

Dr. Reddy's Laboratories Limited

HOLD

Sector: Pharmaceuticals

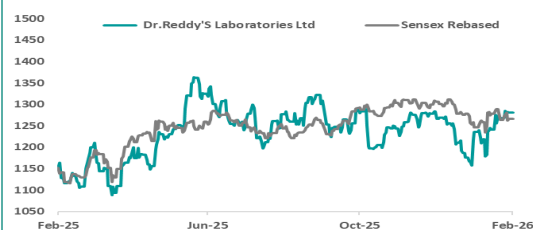
23rd February, 2026

Key Changes	Target ▲	Rating ▲	Earnings ▼	Target	Rs. 1,390
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Large Cap	DRRD:IN	82,815	DRREDDY	500124	12 Months
				CMP	Rs. 1,280
				Return	+9%

Data as of: 20-02-2026, 18:00 hrs

Company Data			
Market Cap (Rs.cr)	1,06,880		
52 Week High — Low (Rs.)	1,378 - 1,026		
Enterprise Value (Rs. cr)	108,308		
Outstanding Shares (cr)	83.5		
Free Float (%)	72.8		
Dividend Yield (%)	0.6		
6m average volume (cr)	0.2		
Beta	0.8		
Face value (Rs.)	1.0		
Shareholding (%)	Q1FY26	Q2FY26	Q3FY26
Promoters	26.6	26.6	26.6
FII's	36.4	35.5	33.2
MFs/Institutions	26.7	28.0	30.4
Public	9.1	8.6	8.7
Others	1.1	1.2	1.1
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	2.9%	-0.3%	11.2%
Absolute Sensex	-2.8%	1.4%	10.0%
Relative Return	5.8%	-1.7%	1.2%

*over or under performance to benchmark index



Y.E March (cr)	FY26E	FY27E	FY28E
Sales	35,092	36,105	39,113
Growth (%)	7.5	2.9	8.3
EBITDA	8,071	7,708	8,820
EBITDA Margin (%)	23.0	21.4	22.6
PAT Adjusted	5,129	4,756	5,529
Growth (%)	-11.9	-7.3	16.3
Adjusted EPS	61.5	57.0	66.2
Growth (%)	-12.0	-7.3	16.2
P/E	19.7	21.2	18.2
P/B	2.6	2.4	2.1
EV/EBITDA	13.0	13.6	11.9
ROE (%)	13.1	11.2	11.7
D/E	0.1	0.1	0.1

India and Emerging markets to drive growth

Dr. Reddy's Laboratories (Dr. Reddy's) is an Indian pharmaceuticals company that manufactures and markets over 190 medications, more than 180 active pharmaceutical ingredients or APIs, diagnostic kits and other biotechnology products.

- Consolidated revenue for Q3FY26 grew 4.4% YoY to Rs. 8,753cr on growth in the global generics business, supported by favourable forex dynamics.
- Revenue from the global generics business rose 7.8% YoY to Rs. 7,957cr on growth in Europe (+20% YoY), India (+19% YoY) and Emerging markets (+32% YoY). However, revenue from North America fell 12% YoY.
- Revenue from the North American market declined mainly due to pricing pressure and lower sales of Lenalidomide.
- In Q3FY26, EBITDA declined 15.8% YoY to Rs. 1,915cr, while margin contracted by 520 bps to 21.9%. This was mainly due to higher cost of sales.
- Reported profit after tax fell 15.3% YoY to Rs. 1,190cr. Weaker Lenalidomide sales, price reductions in unbranded generic lines and an unfavorable product mix in PSA led to decline in profits.

Outlook & Valuation

The North American business faced challenges, with revenue declining due to decreased Lenalidomide sales and increased price erosion for certain key products. Additionally, the delayed launch of biosimilars limited revenue growth during the quarter. However, Q3FY26 witnessed strong performance in India, Emerging markets, and the newly acquired consumer healthcare unit, which is focused on nicotine replacement therapy. The company aims to boost core business growth, advance patented products such as Semaglutide and Abatacept, improve operational efficiency, and pursue value-accretive acquisitions and partnerships for long-term growth. The prompt approval of Semaglutide is expected to act as a catalyst for upward movement. Hence, **we upgrade the rating on the stock from SELL to HOLD with a rolled-forward target price of Rs. 1,390 based on 21x FY28E adjusted EPS.**

Quarterly Financials Consolidated

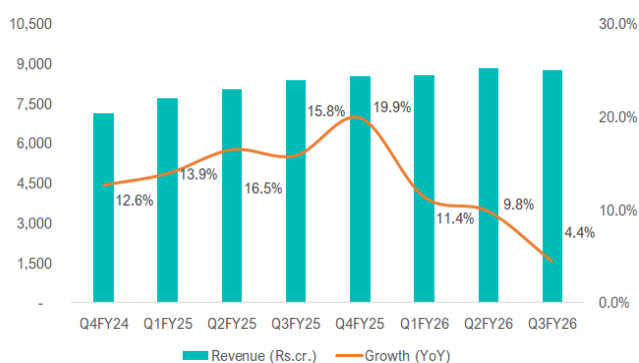
Rs.cr	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	9MFY26	9MFY25	YoY (%)
Sales	8,753	8,381	4.4	8,828	-0.8	26,154	24,116	8.5
EBITDA	1,915	2,273	-15.8	2,077	-7.8	6,165	6,572	-6.2
Margin (%)	21.9	27.1	-520bps	23.5	-160bps	23.6	27.3	-370bps
EBIT	1,394	1,801	-22.6	1,573	-11.4	4,664	5,323	-12.4
PBT	1,543	1,874	-17.7	1,745	-11.6	5,193	5,674	-8.5
Rep. PAT	1,190	1,404	-15.3	1,337	-11.0	3,936	4,139	-4.9
Adj PAT	1,237	1,413	-12.5	1,414	-12.5	4,069	4,154	-2.0
Adj. EPS (Rs)	14.8	16.9	-12.5	16.9	-12.6	48.8	49.8	-2.1



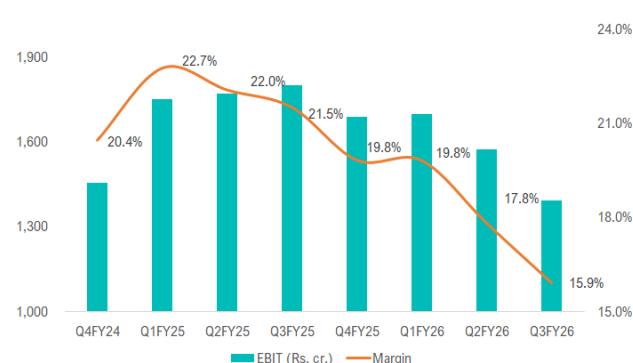
Key concall highlights

- In Q3FY26, research and development expenditure totaled Rs. 615cr, representing an 8% YoY decline. The reduction primarily stemmed from lower development spending on biosimilars, as the bulk of the investment associated with Abatacept had already been completed.
- The company entered a strategic collaboration with Immutep to commercialise the novel oncology immunotherapy eftilagimod-alfa. This partnership targets key regions outside North America, Europe, Japan and Greater China. The company introduced a novel recombinant vaccine in India aimed at preventing Hepatitis E virus infection.
- Global generics geographic revenue contribution stood at 34% from North America, 17% from Europe, 18% from India and 22% in Emerging markets.
- In Europe, the good performance of the recently acquired nicotine replacement therapy portfolio, and new product launches helped mitigate the effects of price erosion in the generics segment. The company introduced 10 new generic products in the market.
- In the quarter, 30 new products were launched in the Emerging markets business, and two new brands were introduced in India.

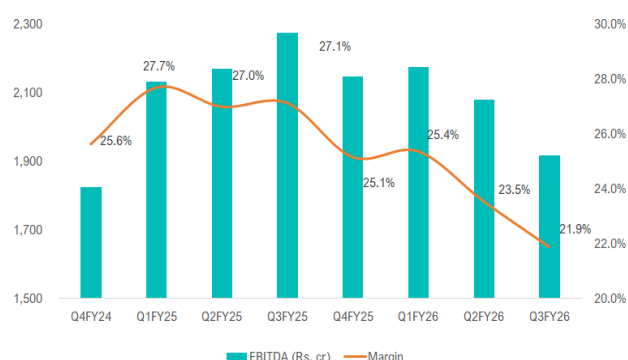
Revenue



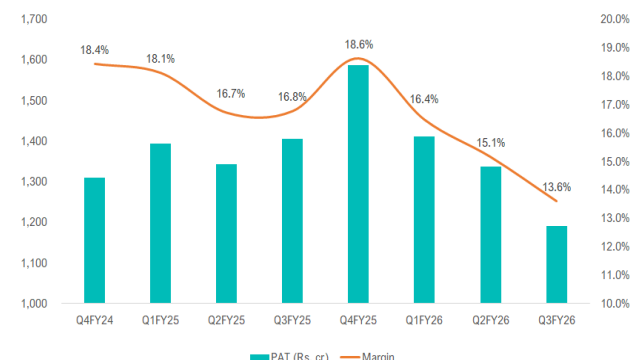
EBIT



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates			Change (%)		
	FY26E	FY27E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	35,937	34,475	35,092	36,105	39,113	-2.4	4.7	-
EBITDA	9,566	7,998	8,071	7,708	8,820	-15.6	-3.6	-
Margins (%)	26.6	23.2	23.0	21.4	22.6	-360bps	-180bps	-
Adj. PAT	5,963	4,796	5,129	4,756	5,529	-14.0	-0.8	-
EPS	71.5	57.5	61.5	57.0	66.2	-14.0	-0.9	-



Consolidated Financials

Profit & Loss

Y.E March (Rs. Cr)	FY24A	FY25A	FY26E	FY27E	FY28E
Sales	28,011	32,644	35,092	36,105	39,113
% change	13.5	16.5	7.5	2.9	8.3
EBITDA	7,933	8,716	8,071	7,708	8,820
% change	25.3	13.0	-4.9	-0.5	16.5
Depreciation	1,470	1,704	2,025	2,164	2,345
EBIT	6,463	7,013	6,046	5,544	6,475
Interest	171	283	311	342	377
Other Income	909	950	982	1,143	1,278
PBT	7,201	7,680	6,717	6,345	7,376
% change	19.1	6.6	-12.5	-5.5	16.3
Tax	1,623	1,954	1,682	1,589	1,847
Tax Rate (%)	22.5	25.4	25.0	25.0	25.0
Reported PAT	5,578	5,725	5,035	4,756	5,529
PAT att. to common shareholder-	5,578	5,655	5,035	4,756	5,529
Adj.*		169	94	-	-
Adj. PAT	5,578	5,824	5,129	4,756	5,529
% change	21.9	4.4	-11.9	-7.3	16.3
No. of shares (cr)	83.4	83.4	83.5	83.5	83.5
Adj EPS (Rs.)	66.9	69.8	61.5	57.0	66.2
% change	21.6	4.4	-12.0	-7.3	16.2
DPS (Rs.)	8.0	8.0	7.1	6.7	7.8

Cashflow

Y.E March (Rs. Cr)	FY24A	FY25A	FY26E	FY27E	FY28E
Net inc. + Depn.	7,048	7,429	7,060	6,920	7,874
Non-cash adj.	-557	-1,039	-1,343	-1,225	-732
Other adjustments	-	-	-	-	-
Changes in W.C	-1,948	-1,748	-548	-497	-1,075
C.F. Operation	4,543	4,643	5,168	5,198	6,067
Capital exp.	-2,635	-3,315	-3,260	-3,364	-3,048
Change in inv.	-1,570	3,217	-516	-387	-2,148
Other invest.CF	177	-5,004			
C.F - Investment	-4,028	-5,102	-3,775	-3,751	-5,196
Issue of equity	81	-120	-	-	-
Issue/repay debt	549	2,449	-380	-342	308
Dividends paid	-665	-666	-593	-560	-652
Other finance.CF	-341	-478	-311	-342	-377
C.F - Finance	-376	1,186	-1,285	-1,245	-720
Chg. in cash	139	726	108	202	152
Closing Cash	1,728	2,460	2,569	2,771	2,923

Balance Sheet

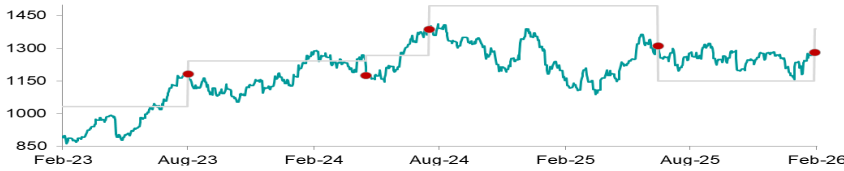
Y.E March (Rs. Cr)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash	1,728	2,460	2,569	2,771	2,923
Accts. Receivable	8,030	9,042	9,650	10,109	10,854
Inventories	6,355	7,109	7,875	8,508	9,279
Other Cur. Assets	8,693	6,407	7,079	7,907	8,151
Investments	526	720	1,236	1,623	3,771
Gross Fixed Assets	18,032	21,347	24,607	27,971	31,018
Net Fixed Assets	6,249	7,298	8,022	8,588	9,050
CWIP	1,351	2,399	2,423	2,545	2,672
Intangible Assets	4,245	10,994	11,482	11,994	12,108
Def. Tax -Net	1,058	1,833	2,566	3,463	4,676
Other Assets	630	1,164	1,444	1,697	2,020
Total Assets	38,864	49,427	54,344	59,205	65,503
Current Liabilities	8,316	9,229	10,011	10,940	11,954
Provisions	24	30	34	39	45
Debt Funds	1,871	4,591	4,210	3,868	4,176
Other Liabilities	398	1,649	1,719	1,793	1,886
Equity Capital	83	83	83	83	83
Res. & Surplus	28,171	33,844	38,285	42,481	47,358
Shareholder Funds	28,255	33,927	38,369	42,564	47,442
Minority Interest	-	-	-	-	-
Total Liabilities	38,864	49,427	54,344	59,205	65,503
BVPS	339	407	460	510	568

Ratio

Y.E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profitab. & Return					
EBITDA margin (%)	28.3	26.7	23.0	21.4	22.6
EBIT margin (%)	23.1	21.5	17.2	15.4	16.6
Net profit mgn.(%)	19.9	17.3	14.3	13.2	14.1
ROE (%)	19.7	16.9	13.1	11.2	11.7
ROCE (%)	21.5	18.2	14.2	11.9	12.5
W.C & Liquidity					
Receivables (days)	104.6	101.1	100.4	102.2	101.3
Inventory (days)	282.6	260.0	248.2	251.9	262.8
Payables (days)	116.2	96.8	109.5	120.5	127.8
Current ratio (x)	2.6	1.9	2.0	2.1	2.0
Quick ratio (x)	1.5	1.1	1.2	1.2	1.1
Turnover & Leverage					
Gross asset T.O (x)	1.7	1.7	1.5	1.4	1.3
Total asset T.O (x)	0.8	0.7	0.7	0.6	0.6
Int. covge. ratio (x)	37.8	24.8	19.4	16.2	17.2
Adj. debt/equity (x)	0.1	0.1	0.1	0.1	0.1
Valuation					
EV/Sales (x)	3.7	3.0	2.9	2.8	2.6
EV/EBITDA (x)	13.0	11.2	12.7	13.2	11.6
P/E (x)	18.4	16.4	19.7	21.2	18.2
P/BV (x)	3.6	2.8	2.6	2.4	2.1



Recommendation Summary (Last 3 years)



Dates	Rating	Target
03-Nov-21	BUY	1,087
22-Jun-22	BUY	1,005
07-Feb-23	BUY	1,033
24-Aug-23	HOLD	1,242
09-May-24	HOLD	1,268
08-Aug-24	HOLD	1,495
07-Jul-25	SELL	1,150
23-Feb-26	HOLD	1,390

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition: ▲ Upgrade

● No Change

▼ Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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