

October 26, 2025

Q2FY26 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	REDUCE		REDUCE	
Target Price	1,270		1,270	
Sales (Rs. m)	3,53,004	3,83,704	3,52,436	3,81,080
% Chng.	0.2	0.7		
EBITDA (Rs. m)	73,068	83,863	73,695	83,762
% Chng.	(0.9)	0.1		
EPS (Rs.)	53.1	61.7	52.9	61.8
% Chng.	0.3	(0.1)		

Key Financials - Consolidated

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (Rs. bn)	326	350	353	384
EBITDA (Rs. bn)	86	83	73	84
Margin (%)	26.5	23.6	20.7	21.9
PAT (Rs. bn)	57	55	44	51
EPS (Rs.)	67.8	66.4	53.1	61.7
Gr. (%)	1.5	(2.1)	(20.1)	16.3
DPS (Rs.)	9.2	13.8	13.8	13.8
Yield (%)	0.7	1.1	1.1	1.1
RoE (%)	18.4	15.6	11.2	12.0
RoCE (%)	20.3	15.6	11.7	12.8
EV/Sales (x)	3.3	2.9	2.8	2.5
EV/EBITDA (x)	12.3	12.5	13.6	11.6
PE (x)	18.9	19.3	24.2	20.8
P/BV (x)	3.2	2.8	2.6	2.4

Key Data

REDY.BO | DRRD IN

52-W High / Low	Rs.1,406 / Rs.1,020
Sensex / Nifty	84,212 / 25,795
Market Cap	Rs.1,071bn / \$ 12,194m
Shares Outstanding	835m
3M Avg. Daily Value	Rs.2222.97m

Shareholding Pattern (%)

Promoter's	26.64
Foreign	24.69
Domestic Institution	27.99
Public & Others	20.68
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(1.1)	6.9	(2.5)
Relative	(4.0)	1.3	(7.3)

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Lack visibility to compensate gRevlimid erosion

Quick Pointers:

- Awaiting feedback from Health Canada for Sema in next few weeks; confident of selling 12mn pen across markets in CY26
- Lower gRevlimid sales QoQ led to decline in US sales.

Dr. Reddy's (DRRD) Q2FY26 EBITDA was largely in line with our estimates. The base business margins and US sales ex of gRevlimid continued to remain weak. We have scale up base business margins from the current level of 15-16% to ~21% in FY27E. Our FY27 and FY28E EPS broadly remain unchanged. DRRD have been investing cash flow from gRevlimid to build pipeline across peptides, biosimilars and GLP products; benefits of that may take some time. Further thin US pipeline in near term and competition in certain key products remains a key risk. At CMP, DRRD is trading at valuations of 24x P/E on FY27E and factors in recovery in base business margins. We maintain our 'Reduce' rating with TP of Rs1,270/share; valuing at 24x FY27E EPS. Any big ticket ANDA approvals and sharp scale up in Semaglutide opportunity are key risks to our call.

- NRT consolidation continues to aid growth momentum:** DRRD's sales grew by 10% YoY at Rs 88bn vs our estimates of Rs 85bn. The beat was aided by higher Russia, India and API Sales. Further YoY growth was aided by consolidation of NRT business which registered Rs 7bn of revenues. Adj for NRT portfolio, revenues were flat YoY. US revenue came in at \$372mn (\$399mn in Q1FY26); in line with our estimate. Price erosion in gRevlimid led to such QoQ decline. Domestic business grew strongly by 13% YoY to Rs 15.8bn. PSAI sales grew by 12% YoY, above our estimates. Russia sales increased by 27% YoY to Rs 8.8bn aided by higher volumes from existing business and favorable forex. EU sales included revenues from acquired NRT portfolio. Adj for this growth was 17% YoY.
- In-line EBITDA; GMs decline YoY:** DRRD reported EBITDA of Rs 20.5bn, in line with our estimates. OPM at 23.3%, down 190bps QoQ. GMs came in at 54.7%; down 220bps QoQ. The YoY was down due to pricing pressure in gRevlimid and lower PSAI margins. Segment wise PSAI margins came in at 18% (13% in Q1FY26) whereas generic margins were at 59% (60.9% in Q1FY26). Other expenses included Rs 700mn of one-off expense related to VAT liability. Adj for these other expenses were up 9% YoY. R&D expenses remained flat YoY at Rs 6.2bn (7% of revenues). Amortization expenses came in at Rs 1.96bn given NRT business consolidation while other income stood higher which included Rs 1.6bn of forex gain. Resultant PAT stood at Rs 14bn; down 4% YoY
- Key concall takeaways: US business:** Revenue declined QoQ due to price erosion in key products, mainly gRevlimid. 7 products launched in the quarter; expects continued launch momentum in H2FY26. gRevlimid contribution to taper off by Q4FY26. Management sees base business stabilizing and no major incremental price erosion ahead.

- **Semaglutide:** Awaiting Health Canada approval; market to remain competitive given number of players. Confident on 12mn pen capacity for CY26, rising to 15–20mn by CY27 with FTO-11 cartridge line qualification. API by DRRD; pens by partner. India launch post patent expiry (Mar'26); litigation ongoing in Delhi High Court. DRRD permitted to export product till then.
- **Biosimilars:** gAbatacept Phase 3 completion imminent; BLA filing by Dec'25. Launch expected early CY27 (IV) and CY28 (subcutaneous). US launch to be supported by Bachupally unit however management will be doing tech transfer to CMO to mitigate regulatory risks.
- Denosumab received positive EMA opinion; Rituximab approved in EU, under review in US (CRL received). Expanded collaboration with Alvotech for pembrolizumab biosimilar. Pipeline includes nivolumab and additional oncology assets.
- **EU:** Growth driven by NRT acquisition and new launches. Ex-NRT, business grew 17% YoY. Completed 2/3rd integration of NRT portfolio, next phase includes Southern Europe, Israel, and Taiwan.
- **India:** Growth driven by new launches, pricing, and volume gains. Added 11 new brands, including Tegoprazan (PCAB) and Linaclotide (Colozo); Stugeron portfolio integration underway. Now ranked 9th in IPM; MR strength ~10,000.
- **PSAI:** Expect GM to move toward 20–25% range over next 1–2 years. Filed 37 DMFs in Q2. Peptide capacity of ~800 kg being built; currently small contribution but expected to scale.
- **EM's and Russia:** Russia up 13% YoY (CC), aided by forex and volume growth. 24 launches across EMs during the quarter; double-digit growth momentum expected to continue.
- **Others:** R&D intensity with focus on peptides, complex generics, biosimilars. Maintain medium-term EBITDA margin target of 25%. SG&A to remain in 28–30% band of revenue. Ongoing efforts to drive cost efficiency and sustain double-digit ex-US growth.

Exhibit 1: 2QFY26 Result Overview (Rs mn): In line EBITDA

Y/e March	2QFY26	2QFY25	YoY gr. (%)	Q2FY26E	% Var	1QFY26	QoQ gr. (%)	H1 FY26	H1 FY25	YoY gr. (%)
Net Sales	88,051	80,162	9.8	84,978	3.6	85,452	3.0	173,503	1,56,889	10.6
COGS	39,911	32,393	23.2	37,815	5.5	36,825	8.4	76,736	62,776	22.2
% of Net Sales	45.3	40.4		44.5	1.9	43.1		44.2	40.0	
SGA	21,385	19,032	12.4	20,319	5.2	20,882	2.4	42,267	37,913	11.5
% of Net Sales	24.3	23.7		23.9	1.6	24.4		24.4	24.2	
R&D	6,202	7,271	(14.7)	6,200	0.0	6,244	(0.7)	12,446	13,464	(7.6)
% of Net Sales	7.0	9.1		7.3	(3.5)	7.3		7.2	8.6	
Total Expenditure	67,498	58,696	15.0	64,334	4.9	63,951	5.5	1,31,449	1,14,153	15.2
EBITDA	20,553	21,466	(4.3)	20,643	(0.4)	21,501	(4.4)	42,054	42,736	(1.6)
Margin (%)	23.3	26.8		24.3	(3.9)	25.2		24.2	27.2	
Depreciation & Amortisation	5,051	3,975	27.1	4,900	3.1	4,765	6.0	9,816	7,785	26.1
EBIT	15,502	17,491	(11.4)	15,743	(1.5)	16,736	(7.4)	32,238	34,951	(7.8)
Other Income	2,673	984	171.6	850	214.5	739	261.7	3,412	1,454	134.7
Interest	(774)	(1,555)	(50.2)	(1,000)	(22.6)	(1,570)		(2,344)	(2,392)	(2.0)
PBT	18,949	20,030	(5.4)	17,593	7.7	19,045	(0.5)	37,994	38,797	(2.1)
Share of Profit of Equity	63	61		-		2		65	120	(45.8)
Extra Ord Items	662	924		-		-		662	929	(28.7)
Total Taxes	4,082	5,752	(29.0)	4,486	(9.0)	4,951	(17.6)	9,033	10,653	(15.2)
ETR (%)	21.5	28.7		25.5	(15.5)	26.0		23.8	27.5	(13.4)
Minority Interest	(104)	862		-		(82)		-186	862	(121.6)
Reported PAT	14,372	12,553	14.5	13,107	9.7	14,178	1.4	28,550	26,473	7.8

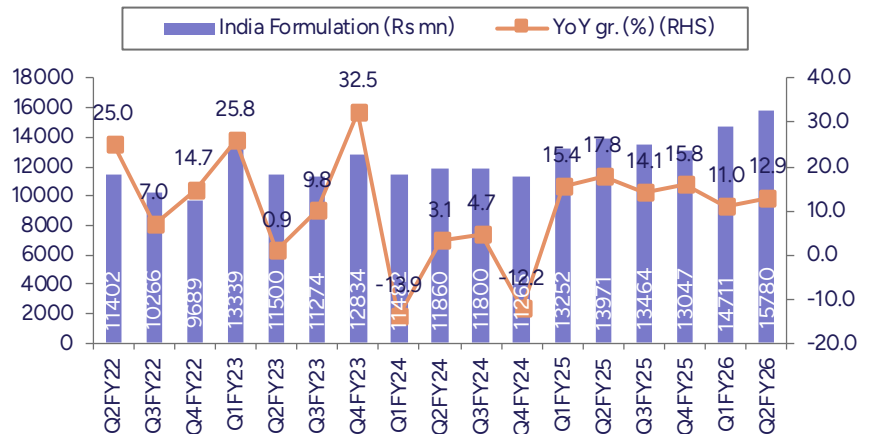
Source: Company, PL

Exhibit 2: Russia and India fueled growth

Major Sources of Revenues	2QFY26	2QFY25	YoY gr. (%)	1QFY26	QoQ gr. (%)	H1 FY26	H1 FY25	YoY gr. (%)
PSAI (CPS & API)	9,450	8,407	12.4	8,181	15.5	17,631	16,064	9.8
% of Net Sales	10.7	10.5		9.6		10.2	10.2	
Branded Formulation	78,498	71,576	9.7	75,618	3.8	1,54,116	1,40,433	9.7
India	15,780	13,971	12.9	14,711	7.3	30,491	27,223	12.0
% of Net Sales	17.9	17.4		17.2		17.6	17.4	
International	62,718	57,605	8.9	60,907	3.0	1,23,625	1,13,210	9.2
% of Net Sales	71.2	71.9		71.3		71.3	72.2	
Russia & CIS	11,090	9,000	23.2	9,030	22.8	20,120	16,400	22.7
% of Net Sales	12.6	11.2		10.6		11.6	10.5	
Europe	13,762	5,770	138.5	12,744	8.0	26,506	11,035	140.2
% of Net Sales	15.6	7.2		14.9		15.3	7.0	
North America Generics	32,408	37,281	(13.1)	34,123	(5.0)	66,531	75,743	(12.2)
% of Net Sales	36.8	46.5		39.9		38.3	48.3	
Emerging Mkt Generics	5,458	5,554	(1.7)	5,010	8.9	10,468	10,032	4.3
% of Net Sales	6.2	6.9		5.9		6.0	6.4	
Innovative Prod	103	179	(42.5)	1,651	(93.8)	1,754	391	348.6
% of Net Sales	0.1	0.2		1.9		1.0	0.2	

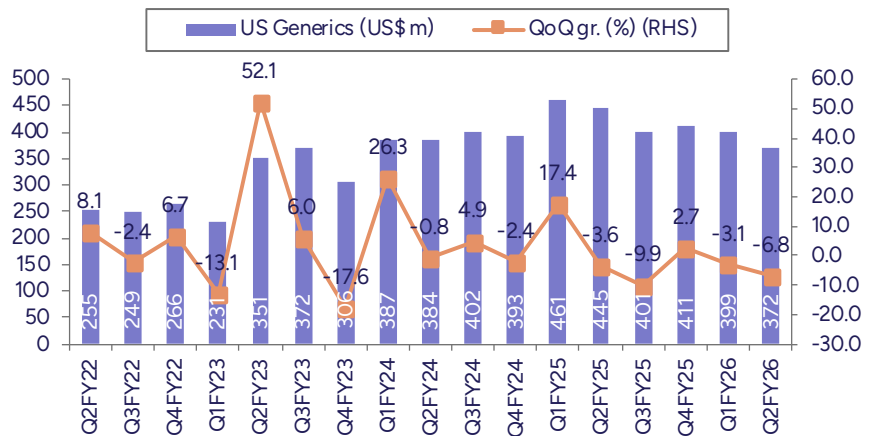
Source: Company, PL

Exhibit 3: India Form (Rs mn): Healthy double digit growth YoY



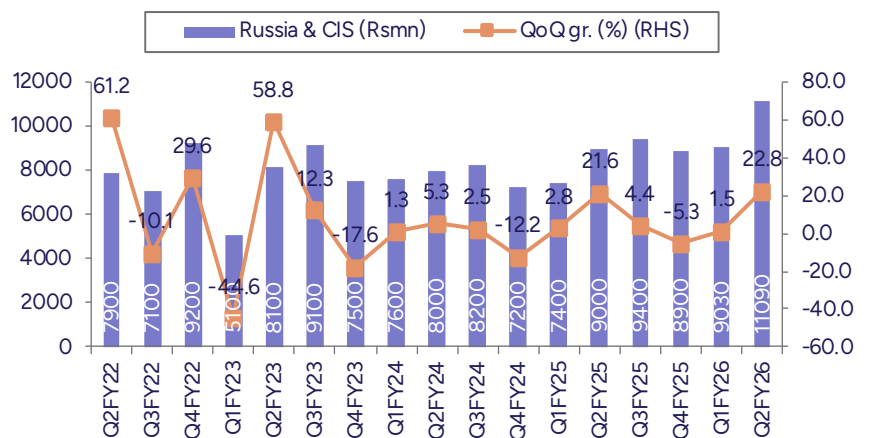
Source: Company, PL

Exhibit 4: US Generic: Continued price erosion in gRevlimid QoQ



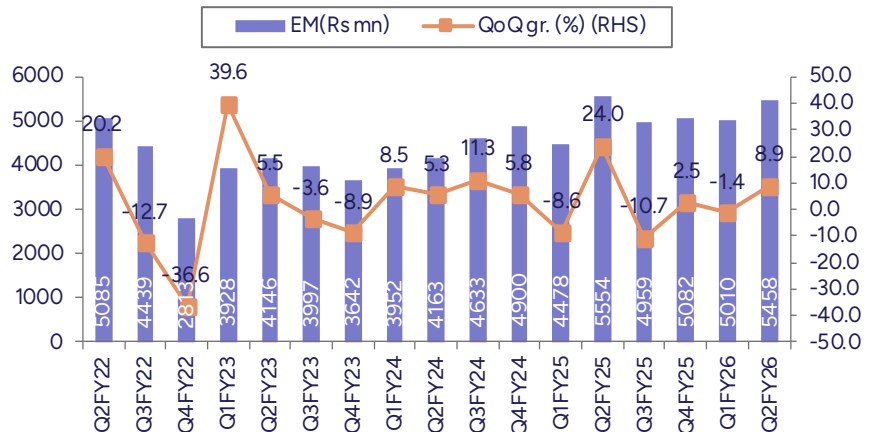
Source: Company, PL

Exhibit 5: Russia & CIS (Rs mn): Higher volumes & price increase led growth YoY



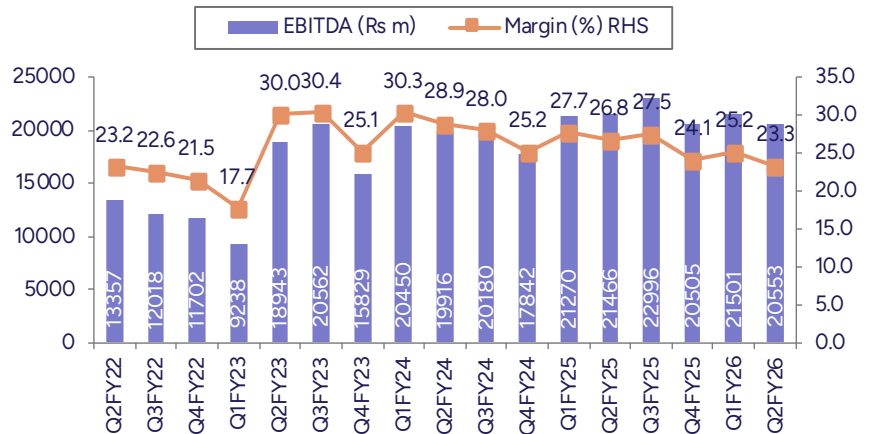
Source: Company, PL

Exhibit 6: EMs: New launches and forex aids growth



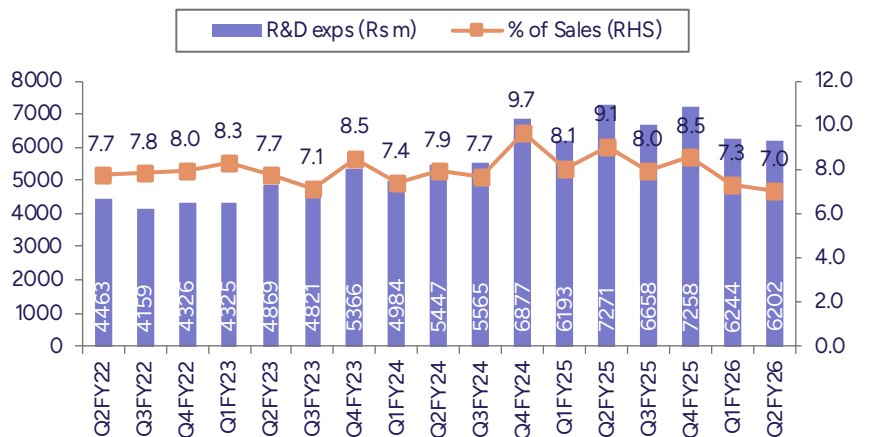
Source: Company, PL

Exhibit 7: Decline in gRevlimid sales led to lower margins



Source: Company, PL

Exhibit 8: R&D spend at 7% YoY



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Revenues	3,25,535	3,50,218	3,53,004	3,83,704
YoY gr. (%)	16.6	7.6	0.8	8.7
Cost of Goods Sold	1,35,107	1,57,061	1,66,536	1,77,370
Gross Profit	1,90,428	1,93,158	1,86,468	2,06,334
Margin (%)	58.5	55.2	52.8	53.8
Employee Cost	-	-	-	-
Other Expenses	27,380	26,559	28,683	30,978
EBITDA	86,236	82,722	73,068	83,863
YoY gr. (%)	10.0	(4.1)	(11.7)	14.8
Margin (%)	26.5	23.6	20.7	21.9
Depreciation and Amortization	17,058	20,042	21,443	23,009
EBIT	69,178	62,680	51,626	60,854
Margin (%)	21.3	17.9	14.6	15.9
Net Interest	(9,082)	(9,500)	(7,500)	(8,000)
Other Income	-	-	-	-
Profit Before Tax	78,260	72,180	59,126	68,854
Margin (%)	24.0	20.6	16.7	17.9
Total Tax	19,539	17,323	15,373	17,902
Effective tax rate (%)	25.0	24.0	26.0	26.0
Profit after tax	58,721	54,856	43,753	50,952
Minority interest	701	(300)	(300)	(300)
Share Profit from Associate	217	200	200	200
Adjusted PAT	56,544	55,356	44,253	51,452
YoY gr. (%)	1.5	(2.1)	(20.1)	16.3
Margin (%)	17.4	15.8	12.5	13.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	56,544	55,356	44,253	51,452
YoY gr. (%)	1.5	(2.1)	(20.1)	16.3
Margin (%)	17.4	15.8	12.5	13.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	56,544	55,356	44,253	51,452
Equity Shares O/s (m)	834	834	834	834
EPS (Rs)	67.8	66.4	53.1	61.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Non-Current Assets				
Gross Block	3,63,693	3,73,198	3,82,328	3,94,071
Tangibles	2,08,808	2,30,808	2,52,808	2,77,808
Intangibles	1,54,885	1,42,389	1,29,519	1,16,263
Acc: Dep / Amortization	1,69,129	1,76,676	1,85,249	1,95,002
Tangibles	1,11,047	1,23,280	1,36,679	1,51,403
Intangibles	58,082	53,396	48,570	43,599
Net fixed assets	1,94,564	1,96,522	1,97,079	1,99,070
Tangibles	97,761	1,07,528	1,16,129	1,26,405
Intangibles	96,803	88,993	80,950	72,664
Capital Work In Progress	-	-	-	-
Goodwill	11,810	11,810	11,810	11,810
Non-Current Investments	15,202	19,822	19,822	19,822
Net Deferred tax assets	4,400	4,400	4,400	4,400
Other Non-Current Assets	972	972	972	972
Current Assets				
Investments	43,254	43,254	43,254	43,254
Inventories	71,085	77,826	78,445	85,268
Trade receivables	90,420	1,02,147	1,02,959	1,11,914
Cash & Bank Balance	14,654	41,459	76,973	1,04,457
Other Current Assets	32,520	34,146	35,853	37,646
Total Assets	4,74,481	5,27,958	5,67,168	6,14,212
Equity				
Equity Share Capital	834	834	834	834
Other Equity	3,32,554	3,76,401	4,09,145	4,49,088
Total Networth	3,33,388	3,77,235	4,09,979	4,49,922
Non-Current Liabilities				
Long Term borrowings	7,864	7,864	7,864	7,864
Provisions	-	-	-	-
Other non current liabilities	7,236	7,236	7,236	7,236
Current Liabilities				
ST Debt / Current of LT Debt	38,902	38,902	38,902	38,902
Trade payables	35,523	41,447	43,947	46,806
Other current liabilities	55,968	59,674	63,639	67,882
Total Equity & Liabilities	4,74,481	5,27,958	5,67,168	6,14,212

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
PBT	95,318	92,222	80,568	91,863
Add. Depreciation	17,058	20,042	21,443	23,009
Add. Interest	9,082	9,500	7,500	8,000
Less Financial Other Income	-	-	-	-
Add. Other	(45,773)	(29,542)	(28,943)	(31,009)
Op. profit before WC changes	75,685	92,222	80,568	91,863
Net Changes-WC	(10,455)	(10,465)	3,327	(10,468)
Direct tax	(19,993)	(17,323)	(15,373)	(17,902)
Net cash from Op. activities	45,236	64,434	68,523	63,493
Capital expenditures	(87,494)	(26,620)	(22,000)	(25,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Invst. activities	(87,494)	(26,620)	(22,000)	(25,000)
Issue of share cap. / premium	7,056	-	-	-
Debt changes	24,872	-	-	-
Dividend paid	(6,438)	(11,509)	(11,509)	(11,509)
Interest paid	-	-	-	-
Others	24,315	500	500	500
Net cash from Fin. activities	49,805	(11,009)	(11,009)	(11,009)
Net change in cash	7,547	26,805	35,514	27,485
Free Cash Flow	17,732	42,434	46,523	38,493

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Net Revenue	83,586	85,060	85,452	88,051
YoY gr. (%)	15.9	20.1	11.4	9.8
Raw Material Expenses	34,534	37,797	36,825	39,911
Gross Profit	49,052	47,263	48,627	48,140
Margin (%)	58.7	55.6	56.9	54.7
EBITDA	22,996	20,505	21,501	20,553
YoY gr. (%)	14.0	14.9	1.1	(4.3)
Margin (%)	27.5	24.1	25.2	23.3
Depreciation / Depletion	4,719	4,555	4,765	5,051
EBIT	18,277	15,950	16,736	15,502
Margin (%)	21.9	18.8	19.6	17.6
Net Interest	20	(2,352)	(1,570)	(774)
Other Income	439	2,465	739	2,673
Profit before Tax	18,696	20,767	19,045	18,949
Margin (%)	22.4	24.4	22.3	21.5
Total Tax	4,704	4,181	4,951	4,082
Effective tax rate (%)	25.2	20.1	26.0	21.5
Profit after Tax	13,992	16,586	14,094	14,867
Minority interest	-	-	-	-
Share Profit from Associates	42	55	2	63
Adjusted PAT	14,038	15,873	14,096	14,268
YoY gr. (%)	1.8	21.4	1.3	6.4
Margin (%)	16.8	18.7	16.5	16.2
Extra Ord. Income / (Exp)	(4)	768	-	662
Reported PAT	14,034	16,641	14,096	14,930
YoY gr. (%)	1.0	29.0	1.2	4.1
Margin (%)	16.8	19.6	16.5	17.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	14,034	16,641	14,096	14,930
Avg. Shares O/s (m)	167	167	167	167
EPS (Rs)	17.0	19.2	17.1	17.3

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Per Share(Rs)				
EPS	67.8	66.4	53.1	61.7
CEPS	88.3	90.4	78.8	89.3
BVPS	399.7	452.3	491.6	539.5
FCF	21.3	50.9	55.8	46.2
DPS	9.2	13.8	13.8	13.8
Return Ratio(%)				
RoCE	20.3	15.6	11.7	12.8
ROIC	16.6	14.1	11.6	13.0
RoE	18.4	15.6	11.2	12.0
Balance Sheet				
Net Debt : Equity (x)	0.0	(0.1)	(0.2)	(0.2)
Net Working Capital (Days)	141	144	142	143
Valuation(x)				
PER	18.9	19.3	24.2	20.8
P/B	3.2	2.8	2.6	2.4
P/CEPS	14.5	14.2	16.3	14.4
EV/EBITDA	12.3	12.5	13.6	11.6
EV/Sales	3.3	2.9	2.8	2.5
Dividend Yield (%)	0.7	1.1	1.1	1.1

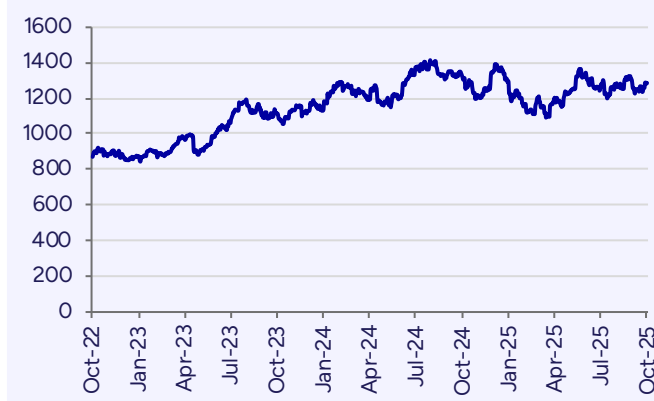
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
India Formulations	53,734	59,645	65,609	72,170
US formulations	1,45,163	1,33,121	1,06,000	1,09,315
Russia	26,000	32,096	35,305	38,836
PSAI	33,846	36,892	39,844	43,031

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Oct-25	Reduce	1,270	1,249
2	24-Jul-25	Reduce	1,270	1,247
3	08-Jul-25	Reduce	1,225	1,311
4	12-May-25	Reduce	1,225	1,156
5	08-Apr-25	Reduce	1,335	1,088
6	24-Jan-25	Reduce	1,335	1,289
7	08-Jan-25	Reduce	1,335	1,353
8	06-Nov-24	Reduce	1,335	1,272

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ajanta Pharma	BUY	3,200	2,455
2	Apollo Hospitals Enterprise	BUY	9,300	7,700
3	Aster DM Healthcare	BUY	700	662
4	Aurobindo Pharma	BUY	1,300	1,092
5	Cipla	BUY	1,730	1,513
6	Divi's Laboratories	Accumulate	6,550	6,105
7	Dr. Reddy's Laboratories	Reduce	1,270	1,249
8	Eris Lifesciences	BUY	1,975	1,590
9	Fortis Healthcare	BUY	1,000	1,042
10	HealthCare Global Enterprises	BUY	620	651
11	Indoco Remedies	Hold	325	290
12	Ipca Laboratories	Accumulate	1,525	1,360
13	J.B. Chemicals & Pharmaceuticals	BUY	2,030	1,657
14	Jupiter Life Line Hospitals	BUY	1,720	1,521
15	Krishna Institute of Medical Sciences	BUY	815	706
16	Lupin	BUY	2,400	1,925
17	Max Healthcare Institute	BUY	1,355	1,131
18	Narayana Hrudayalaya	BUY	2,000	1,781
19	Rainbow Children's Medicare	BUY	1,725	1,331
20	Sun Pharmaceutical Industries	BUY	1,875	1,653
21	Suntech Realty	BUY	600	432
22	Torrent Pharmaceuticals	Accumulate	4,000	3,539
23	Zydus Lifesciences	Accumulate	970	987

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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