

# Dr. Reddy's Laboratories (DRRD IN)

**Event Update**

July 10, 2026

 Estimate Change |  Target |  Reco.

## Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	Accumulate		Accumulate	
Target Price	1,400		1,400	
Sales (INR mn)	349,889	388,291	352,489	387,941
% Chng.	(0.7)	0.1		
EBITDA (INR mn)	67,276	81,645	70,306	82,385
% Chng.	(4.3)	(0.9)		
EPS (INR)	48.1	59.6	50.8	60.3
% Chng.	(5.3)	(1.2)		

## Key Data

REDY.BO | DRRD IN

BSE Code	500124
NSE Code	DRREDDY
52-W High / Low	INR 1,414 / INR 1,148
Face Value	1
Sensex / Nifty	76,742 / 23,963
Market Cap	INR 1,060 bn / \$ 11,109 mn
Shares Outstanding	834.68 mn
3M Avg. Daily Value	INR 3,283.65 mn

## Shareholding Pattern (%)

Promoters	26.63
FII's	33.08
Mutual Funds	13.19
Domestic Institutions	17.53
Public & Others	9.33
Promoter's Pledge (INR bn)	-

## Stock Performance (%)

	1M	3M	6M	12M
Absolute	0.1	4.8	4.9	-
Relative	(3.6)	4.6	14.3	8.9

## Key Financials - Consolidated

Y/e Mar	FY25	FY26	FY27E	FY28E
Sales (INR mn)	325,535	335,933	349,889	388,291
EBITDA (INR mn)	86,236	67,049	67,276	81,645
Margin (%)	26.5	20.0	19.2	21.0
PAT (INR mn)	56,544	42,850	40,186	49,820
EV (INR mn)	1,047,621	1,049,560	1,011,044	987,936
Total Debt (INR mn)	46,766	77,341	77,341	77,341
C&C Eq. (INR mn)	14,654	15,368	53,884	76,991
EPS (INR)	67.8	51.3	48.1	59.7
Gr. (%)	1.5	(24.3)	(6.2)	24.0
DPS (INR)	10.0	10.0	14.0	14.0
Yield (%)	0.7	0.7	1.1	1.1
RoE (%)	18.4	12.1	10.3	11.7
RoCE (%)	20.3	11.1	9.7	11.6
EV/Sales (x)	3.2	3.1	2.9	2.5
EV/EBITDA (x)	12.1	15.7	15.0	12.1
PE (x)	18.7	24.7	26.4	21.3
P/BV (x)	3.2	2.8	2.6	2.4

## Temporary supply disruption of Semaglutide

### Quick Pointers

- Commercial supplies to targeted by November'26.
- Guided for 6-7mn supplies in 2HY27E.

DRRD's gets temporary setback with stoppage of Semaglutide supplies due to impurity issues associated with API. Company expect issue to get resolved by Oct/Nov 2026; any delay in re-entry into markets like Canada can take away first mover advantage. Our FY27E stands cut by 5% while FY28E largely remains unchanged. We have factor in USD 180mn of sales from Sema in FY28.

Company has been reporting OPM at 15-16% ex gRevlimid. Scale up in Sema along with reducing opex will be key to achieved 19-20% OPM. Further timely launches like bAbatacept can accelerate profitability from H2FY28E. We maintain our Accumulate rating on stock with TP of 1400/share (23x FY28E EPS). DRRD have been investing cash flow from gRevlimid to build pipeline across peptides, biosimilars and GLP products; benefits of that should be visible from FY27. At CMP, DRRD is trading at valuations of 21x P/E on FY28E. Delay in re-entry of Semaglutide beyond H2FY27 will be key risk to our call.

**Stoppage of Sema commercial supply:** DRRD has temporarily stopped commercial supplies of semaglutide due to an issue associated with the API used in the product. Mgmt. cited that the issue arose from the manufacturing process during API scale-up validation, where the reaction led to impurities, resulting in out-of-specification. The next step will be company revalidating process again and testing which should be completed by Sept/Oct 2026; post that commercial supplies may resume. The company may recognize an inventory write-down on the affected batches however no product recalls.

**Canada market remains key:** Currently there are only two generic players (DRRD and Apotex) which have got an approval. We believe there are more 4-5 players towards getting approval. Any delay in commercial supply from DRRD will take away first mover advantage. There is no need to submit any documents to Canadian regulator or others as validation batches is a scale up process and does not change the specification. Management remains confident that demand to outpace supply and will continue to see pricing floor around USD 25-30/unit. Company now guiding to supply 6-7mn semaglutide pens in 2HFY27E vs 12 mn pens earlier in FY27

## Other key highlights

- Company remains committed to sourcing the API from OneSource and does not expect any change in the supplier relationship. They will produce 3 batches, test for stability and send to OneSource for validation
- Management remains confident of supplying 6–7mn semaglutide pens in 2HFY27E, indicating that volumes can be recovered once production resumes. Some inventory associated with the affected batches may be written down, although the financial impact has not yet been quantified.
- FY27E EBITDA margin guidance of ~20% remains unchanged. No impact on oral API product as it uses different API.
- An alternate supplier could be evaluated but it will take 1 year to qualify. As of now no need to get additional approvals are required post resolving issues.
- We continue to factor USD180–200mn semaglutide revenues across markets in FY28E. The pace of supply normalization, commercial relaunch in November and the impact on Canada market share remain key monitorables

## Financials

### Income Statement (INR mn)

Y/e Mar	FY25	FY26	FY27E	FY28E
<b>Net Revenues</b>	<b>325,535</b>	<b>335,933</b>	<b>349,889</b>	<b>388,291</b>
YoY gr. (%)	16.6	3.2	4.2	11.0
Cost of Goods Sold	135,107	158,669	169,388	185,588
Gross Profit	190,428	177,264	180,501	202,703
Margin (%)	58.5	52.8	51.6	52.2
Employee Cost	-	-	-	-
Other Expenses	27,380	24,058	25,983	28,581
<b>EBITDA</b>	<b>86,236</b>	<b>67,049</b>	<b>67,276</b>	<b>81,645</b>
YoY gr. (%)	10.0	(22.2)	0.3	21.4
Margin (%)	26.5	20.0	19.2	21.0
Depreciation and Amortization	17,058	20,606	21,821	23,405
<b>EBIT</b>	<b>69,178</b>	<b>46,443</b>	<b>45,455</b>	<b>58,240</b>
Margin (%)	21.3	13.8	13.0	15.0
Net Interest	(9,082)	(11,759)	(7,300)	(7,800)
Other Income	-	-	-	-
<b>Profit Before Tax</b>	<b>78,260</b>	<b>58,202</b>	<b>52,755</b>	<b>66,040</b>
Margin (%)	24.0	17.3	15.1	17.0
Total Tax	19,539	12,351	13,189	16,840
Effective Tax Rate (%)	25.0	21.2	25.0	26.0
<b>Profit After Tax</b>	<b>58,721</b>	<b>45,851</b>	<b>39,566</b>	<b>49,200</b>
Minority Interest	701	(384)	(420)	(420)
Share Profit from Associate	217	134	200	200
<b>Adjusted PAT</b>	<b>56,544</b>	<b>42,850</b>	<b>40,186</b>	<b>49,820</b>
YoY gr. (%)	1.5	(24.2)	(6.2)	24.0
Margin (%)	17.4	12.8	11.5	12.8
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>56,544</b>	<b>42,850</b>	<b>40,186</b>	<b>49,820</b>
YoY gr. (%)	1.5	(24.2)	(6.2)	24.0
Margin (%)	17.4	12.8	11.5	12.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	56,544	42,850	40,186	49,820
<b>Equity Shares O/s (mn)</b>	<b>834</b>	<b>835</b>	<b>835</b>	<b>835</b>
<b>EPS (INR)</b>	<b>67.8</b>	<b>51.3</b>	<b>48.1</b>	<b>59.7</b>

Source: Company, PL

### Balance Sheet (INR mn)

Y/e Mar	FY25	FY26	FY27E	FY28E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>363,693</b>	<b>400,229</b>	<b>409,070</b>	<b>420,516</b>
Tangibles	208,808	232,134	254,134	279,134
Intangibles	154,885	168,094	154,935	141,381
<b>Acc: Dep / Amortization</b>	<b>169,129</b>	<b>186,502</b>	<b>195,164</b>	<b>205,014</b>
Tangibles	111,047	123,467	137,063	151,997
Intangibles	58,082	63,035	58,101	53,018
<b>Net Fixed Assets</b>	<b>194,564</b>	<b>213,727</b>	<b>213,906</b>	<b>215,501</b>
Tangibles	97,761	108,668	117,072	127,138
Intangibles	96,803	105,059	96,834	88,363
Capital Work In Progress	-	-	-	-
Goodwill	11,810	12,893	12,893	12,893
Non-Current Investments	15,202	16,368	16,368	16,368
Net Deferred Tax Assets	4,400	6,868	6,868	6,868
Other Non-Current Assets	972	1,226	1,226	1,226
<b>Current Assets</b>				
Investments	43,254	72,446	72,446	72,446
Inventories	71,085	76,531	79,697	88,444
Trade Receivables	90,420	101,219	102,051	113,251
Cash & Bank Balance	14,654	15,368	53,884	76,991
Other Current Assets	32,520	39,870	41,864	43,957
<b>Total Assets</b>	<b>474,481</b>	<b>549,648</b>	<b>594,334</b>	<b>641,077</b>
<b>Equity</b>				
Equity Share Capital	834	835	835	835
Other Equity	332,554	376,228	404,891	443,188
<b>Total Network</b>	<b>333,388</b>	<b>377,063</b>	<b>405,726</b>	<b>444,023</b>
<b>Non-Current Liabilities</b>				
Long Term Borrowings	7,864	12,203	12,203	12,203
Provisions	-	-	-	-
Other Non Current Liabilities	7,236	6,946	6,946	6,946
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	38,902	65,138	65,138	65,138
Trade Payables	35,523	33,411	37,642	41,242
Other Current Liabilities	55,968	69,017	73,547	78,394
<b>Total Equity &amp; Liabilities</b>	<b>474,481</b>	<b>556,910</b>	<b>594,334</b>	<b>641,077</b>

Source: Company, PL

**Cash Flow (INR mn)**

Y/e Mar	FY25	FY26	FY27E	FY28E
PBT	95,318	78,808	74,576	89,445
Add. Depreciation	17,058	20,606	21,821	23,405
Add. Interest	9,082	11,759	7,300	7,800
Less Financial Other Income	-	-	-	-
Add. Other	(45,773)	(29,256)	(29,121)	(31,205)
Op. Profit before WC Changes	75,685	81,917	74,576	89,445
Net Changes-WC	(10,455)	(11,636)	2,769	(13,594)
Direct Tax	(19,993)	(13,526)	(13,189)	(16,840)
<b>Net Cash from Op. Activities</b>	<b>45,236</b>	<b>56,755</b>	<b>64,156</b>	<b>59,010</b>
Capital Expenditures	(87,494)	(35,273)	(22,000)	(25,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
<b>Net Cash from Inv. Activities</b>	<b>(87,494)</b>	<b>(35,273)</b>	<b>(22,000)</b>	<b>(25,000)</b>
Issue of Share Cap. / Premium	7,056	397	-	-
Debt Changes	24,872	(20,257)	-	-
Dividend Paid	(6,438)	6,381	(11,523)	(11,523)
Interest Paid	-	-	-	-
Others	24,315	(7,289)	7,882	620
<b>Net Cash from Fin. Activities</b>	<b>49,805</b>	<b>(20,768)</b>	<b>(3,641)</b>	<b>(10,903)</b>
<b>Net Change in Cash</b>	<b>7,547</b>	<b>714</b>	<b>38,516</b>	<b>23,108</b>
Free Cash Flow	17,732	33,429	42,156	34,010

Source: Company, PL

**Quarterly Financials (INR mn)**

Y/e Mar	Q2FY26	Q3FY26	Q4FY26	Q1FY27E
<b>Net Revenues</b>	<b>88,051</b>	<b>87,268</b>	<b>75,162</b>	<b>78,870</b>
YoY gr. (%)	9.8	4.4	(11.6)	(7.7)
Raw Material Expenses	39,911	40,462	41,471	38,646
Gross Profit	48,140	46,806	33,691	40,224
Margin (%)	54.7	53.6	44.8	51.0
<b>EBITDA</b>	<b>20,553</b>	<b>18,954</b>	<b>6,042</b>	<b>12,703</b>
YoY gr. (%)	(4.3)	(17.6)	(70.5)	(40.9)
Margin (%)	23.3	21.7	8.0	16.1
Depreciation / Depletion	5,051	5,215	5,576	5,250
<b>EBIT</b>	<b>15,502</b>	<b>13,739</b>	<b>466</b>	<b>7,453</b>
Margin (%)	17.6	15.7	0.6	9.4
Net Interest	(774)	(1,168)	(620)	(700)
Other Income	2,673	770	3,445	813
<b>Profit before Tax</b>	<b>18,949</b>	<b>15,677</b>	<b>4,531</b>	<b>8,966</b>
Margin (%)	21.5	18.0	6.0	11.4
Total Tax	4,082	3,533	(214)	2,241
Effective Tax Rate (%)	21.5	22.5	(4.7)	25.0
<b>Profit After Tax</b>	<b>14,867</b>	<b>12,144</b>	<b>4,745</b>	<b>6,724</b>
Minority Interest	(104)	(202)	4	-
Share Profit from Associate	63	23	46	-
<b>Adjusted PAT</b>	<b>14,372</b>	<b>12,098</b>	<b>2,201</b>	<b>6,724</b>
YoY gr. (%)	14.5	(14.4)	(86.2)	(52.6)
Margin (%)	16.3	13.9	2.9	8.5
Extra Ord. Income / (Exp)	662	271	2,586	-
<b>Reported PAT</b>	<b>15,034</b>	<b>12,369</b>	<b>4,787</b>	<b>6,724</b>
YoY gr. (%)	11.6	(12.5)	(71.3)	(52.6)
Margin (%)	17.1	14.2	6.4	8.5
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>15,034</b>	<b>12,369</b>	<b>4,787</b>	<b>6,724</b>
Avg. Shares O/s (mn)	167	167	167	167
<b>EPS (INR)</b>	<b>17.3</b>	<b>14.6</b>	<b>2.7</b>	<b>8.1</b>

Source: Company, PL

**Key Financial Metrics**

Y/e Mar	FY25	FY26	FY27E	FY28E
<b>Per Share (INR)</b>				
EPS	67.8	51.3	48.1	59.7
CEPS	88.3	76.0	74.3	87.7
BVPS	399.7	451.6	485.9	531.8
FCF	21.3	40.0	50.5	40.7
DPS	10.0	10.0	14.0	14.0
<b>Return Ratio (%)</b>				
RoCE	20.3	11.1	9.7	11.6
ROIC	16.6	10.1	9.7	11.8
RoE	18.4	12.1	10.3	11.7
<b>Balance Sheet</b>				
Net Debt : Equity (x)	-	-	-	-
Net Working Capital (Days)	141	157	150	151
<b>Valuation (x)</b>				
PER	18.7	24.7	26.3	21.2
P/B	3.1	2.8	2.6	2.3
P/CEPS	14.3	16.7	17.0	14.4
EV/EBITDA	12.1	15.6	15.0	12.1
EV/Sales	3.2	3.1	2.8	2.5
Dividend Yield (%)	0.7	0.7	1.0	1.0
FCFF Yield (%)	1.6	3.1	3.9	3.2
PEG Ratio	12.1	(1.1)	(4.3)	0.8

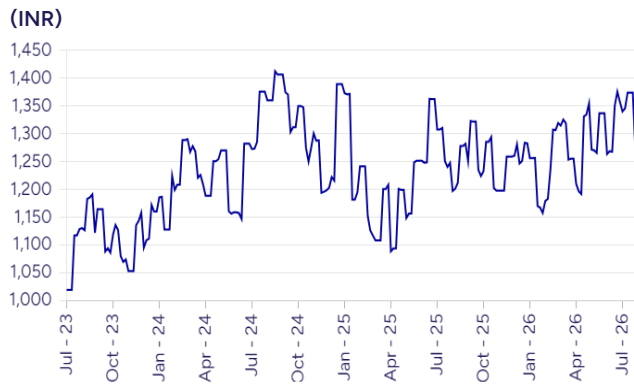
Source: Company, PL

**Key Operating Metrics**

Y/e Mar	FY25	FY26	FY27E	FY28E
India Formulations	53,734	62,186	69,026	76,619
US formulations	145,163	113,737	100,426	102,686
Russia	26,000	34,800	39,944	43,939
PSAI	33,846	34,774	37,556	40,560
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Source: Company, PL

**Price Chart**



**Recommendation History**

No.	Date	Rating	TP (INR)	Share Price (INR)
1	09-Jul-26	Accumulate	1400	1349
2	13-May-26	Accumulate	1400	1270
3	09-Apr-26	Reduce	1300	1191.4
4	22-Jan-26	Reduce	1300	1157
5	08-Jan-26	Reduce	1270	1243
6	26-Oct-25	Reduce	1270	1284
7	08-Oct-25	Reduce	1270	1249
8	24-Jul-25	Reduce	1270	1247
9	08-Jul-25	Reduce	1225	1311
10	12-May-25	Reduce	1225	1156

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (INR)	Share Price (INR)
1	Ajanta Pharma	BUY	3400	3279
2	Anthem Biosciences	BUY	850	748
3	Apollo Hospitals Enterprise	BUY	9350	8309
4	Aster DM Healthcare	Buy	800	701
5	Aurobindo Pharma	HOLD	1400	1557
6	Brigade Enterprises	BUY	785	503
7	Cipla	Accumulate	1400	1432
8	Divi's Laboratories	Accumulate	6900	6755
9	Dr. Reddy's Laboratories	Accumulate	1400	1349
10	Eris Lifesciences	BUY	1750	1416
11	Fortis Healthcare	Buy	1120	970
12	Global Health	BUY	1450	1243
13	HealthCare Global Enterprises	BUY	820	650
14	Indoco Remedies	Hold	325	225
15	Ipca Laboratories	Buy	1800	1762
16	J.B. Chemicals & Pharmaceuticals	Buy	2400	2135
17	Jupiter Life Line Hospitals	Buy	1600	1331
18	Krishna Institute of Medical Sciences	Buy	800	717
19	Lupin	Accumulate	2500	2459
20	Max Healthcare Institute	Buy	1175	1023
21	Narayana Hrudayalaya	BUY	2250	1891
22	Oberoi Realty	Accumulate	1920	1870
23	Prestige Estates Projects	Buy	1800	1635
24	Rainbow Children's Medicare	BUY	1700	1327
25	Sun Pharmaceutical Industries	BUY	2070	1888
26	Sunteck Realty	BUY	520	312
27	Torrent Pharmaceuticals	BUY	5000	4866
28	Zydus Lifesciences	Accumulate	1080	1148

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>BUY</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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