

Key Information^{###}

NSE Code	DRREDDY
BSE Code	DRREDDY
Shares o/s (Cr)	83.5
FV (₹)	1
Latest EPS (TTM) ₹	66.71
Latest PE Ratios (x)	19.2
Latest BV ₹	432
51 Wk H (₹)	1380
52 Wk L (₹)	1129

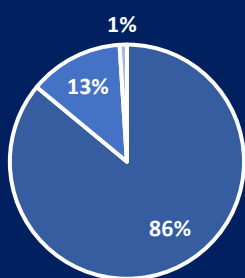
3 Years Price Chart*



Shareholding Pattern

	Sep'25	Dec'25	Mar'26
Promoter	26.64	26.64	26.63
FIIs	24.69	22.34	21.14
DIIs	27.98	30.44	30.72
Public	9.86	9.71	9.57

Revenue Mix FY25- Segment Wise



■ Global Generics ■ PSAl ■ Others

^{*}PSAI - Pharmaceutical Services & Active Ingredients

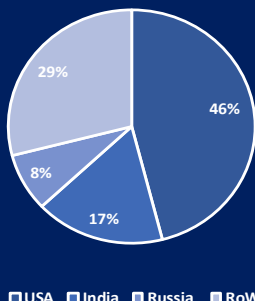
^{**}Others - Aurigene Oncology Ltd

Dr. Reddy's Laboratories is a global pharma company focused on developing and marketing affordable medicines, with a strong presence in generics across the US, Europe, emerging markets, and branded generics in India and Russia/CIS. It operates through three core segments: global generics, pharmaceutical services and active ingredients (PSAI), and proprietary products.

Investment Rationale

- Diversification** - The global pharmaceutical industry is shifting from commoditized generics to complex, innovation-led therapies, and Dr. Reddy's is aligning its strategy accordingly by building a diversified, higher-value portfolio. This includes scaling its biosimilars business, entering a capex harvest phase with products like Abatacept and Rituximab, and expanding its OTC and wellness segment in India to create a stable, brand-driven revenue stream.
- Geographic Expansion** - This strategic shift is supported by a diversified geographic footprint, with strong presence in emerging markets such as Russia/CIS, which acts as a hedge against persistent pricing pressure in the US generics market. Additionally, backward integration into APIs enhances supply chain control and protects margins from raw material volatility thereby contributing to operating profit.
- Semaglutide Opportunity** - It is well positioned to capitalize on the semaglutide opportunity through a clear execution edge – being first to secure approvals in markets like Canada and India, enabling early market share capture. Its aggressive pricing in India and vertically integrated API capabilities support both volume growth and margin control. With plans to expand across 80+ countries and eventually enter the US and Europe, the company has a long runway for scale, supplemented by contract manufacturing revenues. While competition will pressure pricing, the breadth of its rollout and early-mover advantage make semaglutide a meaningful medium- to long-term revenue driver. As per HSBC, the company is expected to generate ~\$280 mn in sales for 2027 from its generic semaglutide sale.
- Financial Strength Driving Strategic Growth** - Further strengthening the story is the company's financial flexibility, which enables sustained R&D investment (~8-8.5% of revenue in FY25) and provides optionality for strategic acquisitions. In a period of subdued biotech valuations, this positions Dr. Reddy's to potentially acquire niche capabilities

Revenue Mix FY25- Geography Wise



in emerging areas like cell & gene therapy or digital health, accelerating its evolution beyond traditional generics.

- Risks** - The transition carries risks, including high dependence on products like generic Lenalidomide, which may lead to a sharp revenue decline as competition rises, along with margin pressure from a changing product mix and rising costs. Execution risk remains elevated due to the focus on complex generics, while US FDA scrutiny could delay approvals. The company also faces medium- to long-term tariff risks given its high US exposure, alongside broader geopolitical uncertainties, price erosion in US generics, and faster competition in biosimilars, which may limit margin sustainability.

Valuations & Recommendation

Dr. Reddy's Laboratories stands at a pivotal point in its transformation journey, shifting from a traditional generics-led model to a more diversified, innovation-driven portfolio. While near-term headwinds such as product concentration, pricing pressure, and regulatory risks may weigh on performance, the company's strategic focus on biosimilars, complex generics, and consumer health provides a strong foundation for long-term growth.

As these investments begin to mature, they are expected to enhance earnings visibility, improve margins, and reduce reliance on commoditized segments.

At the current price the stock trades at 24x its FY27E EPS. We recommend a **BUY** with a target price of ₹1660.

Financials

(in Rs cr, except EPS)	Q3 FY26	Q3 FY25	YoY	Q2 FY26	QoQ	FY25	FY26E	FY27E	FY28E
Operating Revenue	8753	8381	4.4%	8828	-1%	32644	33950	37345	41826
EBIDTA	1888	2273	-17.0%	2010	-6%	8547	7808	8963	10457
EBIDTA Margin	21.6%	27.1%		22.8%		26.2%	23.0%	24.0%	25.0%
Profit for the Period	1187	1400	-15.2%	1331	-10.8%	5704	5092	5788	6901
Profit Margin	13.6%	16.7%		15.1%		17.5%	15.0%	15.5%	16.5%
EPS (Dil)	14.50	16.94		16.14		67.77	60.99	69.32	82.65

Sources: NSE, Capitaline Database, Company Website Mint, ET, Yahoo Finance, Investing.Com & CNBC TV18, EFL Research

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EFL's recommendation nomenclatures (12 months investment horizon)	
BUY	>15%
Accumulate	5% to 15%
Hold	5% to -5%
Reduce	-5% to 15%
Sell	< -15%
NR (Not Rated)	No specific call on the stock
UR (Under review)	Stock being reviewed – rating may change shortly

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