

## Dr Reddy's Laboratories

### Performance Highlights

Y/E March (₹ cr)	1QFY2017	4QFY2016	% chg (qoq)	1QFY2016	% chg (yoy)
<b>Net sales</b>	<b>3,235</b>	<b>3,756</b>	<b>(13.9)</b>	<b>3,758</b>	<b>(13.9)</b>
Gross profit	2,121	2,431	(12.7)	2,482	(14.5)
Operating profit	477	844	(43.5)	946	(49.6)
<b>Adj. net profit</b>	<b>126</b>	<b>376</b>	<b>(66.5)</b>	<b>625</b>	<b>(79.8)</b>

Source: Company, Angel Research

For 1QFY2017, Dr Reddy's Laboratories (DRL) posted a poor set of numbers. It posted sales of ₹3,235cr V/s ₹3,900cr expected and V/s ₹3,758cr in 1QFY2016, a yoy de-growth of 14.0%. The company's sales will continue to be under pressure owing to the likelihood of all its major markets posting a muted growth. Lower sales led to a soft EBIT margin of 3.4% V/s 15.6% expected and V/s 20.2% in 1QFY2016. Other income came in at ~₹61cr V/s ₹34cr in 1QFY2016. The net profit for the quarter stood at ₹126cr V/s ₹520cr expected and V/s ₹626cr in 1QFY2016, posting a yoy de-growth of 79.8%. **We maintain our Neutral rating on the stock.**

**A subdued quarter:** DRL posted a poor set of numbers for the quarter. It posted sales of ₹3,235cr V/s ₹3,900cr expected and V/s ₹3,758cr in 1QFY2016, a yoy de-growth of 14.0%. The generic business (₹2,663.8cr) posted a yoy de-growth of 14.0% owing to USA, Europe and Emerging Markets posting a de-growth of 16%, 16% and 26% yoy respectively. The Indian market on the other hand posted a yoy growth of 10.0% yoy. The PSAI segment (₹469.2cr) posted a de-growth of 16% yoy while proprietary products and others posted a flat yoy growth of 1.0% to ₹101.5cr. Lower sales led to a soft EBIT margin of 3.4% V/s 15.6% expected and 20.2% in 1QFY2016. Other income came in at ~₹61cr V/s ₹34cr in 1QFY2016. The net profit for the quarter stood at ₹126cr V/s ₹520cr expected and V/s ₹626cr in 1QFY2016, posting a yoy de-growth of 79.8%.

**Outlook and valuation:** We expect net sales to grow at a CAGR of 8.2% to ₹18,119cr and adjusted EPS to record a 6.9% CAGR to ₹157.8 over FY2016-18E. **We recommend a Neutral rating on the stock given the valuations.**

### Key financials (IFRS Consolidated)

Y/E March (₹ cr)	FY2015	FY2016	FY2017E	FY2018E
<b>Net sales</b>	<b>14,819</b>	<b>15,471</b>	<b>16,043</b>	<b>18,119</b>
% chg	12.1	4.4	3.7	12.9
<b>Net profit</b>	<b>2,218</b>	<b>2,001</b>	<b>2,150</b>	<b>2,692</b>
% chg	3.1	(9.8)	7.4	25.2
<b>Adj net profit</b>	<b>2,218</b>	<b>2,357</b>	<b>2,150</b>	<b>2,692</b>
% chg	3.1	6.3	(8.8)	25.2
<b>Adj. EPS (₹)</b>	<b>130.2</b>	<b>138.2</b>	<b>126.0</b>	<b>157.8</b>
EBITDA margin (%)	22.2	24.6	23.1	24.7
P/E (x)	23.0	21.6	23.7	18.9
RoE (%)	21.9	19.7	15.7	17.1
RoCE (%)	18.1	18.7	16.0	18.1
P/BV (x)	4.6	4.0	3.5	3.0
EV/Sales (x)	3.4	3.3	3.1	2.7
EV/EBITDA (x)	15.4	13.2	13.6	11.1

Source: Company, Angel Research; Note: CMP as of July 27, 2016

## NEUTRAL

CMP	₹2,988
Target Price	-

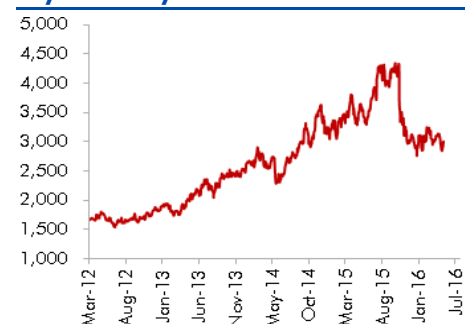
Investment Period	-
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Stock Info	
Sector	Pharmaceutical
Market Cap (₹ cr)	51,011
Net Debt (₹ cr)	(396)
Beta	0.7
52 Week High / Low	4,383/2,750
Avg. Daily Volume	44,327
Face Value (₹)	5
BSE Sensex	28,024
Nifty	8,616
Reuters Code	REDY.BO
Bloomberg Code	DRRD@IN

Shareholding Pattern (%)	
Promoters	26.4
MF / Banks / Indian Fls	8.7
FII / NRIs / OCBs	56.5
Indian Public / Others	8.4

Abs. (%)	3m	1yr	3yr
Sensex	7.5	1.7	41.9
Dr Reddy	(4.5)	(22.5)	30.0

### 3-year Daily Price Chart



Source: Company, Angel Research

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**Exhibit 1: 1QFY2017 performance (IFRS, consolidated)**

Y/E March (₹ cr)	1QFY2017	4QFY2016	% chg (qoq)	1QFY2016	% chg (yoy)	FY2016	FY2015	% chg
<b>Net sales</b>	<b>3,235</b>	<b>3,756</b>	<b>(13.9)</b>	<b>3,758</b>	<b>(13.9)</b>	<b>15,471</b>	<b>14,819</b>	<b>4.4</b>
Other income/(loss)	61	(234)	-	34	-	(183)	260	-
<b>Total income</b>	<b>3,296</b>	<b>3,522</b>	<b>(6.4)</b>	<b>3,792</b>	<b>(13.1)</b>	<b>15,287</b>	<b>15,079</b>	<b>1.4</b>
Gross profit	2,121	2,431	(12.7)	2,482	(14.5)	10,262	9,288	10.5
<b>Gross margin (%)</b>	<b>65.6</b>	<b>64.7</b>		<b>66.0</b>		<b>66.3</b>	<b>62.7</b>	
SG&A expenses	1,228	1,163	5.6	1,097	11.9	4,570	4,259	7.3
R&D expenses	480	488	(1.6)	439	9.5	1,783	1,745	2.2
<b>EBDITA</b>	<b>477</b>	<b>844</b>	<b>(43.5)</b>	<b>946</b>	<b>(49.6)</b>	<b>3,909</b>	<b>3,284</b>	<b>19.0</b>
<b>EBDITA (%)</b>	<b>14.7</b>	<b>22.5</b>		<b>25.2</b>		<b>25.3</b>	<b>22.2</b>	
Depreciation	303	303	0.0	187.2	62.0	1,034.3	747.4	(75.0)
Interest	-	-	-	-	-	-	-	-
PBT	235	307	(23.5)	793	(70.3)	2,691	2,797	(71.7)
Tax	44	174	(74.5)	172	(74.2)	713	598	19.2
<b>Net Profit</b>	<b>191</b>	<b>133</b>	<b>43.0</b>	<b>621</b>	<b>(69.3)</b>	<b>1,978</b>	<b>2,199</b>	<b>(10.0)</b>
Share of profit/ (loss) in associates	-	5.9	(100.0)	4.3	-	22.9	19.5	-
<b>Reported net profit before exceptional</b>	<b>126</b>	<b>75</b>	<b>69.0</b>	<b>625</b>	<b>(79.8)</b>	<b>2,001</b>	<b>2,218</b>	<b>(9.8)</b>
<b>Exceptional items (loss) /profit</b>	<b>-</b>	<b>(431)</b>		<b>-</b>		<b>(509)</b>	<b>-</b>	
<b>Reported PAT</b>	<b>126</b>	<b>75</b>	<b>69.0</b>	<b>625</b>	<b>(79.8)</b>	<b>2,001</b>	<b>2,218</b>	<b>(9.8)</b>
<b>Adj. Net Profit</b>	<b>126</b>	<b>376</b>	<b>(66.5)</b>	<b>625</b>	<b>(79.8)</b>	<b>2,357</b>	<b>2,218</b>	<b>6.3</b>
<b>EPS (₹)</b>	<b>7.4</b>	<b>22.2</b>		<b>36.8</b>		<b>138.8</b>	<b>130.6</b>	

Source: Company, Angel Research

**Exhibit 2: Actual Vs Estimates**

(₹ cr)	Actual	Estimates	Variation (%)
<b>Net sales</b>	<b>3,235</b>	<b>3,900</b>	<b>(17.1)</b>
Other income	61	34	79.6
Operating profit	477	611	(21.9)
Tax	44	129	(65.6)
<b>Adj. Net profit</b>	<b>126</b>	<b>520</b>	<b>(75.8)</b>

Source: Company, Angel Research

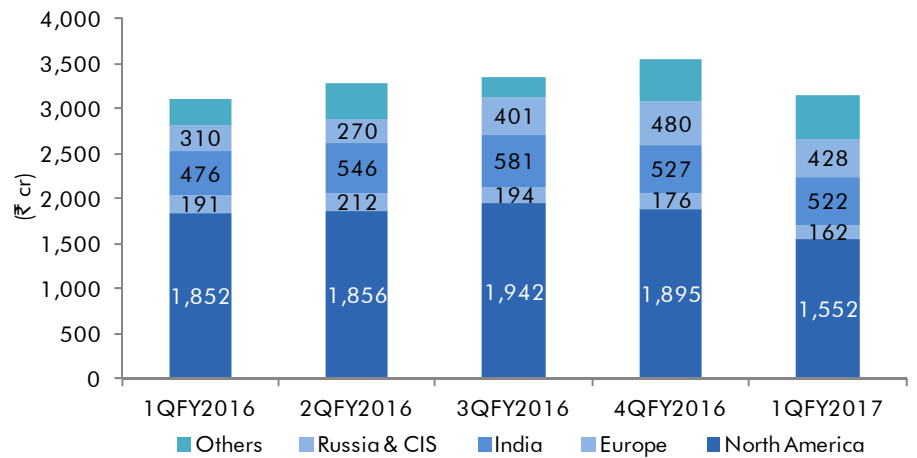
**Revenue lower than expected:** For 1QFY2017, Dr Reddy's Laboratories (DRL) posted a poor set of numbers. It posted sales of ₹3,235cr V/s ₹3,900cr expected and V/s ₹3,758cr in 1QFY2016, a yoy de-growth of 14.0%. The company's sales will continue to be under pressure owing to the likelihood of all its major markets posting a muted growth.

The generic business (₹2,663.8cr) posted a yoy de-growth of 14.0% owing to USA, Europe and Emerging Markets posting a de-growth of 16%, 16% and 26% yoy respectively. The company expects recovery in sales in 2HFY2017 driven by key approvals including Gleevec. The Indian market on the other hand posted a yoy growth of 10.0% yoy. Revenue from India was impacted on account of NPPA pricing notifications and WPI based annual price decline. The company has successfully integrated UCB brands.

PSAI (₹469.2cr) posted a de-growth of 16% yoy while proprietary products and others posted a flat yoy growth of 1.0% to ₹101.5cr.

As of June 30, 2016, 78 generic filings are pending approval with the USFDA, including 50 Para IVs (of which 18 are FTFs).

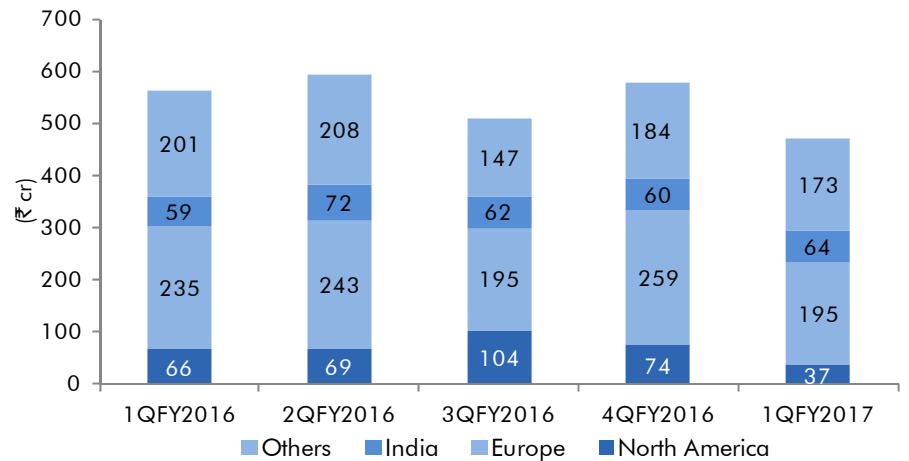
**Exhibit 3: Trend in Global generics**



Source: Company, Angel Research

In the PSAI segment (15% of sales), the US grew by 11% yoy while ROW, Europe, and India de-grew by 14%, 17% and 44% yoy respectively during the quarter. Proprietary Products & Others (₹102cr) posted a yoy growth of 1%.

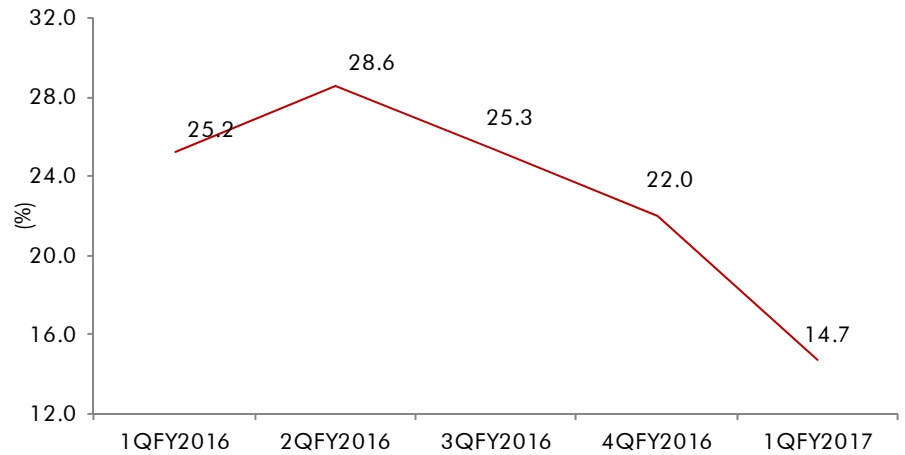
**Exhibit 4: PSAI trend**



Source: Company, Angel Research

**EBITDA margin dips yoy:** On the operating front, lower sales led the EBIT of come in soft at 3.4% V/s 15.6% expected and V/s 20.2% in 1QFY2016. The EBITDA margin came in at 14.7% V/s 21.3% expected V/s 25.2% in 1QFY2016, hurt by lower sales and 11.9% yoy growth in SG&A expenses. R&D expenditure for the quarter amounted to 14.8% of sales V/s 11.7% in 1QFY2016.

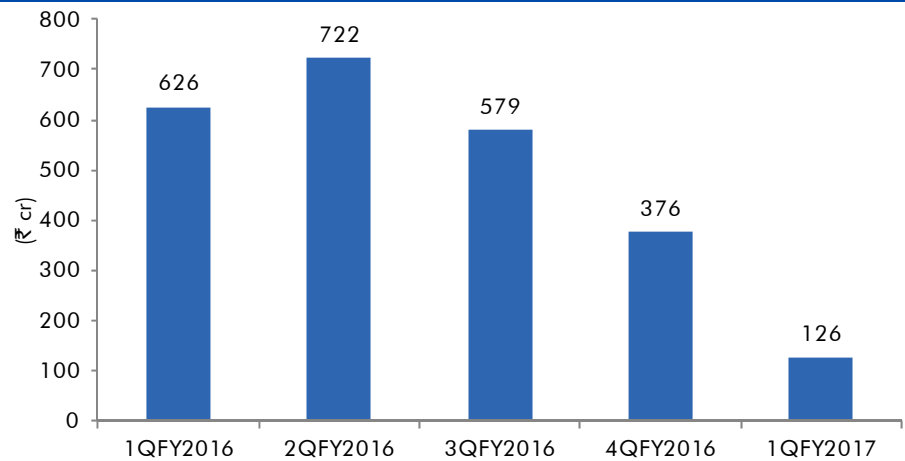
**Exhibit 5: EBITDA margin trend (%)**



Source: Company, Angel Research

**Net profit lower than expected:** Other income for the quarter came in at ~₹61cr V/s ₹34cr in 1QFY2016. The net profit stood at ₹126cr V/s ₹520cr expected and V/s ₹626cr in 1QFY2016, a yoy de-growth of 79.8%.

**Exhibit 6: Adjusted net profit trend**



Source: Company, Angel Research

## Concall takeaways

- DRL expects a recovery in sales in 2HFY2017, driven by key approvals, including Gleevec.
- The Management expects the Russia business to deliver strong growth going forward as key tenders are due in 2HFY2017.
- The remediation process is almost over; the company plans to invite the USFDA in 2QFY2017 for a re-inspection.
- The company incurred a remediation cost of US\$16mn in 1QFY2017, which should substantially come down from 2QFY2017.
- The company incurs 12-15% of its total R&D spends on bio-similar research.

## Investment arguments

**Robust growth in the US going ahead:** After attaining a critical mass (US\$1,139mn in FY2016), DRL aims to scale up its business to the next orbit in the US market on the back of a strong product pipeline (78 ANDAs are pending approval, of which, 50 are Para IVs and 18 are FTFs). The Management has guided for a robust growth in the US over the medium term, driven by introduction of new products, some of which are also Para IV opportunities. Owing to the import alert on the three facilities of the company, in a worst case scenario, we expect the exclusivity US sales to post a CAGR of ~7.0% during FY2016-18E.

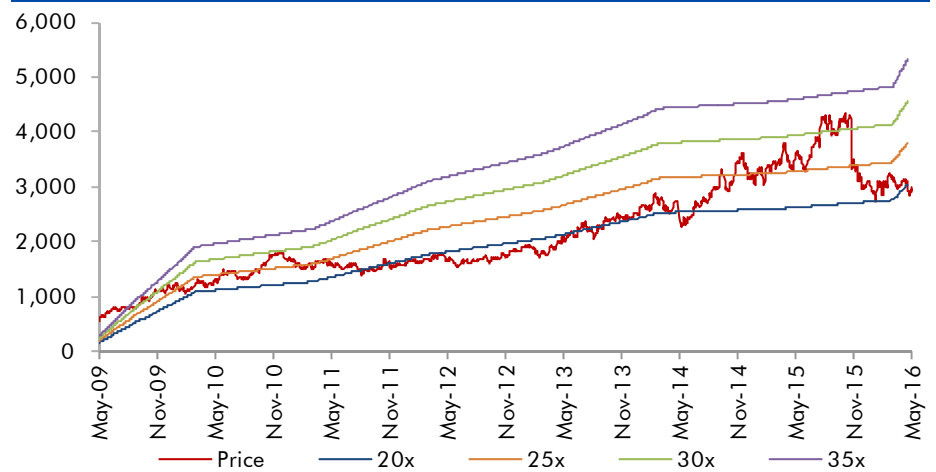
**Domestic back in focus:** DRL reported a 19.0% yoy growth in FY2016. The Management expects the company's performance to rebound and targets to achieve an above industry growth rate going ahead, driven by a) field force expansion and improvement in productivity, b) new product launches (including biosimilars) and c) focus on brand building. In 4QFY2015, DRL had acquired UCB's India portfolio and has completed the integration process of these brands in 1QFY2016. UCB's India business had registered ~₹150cr sales in CY2014 and has a branded portfolio of 21 products focusing on Allergy, Respiratory, Dermatology and Pediatric space. The acquisition has been successfully integrated by 2QFY2016. Thus, we expect sales in India to post a CAGR of ~12.0% over FY2016-18E.

**Valuation:** We expect net sales to post a CAGR of 8.2% to ₹18,119cr and adjusted EPS to record an 6.9% CAGR to ₹157.8 over FY2016-18E. The stock has been severely beaten down post the import alert from the USFDA. Still, considering the valuations, we **recommend a Neutral on the stock.**

## Exhibit 7: Key assumptions

	FY2017E	FY2018E
PSAI segment growth (%)	(0.9)	(0.1)
Generics segment growth (%)	3.9	14.8
Operating margin (%)	23.1	24.7
Capex (₹ cr)	1200	1200

Source: Company, Angel Research

**Exhibit 8: PE chart**


Source: Company, Angel Research

**Exhibit 9: Recommendation summary**

Company	Reco.	CMP (₹)	Tgt Price (₹)	Upside (%)	FY2018E			FY16-18E	FY2018E	
					PE (x)	EV/Sales (x)	EV/EBITDA (x)	CAGR in EPS (%)	RoCE (%)	RoE (%)
Alembic Pharma	Neutral	601	-	-	24.8	2.6	15.0	(21.2)	23.5	21.3
Aurobindo Pharma	Accumulate	794	877	10.5	16.9	2.8	11.7	18.1	22.5	26.1
Cadila Healthcare	Accumulate	358	399	11.4	18.6	2.8	12.5	15.8	24.3	26.6
Cipla	Neutral	524	-	-	19.3	2.5	13.3	20.4	13.5	15.2
<b>Dr Reddy's</b>	<b>Neutral</b>	<b>2,988</b>	-	-	<b>24.7</b>	<b>3.0</b>	<b>11.1</b>	<b>6.9</b>	<b>18.1</b>	<b>17.1</b>
Dishman Pharma	Sell	147	83	(43.5)	13.8	1.5	7.0	(1.1)	9.6	10.2
GSK Pharma*	Neutral	3,404	-	-	52.1	7.2	37.5	21.6	35.8	31.8
Indoco Remedies	Sell	315	225	(28.6)	20.2	2.3	12.5	31.5	19.1	19.2
Ipca labs	Buy	495	613	23.8	17.4	1.8	9.7	17.9	11.8	14.9
Lupin	Buy	1,717	1,809	5.4	24.8	4.0	15.0	17.2	24.4	20.9
Sanofi India	Neutral	4,582	-	-	29.9	3.4	19.5	21.2	24.9	28.4
Sun Pharma	Buy	803	944	17.6	24.5	5.0	16.0	22.0	33.1	18.9

Source: Company, Angel Research; Note: \*December year ending

## Company Background

Established in 1984, Dr Reddy's Laboratories is an integrated global pharmaceutical company, through its three businesses - Pharmaceutical Services and Active Ingredients, Global Generics and Proprietary Products. The company's key therapeutic focus is on gastro-intestinal, cardiovascular, diabetology, oncology, pain management, anti-infective and paediatrics. The company's key markets include India, USA, Russia & CIS, and Germany.

**Profit & loss statement (IFRS Consolidated)**

Y/E March	FY2013	FY2014	FY2015	FY2016	FY2017E	FY2018E
<b>Net sales</b>	<b>11,627</b>	<b>13,217</b>	<b>14,819</b>	<b>15,471</b>	<b>16,043</b>	<b>18,119</b>
Other operating income	247.9	141.6	91.7	87.4	87.4	87.4
<b>Total operating income</b>	<b>11,875</b>	<b>13,359</b>	<b>14,911</b>	<b>15,558</b>	<b>16,130</b>	<b>18,207</b>
% chg	21.8	12.5	11.6	4.3	3.7	12.9
Total expenditure	8,951	10,096	11,535	11,669	12,341	13,642
Cost of revenues	4,825	4,977	5,531	5,315	5,812.02	6,267.44
SG&A expenses	3,358	3,878	4,259	4,570	4,604	5,200
R&D expenses	767.3	1,240.2	1,744.9	1,783.4	1,925.1	2,174.3
<b>EBITDA</b>	<b>2,676</b>	<b>3,121</b>	<b>3,284</b>	<b>3,802</b>	<b>3,701</b>	<b>4,477</b>
% chg	3.0	16.6	5.2	15.8	-2.6	21.0
(% of Net Sales)	23.0	23.6	22.2	24.6	23.1	24.7
Depreciation & amortisation	743.7	659.8	747.4	927.4	990.1	1,052.8
<b>EBIT</b>	<b>1,932</b>	<b>2,462</b>	<b>2,537</b>	<b>2,875</b>	<b>2,711</b>	<b>3,425</b>
% chg	4.3	27.4	3.1	13.3	-5.7	26.3
(% of Net Sales)	16.6	18.6	17.1	18.6	16.9	18.9
Interest & other charges	-	-	-	-	-	-
Other Income	46.0	40.0	168.2	(270.8)	-	-
(% of PBT)	2.1	1.5	6.0	(10.0)	-	-
Share in profit of associates	10.4	17.4	19.5	22.9	22.9	22.9
<b>Recurring PBT</b>	<b>2,237</b>	<b>2,661</b>	<b>2,816</b>	<b>2,714</b>	<b>2,822</b>	<b>3,535</b>
% chg	14.7	19.0	5.9	-3.6	4.0	25.3
Extraordinary expense/(Inc.)	68.8	-	-	508.5	-	-
<b>PBT (reported)</b>	<b>2,167.7</b>	<b>2,660.6</b>	<b>2,816.3</b>	<b>2,714.0</b>	<b>2,821.5</b>	<b>3,534.9</b>
Tax	490.0	509.4	598.4	712.7	671.7	842.9
(% of PBT)	22.6	19.1	21.2	26.3	23.8	23.8
<b>PAT (reported)</b>	<b>1,677.7</b>	<b>2,151.2</b>	<b>2,217.9</b>	<b>2,001.3</b>	<b>2,149.9</b>	<b>2,692.0</b>
Add: Share of earnings of asso.	-	-	-	-	-	-
Less: Minority interest (MI)	-	-	-	-	-	-
Exceptional items	-	-	-	-	-	-
<b>PAT after MI (reported)</b>	<b>1,677.7</b>	<b>2,151.2</b>	<b>2,217.9</b>	<b>2,001.3</b>	<b>2,149.9</b>	<b>2,692.0</b>
<b>ADJ. PAT</b>	<b>1,750.0</b>	<b>2,151.2</b>	<b>2,217.9</b>	<b>2,357.0</b>	<b>2,149.9</b>	<b>2,692.0</b>
% chg	17.0	22.9	3.1	6.3	(8.8)	25.2
(% of Net Sales)	14.4	16.3	15.0	12.9	13.4	14.9
<b>Basic EPS (₹)</b>	<b>103.1</b>	<b>126.7</b>	<b>130.2</b>	<b>138.2</b>	<b>126.0</b>	<b>157.8</b>
<b>Fully Diluted EPS (₹)</b>	<b>103.1</b>	<b>126.7</b>	<b>130.2</b>	<b>138.2</b>	<b>126.0</b>	<b>157.8</b>
% chg	16.8	22.9	2.7	6.1	(8.8)	25.2

**Balance sheet (IFRS Consolidated)**

Y/E March (₹ cr)	FY2013	FY2014	FY2015	FY2016	FY2017E	FY2018E
<b>SOURCES OF FUNDS</b>						
Equity share capital	84.9	84.9	85.2	85.3	85.3	85.3
Preference Capital	-	-	-	-	-	-
Reserves & surplus	7,224	8,995	11,045	12,748	14,949	17,515
<b>Shareholders funds</b>	<b>7,309</b>	<b>9,080</b>	<b>11,130</b>	<b>12,834</b>	<b>15,034</b>	<b>17,600</b>
Minority Interest						
Total loans	3,676.0	4,474.2	3,954.3	3,661.9	3,661.9	3,661.9
Deferred tax liability	83.3	(192.9)	(401.3)	(423.0)	(423.0)	(423.0)
<b>Total liabilities</b>	<b>11,068</b>	<b>13,361</b>	<b>14,683</b>	<b>16,073</b>	<b>18,273</b>	<b>20,839</b>
<b>APPLICATION OF FUNDS</b>						
Net fixed assets	3,781	3,945	4,314	5,396	6,596	7,796
Goodwill /other intangibles	1,402	1,470	1,643	1,969	1,969	1,969
Capital Work-in-Progress	495.2	495.2	495.2	495.2	495.2	495.2
<b>Investments</b>	<b>1,764</b>	<b>2,589</b>	<b>3,811</b>	<b>3,833</b>	<b>3,833</b>	<b>3,833</b>
Current Assets	6,875	7,866	8,558	8,465	10,087	12,149
Cash	513.6	845	539	492	660	1,358
Loans & Advances	697.6	793.0	889.1	928.2	1,048.8	1,201.3
Other	5,664	6,228	7,129	7,045	8,378	9,590
Current liabilities	3,252	3,006	4,214	4,193	4,813	5,510
<b>Net Current Assets</b>	<b>3,623</b>	<b>4,860</b>	<b>4,344</b>	<b>4,273</b>	<b>5,273</b>	<b>6,639</b>
Other Assets	-	-	76	106	106	106
<b>Total Assets</b>	<b>11,068</b>	<b>13,361</b>	<b>14,683</b>	<b>16,073</b>	<b>18,273</b>	<b>20,839</b>



**Cash flow statement (IFRS Consolidated)**

Y/E March (₹ cr)	FY2013	FY2014	FY2015	FY2016	FY2017E	FY2018E
Profit before tax	2,237	2,661	2,816	2,714	3,414	3,894
Depreciation	744	660	747	927	990	1,053
(Inc)/Dec in Working Capital	535	(906)	211	24	(833)	(668)
Less: Other income	46	40	168	(271)	-	-
Direct taxes paid	490	509	598	713	814	929
<b>Cash Flow from Operations</b>	<b>2,980</b>	<b>1,865</b>	<b>3,008</b>	<b>3,224</b>	<b>2,758</b>	<b>3,350</b>
(Inc.)/Dec.in Fixed Assets	(431)	(164)	(369)	(1,082)	(1,200)	(1,200)
(Inc.)/Dec. in Investments	687	824	1,222	22	-	-
Other income	46	40	168	(271)	-	-
<b>Cash Flow from Investing</b>	<b>302</b>	<b>701</b>	<b>1,021</b>	<b>(1,331)</b>	<b>(1,200)</b>	<b>(1,200)</b>
Issue of Equity	0	-	0	0	-	-
Inc./Dec.) in loans	(1,155)	798	(520)	(292)	-	-
Dividend Paid (Incl. Tax)	298	358	399	399	399	399
Others	(2,649)	(3,390)	(4,214)	(2,047)	(1,789)	(1,851)
<b>Cash Flow from Financing</b>	<b>(3,506)</b>	<b>(2,234)</b>	<b>(4,335)</b>	<b>(1,940)</b>	<b>(1,389)</b>	<b>(1,452)</b>
Inc./Dec.) in Cash	(224)	331	(306)	(47)	168	698
<b>Opening Cash balances</b>	<b>738</b>	<b>514</b>	<b>845</b>	<b>539</b>	<b>492</b>	<b>660</b>
<b>Closing Cash balances</b>	<b>514</b>	<b>845</b>	<b>539</b>	<b>492</b>	<b>660</b>	<b>1,358</b>

**Key ratios**

Y/E March	FY2013	FY2014	FY2015	FY2016	FY2017E	FY2018E
<b>Valuation Ratio (x)</b>						
P/E (on FDEPS)	29.0	23.6	23.0	21.6	23.7	18.9
P/CEPS	21.0	18.0	17.2	17.4	16.2	13.6
P/BV	6.9	5.6	4.6	4.0	3.5	3.0
Dividend yield (%)	0.5	0.5	0.5	0.5	0.5	0.5
EV/Sales	4.5	3.9	3.4	3.3	3.1	2.7
EV/EBITDA	19.5	16.6	15.4	13.2	13.6	11.1
EV / Total Assets	4.7	3.9	3.4	3.1	2.8	2.5
<b>Per Share Data (₹)</b>						
EPS (Basic)	103.1	126.7	130.2	138.2	126.0	157.8
EPS (fully diluted)	103.1	126.7	130.2	138.2	126.0	157.8
Cash EPS	142.6	165.5	174.0	171.7	184.1	219.5
DPS	15.0	15.0	15.0	15.0	15.0	15.0
Book Value	430.4	534.7	653.3	752.3	854.9	989.3
<b>Dupont Analysis</b>						
EBIT margin	16.6	18.6	17.1	18.6	16.9	18.9
Tax retention ratio	77.4	80.9	78.8	73.7	76.2	76.2
Asset turnover (x)	1.2	1.2	1.1	1.0	1.0	1.0
ROIC (Post-tax)	14.9	17.4	15.1	14.3	12.7	14.5
Cost of Debt (Post Tax)	0.0	0.0	0.0	0.0	0.0	0.0
Leverage (x)	0.6	0.4	0.4	0.3	0.2	0.2
Operating ROE	23.5	24.7	20.4	18.3	15.6	17.1
<b>Returns (%)</b>						
ROCE (Pre-tax)	17.8	20.2	18.1	18.7	16.0	18.1
Angel ROIC (Pre-tax)	23.1	25.6	22.5	22.9	19.4	21.9
ROE	26.8	26.3	21.9	19.7	15.7	17.1
<b>Turnover ratios (x)</b>						
Asset Turnover (Gross Block)	3.3	3.5	3.6	3.2	2.7	2.5
Inventory / Sales (days)	63	62	61	60	61	63
Receivables (days)	88	89	90	96	88	92
Payables (days)	44	40	43	59	42	43
WC cycle (ex-cash) (days)	104	97	96	89	91	90
<b>Solvency ratios (x)</b>						
Net debt to equity	0.4	0.4	0.3	0.2	0.2	0.1
Net debt to EBITDA	1.2	1.2	1.0	0.8	0.8	0.6
Interest Coverage (EBIT / Int.)	-	-	-	-	-	-

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### Dr. Reddy's Laboratories

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)