kotak Securities

Dated: 22nd January 2026

Dr Reddy's Laboratories (DRRD) - REDUCE

Result Update

Current Market Price (CMP)	Target Price
Rs.1157	Rs.1205

Rationale:

- DRRD reported a decent 3QFY26 amid the gRevlimid cliff.
- Backed by strength in branded markets such as India and Russia and favorable forex.
- Once gRevlimid's contribution becomes negligible from 4QFY26.
- We expect adjusted EBITDA margins to decline from 23.2% in 3QFY26 to sub-20%.
- DRRD's medium-term fortunes hinge conspicuously on timely launches of Semaglutide in Canada and Abatacept in the US.
- Any further setbacks could pose a downside risk to our estimates.
- We expect earnings to de-grow 13.2% in FY27E and 16.1% in FY28E.
- Stock is trading at 19.4 x FY28E.
- We tweak DRRD's FY2026-28E EPS by 1-2% and revise the FV to Rs1,205 (from Rs1,220) at an unchanged 21X December 2027E EPS.

Positives:

- Ex-US markets continue to deliver healthy double-digit growth.

Negatives:

- GLP-1 to fill only 15-20% of the gRevlimid EPS void; downside risk persists.
- EBITDA fell 11% yoy to Rs2030 cr (+8% versus KIE), with a margin of 23.2% ((-)390 bps yoy).

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

BUY	–	We expect the stock to deliver more than 15% returns over the next 12 months
ADD	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	–	We expect the stock to deliver < -5% returns over the next 12 months
NR	–	**Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
SUBSCRIBE	–	We advise investor to subscribe to the IPO.
RS	–	**Rating Suspended.** Kotak Securities has suspended the investment rating and price target for this stock, either because there is not a sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.
NA	–	**Not Available or Not Applicable.** The information is not available for display or is not applicable
NM	–	**Not Meaningful.** The information is not meaningful and is therefore excluded.
NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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