RESULT UPDATE

DR. REDDY'S LABORATORIES

Good start to the year

India Equity Research| Pharmaceuticals

BRAVEHEART SERIES

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Edelweiss Ideas create, values protect

Dr. Reddy's Laboratories (DRRD) is our top pick in the large-cap pharma space and is also part of the Braveheart Series. Key assets of the company are progressing well and here is the update– 1) *gSuboxone* – Awaiting decision of the appeals court, which is expected in next few months; 2) *gNuvaring* – Minor query, expected launch in H1CY2019 vs H2FY2019 earlier; 3) *gCopaxone* – will submit response on earlier queries by August 2018 approval is expected in H2CY2019; 4) *DFN02* – PDUFA date in January 2019, preparing for launch; 5) *Srikakulam* – Responded to all queries and USFDA response is expected; 6) *Duvvada* – Invited USFDA to re-inspect the plant. There are multiple triggers in earnings in FY19, with full potential expected to be seen in FY20. Refer to our *upgrade note*. Maintain 'BUY' and TP of INR3,350.

Strong domestic sales along with growth in the U.S.

In Q1FY19, domestic business posted third consecutive quarter of double digit growth of 30% YoY, though on a GST impacted base. Management estimates double digit growth in FY19. US sales jumped 10% QoQ led by new launches like *gSuboxone* and *gAloxi*, and partly offset by competitive pressures in *gDacogen* and *gToprol*. Management expects 15-20 launches in FY19, which include a few site transfers from Duvvada; estimates *Zembrace* to clock USD20mn in FY19. Emerging markets grew 16% YoY led by robust spurt in Russia and ROW. Europe declined 3% YoY primarily due to price erosion in key molecules.

FY19 - A year to look forward to

DRRD's key priorities are: 1) fighting the appeals case in preliminary injuction on *gSuboxone*; 2) accelerating approval of key products like *gNuvaring*, *gCopaxone* and others; 3) working towards successful resolution of USFDA's concerns on the two warning letter impacted plants; 4) strengthening the portfolio across markets and grow higher than respective markets; and 5) improving cost efficiencies and productivity across functions like R&D, manufacturing and marketing

Outlook and valuations: Revival continues; maintain 'BUY'

We believe DRRD's promising complex generics pipeline, strong earnings revival and compelling valuations at 12.8x FY20E EPS render it a prime re-rating candidate. We maintain **'BUY/SP'** with TP of INR3,350.

Financials (Consolidated) (INR mn)

Year to Mar.	Q1FY19	Q1FY18	*% change*	Q4FY18	*% change*	FY18	FY19E	FY20E
Net revenue	37,207	33,159	*12.2*	35,349	*5.3*	1,42,028	1,62,275	1,90,139
EBITDA	7,575	3,058	*147.7*	5,510	*37.5*	22,891	36,674	45,633
Adj. profit	4,561	584	*681.0*	3,022	*50.9*	9,806	20,834	27,724
Adj. dil. EPS	27.5	3.5	*681.0*	18.2	*50.9*	59.2	125.7	167.3
P/E (x)						36.1	17.0	12.8
ROAE (%)						7.8	15.4	17.9

EDELWEISS 4D RATINGS

Absolute Rating	**BUY**
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 2,133
Target Price	: INR 3,350
52-week range (INR)	: 2,725 / 1,887
Share in issue (mn)	: 165.9
M cap (INR bn/USD mn)	: 354 / 5,044
Avg. Daily Vol.BSE/NSE('000)	: 839.3

SHARE HOLDING PATTERN (%)

	Current	Q4FY18	Q3FY18
Promoters *	26.8	26.8	26.8
MF's, FI's & BK's	14.8	14.8	15.4
FII's	30.3	30.3	29.3
Others	28.2	28.2	28.6

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

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Pharma Index
1 month	(15.2)	2.3	(5.0)
3 months	(5.0)	3.7	(2.2)
12 months	(26.8)	10.7	(10.0)

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Q1FY19 conference call: Key highlights

FY19 Guidance

- US business to grow in FY19 despite double digit price erosion. 15-20 launches in FY19 compared to 15 given earlier. Further, these are not subjected to warning letter resolution of two sites. Few products from these have been site transferred from Duvvada.
- Domestic business is expected to grow double digit in FY19.
- Capex less than INR10bn for FY19.

North America

- Four new products launched during the quarter.
- ***gSuboxone:*** Timing for (lifting injunction) appeal can be as early as September 2018, but can go to the next quarter. The company has started amortizing the product. 8mg strength is the primary volume driver.
- ***gNuvaring:*** Recently received a few additional queries. DRRD is positive about the type of queries. Working on response and will submit in two months. Launch expected in H1CY19.
- ***gCopaxone:*** CRL response to be submitted in next couple of weeks. Additional queries likely to arise in the normal course. Expected to launch in H2CY19.
- Price erosion in Q1FY19 is lower than previous year (approximately mid to high teens earlier).
- In Q1FY19, US business has a constant currency growth of 7%. Ex-Suboxone, performance has still improved, YoY and QoQ.

Proprietary products

- ***DFN02***: PDUFA date January 2019 and expected launch in Q1FY20.
- ***Zembrace***: Prescription value continuously increasing. 10% growth in prescription volumes accompanied with increase in subscriber base.
- ***Sernivo***: Slight decline in volumes. Sales have not peaked out at all. Coverage has been an issue, and company is taking constant efforts to expand coverage. In coming weeks, DRRD expects to hear about increasing coverage from respective plants. Approximately 24-36 months to peak.
- ***DFD06***: Partner has launched the product in May.

Regulatory

- Duvvada: DRRD has already invited USFDA for inspection however company is yet to hear from the agency.
- Srikakulam: Company has responded to all the queries, and is expecting US FDA response

Russia & others

- Strong revival due to better buying patterns following a soft Q4FY18. New product launches in new markets like Brazil and Colombia.

India

- Expect double digit growth in FY19.

Financials

- Gross margin higher due to depreciation of INR w.r.t. to EUR; benefit from *gSuboxone* sale offset by price erosion.
- R&D cost is lower in Q1FY19 due to conscious efforts to prioritize costs. However, company expects R&D to be similar to previous year.
- Tax rate going forward would be at 21-23%.
- Working capital is higher for the quarter due to temporary surge in inventory of new products due to increase in credit period for key customers in the US, *gSuboxone* sales, sales fluctuations, but primarily increases is due to US.
- Net debt ratio - 0.29.
- In the medium to long term, a few sites will be closed on rationalization and shifting manufacturing to new sites. One site for antibiotics will be sold during the next week. One or two sale of sites during FY19 can be expected.
- Personnel expense will increase due to annual increment—not more than single digit.
- API price erosion: Increase in China is offset by purchase of API from other geographies.

Table 1: Actual versus estimates

	Q1FY19	*YoY (%)*	Edel estimate	*YoY (%)*	*Deviation from Actual (%)*	Comments
Net revenue	37,207	12.2	38,549	*16.3*	*(3.5)*	
Cost of revenue	16,479	2.6	16,961	*5.6*	*(2.8)*	
Gross profit	20,728	21.2	21,587	*26.3*	*(4.0)*	
Gross margin (%)	55.7		56.0			Global Generics GM: 61.2%, PSAI GM: 21.9%
S,G&A	8,996	0.4	9,059	*1.1*	*(0.7)*	
R&D	4,157	(18.1)	5,166	*1.8*	*(19.5)*	
EBITDA	7,575	147.7	7,363	*140.8*	*2.9*	
EBITDA margin (%)	20.4		19.1			
Depreciation	2,214	10.3	2,120	*5.6*	*4.4*	
Amortization	896	13.3	880	*11.3*	*1.8*	
Total operating expenses	16,263	(3.4)	17,224	*2.3*	*(5.6)*	
EBIT	4,465	1,623.9	4,363	*1,584.5*	*2.3*	
Less: Interest Expense	(156.0)		(250.0)			
Add: Other income	303.0	56.2	200.0	*3.1*	*51.5*	
Add: Exceptional items	-	(100.0)	-			
Profit before tax	4,924	630.6	4,813	*614.1*	*2.3*	
Tax rate (%)	9.1	23.2	23.0			
Less: Provision for Tax	446	146.4	1,107	*511.6*	*(59.7)*	
Less: Minority Interest	(83)	(15.3)	(100)	*2.0*	*(17.0)*	
Reported Profit	4,561	671.7	3,806	*544.0*	*19.8*	
Adjusted Profit	4,561	681.0	3,806	*551.7*	*19.8*	

Table 2: Revenue mix by segment – Consolidated

Year to March	Q1FY19	Q1FY18	*% change*	Q4FY18	*% change*	Comments
Global generics	30,593	27,455	*11.4*	27,883	*9.7*	
North America	15,903	14,946	*6.4*	14,487	*9.8*	N. America (40% of total) increased by 6% YoY/ 10% QoQ on contribution from new products, primarily gSuboxone, and partly offset by competitive pressures on some of the key
Europe	2,016	2,075	*(2.8)*	1,711	*17.8*	EU (7% of total) was down 3% YoY / up 18% QoQ, primarily on account of higher price erosion.
India	6,074	4,687	*29.6*	6,138	*(1.0)*	India (16% of total) was up 30% YoY / declined 1% QoQ impacted due to GST transition
Russia & CIS	4,900	4,347	*12.7*	3,747	*30.8*	Russia & CIS (12% of total) increased 13% YoY / 31% QoQ. Russia grew 14% YoY in CC, while RoW grew 17% YoY.
Others	1,700	1,400	*21.4*	1,800	*(5.6)*	
PSAI	5,409	4,651	*16.3*	6,251	*(13.5)*	PSAI business (17% of business) was up 16% YoY / down 13% QoQ. 2 DMFs were filed in the US this quarter.
Propr. products/Others	1,162	1,053	*10.4*	1,262	*(7.9)*	
Net Sales	**37,164**	**33,159**	***12.1***	**35,396**	***5.0***	

Source: Company, Edelweiss research

Chart 1: Group revenue improves 12% YoY / 5% QoQ

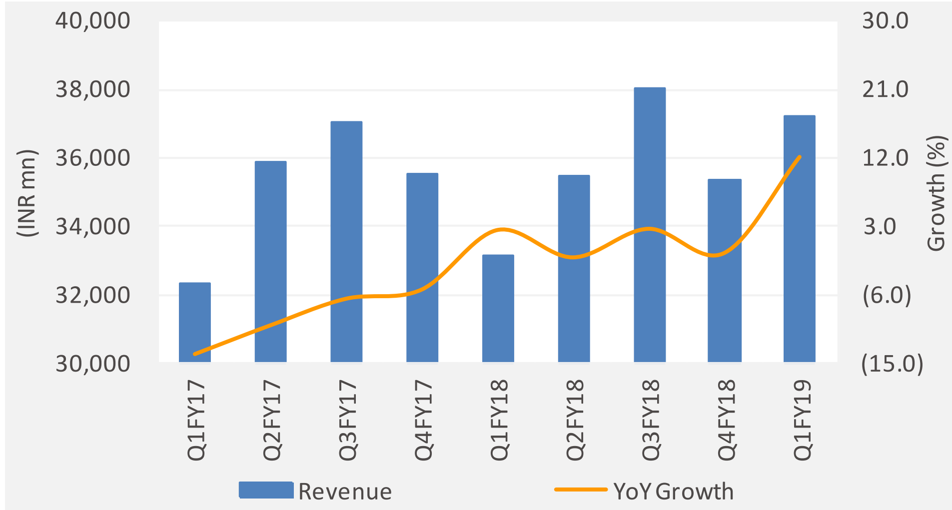


Chart 2: US grew due to new product launches including *gSuboxone*

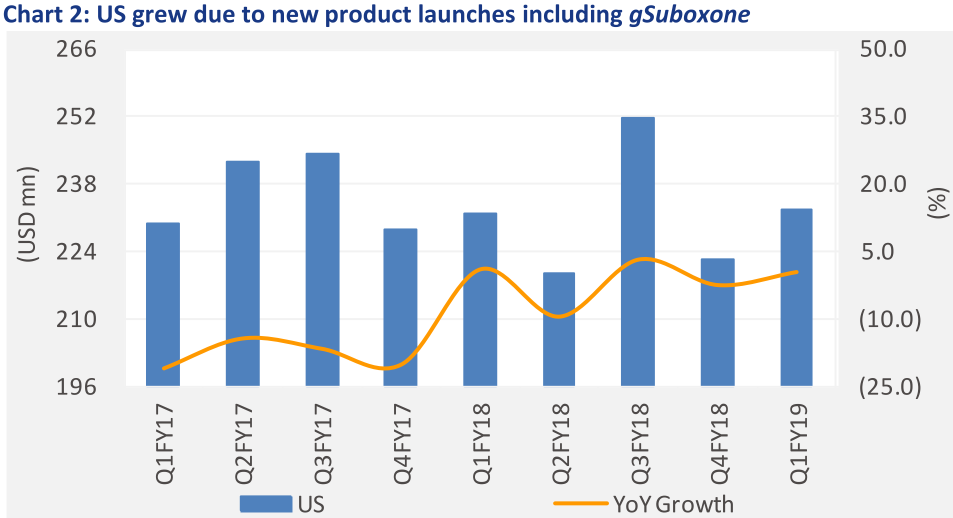
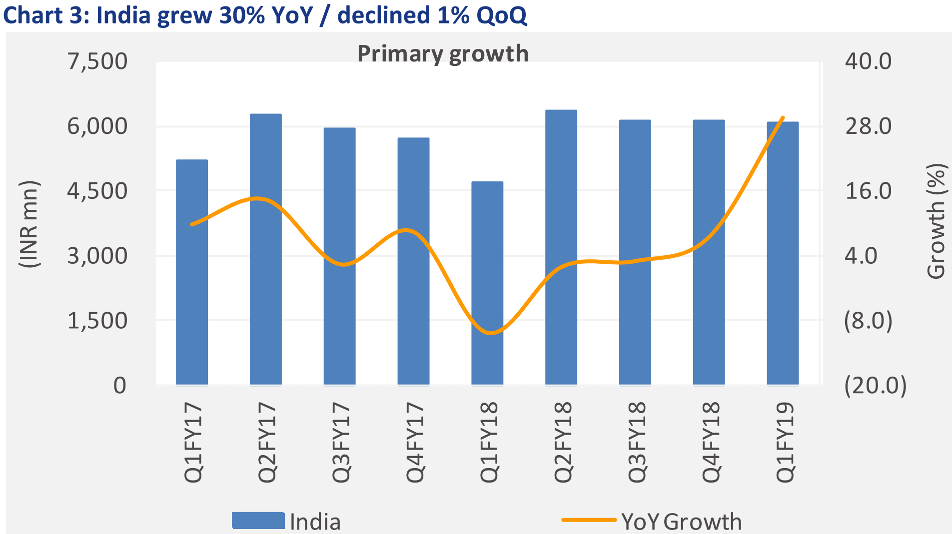


Chart 3: India grew 30% YoY / declined 1% QoQ



Source: Company, Edelweiss research

Chart 4: Russia recoups after 4 quarters of decline

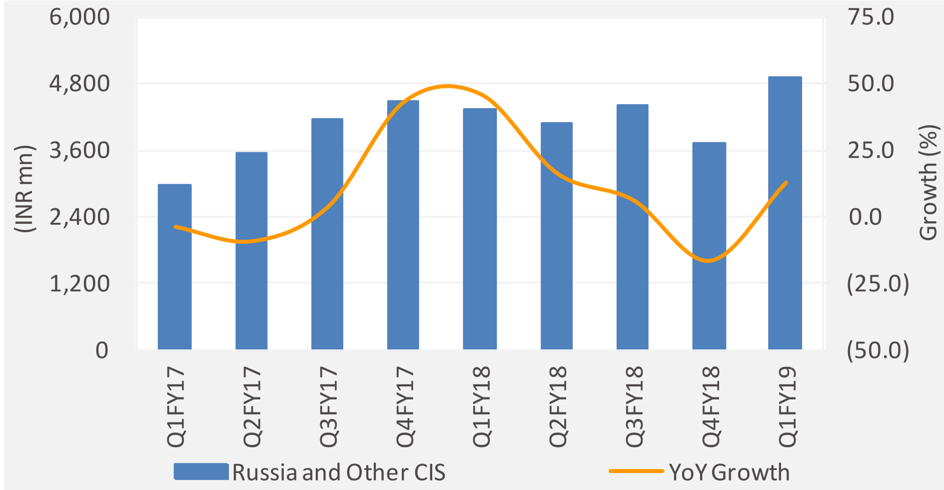


Chart 5: PSAI revenue grew 16% YoY / declined 14% QoQ

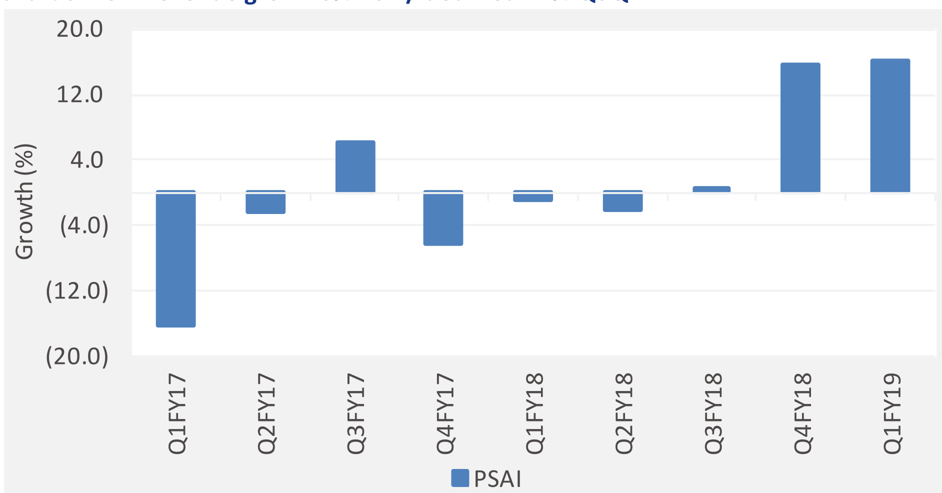
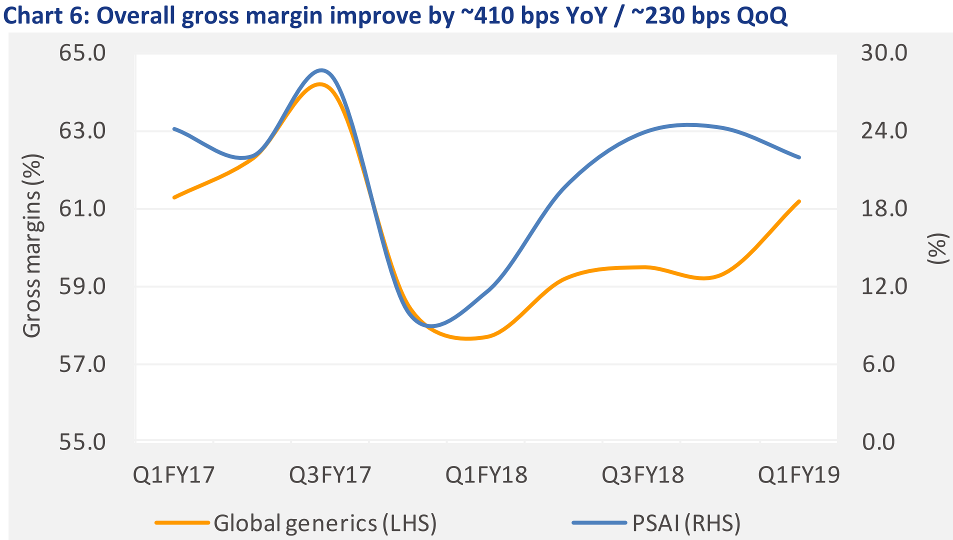
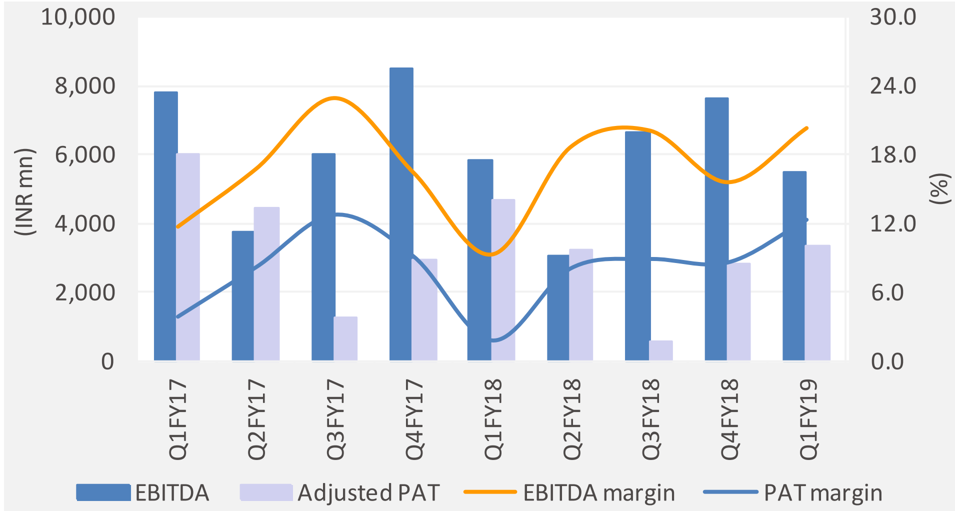


Chart 6: Overall gross margin improve by ~410 bps YoY / ~230 bps QoQ



Source: Company, Edelweiss research

Chart 7: EBITDA and PAT margin improve significantly



Source: Company, Edelweiss research

Financial snapshot **(INR mn)**

Year to March	Q1FY19	Q1FY18	*% change*	Q4FY18	*% change*	FY18	FY19E	FY20E
Net revenues	37,207	33,159	*12.2*	35,349	*5.3*	142,028	162,275	190,139
Cost of revenue	16,479	16,062	*2.6*	16,454	*0.2*	65,724	69,454	79,858
Gross profit	20,728	17,097	*21.2*	18,895	*9.7*	76,304	92,821	110,281
SG&A	8,996	8,964	*0.4*	9,037	*(0.5)*	35,148	35,051	39,929
R&D	4,157	5,075	*(18.1)*	4,348	*(4.4)*	18,265	21,096	24,718
Amortization expenses	896	791	*13.3*	921	*(2.7)*	-	-	-
Total expenditure	16,263	16,838	*(3.4)*	16,415	*(0.9)*	53,413	56,147	64,647
EBITDA	7,575	3,058	*147.7*	5,510	*37.5*	22,891	36,674	45,633
EBITDA margin	20.4	9.2		15.6		16.1	22.6	24.0
Depreciation	2,214	2,008	*10.3*	2,109	*5.0*	11,762	11,587	11,628
EBIT	4,465	259	*1,623.9*	2,480	*80.0*	11,129	25,087	34,006
Interest	(156)	(211)	*NA*	(1,032)	*NA*	(2,080)	(800)	(800)
Other income	303	194	*56.2*	167	*81.4*	788	800	800
Add: Exceptional items	-	10	*(100.0)*	-		-	-	-
Profit before tax	4,924	674	*630.6*	3,679	*33.8*	13,997	26,687	35,606
Provision for taxes	446	181	*146.4*	726	*(38.6)*	4,535	6,223	8,281
Minority interest	(83)	(98)	*NA*	(69)	*NA*	(344)	(370)	(400)
Reported net profit	4,561	591	*671.7*	3,022	*50.9*	9,806	20,834	27,724
Adjusted Profit	4,561	584	*681.0*	3,022	*50.9*	9,806	20,834	27,724
Diluted shares (mn)	166	166		166		166	166	166
Adjusted Diluted EPS	27.5	3.5	*681.0*	18.2	*50.9*	59.2	125.7	167.3
Diluted P/E (x)	-	-		-		36.1	17.0	12.8
EV/EBITDA (x)	-	-		-		16.7	10.2	8.0
ROAE (%)	-	-		-		7.8	15.4	17.9
As % of net revenues	-	-		-		-	1	1
Cost of revenue	44.3	48.4		46.5		46.3	42.8	42.0
Gross profit	55.7	51.6		53.5		53.7	57.2	58.0
SG&A	24.2	27.0		25.6		24.7	21.6	21.0
R&D	11.2	15.3		12.3		12.9	13.0	13.0
Total expenses	43.7	50.8		46.4		37.6	34.6	34.0
Operating profit	12.0	0.8		7.0		7.8	15.5	17.9
Reported net profit	12.3	1.8		8.5		6.9	12.8	14.6
Tax rate	9.1	26.9		19.7		32.4	23.3	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

- Escalation of observations at Duvvada and Bachuppaly
- Delay in approval for Copaxone, Nuvaring and Suboxone
- Failure to get approvals for biosimilars and delays in ramp up of proprietary pipeline
- Currency fluctuation

Financial Statements

Key Assumptions

Year to March	FY17	FY18	FY19E	FY20E
Macro				
GDP(Y-o-Y %)	6.6	6.5	7.1	7.1
Inflation (Avg)	4.5	3.6	4.5	4.5
Repo rate (exit rate)	6.3	6.0	6.0	6.0
USD/INR (Avg)	67.1	64.5	66.0	66.0
Sector				
IPM growth (Y-o-Y) %	12.0	12.0	13.0	13.0
Company				
India sales (INR mn)	23,131	23,322	26,121	29,255
% change	8.6	0.8	12.0	12.0
US generics (USD mn)	948	928	1,100	1,400
Growth (YoY)%	(16.8)	(2.1)	18.5	27.3
Russia/ CIS growth(YoY)%	11.8	(4.2)	11.0	10.0
PSAI growth (YoY) %	(7.2)	7.6	2.5	5.0
EBITDA margins (%)	17.2	16.1	22.6	24.0
R&D (% of sales)	13.9	12.9	13.0	13.0
USD/INR (Avg)	67.1	64.5	66.0	66.0
Net debt to equity (x)	0.2	0.2	0.1	0.1

Income statement (INR mn)

Year to March	FY17	FY18	FY19E	FY20E
Net revenue	140,809	142,028	162,275	190,139
Income from operations	140,809	142,028	162,275	190,139
Materials costs	62,453	65,724	69,454	79,858
R&D Cost	19,551	18,265	21,096	24,718
Total SG&A expenses	34,650	35,148	35,051	39,929
EBITDA	24,155	22,891	36,674	45,633
Operating profit	24,155	22,891	36,674	45,633
EBIT	12,433	11,129	25,087	34,006
Less: Interest Expense	(806)	(2,080)	(800)	(800)
Add: Other income	1,065.00	788.00	800.00	800.00
Profit Before Tax	14,304	13,997	26,687	35,606
Less: Provision for Tax	2,614	4,535	6,223	8,281
Associate profit share	349	344	370	400
Reported Profit	12,039	9,806	20,834	27,724
Adjusted Profit	12,039	9,806	20,834	27,724
Shares o /s (mn)	166	166	166	166
Adjusted Basic EPS	72.6	59.2	125.7	167.3
Diluted shares o/s (mn)	166	166	166	166
Adjusted Diluted EPS	72.6	59.2	125.7	167.3
Adjusted Cash EPS	143.4	130.1	195.6	237.5
Dividend per share (DPS)	20.0	20.0	20.0	20.0
Dividend Payout Ratio(%)	27.5	33.8	15.9	12.0

Common size metrics

Year to March	FY17	FY18	FY19E	FY20E
Materials costs	44.4	46.3	42.8	42.0
S G & A expenses	24.6	24.7	21.6	21.0
Operating expenses	82.8	83.9	77.4	76.0
R & D cost	13.9	12.9	13.0	13.0
Depreciation	8.3	8.3	7.1	6.1
Interest Expense	(0.6)	(1.5)	(0.5)	(0.4)
EBITDA margins	17.2	16.1	22.6	24.0
Net Profit margins	8.5	6.9	12.8	14.6

Growth ratios (%)

Year to March	FY17	FY18	FY19E	FY20E
Revenues	(9.0)	0.9	14.3	17.2
EBITDA	(38.2)	(5.2)	60.2	24.4
PBT	(46.8)	(2.1)	90.7	33.4
Adjusted Profit	(29.0)	(18.5)	112.5	33.1
EPS	(26.8)	(18.5)	112.5	33.1

Balance sheet (INR mn)

As on 31st March	FY17	FY18	FY19E	FY20E
Share capital	829	830	830	830
Reserves & Surplus	123,215	125,630	142,487	166,234
Shareholders' funds	124,044	126,460	143,317	167,064
Long term borrowings	5,449	25,089	25,089	25,089
Short term borrowings	43,649	25,529	25,529	25,529
Total Borrowings	49,098	50,618	50,618	50,618
Long Term Liabilities	4,124	3,633	3,633	3,633
Def. Tax Liability (net)	(4,376)	(2,898)	(2,898)	(2,898)
Sources of funds	**172,890**	**177,813**	**194,670**	**218,417**
Depreciation	11,722	11,762	11,587	11,628
Net Block	57,160	57,869	56,282	56,654
Intangible Assets	48,677	48,610	48,610	48,610
Total Fixed Assets	105,837	106,479	104,892	105,264
Non current investments	6,840	4,653	4,653	4,653
Cash and Equivalents	18,136	20,968	31,012	41,469
Inventories	28,529	29,089	30,740	35,345
Sundry Debtors	38,065	40,617	46,407	54,376
Loans & Advances	15,645	18,971	21,675	25,397
Current Assets (ex cash)	82,239	88,677	98,822	115,118
Trade payable	13,417	16,052	16,963	19,504
Other Current Liab	27,934	28,111	29,247	30,083
Total Current Liab	41,351	44,163	46,210	49,587
Net Curr Assets-ex cash	40,888	44,514	52,612	65,531
Uses of funds	**172,890**	**177,813**	**194,670**	**218,417**
BVPS (INR)	748.5	763.1	864.8	1,008.1

Free cash flow (INR mn)

Year to March	FY17	FY18	FY19E	FY20E
Reported Profit	12,039	9,806	20,834	27,724
Add: Depreciation	11,722	11,762	11,587	11,628
Interest (Net of Tax)	(659)	(1,406)	(613)	(614)
Others	(182)	(2,610)	(14,014)	(22,337)
Less: Changes in WC	1,407	(477)	(6,530)	(10,033)
Operating cash flow	21,513	18,029	24,323	26,434
Less: Capex	40,957	10,904	10,000	12,000
Free Cash Flow	**(19,444)**	**7,125**	**14,323**	**14,434**

Cash flow metrics

Year to March	FY17	FY18	FY19E	FY20E
Operating cash flow	21,513	18,029	24,323	26,434
Financing cash flow	(3,692)	(3,971)	(4,278)	(3,977)
Investing cash flow	(18,471)	(15,295)	(10,000)	(12,000)
Net cash Flow	(650)	(1,237)	10,044	10,456
Capex	(40,957)	(10,904)	(10,000)	(12,000)
Dividend paid	(3,687)	(4,911)	(3,977)	(3,977)

Profitability and efficiency ratios

Year to March	FY17	FY18	FY19E	FY20E
ROAE (%)	9.5	7.8	15.4	17.9
ROACE (%)	8.1	6.8	13.9	16.9
Inventory Days	158	160	157	151
Debtors Days	103	101	98	97
Payable Days	75	82	87	83
Cash Conversion Cycle	186	179	168	164
Current Ratio	2.4	2.5	2.8	3.2
Gross Debt/EBITDA	2.0	2.2	1.4	1.1
Gross Debt/Equity	0.4	0.4	0.4	0.3
Adjusted Debt/Equity	0.4	0.4	0.4	0.3
Net Debt/Equity	0.2	0.2	0.1	0.1
Interest Coverage Ratio	(15.4)	(5.4)	(31.4)	(42.5)

Operating ratios

Year to March	FY17	FY18	FY19E	FY20E
Total Asset Turnover	0.8	0.8	0.9	0.9
Fixed Asset Turnover	1.5	1.3	1.5	1.8
Equity Turnover	1.1	1.1	1.2	1.2

Valuation parameters

Year to March	FY17	FY18	FY19E	FY20E
Adj. Diluted EPS (INR)	72.6	59.2	125.7	167.3
Y-o-Y growth (%)	*(26.8)*	*(18.5)*	*112.5*	*33.1*
Adjusted Cash EPS (INR)	143.4	130.1	195.6	237.5
Diluted P/E (x)	29.4	36.0	17.0	12.7
P/B (x)	2.8	2.8	2.5	2.1
EV / Sales (x)	2.7	2.7	2.3	1.9
EV / EBITDA (x)	15.9	16.7	10.2	7.9
Dividend Yield (%)	0.9	0.9	0.9	0.9

Peer comparison valuation

	Market cap	Diluted P/E (X)		EV / EBITDA (X)		ROAE (%)	
Name	**(USD mn)**	**FY19E**	**FY20E**	**FY19E**	**FY20E**	**FY19E**	**FY20E**
Dr.Reddys Laboratories	5,146	17.0	12.7	10.2	7.9	15.4	17.9
Aurobindo Pharma	4,961	13.5	13.3	9.4	8.7	19.6	16.9
Cadila Healthcare	5,531	17.4	14.0	12.3	9.8	22.0	23.0
Cipla	7,354	27.4	22.1	16.3	13.5	12.0	13.3
Lupin	5,344	22.9	17.6	12.3	10.2	11.3	13.5
Sun Pharmaceuticals Industries	19,460	32.1	25.7	19.5	15.5	10.3	12.0
Median	-	20.4	16.1	12.2	9.9	13.6	14.9
AVERAGE	-	22.2	17.9	13.2	10.9	14.9	15.8

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
Commonwealth Bank of Australia	7.31	Blackrock	2.04
Franklin Resources	2.98	Franklin Templeton Asset Management	1.9
Massachusetts Mutual Life	2.95	ICICI Prudential Life Insurance	1.41
Reliance Capital Trustee	2.58	Vanguard group	1.11
Birla Sun Life Asset Management	2.21	SBI Funds Management	0.86

**in last one year*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
No Data Available				

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
23 Aug 2017	G V Prasad	Sell	140500.00
23 Aug 2017	K Satish Reddy	Sell	266000.00
23 Aug 2017	Dr. Reddy's Holdings Limited	Buy	406500.00

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Aurobindo Pharma	HOLD	SP	H	Cadila Healthcare	BUY	SO	M
Cipla	HOLD	SP	L	Divi's Laboratories	REDUCE	SU	H
Dr.Reddys Laboratories	BUY	SP	M	Glenmark Pharmaceuticals	HOLD	SU	H
Ipca Laboratories	BUY	SO	H	Lupin	BUY	SP	M
Natco Pharma	BUY	SO	M	Sun Pharmaceuticals Industries	HOLD	SU	M
Torrent Pharmaceuticals	HOLD	SP	M				

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

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Date: 2018.07.26 21:59:52 +05'30'

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

Aurobindo Pharma, Cadila Healthcare, Cipla, Divi's Laboratories, Dr.Reddys Laboratories, Glenmark Pharmaceuticals, Ipca Laboratories, Lupin, Natco Pharma, Sun Pharmaceuticals Industries, Torrent Pharmaceuticals

Recent Research

Date	Company	Title	Price (INR)	Recos
25-Jul-18	**Lupin**	Summer around the corner, upgrade to Buy; *Company Update*	799	Buy
11-Jul-18	**Torrent Pharma**	FY18 Annual Report Analysis; *Company Update*	1461	Hold
03-Jul-18	**Pharma**	GST-dented base, FX to lift Q1FY19 earnings; *Q1FY19 Result Preview*		

Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240

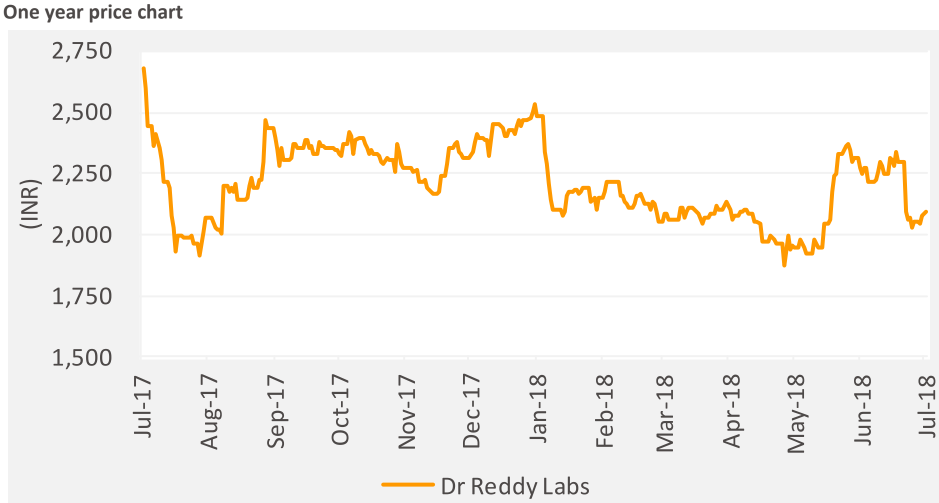
* 1stocks under review

	> 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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