

Result Update || Current Market Price – Rs 1,337 || Target Price – Rs 1,445 || Upside – 8% || Date: 18th May 2026

Key Investment Thesis

Dr. Reddy's is currently undergoing a strategic transition from dependence on temporary high-profit opportunities such as gRevlimid toward a more sustainable and differentiated growth model driven by GLP-1s, biosimilars, peptides, and complex generics.

While Q4FY26 performance remained impacted by gRevlimid normalization, shelf stock adjustments, and pricing pressure in the US generics market, the underlying base business continues to remain resilient with strong traction in India, Europe, and Russia, alongside double-digit growth in the ex-gRevlimid US portfolio. The company has utilized cash flows generated during the gRevlimid phase to strengthen its future pipeline, positioning itself for the next phase of growth.

The key medium-term trigger for the company remains semaglutide commercialization across regulated markets, which has the potential to materially improve revenues, margins, and the overall quality of earnings over FY27–FY29. In addition, biosimilar opportunities such as bAbatacept could further strengthen profitability and reduce dependence on commoditized generics.

Although margins have currently moderated to normalized levels of 15–16% due to adverse product mix, we expect gradual recovery toward higher double-digit levels as specialty products scale up, operating leverage improves, and differentiated launches gain traction.

Outlook

Overall, the company's future potential is largely dependent on execution across GLP-1s, biosimilars, and differentiated product launches, along with its ability to stabilize the US business amid ongoing pricing pressure and gRevlimid erosion. Successful commercialization of these growth drivers could structurally improve earnings visibility and position DRRD as a higher-quality specialty-oriented pharmaceutical platform over the next few years.

Valuation

We expect structural improvement in the quality of earnings, product mix, and profitability. If execution remains strong, Dr. Reddy's could evolve from a traditional generic pharma player into a differentiated specialty-led global pharmaceutical company. Revenue/EBITDA/PAT are expected to grow at a CAGR of 6%/7%/3.2% for the period FY26-FY28E. The company is currently trading at 25x FY28E EPS of INR 53. Amidst the supply chain scenario and transitioning phase of the company we assigned the multiple of 27x FY28E EPS, arriving the target price of 1,445 with an upside of 8%. ACCUMULATE.

Particulars	
CMP	1,337
Market Cap (Cr)	1,11,569
Free Float Market Cap (Cr)	81,236
52 Week High / Low	1,380 / 1,148
Avg Daily Vol (1Yr.) shares	19,10,092
No. of Shares (Cr.)	83.26

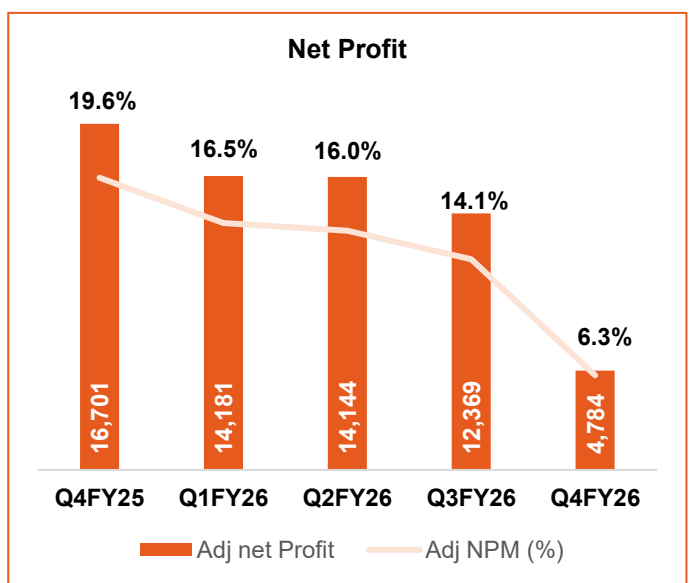
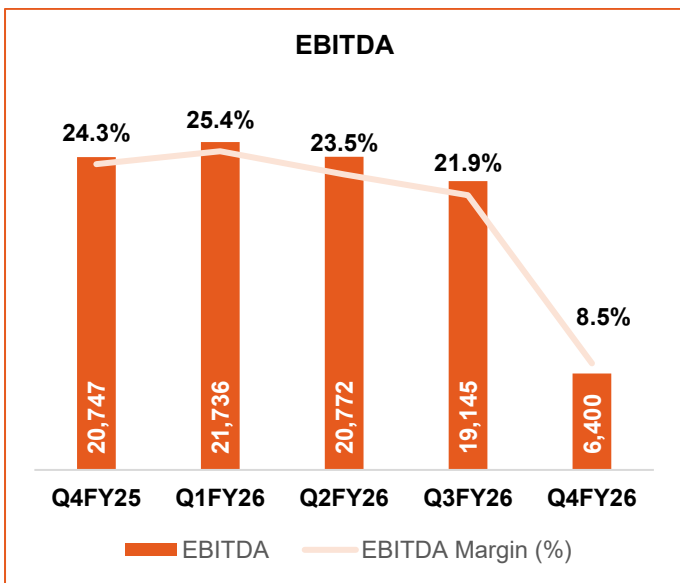
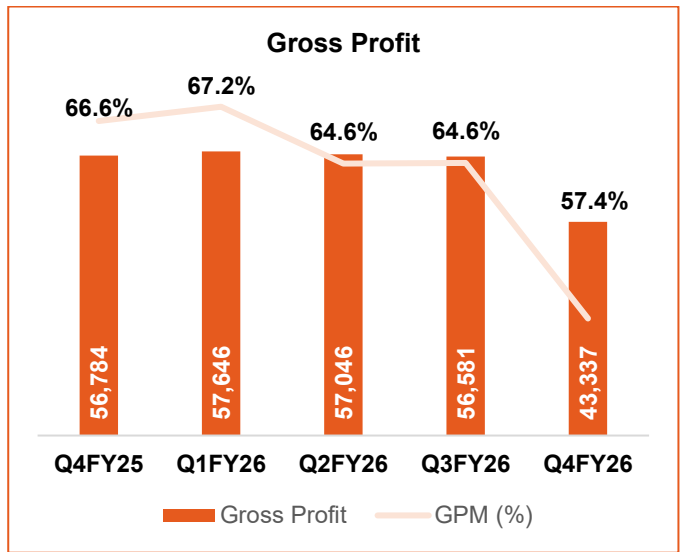
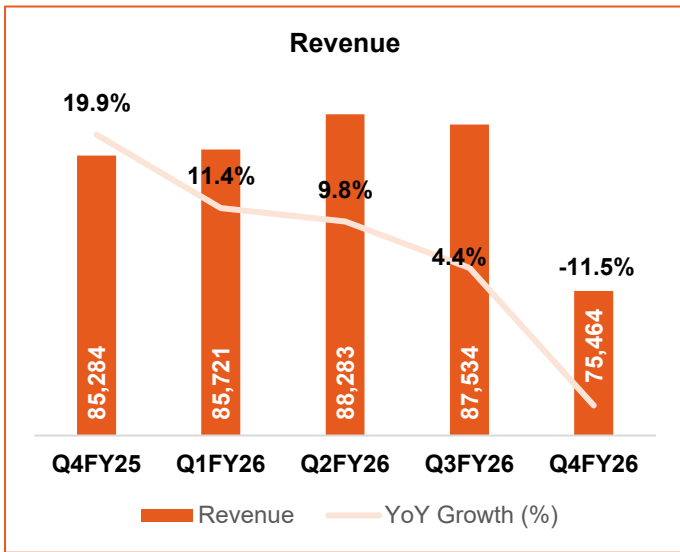
Key Financials	FY26	FY27E	FY28E
Revenue	337,002	355,087	379,006
EBITDA	68,053	73,311	78,252
EBITDA (%)	20.2%	20.6%	20.6%
PAT	41,960	41,903	44,649
ROE	11.0%	10.1%	9.8%
EPS	50.31	50.24	53.54

Multiples	FY26	FY27E	FY28E
P/E (x)	26.59	26.63	24.99
P/BV (x)	2.60	2.39	2.19

Holding	Sep-25	Dec-25	March-26
Promoters	26.64%	26.64%	26.63%
FII	24.69%	22.34%	21.14%
DII	27.99%	30.44%	30.72%
Public	20.45%	20.33%	21.27%
Others	0.25%	0.25%	0.24%
TOTAL	100%	100%	100%

Source: Company Research, Deven Choksey Research

Story in Charts



Source: Company Research, Deven Choksey Research

Result Snapshot

Particulars (Mn)	Q4FY26	Q3FY26	Q4FY25	QoQ	YoY
Revenue from Operations	75,464	87,534	85,284	-13.8%	-11.5%
Total Expenditure	69,064	68,389	64,537	1.0%	7.0%
COGS	32,127	30,953	28,500	3.8%	12.7%
Employee Cost	14,468	15,885	14,006	-8.9%	3.3%
Other Expenses	22,469	21,551	22,031	4.3%	2.0%
EBITDA	6,400	19,145	20,747	-66.6%	-69.2%
EBITDA Margin (%)	8.5%	21.9%	24.3%	-1,339 bps	-1,585 bps
Depreciation & Amortization	5,571	5,210	4,547	6.9%	22.5%
Exceptional Items	2,575	270	768	NA	235.3%
EBIT	-1,746	13,665	15,432	-112.8%	-111.3%
Other Income	4,754	2,688	5,221	76.9%	-8.9%
Interest Expense	1,057	944	656	12.0%	61.1%
PBT	1,951	15,409	19,997	-87.3%	-90.2%
Tax	-216	3,536	4,185	-106.1%	-105.2%
Share of Associates	46	23	55	100.0%	-16.4%
PAT	2,213	11,896	15,867	-81.4%	-86.1%
PAT Margin	2.9%	13.6%	18.6%	-1,066 bps	-1,567 bps
Adj. PAT	4,784	12,369	16,701	-61.3%	-71.4%
Adj. PAT Margin	6.3%	14.1%	19.6%	-779 bps	-1,324 bps
EPS (Reported)	2.7	14.5	19.1	-81.8%	-86.1%
EPS (Adjusted)	5.7	14.8	20.0	-61.3%	-71.4%

Source: Company Research, Deven Choksey Research

Conference Call Highlights

Financial Performance

- FY26 adjusted revenue stood at INR 34,046 crore (USD 3.63 Bn), up 4.6% YoY. Q4FY26 adjusted revenue (ex-SSA) was INR 7,969 crore (USD 849 Mn), with EBITDA margin at ~20% after adjusting for one-off items.
- Q4 reported PBT was INR 199 crore; adjusted PBT INR 994 crore after Lenalidomide SSA (INR 453 Cr), VAT provision (INR 114 Cr), CAR-T impairment (INR 135 Cr), and Eftilagimod alpha impairment (INR 93 Cr).
- FY26 adjusted EBITDA: INR 8,419 crore (USD 897 Mn), margin 24.7%. FY26 gross margin 53.5%; Q4 at 48% due to adverse product mix. Management guided gross margins above 50% for FY27.
- Net cash surplus of INR 3,271 crore (USD 349 Mn) as of 31 March 2026. Board recommended dividend of INR 8 per share (800% of face value). FY26 diluted EPS: INR 51.42.

North America Business

- FY26 North America revenues stood at USD 1.36 Bn (ex-SSA), down 21% YoY primarily due to Lenalidomide LoE. Q4 revenue was USD 251 Mn (ex-SSA). Base business (ex-Lenalidomide) delivered double-digit growth.
- Management guided double-digit growth in NA for FY27 (ex-Lenalidomide, ex-Semaglutide); Semaglutide Canada revenue is incremental on top. 27 new product launches planned for FY27.
- Key launch opportunities include Upadacitinib and other limited-competition products. Lenalidomide SSA of ~USD 50 Mn was unexpected; management attributed it to customer-side planning issues.

Semaglutide Strategy

- Dr. Reddy's became the first company globally to secure generic Semaglutide injection approval in Canada (Type 2 diabetes) and the first in India (brand 'Obeda' launched Day 1 post patent expiry). Oral Semaglutide also approved by CDSCO in India; launch imminent.
- Volume guidance: 6–7 Mn pens by CY26-end; run-rate ~3–4 Mn pens/quarter. 12 Mn unit target intact but shifted by a few months (some into early FY28) due to Brazil delays. Launches planned across 50+ markets in CY26 and 80+ within 12 months. FY28 capacity: up to 40 Mn pens.
- Pricing: Canada list price ~50% of Novo Nordisk. Floor across markets at USD 25–30/unit; select markets significantly higher. Direct vs. partner-based sales split: ~50/50.

Biosimilars & Pipeline

- Abatacept IV biosimilar: BLA accepted for review by US FDA (filed Dec 2025). FDA inspection pending at Bachupally, Hyderabad. Launch target: early CY27 / within FY28. Sub-Q filing on track for US this year; Europe may see slight delay. US market is ~50/50 IV vs. Sub-Q.
- Biosimilar revenue aspiration: USD 500–700 Mn annually by FY29, with Abatacept as the dominant contributor. Portfolio expected to deliver above company-average margins in a low-competition scenario.
- Denosumab: EU launch proceeding; US depends on partner Alvotech resolving FDA deficiency letter. Pembrolizumab co-development with Alvotech underway. CAR-T discontinued (INR 135 Cr impairment).
- R&D at 7% of adjusted revenue for FY26 (INR 2,385 Cr ex one-offs); guided 7–8% for FY27, reflecting Abatacept Phase III completion, partner-shared costs on future biosimilars, and AI-driven productivity.

India Business

- India revenue at INR 1,566 crore in Q4 (+20% YoY) and INR 6,219 crore for FY26 (+16% YoY), driven by innovation franchise, new brand launches, price increases, and volume growth. Growth was largely organic; recently acquired brands had negligible impact.
- IQVIA data: MQT growth 15.2% vs. IPM 11.6%; MAT growth 12.1% vs. IPM 9.9%. IPM rank: 9th (quarterly), 10th (annual). 28 new brands launched in FY26. Semaglutide market share >10% standalone; oral version to launch shortly.

Margins & Outlook

- FY27 EBITDA margin guidance: base business (ex-Semaglutide) at ~20%; with Semaglutide contribution, management expects to move closer to the 25% aspiration. Gross margins guided above 50% (range 50–55%), supported by cost improvement and favorable product mix.
- SG&A expected flat nominally (~INR 10,400 Cr); as % of sales will decline with double-digit growth. ETR guided at 24–25%. Capex ~INR 2,000 crore for FY27.
- Emerging Markets robust: INR 1,806 Cr Q4 (+29% YoY); INR 6,761 Cr FY26 (+23%). Europe (incl. NRT): USD 542 Mn FY26 (+77% YoY, acquisition-led). NRT integration complete; sustainable growth at high single-digit to low double-digit.

Key Financials

Exhibit 1: Profit & Loss Statement

INR Mn	FY25	FY26	FY27E	FY28E
Revenues	3,26,439	3,37,002	355,087	379,006
COGS	99,799	1,22,392	127,831	136,442
Gross profit	2,26,640	2,14,610	227,256	242,564
Employee cost	55,800	59,909	63,916	68,221
Other expenses	83,676	86,648	90,029	96,091
EBITDA	87,164	68,053	73,311	78,252
Depreciation	17,037	20,588	23,239	25,059
EBIT	70,127	47,465	50,071	53,192
Finance Costs	2,829	3,738	3,036	3,036
Other Income	10,973	13,584	9,143	9,703
PBT	76,578	53,793	56,178	59,859
Tax	19,543	12,351	14,275	15,210
PAT	56,551	41,960	41,903	44,649
EPS (INR)	67.9	50.4	50.24	53.54
Adj. PAT	57,812	44,670	41,903	44,649

Exhibit 3: Cash Flow Statement

INR Mn	FY25	FY26	FY27E	FY28E
CFFO	46,428	56,737	54,709	64,866
CFFI	-51,021	-65,493	-30,000	-30,000
CFFF	11,855	8,290	-7,973	-8,296
Net Inc/Dec in cash	7,262	-466	16,736	26,570
Opening Cash	7,107	14,593	15,368	32,104
Adjustment	224	1,241	0	0
Closing Cash	14,593	15,368	32,104	58,674

Exhibit 2: Balance Sheet

INR Mn	FY25	FY26	FY27E	FY28E
Equity				
Equity Capital	834	835	835	835
Other Equity	3,38,440	3,78,080	415,047	454,436
Total Equity	3,39,274	3,82,309	415,882	455,271
Non-Current Liabilities				
Other financial liabilities	4,262	12,635	1,877	2,004
Borrowings	3,800	0	3,800	3,800
Other Non-current liabilities	16,592	18,816	18,452	18,653
Total Non-Current Liabilities	24,654	31,451	24,421	24,768
Current Liabilities				
Borrowings	38,045	62,935	62,935	62,935
Trade Payables	26,478	30,379	35,615	38,921
Other current liabilities	65,815	74,160	68,809	73,444
Total Current Liabilities	1,30,338	1,67,474	167,359	175,300
Total Equities & Liabilities	494,266	581,234	607,661	655,339
Non-Current Assets				
Property Plants and Equipment's	72,984	1,00,778	107,043	112,028
Other intangible assets	96,141	1,05,058	105,553	105,509
Other Non current assets	74,960	73,605	72,030	72,395
Total Non-Current Assets	2,44,085	2,79,441	284,626	289,932
Current Assets				
Inventories	71,085	76,534	84,053	89,715
Trade Receivables	90,420	1,01,234	107,013	114,221
Cash and Bank	14,654	15,368	32,104	58,674
Other current assets	74,022	1,08,657	99,865	1,02,796
Total Current Assets	2,50,181	3,01,793	323,035	365,407
Total Assets	4,94,266	5,81,234	607,661	655,339

Source: Company Research, Deven Choksey Research

Dr. Reddy's Laboratories Ltd.				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP(INR)	Recommendation	Our Rating	Upside
14-May-26	1,337	1,445	ACCUMULATE	Buy	More than 15%
29-Oct-25	1,289	1,140	SELL	Accumulate	5% – 15%
29-July-25	1,287	1,120	SELL	Hold	0 – 5%
12-May-25	1,194	1,324	ACCUMULATE	Reduce	-5% – 0
24-Jan-25	1,224	1,245	HOLD	Sell	Less than – 5%
06-Nov-24	1,272	1,329	HOLD		

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