

HOLD**TP: Rs 1,382 | ▲ 6%****DR REDDY'S LABS**

| Pharmaceuticals

| 11 September 2025

Acquisition spree continues

- Acquired Janssen's Stugeron brand for USD 50.5 mn for the APAC and EMEA markets, with India and Vietnam being the key regions
- We expect USD 600 mn sales from Semaglutide launch in the Canadian market in first year of launch
- Near-term growth drivers to be domestic and Europe regions; continue to ascribe a PE of 21x on Jun'27 to arrive at TP of Rs 1,382

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Acquired Janssen's Stugeron brand: Dr. Reddy's acquired Janssen Pharmaceutical NV's anti-vertigo drug 'Stugeron' for USD 50.5 mn or Rs 4.4bn. This drug would be commercialize across 18 markets of APAC and EMEA where India and Vietnam would be the key markets. The acquisition strengthens DRDD's Central Nervous System portfolio in India and emerging markets through its foray into the anti-vertigo segment. The recently acquired Stugeron contains Cinnarizine, an antihistamine indicated for the treatment of vestibular disturbances and vertigo. Stugeron already holds the 1st position in the Cinnarizine-represented pharmaceutical market (RPM) and ranks 2nd in the anti-vertigo extended represented pharmaceutical market (eRPM) in India.

Continues to deploy the cash generated from gRevlimid: Dr. Reddy's clocked the 7th deal from 2023 from the beginning of gRevlimid opportunity. Dr. Reddy's has diversified cashflows from gRevlimid into OTC, biosimilars and complex therapies like CNS. This is apart from the end-to-end facility developed for GLP-1 products and a guided capex of Rs 25-27bn for FY26. The company has been diversifying into high-margin segments to maintain EBITDA margin of 25% post LoE of Revlimid.

On track to sustain double-digit growth in domestic region: During the earnings call, the management had mentioned sustaining double-digit growth rate in the domestic region through in-license deal and by introducing innovative products. Recent acquisition of Stugeron brand would aid growth in the CNS therapy, which is currently Rs 2.8bn, as per MAT Aug'25 Pharmarack data. The company has an MR strength of 10,000 spread across 50 teams.

Healthy pipeline of biosimilar launches in US: Dr. Reddy's has a healthy pipeline of 4 biosimilar launches in the US market with Abatacept, own launch in Jan'27, to be the key. The company intends to launch Denosumab and pembrolizumab (Keytruda) through licensing deal with Alvotech and Daratumumab (Darzalex) with Henlius.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	DRRD IN/Rs 1,303
Market cap	US\$ 12.3bn
Free float	73%
3M ADV	US\$ 21.4mn
52wk high/low	Rs 1,406/Rs 1,020
Promoter/FPI/DII	27%/27%/23%

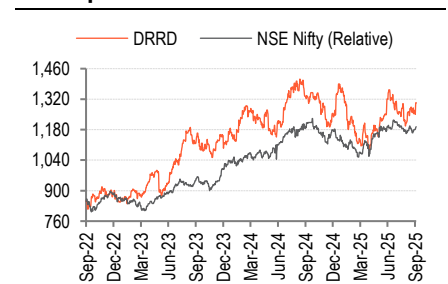
Source: NSE | Price as of 11 Sep 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	325,534	341,884	345,187
EBITDA (Rs mn)	86,235	85,471	86,297
Adj. net profit (Rs mn)	58,720	53,130	53,082
Adj. EPS (Rs)	70.6	63.9	63.8
Consensus EPS (Rs)	72.0	69.3	57.0
Adj. ROAE (%)	19.5	14.9	13.1
Adj. P/E (x)	18.5	20.4	20.4
EV/EBITDA (x)	11.9	12.3	12.3
Adj. EPS growth (%)	5.5	(9.5)	(0.1)

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



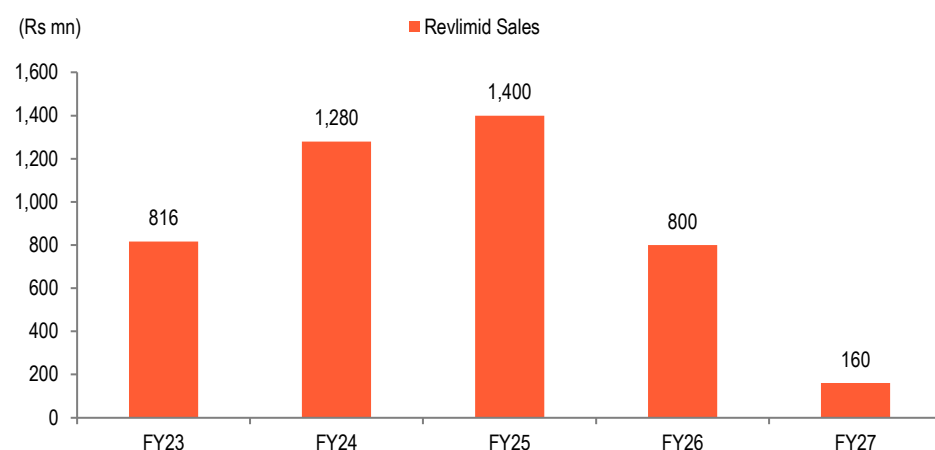
Source: NSE



We bake in USD 600 mn opportunity from Semaglutide in first year of launch in Canada market: Dr. Reddy's intends to launch gOzempic in Canadian market when Semaglutide goes LOE in Jan'26. The company has a capacity of 10mn pens to begin with in 2026, which would scale up to 12 mn pens in 2027 through partner. The company intends to develop its own API through FTO-11 plant, which would come on-stream from FY27. Currently, only 4 players have filed for Semaglutide in the Canadian market and Dr. Reddy's will likely be in the first wave of launch. The market opportunity is expected to be ~USD1.6bn and due to high chances of day 1 launch, we expect only 25% price erosion for the company.

Valuation: The company has been one of the beneficiaries of the Revlimid opportunity from 2023. The cashflow generated from Revlimid is ploughed back into different segments like OTC, biosimilars and high complex therapies like CNS. We expect Dr. Reddy's to exhaust its Revlimid quota of 2026 in Q2FY26. Near-term growth can be driven by: 1) domestic region through innovative products 2) NRT-driven growth in the European region 3) Biosimilar launches through partner products and Canada Semaglutide launch to drive North America sales. We continue to ascribe a PE of 21x on Jun'27, in line with its 5Y historic PE to arrive at TP of Rs 1,382.

Fig 1 – Revlimid sales for Dr. Reddy's to be non-meaningful in FY27E



Source: Company, BOBCAPS Research

Fig 2 – Domestic-wise therapy sales (Rs mn)

Therapy (Rs crs)	MATVALUE JUL 24	MATVALUE AUG 24	MATVALUE JUL 25	MATVALUE AUG 25
GASTRO INTESTINAL	11,040	11,080	11,940	12,010
YoY growth (%)			8	8
RESPIRATORY	7,990	7,980	8,200	8,360
YoY growth (%)			3	5
DERMA	6,960	7,040	7,910	7,950
YoY growth (%)			14	13
CARDIAC	6,990	6,990	7,060	7,090
YoY growth (%)			1	1
PAIN / ANALGESICS	6,130	6,160	6,710	6,770
YoY growth (%)			9	10
ANTI DIABETIC	4,140	4,160	4,400	4,420
YoY growth (%)			6	6
VACCINES	3,560	3,530	3,960	4,000
YoY growth (%)			11	13
ANTI-INFECTIVES	3,420	3,460	3,680	3,700
YoY growth (%)			8	7
VITAMINS / MINERALS / NUTRIENTS	3,320	3,310	3,610	3,660
YoY growth (%)			9	11
STOMATOLOGICALS	3,120	3,140	3,610	3,640
YoY growth (%)			16	16
NEURO / CNS	2,780	2,810	3,070	3,090
YoY growth (%)			10	10
ANTI-NEOPLASTICS	2,120	2,290	2,540	2,860
YoY growth (%)			20	25
UROLOGY	1,970	1,990	2,490	2,540
YoY growth (%)			27	28
BLOOD RELATED	960	990	1,370	1,430
YoY growth (%)			42	44
SEX STIMULANTS / REJUVENATORS	380	390	430	430
YoY growth (%)			11	10
GYNAECOLOGICAL	480	460	290	290
YoY growth (%)			(39)	(37)
OTHERS	180	220	150	100
YoY growth (%)			(14)	(52)
Total	65,530	66,000	71,420	72,380
YoY growth (%)			9	10

Source: Company, BOBCAPS Research

Fig 3 – Therapy-wise contribution for domestic region

Therapy Contribution (%)	MATVALUE JUL 24	MATVALUE AUG 24	MATVALUE JUL 25	MATVALUE AUG 25
GASTRO INTESTINAL	16.8	16.9	16.7	16.6
RESPIRATORY	12.2	12.2	11.5	11.6
DERMA	10.6	10.7	11.1	11.0
CARDIAC	10.7	10.7	9.9	9.8
PAIN / ANALGESICS	9.4	9.4	9.4	9.4
ANTI DIABETIC	6.3	6.3	6.2	6.1
VACCINES	5.4	5.4	5.5	5.5
ANTI-INFECTIVES	5.2	5.3	5.2	5.1
VITAMINS / MINERALS / NUTRIENTS	5.1	5.1	5.1	5.1
STOMATOLOGICALS	4.8	4.8	5.0	5.0
NEURO / CNS	4.2	4.3	4.3	4.3
ANTI-NEOPLASTICS	3.2	3.5	3.6	3.9
UROLOGY	3.0	3.0	3.5	3.5
BLOOD RELATED	1.5	1.5	1.9	2.0
SEX STIMULANTS / REJUVENATORS	0.6	0.6	0.6	0.6
GYNAECOLOGICAL	0.7	0.7	0.4	0.4
OTHERS	0.3	0.3	0.2	0.1
OPHTHAL / OTOLOGICALS	0.0	0.0	0.0	0.0
HORMONES	0.0	0.0	0.0	0.0
Total	100	100	100	100

Source: Company, BOBCAPS Research

Fig 4 – List of deals from CY 2023

Year	Deals	Amount (USD)	Remarks
Feb'23	Mayne Pharma	105	Expanded Dr. Reddy's U.S. presence in women's health.
Mar'23	Meno Labs	3 mn	Leading women's health and dietary supplement branded portfolio from Amyris
Apr'24	Nestle India JV	85 mn	Acquired medical nutrition and nutraceuticals business for 51% stake
June'24	Northstar Switzerland SARL, a Hialeon group	500 mn	Acquired Hialeon plc's global portfolio of consumer healthcare brands, outside of the US, in the Nicotine Replacement Therapy (NRT) category.
Oct'24	Gilead Sciences	NA	Voluntary licensing agreement for long-acting HIV drug Lenacapavir.
Mar'25	Bio-Thera	NA	Dr. Reddy's will be responsible for seeking regulatory approvals as well as commercialisation in the licensed territories in Southeast Asia, including Cambodia, Indonesia, Malaysia, Philippines, Thailand, Vietnam. In addition, DRDD will receive exclusive commercial rights to BAT2206 in Colombia. BAT2206 is a proposed biosimilar to Jansen's Stelara.
Sept'25	Janssen Pharmaceutica NV	50mn	Stugeron FORTE and Stugeron PLUS, as well as its related assets across 18 markets in the Asia-Pacific (APAC) and Europe, Middle East, and Africa (EMEA) regions, with India and Vietnam as key markets, according to a statement.

Source: Company, BOBCAPS Research

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	85,471	86,297	98,707
Depreciation	14,700	17,058	18,985	20,805	22,555
EBIT	63,677	69,177	66,486	65,492	76,152
Net interest inc./(exp.)	(1,711)	(2,829)	(2,596)	(2,206)	(2,365)
Other inc./(exp.)	9,904	11,911	6,949	7,491	9,443
Exceptional items	0	0	0	0	0
EBT	71,870	78,259	70,840	70,777	83,230
Income taxes	16,186	19,539	17,710	17,694	20,808
Extraordinary items	0	(1,476)	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	55,684	57,244	53,130	53,082	62,423
Adjustments	0	(1,476)	0	0	0
Adjusted net profit	55,684	58,720	53,130	53,082	62,423

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	380,902	429,824	488,087
Shareholders' fund	270,683	332,764	381,734	430,656	488,919
Total liab. and equities	376,742	474,479	513,457	550,401	607,013
Cash and cash eq.	7,105	14,652	24,843	42,595	79,077
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	513,457	550,401	607,013

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	55,590	62,973	58,977	59,276	78,900
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	10,191	17,752	36,482
Closing cash & cash eq.	7,105	14,652	24,843	42,595	79,077

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	66.9	68.8	63.9	63.8	75.0
Adjusted EPS	66.9	70.6	63.9	63.8	75.0
Dividend per share	5.0	5.0	5.0	5.0	5.0
Book value per share	326.1	400.9	459.9	518.9	589.1

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	3.8	3.2	3.1	3.1	2.8
EV/EBITDA	13.5	11.9	12.3	12.3	10.6
Adjusted P/E	19.5	18.5	20.4	20.4	17.4
P/BV	4.0	3.3	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	106.5	108.1	109.3
EBIT margin (EBIT/Revenue)	22.8	21.3	19.4	19.0	20.4
Asset turnover (Rev./Avg TA)	26.4	24.3	21.3	19.5	19.0
Leverage (Avg TA/Avg Equity)	1.1	1.1	1.1	1.1	1.1
Adjusted ROAE	22.5	19.5	14.9	13.1	13.6

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	(0.9)	1.0	14.4
Adjusted EPS	21.7	5.5	(9.5)	(0.1)	17.6

Profitability & Return ratios (%)

EBITDA margin	28.1	26.5	25.0	25.0	26.5
EBIT margin	22.8	21.3	19.4	19.0	20.4
Adjusted profit margin	19.9	18.0	15.5	15.4	16.8
Adjusted ROAE	22.5	19.5	14.9	13.1	13.6
ROCE	27.8	24.2	18.3	16.5	17.5

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	3.4
Net interest coverage ratio	37.2	24.5	25.6	29.7	32.2
Adjusted debt/equity	(0.2)	0.0	0.0	0.0	0.0

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

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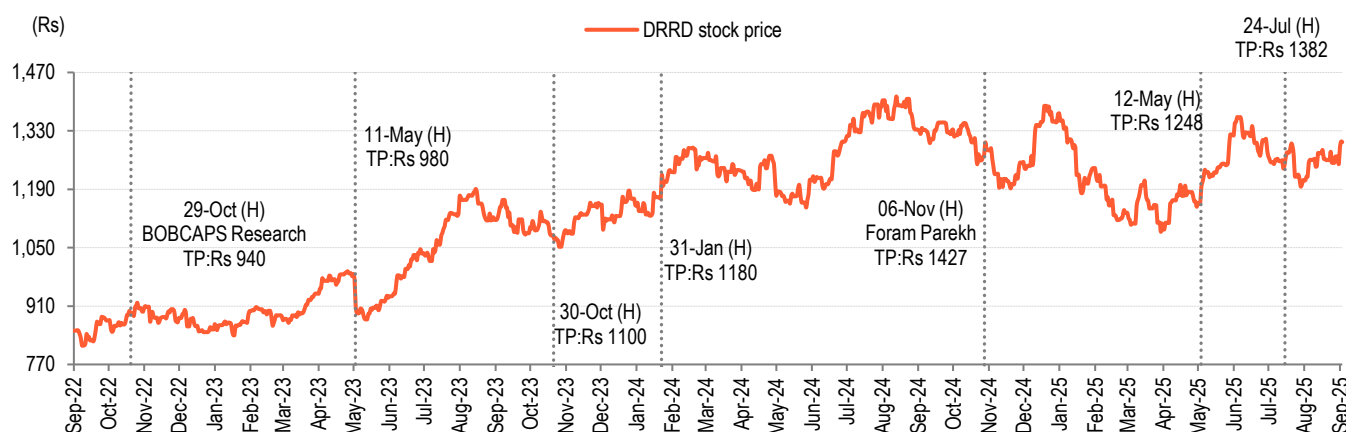
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Note: Recommendation structure changed with effect from 21 June 2021

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



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