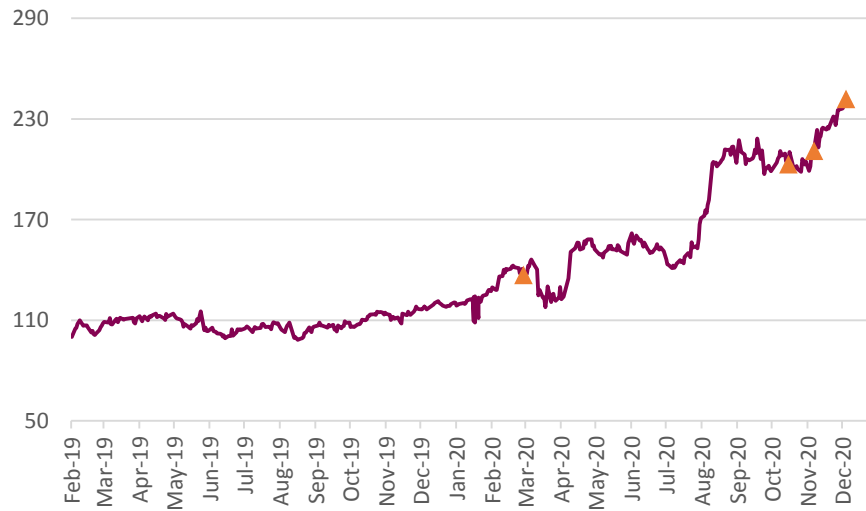


- ❑ Divi's Laboratories Ltd. is one of the leading manufacturers of Active Pharmaceutical Ingredients (API) in the world. Growth prospects of Divi's look decent with favorable traits in the API industry due to supply chain readjustments/ diversification from China into other countries including India amid the COVID-19 pandemic. As global players are looking to reduce dependency on China and preferring India, companies like Divi's remain well placed to capitalize on such opportunity. Also, in custom synthesis, the company is connected with several pharma giants and looks to benefit as India may tap opportunities in terms of the consumption of custom synthesis.
- ❑ During Q2FY21, the company delivered strong numbers with a revenue growth of 21% y/y to ₹17,493 million. EBITDA margins improved to 42.4% from 33.9% in Q2FY20. PAT jumped 46% y/y to ₹5,196 million.
- ❑ As part of its capex program, Divi's has completed debottlenecking/backward integration for intermediates to reduce dependency on supplies of raw materials from China and completed several utilities expansion projects as well.
- ❑ On Dec 1, 2020 the company announced the commencement of construction of Divi's Unit-III Facility (the Project) at Kona Forest, Ontimamidi Village, Thondangi Mandal, Near Kakinada, East Godavari District, Andhra Pradesh from Dec 7, 2020. The company will be investing about Rs. 1500 crores out of its internal accruals in phased manner for the implementation of its Unit III facility. Management expects to commence operations within 12 to 18 months for 1st phase of the Project.
- ❑ We remain positive on Divi's given its strong market position, strength in API manufacturing, established long-term contract with customers and benefit from its capex programs. We maintain our **BUY** rating with a revised target price of **₹4,095**.

DIVISLAB Rating History & Price Chart



DIVISLAB Rating Details

Date	Rating	Target Price	Share Price
28-Feb-20	BUY	2,510	2,110
15-Oct-2020	BUY	3,640	3,111
6-Nov-2020	BUY	3,730	3,238
7-Dec-2020	BUY	4,095	3,715

Source: Ace Equity, Anand Rathi Research

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- ❑ Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps (>₹300 Billion) and Mid/Small Caps (<₹300 Billion) or SEBI definition vide its circular SEBI/HO/IMD/DF3/CIR/P/2017/114 dated 6th October 2017, whichever is higher and as described in the Ratings Table below:

Ratings Guide (12 months)	Buy	Hold	Sell
Large Caps (>₹300Bn.)	15%	5%-10%	Below 5%
Mid/Small Caps (<₹300 Bn.)	20%	10%-15%	Below 10%

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