

Dr Reddys Laboratories | BUY

GLP 1 – Canada response submitted & India DGCI approval in

Dr. Reddy's Laboratories participated in the JM Investor Conference, represented by M. V. Narasimham, Chief Financial Officer, and Ms. Aishwarya Sitharam from the Investor Relations team. Key updates included the receipt of DGCI approval for semaglutide in India and the submission of Dr. Reddy's response to the Canadian authority regarding the CRL dated 28 October. A complete summary of the main developments is provided below.

- **GLP-1 – Canada Response Submitted:** Dr. Reddy's has submitted its response for generic semaglutide approval in Canada, which is expected to be the first major market to open. Although approval timelines typically range from 45 days to 5 months (and occasionally up to ~200 days), management expects approval before May or June because the company is a first filer. The Canadian GLP-1 market is dominated by autoinjectors, with no meaningful vial opportunity, and prices generally fall more than 50% once two players enter and over 75% with three or more. Dr. Reddy's believes it retains a competitive advantage because later filers are scheduled for subsequent interactions with Health Canada.
- **GLP-1 – DGCI Approval Received in India:** In India, Dr. Reddy's has obtained the API license and secured both SEC and DGCI approval for semaglutide, while other manufacturers with SEC approval have yet to receive DGCI clearance. Patent litigation with Novo Nordisk permits manufacturing but restricts launch until March 2026, when the patent expires. Dr. Reddy's will follow the court's direction and will delay commercial launch until that date. The company is also developing oral semaglutide and will leverage its established diabetes-focused field force to build a strong long-term GLP-1 presence in India.
- **GLP-1 – Brazil and Other Emerging Markets:** Brazil follows an independent regulatory pathway, and Dr. Reddy's expects semaglutide approval in CY26 for a market valued at roughly USD 800mn and dominated by local players. The company is also securing COPP certifications for Turkey, South Africa, and additional emerging markets to expand global access. From 2H FY27, semaglutide manufacturing will shift to Dr. Reddy's internal facilities, while autoinjector devices will continue to be sourced from a third party. Fill-finish operations will be handled by Stelis once the facility receives regulatory approval.
- **Denosumab:** Denosumab has completed regulatory review in both the U.S. and EU, with an EU launch expected next quarter and the U.S. launch pending goal-date confirmation. While its financial contribution will be modest, denosumab plays an important strategic role by establishing stronger U.S. and EU commercial infrastructure ahead of the company's larger biosimilar opportunities.
- **Abatacept:** Abatacept remains one of Dr. Reddy's most significant biosimilar programs. The IV formulation is planned for U.S. filing in December 2025 with anticipated approval by end-CY26, and EU filing and approval are expected around mid-CY26. The SC formulation will be filed in the EU with an estimated 12-month review timeline, while the U.S. SC launch must wait until exclusivity expiry in February 2028. Dr. Reddy's expects to achieve interchangeability, supported by completed bridge studies. The U.S. abatacept market exceeds USD 2 bn, with a 50/50 commercial split, while Europe follows a 70/30 structure. Notably, no competitors are known to be pursuing SC abatacept filing in Europe, making this a high-value opportunity.



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,522
Upside/(Downside)	22.4%
Previous Price Target	1,522
Change	0.0%

Key Data – DRRD IN

Current Market Price	INR1,244
Market cap (bn)	INR1,038.7/US\$11.8
Free Float	72%
Shares in issue (mn)	834.4
Diluted share (mn)	834.4
3-mon avg daily val (mn)	INR2,223.0/US\$25.3
52-week range	1,406/1,020
Sensex/Nifty	84,212/25,795
INR/US\$	87.9

Price Performance

%	1M	6M	12M
Absolute	-1.1	6.9	-2.5
Relative*	-4.0	1.3	-7.3

* To the BSE Sensex

Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	2,79,164	3,25,534	3,42,183	3,66,000	4,09,293
Sales Growth (%)	13.5	16.6	5.1	7.0	11.8
EBITDA	82,587	90,593	82,124	90,768	1,03,551
EBITDA Margin (%)	29.6	27.8	24.0	24.8	25.3
Adjusted Net Profit	33,371	27,445	32,720	37,157	38,818
Diluted EPS (INR)	40.0	32.9	39.2	44.5	46.5
Diluted EPS Growth (%)	-5.6	-17.8	19.2	13.6	4.5
ROIC (%)	20.0	16.4	12.5	13.4	15.1
ROE (%)	13.0	8.9	9.5	10.0	9.6
P/E (x)	31.1	37.8	31.7	27.9	26.7
P/B (x)	3.8	3.2	3.0	2.8	2.5
EV/EBITDA (x)	12.7	11.9	13.0	11.6	9.9
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 21/Nov/2025

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

- **Biosimilars – Rituximab and Other Programs:** Rituximab remediation at the older manufacturing site is progressing, with inspections expected soon. The company is also advancing its Keytruda biosimilar in partnership with Alvotech, with the originator losing exclusivity in CY28 and development currently in an extended Phase 1. Dr. Reddy's has also in-licensed a Chinese-developed Darzalex (daratumumab) biosimilar, expected to launch first in Europe and later in the U.S., likely after 2032, targeting a global market of approximately USD 15 bn. Current biosimilar revenues stand at USD 100–120 mn annually, but abatacept is expected to significantly expand this segment.
- **Europe:** Europe continues to deliver strong double-digit growth driven by broader market coverage, stronger leadership, and an expanded product portfolio, shifting from an earlier strategy focused on only five key countries to a more comprehensive regional presence.
- **Russia:** Russia remains a consistently strong market with continued double-digit revenue growth, contributing meaningfully to Dr. Reddy's international business.
- **India Strategy:** In India, Dr. Reddy's aims to move from its current top-10 position toward becoming a top-5 player over time. Despite expanding its product portfolio, the company does not intend to increase its field force and will instead prioritize improved productivity, deeper penetration, and targeted launches.
- **Internal Execution and Innovation:** Management acknowledged prior internal challenges but highlighted improved alignment and execution discipline. The company is strengthening its presence in innovator biologics, including assets such as toripalimab, which is expected to generate around INR 1 billion (USD ~12 million) annually by its second year of commercialization. Business development and M&A remain active priorities, with a growing focus on partnerships with Chinese innovators.
- **GLP-1 R&D and Partnering:** Dr. Reddy's continues to expand its GLP-1 pipeline through collaborations such as its licensing agreement with Bioglobal, while evaluating additional GLP-1 APIs and new molecules for future clinical development. The company is also exploring global partnerships to accelerate its GLP-1 strategy across key markets.
- **Manufacturing Footprint:** The company is developing new U.S. manufacturing capabilities to support its biosimilar and complex product portfolio. The Bachupalli facility will play a key role in abatacept and pipeline biosimilars, with regulatory inspections expected between late-2025 and early-2027. Third-party partners such as Stelis will continue to support fill-finish operations to ensure global supply scalability.
- **Valuation & view:** The stock is currently trading at 28x/27x price to earnings multiple. We believe that the future growth will be driven by double-digit expansion in ex-US markets from the NRT business, biosimilar launches in the EU, and strong India growth. Additional upside is expected from gSemaglutide pen sales (12 mn in CY26) and pipeline products like Abatacept. While lower gRevlimid sales may weigh post-FY26, DRRD is well positioned to benefit from the upcoming generic GLP-1 wave. Overall the stock remains attractive, and we value it at 21x Sep-27E EPS, maintaining our BUY rating with a target price of INR 1,522.

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	2,79,164	3,25,534	3,42,183	3,66,000	4,09,293
Sales Growth	13.5%	16.6%	5.1%	7.0%	11.8%
Other Operating Income	0	0	0	0	0
Total Revenue	2,79,164	3,25,534	3,42,183	3,66,000	4,09,293
Cost of Goods Sold/Op. Exp	1,15,557	1,35,107	1,53,298	1,61,040	1,80,089
Personnel Cost	0	0	0	0	0
Other Expenses	81,020	99,834	1,06,761	1,14,192	1,25,653
EBITDA	82,587	90,593	82,124	90,768	1,03,551
EBITDA Margin	29.6%	27.8%	24.0%	24.8%	25.3%
EBITDA Growth	17.2%	9.7%	-9.3%	10.5%	14.1%
Depn. & Amort.	14,858	18,751	19,504	20,496	21,693
EBIT	67,729	71,842	62,620	70,272	81,859
Other Income	5,705	7,553	6,000	6,500	7,000
Finance Cost	1,711	2,829	2,649	1,239	1,044
PBT before Excep. & Forex	71,723	76,566	65,970	75,533	87,814
Excep. & Forex Inc/Loss(-)	0	0	0	0	0
PBT	71,723	76,566	65,970	75,533	87,814
Taxes	16,186	19,539	17,165	19,653	22,847
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	147	918	648	740	857
Reported Net Profit	55,684	56,543	48,257	55,250	64,231
Adjusted Net Profit	33,371	27,445	32,720	37,157	38,818
Net Margin	12.0%	8.4%	9.6%	10.2%	9.5%
Diluted Share Cap. (mn)	834.4	834.4	834.4	834.4	834.4
Diluted EPS (INR)	40.0	32.9	39.2	44.5	46.5
Diluted EPS Growth	-5.6%	-17.8%	19.2%	13.6%	4.5%
Total Dividend + Tax	0	0	0	0	0
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	71,870	76,783	66,020	75,588	87,875
Depn. & Amort.	14,841	17,058	19,504	20,496	21,693
Net Interest Exp. / Inc. (-)	-567	152	2,649	1,239	1,044
Inc (-) / Dec in WCap.	-20,182	-29,989	-1,077	-13,858	-14,689
Others	-482	2,417	0	0	0
Taxes Paid	-20,047	-19,993	-17,080	-19,568	-22,762
Operating Cash Flow	45,433	46,428	70,017	63,898	73,160
Capex	-27,435	-34,398	-28,000	-21,001	-11,000
Free Cash Flow	17,998	12,030	42,017	42,897	62,160
Inc (-) / Dec in Investments	-15,704	25,118	-4,325	-4,758	-5,234
Others	2,856	-41,741	0	0	0
Investing Cash Flow	-40,283	-51,021	-32,325	-25,759	-16,234
Inc / Dec (-) in Capital	805	-1,196	0	0	0
Dividend + Tax thereon	-6,648	-6,662	-25,382	-25,382	-25,382
Inc / Dec (-) in Loans	4,346	23,196	-5,500	-5,500	-10,500
Others	-2,266	-3,483	-2,197	-733	-538
Financing Cash Flow	-3,763	11,855	-33,079	-31,615	-36,420
Inc / Dec (-) in Cash	1,387	7,262	4,612	6,523	20,506
Opening Cash Balance	5,779	7,107	14,654	19,205	25,728
Closing Cash Balance	7,107	14,593	19,266	25,728	46,234

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	2,80,550	3,33,388	3,56,263	3,86,131	4,24,980
Share Capital	833	833	833	833	833
Reserves & Surplus	2,79,717	3,32,555	3,55,430	3,85,298	4,24,147
Preference Share Capital	0	0	0	0	0
Minority Interest	0	3,778	4,376	5,061	5,858
Total Loans	20,020	46,766	41,266	35,766	25,266
Def. Tax Liab. / Assets (-)	-13,583	-6,221	-6,221	-6,221	-6,221
Total - Equity & Liab.	2,86,987	3,77,711	3,95,684	4,20,737	4,49,882
Net Fixed Assets	1,18,090	2,06,373	2,14,870	2,15,375	2,04,682
Gross Fixed Assets	1,76,093	2,10,093	2,37,093	2,57,093	2,67,093
Intangible Assets	41,204	1,08,613	1,09,613	1,10,613	1,11,613
Less: Depn. & Amort.	1,03,707	1,16,833	1,36,337	1,56,833	1,78,526
Capital WIP	4,500	4,500	4,501	4,502	4,502
Investments	4,196	4,811	4,811	4,811	4,811
Current Assets	2,50,740	2,61,476	2,81,801	3,10,712	3,63,719
Inventories	63,552	71,085	72,050	75,689	84,642
Sundry Debtors	80,298	90,420	1,01,381	1,08,438	1,21,264
Cash & Bank Balances	7,107	14,654	19,205	25,728	46,234
Loans & Advances	0	0	0	0	0
Other Current Assets	99,783	85,317	89,164	1,00,857	1,11,578
Current Liab. & Prov.	86,039	94,949	1,05,798	1,10,160	1,23,329
Current Liabilities	34,888	38,826	43,431	45,581	50,694
Provisions & Others	51,151	56,123	62,366	64,580	72,635
Net Current Assets	1,64,701	1,66,527	1,76,003	2,00,551	2,40,389
Total - Assets	2,86,987	3,77,711	3,95,684	4,20,737	4,49,882

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	12.0%	8.4%	9.6%	10.2%	9.5%
Asset Turnover (x)	1.0	0.9	0.8	0.8	0.9
Leverage Factor (x)	1.1	1.2	1.2	1.2	1.1
RoE	13.0%	8.9%	9.5%	10.0%	9.6%

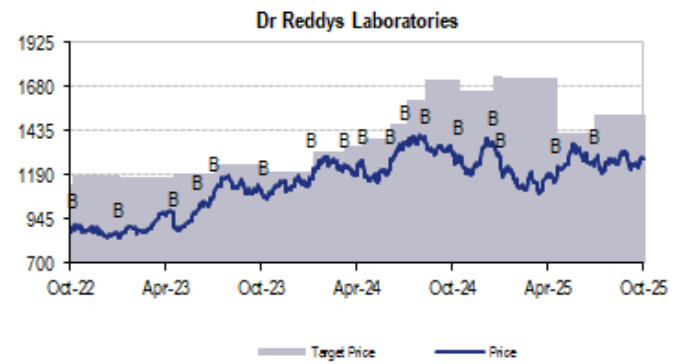
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	336.2	399.6	427.0	462.8	509.3
ROIC	20.0%	16.4%	12.5%	13.4%	15.1%
ROE	13.0%	8.9%	9.5%	10.0%	9.6%
Net Debt/Equity (x)	0.0	0.1	0.1	0.0	0.0
P/E (x)	31.1	37.8	31.7	27.9	26.7
P/B (x)	3.8	3.2	3.0	2.8	2.5
EV/EBITDA (x)	13.1	12.2	13.4	12.0	10.2
EV/Sales (x)	3.9	3.4	3.2	3.0	2.6
Debtor days	105	101	108	108	108
Inventory days	83	80	77	75	75
Creditor days	57	55	56	56	56

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
22-Jun-22	Buy	1,137	
28-Jul-22	Buy	1,137	0.0
29-Oct-22	Buy	1,192	4.8
26-Jan-23	Buy	1,178	-1.2
11-May-23	Buy	1,196	1.5
25-Jun-23	Buy	1,196	0.0
26-Jul-23	Buy	1,252	4.7
29-Oct-23	Buy	1,211	-3.3
31-Jan-24	Buy	1,317	8.8
31-Mar-24	Buy	1,356	3.0
7-May-24	Buy	1,387	2.3
27-Jun-24	Buy	1,478	6.6
28-Jul-24	Buy	1,602	8.4
4-Sep-24	Buy	1,713	6.9
6-Nov-24	Buy	1,655	-3.4
10-Jan-25	Buy	1,737	5.0
24-Jan-25	Buy	1,723	-0.8
12-May-25	Buy	1,418	-17.7
23-Jul-25	Buy	1,521	7.3
25-Oct-25	Buy	1,522	0.0

Recommendation History



APPENDIX I

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Corporate Identity Number: U67100MH2017PLC296081

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return $\geq$ 15% over the next twelve months.
ADD	Expected return $\geq$ 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return $\geq$ -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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