

## Dr Reddy's Laboratories (DRRD)- REDUCE

### Company Update

|   |                                   |
|---|-----------------------------------|
| Current Market Price (CMP)<br><b>Rs. 1330</b> | Fair Value (FV)<br><b>Rs.1280</b> |
|---|-----------------------------------|

### Rationale:

- DRRD has received approval for generic Semaglutide from Health Canada, becoming the first generic player to receive marketing authorization in the country.
- Launch will be very soon and we now bake in a launch in early May versus end-May earlier.
- This, along with revised USD/INR assumptions, drives a 5/3% upgrade in our FY27/28E EPS for DRRD.
- However, imminent further competition will restrict any outsized returns in Canada.
- We expect earnings to de-grow (10.7)% in FY27E and 13.3% in FY28E.
- We expect the absence of any material catalysts to weigh on the stock.
- Roll forward and maintain REDUCE with an FV of Rs1,280 (Rs1,210 earlier).

### 👍 Positives:

- ~3.9 mn people (9.7% of the population) in Canada over a year old live with diagnosed diabetes.
- Currently, we estimate ~1 mn patients in Canada are taking the Ozempic/Wegovy brands.
- We expect the market volumes to almost double in FY2028E, largely driven by the cash and government channels.

### 👎 Negatives:

- We highlight that Health Canada is reviewing eight other submissions for generic Semaglutide.
- We bake in four other generic competitors in Canada in FY27E.
- We now expect volumes to be lower than this guidance.



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

## RATING SCALE (PRIVATE CLIENT GROUP)

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- BUY** – We expect the stock to deliver more than 15% returns over the next 12 months
- ADD** – We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE** – We expect the stock to deliver -5% - +5% returns over the next 12 months
- SELL** – We expect the stock to deliver < -5% returns over the next 12 months
- NR** – **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
- SUBSCRIBE** – We advise investor to subscribe to the IPO.
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- NA** – **Not Available or Not Applicable.** The information is not available for display or is not applicable
- NM** – **Not Meaningful.** The information is not meaningful and is therefore excluded.
- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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