

# Dr Reddy's: Semaglutide Hits Speed Bump

**ADD**

July 10, 2026 | CMP: INR 1,270 | Target Price: INR 1,335

Sector View: Positive

|                          |   |
|--------------------------|---|
| Change in Estimates      | X |
| Change in Target Price   | X |
| Change in Recommendation | X |

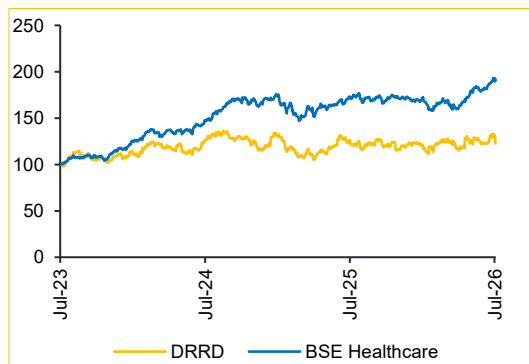
|                        |                        |
|------------------------|------------------------|
| <b>Company Info</b>    |                        |
| BB Code                | DRRD IN EQUITY         |
| Face Value (INR)       | 1.0                    |
| 52-week High/Low (INR) | 1,414 / 1,149          |
| Mkt Cap (Bn)           | INR 1,059.8 / USD 11.2 |
| Shares o/s (Mn)        | 835.0                  |
| 3M Avg. Daily Volume   | 25,23,675              |

|                                |            |            |                 |            |            |                 |
|--------------------------------|------------|------------|-----------------|------------|------------|-----------------|
| <b>Change in CIE Estimates</b> |            |            |                 |            |            |                 |
|                                | FY27E      |            |                 | FY28E      |            |                 |
| <b>INR Bn</b>                  | <b>New</b> | <b>Old</b> | <b>Dev. (%)</b> | <b>New</b> | <b>Old</b> | <b>Dev. (%)</b> |
| Revenue                        | 390.4      | 390.4      | -               | 448.0      | 448.0      | -               |
| EBITDA                         | 92.5       | 92.5       | -               | 106.2      | 106.2      | -               |
| EBITDAM %                      | 23.7       | 23.7       | -               | 23.7       | 23.7       | -               |
| PAT                            | 57.9       | 57.9       | -               | 68.3       | 68.3       | -               |
| EPS (INR)                      | 69.3       | 69.3       | -               | 81.8       | 81.8       | -               |

|                       |             |             |              |              |              |
|-----------------------|-------------|-------------|--------------|--------------|--------------|
| <b>Key Financials</b> |             |             |              |              |              |
| <b>INR Bn</b>         | <b>FY25</b> | <b>FY26</b> | <b>FY27E</b> | <b>FY28E</b> | <b>FY29E</b> |
| Revenue               | 326.4       | 337.0       | 390.4        | 448.0        | 510.0        |
| YoY (%)               | 16.5        | 3.2         | 15.9         | 14.8         | 13.8         |
| EBITDA                | 87.2        | 68.1        | 92.5         | 106.2        | 120.9        |
| EBITDAM %             | 26.7        | 20.2        | 23.7         | 23.7         | 23.7         |
| PAT                   | 56.6        | 42.0        | 57.9         | 68.3         | 79.6         |
| EPS (INR)             | 67.8        | 50.3        | 69.3         | 81.8         | 95.3         |
| ROE %                 | 16.9        | 11.1        | 13.5         | 14.0         | 14.4         |
| ROCE %                | 17.9        | 9.6         | 13.9         | 14.8         | 15.5         |
| PE(x)                 | 18.7        | 25.3        | 18.3         | 15.5         | 13.3         |
| EV/EBITDA             | 12.5        | 16.5        | 11.7         | 9.9          | 8.3          |

|                                 |                 |                 |                 |
|---------------------------------|-----------------|-----------------|-----------------|
| <b>Shareholding Pattern (%)</b> |                 |                 |                 |
|                                 | <b>Mar 2026</b> | <b>Dec 2025</b> | <b>Sep 2025</b> |
| Promoters                       | 26.63           | 26.64           | 26.64           |
| FIs                             | 21.14           | 22.34           | 24.69           |
| DIs                             | 30.72           | 30.44           | 27.99           |
| Public                          | 21.51           | 20.58           | 20.70           |

|                                 |           |           |           |
|---------------------------------|-----------|-----------|-----------|
| <b>Relative Performance (%)</b> |           |           |           |
| <b>YTD</b>                      | <b>3Y</b> | <b>2Y</b> | <b>1Y</b> |
| BSE Healthcare                  | 91.9      | 29.5      | 12.0      |
| DRRD                            | 22.5      | (3.6)     | 0.0       |



## Recent Report: Q1FY27 Pharmaceutical Preview

### Maitri Sheth

Email: maitri.sheth@choiceindia.com

Ph: +91 22 6707 9511.

### Stuti Bagadia

Email: stuti.bagadia@choiceindia.com

Ph: +91 22 6707 9511

## Semaglutide Scale-up Hits a Speed Bump, Execution in Focus

DRRD has **temporarily paused commercial Semaglutide API supplies** after identifying an out-of-specification impurity in a scale-up validation batch. The management clarified that the issue is process-related, with **no impact on patient safety, regulatory filings, or products already supplied to OneSource or the market**. The company expects commercial API supplies to OneSource to resume by October 2026, with market **resupply commencing from November 2026, translating into approximately 6-7 Mn pens during Q3-Q4FY27E**. The management also reiterated that underlying demand remains robust, although **a potential inventory write-down is likely**, with the quantum expected to be disclosed along with the Q1FY27E results.

We **had not factored in any meaningful Semaglutide contribution in our estimates** and, therefore, expect a limited impact on our forecasts. However, **we remain watchful on execution** and await successful resumption of supplies **before building in a meaningful Semaglutide ramp-up**.

### Nature of the Issue

- The management indicated that **the root cause is process-related**, specifically within the reaction step and does not involve raw material quality.
- The issue is expected to be addressed through process parameter optimisation and does not require any equipment modifications.
- Importantly, **the observation is limited to the new scale-up validation batch** and does not affect material already supplied to OneSource or commercial product in the market at present.
- OneSource inventory, which is DRRD-owned, may need to be written down, the quantum of which shall be disclosed in Q1FY27 results.

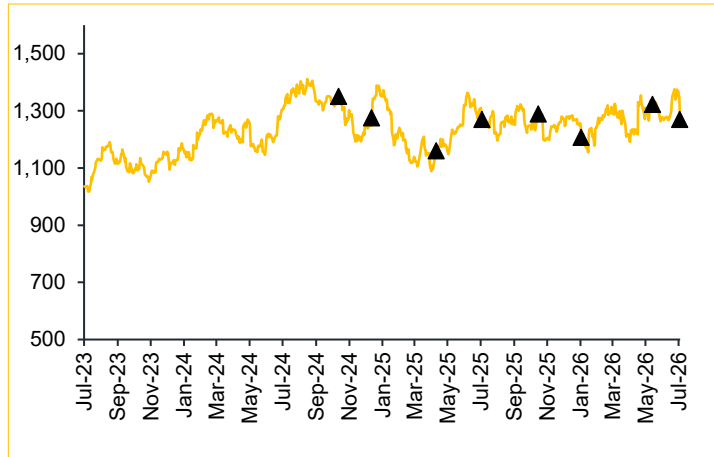
### Timeline to Resolution

- The company expects to complete the **root cause investigation** and process modification **within 2 weeks**.
- DRRD will then **manufacture three new validation batches** using the revised process, **which will be supplied to OneSource for fill-finish manufacturing and testing**.
- The validation process, including sterility testing, is expected to be completed by September'26 end.
- **Commercial API shipments to OneSource** are expected to resume **in October '26**, and **commercial supply of injections** is expected to restart **in late October or early November '26**.
- Based on this timeline, **the company continues to expect 6-7 Mn pens to be supplied during Q3-Q4 FY27E**.
- The management, however, acknowledged **the a risk of further delays if the revised validation batches do not succeed on the first attempt**.

### Regulatory Angle

- No changes to product specifications or regulatory filings and **no prior regulatory approval is required** as this is a manufacturing validation issue.
- The **manufacturing facility remains compliant with CGMP** and global regulatory requirements.
- **Oral semaglutide tablets are unaffected as they use a different API**.

**Historical Price Chart: DRRD**



| Date              | Rating | Target Price |
|-------------------|--------|--------------|
| 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        |
| May 13, 2026      | ADD    | 1,335        |
| July 10, 2026     | ADD    | 1,335        |

Event Update

| Institutional Research Team |   |                                  |                  |
|-----------------------------|---|----------------------------------|------------------|
| Utsav Verma, CFA            | Head of Institutional Research, India Equity Strategy and Small and Midcaps | utsav.verma@choiceindia.com      | +91 22 6707 9440 |
| Purvi Mundhra               | Economist   | purvi.mundhra@choiceindia.com    | +91 22 6707 9241 |
| Ambrish Shah                | Analyst - Power   | ambrish.shah@choiceindia.com     | +91 22 6707 9251 |
| Ashutosh Murarka            | Analyst – Building Materials  | ashutosh.murarka@choiceindia.com | +91 22 6707 9521 |
| Bhavik Shah, CFA            | Analyst – Metals & Mining   | Bhavik.shah@choiceindia.com      | +91 22 6707 9521 |
| Deepika Murarka             | Analyst – Healthcare  | deepika.murarka@choiceindia.com  | +91 22 6707 9513 |
| Dhaval Popat                | Analyst – Energy  | dhaval.popat@choiceindia.com     | +91 22 6707 9949 |
| Fenil Brahmhatt             | Analyst – Realty & Building Materials                                       | fenil.brahmhatt@choiceindia.com  | +91 22 6707 9930 |
| Ishank Gupta                | Analyst – NBFCs   | ishank.gupta@choiceindia.com     | +91 22 6707 9867 |
| Karan Kamdar                | Analyst – Consumer Discretionary, Small and Midcaps                         | karan.kamdar@choiceindia.com     | +91 22 6707 9451 |
| Kunal Bajaj                 | Analyst – Technology  | kunal.bajaj@choiceindia.com      | +91 22 6707 9901 |
| Maitri Sheth                | Analyst – Pharmaceuticals   | maitri.sheth@choiceindia.com     | +91 22 6707 9511 |
| Putta Ravi Kumar            | Analyst – Defence   | ravi.putta@choiceindia.com       | +91 22 6707 9908 |
| Preeyam Tolia               | Analyst – FMCG & Retail   | preeyam.tolia@choiceindia.com    | +91 22 6707 9987 |
| Vijiya Rao                  | Analyst – AMC & Insurance   | vijiya.rao@choiceindia.com       | +91 22 6707 9531 |
| Aayush Saboo                | Sr. Associate– Realty   | aayush.saboo@choiceindia.com     | +91 22 6707 9930 |
| Avi Jhaveri                 | Sr. Associate – Technology  | avi.jhaveri@choiceindia.com      | +91 22 6707 9901 |
| Bharat Kumar Kudikyala      | Sr. Associate – Building Materials  | bharat.kudikyala@choiceindia.com | +91 22 6707 9930 |
| Samarth Goel                | Sr. Associate– Small and Midcaps  | samarth.goel@choiceindia.com     | +91 22 6707 9451 |
| Subhash Gate                | Sr. Associate – Autos   | subhash.gate@choiceindia.com     | +91 22 6707 9233 |
| Heer Gogri                  | Associate – Small and Midcaps   | heer.gogri@choiceindia.com       | +91 22 6707 9433 |
| Heet Chheda                 | Associate – Autos   | heet.chheda@choiceindia.com      | +91 22 6707 9233 |
| Rushil Katiyar              | Associate – Technology  | rushil.katiyar@choiceindia.com   | +91 22 6707 9901 |
| Shreya Mehra                | Associate – Technology  | shreya.mehra@choiceindia.com     | +91 22 6707 9535 |
| Stuti Bagadia               | Associate – Pharmaceuticals   | stuti.bagadia@choiceindia.com    | +91 22 6707 9511 |
| Vinay Rawal                 | Associate – Small and Midcaps   | vinay.rawal@choiceindia.com      | +91 22 6707 9433 |

| CHOICE RATING DISTRIBUTION & METHODOLOGY |   |
|--|---|
| <b>Large Cap*</b>                        |   |
| 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                   |
| <b>Mid &amp; Small Cap*</b>              |   |
| 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                  |
| <b>Other Ratings</b>                     |   |
| 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                                    |
| <b>Sector View</b>                       |   |
| 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 20,000 Cr Market Cap  
\*Mid & Small Cap: Less Than INR 20,000 Cr Market Cap

## Disclaimer & Disclosure

Research Disclaimer and Disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

**Choice Equity Broking Private Limited is a registered Research Analyst Entity (Reg. No. INH00000222 ) CIN. NO.: U65999MH2010PTC198714. Reg. Add.: Sunil Patodia Tower, J B Nagar, Andheri (East), Mumbai 400099. Tel. No. 022-6707 9999 . Compliance Officer-Prashant Salian. Tel. 022-6707 9999-Ext. 896. Email- Compliance@choiceindia.com. Grievance officer-Deepika Singhvi Tel.022-67079999- Ext-834.**

Email- [ig@choiceindia.com](mailto:ig@choiceindia.com)

The Company uses artificial intelligence tools as part of its research process, including data analysis and content generation. Notwithstanding the foregoing, all analysis, views, and recommendations are independently formulated and duly reviewed by qualified research analysts prior to issuance.

### General Disclaimer:

**Investment in securities market are subject to market risks. Read all the related documents carefully before investing. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors**

This report ("Report") is prepared by Choice Equity Broking Private Limited as a Research Entity (hereinafter referred as "CEBPL") in its capacity as a SEBI-registered Research Analyst and is intended solely for informational and educational purposes. This Report is meant exclusively for the recipient and shall not be circulated, reproduced, or distributed, in whole or in part.

This Report does not take into account the specific investment objectives, financial situation, risk profile, or particular needs of any individual or class of investors and does not constitute a personal recommendation or investment advice. Any views, opinions, or recommendations expressed herein are based on publicly available information and internal analysis and are subject to change without notice.

Nothing contained in this Report shall be construed as an offer, solicitation, or inducement to buy, sell, or subscribe to any securities, derivatives, or other financial instruments, nor shall it be considered as investment, legal, accounting, or tax advice. Recipients are advised to conduct their own independent analysis and are encouraged to seek independent professional advice before making any investment or trading decisions.

The information contained in this Report has been compiled from sources believed to be reliable; however, CEBPL does not represent or warrant the accuracy, completeness, or reliability of such information. CEBPL, its directors, employees, or associates shall not be liable for any losses, damages, or expenses arising directly or indirectly from the use of or reliance upon this Report.

Investments in securities are subject to market risks. The price and value of investments and the income from them may fluctuate, and investors may incur losses. Past performance is not indicative of future results. Opinions expressed herein are as of the date of this Report and may differ from views expressed in other research reports due to differences in methodology, assumptions, or time horizons.

### Disclaimers in respect of Jurisdiction:

This Report is not intended for distribution to, or use by, any person or entity who is a citizen or resident of, or located in, any jurisdiction where such distribution, publication, or use would be contrary to applicable laws or regulations, or would subject CEBPL to any registration or licensing requirements in such jurisdiction.

No action has been taken or will be taken by CEBPL in any jurisdiction outside India where such action would be required for distribution of this Report. Accordingly, this Report shall not be directly or indirectly distributed, published, or circulated in any such jurisdiction except in compliance with applicable laws and regulations.

Recipients of this Report are required to inform themselves of, and comply with, all applicable legal and regulatory restrictions at their own expense and without any liability to CEBPL. Any dispute arising out of or in connection with this Report shall be subject to the exclusive jurisdiction of the competent courts in Mumbai, India.

### Disclosure on Ownership and Material Conflicts of Interest:

- "CEBPL", its Research Analyst(s), their associates and relatives may have any financial interest in the subject company covered in this Research Report.
- "CEBPL", its Research Analyst(s), their associates and relatives may have actual or beneficial ownership of one percent (1%) or more of the securities of the subject company, as on the last day of the month immediately preceding the date of publication of this Research Report.
- "CEBPL", its Research Analyst(s), their associates and relatives may have any other material conflict of interest at the time of publication of this Research Report.

### Disclosure on Receipt of Compensation:

- "CEBPL" or its associates may have received compensation from the subject company during the past twelve months.
- "CEBPL" or its associates may have managed or co-managed public offerings of securities for the subject company during the past twelve months.
- "CEBPL" or its associates may have received compensation from the subject company during the past twelve months for investment banking, merchant banking or brokerage services.
- "CEBPL" or its associates may have received compensation from the subject company during the past twelve months for products or services other than investment banking, merchant banking or brokerage services.
- "CEBPL" or its associates have not received any compensation or other benefits from the subject company or any third party in connection with the preparation or publication of this Research Report.
- Research Analyst may have served as an officer, director or employee of the subject company covered in this Research Report.
- "CEBPL" and Research analyst may engage in market-making activity in the securities of the subject company.

Details of Associates of CEBPL and Brief History of Disciplinary action by regulatory authorities are available on our website i.e. [www. https://choiceindia.com/research-listing](http://www.https://choiceindia.com/research-listing)

### Copyright:

This research report is confidential and intended solely for the recipient. Unauthorized reproduction, distribution, or disclosure of this report, in whole or in part, in any form or by any means, without the prior written permission of the Company is strictly prohibited.