

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

### Result Update

Current Market Price (CMP) <b>Rs. 1270</b>	Fair Value (FV) <b>Rs.1175</b>
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### Rationale:

- DRRD reported a dismal 4QFY26, the first quarter post-gRevlimid, with adjusted EBITDA margin slipping to 15.2%.
- Adjusting for the gRevlimid SSA of US\$5 cr and a bunch of other one-offs.
- Q4 EBITDA sharply missed our estimate by 29%.
- DRRD is guiding for double-digit ex-gRevlimid sales growth in FY27E.
- DRRD's medium-term fortunes hinge conspicuously on a long runway of limited Semaglutide competition in Canada & launch of Abatacept in the US.
- A slower Semaglutide ramp-up and delay in Abatacept poses a downside risk to our estimates. Retain REDUCE.
- At CMP, we believe the US pricing stability, the GLP-1 upside and the growth uptick in India/EU are priced in.
- We expect earnings to de-grow 11.7% in FY27E and grow by 15.9% in FY28E.

### 👍 Positives:

- Sales at Rs7550 cr declined 12% yoy and 14% qoq, broadly in line with our estimates.
- We expect biosimilars to contribute meaningfully only after FY27E.

### 👎 Negatives:

- The quarter was materially impacted by SSA of ~US\$5 cr related to gRevlimid.
- We bake in four other generic Semaglutide competitors in Canada in FY27E.
- We expect the absence of any material positive catalysts to weigh on the stock.



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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### Definitions of ratings

- 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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