

Dr Reddy's Laboratories

Margin pressure visible; Semaglutide scale-up key

EBITDA[^] declined 11% YoY due to moderate sales growth of +4% YoY (as 10% QoQ decline in the US on lower gRevlimid sales was offset by +19% YoY growth in India and +20% in EU), gross margin correction (-456 bps YoY) and high staff costs (+16% YoY[^]). DRRD expects the US base business to stabilize led by new launches in FY26/ 27 (18 in 9M). The company is hopeful of new launch visibility in biosimilars to drive growth over the next few years, including (1) Abatacept: BLA submitted in Dec-25 and on track to launch in FY28; it expects EU launch in CY27, (2) Denosumab: launch in EU under progress but US timeline uncertain, and (3) Rituximab: in process to address CRL and approval possible after re-inspection. Semaglutide to have a sizable opportunity and scale-up remains key for growth: (1) the company has submitted response to address NON (Notice of Non-Compliance) for filing in Canada and it expects launch in Q1FY27 (goal date in May-25); (2) on track to launch Semaglutide in 87+ markets after patent expiry – India (in 21-Mar-26; received approval in India for antidiabetic and weight loss indication approval is under review), Brazil (Jul-26), and exploring B2B partnership; and (3) targeting 12mn pen capacity including CMO by FY27, which could go up by H2CY27. It will put greater focus on biosimilars and peptides for expand global pipeline. Factoring in 9M performance, we have cut EPS by 4/1% for FY26/27E and revised the TP of INR 1,240 (22x Q3FY28E EPS from 23x earlier). REDUCE stays as base business growth and margin concerns persist.

- Q3 highlights:** Sales grew 4% YoY to INR 87.5bn. US sales (34% of sales) declined 10% QoQ to USD 330 mn (-17% YoY), due to price erosion and lower gRevlimid sales. India (18%) grew 19% YoY to INR 16.03 bn, led by new launches and incremental sales from Sturgeon portfolio. EM (22%) grew 32% YoY, with 51% YoY growth in Russia and 20% YoY growth in RoW, which was partly offset by muted CIS growth. EU (17%) grew 20% (15% ex-NRT portfolio) and PSAI (9%) declined 2% YoY.
- Lower gRevlimid sales hit EBITDA:** GM declined by 456bps YoY to 64.6% due to reduced gRevlimid sales and price erosion in the base business. Higher staff (+16% YoY, including incremental cost of INR 1.17bn related to benefits under the new labor code) and lower R&D (-8%) costs and muted SG&A (+3%) led to an adjusted EBITDA of INR 20.31bn (-11% YoY) with a margin of 23.2% (-391bps YoY). Reported PAT decline by 14% YoY of INR 12.09bn. Adjusted for one-offs, PAT stood at INR 13.2bn (flat YoY).
- Con call takeaways:** In Q3, the company entered into a strategic collaboration with Immutep for commercialization of Eftilagimod Alfa (a novel oncology drug) in key global markets outside the US, Europe, Japan, and Greater China (upfront of USD 20 mn + milestones of up to USD 349.5 mn + double-digit royalties). It plans to use India CoPP (Certificate of Pharmaceutical Product) to register in various RoW markets. R&D to be at 7-8% of sales.

Quarterly financial summary

(INR mn)	3QFY26	3QFY25	YoY (%)	2QFY26	QoQ (%)	FY24	FY25	FY26E	FY27E	FY28E
Net Revenue	87,534	83,812	4	88,283	(1)	280,111	326,439	342,702	346,971	370,005
EBITDA	20,315	22,726	(11)	21,727	(6)	79,334	87,164	80,535	76,334	82,881
APAT	13,209	13,186	0	14,145	(7)	54,389	56,681	51,469	44,287	48,003
EPS (INR)	15.8	15.8	0	16.9	(7)	65.1	67.9	61.6	53.0	57.5
P/E (x)						17.7	17.0	18.7	21.8	20.1
EV/EBITDA (x)						11.6	11.0	12.0	12.5	11.4
RoCE(%)						26	23	17	13	13

Source: Company, HSIE Research, PAT adjusted for one-offs, [^] Labor code one-offs of INR 1.17bn

REDUCE

CMP (as on 21 Jan 2026)	INR 1,156
Target Price	INR 1,240
NIFTY	25,158
KEY CHANGES	OLD NEW
Rating	REDUCE REDUCE
Price Target	INR 1320 INR 1240
	FY26E FY27E
EPS %	(4.2) (1.3)

KEY STOCK DATA

Bloomberg code	DRRD IN
No. of Shares (mn)	835
MCap (INR bn) / (\$ mn)	966/10,532
6m avg traded value (INR mn)	2,198
52 Week high / low	INR 1,380/1,020

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(10.2)	(8.1)	(10.2)
Relative (%)	(7.2)	(7.8)	(18.2)

SHAREHOLDING PATTERN (%)

	Sep-25	Dec-25
Promoters	26.64	26.64
FIs & Local MFs	27.98	30.44
FPIs	35.52	33.2
Public & Others	9.86	9.72
Pledged Shares	-	-

Source: BSE

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Supreme Industries

In-line performance; PVC prices uncertainty persist

Supreme Industries (SIL) reported 13% consolidated volume growth (plumbing/other segments 16/2% YoY). EBITDA grew 2% YoY owing to increased employee costs, given the additional charge on account of new labor law. APAT declined 18% YoY due to lower EBITDA, associate profit, and higher depreciation. Management holds its overall volume growth guidance at 12–14% and plastic piping division guidance at 15–17% for FY26, backed by good demand visibility for Q4. The company is targeting INR110-115bn revenue in FY26. However, it has lowered the EBITDA margin guidance for the year to 13.5–14% vs 14.5–15% earlier. It is expecting strong Q4 demand, driven by good demand visibility from agriculture, housing, and infrastructure sectors. Going forward, management expects PVC resin prices to increase. Factoring in the Q3 result, we cut our revenue estimates by 1% each for FY26/27/28E and APAT estimate by 7% for FY26, while broadly maintaining FY27-28E. We value the company at 40x Mar'28 EPS and its 30.8% holding in the associate Supreme Petrochem at a 30% discount to its current market cap. We maintain ADD on Supreme Industries with a revised target price of INR 3,780/sh.

- Q3FY26 performance:** Supreme Industries delivered 13% consolidated volume growth, including Wavin acquisition. Plumbing/other segments delivered 16/2% volume growth YoY. Consolidated/pipes NSR declined by 6/7% QoQ, owing to sequential correction in PVC resin prices. Consolidated revenue was up 7% YoY. EBITDA grew 2% YoY, owing to increase employee costs (up 35% YoY), due to an INR 154mn expense charge on account of new labor codes. Other expenses surged 11% YoY. Consequently, EBITDAM stood at 11.7% (down 63/74bps YoY/QoQ). Consolidated/pipes/industrial/packaging/consumer EBIT was -6/-2/-1/-24/1% YoY. APAT declined 18% YoY owing to lower EBITDA, associate profit, and higher depreciation.
- Outlook:** The management holds its overall volume growth guidance at 12–14% and plastic piping division guidance at 15–17% for FY26, backed by good demand visibility in Q4. However, it lowered the EBITDA margin guidance for the year to 13.5–14% vs 14.5–15% earlier. It expects strong Q4 demand, driven by good demand visibility from agriculture, housing, and infrastructure sectors. Going forward, management expects PVC resin prices to increase. Factoring in the Q3 result, we cut our revenue estimates by 1% each for FY26/27/28E and APAT estimate by 7% for FY26, while broadly maintaining FY27-28E. We maintain ADD with a TP of INR 3,780/sh.

Consolidated quarterly/annual financial summary

YE Mar (INR mn)	Q3 FY26	Q3 FY25	YoY (%)	Q2 FY26	QoQ (%)	FY24	FY25	FY26E	FY27E	FY28E
Sales (K MT)	183.8	162.7	12.9	154.4	19.0	639.7	674.5	745.8	829.5	914.1
NSR (INR/Kg)	146.2	154.2	-5.2	155.0	-5.7	158.4	154.9	145.5	149.8	149.7
EBITDA (INR/Kg)	17.1	19.0	-10.0	19.3	-11.3	24.2	21.2	19.2	22.1	22.5
Net Sales	26,869	25,099	7.1	23,939	12.2	1,01,342	1,04,463	1,08,489	1,24,234	1,37,651
EBITDA	3,138	3,088	1.6	2,974	5.5	15,473	14,317	14,296	18,363	20,588
EBITDAM (%)	11.7	12.3		12.4		15.3	13.7	13.2	14.8	15.0
APAT	1,534	1,870	-18.0	1,647	-6.9	10,697	9,609	8,320	11,620	12,940
AEPS (INR)	12.1	14.7	-18.0	13.0	-6.9	84.2	75.6	65.5	91.5	101.9
EV/EBITDA(x)	183.8	162.7	12.9	154.4	19.0	26.7	29.0	29.4	22.9	20.4
P/E (x)	146.2	154.2	-5.2	155.0	-5.7	39.7	44.2	51.0	36.5	32.8
RoE (%)	17.1	19.0	-10.0	19.3	-11.3	22.5	17.8	14.2	18.2	18.6

Source: Company, HSIE Research

ADD

CMP (as on 21 Jan 2026)	INR 3,349
Target Price	INR 3,780
NIFTY	25,158
KEY CHANGES	OLD NEW
Rating	ADD ADD
Price Target	INR 3,940 INR 3,780
EPS change %	FY26E FY27E
	-6.7 -0.3

KEY STOCK DATA

Bloomberg code	SI IN
No. of Shares (mn)	127
MCap (INR bn) / (\$ mn)	425/4,639
6m avg traded value (INR mn)	944
52 Week high / low	INR 4,740/3,020

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(20.1)	(20.3)	(15.4)
Relative (%)	(17.1)	(19.9)	(23.4)

SHAREHOLDING PATTERN (%)

	Sep-25	Dec-25
Promoters	48.90	48.96
FIs & Local MFs	16.05	19.23
FPIs	20.66	17.12
Public & Others	14.39	14.71
Pledged Shares	NIL	NIL

Source : BSE

Pledged shares as % of total shares

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