

Divi's Laboratories

Q3 FY21 call highlights

- ✓ Custom synthesis & generics breakup- 40:60 in Q3
- ✓ Confident of maintaining gross and ebidta margins at current level. gross margins has expanded due to lower raw material prices.
- ✓ Incentive paid to employees of Rs 340 mn for the covid-19 led services.
- ✓ Export accounted for 85% during 3Q. Europe and USA accounted for 68%.
- ✓ Nutraceuticals accounted for Rs 1.45 bn of sales during the quarter.
- ✓ Nutraceuticals business is Rs6bn. geared up to produce 100% more as expanded capacity. Margins for nutraceuticals is similar to the core business.
- ✓ **Investment** - last 9M invested 10bn and remaining Rs5-6bn will be invested in FY22
- ✓ Company is awaiting approvals for certain generic products to take it to the market.
- ✓ **Capex of Rs18bn from 2018-19** - some of the de-bottlenecking is completed and the company is waiting for some clearances for certain capex.
- ✓ Rs4bn fast-track capex which was announced in 2Q is on time to be completed. 1 stream has already started production and other 2 will start in mid of next year.
- ✓ **Carotenoids** - majorly supplies to USA & Europe. Market is US \$1bn and growing.
- ✓ **Contrast Media market** - the market is US\$4-6 bn. only few companies in the market and Divis is confident of being the major player in it. These are high volume products.
- ✓ **Generic API** - the product where China is strong (like anti- viral, anti-bacterial etc.) there might be higher competition once the supply comes up. The company doesn't foresee any problem for next 2-3 years for the generic business.
- ✓ **Pricing of general API portfolio** - there is up and down in some products in the last year. The company is not worried about the changes in price of product as the company is long term contracts with its customers.
- ✓ **Inventory** - Increase of Rs1.6 bn is on account of capitalization of 2 SEZs (and have started production which require raw materials, API's).

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