BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 1,324 | ▲ 3%

DR REDDY'S LABS | Pharmaceuticals | 26 October 2025

Margins depict price erosion in Revlimid; Europe to shine

- **Sales/ EBITDA/PAT reported 1.7%/-5%/-1.1% above our estimates; 0.4%/-7.2%/1.2% above consensus estimates**
- **Focus Pipeline products to be Semaglutide (API+ Formulations) and Biosimilars (4 Biosimilars)**
- **Price erosion in Revlimid led to EBITDA margin being 170bps lower vs estimates. Maintain HOLD with similar PE of 21x on Sep'25 roll forward**

Foram Parekh
Research Analyst
research@bobcaps.in

In-line earnings – DRRD reported in-line set of earnings where sales grew 9.8% YoY to Rs 88bn. Sales were driven by 10% growth in the global generics business, 12% growth in the PSAI segment that was offset by a 42% decline in proprietary products. In global generics, growth was led by 138% YoY growth in the Europe region (no NRT sales in the base), 13% growth in the ROW region, 13% growth in the domestic region that was offset by 13% decline in the North America region. Lower sales growth due to price erosion in gRevlimid and 23% YoY rise in RM cost ramped up the contribution to 45% in 2QFY26 from 40% in 2QFY25, This led to a 492 bps YoY decrease in gross margin in 2QFY26. R&D lowered by 15% due to completion of Abatacept-related costs but was offset by SG&A expense (ex-R&D) rising 12% YoY resulting in 4% YoY decline in EBITDA and EBITDA margin contracted by 343 bps to 23%. During the quarter, other income grew by 171% YoY (Rs 1551 mn forex), interest cost lowered by 50%, depreciation increased by 27% and tax lowered by 29% (tax rate 21.5% in 2QFY26 vs 28.7% in 2QFY25), leading to 15% PAT growth to Rs 14.4bn in 2QFY26.

North America region sales lowered on price erosion across products – Sales reported 2% below our estimates to Rs 32 bn and USD 373mn in cc terms. Sales was affected by the price erosion in gRevlimid and 5 products in the base. Management expects gRevlimid sales contribution in 3QFY26 and taper off significantly in 4QFY26, and become almost negligible from the beginning of FY27 as the product goes fully generic from Jan'26. During the quarter, DRRD filed 5ANDAs with the USFDA and launched 7 new products. The company expects to receive Semaglutide approval in the Canadian market and is confident of selling most of the planned 12 million pens despite increased competition. The company also anticipates filing Abatacept by Dec'25 for its timely launch in CY27 (IV-Intravenous form) and expects to launch the subcutaneous form in CY28; an important SKU for Abatacept through CMO in the US. However, due to higher contribution from Revlimid in the base, price erosion in base products (however 100 products in the pipeline over the years), higher competitive intensity in the Canadian market for Semaglutide, we expect sales CAGR at -6% from FY26-28E to Rs 120 bn in FY28E.

Key changes

Target	Rating
▼	◄►

Ticker/Price	DRRD IN/Rs 1,284
Market cap	US$ 12.2bn
Free float	73%
3M ADV	US$ 22.7mn
52wk high/low	Rs 1,406/Rs 1,020
Promoter/FPI/DII	27%/27%/23%

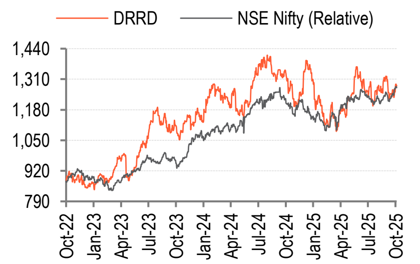
Source: NSE | Price as of 24 Oct 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	325,534	341,884	345,187
EBITDA (Rs mn)	86,235	82,052	82,845
Adj. net profit (Rs mn)	58,720	50,566	50,227
Adj. EPS (Rs)	70.6	60.8	60.4
Consensus EPS (Rs)	72.0	65.0	56.7
Adj. ROAE (%)	19.5	14.2	12.5
Adj. P/E (x)	18.2	21.1	21.3
EV/EBITDA (x)	12.8	13.2	13.3
Adj. EPS growth (%)	5.5	(13.9)	(0.7)

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Europe sales growth driven by NRT and healthy launches

Europe sales were 5% above our estimates to Rs 13.7bn in 2QFY26. Sales were driven by 51% contribution from the NRT business, which grew by 16% YoY to Rs 7bn. DRRD has integrated 2/3rd of the business including Canada, Australia and few western Europe. Ex-NRT, Europe region grew by 17% YoY to Rs 6.7bn. The growth was driven by new launches (8 new launches in the quarter), increased volumes in existing products and favorable forex movement, which was partially offset by price erosion. The company launched Bevacizumab in Europe and has received approval for Rituximab and Denosumab, which would enable DRRD to sustain the current growth rate excluding NRT in the European region. Overall, we expect Europe region sales to grow at 15% CAGR from FY26-28 to Rs 71bn in FY28E.

Domestic region sales growth aided by inorganic activity - During the quarter, domestic region growth was 4% above our estimates to Rs 15.7 bn in 2QFY26. The growth was driven by new product launches (launched 11 brands), 5% price growth and higher volumes, leading to better traction in inorganic and innovative brands. Going forward, the company intends to continue acquire brands like Stugeron for India and 18 Ems (potential revenue of Rs 1bn in India) to sustain its double-digit growth. Overall, we expect sales to grow at 10% CAGR from FY26-28 to Rs 70 bn in FY28E.

Valuations – DRRD to likely focus primarily on Semaglutide and Biosimilars as its growth drivers. The company anticipates to ramp up capacity of pens from 12 mn to 15 mn (from CY27), because it intends to launch the product in 87 countries with Canada, India and Brazil being the important markets and strong demand. Though the company anticipates Canadian market to be very competitive, they are confident of selling most of the pens from 12 mn pens either through partner or on its own. They also expect Abatacept to be the key product where it would launch IV form in CY27 and subcutaneous form in CY28 through a CMO in the US, in-order to mitigate the tariff risk in biologics in the US.

As margins were reported 170 bps lower than our estimates amidst lowering of R&D cost, we factor in steeper price erosion in Revlimid. And hence, we have cut our EPS estimates by 5.4% for FY27E and 5.3% for FY28E to Rs 60.4 and Rs 71.1 respectively. As a result, we now expect sales, EBITDA and PAT to grow at a CAGR of 4%, 8% and 9%. Hence, we maintain HOLD on the stock. At CMP, the stock is trading at 19.5x on Sep'27. We continue to ascribe similar PE of 21x on Sep'27 roll forward basis, which is equivalent to its 10Y mean of 21x to arrive at TP of Rs 1,324 (earlier Rs 1,382).

Financial Highlights

Fig 1 – Quarterly Snapshot

(Rs mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY25	H1FY26	YoY (%)	FY25	FY26E	FY27E	FY28E
Net Sales	88,051	80,162	9.8	85,452	3.0	1,56,889	1,73,503	10.6	3,25,534	3,41,884	3,45,187	3,72,478
Total Expenses	67,498	58,696	15.0	63,951	5.5	1,14,153	1,31,449	15.2	2,39,299	2,59,832	2,62,342	2,77,496
(%) of net sales	77	73		75		73	76		74	76	76	75
Raw material consumed	39,911	32,393	23.2	36,825	8.4	62,776	76,736	22.2	1,35,107	1,53,848	1,51,882	1,60,166
(%) of net sales	45	40		43		40	44		42	45	44	43
R&D cost	6,202	7,271	(14.7)	6,244	(0.7)	13,464	12,446	(7.6)	27,380	25,641	27,615	29,798
(%) of net sales	7	9		7		9	7		8	8	8	8
SG&A	21,385	19,032	12.4	20,882		37,913	42,267	11.5	76,812	80,343	82,845	87,532
(%) of net sales	24	24		24		24	24		24	24	24	24
EBITDA	20,553	21,466	(4.3)	21,501	(4.4)	42,736	42,054	(1.6)	86,235	82,052	82,845	94,982
Depreciation	5,051	3,975	27.1	4,765		7,785	9,816	26.1	17,058	18,985	20,805	22,555
EBIT	15,502	17,491	(11.4)	16,736	(7.4)	34,951	32,238	(7.8)	69,177	63,068	62,040	72,427
Interest	(774)	(1,555)	(50.2)	(1,570)		(2,392)	(2,344)	(2.0)	2,829	2,596	2,206	2,365
Other Income	2,673	984		739		1,454	3,412	134.7	11,911	6,949	7,136	8,774
PBT	18,949	20,030	(5.4)	19,045	(0.5)	38,797	37,994	(2.1)	78,259	67,421	66,970	78,836
Less: Taxation	4,082	5,752		4,951		10,653	9,033	(15.2)	19,539	16,855	16,742	19,709
Recurring PAT	15,034	13,477	11.6	14,178	6.0	27,402	29,212	6.6	58,720	50,566	50,227	59,127
Exceptional items	(662)	(924)		-		(929)	(662)	(28.7)	(1,476)	(662)		
Reported PAT	14,372	12,553	14.5	14,178	1.4	26,473	28,550	7.8	57,244	49,904	50,227	59,127
Key Ratios (%)												
Gross Margin	54.7	59.6		57		60.0	55.8		58.5	55.0	56.0	57.0
EBITDA Margin	23.3	26.8		25		27.2	24.2		26.5	24.0	24.0	25.5
Tax / PBT	21.5	28.7		26		27.5	23.8		25.0	25.0	25.0	25.0
NPM	17.1	16.8		17		17.5	16.8		18.0	14.8	14.6	15.9
Adj. EPS (Rs)	17.3	15.1	14.5	17	1.4	32.9	35.1	(6.2)	70.6	60.8	60.4	71.1

Source: Company, BOBCAPS Research

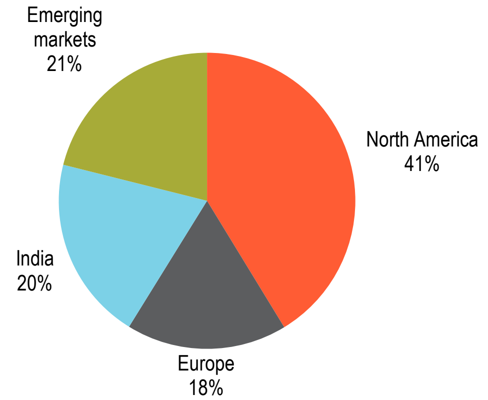
Fig 2 – Segmental Revenue (Rs mn)

(Rs mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY25	H1FY26	YoY (%)	FY25	FY26E	FY27E	FY28E
Global generics	78,498	71,576	9.7	75,620	3.8	1,40,433	1,54,118	(8.9)	2,89,551	3,04,637	3,05,609	3,30,188
North America	32,408	37,281	(13.1)	34,123	(5.0)	75,743	66,531	13.8	1,45,164	1,35,355	1,17,363	1,20,685
Europe	13,762	5,770	138.5	12,744	8.0	11,035	26,506	(58.4)	35,882	53,823	61,896	71,181
India	15,780	13,971	12.9	14,711	7.3	27,223	30,491	(10.7)	53,734	58,570	64,427	70,870
ROW	16,500	14,554	13.4	14,042	17.5	26,432	30,542	(13.5)	54,771	56,888	61,922	67,453
PSAI	9,450	8,407	12.4	8,181	15.5	16,064	17,631	(8.9)	33,846	35,538	38,381	41,452
Proprietary Products	103	179	(42.5)	1,651	(93.8)	391	1,754	(77.7)	2,137	1,710	1,197	838
Net Sales	**88,051**	**80,162**	**9.8**	**85,452**	**3.0**	**1,56,888**	**1,73,503**	**(9.5)**	**3,25,534**	**3,41,884**	**3,45,187**	**3,72,478**

Source: Company, BOBCAPS Research

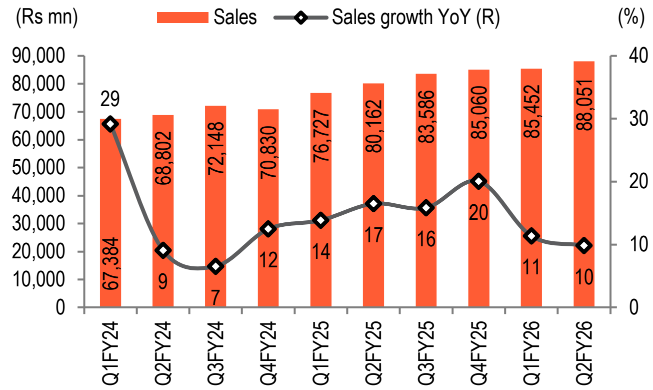
Financials in charts

Fig 3 – Geographical revenue mix (Q2FY26)



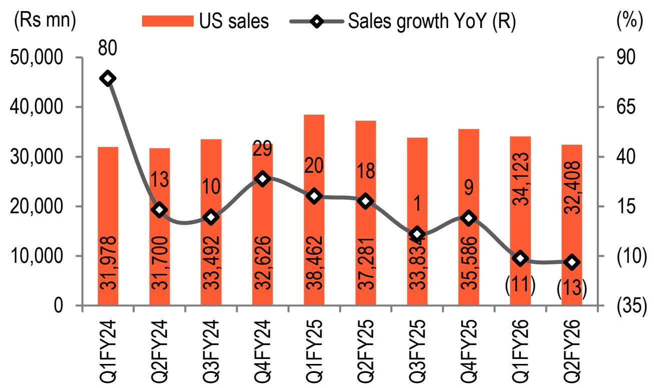
Source: Company, BOBCAPS Research

Fig 4 – Quarterly sales growth declining due to lower North America sales



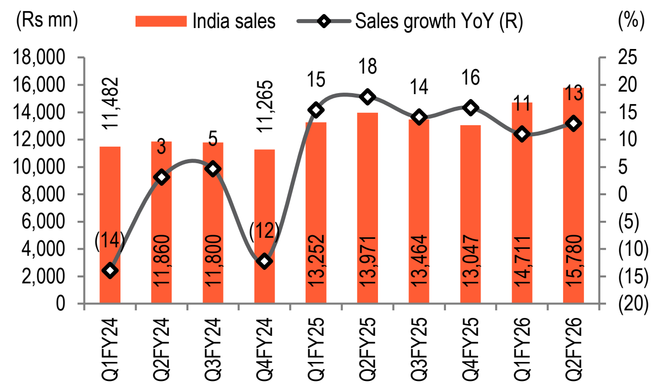
Source: Company, BOBCAPS Research

Fig 5 – US revenue sales lowering due to price erosion in gRevlimid and base products



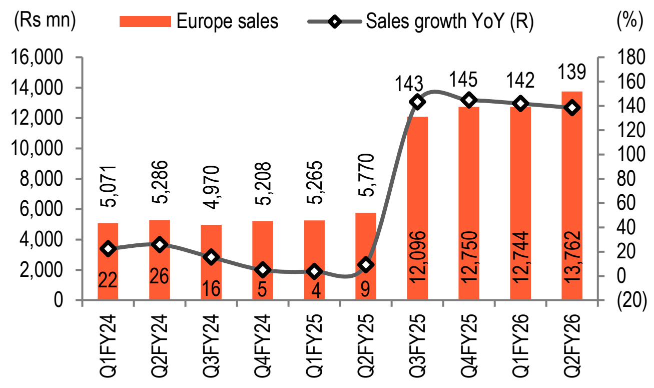
Source: Company, BOBCAPS Research

Fig 6 – India revenue increases with the aid of inorganic brands



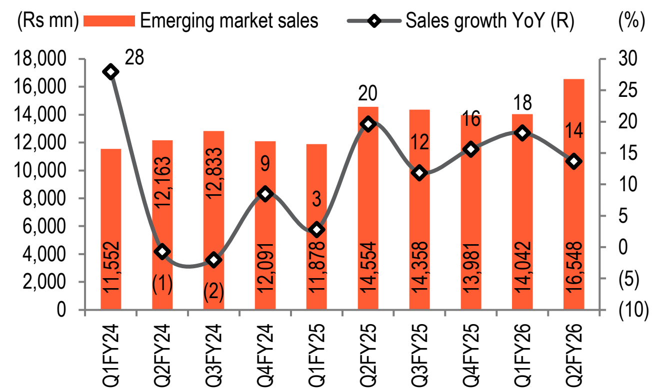
Source: Company, BOBCAPS Research

Fig 7 – Europe revenue ramped up significantly due to NRT acquisition



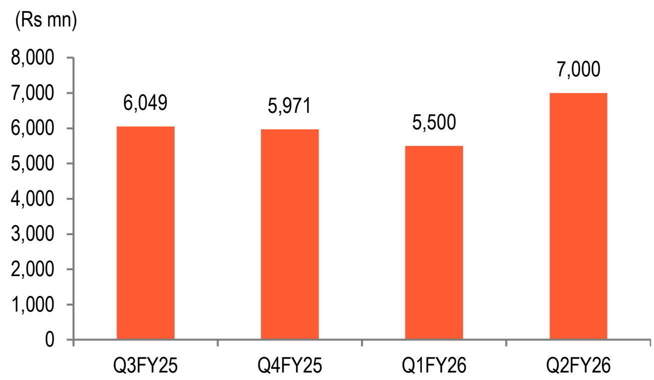
Source: Company, BOBCAPS Research

Fig 8 – Emerging markets continue to do well with new launches



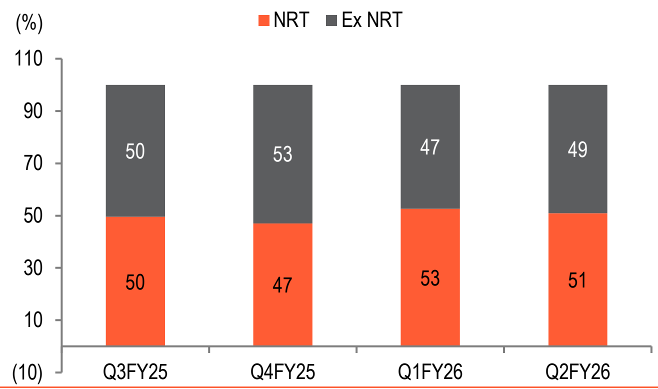
Source: Company, BOBCAPS Research

Fig 9 – Europe NRT revenue increasing with integration done in 2/3rd region



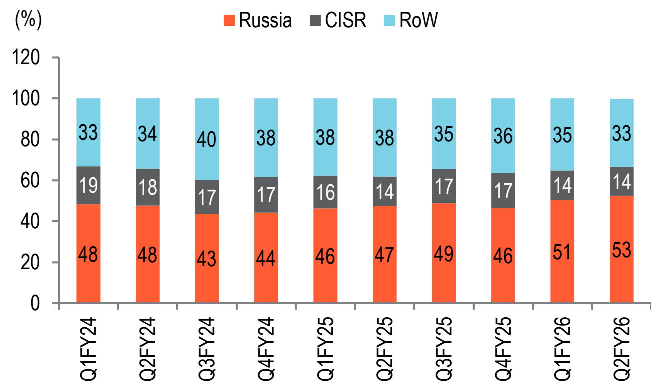
Source: Company, BOBCAPS Research

Fig 10 – Europe revenue driven by higher contribution from NRT sales



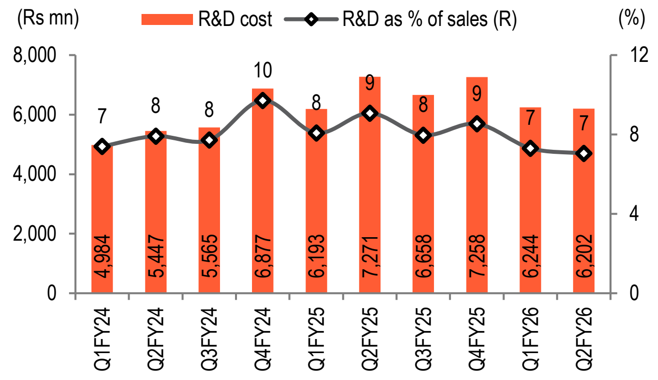
Source: Company, BOBCAPS Research

Fig 11 – Emerging market revenue continues to be driven by higher Russia sales



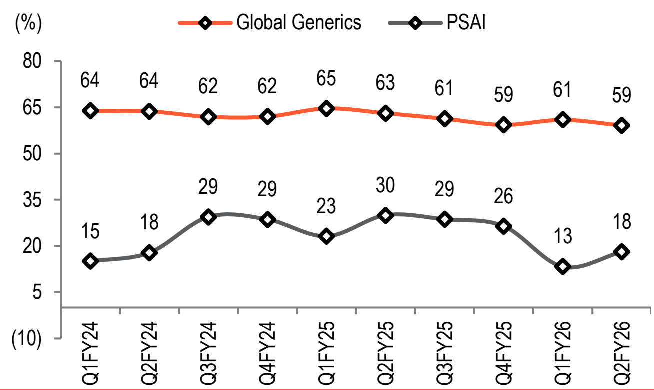
Source: Company, BOBCAPS Research

Fig 12 – R&D expense contribution lowering as clinical trials done for Abatacept



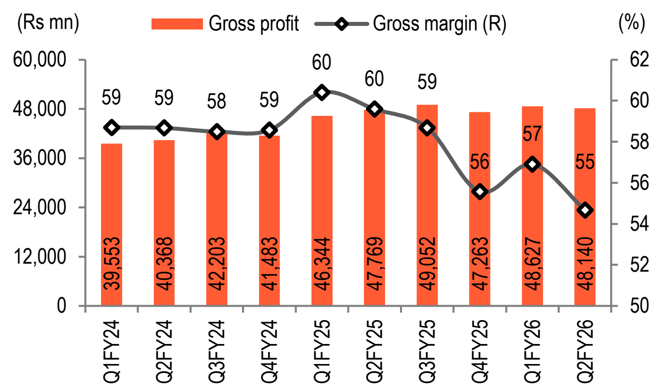
Source: Company, BOBCAPS Research

Fig 13 – PSAI margin increasing on higher demand; global generics margin declining due to price erosion in Revlimid



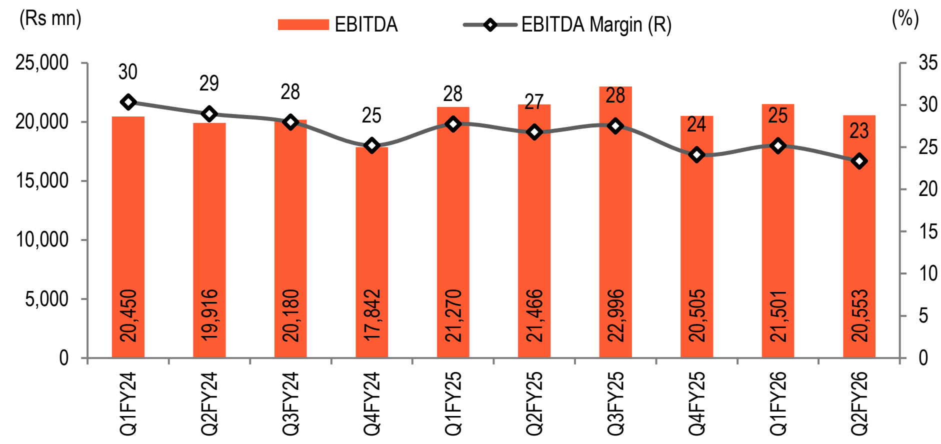
Source: Company, BOBCAPS Research

Fig 14 – Gross Margins got impacted given lower global generics margin



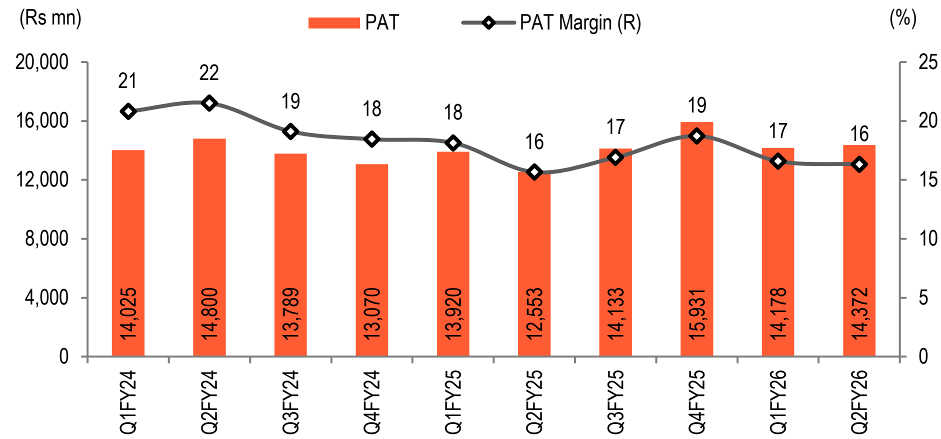
Source: Company, BOBCAPS Research

Fig 15 – EBITDA Margin impacted by lower gross margin



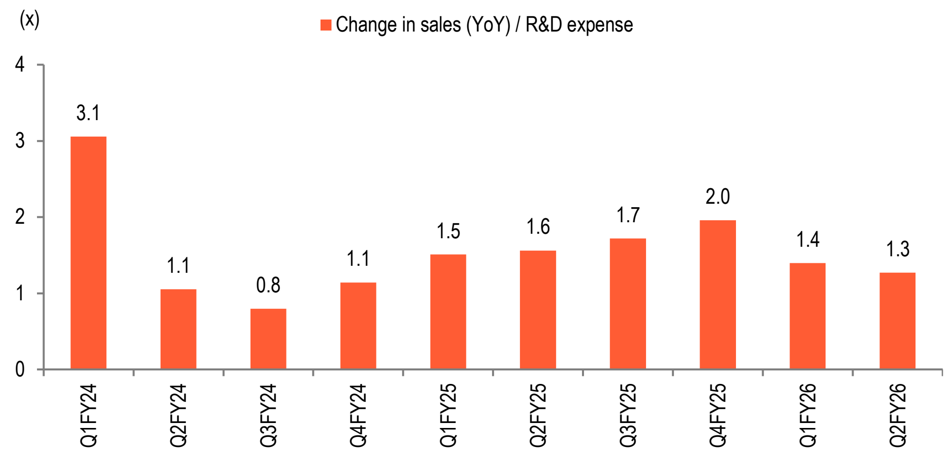
Source: Company, BOBCAPS Research

Fig 16 – PAT increases with lower interest cost and tax rate



Source: Company, BOBCAPS Research

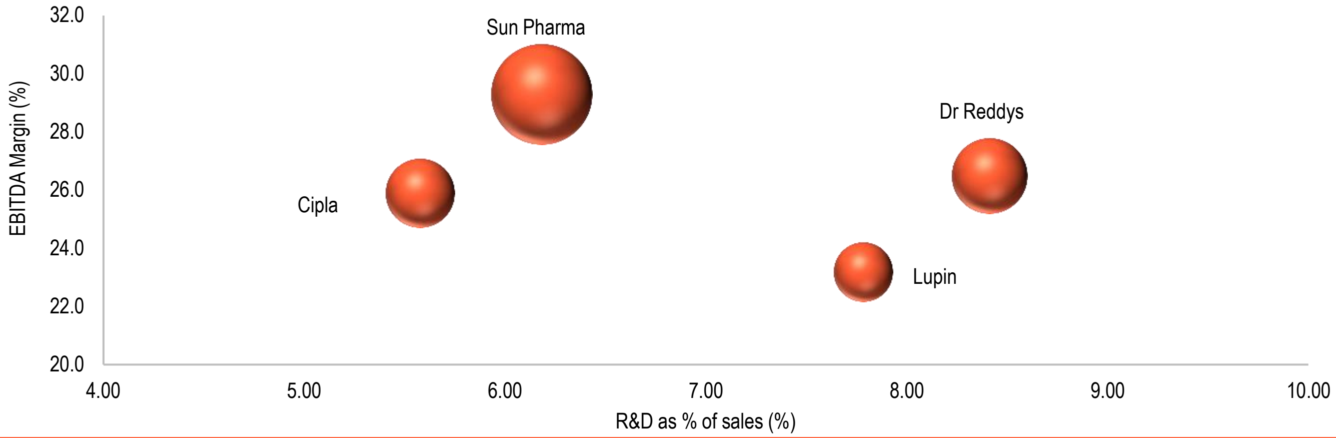
Fig 17 – Trend in change in sales lower due to higher investment in R&D



Source: Company, BOBCAPS Research

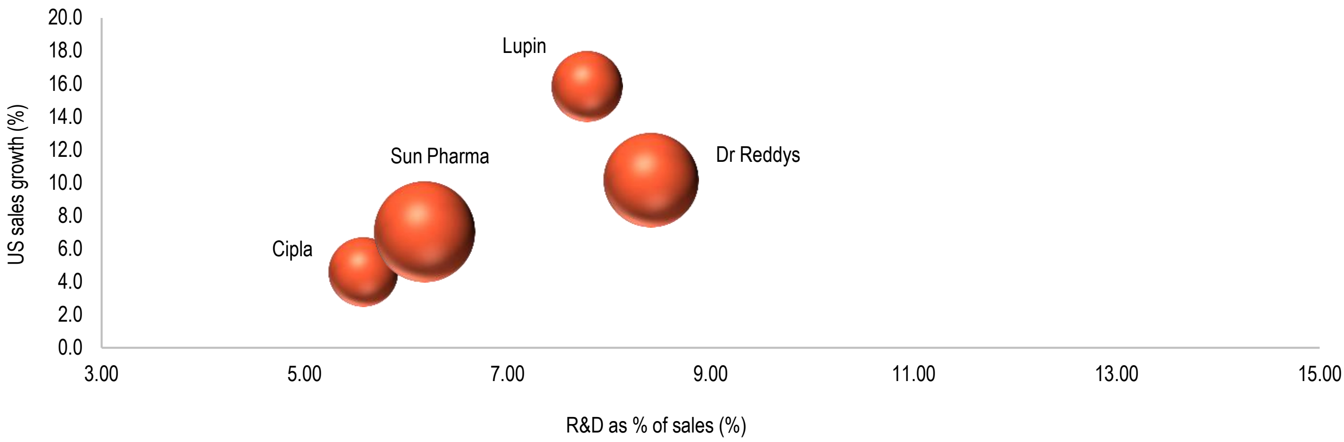
Peer charts

Fig 18 – Sun Pharma's investments in specialty R&D is reflecting in higher EBITDA



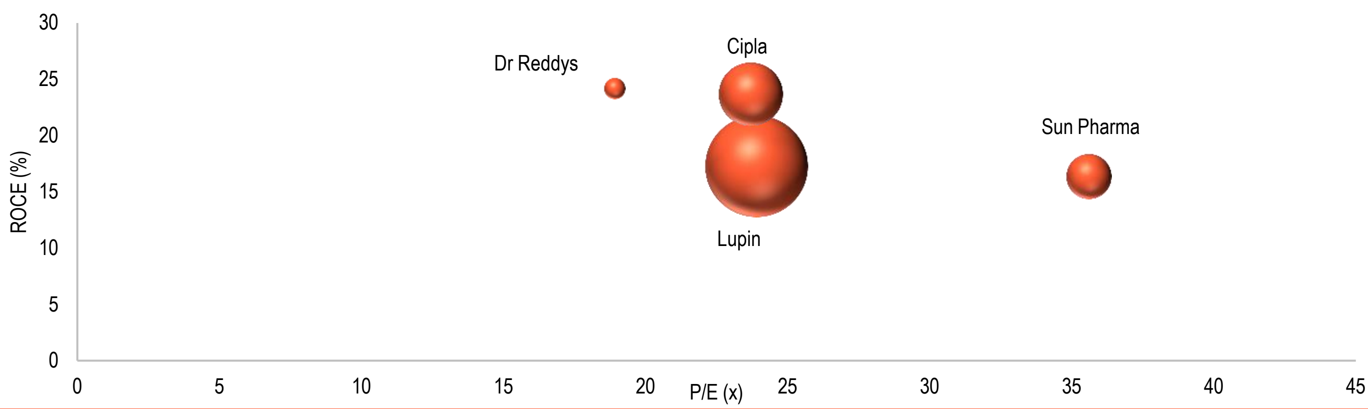
Source: Company, BOBCAPS Research, Bubble size is proportional to FY25 EBITDA

Fig 19 – Dr.Reddy's has the highest investments in R&D amongst peers



Source: Company, BOBCAPS Research, Bubble size is proportional to FY25 US sales

Fig 20 – Due to generic nature of the company, DRRD gets a lower valuation among peers



Source: Company, BOBCAPS Research, Bubble size is proportional to FY25 EPS growth

Earnings Call Highlights

Segmental performance and business updates

Guidance & Management Commentary

- **Cost:** Management guided opex to be in the range of 28–30% of sales zone with R&D around 7%.
- **Ex-US business:** Management expects double-digit growth outside the US to continue, while US performance should normalise with launches and pipeline execution.
- **Cash deployment:** Plant expansions, brand acquisitions, and distribution rights remain the priority areas for capital deployment.
- **Tax rate –** Expect tax rate to be 24-25%

North America

- **Revenue:** $373mn (–16% YoY, –7% QoQ)
- **Quarterly Performance:** The quarter was impacted by price erosion in select products (primarily Lenalidomide) and a lower Lenalidomide contribution.
- **Launches:** The company launched 7 products and expects the launch momentum to continue in H2.
- **Revlimid outlook:** Management expects Revlimid revenue to be present in Q3FY26, but below Q2 levels, with a possible small tail into Q4.

Europe

- **Revenue:** €135mn (+150% YoY, +3% QoQ).
- **Growth drivers/headwinds:** NRT portfolio and new launches offset pricing pressure; ex-NRT growth was ~6% YoY and QoQ.
- **Launches:** The company launched 8 new generics across markets.
- **Outlook & NRT integration:** About two-thirds of the acquired NRT business (by value) has been integrated (Canada, Australia, and key Western Europe), with the next phase covering Southern Europe, Israel, and Taiwan.

Emerging Markets

- **Revenue:** Rs 16,550mn (+14% YoY, +18% QoQ).
- **Growth drivers/headwinds:** Growth was led by 24 launches across multiple markets and favourable FX; oncology and injectables contributed to the growth.
- **Russia performance:** Russia grew 13% YoY and 18% QoQ (cc) despite macro headwinds.
- **Outlook:** Management expects double-digit ex-US growth to sustain driven by new launches, biosimilars in EMs, and selective licensing.

India

- **Revenue:** Rs 15,780mn (+13% YoY, +7% QoQ).
- **Growth drivers/headwinds:** Growth was driven by new product launches, improved pricing, and higher volumes.
- **Launches:** The company launched 11 brands and added Stugeron. Additionally, the company strengthened its gastrointestinal portfolio with the launch of two novel drugs, Tegoprazan under the brand name of PCAB and Linaclotide under the brand name of Colozo.
- **Outlook vs IPM:** DRL moved to #9 in IPM (September) and continues to outpace the market (MAT growth 9.4% vs IPM 7.8%).

PSAI

- **Revenue:** $108m (+8% YoY, +13% QoQ).
- **Growth drivers/headwinds:** PSAI gross margin was 18% in Q2, and management expects 20–25% gross margins in this segment as mix and utilization improves; peptide capacity has been built up to 800 kg, with current peptides sales contribution still small.

GLP-1

- **Regulatory:** The Subject Expert Committee (SEC) under Central Drug Standard Control Organization (India) recommended approval for semaglutide injection.
- **Canada semaglutide market:** Management expects Canada to be very competitive as more players enter.
- **Scale:** For initial commercial scale, the company plans ~12mn pens via a partner.

Biosimilars

- Denosumab received a positive opinion from the European Medicine Agency for human use in the EU.
- Rituximab received a US FDA Complete Response Letter tied to BLA observations; the company is working to address these observations.
- Abatacept is targeted for BLA filing by Dec-2025. Bachupally biologics site (Telangana) will be the manufacturing source for Abatacept initially and the US strategy includes a CMO to de-risk which will be a tech transfer from Bachupally.

R&D and Cost Management

- R&D investment is focused on complex generics, peptides, APIs, and biosimilars.
- SG&A is expected to be in the range of ~28-30% of sales and R&D ~7% of sales.

Regulatory Inspections & outcomes:

- In Sep-2025, US FDA issued a Form 483 at Bachupally Biologics (pre-approval).
- Mirfield (UK) API also received a Form 483 (7 observations).
- CTO-5 (Miryalaguda) and Middleburgh (NY) were classified VAI following successful inspections.
- The July-2025 PAI at FTO-11 is closed with VAI (EIR received).

Valuation Methodology

During the quarter, DRRD reported in-line set of numbers due to anticipation of price erosion in the gRevlimid in the North America region whose impact is mitigated by growth in the Domestic and European region. However, as Revlimid is a high margin product, margin were impacted due to price erosion resulting in 23% EBITDA Margin in 2QFY26. During the quarter, the management has indicated for completion of clinical cost in Abatacept and is on track to file in Dec'25 with the USFDA.

Going forward, DRRD is likely to focus primarily on Semaglutide and Biosimilars as its growth drivers. The company anticipates to ramp up capacity of pens from 12 mn to 15 mn (from CY27), because it intends to launch the product in 87 countries with Canada, India and Brazil being the important markets and strong demand. Though the company anticipates Canadian market to be very competitive, they are confident of selling most of the pens from 12 mn pens either through partner or on its own. They also expect Abatacept to be the key product where it would launch IV form in CY27 and subcutaneous form in CY28 through a CMO in the US, in-order to mitigate the tariff risk in biologics in the US.

As margins were reported 170 bps lower than our estimates amidst lowering of R&D cost, we factor in steeper price erosion in Revlimid. And hence, we have cut our EPS estimates by 5.4% for FY27E and 5.3% for FY28E to Rs 60.4 and Rs 71.1 respectively. As a result, we now expect sales, EBITDA and PAT to grow at a CAGR of 4%, 8% and 9%. Hence, we maintain HOLD on the stock. At CMP, the stock is trading at 19.5x on Sep'27. We continue to ascribe similar PE of 21x on Sep'27 roll forward basis, which is equivalent to its 10Y mean of 21x to arrive at TP of Rs 1,324 (earlier Rs 1,382).

Actual Vs Estimates

(Rs mn)	Q2FY26A	Q2FY26E	Var. (%)	Cons. Est	Var. (%)
Revenue	88,051	86,550	1.7	87,726	0.4
EBITDA	20,553	21,638	(5.0)	22,148	(7.2)
EBITDA Margin (%)	23.3	25.0	(165.8) bps	25.2	(190.4) bps
PAT	14,372	14,532	(1.1)	14,208	1.2
EPS	17.3	17.5	(1.1)	17.8	(3.0)

Source: Company, BOBCAPS Research

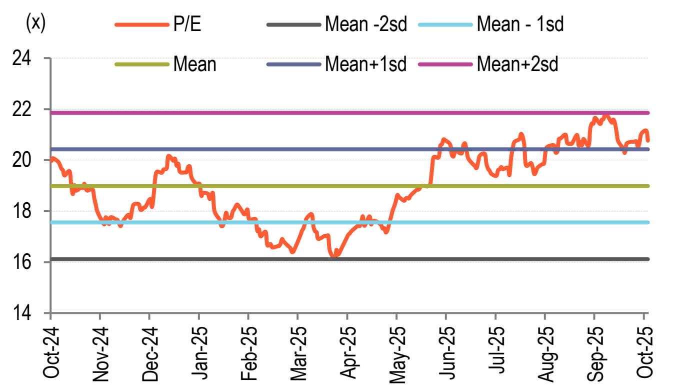
Fig 21 – Revised Estimates

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Sales	3,41,884	3,45,187	3,72,478	3,41,884	3,45,187	3,72,478	0.0	0.0	0.0
EBITDA	82,052	82,845	94,982	85,471	86,297	98,707	(4.0)	(4.0)	(3.8)
EBITDA margin (%)	24.0	24.0	25.5	25.0	25.0	26.5	(100bps)	(100bps)	(100bps)
PAT	50,566	50,227	59,127	53,130	53,082	62,423	(4.8)	(5.4)	(5.3)
EPS (Rs)	60.8	60.4	71.1	63.9	63.8	75.0	(4.9)	(5.4)	(5.3)

Source: Company, BOBCAPS Research

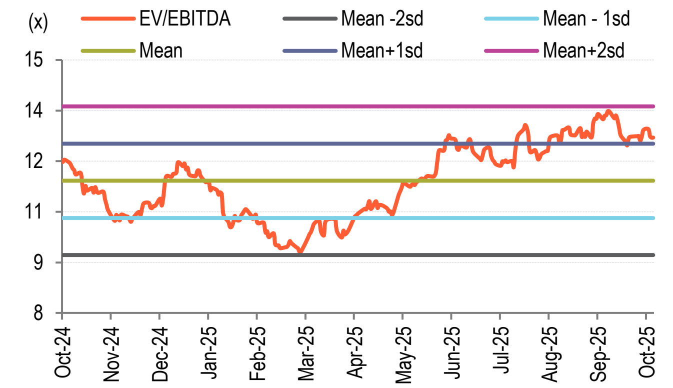
Valuation Bands

Fig 22 – 1 YF P/E



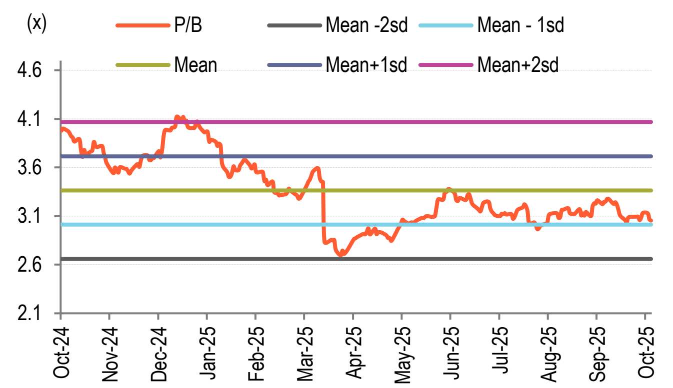
Source: Company, BOBCAPS Research

Fig 23 – 1 YF EV/EBITDA



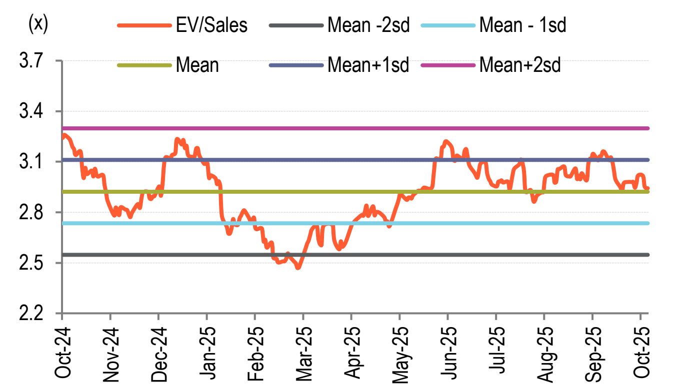
Source: Company, BOBCAPS Research

Fig 24 – 1 YF P/B



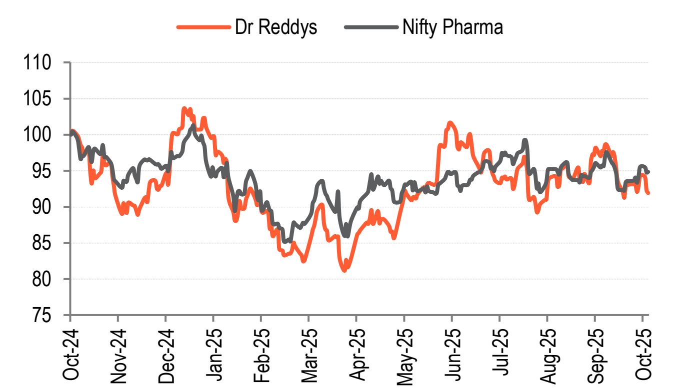
Source: Company, BOBCAPS Research

Fig 25 – 1 YF EV/Sales



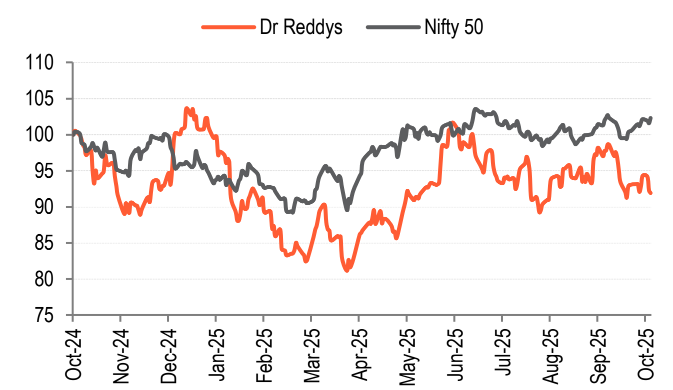
Source: Company, BOBCAPS Research

Fig 26 – Dr Reddys Vs Nifty pharma



Source: Company, BOBCAPS Research

Fig 27 – Dr Reddys Vs Nifty 50



Source: Company, BOBCAPS Research

Key risks

Key upside/downside risks to our estimates are:

Key upside risks to our estimates:

(a) Speedy resolution of regulatory issues in key manufacturing units.

(b) Above-expected contribution from gRevlimid.

(c) Faster new product launches in the North America region.

Key Downside risks:

(a) Irregular flow of USFDA product approvals may lead to a bunching up of key launches for limited competition products.

(b) Adverse USFDA observations on manufacturing plants.

(c) Increasing pricing pressure

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	**279,164**	**325,534**	**341,884**	**345,187**	**372,478**
EBITDA	78,377	86,235	82,052	82,845	94,982
Depreciation	14,700	17,058	18,985	20,805	22,555
EBIT	63,677	69,177	63,068	62,040	72,427
Net interest inc./(exp.)	(1,711)	(2,829)	(2,596)	(2,206)	(2,365)
Other inc./(exp.)	9,904	11,911	6,949	7,136	8,774
Exceptional items	0	0	0	0	0
EBT	71,870	78,259	67,421	66,970	78,836
Income taxes	16,186	19,539	16,855	16,742	19,709
Extraordinary items	0	(1,476)	(662)	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**55,684**	**57,244**	**49,904**	**50,227**	**59,127**
Adjustments	0	(1,476)	(662)	0	0
Adjusted net profit	**55,684**	**58,720**	**50,566**	**50,227**	**59,127**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	30,919	35,523	37,467	37,829	40,820
Other current liabilities	49,676	53,102	47,864	41,422	44,697
Provisions	5,444	6,324	6,642	6,706	7,236
Debt funds	20,020	46,766	39,751	33,788	25,341
Other liabilities	0	0	0	0	0
Equity capital	832	832	832	832	832
Reserves & surplus	269,851	331,932	377,676	423,743	478,710
Shareholders' fund	270,683	332,764	378,508	424,575	479,542
Total liab. and equities	**376,742**	**474,479**	**510,231**	**544,320**	**597,636**
Cash and cash eq.	7,105	14,652	21,617	36,514	69,701
Accounts receivables	80,298	90,420	93,667	94,572	97,967
Inventories	63,552	71,085	73,060	75,657	83,680
Other current assets	28,079	33,492	41,026	48,326	52,147
Investments	79,618	58,456	58,456	58,456	58,456
Net fixed assets	76,886	97,761	105,776	109,972	112,417
CWIP	0	0	0	0	0
Intangible assets	41,204	108,613	116,628	120,824	123,269
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	**376,742**	**474,479**	**510,231**	**544,320**	**597,636**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	**55,590**	**62,973**	**55,751**	**56,421**	**75,605**
Capital expenditures	(15,200)	(27,504)	(27,000)	(25,000)	(25,000)
Change in investments	(18,238)	21,162	0	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**(33,438)**	**(6,342)**	**(27,000)**	**(25,000)**	**(25,000)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	6,548	26,746	(7,015)	(5,963)	(8,447)
Interest expenses	(1,711)	(2,829)	(2,596)	(2,206)	(2,365)
Dividends paid	(4,160)	(4,160)	(4,160)	(4,160)	(4,160)
Other financing cash flows	(21,502)	(68,841)	(8,015)	(4,195)	(2,445)
Cash flow from financing	**(20,825)**	**(49,084)**	**(21,786)**	**(16,524)**	**(17,418)**
Chg in cash & cash eq.	**1,327**	**7,547**	**6,965**	**14,897**	**33,187**
Closing cash & cash eq.	**7,105**	**14,652**	**21,617**	**36,514**	**69,701**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	66.9	68.8	60.0	60.4	71.1
Adjusted EPS	66.9	70.6	60.8	60.4	71.1
Dividend per share	5.0	5.0	5.0	5.0	5.0
Book value per share	326.1	400.9	456.0	511.5	577.8

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	4.0	3.4	3.2	3.2	3.0
EV/EBITDA	14.3	12.8	13.2	13.3	11.9
Adjusted P/E	19.2	18.2	21.1	21.3	18.1
P/BV	3.9	3.2	2.8	2.5	2.2

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	77.5	75.0	75.0	75.0	75.0
Interest burden (PBT/EBIT)	112.9	113.1	106.9	107.9	108.8
EBIT margin (EBIT/Revenue)	22.8	21.3	18.4	18.0	19.4
Asset turnover (Rev./Avg TA)	26.4	24.3	21.4	19.7	19.3
Leverage (Avg TA/Avg Equity)	1.1	1.1	1.1	1.1	1.1
Adjusted ROAE	22.5	19.5	14.2	12.5	13.1

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	13.5	16.6	5.0	1.0	7.9
EBITDA	22.2	10.0	(4.9)	1.0	14.7
Adjusted EPS	21.7	5.5	(13.9)	(0.7)	17.7
Profitability & Return ratios (%)					
EBITDA margin	28.1	26.5	24.0	24.0	25.5
EBIT margin	22.8	21.3	18.4	18.0	19.4
Adjusted profit margin	19.9	18.0	14.8	14.6	15.9
Adjusted ROAE	22.5	19.5	14.2	12.5	13.1
ROCE	27.8	24.2	17.6	15.8	16.9
Working capital days (days)					
Receivables	105	101	100	100	96
Inventory	83	80	78	80	82
Payables	40	40	40	40	40
Ratios (x)					
Gross asset turnover	1.2	1.3	1.2	1.1	1.1
Current ratio	2.1	2.2	2.5	3.0	3.3
Net interest coverage ratio	37.2	24.5	24.3	28.1	30.6
Adjusted debt/equity	(0.2)	0.0	0.0	0.0	0.0

Source: Company, BOBCAPS Research | Note: TA = Total Assets

NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA (“US”) OR IN OR INTO ANY OTHER JURISDICTION IF SUCH AN ACTION IS PROHIBITED BY APPLICABLE LAW.

Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited**
Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**
SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**
Brand Name: **BOBCAPS**
Trade Name: **www.barodaetrade.com**
CIN: **U65999MH1996GOI098009**

Logo:

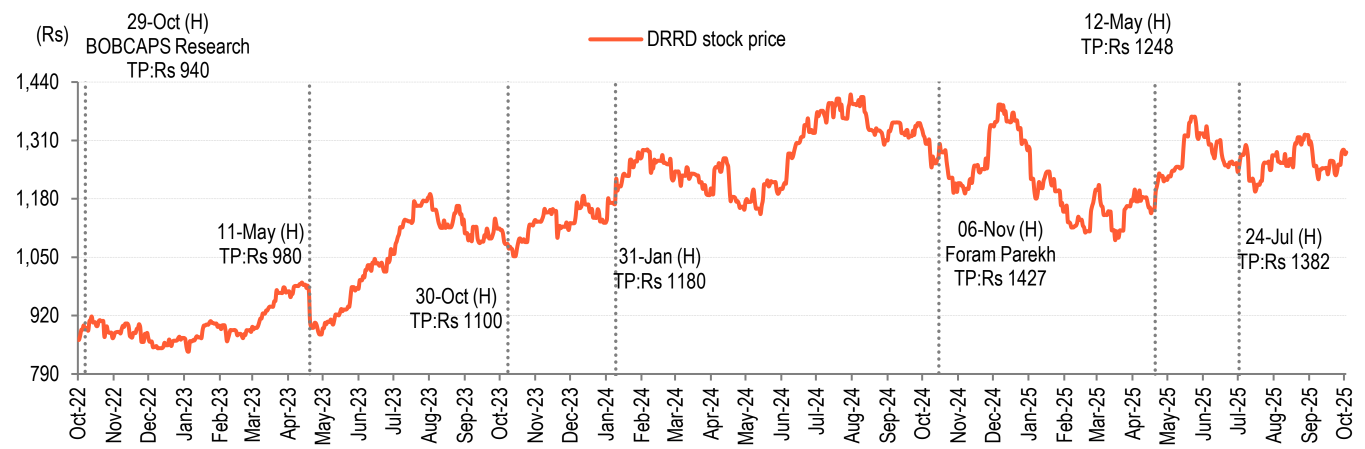
Investments in securities market are subject to market risks. Read all the related documents carefully before investing.
Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%
HOLD – Expected return from -6% to +15%
SELL – Expected return <-6%
Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): DR REDDY'S LABS (DRRD IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

Analyst certification

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOB Capital Markets Limited (BOBCAPS).

General disclaimers

BOBCAPS is engaged in the business of Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS’s activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction We are not soliciting any action based on this material. It is for the general information of BOBCAPS’s clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. BOBCAPS research reports follow rules laid down by Securities and Exchange Board of India and individuals employed as research analysts are separate from other employees who are performing sales trading, dealing, corporate finance advisory or any other activity that may affect the independence of its research reports.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company or third party in the past 12 months in connection with research report/activities. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

Other disclaimers

BOBCAPS and MAYBANK (as defined below) make no representation or warranty, express or implied, as to the accuracy or completeness of any information obtained from third parties and expressly disclaim the merchantability, suitability, quality and fitness of this report. The information in this report has not been independently verified, is provided on an "as is" basis, should not be relied on by you in connection with any contract or commitment, and should not be used as a substitute for enquiries, procedures and advice which ought to be undertaken by you. This report also does not constitute an offer or solicitation to buy or sell any securities referred to herein and you should not construe this report as investment advice. All opinions and estimates contained in this report constitute BOBCAPS's judgment as of the date of this report and are subject to change without notice, and there is no obligation on BOBCAPS or MAYBANK to update this report upon issuance. This report and the information contained herein may not be reproduced, redistributed, disseminated or copied by any means without the prior consent of BOBCAPS and MAYBANK.

To the full extent permitted by law neither BOBCAPS, MAYBANK nor any of their respective affiliates, nor any other person, accepts any liability howsoever arising, whether in contract, tort, negligence, strict liability or any other basis, including without limitation, direct or indirect, special, incidental, consequential or punitive damages arising from any use of this report or the information contained herein. By accepting this report, you agree and undertake to fully indemnify and hold harmless BOBCAPS and MAYBANK from and against claims, charges, actions, proceedings, losses, liabilities, damages, expenses and demands (collectively, the "Losses") which BOBCAPS and/or MAYBANK may incur or suffer in any jurisdiction including but not limited to those Losses incurred by BOBCAPS and/or MAYBANK as a result of any proceedings or actions brought against them by any regulators and/or authorities, and which in any case are directly or indirectly occasioned by or result from or are attributable to anything done or omitted in relation to or arising from or in connection with this report.

Distribution into the United Kingdom ("UK"):

This research report will only be distributed in the United Kingdom, in accordance with the applicable laws and regulations of the UK, by Maybank Securities (London) Ltd) ("**MSL**") who is authorised and regulated by the Financial Conduct Authority ("FCA") in the United Kingdom (MSL and its affiliates are collectively referred to as **"MAYBANK"**). BOBCAPS is not authorized to directly distribute this research report in the UK.

This report has not been prepared by BOBCAPS in accordance with the UK's legal and regulatory requirements.

This research report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of MAYBANK as selected by MAYBANK solely at its discretion; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended from time to time (the "Order"), or (c) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc. as mentioned in the stated Article) of the Order; (all such persons together being referred to as "relevant persons").

This research report is directed only at relevant persons and must not be acted on or relied on by any persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

The relevant person as recipient of this research report is not permitted to reproduce, change, remove, pass on, distribute or disseminate the data or make it available to third parties without the written permission of BOBCAPS or MAYBANK. Any decision taken by the relevant person(s) pursuant to the research report shall be solely at their costs and consequences and BOBCAPS and MAYBANK shall not have any liability of whatsoever nature in this regard.

No distribution into the US:

This report will not be distributed in the US and no US person may rely on this communication.

Other jurisdictions:

This report has been prepared in accordance with SEBI (Research Analysts) Regulations and not in accordance with local regulatory requirements of any other jurisdiction. In any other jurisdictions, this report is only for distribution (subject to applicable legal or regulatory restrictions) to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions by Maybank Securities Pte Ltd. (Singapore) and / or by any broker-dealer affiliate or such other affiliate as determined by Malayan Banking Berhad.

If the recipient of this report is not as specified above, then it should not act upon this report and return the same to the sender.

By accepting this report, you agree to be bound by the foregoing limitations.