Choice Institutional Equities

Dr. Reddy's Labs: Semaglutide Entry Backed by Premium Strategy

ADD

Sector View: Positive

Management Meet Note

March 26, 2026 | CMP: INR 1,302 | Target Price: INR 1,315

Change in Estimates	✖
Change in Target Price	✖
Change in Recommendation	✖

Company Info	
BB Code	DRRD IN EQUITY
Face Value (INR)	1.0
52 W High / Low (INR)	1,378/1,026
Mkt Cap (Bn)	INR 1086 / USD 11.6
Shares o/s (Mn)	835.0
3M Avg. Daily Volume	16,34,207

Key Financials

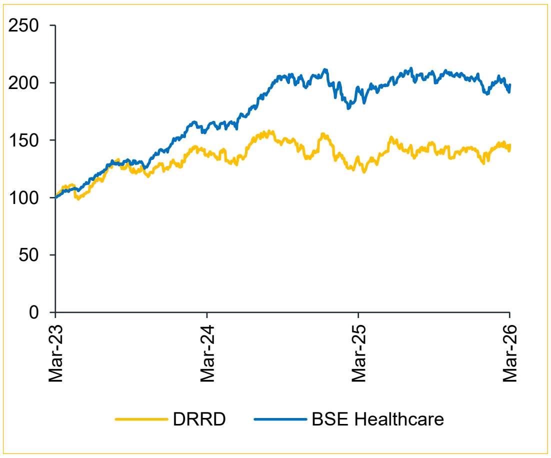
INR Bn	FY24	FY25	FY26E	FY27E	FY28E
Revenue	279.2	326.4	359.8	409.8	465.3
YoY (%)	13.5	16.9	10.2	13.9	13.5
EBITDA	78.4	87.2	86.4	102.4	116.3
EBITDAM %	28.1	26.7	24.0	25.0	25.0
Adj PAT	54.8	58.9	56.3	68.1	78.6
EPS (INR)	65.7	70.7	67.5	81.6	94.1
ROE %	19.4	17.6	15.5	16.8	17.4
ROCE %	21.0	18.3	16.1	18.1	19.2
PE(x)	17.6	16.3	19.3	16.0	13.8
EV/EBITDA	12.5	11.4	13.1	10.9	9.4

Shareholding Pattern (%)

	Dec 2025	Sep 2025	Jun 2025
Promoters	26.64	26.64	26.64
FIIs	22.34	24.69	25.33
DIIs	30.44	27.99	26.73
Public	20.58	20.70	21.30

Relative Performance (%)

YTD	3Y	2Y	1Y
BSE Healthcare	98.2	25.4	1.8
DRRD	45.7	6.1	10.2



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Early-mover Advantage Building Premium GLP-1 Franchise

We interacted with DRRD's Head of IR, Aishwarya Sitharam, following the company's successful day-1 launch of Semaglutide. DRRD is the ***first to introduce a DCGI-approved*** version in India under the brand name **Obeda**, establishing an early-mover advantage in the domestic GLP-1 market.

The ***company's premium pricing at ~INR 4,200 per month*** versus peers at ~INR 1,300 ***reflects its dosage form***, with a prefilled disposable pen format as compared to vial-based alternatives, ***which could support greater physician preference and patient stickiness***.

We view this launch as positioning the company strategically within the emerging GLP-1 opportunity, with a differentiated focus on quality, delivery format and brand trust rather than price-led competition.

Overall, in the medium term, ***we expect a shift towards a more consolidated, quality-led market***, with DRRD well-placed to benefit given its early entry and manufacturing strengths.

Key Takeaways from the Meeting

Product Positioning & Pricing:

- The premium pricing is primarily driven by the auto-injector pen format, which enables convenient self-administration.
- The management believes that pricing remains competitive when compared to other pen-based offering in the market.
- The company follows a ***"one product, one quality"*** approach, ensuring that Indian patients receive the same quality as global markets.
- The ***strong brand equity*** of DRRD is expected ***to drive both, doctor prescriptions and patient confidence***.

Complexity and Entry Barriers:

- ***Semaglutide is a complex peptide product*** and not a simple small-molecule generic and hence ***requires advanced manufacturing capabilities*** and sterile production expertise.
- While more than 10 players have announced entry into the market, not all players at present have product readiness or supply capability.
- The ***market may witness initial clutter***; however, it is ***expected to consolidate over time*** as patients are likely to prefer reliable and continuous supply from established brands.
- Only a ***limited number of players*** (including DRRD) ***possess backward integration*** and end-to-end manufacturing capabilities.

Strategy and Market Approach:

- The company's ***strategy is focussed on building a long-term, sustainable franchise*** rather than aggressively chasing market share.
- The management has indicated that it is ***unlikely to engage in aggressive price cuts*** to drive volumes.
- The company is also ***targeting a potential approval in Canada*** around May 2026, subject to regulatory outcome. It is also ***one of the few Indian companies*** in the filing and review process.
- An early entry into the market could result in meaningful margin upside in the initial phase.
- A ***successful approval would also enhance global credibility*** and reinforce brand positioning.

Margin and Profitability:

- Margin for the product is ***expected to remain muted*** in the near term due to investments in brand building and field force expansion.
- Over the medium term, margin is ***expected to align with or exceed those of India-branded generics***.
- Profitability is likely to improve as the business scales up and operating leverage kicks in.

Income Statement (INR Mn)

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Revenue	2,79,163	3,26,439	3,59,792	4,09,773	4,65,289
Gross Profit	1,97,076	2,26,640	2,35,664	2,70,450	3,07,091
EBITDA	78,386	87,164	86,350	1,02,443	1,16,322
Depreciation	14,700	17,037	19,101	21,601	24,101
EBIT	63,686	70,127	67,249	80,842	92,221
Other Income	8,943	10,973	10,794	12,293	13,959
Interest Expense	1,711	2,829	3,168	2,568	1,668
PBT	71,065	78,488	75,095	90,807	1,04,752
PAT	54,834	58,945	56,321	68,106	78,564
EPS (INR)	65.7	70.7	67.5	81.6	94.1

Ratio Analysis	FY24	FY25	FY26E	FY27E	FY28E
Growth Ratios (%)					
Revenue	13.5	16.9	10.2	13.9	13.5
EBITDA	23.7	11.2	-0.9	18.6	13.5
PBT	17.7	10.4	-4.3	20.9	15.4
PAT	22.0	7.5	-4.5	20.9	15.4
Margins (%)					
Gross Profit Margin	70.6	69.4	65.5	66.0	66.0
EBITDA Margin	28.1	26.7	24.0	25.0	25.0
PBT Margin	25.5	24.0	20.9	22.2	22.5
Tax Rate	22.8	24.9	25.0	25.0	25.0
PAT Margin	19.6	18.1	15.7	16.6	16.9
Profitability (%)					
ROE	19.4	17.6	15.5	16.8	17.4
ROIC	21.5	18.2	14.9	16.6	17.0
ROCE	21.0	18.3	16.1	18.1	19.2
Financial Leverage					
OCF/EBITDA (x)	0.8	0.8	0.8	0.9	0.9
OCF/Net Profit (x)	0.8	0.8	0.9	1.0	1.0
Debt to Equity	0.1	0.1	0.1	0.1	0.1
Interest Coverage	37.2	24.8	21.2	31.5	55.3
Working Capital					
Inventory Days	283	260	260	260	260
Debtor Days	105	101	100	100	100
Payable Days	34	30	30	30	30
Cash Conversion Cycle	353	331	330	330	330
Valuation Metrics					
No of Shares (Mn)	834	834	835	835	835
EPS (INR)	65.7	70.7	67.5	81.6	94.1
BVPS (INR)	338.8	402.3	435.5	484.5	540.9
Market Cap (INR Bn)	1,085.9	1,085.9	1,087.2	1,087.2	1,087.2
PE	19.8	18.4	19.3	16.0	13.8
P/BV	3.8	3.2	3.0	2.7	2.4
EV/EBITDA	14.0	12.8	13.1	10.9	9.4
EV/Sales	3.9	3.4	3.1	2.7	2.4

Source: DRRD, Choice Institutional Equities

Balance Sheet (INR Mn)

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Net Worth	2,82,548	3,39,274	3,67,435	4,08,298	4,55,436
Borrowings	20,020	46,766	52,792	42,792	27,792
Trade Payables	26,144	26,478	29,572	33,680	38,243
Other Non-current Liabilities	4,220	16,790	9,771	6,262	4,507
Other Current Liabilities	55,706	64,958	68,163	68,163	68,163
Total Net Worth & Liabilities	**3,88,638**	**4,94,266**	**5,27,733**	**5,59,194**	**5,94,141**
Net Block	62,487	72,984	79,883	83,281	84,180
Capital WIP	13,510	23,994	23,994	23,994	23,994
Goodwill & Intangible Assets	41,769	1,09,280	1,09,280	1,09,280	1,09,280
Investments	5,255	7,204	7,204	7,204	7,204
Trade Receivables	80,298	90,420	98,573	1,12,266	1,27,476
Cash & Cash Equivalents	17,277	24,602	22,386	25,932	31,324
Other Non-current Assets	17,564	30,623	33,919	33,919	33,919
Other Current Assets	1,50,478	1,35,159	1,52,494	1,63,318	1,76,763
Total Assets	**3,88,638**	**4,94,266**	**5,27,733**	**5,59,194**	**5,94,141**

Cash Flows (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Cash Flows from Operations	45,433	46,428	49,177	68,356	78,485
Cash Flows from Investing	(40,283)	(51,021)	(26,000)	(25,000)	(25,000)
Cash Flows from Financing	(3,763)	11,855	(25,332)	(39,810)	(48,093)

DuPont Analysis	FY24	FY25	FY26E	FY27E	FY28E
Tax Burden (%)	77.2	75.1	75.0	75.0	75.0
Interest Burden (%)	111.6	111.9	111.7	112.3	113.6
EBIT Margin (%)	22.8	21.5	18.7	19.7	19.8
Asset Turnover (x)	0.7	0.7	0.7	0.7	0.8
Equity Multiplier (x)	1.4	1.5	1.5	1.4	1.3
ROE (%)	19.4	17.6	15.5	16.8	17.4

Historical Price Chart: DRRD

Date	Rating	Target Price
May 8, 2024	BUY	1,431
July 29, 2024	BUY	1,502
November 11, 2024	HOLD	1,449
January 24, 2025	HOLD	1,377
May 13, 2025	ADD	1,269
July 24, 2025	REDUCE	1,270
October 27, 2025	ADD	1,380
January 22, 2026	ADD	1,315

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CHOICE RATING DISTRIBUTION & METHODOLOGY	
Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

***Large Cap: More Than INR 20,000Cr Market Cap**
***Mid & Small Cap: Less Than INR 20,000Cr Market Cap**

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