

## DR. REDDY'S LABORATORIES LTD.

Buy at CMP: Rs 1389 | Target: Rs 1575 (13%) | SL: Rs 1290

Sector

Dec 30, 2024

Healthcare

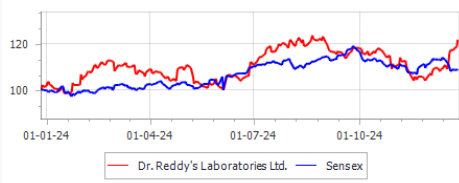
### Script Details

BSE Group	A
BSE Code	500124
NSE Code	DRREDDY
Bloomberg Code	DRRD IN
Market Cap (INR Cr.)	1,15,931
Free Float (%)	94.7%
52wk Low/High	1420/1105
Beta (1yr Nifty 50)	0.00
Face Value (INR)/ D. Yield (%)	1/0.6
Total paid Up Shares (Mn.)	834.4

### Share Holding Pattern (%)

Promoters	Public	Others
5.3%	94.7%	-

### Share Price Relative Performance



Dr. Reddy's Laboratories, headquartered in Hyderabad, is a top Indian pharma company offering generics, APIs, biosimilars, and differentiated formulations. It operates through three main segments: Pharmaceutical Services, Global Generics, and Proprietary Products.

### Investment Rationale

- ◆ **Driving growth through a diversified portfolio of generics, APIs, and innovative biotech solutions:** The company operates with a diversified business model. The Global Generics segment (83% of revenue) offers over 400 high-quality drugs, with top contributors in nervous system, gastrointestinal, and anti-infective drugs. The PSAI segment (14% of revenue) leads in API manufacturing, enhancing cost competitiveness and market speed. It filed 139 DMFs globally in FY22. The Proprietary Products segment (2% of revenue) focuses on differentiated formulations and includes Aurgene Discovery, a biotech firm developing cancer and inflammation treatments. This integrated approach positions the company for sustained growth and market leadership.
- ◆ **Backward Integration across value chain aid to improve margins and probability in business:** DRL's Pharmaceutical Services and Active Ingredients (PSAI) business contributed 11% to FY2024 revenues. The API segment supports external partners and DRL's generic business, leveraging backward integration to enhance cost efficiency and margins. This strategy has driven significant improvement, with EBITDA margins rising from 14% in FY2020 to 28% in FY2024. Margins are expected to stabilize at 26-27% between FY2025 and FY2027.
- ◆ **Strong R&D and product pipeline likely to drive growth in Dr Reddy:** DRL's R&D investments is 9% of Q2 sales reflect its focus on high-value pipelines, including small molecules, biosimilars, and novel oncology assets. Key developments include Aurigene Oncology's Phase 1 CAR-T therapy results, US FDA IND approval for AUR-112, and European marketing authorization for rituximab biosimilar, with launches slated for FY25 and FY26. The company launched 7 products in H1FY25, filed 3 ANDAs, and has 80 generics pending US FDA approval. Strategic collaborations with Gilead for HIV drug Lenacapavir and Alvotech for denosumab biosimilar further enhance growth potential. DRL aims for global pipeline expansion, targeting major launches in CY27.
- ◆ **Outlook and Valuations:** We model a Revenue/PAT CAGR of 13%/5% and estimate DRREDDY to clock PAT of Rs 5,643 Cr by FY27E. DRREDDY is trading at forward PE (x) of 20.5 and we value at 23(x) FY27E and Recommend BUY on DRREDDY with Target Price of Rs. 1,575 (13%) .

Year	Revenue	EBITDA	PAT	PE Ratio (x)	EV/EBITDA (x)
FY24	30,085	3,610	5,339	21.7	13.2
FY25E	33,996	8,499	4,419	26.2	2.1
FY26E	38,415	9,604	4,994	23.2	1.8
FY27E	43,409	10,852	5,643	20.5	1.6

Source: Company Data, Ace Equity, GEPL Research

# TECHNICAL VIEW

## Observation

- DRREDDY has displayed robust structural development, consistently maintaining an upward trajectory with higher tops and higher bottoms.
- Historically, the stock has demonstrated a recurring pattern of rebounding strongly after 12-17% corrections, delivering approximately 30% price growth following each decline. Recently, the stock completed a 17% correction from its August 2024 swing high and is now showing signs of another potential upswing, in line with this pattern observed since May 2023.
- The stock has found key support at its 50-week EMA, indicating a likely bullish mean reversion. This support aligns with the 61.80% Fibonacci retracement of the 1095-1421 upmove, further strengthening the case for a bullish reversal.
- Momentum indicators add to this positive outlook, with the RSI on the weekly scale crossing bullishly and sustaining above 60, signaling reinforced bullish momentum.
- With these structural and momentum factors in place, DRREDDY appears well-positioned for a strong upward move.

DRREDDY [N881] 1389.45, 3.41%  
Price Avg2(E,20,E,50)



- Inference & Expectations
- Considering these factors, it can be inferred that DRREDDY stock is set to continue uptrend.
- Going ahead we expect the prices to move higher till 1575 level.
- The stop loss must be at 1290 level, strictly on the closing basis.

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Source: Tradingview.in, GEPL Research

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