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Business Markets Stocks Economy Companies Trends IPO Opinion EV Special

बुस्टर बजट 2022 से क्या अर्थव्यवस्था को मिलेगी रफ्तार. जानें मनीकंट्रोल हिंदी के साथ >

Home > News > Business > MONEYCONTROL RESEARCH Dr Reddy's: Supported by traction in WATCH WEBINAR limited competition products

UNION BUDGET 2022-23

the Booster Budget

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for the generic version of Vascepa

Sales growth in North America was helped by healthy market share



Dr Reddys Labs

Trade

NSELIVE -

31 Jan, 2022 15:59

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Todays L/H 4,240.05 4,368.60 Volume 618555

Portfolio

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Watchlist

EMs help offset pricing weakness

Neutral Bajaj Auto;

target of Rs 3500:

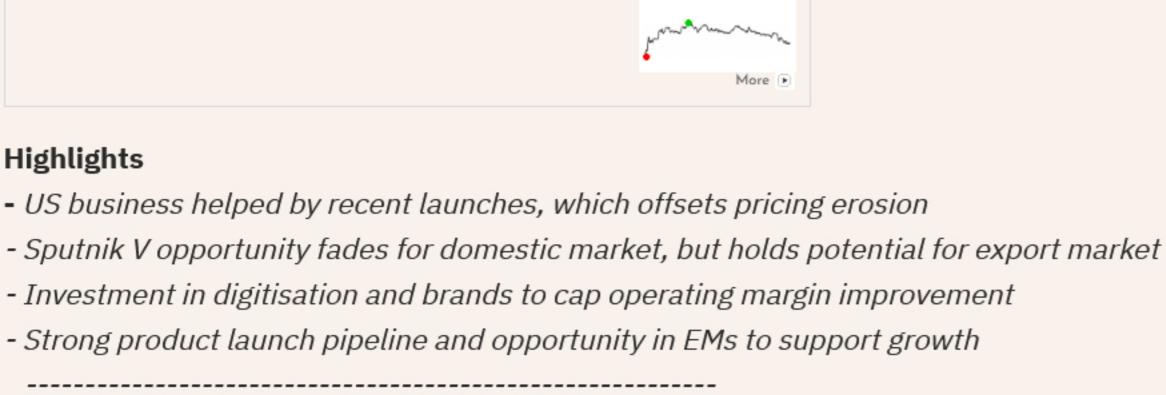
Motilal Oswal

Neutral Tata

Motilal Oswal

Communications;

target of Rs 1450:



M Message

4,302.80 a 84.20 (2.00%)

Set Alert

- While **Dr Reddy's Laboratories** (CMP: Rs 4,219; Market Cap: Rs 70,205 crore) continues to face price erosion challenges, traction in limited competition products supports growth.
- However, as the risk of the pandemic is fading, investors need to evaluate any pharma
- investment devoid of COVID-related opportunities. Most of the pre-COVID challenges, including USFDA scrutiny and pricing erosion in developed markets, are back.

this platform, the company plans to give end-to-end solutions related to healthcare. This may encompass pharmacy, diagnostics etc. Capital allocation decisions will be a short- to mediumterm watch.

RELATED STORIES year (YoY), aided by emerging markets (EMs), but Byju's in talks with partially offset by pricing erosion in the US and **US-based** entities for SPAC merger European markets. agreement, plans to go public in 3-4 In case of EMs (21 percent of Q3 sales), strong weeks: R... traction in the Rest of the World (RoW) and product

launches aided topline growth.

Vascepa is used in treating patients with high triglyceride levels.

was 7 percent. But this appeared remarkable,

base business. This was helped by healthy

Selling, General & Administrative 207 14,387 7 15,951 (3) 15,411 193 214 expenses Research and Development 56 4,159 55 4,108 1 60 4,463 (7) Impairment of non-current assets 1 47 80 5,972 (99)

320

(41)

23

242

(0)

3468

YoY

Gr %

8

8

8

Q2 FY22

(\$)

775

361

414

(23)

163

(4)

(3)

170

37

133

(Rs.)

57,632

26,846

30,786

(1743)

12,115 (319)

(247)

12,681

2,761

9,920

QoQ

Gr %

(8)

(7)

(86)(24)

(9)

(25)

(23)

(4)

(29)

Consolidated Income Statement

(S)

663

306

357

(2)

30

(7)

(2)

38

36

3

Q3 FY21

(Rs.)

49,296

22,758

26,538

(128)

2,199

(493)

(151)

2,843

2645

198

Q3 FY22

715

330

385

(3)

124

(4)

(2)

131

36

95

(Rs.)

53,197

24,585

28,612

(240)

9,235

(289)

(185)

9,709

2,644

7,065

market share for the generic version of Vascepa, which commands about 11-12 percent

Results from operating activities Net finance income Share of profit of equity accounted investees

Income Tax

market share.

Particulars

Revenues

Gross Profit

Cost of Revenues

Operating Expenses

Other operating income

Profit before Income Tax

Profit for the period

Q3FY22 financials

CI-1-1C	Gr %
Global Generics 44,508 40,751 9 47,431	(6)
North America 18,645 17,394 7 18,909	(1)
Europe 4,058 4,143 (2) 4,135	(2)
India 10,266 9,591 7 11,402	(10)
Emerging Markets 11,539 9,623 20 12,985	(11)
Pharmaceutical Services and Active 7,271 7,009 4 8,372	(13)
Proprietary Products & Others 1,418 1,536 (8) 1,829	(22)
Total 53,197 49,296 8 57,632	(8)

The management mentions that it has secured the relevant API for the next few quarters, making it relatively immune to supply-chain challenges.

percent market share.

it in Canada and Europe.

Outlook

Apcotex.

prospects.

file' status.

APIs.

sector.

P/E(x)

EV/Ebitda (x)

(in Rs crore), Source: Dr Reddy's,

#Apcotex

FIRST PUBLISHED: JAN 31, 2022 11:23 AM

Moneycontrol Research

In the field of biologics, Rituximab, to treat leukemia, is undergoing phase 3 trials. In addition, there are three more bio-similars undergoing clinical trials. Further, the expected launch of oncology drug Revlimid by FY23 also adds to medium-term

Along with Rituximab, Revlimid is going to be a global product as the company plans to launch

Overall, the prospects in the US market are supported by a robust product pipeline. There are

91 pending filings, of which 45 are 'Para IV'. Twenty four filings are expected to have 'first to

Steady US business traction due to the growth in limited competition products helped Dr

addresses a market of at least \$400 million. Here, it competes with Amarin, Hikma, and

Reddy's to overcome pricing erosion. In recent times, the company launched Vascepa, which

'Para IV' filing is made when a company intends to sell the innovator's drug before its patent expiry. It files an additional document called Para IV with the USFDA to get the approval. A first-to-file ANDA is eligible for 180-day exclusivity for sales. In general, approvals under Para

Among non-US markets, we remain positive on the growing opportunity in China. According to

IV and the 'first to file' status should help in having a better market share and margins.

the earlier management guidance on filing 25 products in FY22 and FY23 in the Chinese

market, the company has filed more than 15 products.

pills, this opportunity doesn't appear to be material enough.

remains a key geo-political event to track.

elevated R&D) in the medium term.

As regards the COVID opportunity, which is largely on the export front, the company remains hopeful of some traction for Sputnik Light, given the demand for booster doses and lower vaccination coverage in many countries. Further, the company is in a better set-up to benefit

from the demand for Molnupiravir, for which it relies on in-house facilities to manufacture

Nevertheless, in the larger scheme of things, due to the competition from other anti-COVID

On the regulatory front, the company has submitted response with respect to the USFDA

observations for the Vizag plant and is awaiting feedback. This inspection was triggered by a product filing. As far as margins are concerned, the management guides that the EBITDA margins should

competition products and strong presence in EMs make the stock an accumulation candidate on declines.

Net profit 1,880 1,950 2,755 3,313 1,916 EPS (Rs) 118 199 113 115 166

36.6

16.1

Follow @anubhavsays

35.9

20.0

FY19

37.2

24.3

FY20

ANUBHAV SAHU is Special Analyst, Moneycontrol Research. He has been writing research/recommendation pieces on Chemicals and Pharma sectors along with Equity strategy themes. He has previously worked with Credit Suisse and BNP Paribas.

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#Vascepa

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#Dr Reddys

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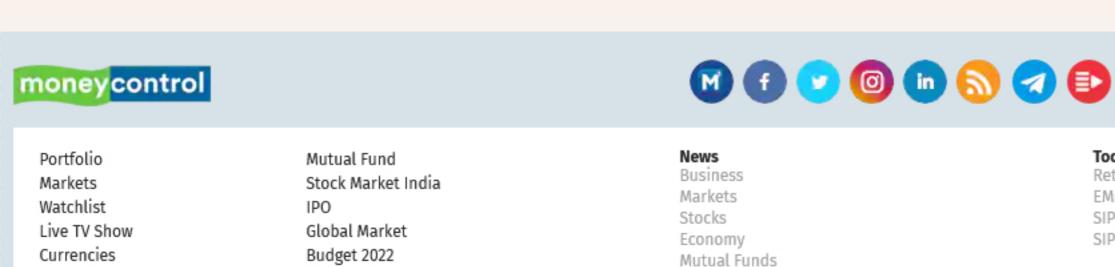
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Tags:

#Amarin

#US pricing erosion







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A Hi Surbhi Sharma

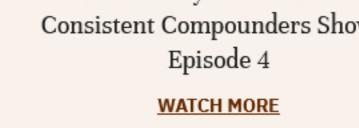
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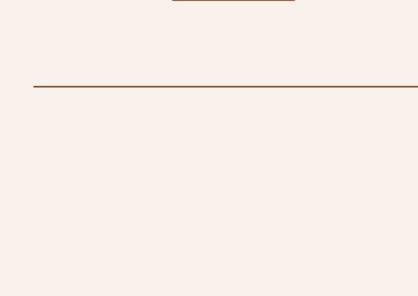


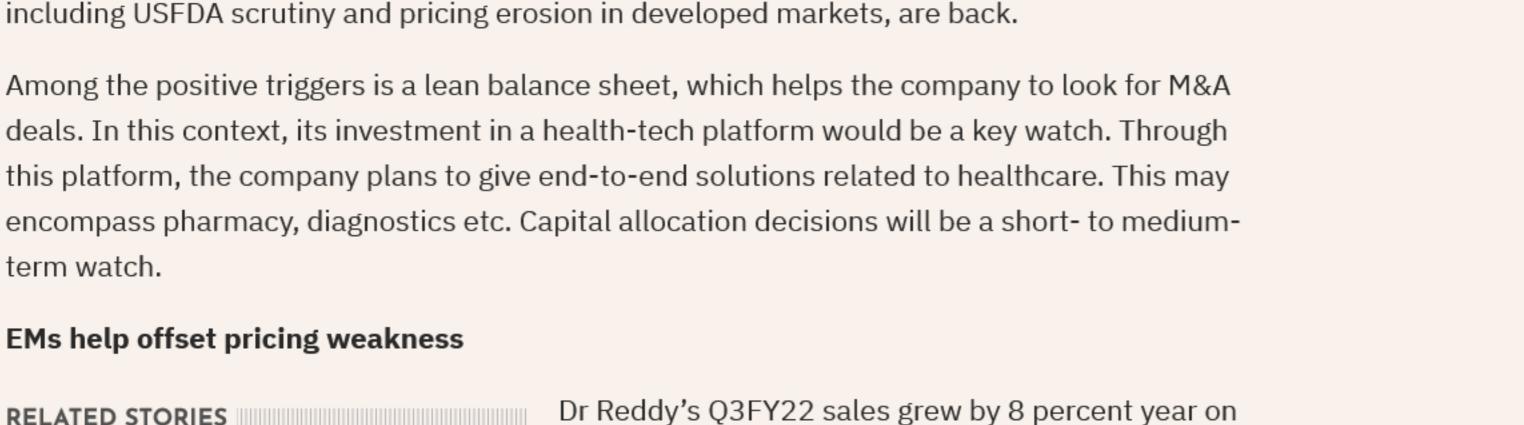
PRO PANORAMA

Moneycontrol Pro Weekender | **Bubble Trouble** The US is in the grip of "three and a half bubbles", according to GMO's chief investment strategist Grantham

INTERVIEW SERIES







The India business (19 percent of sales) grew by a mediocre 7 percent, helped by pricing, but offset by decrease in volumes for COVID-related products. Sales growth in North America (35 percent of sales) considering the double-digit pricing erosion in the

20 bps) due to a better

Also, the company expects to gain more market share from the innovator for Suboxone, a prescription drug used to treat opioid addiction. Here, the company holds more than 20

While the management sees no impact of the recent Ukraine-Russia spat on business, it

improve on account of the full-value realisation of the recent product launches in the US.

Having said that, we believe aspirational EBITDA margin target of 25 percent will take some

time due to the need for recurring investments (digitisation, brand-building exercise and

As far as valuation is concerned, given the recent correction and downward tweak in our

While the growth story has moderated due to pricing erosion, a steady traction in limited

estimates, the stock is trading at 12.3x FY23e EV/EBITDA, close to the median multiple for the

EARNINGS PROJECTIONS

FY21

FY23e

21.2

12.3

FY22e

25.4

14.8

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#Hikma

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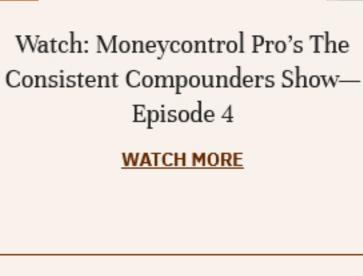
Live Sensex

Bonds

Firstpost

Sales 15,205 16,740 18,883 21,716 24,973 **EBITDA** 2,911 3,534 4,389 4,778 5,744 **EBITDA** margin 19.1% 21.1% 23.2% 22.0% 23.0% Profit before tax 2,244 2,575 3,420 3,723 4,477

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