

May 12, 2025

Q4FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	REDUCE		REDUCE	
Target Price	1,225		1,335	
Sales (Rs. m)	3,55,851	3,59,622	3,53,540	3,57,654
% Chng.	0.7	0.6		
EBITDA (Rs. m)	91,856	72,246	92,172	74,512
% Chng.	(0.3)	(3.0)		
EPS (Rs.)	68.6	51.3	69.4	54.0
% Chng.	(1.2)	(5.0)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. bn)	279	326	356	360
EBITDA (Rs. bn)	78	86	92	72
Margin (%)	28.1	26.5	25.8	20.1
PAT (Rs. bn)	56	57	57	43
EPS (Rs.)	66.8	67.8	68.6	51.3
Gr. (%)	23.4	1.5	1.2	(25.2)
DPS (Rs.)	9.2	9.2	13.8	13.8
Yield (%)	0.8	0.8	1.2	1.2
RoE (%)	21.8	18.4	16.1	10.8
RoCE (%)	23.3	20.3	17.8	11.5
EV/Sales (x)	3.2	2.9	2.6	2.5
EV/EBITDA (x)	11.5	11.0	10.1	12.4
PE (x)	17.3	17.0	16.9	22.5
P/BV (x)	3.4	2.9	2.5	2.3

Key Data REDY.BO | DRRD IN

52-W High / Low	Rs.1,421 / Rs.1,020
Sensex / Nifty	79,454 / 24,008
Market Cap	Rs.965bn/ \$ 11,297m
Shares Outstanding	834m
3M Avg. Daily Value	Rs.2967.36m

Shareholding Pattern (%)

Promoter's	26.93
Foreign	37.29
Domestic Institution	25.62
Public & Others	10.15
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	5.7	(10.0)	(1.7)
Relative	(1.8)	(9.9)	(10.4)

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Weak margins; scale up in base business is key

Quick Pointers:

- Adj for NRT portfolio, revenues grew by 12% YoY.
- GMs impact of 80bps due to reduced manufacturing overhead leverage and one time severance cost.

Dr. Reddy's (DRRD) Q4FY25 EBITDA was below our estimate. The base business margins and US sales ex of gRevlimid continued to remain weak. We have scale up base business margins from current level of 16% to +20% in FY27E. Our FY27E EPS stands cut by 4-5%. 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 23x P/E on FY27E and factors in recovery in base business margins. We maintain our 'Reduce' rating with TP of Rs1,225/share; valuing at 24x FY27E EPS. Any big ticket ANDA approvals and sharp recovery in base business margins are key risks to our call.

- Higher API, RoW sales and NRT consolidation aids growth:** DRRD's sales grew by 20% YoY at Rs 85bn vs our estimates of Rs83.6bn. The beat was aided by higher API and RoW sales. Further YoY growth was aided by consolidation of NRT business which registered Rs 6bn of revenues. Adj for NRT portfolio and licensing income, revenues grew by 12% YoY. US revenue came in at \$411mn (\$401mn in Q3FY25) largely in line with our estimate. Domestic business increased by 16% YoY to Rs 13bn aided by consolidation of Sanofi vaccine brands. Adj for this growth remained muted. PSAI sales grew by 16% YoY above our estimates. Russia sales increased by 30% YoY aided by higher volumes and contribution from new product launches. RoW sales growth was mere 4% YoY while EU sales adj for NRT portfolio was at 30%
- Lower GMs and certain one offs impacted margins:** DRRD reported EBITDA of Rs 20.5bn against our est of Rs 22bn. GM decline QoQ due to reduced manufacturing overhead leverage and one time severance cost which impacted GMs by 80 bps. We believe ex gRevlimid, one offs & PLI grant, margins stood at 16-17%. Segment wise PSAI margins came at 26.3% (28.6% in Q3FY25) whereas generic margins were at 59.3% (61.3% in Q3FY25). R&D expenses came in at Rs 7.3bn (8.5% of revenues), up 6% YoY. Amortization expenses came in higher given NRT business consolidation. Other income remained higher led by forex gain.
- Key concall takeaways: US business:** Growth was largely driven by volumes and new launches. Q4FY25 had 7 new product launches with a total 18 products in FY25. Filed 10 ANDAs with USFDA in FY25. Witnessed low single digit price erosion. gRevlimid – Meaningful contribution expected until Jan 2026, company prepared for post exclusivity period. This will be offset by new biosimilar launches (eg Abatacept) and GLP-1s.

- **Semaglutide (GLP-1)** launch planned in early 2026 in markets such as Canada, India and Brazil. DRRD is amongst the first filers in these markets. Mgmt remains confident about achieving double digit growth post Semaglutide and other complex product launches in FY26. Mgmt cited Canda market at \$1.8bn with 10mn pens.
- **EU:** Growth was primarily on account of acquired NRT business. Ex NRT overall business growth was at 12% YoY & 2% QoQ. On track to complete integration of Nordics. Overall, 39 product launches were made in FY25 and 10 products in Q4FY25.
- **India:** The vaccine portfolio in-licensed from Sanofi India, successful new product launches and price increases, partially offset by lower volumes supported performance. 7% growth YoY excluding in-licensed vaccine business. Cardiovascular & GI segments underperformed but improvement expected. Collaborated with Sanofi for Beyfortus in India. Launched Sensium (allergy immunotherapy) with ALK-Abello. Launched 23 new products in FY25.
- **Biosimilars:** Phase 3 trials for Abatacept ongoing with filing expected in US by end of 2025. Partnered with Shanghai Henlius Biotech, Inc. to commercialize HLX15 (daratumumab biosimilar) in the US and EU markets. Received Biologics License Application (BLA) acceptance for AVT03 (denosumab biosimilar) developed by its partner, Alvotech for the US market.
- **Russia:** Benefited from increased sales volumes, price hikes, and new launches YoY.
- **EM's:** Launched 26 new products in Q4FY25 with total count of 85 in FY25.
- **R&D:** Spent Rs 27.4bn in FY25 up 20% YoY with emphasis on complex generics and biosimilars.
- **ETR:** Q4FY25 rates lower due to FCTR gain and past provision reversal. Higher in FY25 due to deferred tax asset reversals and land indexation adjustments. FY26 ETR expected to be like FY25
- **Others:** GMs were down due to one-time cost (severance at divested Shreveport plant) and higher manufacturing overheads. Also previous quarters had milestone income. SGA up on account of NRT and logistics costs. Capex for the quarter was at Rs 7.7bn. Net cash stood at Rs 24.5bn.
- **Tariff:** Management ready for potential US tariffs on generics. Facilities prepared for USFDA surprise inspections. Mgmt cited it remains open to acquiring an asset if opportunity arises.

Exhibit 1: 4QFY25 Result Overview (Rs mn): Consolidation of NRT portfolio supports revenue, Margins decline

Y/e March	4QFY25	4QFY24	YoY gr. (%)	3QFY25	QoQ gr. (%)	FY25	FY24	YoY gr. (%)
Net Sales	85,060	70,830	20.1	83,586	1.8	3,25,535	2,79,164	16.6
COGS	37,797	29,347	28.8	34,534	9.4	1,35,107	1,15,557	16.9
% of Net Sales	44.4	41.4		41.3		41.5	41.4	
SGA	19,500	16,764	16.3	19,398	0.5	76,811	62,346	23.2
% of Net Sales	22.9	23.7		23.2		23.6	22.3	
R&D	7,258	6,877	5.5	6,658	9.0	27,380	22,873	19.7
% of Net Sales	8.5	9.7		8.0		8.4	8.2	
Total Expenditure	64,555	52,988	21.8	60,590	6.5	2,39,298	2,00,776	19.2
EBITDA	20,505	17,842	14.9	22,996	(10.8)	86,237	78,388	10.0
Margin (%)	24.1	25.2		27.5		26.5	28.1	
Depreciation & Amortisation	4,555	3,712	22.7	4,719	(3.5)	17,059	14,855	14.8
EBIT	15,950	14,130	12.9	18,277	(12.7)	69,178	63,533	8.9
Other Income	2,465	656	275.8	439	461.5	4,358	4,199	3.8
Interest	(2,352)	(1,022)	130.1	20		(4,724)	(3,994)	18.3
PBT	20,767	15,808	31.4	18,696	11.1	78,260	71,726	9.1
Share of Profit of Equity	55	35		42		217	147	
Extra Ord Items	768	(173)		(4)		1,693	3	
Total Taxes	4,181	2,946	41.9	4,704	(11.1)	19,538	16,186	20.7
ETR (%)	20.1	18.6		25.2		25.0	22.6	
Minority Interest	(66)	-		(95)		701	-	
Reported PAT	15,939	13,070	22.0	14,133	12.8	56,545	55,684	1.5
Adj.EPS	19.2	15.7	21.9	17.0	12.8	68	67	1.5

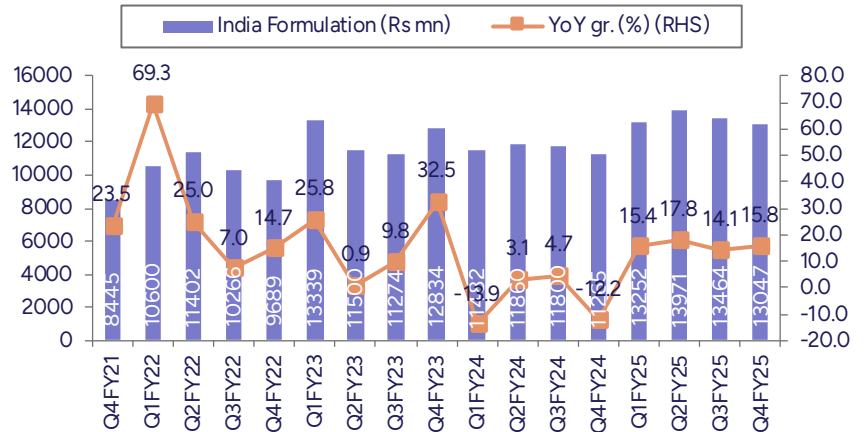
Source: Company, PL

Exhibit 2: Improved API and RoW business helped performance

Major Sources of Revenues	4QFY25	4QFY24	YoY gr. (%)	3QFY25	QoQ gr. (%)	FY25	FY24	YoY gr. (%)
PSAI (CPS & API)	9,563	8,219	16.4	8,219	16.4	33,846	29,801	13.6
% of Net Sales	11.2	11.6		9.8		10.4	10.7	
Branded Formulation	75,365	61,199	23.1	73,753	2.2	2,89,551	2,45,453	18.0
India	13,047	11,265	15.8	13,464	(3.1)	53,734	46,407	15.8
% of Net Sales	15.3	15.9		16.1		16.5	16.6	
International	62,318	49,934	24.8	60,289	3.4	2,35,817	1,99,046	18.5
% of Net Sales	73.3	70.5		72.1		72.4	71.3	
Russia & CIS	8,900	7,200	23.6	9,400	(5.3)	34,700	30,992	12.0
% of Net Sales	10.5	10.2		11.2		10.7	11.1	
Europe	12,750	5,208	144.8	12,096	5.4	35,881	20,511	74.9
% of Net Sales	15.0	7.4		14.5		11.0	7.3	
North America Generics	35,586	32,626	9.1	33,834	5.2	1,45,163	1,29,895	11.8
% of Net Sales	41.8	46.1		40.5		44.6	46.5	
Emerging Mkt Generics	5,082	4,900	3.7	4,959	2.5	20,073	17,648	13.7
% of Net Sales	6.0	6.9		5.9		6.2	6.3	
Innovative Prod	132	1,420	(90.7)	1,614	(91.8)	2,137	3,910	(45.3)

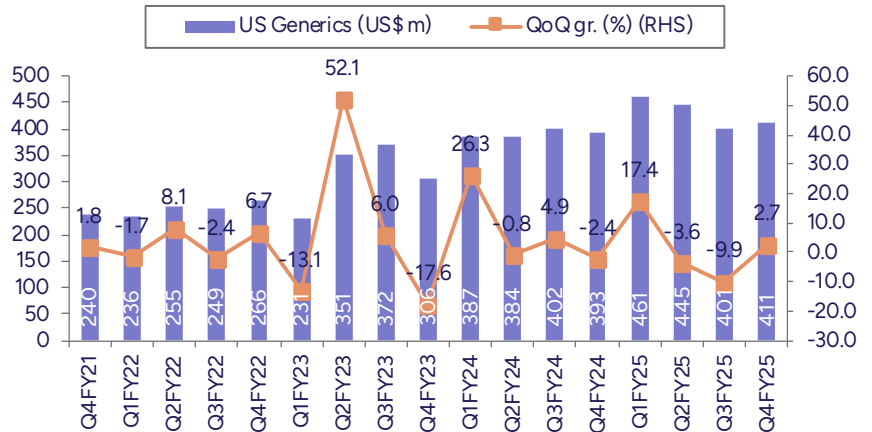
Source: Company, PL

Exhibit 3: India Form (Rs mn): Adj for Sanofi vaccines growth remained muted



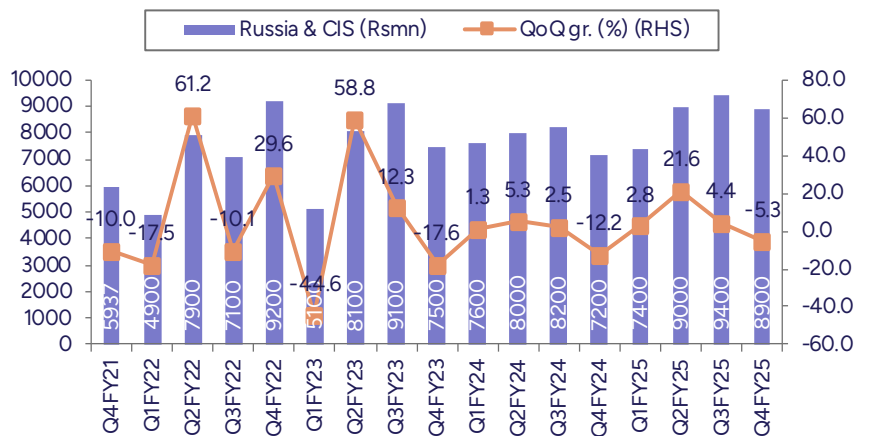
Source: Company, PL

Exhibit 4: US Generic: gRevlimid supported QoQ growth



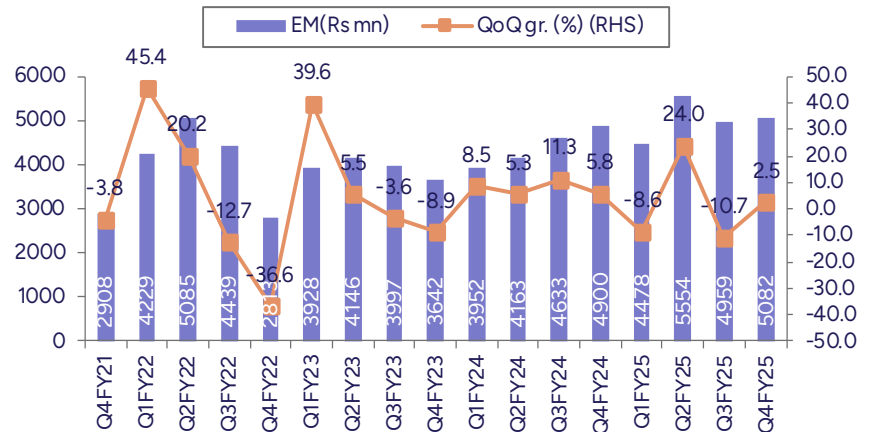
Source: Company, PL

Exhibit 5: Russia & CIS (Rs mn): Price hike & higher volumes supported YoY



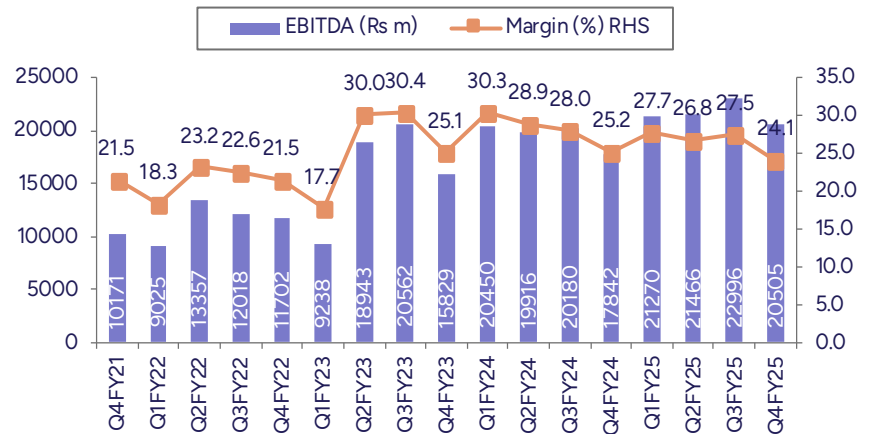
Source: Company, PL

Exhibit 6: EMs: New launches spur growth



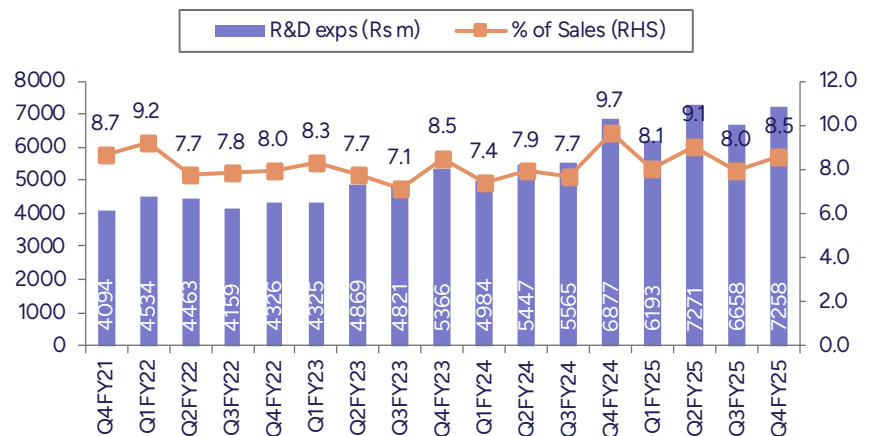
Source: Company, PL

Exhibit 7: Lower GMs led to decline in margins



Source: Company, PL

Exhibit 8: R&D spend stable in 8-9% range YoY



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Revenues	2,79,164	3,25,535	3,55,851	3,59,622
YoY gr. (%)	13.5	16.6	9.3	1.1
Cost of Goods Sold	1,15,557	1,35,107	1,50,000	1,65,402
Gross Profit	1,63,607	1,90,428	2,05,851	1,94,220
Margin (%)	58.6	58.5	57.8	54.0
Employee Cost	-	-	-	-
Other Expenses	22,873	27,380	30,118	32,226
EBITDA	78,392	86,236	91,856	72,246
YoY gr. (%)	21.4	10.0	6.5	(21.3)
Margin (%)	28.1	26.5	25.8	20.1
Depreciation and Amortization	14,856	17,058	20,042	21,443
EBIT	63,536	69,178	71,814	50,803
Margin (%)	22.8	21.3	20.2	14.1
Net Interest	(8,193)	(9,082)	(5,000)	(6,800)
Other Income	-	-	-	-
Profit Before Tax	71,729	78,260	76,814	57,603
Margin (%)	25.7	24.0	21.6	16.0
Total Tax	16,186	19,539	19,203	14,401
Effective tax rate (%)	22.6	25.0	25.0	25.0
Profit after tax	55,543	58,721	57,610	43,202
Minority interest	-	701	700	700
Share Profit from Associate	147	217	300	300
Adjusted PAT	55,684	56,544	57,210	42,802
YoY gr. (%)	23.6	1.5	1.2	(25.2)
Margin (%)	19.9	17.4	16.1	11.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	55,684	56,544	57,210	42,802
YoY gr. (%)	23.6	1.5	1.2	(25.2)
Margin (%)	19.9	17.4	16.1	11.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	55,684	56,544	57,210	42,802
Equity Shares O/s (m)	834	834	834	834
EPS (Rs)	66.8	67.8	68.6	51.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Non-Current Assets				
Gross Block	2,40,426	3,63,693	3,73,198	3,82,328
Tangibles	1,81,304	2,08,808	2,30,808	2,52,808
Intangibles	59,122	1,54,885	1,42,389	1,29,519
Acc: Dep / Amortization	1,26,589	1,69,129	1,76,676	1,85,249
Tangibles	1,04,418	1,11,047	1,23,280	1,36,679
Intangibles	22,171	58,082	53,396	48,570
Net fixed assets	1,13,837	1,94,564	1,96,522	1,97,079
Tangibles	76,886	97,761	1,07,528	1,16,129
Intangibles	36,951	96,803	88,993	80,950
Capital Work In Progress	-	-	-	-
Goodwill	4,253	11,810	11,810	11,810
Non-Current Investments	5,255	15,202	19,822	19,822
Net Deferred tax assets	9,940	4,400	4,400	4,400
Other Non-Current Assets	1,632	972	972	972
Current Assets				
Investments	74,363	43,254	43,254	43,254
Inventories	63,552	71,085	79,078	79,916
Trade receivables	80,298	90,420	1,03,790	1,04,890
Cash & Bank Balance	7,107	14,654	38,555	73,675
Other Current Assets	26,447	32,520	34,146	35,853
Total Assets	3,76,744	4,74,481	5,27,948	5,67,271
Equity				
Equity Share Capital	834	834	834	834
Other Equity	2,79,716	3,32,554	3,78,255	4,09,548
Total Network	2,80,550	3,33,388	3,79,089	4,10,382
Non-Current Liabilities				
Long Term borrowings	5,990	7,864	7,864	7,864
Provisions	-	-	-	-
Other non current liabilities	4,833	7,236	7,236	7,236
Current Liabilities				
ST Debt / Current of LT Debt	14,030	38,902	38,902	38,902
Trade payables	30,191	35,523	39,583	43,648
Other current liabilities	51,090	55,968	59,674	63,639
Total Equity & Liabilities	3,76,744	4,74,481	5,27,948	5,67,271

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	86,585	95,318	96,856	79,046
Add. Depreciation	14,856	17,058	20,042	21,443
Add. Interest	8,193	9,082	5,000	6,800
Less Financial Other Income	-	-	-	-
Add. Other	(27,723)	(45,773)	(25,042)	(28,243)
Op. profit before WC changes	81,911	75,685	96,856	79,046
Net Changes-WC	(16,430)	(10,455)	(15,223)	4,384
Direct tax	(20,047)	(19,993)	(19,203)	(14,401)
Net cash from Op. activities	45,433	45,236	62,430	69,029
Capital expenditures	(27,435)	(34,398)	(26,620)	(22,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Invst. activities	(27,435)	(34,398)	(26,620)	(22,000)
Issue of share cap. / premium	-	7,056	-	-
Debt changes	1,836	24,872	-	-
Dividend paid	(6,648)	(6,662)	(11,509)	(11,509)
Interest paid	-	-	-	-
Others	(11,858)	23,123	(400)	(400)
Net cash from Fin. activities	(16,670)	48,389	(11,909)	(11,909)
Net change in cash	1,328	59,227	23,901	35,120
Free Cash Flow	29,030	17,732	40,430	47,029

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Net Revenue	76,727	80,162	83,586	85,060
YoY gr. (%)	13.9	16.5	15.9	20.1
Raw Material Expenses	30,383	32,393	34,534	37,797
Gross Profit	46,344	47,769	49,052	47,263
Margin (%)	60.4	59.6	58.7	55.6
EBITDA	21,270	21,466	22,996	20,505
YoY gr. (%)	4.0	7.8	14.0	14.9
Margin (%)	27.7	26.8	27.5	24.1
Depreciation / Depletion	3,810	3,975	4,719	4,555
EBIT	17,460	17,491	18,277	15,950
Margin (%)	22.8	21.8	21.9	18.8
Net Interest	(837)	(1,555)	20	(2,352)
Other Income	470	984	439	2,465
Profit before Tax	18,767	20,030	18,696	20,767
Margin (%)	24.5	25.0	22.4	24.4
Total Tax	4,901	5,752	4,704	4,181
Effective tax rate (%)	26.1	28.7	25.2	20.1
Profit after Tax	13,866	14,278	13,992	16,586
Minority interest	-	-	-	-
Share Profit from Associates	59	61	42	55
Adjusted PAT	13,920	13,415	14,038	15,873
YoY gr. (%)	(0.7)	(9.4)	1.8	21.4
Margin (%)	18.1	16.7	16.8	18.7
Extra Ord. Income / (Exp)	5	924	(4)	768
Reported PAT	13,925	14,339	14,034	16,641
YoY gr. (%)	(0.8)	(3.5)	1.0	29.0
Margin (%)	18.1	17.9	16.8	19.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	13,925	14,339	14,034	16,641
Avg. Shares O/s (m)	167	167	167	167
EPS (Rs)	16.8	15.1	17.0	19.2

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
Per Share(Rs)				
EPS	66.8	67.8	68.6	51.3
CEPS	84.6	88.3	92.6	77.0
BVPS	336.4	399.7	454.5	492.1
FCF	34.8	21.3	48.5	56.4
DPS	9.2	9.2	13.8	13.8
Return Ratio(%)				
RoCE	23.3	20.3	17.8	11.5
ROIC	21.5	16.6	16.1	11.3
RoE	21.8	18.4	16.1	10.8
Balance Sheet				
Net Debt : Equity (x)	(0.2)	0.0	(0.1)	(0.2)
Net Working Capital (Days)	149	141	147	143
Valuation(x)				
PER	17.3	17.0	16.9	22.5
P/B	3.4	2.9	2.5	2.3
P/CEPS	13.7	13.1	12.5	15.0
EV/EBITDA	11.5	11.0	10.1	12.4
EV/Sales	3.2	2.9	2.6	2.5
Dividend Yield (%)	0.8	0.8	1.2	1.2

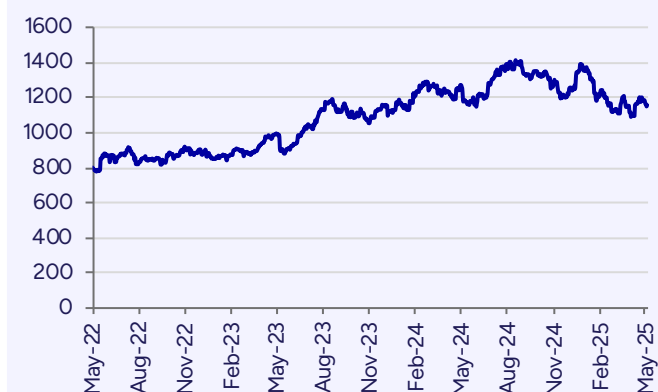
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
India Formulations	46,407	53,734	59,107	65,018
US formulations	1,29,895	1,45,163	1,46,431	1,24,610
Russia	22,300	26,000	28,921	32,391
PSAI	29,801	33,846	36,554	39,478

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Apr-25	Reduce	1,335	1,088
2	24-Jan-25	Reduce	1,335	1,289
3	08-Jan-25	Reduce	1,335	1,353
4	06-Nov-24	Reduce	1,335	1,272
5	07-Oct-24	Reduce	1,200	1,327
6	29-Jul-24	Reduce	1,200	1,376
7	08-Jul-24	Reduce	1,140	1,304

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	8,100	6,683
2	Aster DM Healthcare	BUY	620	476
3	Aurobindo Pharma	BUY	1,510	1,097
4	Cipla	BUY	1,730	1,416
5	Divi's Laboratories	Accumulate	6,250	5,309
6	Dr. Reddy's Laboratories	Reduce	1,335	1,088
7	Eris Lifesciences	BUY	1,450	1,275
8	Fortis Healthcare	BUY	760	636
9	HealthCare Global Enterprises	BUY	555	523
10	Indoco Remedies	Hold	325	233
11	Ipca Laboratories	Accumulate	1,700	1,316
12	J.B. Chemicals & Pharmaceuticals	BUY	2,075	1,518
13	Jupiter Life Line Hospitals	BUY	1,750	1,480
14	Krishna Institute of Medical Sciences	BUY	725	567
15	Lupin	BUY	2,420	1,923
16	Max Healthcare Institute	BUY	1,300	1,084
17	Narayana Hrudayalaya	BUY	1,560	1,644
18	Rainbow Children's Medicare	BUY	1,785	1,406
19	Sun Pharmaceutical Industries	BUY	2,275	1,677
20	Suntech Realty	BUY	650	401
21	Torrent Pharmaceuticals	Accumulate	3,750	3,234
22	Zydus Lifesciences	Accumulate	1,050	841

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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