

Feb 12, 2020

DR. Reddy's Laboratories Ltd

Dr. Reddy's Laboratories Limited is a pharmaceutical company that is engaged in providing medicines. The Company operates in three segments: Global Generics, Pharmaceutical Services and Active Ingredients (PSAI), and Proprietary Products. The company's key therapeutic focus is on gastro-intestinal, cardiovascular, diabetology, oncology, pain management, anti-infective and paediatrics. In 9MFY19, it reported 126% growth in net profit, which was driven by increase in other income.

Dr. Reddy's announced acquisition of select brands of Wockhardt in India and other markets for ~₹1850cr. The deal adds scale (~17% of India revenues) and deepens the company's presence in the acute segment. The key 5 brands account for ~50%+ of the acquired portfolio. These additions are expected to revive the company's growth. Further, has rich pipeline of products in US however ~50% of the growth over the next two years (17% cagr) will be driven by gCopaxone and gNuvaring, the approval for which remain elusive. Its cash flow management also looks well with steady cash flow generation at the operational level and investing the cash in assets and income earning investments. The company's shares trade at 31.2x of its earnings and delivers 13.4%. Keeping in mind the company's performance and future prospects we give a **Buy**.

BUY

CMP ₹3,198

Stock Info

Sector	Pharmaceuticals
Market Cap (₹ cr)	53,132
Beta	0.3
52 Week High / Low	3365/2351
Avg. Daily Volume	30,551
Face Value (₹)	5
BSE Sensex	41,566
Nifty	11,993
Reuters Code	REDY.BO
Bloomberg Code	DRRD IN

Shareholding Pattern (%)

Promoters	26.8
MF / Banks / Indian FIs	15.1
FII / NRIs / OCBs	30.0
Indian Public / Others	27.9

Abs. (%)	3m	1yr	3yr
Sensex	3.6	15.0	46.6
DRREDDY	15.8	20.8	7.8

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Disclosure of Interest Statement

Dr Reddy's Lab

1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No

Ratings (Based on expected returns over 12 months investment period):

Buy (> 15%)

 Accumulate (5% to 15%)
 Reduce (-5% to -15%)

 Neutral (-5 to 5%)
 Sell (< -15)