RESULT UPDATE

DR.REDDYS LABORATORIES

Earnings continue to linger in weak terrain

India Equity Research| Pharmaceuticals

Edelweiss
Ideas create, values protect

Dr. Reddys Laboratories' (DRRD) Q4FY17 earnings continued to be weak after the unsustainable gross margin spike in Q3FY17. Revenue, EBITDA and adjusted PAT tumbled 5%, 25% and 4% YoY, respectively, hit by supply constraints and pricing pressure in US. Including the recent limited competition gVytorin launch, DRRD expects to launch >10 US products during FY18. While Warning Letter at Miryalguda and Srikakulam could get resolved, recent reaudit of Duvvuda's oncology facility has led to serious Form 483 observations, entailing escalation risks. We expect the base business to remain under pressure, unless there are key launches of gCopaxone and gNuvaring *built in estimates.* Maintain 'HOLD' with INR2,660 (18x FY19E EPS) target price.

Ailing US operations continue to hurt base business

US business (43% of total) fell 20% YoY and 6% QoQ (in CC) due to high competition, pricing pressure and some supply constraints (Isotretinoin). India (16% of total) was up 8% YoY impacted by general market slowdown. Russia (13% of total) jumped 26% YoY (in CC) as DRRD supplied Rituximab tenders. Gross margin plummeted 549bps YoY and 793bps QoQ to 51% on gross margin dip in PSAI as well as global generics businesses. Ergo, EBITDA margin was fell short of expectation, leading to a weak performance.

Delays in key launches and monetisation

DRRD expects >10 US launches during FY18. While its pipeline could spring positive surprises (para-I/II/III), approval delays could derail near-term US revenue build up, which hinges on a number of approvals with complex approval pathways (gLovenox, gPentasa, gDiprivan and gDoxil). Approval pathways for gCopaxone and gNuvaring are not straight forward. In gCopaxone, DRRD has responded to characterisation issue in the DMF in December 2016 and has TAD for ~November 2017. It is in the process of addressing major deficiencies for gNuvaring. We have built best case scenario (H2FY19) in our estimates. However, launch delay implies ~25% downside to our FY19 estimates.

Outlook and valuations: Earnings under pressure; maintain 'HOLD'

While Warning Letter at Miryalguda and Srikakulam could get resolved, recent reaudit of Duvvuda's oncology facility has led to serious Form 483 observations, entailing escalation risks. Several issues pose downside risks to DRRD's earnings. At CMP, the stock trades at 17.4x FY19E EPS. We maintain **'HOLD/SP'**.

Financials (Consolidated) (INR mn)

Year to March	Q4FY17	Q4FY16	% change	Q3FY17	% change	FY17	FY18E	FY19E
Net revenue	35,542	37,562	*(5.4)*	37,065	*(4.1)*	140,809	156,380	181,885
EBITDA	5,834	7,797	*(25.2)*	8,526	*(31.6)*	24,155	30,235	41,100
EBITDA margin (%)	16.4	20.8		23.0		17.2	19.3	22.6
Adjusted profit	3,221	4,443	*(27.5)*	4,708	*(31.6)*	12,039	15,932	24,485
Adj. diluted EPS	18.9	26.0	*(27.5)*	28.4	*(33.5)*	72.6	96.1	147.7
P/E (x)						35.4	26.8	17.4
ROAE (%)						9.5	12.3	17.1

EDELWEISS 4D RATINGS

Absolute Rating	**HOLD**
Rating Relative to Sector	Performer
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Equalweight

MARKET DATA *(R: REDY.BO, B: DRRD IN)*

CMP	: INR 2,581
Target Price	: INR 2,660
52-week range (INR)	: 3,690 / 2,522
Share in issue (mn)	: 165.7
M cap (INR bn/USD mn)	: 428 / 6,648
Avg. Daily Vol.BSE/NSE('000)	: 398.6

SHARE HOLDING PATTERN (%)

	Current	Q2FY17	Q1FY17
Promoters *	26.8	26.8	26.7
MF's, FI's & BK's	10.6	8.2	6.5
FII's	32.4	36.3	37.2
Others	30.3	28.7	29.7

** Promoters pledged shares (% of share in issue) : 1.2*

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Pharma Index
1 month	(1.3)	2.0	(2.1)
3 months	(12.8)	7.2	(1.0)
12 months	(9.6)	20.0	(2.9)

Deepak Malik
+91 22 6620 3147
deepak.malik@edelweissfin.com

Rahul Solanki
+91 22 6623 3317
rahul.solanki@edelweissfin.com

Archana Menon
+91 22 6620 3020
archana.menon@edelweissfin.com

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Q4FY17 conference call: Key highlights

Guidance for FY18

- Tax: 24-25%.
- Expects >10 launches in US versus 15 earlier.
- Gross margin around 55% (+/- 200bps).
- 10-12% growth in India.

US

- Revenue - USD228mn/956mn for Q4FY17/FY17. Business impacted due to supply constraints and pricing pressure (low double digit).
- 26 filings in FY17.
- 2 launches in April—gVytorin (3 players market, Mylan has not launched due to Warning Letter at Nashik) and gPrometrium.
- **Bachupally plant**: Observations are procedural in nature and will not require any incremental spend.
- Miryalaguda plant: CB30 approval received.
- Duvvada plant: 2 major injectables have partner sites also. One solid oral does not have a partner site.
- Copaxone: 20mg DMF response had been sent in ~December 2016; has received TAD for ~6 months from now.
- Nuvaring: Received CRL related to drug device. The company will respond in a few weeks.
- Aloxi: Interesting developments on litigation in ANDA with the competitor; will closely watch over next 60 days. Has appealed for 505b2.
- Proprietary products:
  - ✓ Zembrace: 500 prescriptions per week (up 33% QoQ).
  - ✓ Sernivo: 850 prescriptions per week (up 40% QoQ).
  - ✓ 75% insurance coverage. Peak sales of Zembrace and Sernivo in 3 years.
  - ✓ Base business steady.
  - ✓ Xeglyze: Dependant on resolution of plant.
  - ✓ Derma product: PDUFA date later in FY18.
  - ✓ Expects positive cashflow over the next 3 years or so.

India

- 8%/9% growth for Q4FY17/FY17.

Russia

- 26%/8% on back of win of Rituximab tender in Q4FY17.

Finance and Other

- Translation rate for the quarter: USD1/INR64.85.
- Global generics-58.4% and PSAI-10%. Lower gross margin due to:
  - ✓ Impairment charges of USD6mn.
  - ✓ Inventory built up for failed launch written off.
  - ✓ Failure to provide the quantity – Isotretinoin.
  - ✓ High pricing pressure.
  - ✓ Higher maintenance cost.
- R&D: USD76mn. Capex: USD 36mn/USD 179mn for Q4FY17/FY17.

Table 1: Actual versus estimates **(INR mn)**

	Q4FY17	*YoY (%)*	Edel estimate	*YoY (%)*	*Deviation from Actual (%)*	Comments
Net revenue	35,542	(5)	36,310	*(3.3)*	*(2.1)*	
Cost of revenue	17,360	7	15,976	*(1.9)*	*8.7*	Global Generics GM: 58.5% PSAI GM: 9.9%
Gross profit	18,182	(15)	20,334	*(4.4)*	*(10.6)*	
Gross margin (%)	51.2	270.4	56.0			
S,G&A	7,769	(10)	8,500	*(1.2)*	*(8.6)*	Include impairment charge of INR335mn pertaining to certain units of the global generics segment
R&D	4,579	(6)	4,759	*(2.5)*	*(3.8)*	12.9% of sales.
EBITDA	5,834	(25)	7,074	*(9.3)*	*(17.5)*	
EBITDA margin (%)	16.4		19.5			
Depreciation	2,338	13	2,000	*(3.0)*	*16.9*	
Amortization	866	(11)	1,000	*3.1*	*(13.4)*	
Total operating expenses	15,552	(6)	16,259	*(1.5)*	*(4.4)*	
EBIT	2,630	(45)	4,074	*(14.5)*	*(35.5)*	
Less: Interest Expense	(89.0)		(100.0)			
Add: Other income	505.0	64.5	300.0	*(2.3)*	*68.3*	
Add: Exceptional items	(137)	(96)	-			
Profit before tax	3,087	27	4,474	*84.4*	*(31.0)*	
Tax rate (%)	2.1	(353.5)	25.0			
Less: Provision for Tax	64	(96)	1,119	*(35.7)*	*(94.3)*	Low due to resolution of certain tax matters pertaining to prior years
Less: Minority Interest	(102)	73	(80)	*35.6*	*27.5*	
Reported Profit	3,125	319	3,436	*360.6*	*(9.0)*	
Adjusted Profit	3,221	(28)	3,436	*(22.7)*	*(6.3)*	

Source: Company, Edelweiss research

Table 2: Revenue mix by segment – Consolidated (INR mn)

Year to March	Q4FY17	Q4FY16	% change	Q3FY17	% change	Comments
Global generics	29,138	30,775	(5.3)	30,638	(4.9)	
North America	15,349	18,950	(19.0)	16,595	(7.5)	Down 20% YoY/ 6% QoQ in CC due to increased competition in valgancyclovir, decitabine, azacitidine and discontinuation of McNeil business
Europe	2,066	1,759	17.5	2,148	(3.8)	
India	5,711	5,267	8.4	5,947	(4.0)	
Russia & CIS	4,500	3,140	43.3	4,148	8.5	Russia: up 26% YoY in CC
Others	1,512	1,659	(8.9)	1,800	(16.0)	RoW largely impacted on account of no sales in Venezuela
PSAI	5,401	5,765	(6.3)	5,400	0.0	
Propr. products/Others	1,003	1,022	(1.9)	1,027	(2.3)	
Net Sales	**35,542**	**37,562**	**(5.4)**	**37,065**	**(4.1)**	

Source: Company, Edelweiss research

Chart 1: Revenue declines

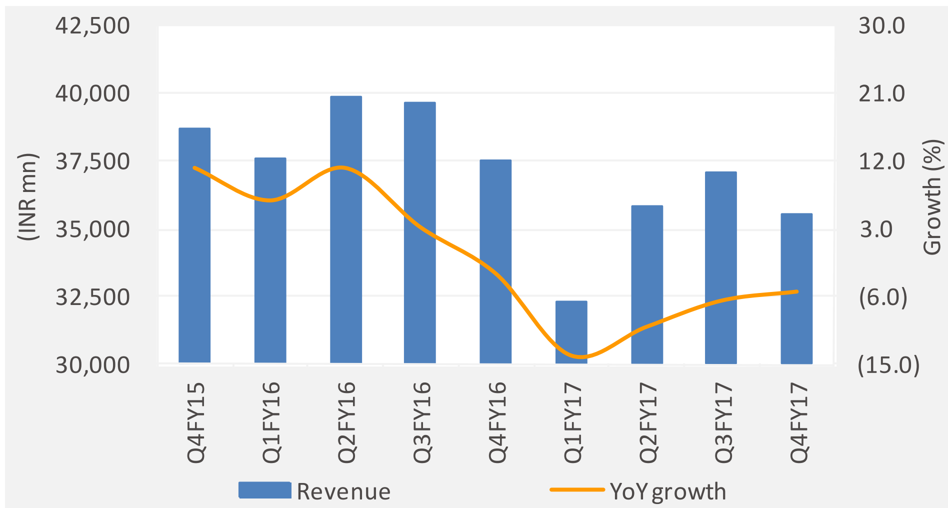
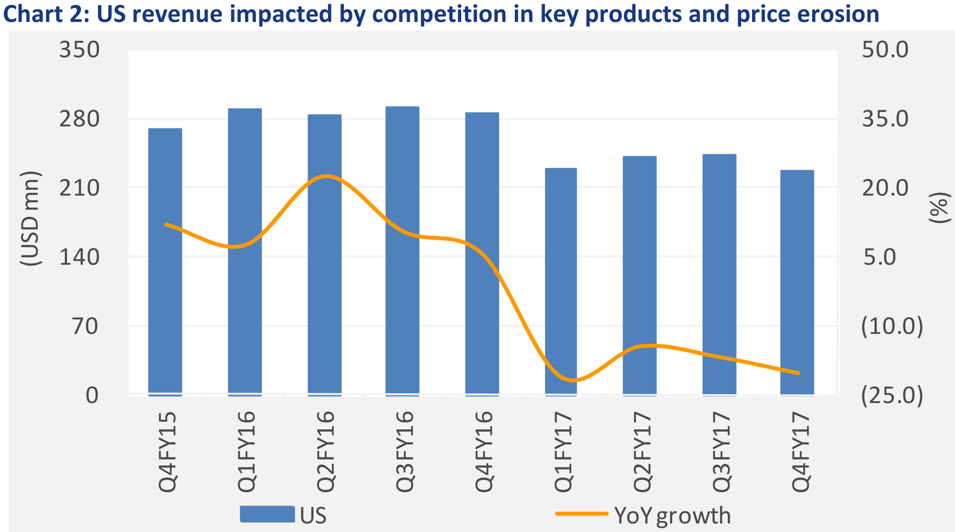
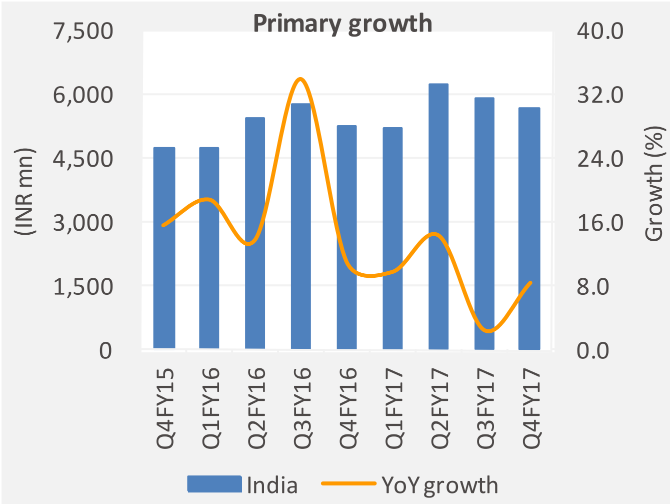


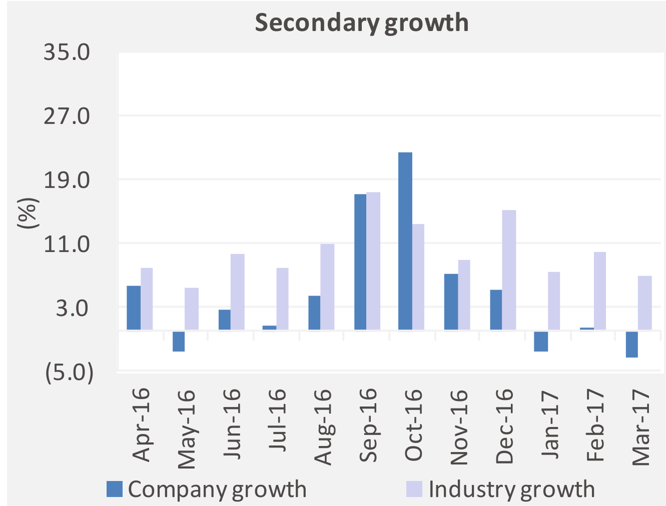
Chart 2: US revenue impacted by competition in key products and price erosion



Source: Company, Edelweiss research

Chart 3: India grew 8% YoY, impacted by market factors





Source: Company, Edelweiss research

Table 3: Therapy-wise break up of sales **(INR mn)**

	Contribution (%)	MAT Mar'17	MAT Mar'16	*Growth YoY (%)*
Gastro Intestinal	21	5,182	5,191	*(0.2)*
Anti-Neoplastics	14	3,591	2,655	*35.2*
Cardiac	14	3,372	3,531	*(4.5)*
Respiratory	9	2,318	2,028	*14.3*
Anti-Infectives	8	1,883	1,798	*4.7*
Anti Diabetic	7	1,648	1,586	*3.9*
Pain / Analgesics	7	1,647	1,642	*0.3*
Derma	6	1,442	1,540	*(6.4)*
Urology	4	974	954	*2.1*
Stomatologicals	3	759	774	*(1.9)*
Others	8	2,082	1,973	*5.5*
Acute	**52**	**13,065**	**11,647**	***12.2***
Chronic	**27**	**6,739**	**7,085**	***(4.9)***
Sub-Chronic	**20**	**5,094**	**4,941**	***3.1***
Total Sales	**100**	**24,898**	**23,673**	***5.2***

Source: Company, Edelweiss research

Table 4: Top brands **(INR mn)**

		MAT Mar'17	MAT Mar'16	*Growth YoY (%)*
Omez	Gastro Intestinal	1,130	1,325	*(14.7)*
Omez D	Gastro Intestinal	1,039	982	*5.9*
Nise	Pain / Analgesics	709	745	*(4.8)*
Econorm	Gastro Intestinal	648	729	*(11.1)*
Atarax	Respiratory	618	439	*40.8*
Razo D	Gastro Intestinal	598	528	*13.3*
Stamlo	Cardiac	595	686	*(13.3)*
Razo	Gastro Intestinal	553	472	*17.2*
Reditux	Anti Neoplastics	500	485	*2.9*
Stamlo Beta	Cardiac	496	477	*4.1*
Total		**6,888**	**6,869**	***0.3***

Source: Company, Edelweiss research

Chart 4: Russia / CIS revenues grew 8% QoQ

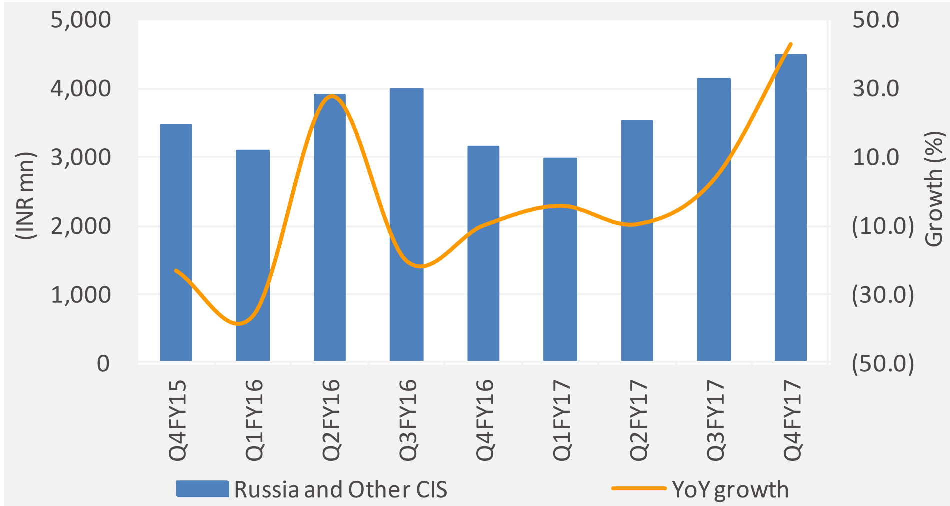
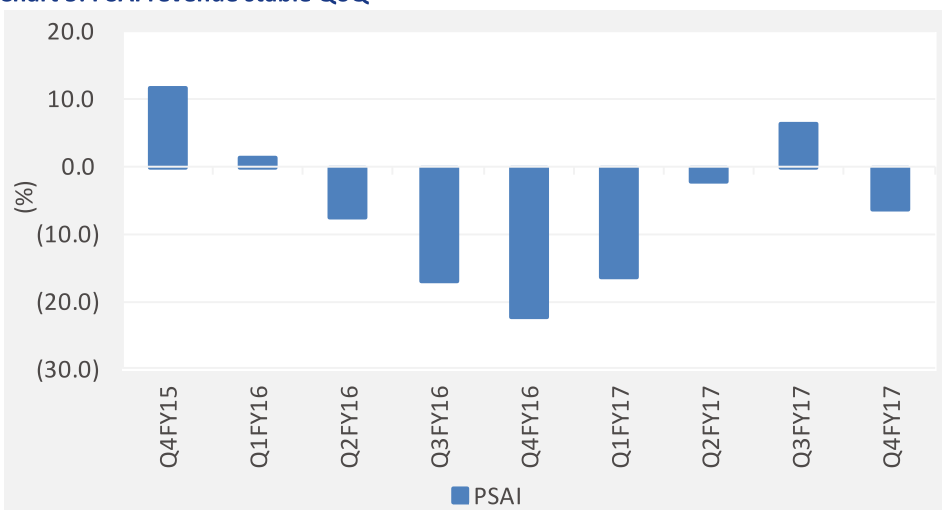
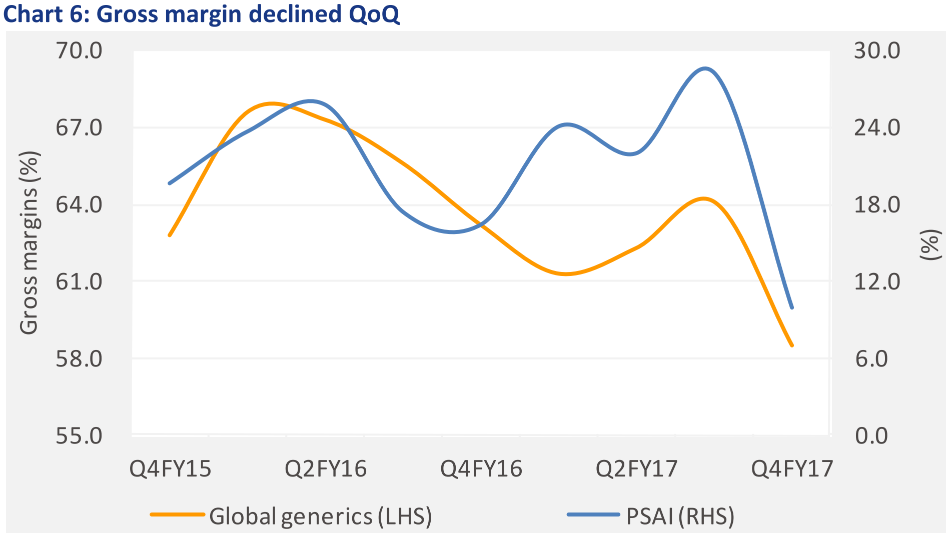


Chart 5: PSAI revenue stable QoQ



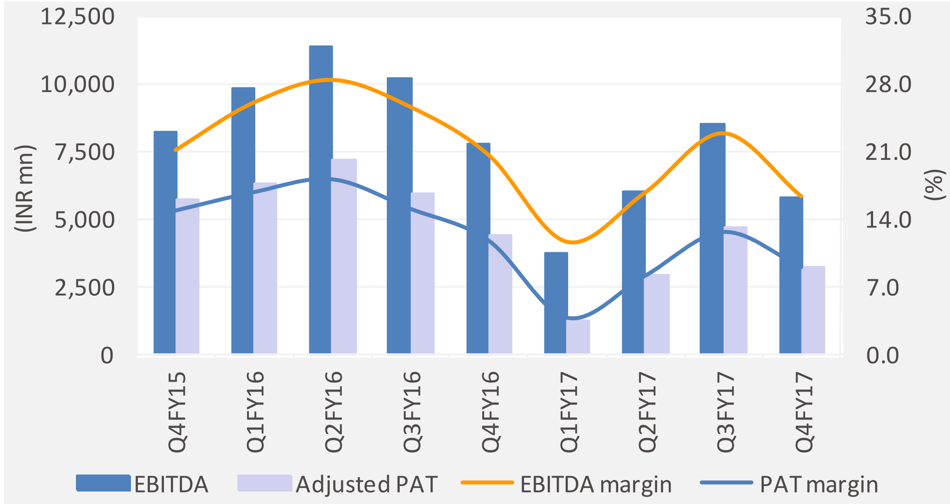
Gross profit margin for Global Generics (GG) and PSAI business segments for FY17 are at 61.6% and 21%, respectively

Chart 6: Gross margin declined QoQ



Source: Company, Edelweiss research

Chart 7: EBITDA and PAT margins declined QoQ



Source: Company, Edelweiss research

Financial snapshot (INR mn)

Year to March	Q4FY17	Q4FY16	% change	Q3FY17	% change	FY17	FY18E	FY19E
Net revenues	35,542	37,562	*(5.4)*	37,065	*(4.1)*	140,809	156,380	181,885
Cost of revenue	17,360	16,286	*6.6*	15,166	*14.5*	62,453	69,433	78,211
Gross profit	18,182	21,276	*(14.5)*	21,899	*(17.0)*	78,356	86,947	103,674
SG&A	7,769	8,600	*(9.7)*	8,417	*(7.7)*	34,650	36,383	38,929
R&D	4,579	4,879	*(6.1)*	4,956	*(7.6)*	19,551	20,329	23,645
Amortization expenses	866	970	*(10.7)*	988	*(12.3)*	-	-	-
Total expenditure	15,552	16,511	*(5.8)*	16,297	*(4.6)*	54,201	56,712	62,574
EBITDA	5,834	7,797	*(25.2)*	8,526	*(31.6)*	24,155	30,235	41,100
EBITDA margin	16.4	20.8		23.0		17.2	19.3	22.6
Depreciation	2,338	2,062	*13.4*	1,936	*20.8*	11,722	11,750	11,775
EBIT	2,630	4,765	*(44.8)*	5,602	*(53.1)*	12,433	18,486	29,325
Other income	505	307	*64.5*	187	*170.1*	1,065	855	1,073
Interest	(89)	(1,051)	*NA*	(54)	*NA*	(806)	(1,000)	(1,000)
Add: Exceptional items	(137)	(3,697)	*NA*	(10)	*NA*			
Profit before tax	3,087	2,426	*27.2*	5,833	*(47.1)*	14,304	20,341	31,399
Provision for taxes	64	1,739	*(96.3)*	1,221	*(94.8)*	2,614	4,759	7,314
Minority interest	(102)	(59)	*NA*	(89)	*NA*	(349)	(350)	(400)
Reported net profit	3,125	746	*318.9*	4,701	*(33.5)*	12,039	15,932	24,485
Adjusted Profit	3,221	4,443	*(27.5)*	4,708	*(31.6)*	12,039	15,932	24,485
Diluted shares (mn)	-	171		166		166	166	166
Adjusted Diluted EPS	-	26.0	*(100.0)*	28.4	*(100.0)*	72.6	96.1	147.7
Diluted P/E (x)	-	-		-		35.4	26.8	17.4
EV/EBITDA (x)	-	-		-		19.0	14.9	10.8
ROAE (%)	-	-		-		9.5	12.3	17.1
As % of net revenues	-	-		-		-	-	1
Cost of revenue	48.8	43.4		40.9		44.4	44.4	43.0
Gross profit	51.2	56.6		59.1		55.6	55.6	57.0
SG&A	21.9	22.9		22.7		24.6	23.3	21.4
R&D	12.9	13.0		13.4		13.9	13.0	13.0
Total expenses	43.8	44.0		44.0		38.5	36.3	34.4
Operating profit	7.4	12.7		15.1		8.8	11.8	16.1
Reported net profit	8.8	2.0		12.7		8.5	10.2	13.5
Tax rate	2.1	71.7		20.9		18.3	23.4	23.3

Company Description

Dr. Reddy's is one of the largest Indian generic companies in the world with presence in more than 40 countries. USA is its largest market and contributes more than 40% of its revenues. It has one of the largest portfolios among Indian generic players and has enabled it to become a prominent generic player in the US. Russia and India are the two other key geographies, where it has significant presence. Apart from strengths in developing niche generic products, vertical integration into APIs has enabled it to become a global generic powerhouse. It operates 30 facilities (10 USFDA approved) and is actively supported by an extensive R&D programme. It also has one of the deepest pipelines of bio-similars amongst leading global generic companies, addressing global brand sales of USD30bn.

Investment Theme

Dr. Reddy's stands out with its world class R&D skills in developing technically complex/niche products which attract limited competition and is well set to capture the less-explored world of higher complexity generic products in the US. It is also among the leading players globally with a strong pipeline in the high potential biosimilars space which will be a long term growth driver. We believe that higher contribution from niche pipeline in US, strong growth in Russia & bounce back in India should drive strong earnings growth.

Key Risks

- Slowdown in ANDA approvals and USFDA related regulatory risks are part of the generics business
- Delay in bounce back in the PSAI business
- Failure to get approvals for Biosimilars and niche derma pipeline

Financial Statements

Key Assumptions

Year to March	FY16	FY17	FY18E	FY19E
Macro				
GDP(Y-o-Y %)	7.4	6.5	7.1	7.7
Inflation (Avg)	4.8	4.8	5.0	5.2
Repo rate (exit rate)	6.8	6.3	6.3	6.3
USD/INR (Avg)	65.0	67.5	67.0	67.0
Sector				
IPM growth (Y-o-Y) %	12.0	12.0	12.0	13.0
Company				
India sales (INR mn)	21,293	23,131	25,907	29,016
% change	19.2	8.6	12.0	12.0
US generics (USD mn)	1,139	942	1,030	1,300
Growth (YoY)%	18.7	(17.3)	9.3	26.2
Russia/ CIS growth(YoY)%	5.2	11.5	20.0	10.0
PSAI growth (YoY) %	(17.3)	(8.4)	5.9	3.0
EBITDA margins (%)	25.3	17.2	19.3	22.6
R&D (% of sales)	11.5	13.9	13.0	13.0
USD/INR (Avg)	65.0	67.5	67.0	67.0
Net debt to equity (x)	(0.1)	0.3	0.2	0.1

Income statement (INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Net revenue	154,708	140,809	156,380	181,885
Income from operations	154,708	140,809	156,380	181,885
Materials costs	62,427	62,453	69,433	78,211
R&D Cost	17,834	19,551	20,329	23,645
Total SG&A expenses	35,359	34,650	36,383	38,929
EBITDA	39,088	24,155	30,235	41,100
Operating profit	39,088	24,155	30,235	41,100
EBIT	28,745	12,433	18,486	29,325
Add: Other income	874.00	1,065.00	855.49	1,073.2
Less: Interest Expense	2,708	(806)	(1,000)	(1,000)
Add: Exceptional items	4,133	-	-	-
Profit Before Tax	26,911	14,304	20,341	31,399
Less: Provision for Tax	7,127	2,614	4,759	7,314
Associate profit share	229	349	350	400
Reported Profit	20,013	12,039	15,932	24,485
Exceptional Items	4,133	-	-	-
Adjusted Profit	23,061	12,039	15,932	24,485
Shares o /s (mn)	171	166	166	166
Adjusted Basic EPS	135.0	72.6	96.1	147.7
Diluted shares o/s (mn)	171	166	166	166
Adjusted Diluted EPS	135.0	72.6	96.1	147.7
Adjusted Cash EPS	195.5	143.4	167.0	218.8
Dividend per share (DPS)	19.9	20.0	26.5	40.7
Dividend Payout Ratio(%)	17.0	27.5	27.5	27.5

Common size metrics

Year to March	FY16	FY17	FY18E	FY19E
Operating expenses	74.7	82.8	80.7	77.4
Materials costs	40.4	44.4	44.4	43.0
S G & A expenses	22.9	24.6	23.3	21.4
R & D cost	11.5	13.9	13.0	13.0
Depreciation	6.7	8.3	7.5	6.5
Interest Expense	1.8	(0.6)	(0.6)	(0.5)
EBITDA margins	25.3	17.2	19.3	22.6
Net Profit margins	14.9	8.6	10.2	13.5

Growth ratios (%)

Year to March	FY16	FY17	FY18E	FY19E
Revenues	4.4	(9.0)	11.1	16.3
EBITDA	16.8	(38.2)	25.2	35.9
PBT	(3.8)	(46.8)	42.2	54.4
Adjusted Profit	3.1	(47.8)	32.3	53.7
EPS	3.1	(46.2)	32.3	53.7

Balance sheet (INR mn)

As on 31st March	FY16	FY17	FY18E	FY19E
Share capital	853	828	828	828
Reserves & Surplus	127,483	123,216	133,885	150,281
Shareholders' funds	128,336	124,044	134,713	151,108
Short term borrowings	22,828	22,828	22,828	22,828
Long term borrowings	10,685	26,357	26,357	26,357
Total Borrowings	33,513	49,185	49,185	49,185
Long Term Liabilities	3,216	3,216	3,216	3,216
Def. Tax Liability (net)	(4,230)	(4,230)	(4,230)	(4,230)
Sources of funds	**160,835**	**172,215**	**182,884**	**199,279**
Depreciation	10,343	11,722	11,750	11,775
Net Block	53,961	57,160	57,410	57,636
Intangible Assets	24,644	48,677	48,677	48,677
Total Fixed Assets	78,605	105,837	106,087	106,313
Non current investments	3,297	3,297	3,500	3,500
Cash and Equivalents	39,955	18,136	24,442	30,663
Inventories	25,578	28,529	31,684	34,897
Sundry Debtors	41,306	38,065	42,274	49,169
Loans & Advances	12,849	11,695	12,988	15,106
Current Assets (ex cash)	79,733	78,289	86,946	99,172
Trade payable	12,300	13,417	14,901	16,412
Other Current Liab	29,518	20,990	24,691	25,457
Total Current Liab	41,818	34,407	39,592	41,868
Net Curr Assets-ex cash	37,915	43,882	47,354	57,304
Uses of funds	**160,835**	**172,215**	**182,884**	**199,279**
BVPS (INR)	751.1	748.5	812.9	911.8

Free cash flow (INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Reported Profit	20,013	12,039	15,932	24,485
Add: Depreciation	10,343	11,722	11,750	11,775
Interest (Net of Tax)	1,991	(659)	(766)	(767)
Others	9,940	16,133	(8,586)	(17,780)
Less: Changes in WC	1,040	1,407	(5,880)	(8,597)
Operating cash flow	41,247	37,828	24,210	26,310
Less: Capex	22,727	38,954	12,000	12,000
Free Cash Flow	**18,520**	**(1,126)**	**12,210**	**14,310**

Cash flow metrics

Year to March	FY16	FY17	FY18E	FY19E
Operating cash flow	41,247	37,828	24,210	26,310
Investing cash flow	(20,423)	(38,954)	(12,203)	(12,000)
Financing cash flow	(17,001)	(35,344)	(5,701)	(8,089)
Net cash Flow	3,823	(36,469)	6,306	6,220
Capex	(22,727)	(38,954)	(12,000)	(12,000)
Dividend paid	(3,405)	(3,977)	(5,264)	(8,089)

Profitability and efficiency ratios

Year to March	FY16	FY17	FY18E	FY19E
ROAE (%)	19.2	9.5	12.3	17.1
ROACE (%)	18.8	8.1	10.9	15.9
Inventory Days	149	158	158	155
Debtors Days	97	103	94	92
Payable Days	67	75	74	73
Cash Conversion Cycle	179	186	178	174
Current Ratio	2.9	2.8	2.8	3.1
Gross Debt/EBITDA	0.9	2.0	1.6	1.2
Gross Debt/Equity	0.3	0.4	0.4	0.3
Adjusted Debt/Equity	0.3	0.4	0.4	0.3
Net Debt/Equity	(0.1)	0.3	0.2	0.1
Interest Coverage Ratio	10.6	(15.4)	(18.5)	(29.3)

Operating ratios

Year to March	FY16	FY17	FY18E	FY19E
Total Asset Turnover	1.0	0.8	0.9	1.0
Fixed Asset Turnover	2.2	1.5	1.5	1.7
Equity Turnover	1.3	1.1	1.2	1.3

Valuation parameters

Year to March	FY16	FY17	FY18E	FY19E
Adj. Diluted EPS (INR)	135.0	72.6	96.1	147.7
Y-o-Y growth (%)	*3.1*	*(46.2)*	*32.3*	*53.7*
Adjusted Cash EPS (INR)	195.5	143.4	167.0	218.8
Diluted P/E (x)	19.1	35.5	26.8	17.5
P/B (x)	3.4	3.4	3.2	2.8
EV / Sales (x)	2.8	3.3	2.9	2.4
EV / EBITDA (x)	11.1	19.0	15.0	10.9
Dividend Yield (%)	0.8	0.8	1.0	1.6

Peer comparison valuation

	Market cap	Diluted P/E (X)		EV / EBITDA (X)		ROAE (%)	
Name	(USD mn)	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Dr.Reddys Laboratories	6,648	26.8	17.5	15.0	10.9	12.3	17.1
Aurobindo Pharma	5,681	14.1	13.3	9.3	8.5	24.7	21.3
Cipla	7,104	25.7	22.6	14.9	12.6	13.0	13.3
Lupin	8,805	19.6	17.7	13.5	11.8	19.8	18.8
Sun Pharmaceuticals Industries	24,436	19.6	16.8	12.4	9.8	18.8	18.4
Median	-	19.6	17.5	13.5	10.9	18.8	18.4
AVERAGE	-	21.2	17.6	13.0	10.7	17.7	17.8

Source: Edelweiss research

Additional Data

Directors Data

Satish Reddy	Chairman	G V Prasad	Co-Chairman & CEO
Dr. Omkar Goswami	Independent Director	Ravi Bhoothalingam	Independent Director
Anupam Puri	Independent Director	J. P. Moreau	Independent Director
Kalpana Morparia	Independent Director	Bruce LA Carter	Independent Director
Ashok Ganguly	Independent Director	Sridar Iyengar	Independent Director

Auditors - B S R & Co., Chartered Accountants, and KPMG India

**as per last annual report*

Holding – Top10

	Perc. Holding		Perc. Holding
Dr reddys holdings l	24.52	Commonwealth bank of	9.65
Blackrock	7.33	Massachusetts mutual	3.27
Templeton asset mgmt	1.55	Gic private limited	1.44
Franklin resources	1.42	Teluk kemang invs lt	1.25
Vanguard group	1.01	Vontobel holding ag	1.01

**in last one year*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
16 Jun 2016	Dr Reddys Laboratories Ltd	Buy	884213	3076.83

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
17 Jan 2017	G V Prasad	Sell	212000.00
17 Jan 2017	K Satish Reddy	Sell	212000.00
17 Jan 2017	Dr. Reddy's Holdings Limited	Buy	424000.00
10 Oct 2016	G V Prasad	Buy	20800.00
05 Oct 2016	G V Prasad	Buy	66000.00

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Apollo Hospitals Enterprise	BUY	SO	L	Aurobindo Pharma	HOLD	SP	H
Cadila Healthcare	BUY	SO	M	Cipla	HOLD	SP	L
Divi's Laboratories	HOLD	SO	M	Dr. Lal Pathlabs Ltd	BUY	SP	L
Dr.Reddys Laboratories	HOLD	SP	M	FORTIS HEALTHCARE LTD	BUY	SO	L
Glenmark Pharmaceuticals	HOLD	SP	M	HealthCare Global Enterprises Limited	BUY	SP	M
Ipca Laboratories	REDUCE	SU	M	Lupin	HOLD	SP	M
Max India Limited	BUY	SO	L	Natco Pharma	BUY	SO	M
Sun Pharmaceuticals Industries	BUY	SO	M	Thyrocare Technologies Ltd	BUY	SP	M
Torrent Pharmaceuticals	BUY	SO	H				

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return

Edelweiss Securities Limited, Edelweiss House, off C.S.T. Road, Kalina, Mumbai – 400 098.
Board: (91-22) 4009 4400, Email: *research@edelweissfin.com*

Aditya Narain
Head of Research
aditya.narain@edelweissfin.com

ADITYA NARAIN

Digitally signed by ADITYA NARAIN
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Date: 2017.05.12 22:18:01 +05'30'

Coverage group(s) of stocks by primary analyst(s): Pharmaceuticals

Apollo Hospitals Enterprise, Aurobindo Pharma, Cadila Healthcare, Cipla, Divi's Laboratories, Dr. Lal Pathlabs Ltd, Dr.Reddys Laboratories, FORTIS HEALTHCARE LTD, Glenmark Pharmaceuticals, HealthCare Global Enterprises Limited, Ipca Laboratories, Lupin, Max India Limited, Natco Pharma, Sun Pharmaceuticals Industries, Thyrocare Technologies Ltd, Torrent Pharmaceuticals

Recent Research

Date	Company	Title	Price (INR)	Recos
12-May-17	**Glenmark Pharma**	Disappointment on all fronts; *Result Update*	760	Hold
12-May-17	**Thrycare Technologies**	Strong quarter; to focus on tier-2 geographies; *Result Update*	734	Buy
19-Apr-17	**Healthcare - Paharma**	Speed bumps ahead; prefer hospitals over diagnostics; *Sector Update*		

Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240

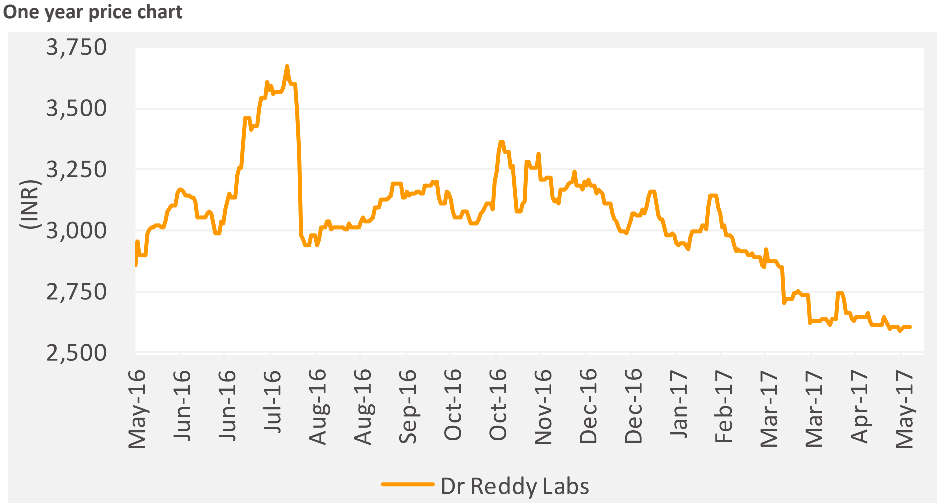
* 1stocks under review

	> 50bn	Between 10bn and 50 bn	< 10bn
Market Cap (INR)	156	62	11

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



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