The company has also filed 44 patents for generic products.

Discipled capital allocation

The company operates in a capital-intensive industry that requires significant upfront investments, with returns typically realised over 2 to 4 years. The company follows a prudent capacity expansion strategy, funding growth largely through internal accruals. This approach has enabled it to steadily increase sales while maintaining healthy cash reserves and liquidity levels.

In addition, the company has strategically invested in backward integration for manufacturing critical key starting materials and intermediates. This not only enhances supply chain reliability but also provides greater control over input availability and costs. Its multi-modal manufacturing setup provides substantial operational flexibility, enabling facilities to be deployed across diverse production requirements and optimise resource utilisation.

Strong credit risk profile marked by sound 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 fund-based working capital utilisation of less than 5% as on August 31, 2026. The company's tangible net worth improved to ₹16,755 crore as on March 31, 2026, compared to ₹14,965 crore as on March 31, 2025. Higher net worth and low debt levels have resulted in a comfortable overall gearing. The company's gross cash accruals (GCA) for FY26 improved to ₹2,983 crore (PY: ₹2,529 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. The company holds a strong liquidity position, represented by a current ratio of 4.06x as on March 31, 2026, and cash and equivalents of ~₹3,611 crore as on June 30, 2026. Interest and bank charges were ₹24 crore compared to the PBILDT of ₹3653 crore in FY26.

Improvement in TOI and healthy profitability margins

In FY26, the company's TOI improved by ~14% to ₹10771 crore, compared to ₹9,408 crore in FY25, driven by higher sales in custom synthesis segment, partly owing to the debottlenecking efforts and growth in nutraceuticals segment. The Kakinada manufacturing plant became operational in Q4FY25 (refers to January 01 to March 31), this freed capacities at older facilities. PBILDT margin marginally improved from FY25 levels (of 32%) to 34% in FY26, primarily owing to a forex gain of ₹211 crore (FY25: ₹48 crore), partially offset by increase in raw material costs. The product mix between generics and custom synthesis for FY26 stood at 45:55, compared to 46:54 in FY25, indicating a gradual shift toward higher-value custom synthesis projects. In Q1FY27, the company reported a further improvement in TOI at ₹3,080 crore (Q1FY26: ₹2,410 crore), with a PBILDT margin of 41% (Q1FY26: 30%). Margins increased from 30% to 40% owing to better revenue mix (custom synthesis, which typically has higher margins, contributed 60% of revenue versus generics at 40%) and improved fixed costs absorption.

Diversified market presence with major share of revenue from regulated markets

Total exports accounted for 89% of gross sales in FY26 (compared to 88% in FY25), with majority revenue generated from the European and North American markets. Exports to Europe increased to 61% of gross sales (from 56% in FY25), while exports to the North American market declined to 13% (from 16% in FY25). 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.

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).

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). 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. The company continues to demonstrate strong regulatory compliance, with the latest US FDA general cGMP inspection of Unit I in FY26, concluding successfully without Form 483 observations.

Key weaknesses

Product and customer concentration risk

The revenue contribution from top five products marginally increased to 48% of revenue in FY26 (FY25:43%). 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, Dextromethorphan, Levodopa, Gabapentin (anti-epileptic), Nabumetone (NSAID), and others by expanding manufacturing capacities. Divi's Generic active pharmaceutical ingredients (APIs) division has played a key role in its growth, positioning the company as the world's largest API manufacturer in 10 of the 30 generic APIs it produces. Divi's clientele includes several leading global innovator pharmaceutical companies, and its revenue is well diversified across its client portfolio. However, top five customers contributed ~51% of revenues in FY26, marginal deterioration from 49% in FY25, 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 FY26 and FY25. 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.

In Q1FY27, inventory further increased by ₹459 crore and stood at ₹4,413 crore (up from ₹3,954 crore as on March 31, 2026). This is owing to the West Asia crisis and the company's decision to store inventory requirements for the next three months to avoid disruptions to supply.

Risk from currency fluctuations

Divi's is exposed to foreign exchange risk, as a significant portion of its revenue, 89% in FY26, is derived from exports. Imports accounted for ~54% of raw material consumption in FY26 (PY: 49%), 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. 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. The company undertakes hedging transactions, when required. As on March 31, 2026, Divi's had a net foreign currency asset exposure of ₹2,281 crore, compared to ₹2,004 crore as on March 31, 2025. In FY26, the company booked a net forex gain of ₹211 crore, up from ₹48 crore in FY25, owing to the depreciation of rupee.

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. Non-compliance may lead to regulatory bans on products or facilities and may adversely impact future approvals from the US FDA.

Liquidity: Strong

The company holds a strong liquidity position, represented by a current ratio of 4.06x as on March 31, 2026. Cash and cash equivalents stood at ₹3,611 crore as on June 30, 2026. The company's total debt comprises only working capital limits in the form of overdraft, lease liabilities, and letter of credit (LC) backed creditors. For 12-month ending July 2026, the working capital utilisation was less than 5%, and the company does not have debt repayment obligation for FY27. The company expects to incur capital expenditure of ~₹1,500 crore annually in the next two years, for sustaining operations and ongoing business needs. Divi's has just completed a capex of ~₹2,500 crore in FY26 towards Kakinada plant, custom synthesis projects and capacity augmentation at its existing plants. Considering the past cash accruals and also the estimated cash accruals of over ~₹3,000 crore in the next two years, the company plans to incur the capex from its internal accruals without relying on external debt.

Environment, social, and governance (ESG) risks

For the pharma industry the main factor of ESG affecting the sector is 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. Majority pharma companies seems 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 US FDA to top pharma companies) and may impact a company's future approvals from regulators, such as US FDA.

Divi's has implemented and adapted initiatives for sustainability management, which is aimed to reduce carbon footprints (~13,500 TCO_2e emissions were reduced in FY26), energy conservation (~8,290 GJ of energy conserved in FY26), water conservation (~1,59,500 KL water conserved in FY26), waste management (~46 MT plastic waste was reduced in FY26), 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

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
Consolidation

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Healthcare	Healthcare	Pharmaceuticals and 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 200 products across diverse therapeutic areas, Divi's is one of the largest pharmaceutical companies in India.

Brief Financials (₹ crore) - Consolidated	March 31, 2025 (A)	March 31, 2026 (A)	Q1FY27 (UA)
Total operating income	9408.00	10771.00	3,080
PBILDT*	3031.00	3653.00	1,255
Profit after tax (PAT)	2191.00	2568.00	902
Overall gearing (x)	0.02	0.01	NA
Interest coverage (x)	1010.33	152.21	209.17

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

For complexity level of instruments rated refer to Annexure-1.

Lender details: Annexure-4

Disclosure on facilities/instruments and name of the regulators:
A list of facilities / instruments falling under the purview of various financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	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	RBI	Simple	-	-	-	-	30.00	CARE AA+; Stable
Non-fund-based - LT/ ST-BG/LC	RBI	Simple	-	-	-	-	485.00	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 2026-2027	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
1	Fund-based - LT-Cash Credit	LT	30.00	CARE AA+; Stable	-	1)CARE AA+; Stable (26-Aug-25)	1)CARE AA+; Stable (13-Sep-24)	1)CARE AA+; Stable (12-Sep-23)
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	357.00	CARE AA+; Stable / CARE A1+	-	1)CARE AA+; Stable / CARE A1+ (26-Aug-25)	1)CARE AA+; Stable / CARE A1+ (13-Sep-24)	1)CARE AA+; Stable / CARE A1+ (12-Sep-23)
3	Non-fund-based - LT/ ST-BG/LC	LT/ST	128.00	CARE AA+; Stable / CARE A1+	-	1)CARE AA+; Stable / CARE A1+ (26-Aug-25)	1)CARE AA+; Stable / CARE A1+ (13-Sep-24)	1)CARE AA+; Stable / CARE A1+ (12-Sep-23)

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

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

Annexure-4: Lender details

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

Annexure-5: 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:

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