

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 28th 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 800 mn 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 bn 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 Chinese biotech firms, while evaluating additional GLP-1 APIs and new molecules for future clinical development. The company will leverage its global market presence during such tie-ups.
- **Manufacturing Footprint:** 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 till the time we get our Cartrige unit ready. No plans yet to expand manufacturing presence in the US.
- **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% |

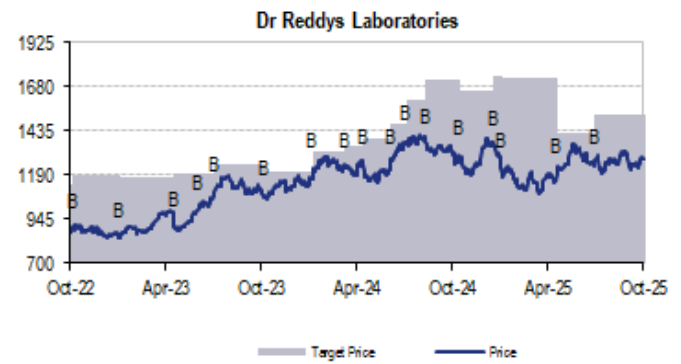
| Key Ratios | | | | | |
|---------------------|-------|-------|-------|-------|-------|
| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
| BV/Share (INR) | 336.2 | 399.6 | 427.0 | 462.8 | 509.3 |
| ROIC | 20.0% | 16.4% | 12.5% | 13.4% | 15.1% |
| ROE | 13.0% | 8.9% | 9.5% | 10.0% | 9.6% |
| Net 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

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

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Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

| 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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