Divi's Laboratories

Operator: Ladies and gentlemen, good day and welcome to the earnings conference call of Divi's Laboratories Ltd. for Q1 FY27. As a reminder, all participant lines will be in 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 the operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. M Satish Choudhary. Thank you, and over to you, sir.

M Satish Choudhary - Company Secretary & Chief Investor Relations Officer: Good afternoon to all of you. I am M Satish Choudhary, Company Secretary and Chief Investor Relations Officer of Divi's Laboratories Ltd. I welcome you all to the earnings call of Divi's Laboratories Ltd. for the first quarter of FY27. From Divi's Laboratories Ltd., we have with us today Dr. Kiran S Divi, Whole-time Director and CEO; Ms. Nilima Prasad Divi, Whole-time Director Commercial; and Mr. {? Venkatesa Perumal Pothumarthi ?}, Chief Financial Officer. During the day, our Board approved the unaudited financial results for the quarter ended June 30, 2026, and we released the same to the stock exchanges and updated our website.

Please note that this conference call is being recorded, and a transcript of the same will be made available on the company's website. Please also note that the audio of the call is the copyright material of Divi's Laboratories Ltd. and cannot be copied, rebroadcast, or attributed in the press or media without the specific written consent of the company. Let me draw your attention to the fact that, on this call, our discussions will include certain forward-looking statements, which are predictions, projections, or other estimates about future events. These estimates reflect management's current expectations of the future performance of the company. Please note that these estimates involve several risks and uncertainties that could cause our actual results to differ materially from what is expressed or implied. Divi's Laboratories Ltd. or its officials do 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 his opening remarks. Over to you, sir.

Dr. Kiran S Divi - Whole-time Director & CEO: Good afternoon, everyone, and welcome to Divi's Laboratories Ltd.'s earnings call for the first quarter of FY27. 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 programs.

Beginning with our generic business, volumes remained stable during the quarter, while pricing continued 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 both capabilities and capacities to meet the demands of a rapidly evolving global market.

Within custom synthesis, projects continued actively across our diverse portfolio of customer programs, covering multiple therapeutic areas and stages of development. We are supporting customers across clinical development, validations, and commercial supply preparations, with manufacturing activities aligned to individual regulatory and filing requirements. Likewise, the three major capex programs are nearing completion, and validations are ongoing. 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 programs continued to progress across multiple stages of development during the quarter. While qualification and validation activities for several peptide 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 chemistries. Our objective is to establish a scalable and reliable manufacturing platform capable of supporting a broad range of customer requirements while maintaining the highest standards 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 key chemistry operations while enabling the phase transfer of manufacturing activities from our existing facilities. This enhances supply assurance for critical intermediates, improves network flexibility, and supports more efficient capacity utilization across our manufacturing operations. The transfer program continues to be executed in line with qualification timelines, customer commitments, product demand, and overall manufacturing planning.

Technology development also remained an important area of execution during the quarter. Progress continued across initiatives involving continuous-flow chemistry, biocatalysis, and advanced automation within the manufacturing operations. These technologies are contributing to improved process safety, enhanced reproducibility, reduced 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 projects with consistency and reliability.

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

Ms. Nilima Prasad Divi - Whole-time Director Commercial: Good afternoon, everyone, and welcome to Divi's Laboratories Ltd.'s earnings call for Q1 FY27. 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 the 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 continued to vary across categories. While prices of certain raw materials moderated during the quarter, solvent costs remained elevated for a significant part of the period. We continue to engage closely with 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 chains. Accordingly, we continue to monitor developments 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 buffers where appropriate to improve material availability and mitigate the risk of

Management: supply disruption. Our procurement, manufacturing, and logistics teams 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 assessments. We also maintained regular engagement with customers to ensure that production planning and delivery schedules remained well-coordinated as market conditions evolved. The 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 program, 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 logistics conditions also remained challenging throughout the quarter. Freight rates across both ocean and air transportation remained elevated, while the availability of containers and isotanks continued to require careful planning and coordination. International supply chains experienced congestion at several ports, tighter vessel allocation, cargo rollovers, blank sailings, and extended transit times, all of which increased operational complexities across export logistics. Despite these conditions, we continue to work closely with our logistics partners to ensure reliable execution of shipment schedules. 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 Q1 FY27, the company reported consolidated total income of 3,144 crores compared to rupees 2,529 crores in the corresponding quarter of the previous financial year. Profit before tax increased to rupees 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 the previous year. On a standalone basis, total income for the quarter was 3,037 crores compared with 2,476 crores in the corresponding quarter of the previous financial year. Profit before tax increased to rupees 1,165 crores from 747 crores, while profit after tax increased to 895 crores from 567 crores.

On a constant-currency basis, standalone revenue recorded growth of 10% during the quarter. Exports continue to account for approximately 90% of standalone revenue. Europe and North America accounted for 75% of our exports. The business mix for the quarter reflected custom synthesis contributing 60% of revenue and generics accounting for 40%, respectively. Net material consumption for the quarter was 31.2% of revenue from operations on a standalone basis, reflecting the continued benefits of our integrated manufacturing model and product mix.

During the quarter, forex movements resulted in a net forex loss of rupees 7 crores compared with a net gain of 39 crores in the corresponding quarter of the previous financial year. Our global nutraceutical business reported revenue of rupees 298 crores compared with rupees 250 crores in the corresponding quarter of last year. During the quarter, the company capitalized assets amounting to rupees 451 crores, while capital work-in-progress stood at 2,034 crores as of June 30, 2026, reflecting the continued progress of our ongoing expansion projects. As of the end of the quarter, cash and cash equivalents stood at rupees 3,611 crores, trade receivables were rupees 3,056 crores, and inventories stood at rupees 4,413 crores. Thank you.

Management: Thank you, Madam. With this, we request the moderator to open the lines for the Q&A session.

Operator: Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Our first question comes from the line of Kunal Dhamesha with Macquarie. Please go ahead.

Kunal Dhamesha – Macquarie: Thank you for the opportunity, and congratulations on a very good set of numbers. My first question is on the significant uptick in the custom synthesis business. I believe the initial commentary alluded to the fact that it still does not have a component coming from the dedicated capex project. Is that the correct understanding?

Management: It is hard to define that because, as I said, we are undergoing validation of some of the capex projects. A certain amount of product has also been shipped to the customer. So there are many projects in the pipeline at this point. Yes.

Kunal Dhamesha – Macquarie: Okay. Just from an understanding perspective, between the validation quantity and the capex that we have incurred, what is the usual ramp-up in terms of the

quantities that we can see?

Management: Once the validations are done, we will have to send the material to our customers, where they have to conduct their own further qualifications, incorporate it into their formulations, and then different agencies have to approve it. Only after that would we start commercial quantities. So it is difficult for us to mention the quantities or the amounts because we are bound by CDAs at this point. Yes.

Kunal Dhamesha – Macquarie: But, sir, can you share something from history? From whatever validation quantities are supplied, what is the general range for commercial quantities?

Management: Can you repeat the question again, please?

Kunal Dhamesha – Macquarie: Can you share something from history in terms of a broader range? If you sent X quantity for validation, would the commercial quantity, when the project ramps up, be in the range of 5x to 10x or 5x to 15x? I am asking about your historical experience.

Management: To answer that, it depends on the product that we are manufacturing. For some products, annual demand is not more than 1,000 kg. Some products that we manufacture are 5 to 6,000 tons. So it is very difficult for me to answer this question. It totally depends on the product. Some products are dosed at the microgram level for the customer or the end-patient population. So it is a very broad statement that you have asked me to make. I cannot generalize this statement.

Kunal Dhamesha – Macquarie: But, sir, we have dedicated capex, right? So we would know the total quantity that we can produce to that extent now?

Management: Can you repeat that again, please?

Kunal Dhamesha – Macquarie: For the dedicated capex projects, we know what capacities we have established, right? So can you not provide some range for the maximum capacity you can reach within those dedicated projects, based on what you have supplied for the validation stages?

Management: As I said, we are bound by CDAs on the quantities and how much we will be supplying, the product's name, and everything else. I wish to share more, but I am bound by CDAs not to share. All I can say is that the validations have been completed, and we will be going commercial as and when the qualifications with the agencies are completed. The quantities, how much we have, order book value, and other topics are not at my liberty to discuss.

Kunal Dhamesha – Macquarie: My second question is on the peptide modality, which you also discussed in your initial remarks. When you consider your backward integration into peptide building blocks and amino acids, your years of experience, and the capacities that you have established till now, and then look at the overall global peptide landscape and the number of players that are there, which most of us are aware of, how many global CDMOs do you think can actually compete with you in terms of cost and supply reliability over the next 3 to 4 years?

Management: I cannot talk about other manufacturers because that would not be appropriate. But what I can say is that Divi's is in a unique situation because I think we are the only ones who start from basic raw materials and build our own peptide building blocks. Then we have protected amino

acids, we produce dipeptides and tripeptides, and we have moved into fragments. So we have the complete chain of backward integration, which gives us a much better opportunity compared to others. I can only talk about why Divi's is different. It is not fair for me to talk about how I will be more competitive than others.

We are seeing amazing opportunities in the fragment segment and several other opportunities. A lot of them are in the pipeline, some of them are in clinical phases, and some are going through validations right now. As we speak, there are good opportunities in this area. That is why, in my speech, I mentioned that we are again expanding our capacity by acquiring a few more 3,000-liter SPPSs.

Kunal Dhamesha – Macquarie: And lastly, if I may just—

Operator: Thank you, Kunal. I am sorry to interrupt you, but you may please rejoin the queue for more questions. We have a lot of participants. Thank you. Ladies and gentlemen, in order to ensure that management is able to address all the questions from participants, we request you to kindly limit your questions to two per participant. If you have a follow-up question, please rejoin the queue. Our next question comes from the line of Surya Narayan Patra with PhillipCapital. Please go ahead, sir.

Surya Narayan Patra – PhillipCapital: Thank you for the opportunity, sir, and congratulations on the great set of numbers. My first question is about the dedicated project again. Before we start commercial supply at some point in the later part of the current financial year, what are the key milestones that we should be seeing? Would any regulatory approval be a key monitorable here, or, since these are intermediates, would an FDA inspection and clearance not be required?

Management: All I can say is that I am a part of the innovator CMC filing. I do not know; it will of course definitely require regulatory clearances. It is not a raw material or a basic material. Will the FDA come for an inspection? Will the FDA not come for an inspection? Will the agency agree, take the file in, and say that you can start buying from Divi's? I cannot answer for the agency. But what I can say is that we are completely ready for all regulatory submissions. We are ready for an inspection at any time if there is one. As the validations progress and all the data is submitted, once the customer files, we will have more clarity on the timeline.

Surya Narayan Patra – PhillipCapital: My second question is about the margin trajectory that we might see going forward. In the opening remarks, as ma'am indicated, the market environment remained difficult in terms of sourcing, raw material availability, procurement, trade challenges, and so on. However, thanks to the significant INR depreciation that we saw this quarter, we have performed significantly better on the margin front. Given this tailwind that we have already witnessed, can you discuss your margin trajectory for the current financial year, if not numerically, at least qualitatively?

Management: Currently, I would say that we did have quite a bit of an increase in our raw material costs on various fronts. We mainly saw it on the solvent side, which we had never seen before. We also had some materials—

Management: which are dependent on those kinds of problems as well. Compared to Q4, Q1 also had a forex loss. But if I have to speak about margins, as we have always said historically, let us not look at them on an individual-quarter basis; rather, we look at them on a yearly basis. Sometimes there is lumpiness in one quarter, and there is not as much custom synthesis business but more of the general business in another quarter. Considering that this quarter had more custom synthesis, at 60%, we do see the margins slightly higher than in the previous quarters. But again, as we have always said, there is lumpiness. We always look at a year-on-year basis rather than just at a quarter.

Surya Narayan Patra – PhillipCapital: Sure, ma'am. I just want to check one aspect from my last point. Regarding the generic portfolio, we have been talking about entering new products following patent expiry opportunities. Is there anything that we have added recently to our portfolio? If you could discuss either the number of products or the name of any specific product that we have recently entered, anything on that front would be helpful, sir.

Kiran: In the last few years, we have been validating products, and we have filed about 40 DMFs so far with various customers. We have supplied validation quantities to them, and they are undergoing qualifications as we speak. One of them is actually trying to establish exclusivity with us over the long term. That negotiation is currently ongoing.

Other than that, I could mention one or two products. We have Betadex Calcium, and we have also filed Ticagrelor. Multiple customers are qualifying us as we speak. Once qualification is completed, we expect commercial volumes to begin moving gradually over the next 3 to 6 months.

Surya Narayan Patra – PhillipCapital: Great, sir. Thank you, and I wish you all the best.

Operator: Thank you. Our next question comes from the line of Damayanti Kerai with HSBC Bank. Please go ahead.

Damayanti Kerai – HSBC Bank: Thank you for the opportunity. My question is on your costs, specifically the change in inventory, where, for the June quarter, the number we are seeing is substantially larger than what we saw in the previous quarters as well as for the full year in March. When we look at the change in inventories, it is around 500 crores compared to a figure of 50 to 100 crores in the previous period. Can you help us understand what has led to this large swing and whether we will see any reversal or normalization in the coming quarters? I understand that this is the major factor that led to a substantial difference at the gross profit level.

Management: The increase in stock is mainly due to two factors. First, as you are aware, I mentioned in the last meeting as well that we are stocking material to make sure that we do not have any production stoppage or production loss. We are currently stocking it on a 3-month basis. At any given point in time, we are secured for the next 3 months of production. We are securing these materials at a higher cost to make sure there is no production stoppage and no shipments are delayed to our customers.

Secondly, as Kiran mentioned, some of our new capex projects have gone into validation batches, and those materials are also reflected in this figure. So it is a combination of both factors that is resulting in the increase in stocks.

Damayanti Kerai – HSBC Bank: So, ma'am, to secure your supplies, as you mentioned, you are operating on a 3-month rolling-forward basis. Until the uncertainty continues in the broader macro market, will a similar strategy continue? Will you continue to stock on a 3-month rolling basis to secure your supplies? That should be the ongoing trend.

Management: That is something we consciously decided. Around March was when we decided that we would operate on a rolling 3-month basis and secure the material. That is why we have not had any production loss or shipment stoppage in the last few months.

Damayanti Kerai – HSBC Bank: My last question is on your statement regarding the importance of Unit 3 in your entire supply chain. As we discussed previously, should we assume that the key role Unit 3 will play is to free up capacity for Units 1 and 2 by helping more with the KSM and intermediate stages, and that we are unlikely to see any commercial supplies until it is approved by the major regulators? Would that be the case?

Kiran: Kakinada is currently playing a key role by carrying out our backward-integrated work. We have several projects online, either with innovators or involving in-house generic molecules, where we need additional capacity. To quickly enhance and utilize the existing regulatory-approved plants, we are moving a certain amount of chemistry and pre-chemistry work to Kakinada. However, the eventual long-term plan is to obtain all regulatory clearances for Kakinada and start qualifying that plant as well.

Every regulatory clearance also takes time. Even after you validate a certain new project, the FDA will take its own time—one or two years—since it is a new place, and then it will qualify the facility. In the meantime, we are filling the plant with pre-chemistry products.

Damayanti Kerai – HSBC Bank: What is the utilization level at your Units 1 and 2 plants?

Management: Around 85%, I would say, across all three units.

Damayanti Kerai – HSBC Bank: Across all three units. Okay, thank you. I will get back in the queue. All the best.

Operator: Thank you. A reminder to all participants: kindly restrict your questions to two per participant. Our next question comes from the line of Shyam Srinivasan with Goldman Sachs. Please go ahead.

Shyam Srinivasan – Goldman Sachs: Good afternoon. Thank you for taking my question. I do not think you gave the absolute nutraceutical number in the callout, although we typically provide that. Can you please call that out?

Management: It is 298 crores this quarter.

Shyam Srinivasan – Goldman Sachs: 298 crores. So it was 250 crores at the same time last year and perhaps 240 crores in Q4?

Management: Yes, that is right.

Shyam Srinivasan – Goldman Sachs: When I back out the generic business, we still have probably single-digit growth, or perhaps flat growth. When I look at the industry data, I am now starting to see, at least in June, that pricing for generics and API exports overall is beginning to show a positive inflection. It is now showing growth of around 7% or 8%. I am doing this in a very rudimentary way, based on what is available. Are you seeing any signs that we are at the end of a long generic pricing pressure cycle? One month may not be the right basis for extrapolation, but are you seeing any such signs? Also, from a China perspective, are you seeing some of your competitors coming out—

Kiran: Coming to generic pricing, you have to understand two things. First, there has been a substantial increase in raw material costs. Our solvents have become almost double or triple the price. Certain solvent-based raw materials have increased substantially because of the situation in the Middle East. Because of this, most generic houses are also passing on the direct increase to end customers. This is the increase that you are seeing in the pricing factor. We have also increased our prices slightly wherever possible with our customers because otherwise the products would become unviable even to produce. Whatever you are seeing right now is a market correction based on the raw material prices, which have taken a substantial hit. It is not because the markets have corrected and the pricing pressure has gone down.

Shyam Srinivasan – Goldman Sachs: Can you provide any quantification of the solvent-led pricing changes or adjustments that we have taken?

Kiran: That would be very difficult because we manufacture close to 60 products. I cannot generalize that statement. Our calculations are usually done on a product-by-product basis. Every product uses a different solvent; some are water-based and some are heavily solvent-based. If you take a peptide, it is almost as though you use about 2,000 liters for 1 kg. So it is difficult for me to answer that question.

Shyam Srinivasan – Goldman Sachs: No problem. My second question is on custom synthesis, which showed strong growth this quarter and accounted for 60% of total revenue. How should we look at the remainder of the year? Is there an element of lumpiness in Q1 that would make you ask us to be less optimistic, and should we instead look at the full year, where, if I remember correctly, at the end of Q4 we had indicated double-digit, perhaps 10%, dollar revenue growth? Do you think there is upside to that following how Q1 has performed?

Kiran: I would like to stick to my statement that we will show double-digit growth, no matter what. Regarding lumpiness, everything depends on how the regulatory approvals take place after these validations are completed. Will it proceed very quickly? Will the agencies fast-track these drugs and the approval process? There are a lot of ifs in these situations. So it is difficult for me to say whether the mix will be 60-40 in the coming months, 50-50, or something else. I would always like to have a healthy mix. For now, I would say that we will assure double-digit growth.

Shyam Srinivasan – Goldman Sachs: Got it. Thank you, and all the best.

Operator: Thank you. Our next question comes from the line of Tushar Manudhane with Motilal Oswal Financial Services. Please go ahead.

Tushar Manudhane – Motilal Oswal Financial Services: Thank you for the opportunity, and congratulations on the good set of numbers. Regarding the new projects that have gone into validation, are there any further validation batches that will come in subsequent periods, such as in FY27 or later? Or are we largely done with the current supply chain?

Kiran: As I explained, apart from these three projects, we have several other projects at different stages of our pipeline. Either they are in clinical studies at our customers, in which case we are producing small volumes, or some are in pre-validation, while some are undergoing validation. They may not require large investments, and we may also use our existing facilities. We do have several projects coming up in the next quarters that will require validations as we move forward.

Tushar Manudhane – Motilal Oswal Financial Services: If I have to quantify it, are the revenues from those validation batches similar in size to what we would have done in Q1 FY27? Or—[inaudible]

Kiran: Could you repeat your question? It is not clear, please.

Tushar Manudhane – Motilal Oswal Financial Services: I am asking about the size of the revenue that these validation batches generated in Q1 FY27. Would the subsequent projects be of a similar size?

Management: It is difficult to say because the price is different for each product. It is not a one-size-fits-all situation. It differs for every product, with different prices, different costs, and different chemistry and capabilities required. However, overall, as an organization, we always look for double-digit growth. That is how our revenue model is built. We would also like to have a healthy product mix in which we do not have an excessive concentration in one product, one customer, or one supply chain. That is where we stand. If you want to look at a revenue projection, we are looking at double-digit growth.

Tushar Manudhane – Motilal Oswal Financial Services: Secondly, regarding these three major capex projects, could you refresh us on the total amount that we would have spent on them, combined?

Management: Your voice is not very clear.

Tushar Manudhane – Motilal Oswal Financial Services: I am asking about the three major capex projects that are nearing completion. How much would we have spent on them overall?

Management: Hello? Am I audible?

Tushar Manudhane – Motilal Oswal Financial Services: Yes.

Management: Just a second, please. You can say that we are almost there, at around 70%, depending on which project it is.

Tushar Manudhane – Motilal Oswal Financial Services: The amount, ma'am? If you could please share it, what absolute number does this 70% represent?

Management: The amount declared to the stock market earlier for the three projects together was, if I remember correctly, {? 2,000 crores ?}. I would say that 70% of that has been capitalized so far.

Tushar Manudhane – Motilal Oswal Financial Services: Got it. Thank you.

Operator: Thank you. The next question comes from the line of Vivek Agarwal from Citigroup. Please go ahead.

Vivek Agarwal – Citigroup: Thank you for taking this question. In this quarter, have you supplied any commercial quantities for a GLP-1 program, or is this simply an increase in the existing small-molecule business or some new small-molecule products for which commercial supplies have begun? I just want to understand what has driven the growth in the custom synthesis segment.

Management: I cannot answer that question, Vivek. If you ask me about GLP-1s or small molecules, I can only tell you that we have completed validations for the three large projects, and several other projects are currently in the pipeline. Peptides are one of the key areas in our portfolio that we are growing strongly. We have several fragments that have been validated and supplied, and several other fragments are in the process of being validated. We are also expanding our capacity by installing multiple 3,000-liter SPPSs because we see a great deal of future opportunity.

Vivek Agarwal – Citigroup: Understood. Regarding peptides, you have highlighted that you are installing multiple 3,000-liter SPPS lines. In one of the previous calls, you stated an ambition to be one of the largest players globally. 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 among the other leading players, given that the largest incumbent is significantly bigger?

Management: Based on what we said in the past, we stand by our statement that we want to be the largest integrated player. When we say integrated, we mean that we are backward integrated from basic raw materials. We make protected amino acids, produce our own resins, manufacture our own monomers and Fmoc-block protected amino acids, and produce tags. Since all these are manufactured in-house, we have an advantage in supply, which gives us a stronger and faster approach to delivering products. That is why this gives us a competitive edge, along with other advantages, in the global market.

I do not want to comment on why we are different from others because that would not be appropriate. What we can say is that we do not compete with our customers; we actually play a complementary role. That is why our customers like us.

Vivek Agarwal – Citigroup: Understood. Is it possible for you to quantify the overall SPPS capacity that you have established?

Management: You were not audible toward the end. Can you please repeat that question?

Vivek Agarwal – Citigroup: No problem. Thank you. That is all from my side.

Operator: Thank you. The next question comes from the line of Neha M from Bank of America. Please go ahead.

Neha M – Bank of America: Thank you for taking my question. Regarding the solvent pricing that you mentioned, how are the trends right now? Have they softened after the levels seen in Q1? Are you seeing any normalization in costs yet?

Management: As of now, I would say that we see a flat trend for a few weeks, and then suddenly we see another rise. It all depends on the situation in the Middle East, and you are seeing the news every day. The news is different every day, and it affects supply and pricing. It is also not something within our control because the material comes in bulk and affects the entire country in the same way.

Neha M – Bank of America: Would it be fair to assume that we have not seen any issues in meeting our supply commitments because of solvent availability? So pricing is the only issue at the moment, correct? Would that be a fair assumption?

Management: I would not say that supply is easily available every day. What I would say is that we were proactive in securing the material 3 months in advance rather than procuring it just in time. The organization had always followed just-in-time procurement and ensured that there was no overstocking of material. But in the last few months, we decided to maintain a 3-month rolling inventory just to make sure that, if there were no shipment coming in, production would not stop at the factory.

Neha M – Bank of America: Understood. For Unit 3, what is the current utilization level, if you can provide that detail?

Management: I cannot comment on each unit individually because each unit is quite different. But I would say that utilization across all three units is about 80% to 85%.

Neha M – Bank of America: Understood. My last question is whether we have any inventory gains in this quarter. There is no inventory gain recorded in the gross margin line, correct?

Management: Can you repeat that question again?

Neha M – Bank of America: Is there any inventory gain recorded in this quarter? Would there be any inventory gains at all in this quarter?

Management: No, that is not the case.

Neha M – Bank of America: All right. Thank you very much.

Operator: Thank you. The next question comes from the line of Binu Patheraparampil with Elara Capital. Please go ahead.

Binu Patheraparampil – Elara Capital: Good afternoon. I have a follow-up question on margins. In response to an earlier question, you said that you look at margins on a year-on-year basis rather than quarterly because of lumpiness. Could you provide some idea of how full-year margins might compare with last year? Would they be significantly better at the gross margin and EBITDA levels?

Management: At the gross level, I would say it was approximately 68% over the year. Frankly speaking, if I look at the EBITDA margin, it would be similar to last year. But, as we normally say, the growth we see will always be double-digit, and we would not look at this quarter and say, "The gross margin is this much, so this is what it will be for the rest of the year." It will be approximately 68% this quarter, but I would not consider that to be consistent throughout the year. There will be

lumpiness. The next quarter could be lower or higher; that is something we need to wait and see.

Binu Patheraparampil – Elara Capital: Understood. So, if I understood your answer correctly, this year's gross margin would be comparable to or slightly better than last year's.

Management: To answer this question, everything depends on what happens once we finish the validations or as the validations continue, since they are 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. All this is subject to regulatory approvals. We would therefore like to stick to double-digit growth, and as and when things change quarter-on-quarter and the moment we know that something is happening, we will definitely inform you.

Binu Patheraparampil – Elara Capital: Okay. Thank you.

Operator: Thank you. The next question comes from the line of Saurabh Bank with Divas Consultant. Please go ahead.

Saurabh Bank – Divas Consultant: Good afternoon, sir. Thank you very much for taking my question. I would like to know a few things about contrast media. What is the current status of iodine and gadolinium? Are we actually looking at FY25 or FY27 for this? If you could provide some details, that would be very helpful.

Management: On iodine-based contrast media, we are in the process of signing long-term contracts with two customers, and these will be for multiple years. Commercialization for one of them has already started, and we will start with the second one in the next few months. These will be substantial quantities going forward.

Regarding gadolinium, as I mentioned, we are still working on a clinical-phase project. As and when the customer sees progress with it, we will also start moving forward in that segment.

Saurabh Bank – Divas Consultant: In our last conference call, you discussed that gadolinium was at the pre-commercial and qualification stage. As of today, or in this quarter, can we say that the pre-commercial stage is complete and the qualification stage has been completed? Or can you provide any guidance on when this will be fully completed?

Management: Just one second, please. What I told you is that the gadolinium compounds are still at the qualification stage, which is in Phase 2 and Phase 3. That is what I said last time. I did not say that we had completed validations. We are working alongside the customer, and as and when they receive approval for the next phase, we will start seeing further progress. Right now, the project is progressing slowly with them on the gadolinium side. That is why we are still waiting. They are waiting for regulatory approvals, and we are waiting as well. Once they receive approval, it will move into clinical Phase 3.

Saurabh Bank – Divas Consultant: Thank you for the clarifications, and I wish you all the best for the full year as well.

Operator: Thank you. The next question comes from the line of Tirumala Reddy, an individual investor. Please go ahead.

Tirumala Reddy: Am I audible?

Management: Yes, you are.

Tirumala Reddy: Thank you for taking my question. Would it be possible to provide a phase-wise split of the molecules in custom synthesis?

Management: We are bound by the confidentiality agreement in custom synthesis. Therefore, we cannot discuss the quantities, volumes, or value on the call.

Tirumala Reddy: I am not asking about quantities or volumes. I am asking only about the number of projects in each phase, such as Phase 2, Phase 3, and commercial. I am asking for that breakdown.

Management: We have several projects in the pipeline; that is all I can say. In addition, approximately 18 to 20 projects are actually commercialized or are being commercialized as we speak. So we have a healthy pipeline along with projects that are already in the portfolio.

Tirumala Reddy: My next question is about the competitive landscape. In India, many companies are starting CDMO segments and consolidating into CDMO. Do you see any margin pressure in the CDMO segment going forward? Is there any indication that customers are negotiating harder on pricing?

Management: I cannot comment on how others are entering the sector. What I can say is that Divi's has a track record. We are a company of close to 30 years, and we have been in CDMO for a long time. We are one of the first CDMOs in India, and we come with a great deal of reputation. Customers have trusted us over several years because of the many deliverables we have provided. We have been involved in critical projects where we have supported and guided customers. Customers value us for who we are, and we come with a history.

It is not only about pricing. Pricing is not the only factor that innovators consider. They look at sustainability, safety issues, EHS capabilities, effluent management systems, employee healthcare systems, and every other aspect when they want to work with a particular company. Divi's always meets all their requirements. That is why most of them come to us, give us opportunities, and work with us.

Tirumala Reddy: Thank you. That is very helpful, and I wish you all the best for the rest of the year.

Operator: Thank you. The next question comes from the line of Dhawal Kote with Jefferies. Please go ahead.

Dhawal Kote – Jefferies: I wanted to know the growth in our top 5 products, both in constant-currency and INR terms, for this quarter, overall for the company.

Management: We do not disclose product-wise information.

Dhawal Kote – Jefferies: Secondly, the validation products that we supplied in the first quarter—how many end-market molecules do they belong to?

Management: Hello, Dhawal. As I explained, we have completed validations for a few projects, and these have gone into the customers' filings. We are a part of their CMC. The products therefore go into their filings. By the time the regulatory bodies approve them and determine whether they require an inspection or are satisfied with the previous inspection, [inaudible] [overlap]

Management: data they have reviewed, they will provide us with approvals. These products do go into projects for the in-patient population. However, we have to wait and see when commercialization will take place.

Dhawal Kote – Jefferies: What I am trying to ask is how many different molecules they ultimately support? There might be three different fragments, but they might support only the same molecule. There could be two intermediates for the same small-molecule project. How many different molecules are we supporting through these validation batches?

Management: To answer your question, if you are referring to the three major projects involving capex, they are three completely different products. We also have other projects in the pipeline that we have validated. I am not at liberty to disclose too much. All I can say is that we have several projects involving individual molecules that will address the patient population as and when regulatory approvals {? take place ?}.

Dhawal Kote – Jefferies: Okay. Thank you.

Operator: Thank you. Our next question comes from the line of Rahul Jeewani from IIFL Securities Limited. Please go ahead.

Rahul Jeewani – IIFL Securities: Thank you for taking my question. Coming back to the change in inventory and margins, this quarter the change in inventory was 500 crores, while the usual quarterly run rate has been around 50 to 100 crores. If we adjust for, say, 300 to 400 crores of incremental change in inventory, our gross margins this quarter would have been between 55% and 58%, and our EBITDA margins would have been 28% to 30%. This probably indicates the pressure from the solvent increases that we have seen. Is that the correct way to assess the sustainability of margins, or would you qualify it in any other way?

Management: I would say this is also due to the increase in production volumes that the validation projects are undergoing. It is not just raw material. There is also work-in-progress, intermediates, and finished products. It is a combination of all these factors that you are seeing here, along with the increase in material prices. When raw material prices increase, the cost of intermediates, work-in-progress, and finished goods also increases substantially. It is a combination of all these factors.

Rahul Jeewani – IIFL Securities: What kind of number do you anticipate for the 500-crore change in inventory that we saw this quarter for the rest of FY27? Last year, this number was around 300 crores. If you could help us with this, it would make it easier for us to model the company's sustainable margins. Thank you.

Management: That is a very difficult question to answer, considering what is currently happening in the Middle East. If, tomorrow, everyone decides that they are going to {? cease ?} and there will be

no war at all, things would return to normal, costs would decline, and the cost of inventory itself would go down. The cost of our intermediates and work-in-progress would also go down. Would our volumes decline? Yes, they would, because we would not be stocking as much either. So it all depends on macroeconomic factors over which we have no control.

Rahul Jeewani – IIFL Securities: Okay, sure. That is all from my side. Thank you.

Operator: Thank you very much, sir. 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.

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

Operator: Thank you very much, Satish sir. Ladies and gentlemen, on behalf of Divi's Laboratories Ltd., that concludes today's conference call. Thank you for joining us, and you may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.