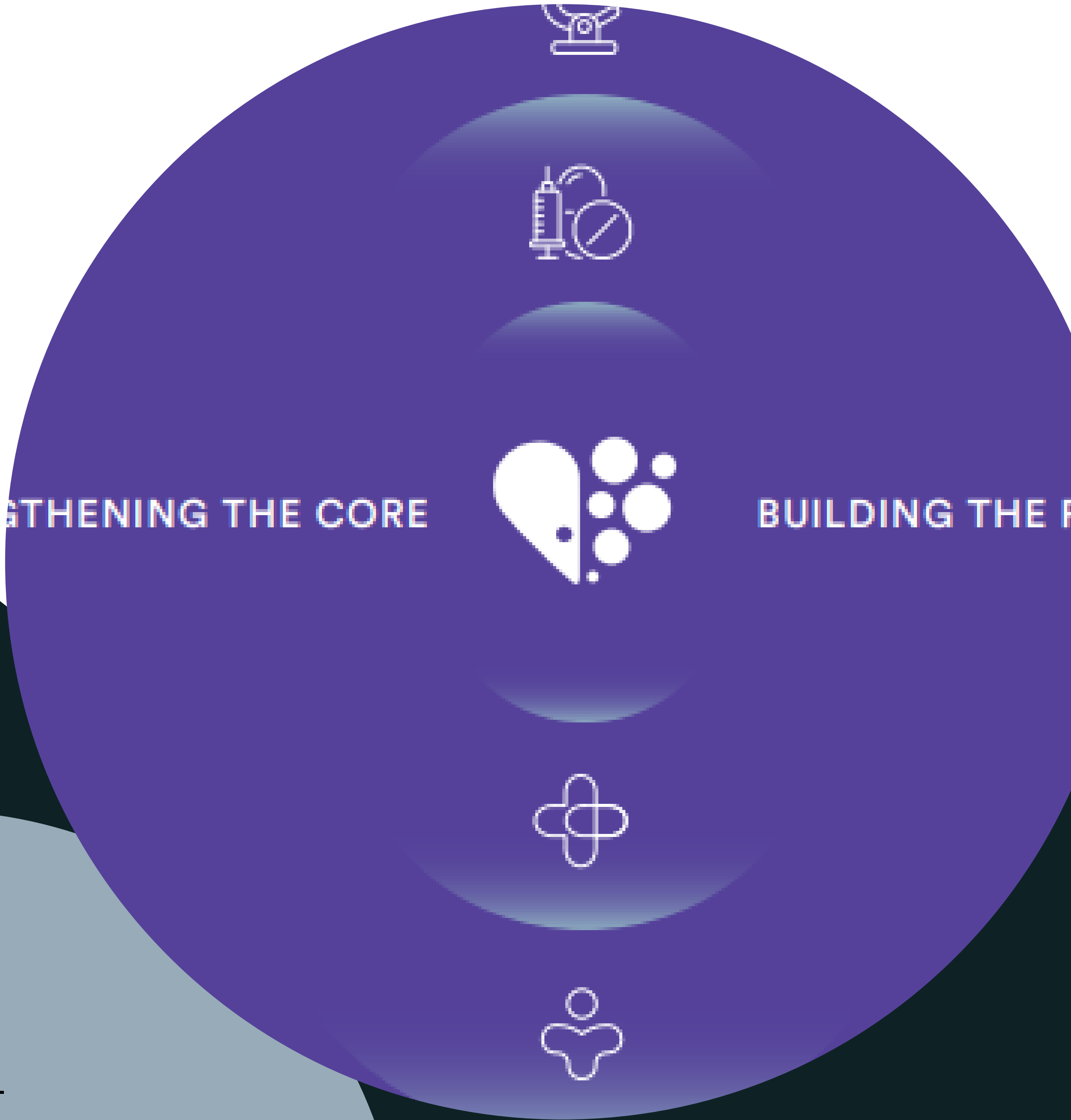
Research Report

Dr Reddy Laboratories Limited



Prepared By-

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About

Dr. Reddy's Laboratories Ltd is a leading India-based pharmaceutical company which offers a portfolio of products and services, including Active Pharmaceutical Ingredients (APIs), Custom Pharmaceutical services (CPS), generics, biosimilars and differentiated formulations.

Key Business segments

- **Global Generics Segment (~83% of revenues in FY22)**
- **Pharmaceutical Services & Active Ingredients (PSAI) (14% of revenues in FY22)**
- **Proprietary Products & Others (~2% of revenues)**

Synopsis of Financials

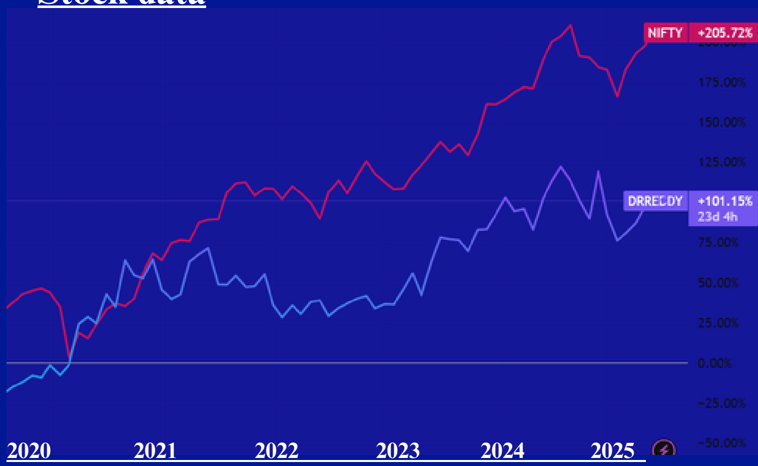
- FY25 consolidated revenues: ₹32,554 crores ($3.8bn), YoY growth 17%.
- Q4FY25 revenues: ₹8,506 crores ($996mn), YoY growth 20%, sequential growth 2%.
- EBITDA: Crossed $1bn for the first time; FY25 EBITDA at ₹9,213 crores ($1.1bn), YoY growth 11%; Q4 EBITDA ₹2,475 crores ($290mn), YoY growth 32%.
- EBITDA margin: Q4 at 29.1% (+267bps YoY), FY25 at 28.3% (down 143bps YoY).
- PAT (attributable to equity holders): FY25 ₹5,655 crores, YoY growth 2%, margin at 17%.
- EPS: ₹19.1 for Q4, ₹68.1 for FY25.

Source: Company Annual Report

Stock data (as 2nd July25)

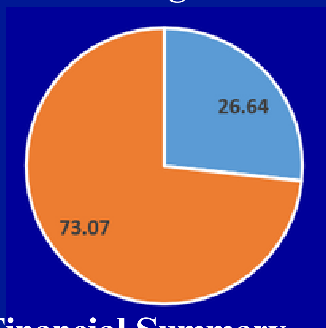
Nifty Price	: 25,446.75
52 week High (in Rs.)	: 1,421
52 week Low (in Rs.)	: 1,020
Market Cap. (in Crore)	: 1,06,868
NSE Code	: DRREDDY

Stock data



-NIFTY50
-Dr. Reddy's Laboratories Limited

Shareholding Pattern (March 2025)



-PUBLIC GROUP
-PROMOTER GROUP

Financial Summary

Particulars	Mar-23	Mar-24	Mar-25
Sales	24,670	28,011	32,644
Sales Growth %	14.50%	13.54%	16.54%
Expenses	18,200	20,078	24,097
Operating Profit	6,470	7,933	8,547
OPM %	26%	28%	26%
Net Profit	4,507	5,578	5,725
EPS in Rs	54.14	66.87	67.77

Quaterly Results

Particular	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
Sales	6,903	7,237	7,114	7,696	8,038	8,381	8,528
Expenses	4,894	5,214	5,283	5,566	5,962	6,108	6,530
Operating Profit	2,008	2,023	1,831	2,130	2,076	2,273	1,998
OPM %	29%	28%	26%	28%	26%	27%	23%
Other Income	319	219	201	193	314	154	528
Interest	35	39	59	60	76	82	66
Depreciation	376	374	368	381	397	471	455
Profit before tax	1,917	1,829	1,605	1,883	1,917	1,874	2,005
Tax %	23%	24%	18%	26%	30%	25%	21%
Net Profit	1,482	1,381	1,310	1,392	1,342	1,404	1,587

Source: Screener

Key Ratios

(₹ mn)

Year ending March 31	2025	2024	2023	2022	2021
Profitability Ratios					
EBITDA Margin %	28%	30%	30%	24%	25%
Gross Margin %	58%	59%	57%	53%	54%
Global Generics	62%	63%	62%	58%	59%
PSAI	27%	23%	16%	22%	29%
Net Profit Margin (%)	18%	20%	18%	11%	9%
Return on Net Worth (%)	17%	20%	20%	12%	10%
Asset Productivity Ratios					
Fixed Asset Turnover	3.7	3.9	3.8	3.6	3.5
Total Assets Turnover	0.7	0.8	0.8	0.8	0.8
Working Capital Ratios					
Working Capital Days	212	219	182	214	188
Inventory Days	193	196	163	184	177
Debtors Days	95	103	103	108	91
Creditor Days	76	80	84	79	80

Source: Annual Report

Yearly Results

Particulars	Mar-23	Mar-24	Mar-25
Equity Capital	83	83	83
Reserves	23,203	28,171	33,466
Borrowings	1,347	2,002	4,677
Other Liabilities	7,576	8,523	9,797
Total Liabilities	32,209	38,780	48,023
Fixed Assets	9,219	10,426	18,226
CWIP	1,030	1,419	2,466
Investments	4,986	4,930	4,051
Other Assets	16,974	22,004	23,280
Total Assets	32,209	38,780	48,023

Source: Screener

Synopsis Quarter Results

Concall Notes - May-2025: Key Highlights

Business Developments & Strategic Initiatives

Inorganic Moves & Portfolio Expansion

- NRT acquisition: Added ₹597 crores revenue in Q4, ₹1,202 crores in FY25. Integration progressing as planned (UK done, Nordics next).
- Divestment: Shreveport, US manufacturing facility divested; one-off severance and related costs impacted Q4 gross margin (80bps out of 300bps decline).

Biosimilars & Innovation

- Key partnerships:
  - Exclusive US/EU commercialization rights for daratumumab biosimilar (Henlius).
  - Bio-Thera tie-up for ustekinumab and golimumab biosimilars (SE Asia focus).
  - USFDA accepted denosumab biosimilar filing (partnered asset).
- Abatacept biosimilar: Phase III ongoing; submission planned end-CY25 (IV launch post-patent expiry, SC a year later).
- R&D focus: Complex assets (GLP-1s, biosimilars, peptides, novel oncology).

Consumer Health & Innovation in India

- Sanofi collaboration: Launch of Beyfortus™ (nirsevimab) for RSV prevention.
- ALK-Abelló partnership: Launch of Sensimune™ (immunotherapy for dust mite allergy).

Margin Outlook & Cost Structure

Margin Guidance

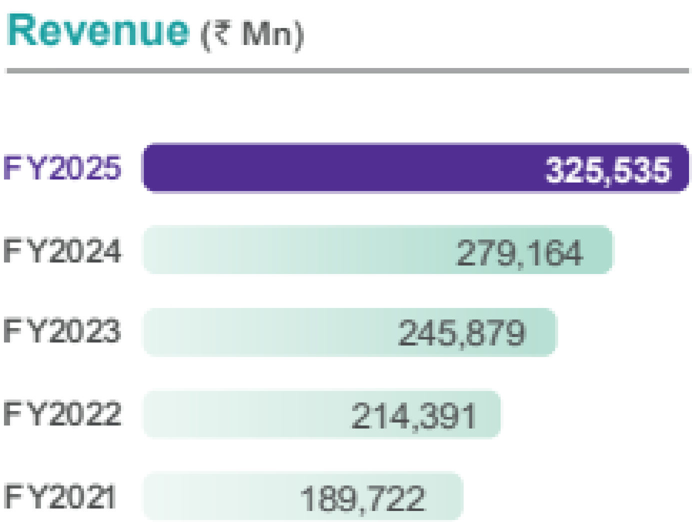
- FY26 guidance: Management reiterates double-digit revenue growth and maintenance of FY25 EBITDA margin levels, even as gRevlimid (lenalidomide) exclusivity ends in Jan 2026.
- Gross margin Q4 dip: Management attributes to one-offs (Shreveport severance, lower out-licensing income, inventory overheads); expects normalization.

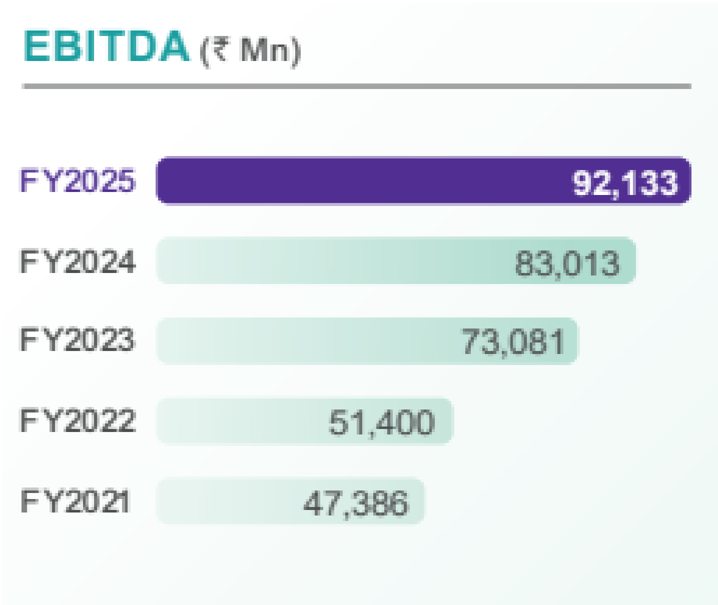
Cost Management

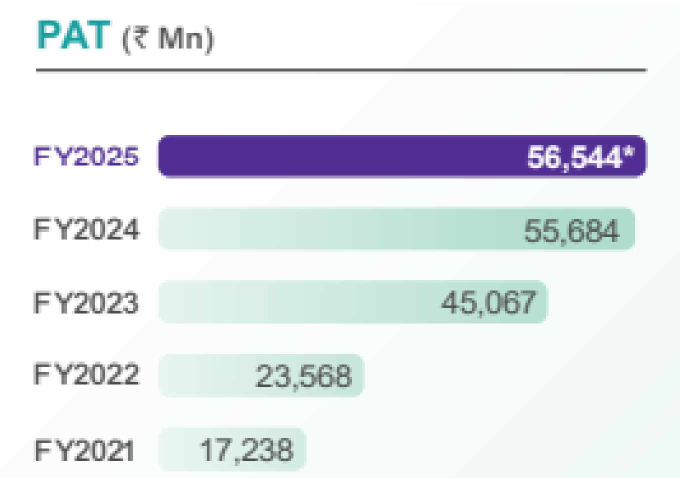
- SG&A and R&D: Expected to remain at current levels as % of sales (SG&A ~28%, R&D ~8.5%).
- Strategy: Drive sales growth faster than expenses; focus on productivity, not cost cutting.
- Capex: FY25 capex more than doubled YoY (peptides, biosimilars, complex molecules); FY26 capex expected at similar elevated levels.

Source: Screener

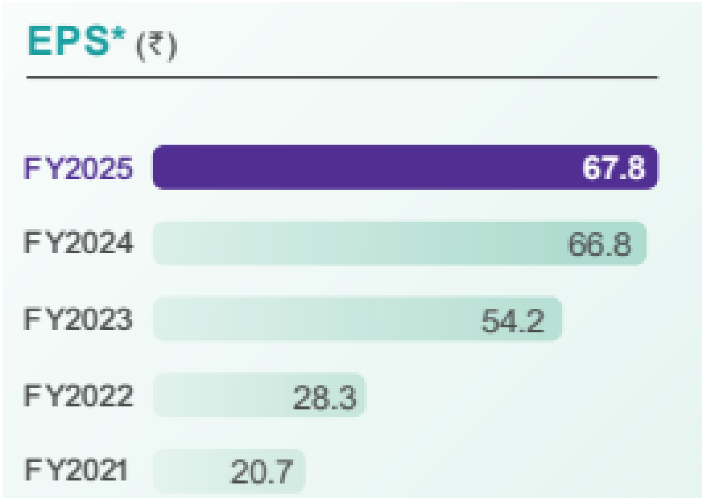
Highlights







*Attributable to Equity Holders

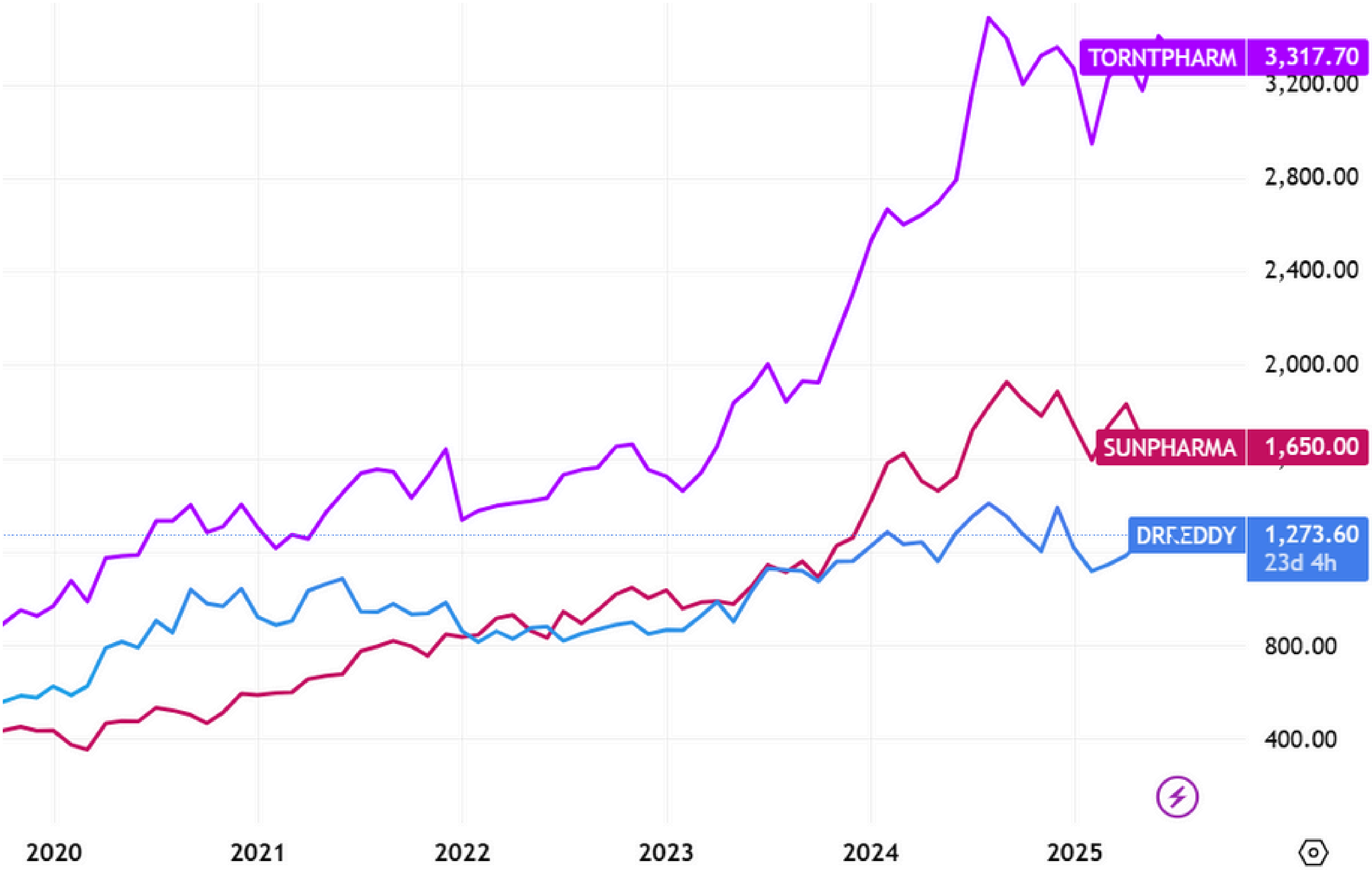


*Historical numbers re-casted basis the increased number of shares post share split

Source: Investor Presentation

Peer Comparison

Peer Stock Performance (5Y) Indexed



Source: Trading View

Peer Financial Performance

S.No.	Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %
1.	Sun Pharma.Inds.	1657.20	34.77	397617.80	0.95	2153.93	-13.13	12958.84	8.14
2.	Divi's Lab.	6949.00	84.21	184474.10	0.43	662.00	23.05	2585.00	12.24
3.	Cipla	1482.65	23.32	119754.80	0.86	1214.14	30.29	6729.69	9.19
4.	Torrent Pharma.	3308.75	58.44	111978.10	0.96	498.00	14.78	2959.00	7.80
5.	Dr Reddy's Labs	1280.50	19.29	106868.17	0.62	1586.70	21.14	8528.40	19.89

Source: Screener

Final Outlook

DRREDDY: BUY| LTP: 1,280

Dr. Reddy’s showcases robust capital efficiency, with a high and stable ROCE of 27%, outperforming many peers. Despite this, FY24 saw a rise in its cash conversion cycle (201 to 256 days) and inventory days (232 to 283), hinting at operational inefficiencies in inventory and payables management. However, stable debtor days and strong profitability indicate resilience. Strategic investments and consistent innovation in high-margin markets like biosimilars and generics continue to support long-term growth.
With strong capital returns, a sound balance sheet, and a global expansion strategy, Dr. Reddy’s remains a solid long-term bet in the pharma sector. Investors should watch inventory and working capital trends, but the company’s innovation-driven approach and international presence make it a valuable portfolio addition for 2–3 year holding.