Divi's Laboratories Limited

August 06, 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 August 01, 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 ended June 30, 2026, held on August 01, 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: 2026.08.06 14:15:43 +05'30'

M. Satish Choudhury
Company Secretary & Compliance Officer

“Divi’s Laboratories Limited

Q1 FY27 Earnings Conference Call”

August 01, 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 Q1 FY27. As a reminder, all participants 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 has been recorded.

I now hand the conference over to Mr. M. Satish Choudhury. Thank you, and over to you, sir.

M. Satish Choudhury: Good afternoon to all of you. I am M. Satish Choudhury, Company Secretary and Chief Investor Relations Officer of Divi's Laboratories Limited. I welcome you to the earnings call of the Divi's Laboratories Limited for the first quarter of FY27.

From Divi's Labs, we have with us today, Dr. Kiran S. Divi, Whole-Time Director & CEO; 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 ended June 30, 2026, and we have released the same to the stock exchanges as well as updated 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 con-call is copyright material of Divi's Laboratories Limited and cannot be copied, rebroadcasted or attributed in press or media without specific and written consent.

Let me draw your attention to the fact that on 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 statement, whether as a result of future events or otherwise.

Now I hand over the conference to Dr. Kiran Divi for opening remarks. Over to you, sir.

Dr. Kiran S. Divi: Good afternoon everyone, and welcome to the Divi's Laboratories earnings call for the first quarter of the financial year 2026-27. Thank you for joining us today. I will begin with an update on the business and the key operational developments during the quarter. Our focus continues to be on execution, manufacturing reliability, disciplined capital deployment and strengthening the capabilities required to support long-term customer programmes.

Beginning with our Generic business, volumes remained stable during the quarter, while pricing continues to reflect competitive market conditions across products and geographies. Overall, the

business remained resilient based on our ability to manufacture certain key starting materials and intermediates in-house which continues to strengthen our supply assurance and operational efficiency.

This year also marks 20 years of Divi's in the nutraceutical segment - a journey that began with just two products has grown into a portfolio of over 100 offerings across human health, animal health and dietary supplements in multiple forms today. As we look ahead, we are actively expanding in both capabilities and capacities to meet the demand of a rapidly evolving global market.

Within Custom Synthesis, projects actively continued across all diverse portfolio of customer programmes covering multiple therapeutic areas and stages of development. We are supporting customers across clinical development, validation and commercial supply preparations, with manufacturing activities are aligned to individual regulatory and filing requirements. Likewise, the three major capex programmes are nearing completion and validations are going on. As our projects progress, we remain focused on timely execution while continuing to build the infrastructure and technical capabilities required to support future commercial requirements.

Peptides remain a strategic area of investment for the Company. Customer programmes continue to progress across multiple phases of development during the quarter, while qualification and validation activities for several peptides fragments are expected to advance over the coming quarters. Alongside capacity expansion in both solid-phase and liquid-phase peptide synthesis, we continue to strengthen the process development, analytical and manufacturing capabilities required for increasingly complex peptide chemistry. Our objective is to establish a scalable and reliable manufacturing platform capable of supporting a broad range of customer requirements while maintaining the highest standard of quality, compliance and operational excellence.

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 our existing facilities. This enhances supply assurance for critical intermediaries, improving network flexibility and supports more efficient capacity utilization across our manufacturing operations. The transfer programme continues to be executed in line with qualification timelines, customer commitments, product demand and overall manufacturing planning.

Technology development also remains an important area of execution during the quarter. Progress continues across initiatives involving continuous flow chemistry, biocatalysis and advanced automation within the manufacturing operations. These technologies are contributing to improved process safety enhanced product producibility, reduce process variability and more sustainable manufacturing routes for complex chemistries.

We also continue to implement process intensification initiatives across selected products to improve productivity and support efficient commercial scale manufacturing. Across our manufacturing network, ongoing investments in green chemistry, energy efficiency and continued process improvement remain an integral part of our long-term operational strategy.

Collectively, these initiatives strengthen our technical capabilities and enhance our ability to develop and deliver increasingly complex project with consistency and reliability.

Beyond our business operations, we remain committed to create long-term social value through focused community development activities. During the year 2026, our CSR programs reached more than 1.8 million beneficiaries across the states of Andhra Pradesh and Telangana through initiatives in health care, education, livelihood development and community welfare. These programmes remain an integral part of our long-term approach to be a responsible and sustainable growth.

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

Nilima Prasad Divi: Good afternoon, everyone, and welcome to Divi's Laboratories earnings call for the first quarter FY 2026-27. Thank you for joining us today and for your continued confidence in the Company. Before reviewing the financial performance of the quarter, I would like to provide an update on the operating environment and measures we have taken to maintain supply continuity, execution discipline and operational reliability across our business.

As discussed during our previous earnings call, the external operating environment remained challenging during the quarter, particularly across global trade routes and sourcing channels linked to West Asia. Raw material availability remained largely stable, although input cost trends continue to vary across categories. While prices of certain raw materials moderated during the quarter, solvent costs remain elevated for a significant part of the period. We continue to engage closely with the customers to evaluate commercially appropriate mechanisms to mitigate these costs wherever feasible.

At the same time, the evolving geopolitical situation in West Asia has introduced additional uncertainty into global supply chain. Accordingly, we continue to monitor development closely and calibrate our procurement strategies, sourcing plans and inventory positioning in line with changing market conditions.

Maintaining supply continuity remains one of our key operational priorities. During the quarter, we continued to maintain strategic inventory buffer where appropriate to improve material availability and mitigate the risk of supply disruption. Our procurement, manufacturing and logistics team remained closely integrated, particularly for time-sensitive materials such as solvents, where storage flexibility is inherently limited. Material availability continues to be reviewed at frequent intervals, with procurement decisions aligned to production schedules, customer commitments and lead time assessment. We also maintained regular engagement with customers to ensure production planning and delivery schedules remain well coordinated as market conditions evolve.

Efforts made over the past several years to strengthen procurement resilience, diversify our global supplier base and expand domestic sourcing capabilities have continued to support manufacturing continuity across our network. These initiatives, together with our backward integration programmes, have enhanced supply assurance for several critical raw materials and

intermediates while reducing dependence on individual sourcing channels. This integrated approach continues to strengthen the resilience of our manufacturing operations and supports our ability to consistently meet customer commitments.

Global logistic conditions also remained challenging throughout the quarter. Freight rates across both ocean and air transportation remained elevated while the availability of containers and ISO tanks continued to require careful planning and coordination. International supply chain experienced congestion at several ports, tighter vessel allocation, cargo rollover, blank sailing and extended transit times, all of which increased operational complexities across export logistics. Despite these conditions, we continued to work closely with our logistics partners to ensure reliable execution of shipment schedule.

While near-term external conditions remain uncertain, we remain committed to investing in manufacturing capabilities, supply chain resilience and enabling infrastructure to strengthen our long-term competitiveness. We believe these investments, together with our integrated manufacturing model and disciplined approach to execution position the Company well to support future customer requirements and create sustainable long-term value.

With that, I will now take you through the Company's financial performance for the quarter ended June 30 2026. For the first quarter of FY 2026-27, the Company reported a consolidated total income of ₹3,144 crores compared to ₹2,529 crores in the corresponding quarter of previous financial year.

Profit before tax increased to ₹1,180 crores compared to ₹733 crores in the corresponding quarter of last year, while profit after tax stood at ₹902 crores compared with ₹545 crores in the same period of previous year.

On a standalone basis, the total income of the quarter was ₹3,037 crores compared with ₹2,476 crores in the corresponding quarter of previous financial year. Profit before tax increased to ₹1,165 crores from ₹747 crores, while profit after tax increased to ₹891 crores from ₹557 crores.

On a constant currency basis, the standalone revenue recorded a growth of 10% during the quarter. Exports continued to account for approximately 90% of the standalone revenue. Europe and North America accounted for 75% of our exports. The business mix for the quarter reflected Custom Synthesis contributing 60% of the revenue and Generics accounting for 40%, respectively.

Net material consumption for the quarter was 31.2% of the revenue from operations on a standalone basis, reflecting the continued benefits of our integrated manufacturing model and product mix.

During the quarter, the forex movements resulted in a net forex loss of ₹7 crores compared with a net gain of ₹39 crores in the corresponding quarter of the previous financial year. Our global nutraceutical business reported a revenue of ₹298 crores compared with ₹250 crores in the corresponding quarter of last year. During the quarter, the Company capitalized assets

amounting to ₹451 crores, while capital work in progress stood at ₹2,034 crores as of June 30, 2026, reflecting the continuous progress of our ongoing expansion projects.

As of the end of the quarter, cash and cash equivalents stood at ₹3,611 crores, trade receivables were ₹3,056 crores and inventory stood at ₹4,413 crores. Thank you.

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

Moderator: Thank you, sir. Ladies and gentlemen, we will now begin with the question-and- answer session**.** First question comes from the line of Kunal Dhamesha with Macquarie.

Kunal Dhamesh: Congratulations on a very good set of numbers. The first one on the significant uptick in the custom synthesis business. I believe that the initial commentary alluded that it still doesn't have a component coming from the dedicated capex project. Is that the correct understanding?

Dr. Kiran S. Divi: It is hard to define that because like I said, we are undergoing validation of some of the capex projects. So a certain amount of product has also been shipped to the customer. And there are multiple projects on the line at this point, yes.

Kunal Dhamesh: Okay. So then just from an understanding perspective, sir, between the -- let's say validation quantity to the capex that we have done. What's the usual ramp-up in terms of the quantities we can see?

Dr. Kiran S. Divi: So once the validations are done, we will have to send the material to our customers, where they have to do their own further qualifications, get it into their formulations and then the agencies, different agencies have to approve. Only after that, we would then start commercial quantities. It's difficult for us to mention the quantities or the amounts because we are bound by CDAs at this point.

Kunal Dhamesh: But sir, anything from history, let's say, can you share that from whatever validation quantity and commercial quantities are generally in this range?

Dr. Kiran S. Divi: Can you repeat the first question again, please? .

Kunal Dhamesh: From the history, can you share some broader range as to, let's say, if you sent x quantity for validation, then the commercial quantity when the project ramps up, are in the range of, let's say, 5 x to 10x or 5x to 15, just your historical experience? .

Dr. Kiran S. Divi: Okay. So to answer that, right? It depends on the product that we are manufacturing. Some products, the annual demand is not more than 1,000 kgs. Some products we manufacture are 5,000 to 6,000 tonnes.

So very difficult for me to answer this question. It totally depends on the product. Some products go at microgram dosing for the customer -- for the end patient population. So it's a very broad statement you've asked. I cannot generalize this statement.

Kunal Dhamesh: But sir, we have dedicated capex, right? So we would know like what's the total quantity we can produce to that extent now.

Nilima Prasad Divi: Can you repeat that again, please?

Kunal Dhamesh: For dedicated capex projects, we know what capacities we have put up, right? So then is it not fairly -- can you not provide some range as to what's the maximum capacity you can reach within those dedicated projects from what you supplied to, let's say, validation stages?

Dr. Kiran S. Divi: Like I said in my first statement, right? We are going by CDAs on the quantities and how much we'll be supplying, the product name and everything. I wish to share more, but I'm bound by CDAs not to share. All I can say is the validations have been completed, and we would be going commercial as and when the qualifications with the agencies are completed. The quantities, how much we have order book value, other topics, I'm not at the liberty to discuss.

Kunal Dhamesh: Sure, sir. Second question is on the peptide modality. And you also talked in your initial remark. So when you consider your backward integration into peptide building blocks and amino acids, the years of experience and the capacities that you have put up till now. If you consider all these factors and then look at the overall global peptide landscape and then the number of players that are there which most of us are aware. Where -- how many global CDMOs do you think can actually compete with all the advantages you have, like you in terms of cost and supply reliability for the next 3 to 4 years?

Dr. Kiran S. Divi: See, I cannot talk about other manufacturers, right? It's not right. But what I can talk about is Divi's is in a unique situation because I think we are the only ones who start from basic raw materials, build our own peptide building blocks, okay. Then we have protected amino acid. We do dipeptide, tripeptides. We have gone into fragments, okay.

So we have a complete chain of backward integration, which gives us a much more better opportunity compared to others. So I can only talk about why Divi's is different. It's not fair of me to talk about how I will be more competitive than others. I mean we have seen amazing opportunities in the fragment segment and several opportunities.

So I mean, a lot of them are in pipeline. Some of them are in clinical phases. Some are going through validations right now. So as we speak, there are good opportunities in this line. That's why we're even -- in my speech, I mentioned, we're again expanding our capacity by acquiring a few more 3,000-liter SPPS.

Moderator: I'm sorry to interrupt you, Kunal, you may please rejoin for more questions. We have a lot of participants. Thank you. Next question comes from the line of Surya Narayan Patra with Phillip Capital.

Surya Narayan Patra: Congrats for great set of numbers. My first question is about the dedicated project again. So before we start commercial supply of this any time in the later part of the current financial year, so what are the key milestones that we should be seeing, sir, whether any regulatory approval

would be a kind of a key monitorable here or being these are like intermediate, FDA inspection and clearance that would not be a required aspect here?

Dr. Kiran S. Divi: See, all I can say is I'm a part of the innovator CMC filing. So I do not know -- it is, of course, it will definitely require regulatory clearances. It's not a raw material or a basic material. So will FDA come for an inspection? Will FDA not come for an inspection? Will the agency agree and take the file in and say you can start buying from Divi's, I do not -- I cannot answer for the agency.

But what I can say is we are completely ready for all regulatory submissions. We are ready for inspection anytime if there is an inspection. And as the validations go through, all the data goes through, once the customer files, we'll have more clarity on an assumption of timeline.

Surya Narayan Patra: Sure, sir. My second question is about the kind of margin trajectory that we might see going ahead because in the opening remarks, as ma'am indicated that the market environment remaining difficult only in terms of sourcing raw material that you will take procuring trade challenges and all that.

But thanks to the kind of INR depreciation, what we have seen significant this quarter, we have surprised significantly in terms of the margin front. So given this tailwind that we have already witnessed, so can you talk something about your margin trajectory, what -- if not on the number front, at least qualitatively going ahead in the current financial year?

Nilima Prasad Divi: Currently, I would say that we did have quite a bit of increase in our raw material costs on various fronts. Mainly we saw it on the solvent side, which we never saw before. And a few of the materials which we have sourced, which have dependent on those kind of solvents as well. And compared to Q4, Q1 did have a forex loss as well.

But if I have to say like margin-wise, I would -- as we always historically said, let's not look at it on an individual quarter basis. Rather, we look at it on a year basis, where sometimes there's a lumpiness in one quarter and there is not so much of a custom synthesis business, but more of a generic business in another quarter.

Considering this quarter, we did have more of custom synthesis, which is 60%. We do see the margins slightly higher than the previous quarter. But again, as we always said, there is lumpiness. We always look at year-on-year basis rather than just a quarter.

Surya Narayan Patra: Sure, ma'am. Just one aspect from my last point here. I wanted to check about the generic portfolio, we have been talking about entering into the new product post patent expiry opportunities. So anything that we would have added recently into our portfolio, if you can talk something about either number of products or the name of any specific that you would have recently entered into? Anything on that front would be helpful, sir.

Dr. Kiran S. Divi: So in the last few years, as we have been validating and then we have filed about 4 DMF so far with various customers. And these are right now, we have supplied validation quantities to them and they're undergoing qualifications as we speak.

One of them actually is trying to look at having exclusivity with us long term. So right now, that negotiation is going on. And other than that, products like I could mention 1 or 2 like we Brivaracetam, Ticagrelor which we have filed, multiple customers are qualifying us as we speak. And once the qualification is done, we are expecting in the next 3 to 6 months, only commercial volumes will move out.

Moderator: Our next question comes from the line of Damayanti Kerai with HSBC Bank.

Damayanti Kerai: My question is actually on your cost, especially on the change in inventory, where for the June quarter, the number which we are seeing is substantially larger than what we saw in the previous quarter as well as for the full year of March. So when we look at number change in inventory is around ₹500 crores compared to, say, ₹50 crores to ₹100 crores kind of number, which we saw for the previous period.

So can you help us understand what has basically led to this large swing and whether we see any reversal or normalization in coming quarters? Because I understand this is a major factor which led to substantial difference at the gross profit level.

Nilima Prasad Divi: Yes. So what you -- like the increase on the stock is mainly, I would say, from 2 points. One, as you are aware, we -- in the last meeting as well, I have mentioned that we are stocking the material to make sure that we wouldn't have any production stoppage or a production loss. So we are currently stocking it on a 3 monthly basis. Like any given point of day for the next 3 months, are we secured for our production.

And these we are securing at a higher cost to make sure there is no production stoppage and there is no shipments that are delayed to our customers. And secondly, as Kiran has mentioned, some of our projects, new capex projects have gone into validation batches. And even those materials are being reflected in this. So it's a combination of both that you have seen the increase in the stocks.

Damayanti Kerai: Sure, ma'am. That's helpful. So to secure your supply, as you mentioned, you are doing on a 3-month rolling forward basis. So till the time uncertainty continues in the broader macro market, similar strategy will continue, right? You will stock up the 3-month rolling basis to secure your supplies. That should be the ongoing trend.

Nilima Prasad Divi: That's something that we have consciously taken a decision that would be like, I think, around March is the time when we decided we would be doing the rolling 3 months, and we would secure the material, and that's why we never had a production loss or a shipment stoppage in the last few months.

Damayanti Kerai: Okay. That's helpful. My last question is on your statement on importance of Unit 3 in your entire supply chain. So as we discussed previously also, should we assume the key role which Unit-3 will play is to free up capacity for Unit-1 and Unit-2 by helping you more on the KSM and intermediate part? And we will unlikely see any commercial supplies till the time it's approved by key regulators. Will that be the case?

Dr. Kiran S. Divi: So Kakinada right now is playing a key role by doing our backward integrated work because we have several projects online, either with innovators or in-house generic molecules where we need additional capacity and quickly to enhance and utilize existing regulatory approved plant, we are moving a certain amount of chemistry, pre-chemistry works to Kakinada.

But the eventual long-term plan is to qualify Kakinada with all regulatory clearances and start qualifying that plant too. But every regulatory clearance also takes time even after you validate a certain new project, FDA will take its own time, 1 or 2 years since it's a new place, and then they will qualify it. In the meantime, we are filling the plant with pre-chemistry products.

Damayanti Kerai: And what is the utilization level at your Unit-1 and Unit-2 plant?

Nilima Prasad Divi: Around 85%, I would say, across all the 3 units.

Moderator: Next question comes from the line of Shyam Srinivasan with Goldman Sachs.

Shyam Srinivasan: I don't think in the call, you had given the nutraceutical absolute number. You typically give that. Can you call that out?

Nilima Prasad Divi: It is ₹298 crores this quarter.

Shyam Srinivasan: About ₹300 crores. So it was ₹250 crores last year same time and maybe ₹240 crores in Q4.

Nilima Prasad Divi: Yes, that is right.

Shyam Srinivasan: Yes. So when I then back out the generic business, we still have probably single-digit kind of a growth or maybe flattish growth. When I look at the industry data, ma'am, I'm now starting to see at least in the month of June, pricing for generics, API exports overall, I'm talking about, is starting to see positive inflection, right? It's now 7 or 8 kind of a growth. I'm doing a very rudimentary way, as you can imagine, what is available.

Are you seeing any signs that generic pricing is -- maybe 1 month is not the right extrapolation you need to do, but are you seeing any signs that we are at the end of a long generic pricing pressure cycle? And even from a China perspective, are you seeing some of your…

Dr. Kiran S. Divi: Yes, coming to the generic pricing, right? So you have to understand two things. One, there is a substantial increase in raw material cost itself. I mean where solvents have become almost double or triple the price. Certain solvent-based raw materials have increased substantially because of the issue in the Middle East. Because of this, the direct pass on is also being shared to the end customers by most of the generic houses.

This is the increase you are seeing in the pricing factors are going on. Even we have increased our price slightly wherever possible with our customers because otherwise the products become unviable to even produce. So whatever you're seeing right now is a market correction based on the raw material prices that have taken a substantial hit. It's not based on the markets have corrected and the pricing pressure has gone down.

Shyam Srinivasan: Got it. Any quantification of what is the solvent-led pricing change or adjustments that we have taken?

Dr. Kiran S. Divi: I mean that would be very difficult, right, because we manufacture close to 60 products now. I cannot generalize that statement. I have to go -- usually, our calculations are product-to-product basis because every product uses a different solvent, some are water-based, some are heavily solvent based. If you take a peptide, it's almost like use about 2,000 liters per 1 kilo. It's hard for me to answer that question.

Shyam Srinivasan: Just on the second question on Custom Synthesis, strong growth this quarter, 60% of total revenue. How should we look at the remainder of the year? Is this going to be -- is there an element of lumpiness in Q1 that you would kind of ask us to be less optimistic about and talk about full year where if I remember in end of quarter 4, we had given like a double digit, maybe I'm extrapolating, 10% dollar revenue growth. for us. Do you think there are upside to that following how Q1 panned out?

Dr. Kiran S. Divi: I would like to stick to my statement saying that we will show double-digit growth no matter what. Lumpiness, I cannot -- see, everything depends on -- after these validations are done, how the regulatory approvals will take place. Will it go really fast, whether the agencies will fast track these drugs and the approval process. I mean there are a lot of ifs in these situation, right? So it's hard for me to say, will it be 60-40 in the coming month or 2? Will it be 50-50? I would like a healthy mix always. But for now, I would like -- I would say that we would assure a double-digit growth for sure.

Moderator: Our next question comes from the line of Tushar Manudhane with Motilal Oswal Financial Services.

Tushar Manudhane: Congrats on good numbers. So just on these new projects which have gone into validation, are there any further validation batches which are going to come in the subsequent -- like in FY27?

Dr. Kiran S. Divi: So we have -- like I explained, right? Apart from these 3 projects, we have several other projects which are in different stages in different stages of our pipeline, either they're in clinical studies at our customers, they are producing small volumes. Some of them are on pre-validations. Some of them are undergoing validations. They may not require large investments. We may also use our existing facilities we have. So I cannot -- we do have several projects which are coming up in the next quarters, which will require validations as we go forward.

Tushar Manudhane: But like if I have to quantify the -- without going into projects specific detail, the revenues of those validation batches are they sort of in size similar to what you have done in Q1 FY27? Would that be able to...

Dr. Kiran S. Divi: Could you repeat your question? It's not clear, please?

Tushar Manudhane: I'm asking the size of the revenue which these validation batches will have generated in 1Q FY27. The subsequent projects, at least in the near term, would that be of similar size?

Nilima Prasad Divi: See, it's difficult to say that because price is different for each product, and it's not like one size fits all. It differs for every product, different prices, different costing, different, what do you say, chemistry capabilities that would require.

But I would say, overall, as an organization, we always look at a double-digit growth. That's how our revenue model is being built. And healthily, we would want a good product mix wherein we don't have heaviness of one product or one customer or one supply chain. So that's where we are at. We would say, if you want to look at a revenue projection, we are looking at double-digit growth.

Tushar Manudhane: Secondly, the 3 major capex, if you just sort of refresh in terms of the total amount that you have spent on this capex? Combined...

Nilima Prasad Divi: Your voice is not very clear.

Tushar Manudhane: I'm asking three major projects, three major capex which are towards completion. How much overall we would have spent on this?

Nilima Prasad Divi: Yes. you can say we are almost there around 70%, here and there, depending on which project it is.

Tushar Manudhane: So amount, ma'am, if you can -- this 70% what number is in absolute...

Nilima Prasad Divi: So that's about, I would say, one that we declared to the stock market earlier was the 3 projects together about, if I remember correctly, ₹2,000 crores. So I would say 70% of that has been capitalized so far.

Moderator: Our next question comes from the line of Vivek Agrawal from Citigroup.

Vivek Agrawal: In this quarter, have you made any commercial quantities -- supply of commercial quantities of any GLP-1 program? Or is it just a pickup in the existing small molecule or any new small molecule products that where the commercial supplies have been? Just want to understand what has driven the growth in the consumption GLP-1?

Dr. Kiran S. Divi: See, I cannot answer that question if you ask me about GLP-1s or small molecules. I can just tell you that we have done -- we have gone through validations of the 3 large projects we have done and several other projects are on the pipeline. Right now, peptide is one of our key portfolio that we are growing strongly. We have several fragments which are being validated, supplied and also several fragments are in the line of being validated. We're also expanding our capacity by installing several multiple 3,000 liter SPPSs because we see a lot of future opportunity.

Vivek Agrawal: Understood, sir, in peptides, again, as you have highlighted that you are installing multiple 3,000 liter SPPS lines. And in one of the previous calls, you stated that an ambition to be one of the largest player globally. So what exactly does that signify? Are you aspiring to reach a scale comparable to the current largest player? Or are you looking to establish yourself on other leading player given that the largest incumbent is significantly bigger.

Dr. Kiran S. Divi: See, based on our statement, what we said in the past, and we stick by the statement saying that we want to be the largest integrated player. When we say integrated, we are backward integrated from basic raw materials from making protected amino acids. We do our own resins. We manufacture our own FMOC, BOC-protected amino acids, okay, tags. So with all these being manufactured in-house, we have an advantage on supply, which gives us a stronger and faster approach to deliver product.

That is -- and this gives us a competitive edge along with others in the global market. I do not want to comment about why I'm different than others, that is not right. But what we can say is we are always -- we do not compete with our customers. We are actually playing a complementary role. That's why our customers like us.

Vivek Agrawal: Understood. And then is it possible for you to quantify the overall capacity in that activities that you focus upon?

Nilima Prasad Divi: You weren't audible towards the end. Can you please repeat that question again?

Vivek Agrawal: No problem, thank you. That's all from my side.

Moderator: Our next question comes from the line of Neha M from Bank of America.

Neha M: On the solvent pricing that you mentioned, how are the trends right now? Have they softened after what we've seen in the first quarter levels? Are you seeing some normalization in cost as yet?

Nilima Prasad Divi: Well, as of now, I would say we see a few weeks of flat trend and then again, suddenly, we see a rise in, it all depends on the situation that's happening in the Middle East. I mean you are seeing the news every day. It's a different news and the news does affect the supply and it does affect the pricing. So -- and it is not something in our hands, because it is -- it comes in bulk and affects the entire country the same way.

Neha M: And Nilima, would it be fair to assume that we haven't seen any issues in being able to meet our supply commitments because of solvent not being available. So pricing is the only issue at the moment, right? That would be a fair assumption?

Nilima Prasad Divi: I wouldn't say that the supply is easily available every day. I would say this that we were proactive in securing the material 3 months in advance rather than procuring it just in time. The organization always went towards procuring material just in time and making sure there is no overstocking of material. But in the last few months, we decided we would go for a 3-month rolling inventory stocking, just to make sure that there is -- like suppose there is no shipment coming in, my production doesn't stop in the factory.

Neha M: Understood. And sir, Unit-3, what is the utilization level it is at currently in case we provide that detail.

Nilima Prasad Divi: I cannot comment unit by unit because each unit is quite different. But I would say across all the 3 units, it is about 80% to 85% utilization.

Neha M: Understood. And last question, there is no inventory gains that we have in this quarter, right? There's no inventory gain that is recorded in the gross margin line.

Nilima Prasad Divi: Can you repeat that question again?

Neha M: Is there any inventory gain that we have recorded in this quarter? Would there be any inventory gains at all in the quarter?

Nilima Prasad Divi: No, that's not the case.

Moderator: Our next question comes from the line of Bino Pathiparampil with Elara Capital.

Bino Pathiparampil: Just a follow-up question on margins. To an earlier question, you said that you look at margins on a year-on-year basis and not quarterly because of the lumpiness. So would you give some idea about how the full year margins can be compared to last year? Is it significantly better or so at the gross level and EBITDA level?

Nilima Prasad Divi: At gross level, I would say it was approximately 60% all over the year. And frankly speaking, if I'm looking at EBITDA margin, it would be the similar as last year. But my -- as we normally say, we are -- the growth that we see will always be a double-digit growth, and it won't -- we would say like don't look at it at this quarter and say gross margin is so much.

So this is what is going to be for the rest of the year. It's going to be close to 68% this quarter approximately. But I would not look at that as something consistent throughout the year. I would say there would be lumpiness. Next quarter could be lower or higher is something that we need to wait and see.

Bino Pathiparampil: Understood. So if I got your answer correctly, this year's gross margin would be comparable or slightly better than last year.

Dr. Kiran S. Divi: So to answer this question, right? Everything depends on once we finish the validation, how the validation is ongoing right now. If the approvals come faster, then things will change. The ratio will be higher in terms of CS because commercial volumes will start moving. So all this is subjected to all regulatory approvals.

So we would just like to stick to the double digits. And as and when things change quarter-on-quarter and the moment we know something is happening, we will definitely inform.

Moderator: Our next question comes from the line of Saurabh Banik with Divas Consultants.

Saurabh Banik: I'd like to know a few things about the Contrast Media, like what is the status as on today, the Iodine and Gadolinium. And how we actually think this one for FY27? So if you just put a few colors on it, so that would be too much helpful.

Dr. Kiran S. Divi: So on the Iodine-based contrast media, we are in the process of signing long-term contracts with 2 of the customers. And this will be for multiple years. And commercialization has for one of

them has already started. The second one, we will start in the next few months. And this will be substantial quantities going forward.

Coming to Gadolinium, like I told you, we are still working on a clinical phase project. As and when we see the customer sees light with it, we will also start moving on that segment.

Saurabh Banik: Okay. So sir, in our last con call, you have discussed that the Gadolinium is in pre-commercial and qualification stage. So as of today, I mean, in this quarter, can we say that pre-commercial is done and the qualification stage is completed? Or if you can give us any guidelines so when this will be totally completed?

Dr. Kiran S. Divi: Just one second, please. See, what I've told you is the Gadolinium compounds, we are still at the qualification stage, which is in Phase II and Phase III. That's what I said last time. I didn't say that we did validations. So we are tagging along with the customer.

And as and when they get approval for the next phase, we will again start seeing further. Right now, the project is on slow phase with them on the Gadolinium side. That's why still we are waiting for -- they're waiting for regulatory approvals, and we are waiting. Once they get their approval, then it will be clinical Phase III.

Moderator: Our next question comes from the line of Tirumala Reddy, an individual investor.

Tirumala Reddy: So will it be possible to give a split between phase-wise molecules in the Custom Synthesis?

Nilima Prasad Divi: The Custom Synthesis, we are bound by the confidentiality agreement. So we cannot talk about the quantities or the volumes or the values in the call.

Tirumala Reddy: No, no. I'm not asking about any quantities or volumes. It is just a number of projects in each phase, like Phase II, Phase III, commercial. So -- what's the breakup between...

Dr. Kiran S. Divi: We have done -- right now, we have several projects in the pipeline. That's all I can answer. And also close to about 18 to 20 projects are actually commercialized or being commercialized as we speak. So we have a healthy pipeline along with projects which are already in the portfolio.

Tirumala Reddy: And then my next question is about competitive landscape. So in India, there are a lot of companies are starting CDMO segment and they are consolidating into CDMO. But do you see any margin pressure in CDMO segment going forward? Or is there any indication from customers who are negotiating hard on pricing?

Dr. Kiran S. Divi: See, I cannot answer about why other -- how others are joining in. But what I can say, Divi's has a track record. I mean we are close to, I would say, 30-year-old company who has been in CDMO. We are one of the first CDMOs in India. And we come with a lot of reputation.

Customers trust us over a period of several deliverables we have given, okay? And where we have been in the critical process where we have handheld them, we have supported them. So customers value us for who we are, and we come with a history. So we have a lot of -- it's not about pricing. It's not the only thing innovators look at. They look at sustainability, they look at

safety issues. They look at your EHS capabilities, your effluent management system, your employee health care system. They look at all the aspects if they ever want to work with a particular customer. And Divi's always meets all their requirements. That's why most of them come to us, they give us opportunities and they work with us.

Moderator: Our next question comes from the line of Dhawal Khut with Jefferies.

Dhawal Khut: I wanted to know what is the growth in our top five product, let's say, in constant currency as well as in INR terms for this quarter overall as a company?

Nilima Prasad Divi: We don't disclose product-wise information.

Dhawal Khut: Okay. And secondly, whatever validation products that we have supplied in the first quarter, how many end market molecules do they belong to?

Dr. Kiran S. Divi: That is -- so right now, like I explained, right, we have done validations for a few projects, and these have gone into the customers' filings, okay. We are a part of their CMC. So it goes into their filings.

So from there, by the time the regulatory bodies approves it and do they want an inspection, they're okay with the previous inspection data. They have to review and then they will give us approval. So it does go into the end patient population project. So -- but we have to wait and see when the commercialization will take place.

Dhawal Khut: Yes, yes. So what I'm trying to ask is how many different molecules do they end up supporting? There might be three different fragments, but they might be supporting just the same molecule. There could be two intermediates for the same small molecule project. So how many different molecules are we supporting through these validation batches?

Dr. Kiran S. Divi: So to answer your question, right, if your question is towards the three major projects where the capex is involved, its three different products completely. Okay? And we have other projects also in line, which we have validated. I'm not at the liberty to disclose too much. So all I can say is we have several projects which are going to individual molecules, which will attain to the patient population as and when regulatory approvals takes place.

Moderator: Our next question comes from the line of Rahul Jeewani from IIFL Securities Limited.

Rahul Jeewani: Sir, coming back to this inventory change and margins again. Now this quarter, the inventory change number was ₹500 crores and the usual quarterly run rate has been around, let's say, ₹50 crores to ₹100 crores kind of a number.

So if we adjust for, let's say, this ₹300 crores to ₹400 crores of incremental inventory change, then our gross margin this quarter would have been between 55% to 58% and our EBITDA margins would have been 28% to 30%. So probably indicating the pressure from the solvent increases, which you have seen. So is that the correct way to assess, let's say, the sustainability of margins? Or would you want to qualify in any other way?

Nilima Prasad Divi: See, I would say this is also because of the increase in the production volume that the validation projects are going through. There is also not just the raw material, right? There is also work in progress, there is intermediates, there are finished products.

So it's a combination of all those that you are seeing here, along with the increase in the prices of the materials. So when there is an increase in the price of the raw materials, the cost of your intermediates and your work in progress and your finished goods also would go up substantially. So it's a combination of all those.

Rahul Jeewani: Okay. And let's say, this ₹500 crores kind of an inventory change, which we saw this quarter, what kind of a number, let's say, do you anticipate for the rest of fiscal '27? Because last year, this number was around ₹300 crores odd. So yes, if you can just help in terms of that so that it becomes easier for us to model in terms of what the sustainable margins are for the company?

Nilima Prasad Divi: It's a very difficult question to answer considering the -- what's happening in Middle East currently. I mean tomorrow, everyone decides, okay, we are in the cease and we are not going to have a war at all. Things would be again back to normal. The cost would go down and the inventory -- cost of inventory itself will go down.

And our cost of our intermediates and work in progress would go down. Would our volumes go down? Yes, they would because we wouldn't be stocking so much as well. So it all depends on the macroeconomic factors on which we don't have any control on.

Moderator: Ladies and gentlemen, due to the time constraint, that was the last question for today. I now 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 so much, Satish sir. Ladies and gentlemen, on behalf of Divi's Laboratories Limited, that concludes today's conference call. Thank you for joining us, and you may now disconnect your lines.