

Dr Reddy's Laboratories

India | Pharmaceuticals | Result Update

Elara Capital

22 January 2026

India business takes off; Sema & Abata waiting

Dr. Reddy's Laboratories (DRRD IN) reported Q3FY26 revenue in line with our estimate. EBITDA came in 3% above our estimate, adjusted for INR 1.17bn one-off expense related to new labor code. PAT came in 8% above our estimate, helped by forex gains. We estimate one-off *gRevlimid* sales of USD 50-60mn in Q3; the opportunity window has closed. North America business was down YoY and QoQ, as expected. All the other businesses performed in line or posted a beat. India business grew 19% YoY and DRRD expects it to sustain above 15%, which is major positive highlights. We maintain our FY26E-28E core earnings estimates broadly. We retain **Buy** with a TP of INR 1,588.

***gRevlimid*, opportunity over; exploring other prospects:** With the sun setting on *gRevlimid*, DRRD is actively pursuing other large opportunities, to unfold in the next two years. Semaglutide launch in multiple markets, starting March 2026, and sole biosimilar version of Abatacept (Orencia, >USD 2bn sales) in the US and Europe starting CY27 are the larger opportunities. Biosimilar Rituximab and Denosumab are smaller, but important prospects. These opportunities will help DRRD significantly mitigate the impact of loss of *gRevlimid* sales.

Working diligently to monetize opportunities: DRRD is hoping to launch gSemaglutide in May 2026 or before in Canada, India, Turkey, and Brazil. Canada still remains a large opportunity, where only 2-3 firms may launch in the first wave. DRRD is targeting Abatacept IV version launch in the US in early CY27, both IV and sub-cutaneous versions in Europe in mid-CY27 and sub-cutaneous version in the US in early CY28.

Positive surprise in acquired NRT business: The Nicotine replacement therapy business in Europe, acquired last year, has been growing faster than expected in high single digit and margins have been north of 25%. Management continues to see good momentum in demand growth for the products.

Domestic market – Strong show: DRRD's domestic business growth at 19% in Q3 was commendable, and even more commendable was the commentary of 15%+ sustainable growth. Management attributed this to focus on the business, including the launch of innovative products. We raise our growth estimate for this business to mid-teen from low double digits.

Mixed performance in other markets: Growth in other markets – Europe, Russia / CIS and other EMs – was helped by the major depreciation of INR against other currencies. Adjusted for the currency benefit, growth was in mid-single digit, in our analysis. Q3 was a weak quarter for the PSAI (CDMO) business as well.

Retain Buy with a TP of INR 1,588: We maintain our FY26E-28E core earnings estimates. DRRD trades at 21.6x FY27E core earnings. We retain **Buy** with a TP of INR 1,588, based on 25x FY28E core earnings plus cash per share. Increased price erosion in the US generics market and delays in key product approvals are key risks.

Key Financials

| YE March (INR mn) | FY24 | FY25 | FY26E | FY27E | FY28E |
|-------------------|---------|---------|---------|---------|---------|
| Revenue (INR mn) | 279,164 | 325,535 | 347,696 | 372,020 | 416,033 |
| YoY (%) | 15.9 | 16.6 | 6.8 | 7.0 | 11.8 |
| EBITDA (INR mn) | 78,389 | 86,236 | 76,837 | 76,702 | 88,284 |
| EBITDA margin (%) | 28.1 | 26.5 | 22.1 | 20.6 | 21.2 |
| Adj PAT (INR mn) | 55,684 | 57,451 | 49,844 | 46,510 | 54,857 |
| YoY (%) | 23.6 | 1.5 | (11.8) | (6.7) | 17.9 |
| Fully DEPS (INR) | 66.4 | 68.5 | 59.6 | 55.6 | 65.5 |
| RoE (%) | 21.8 | 18.6 | 13.9 | 11.6 | 12.3 |
| RoCE (%) | 23.3 | 20.0 | 14.7 | 13.7 | 14.7 |
| P/E (x) | 17.3 | 16.8 | 19.4 | 20.8 | 17.6 |
| EV/EBITDA (x) | 12.2 | 11.1 | 12.5 | 12.5 | 10.9 |

Note: Pricing as on 21 January 2026; Source: Company, Elara Securities Estimate

Rating: **Buy**

Target Price: INR 1,588

Upside/Downside: 37%

CMP: INR 1,157

As on 21 January 2026

Key data

| | |
|----------------------------|-------------|
| Bloomberg | DRRD IN |
| Reuters Code | REDY.NS |
| Shares outstanding (mn) | 835 |
| Market cap (INR bn/USD mn) | 966/10,532 |
| EV (INR bn/USD mn) | 958/10,448 |
| ADTV 3M (INR mn/USD mn) | 2,166/24 |
| 52 week high/low | 1,380/1,020 |
| Free float (%) | 73 |

Note: as on 21 January 2026; Source: Bloomberg

Price chart



Source: Bloomberg

| Shareholding (%) | Q4 FY25 | Q1 FY26 | Q2 FY26 | Q3 FY26 |
|------------------|---------|---------|---------|---------|
| Promoter | 26.6 | 26.6 | 26.6 | 26.6 |
| % Pledge | 0.0 | 0.0 | 0.0 | 0.0 |
| FII | 37.3 | 36.4 | 35.5 | 33.2 |
| DII | 25.8 | 26.7 | 28.0 | 30.4 |
| Others | 10.3 | 10.3 | 9.9 | 9.7 |

Source: BSE

| Price performance (%) | 3M | 6M | 12M |
|-------------------------|--------|--------|--------|
| Nifty | (2.7) | 0.3 | 9.3 |
| Dr Reddy's Laboratories | (10.2) | (8.1) | (10.2) |
| NSE Mid-cap | (3.4) | (2.1) | 7.3 |
| NSE Small-cap | (10.5) | (13.5) | (6.1) |

Source: Bloomberg

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Financials (YE March)

| Income Statement (INR mn) | FY24 | FY25 | FY26E | FY27E | FY28E | |
|--|----------------|-----------------|----------------|----------------|----------------|------------------------------|
| Total Revenue | 279,164 | 325,535 | 347,696 | 372,020 | 416,033 | Expect FY26E EBITDA at 22.1% |
| Gross Profit | 163,607 | 190,428 | 187,896 | 191,648 | 215,874 | |
| EBITDA | 78,389 | 86,236 | 76,837 | 76,702 | 88,284 | |
| EBIT | 63,530 | 68,392 | 56,606 | 55,768 | 66,718 | |
| Interest expense | 1,711 | 2,829 | 3,581 | 761 | 840 | |
| Other income | 9,904 | 11,911 | 11,375 | 5,000 | 5,000 | |
| Exceptional/ Extra-ordinary items | - | (907) | - | - | - | |
| PBT | 71,723 | 76,567 | 64,400 | 60,007 | 70,878 | |
| Tax | 16,186 | 19,539 | 15,132 | 14,102 | 16,656 | |
| Minority interest/Associates income | 147 | (484) | 576 | 605 | 635 | |
| Reported PAT | 55,684 | 56,544 | 49,844 | 46,510 | 54,857 | |
| Adjusted PAT | 55,684 | 57,451 | 49,844 | 46,510 | 54,857 | |
| Balance Sheet (INR mn) | FY24 | FY25 | FY26E | FY27E | FY28E | |
| Shareholders' Equity | 280,550 | 333,388 | 377,133 | 417,568 | 466,376 | |
| Minority Interest | - | 3,778 | 3,202 | 2,597 | 1,962 | |
| Trade Payables | 30,919 | 35,523 | 39,274 | 42,821 | 47,524 | |
| Provisions & Other Current Liabilities | 51,090 | 55,967 | 67,715 | 73,830 | 81,937 | |
| Total Borrowings | 20,020 | 46,766 | 7,607 | 8,403 | 9,367 | |
| Other long term liabilities | 4,939 | 17,567 | 17,567 | 17,567 | 17,567 | |
| Total liabilities & equity | 387,518 | 492,989 | 512,498 | 562,786 | 624,733 | |
| Net Fixed Assets | 76,886 | 97,761 | 104,530 | 110,595 | 116,030 | |
| Goodwill | 4,253 | 11,810 | 20,648 | 20,648 | 20,648 | |
| Intangible assets | 36,951 | 96,803 | 96,803 | 96,803 | 96,803 | |
| Business Investments / other NC assets | 21,379 | 36,503 | 36,503 | 36,503 | 36,503 | |
| Cash, Bank Balances & treasury investments | 81,639 | 58,465 | 45,397 | 71,305 | 100,970 | |
| Inventories | 63,552 | 71,085 | 76,493 | 85,565 | 95,688 | |
| Sundry Debtors | 80,298 | 90,420 | 100,832 | 107,886 | 120,650 | |
| Other Current Assets | 22,560 | 30,142 | 31,293 | 33,482 | 37,443 | |
| Total Assets | 387,518 | 492,989 | 512,498 | 562,786 | 624,733 | |
| Cash Flow Statement (INR mn) | FY24 | FY25 | FY26E | FY27E | FY28E | |
| Cashflow from Operations | 45,433 | 46,428 | 60,810 | 54,552 | 58,225 | |
| Capital expenditure | (15,339) | (26,992) | (27,000) | (27,000) | (27,000) | |
| Acquisitions / divestitures | - | (53,096) | (8,838) | - | - | |
| Other Business cashflow | (12) | (317) | - | - | - | |
| Free Cash Flow | 30,082 | (33,977) | 24,972 | 27,552 | 31,225 | |
| Cashflow from Financing | (11,472) | 10,803 | (38,041) | (1,644) | (1,561) | |
| Net Change in Cash / treasury investments | 18,610 | (23,174) | (13,068) | 25,908 | 29,665 | |
| Key assumptions & Ratios | FY24 | FY25 | FY26E | FY27E | FY28E | |
| Dividend per share (INR) | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | |
| Book value per share (INR) | 334.5 | 397.4 | 450.9 | 498.9 | 556.9 | |
| RoCE (Pre-tax) (%) | 23.3 | 20.0 | 14.7 | 13.7 | 14.7 | |
| ROIC (Pre-tax) (%) | 31.7 | 25.1 | 16.9 | 15.9 | 18.2 | |
| ROE (%) | 21.8 | 18.6 | 13.9 | 11.6 | 12.3 | |
| Asset Turnover (x) | 3.9 | 3.7 | 3.4 | 3.5 | 3.7 | |
| Net Debt to Equity (x) | (0.2) | 0.0 | (0.1) | (0.2) | (0.2) | |
| Net Debt to EBITDA (x) | (0.8) | (0.1) | (0.5) | (0.8) | (1.0) | |
| Interest cover (x) (EBITDA/ int exp) | 45.8 | 30.5 | 21.5 | 100.8 | 105.1 | |
| Total Working capital days (WC/rev) | 233.0 | 191.5 | 159.4 | 184.2 | 208.7 | |
| Valuation | FY24 | FY25 | FY26E | FY27E | FY28E | |
| P/E (x) | 17.3 | 16.8 | 19.4 | 20.8 | 17.6 | |
| P/Sales (x) | 3.5 | 3.0 | 2.8 | 2.6 | 2.3 | |
| EV/ EBITDA (x) | 12.2 | 11.1 | 12.5 | 12.5 | 10.9 | |
| EV/ OCF (x) | 21.1 | 20.6 | 15.8 | 17.6 | 16.5 | |
| FCF Yield | 3.1 | (3.5) | 2.6 | 2.9 | 3.3 | |
| Price to BV (x) | 3.5 | 2.9 | 2.6 | 2.3 | 2.1 | |
| Dividend yield (%) | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | |

Note: Pricing as on 21 January 2026; Source: Company, Elara Securities Estimate

Exhibit 1: Quarterly results

| Y/E Mar (INR mn) | Q3FY26 | Q3FY25 | YoY (%) | Q2FY26 | QoQ (%) |
|---------------------|--------|--------|---------|--------|---------|
| Net Sales | 87,268 | 83,586 | 4.4 | 88,051 | (0.9) |
| Gross Profit | 46,806 | 49,052 | (4.6) | 48,140 | (2.8) |
| Gross Margins (%) | 53.6 | 58.7 | (505.0) | 54.7 | (103.8) |
| EBITDA | 18,683 | 23,000 | (18.8) | 19,891 | (6.1) |
| EBITDA Margins (%) | 21.4 | 27.5 | (610.8) | 22.6 | (118.2) |
| Other Income | 2,882 | 1,237 | 133.0 | 4,354 | (33.8) |
| Interest | 944 | 818 | 15.4 | 907 | 4.1 |
| Depreciation | 5,215 | 4,719 | 10.5 | 5,051 | 3.2 |
| PBT | 15,406 | 18,700 | (17.6) | 18,287 | (15.8) |
| Tax | 3,533 | 4,704 | (24.9) | 4,082 | (13.4) |
| Tax Rate (%) | 22.9 | 25.2 | (222.2) | 22.3 | 61.1 |
| PAT | 11,873 | 13,996 | (15.2) | 14,205 | (16.4) |
| Minority Interest | 225 | 137 | 64.2 | 167 | 34.7 |
| Exceptional Items | - | - | #DIV/0! | - | #DIV/0! |
| PAT | 12,098 | 14,133 | (14.4) | 14,372 | (15.8) |
| Adjusted Net Income | 12,098 | 14,133 | (14.4) | 14,372 | (15.8) |
| NPM (%) | 13.9 | 16.9 | (304.5) | 16.3 | (245.9) |

Source: Company, Elara Securities Research

Exhibit 2: Valuation based on core earnings

| | FY24 | FY25 | FY26E | FY27E | FY28E |
|----------------------|-------|-------|--------|-------|-------|
| Core EPS (INR) | 57.3 | 57.9 | 49.2 | 51.0 | 60.9 |
| Core EPS growth (%) | 52.9% | 1.1% | -15.0% | 3.7% | 19.5% |
| Cash per share (INR) | 97.4 | 69.7 | 54.3 | 85.2 | 120.6 |
| Current Core P/E (x) | 19.0 | 18.8 | 22.1 | 21.3 | 17.8 |
| Core ROIC (%) | 35.0% | 31.2% | 17.4% | 16.3% | 18.7% |

Source: Company, Elara Securities Estimate

Conference call highlights**Quarterly summary**

- ▶ Q3FY26 consolidated revenues stood at INR 87.3bn, up 4.4% YoY but down 0.9% QoQ.
- ▶ Gross margin was 53.6%. The YoY decline was driven by lower Lenalidomide sales, price erosion in NA and Europe generics, adverse PSAI product mix, and a one-time labor-code provision. Ex one-off, gross margin improved to 54.1%.
- ▶ SG&A expenses were INR 26.9bn, up 12% YoY and 2% QoQ, led by investments in branded franchises (acquired consumer healthcare in NRT and branded generics), forex headwinds, and a one-time labor-code provision. Ex one-off, SG&A moderated to 30.2% of revenues.
- ▶ R&D spend declined to INR 6.1bn, down 8% YoY and 1% QoQ, reflecting lower biosimilars development costs post completion of major Abatacept investments. The focus remains on complex generics, biosimilars, peptides, and novel biologics.
- ▶ EBITDA margin was 23.5%, including the labor-code impact. Ex one-off, margin stood at 24.8%.
- ▶ Free cash flow generated during the quarter was INR 3.7bn (as of 31 December 2025). The company reported a net cash surplus of INR 37.7bn.
- ▶ Capex for the quarter was INR 6.7bn.
- ▶ The company received VAI following a USFDA GMP and PAI at the FTO-11 formulations facility, Srikakulam (AP), inspected in July 2025.
- ▶ The USFDA issued Form 483 with five observations post GMP and PAI at the FTO-SEZ PU-01 formulations facility, Srikakulam (AP). The company has responded within stipulated timelines.

- ▶ DRRD entered into a strategic collaboration with Immutep for commercialization of Eftilagimod Alfa in global markets, excluding North America, Europe, Japan, and Greater China, involving an upfront of USD 20mn, potential milestones up to USD 349.5mn, and double-digit royalties.
- ▶ Aurigene Pharmaceutical Services (APSL), DRRD's CRDMO business, served as the exclusive API manufacturer for two of the 46 novel drugs approved by the USFDA in 2025.

The US business

- ▶ Q3FY26 revenues stood at INR 29.6bn, down 12% YoY and 9% QoQ, largely due to lower Lenalidomide sales and heightened price erosion in selected products.
- ▶ Six new products were launched in Q3, taking 9MFY26 launches to 18.
- ▶ Four ANDAs were filed with the USFDA in Q3FY26, bringing total filings in 9MFY26 to 10.
- ▶ As of 31 December 2025, 73 filings were pending USFDA approval, comprising 71 ANDAs (43 Para IV, 21 with potential FTF status) and two NDAs under Section 505(b)(2), including one Para IV.

India business

- ▶ Q3FY26 revenues were INR 16.0bn, up 19% YoY and ~2% QoQ.
- ▶ Growth was driven by traction in innovation portfolio, new brand launches, price hikes, volume growth, and contributions from the recently-acquired Stugeron portfolio.
- ▶ As per IQVIA, DRRD ranked tenth in the Indian Pharmaceutical Market (IPM) on both MQT and MAT bases.
- ▶ DRRD outperformed the IPM, with secondary sales growth of 12.3% versus IPM's 11.85% on an MQT basis, and 9.7% versus IPM's 8.9% on a MAT basis (IQVIA).
- ▶ Two new brands were launched in the quarter, taking 9MFY26 launches to 18.
- ▶ DRRD launched *Hevaxin*, a novel recombinant vaccine for the prevention of Hepatitis-E infection in India.
- ▶ DRRD received DCGI approval for Semaglutide injection in India for the diabetes indication, following a positive SEC recommendation under CDSCO.
- ▶ Organic growth in India stood at ~17-18%, led by innovative products.
- ▶ The innovation portfolio now contributes ~10-15% to domestic sales.

Europe business

- ▶ Q3FY26 revenues were INR 14.5bn, up 20% YoY and 5% QoQ; ex-NRT, growth stood at 16% YoY.
- ▶ Revenue growth was driven by new generic launches, strong NRT portfolio performance, and favorable forex, partly offset by pricing pressure in generics.
- ▶ Q3FY26 NRT revenues were INR 7.5bn, up 25% YoY and 8% QoQ. Constant-currency growth was ~8% YoY.
- ▶ In Q3FY26, revenues from the Germany business stood at INR 4.0bn, up 21% YoY and 1% QoQ.
- ▶ In Q3FY26, UK revenues declined 12% YoY to INR 1.7bn but grew 6% QoQ.
- ▶ In Q3FY26, revenues from rest of Europe were INR 1.3bn, up 49% YoY and 2% QoQ.
- ▶ Ten new products were launched in the region during the quarter.
- ▶ About 85% integration (by value) of the acquired Consumer Healthcare (NRT) business was completed as of December 2025.

Emerging market

- ▶ Q3FY26 revenues stood at INR 19.0bn, up 32% YoY and 15% QoQ. YoY growth was driven by new product launches across markets and favorable forex, while QoQ growth was primarily led by volume expansion.

- ▶ In Q3FY26, revenues from Russia were INR 10.6bn, up 51% YoY and 21% QoQ, supported by new launches, higher volumes of existing products, select price increases, and favorable forex. QoQ growth reflected volume-led expansion.
- ▶ In Q3FY26, other CIS countries and Romania revenues stood at INR 2.4bn, up 1% YoY and 4% QoQ. Pricing gains and favorable forex were partly offset by lower volume uptake.
- ▶ In Q3FY26, rest of world (RoW) revenues were INR 6.0bn, up 21% YoY and 9% QoQ, driven by new launches, higher volumes from existing products, and favorable forex, partly offset by price erosion.
- ▶ Thirty new products were launched across markets in Q3FY26, taking 9MFY26 launches to 80.

Biosimilar

- ▶ DRRD completed BLA filing for the IV(Intravenous) abatacept in December 2025.
- ▶ It received EC approval and MHRA (UK) marketing authorization for the denosumab biosimilar; the product was launched in Germany in December 2025.
- ▶ DRRD received a CRL from the USFDA for denosumab biosimilar BLA (developed by partner Alvotech), pertaining to pre-license inspection observations at Alvotech's Reykjavik facility. The goal date is expected to move beyond Q2FY27.
- ▶ DRRD received a CRL for the rituximab biosimilar BLA, linked to PAI observations from September 2025 at DRRD's Bachupally biologics facility (Hyderabad), along with certain BLA-related aspects. Additionally, the company received a PAAL from the USFDA on its submitted responses. The fill-and-finish CRL is expected to be addressed within ~2 weeks, post which the USFDA is expected to conduct a re-inspection. The goal date has been reset to ~six months and beyond.

Guidance

- ▶ Semaglutide (Canada) goal date is May '26. Management expects approval anytime between Feb and May '26. No plant inspection is required by Health Canada for semaglutide approval.
- ▶ Semaglutide pricing is guided at USD 20-70 per pen, with most markets skewed toward the lower end of the range.
- ▶ In domestic market, DRRD reiterated confidence in posting mid-teen growth in the coming quarters.
- ▶ Generic Semaglutide (Ozempic) launch is planned for 21 March 2026, coinciding with patent expiry in India.
- ▶ In Brazil and Turkey (Semaglutide), launches are targeted for July 2026.
- ▶ For Abatacept in the US IV (Intravenous), approval is expected by end-CY26, while SC(Subcutaneous) approval is targeted for CY28. In Europe, DRRD plans to file in July '26, with IV and SC approvals expected by July '27. The size of the European market is ~USD 2bn.
- ▶ The impact of the Labor code, going forward, is expected to be less than 50bps increase in employee costs in coming quarters.
- ▶ Growth of the NRT business is expected to remain in high single-digits. Brazil tender wins could lift growth to low double digits with EBITDA margin of more than ~25%.
- ▶ R&D spend is guided at ~7-8% of revenues, while SG&A is expected to remain at ~30% of topline in the coming quarters.
- ▶ For Russia, management guided that healthy double-digit growth in the region is sustainable.
- ▶ US business is expected to grow at a single-digit rate, ex-Lenalidomide, while other markets are expected to deliver double-digit growth.
- ▶ From Q4FY26, gross margins for PSAI and global generics are expected to be in the 50-55% range.

Exhibit 3: One-year forward P/E trading is trading at 17% discount to its 10-year average



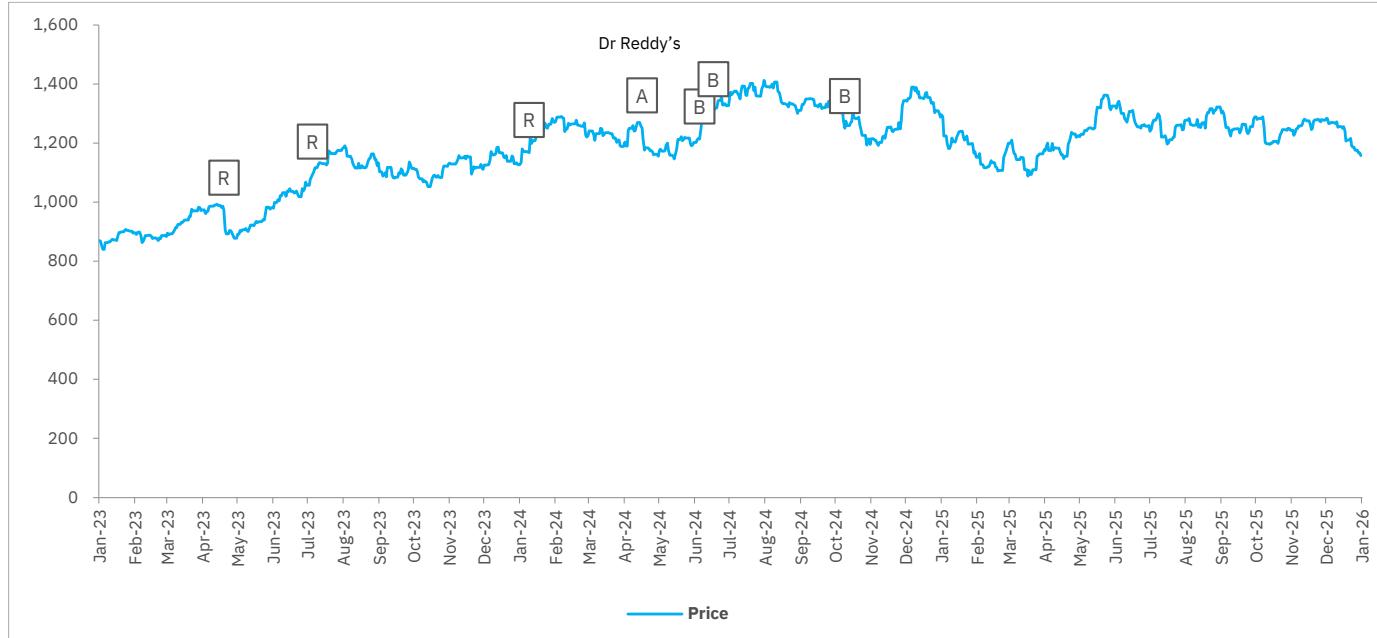
Source: Bloomberg, Elara Securities Estimate

Exhibit 4: Change in estimates

| (INR mn) | Old estimates | | | Revised estimates | | | % change | | |
|-----------|---------------|----------|----------|-------------------|----------|----------|----------|-------|-------|
| | FY26E | FY27E | FY28E | FY26E | FY27E | FY28E | FY26E | FY27E | FY28E |
| Sales | 3,43,110 | 3,63,076 | 3,98,612 | 3,47,696 | 3,72,020 | 4,16,033 | 1.3 | 2.5 | 4.4 |
| EBITDA | 77,866 | 76,575 | 87,334 | 76,837 | 76,702 | 88,284 | (1.3) | 0.2 | 1.1 |
| PAT | 41,931 | 42,647 | 50,344 | 41,142 | 42,685 | 51,032 | (1.9) | 0.1 | 1.4 |
| EPS (INR) | 58.8 | 55.5 | 64.7 | 59.6 | 55.6 | 65.5 | 1.4 | 0.1 | 1.3 |

Source: Elara Securities Estimate

Coverage History



| Date | Rating | Target Price (INR) | Closing Price (INR) |
|-------------|------------|--------------------|---------------------|
| 13-Apr-2022 | Buy | 5,530 | 4,302 |
| 19-May-2022 | Buy | 5,300 | 3,929 |
| 28-Oct-2022 | Accumulate | 4,910 | 4,460 |
| 10-May-2023 | Reduce | 4,946 | 4,867 |
| 26-Jul-2023 | Reduce | 5,579 | 5,476 |
| 30-Jan-2024 | Reduce | 6,018 | 5,841 |
| 07-May-2024 | Accumulate | 6,981 | 6,258 |
| 26-Jun-2024 | Buy | 7,328 | 6,070 |
| 08-Jul-2024 | Buy | 7,941 | 6,534 |
| 30-Oct-2024 | Buy | 1,588 | 1,250 |

Guide to Research Rating

BUY (B) Absolute Return >+20%

ACCUMULATE (A) Absolute Return +5% to +20%

REDUCE (R) Absolute Return -5% to +5%

SELL (S) Absolute Return < -5%

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