



Dr. Reddy's Q3 Results: Profit Surges On Higher Sales In Key Markets

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Dr. Reddy's Laboratories Ltd.'s third-quarter profit surged, aided by better sales in key markets the U.S. and India.

The Hyderabad-based drugmaker's net profit stood at Rs 709.3 crore in the three months ended December against Rs 27.9 crore a year ago, according to an exchange filing. That compares with the Rs 742.6-crore consensus estimate of analysts tracked by Bloomberg.

Sequentially, its earnings fell 29%. "The company saw lower covid sales this quarter leading to lower volumes sequentially," MV Ramana, chief executive officer of branded markets (India and emerging markets) at the company, told BloombergQuint.

Highlights (YoY)

- ◆ Revenue rose 8% to Rs 5,338.3 crore, compared with the Rs 5,456.2-crore estimate.
- ◆ Ebitda jumped 1.25 times to Rs 1,215.7 crore, against the Rs 1,220.6-crore forecast.
- ◆ Margin expanded to 22.8% from 10.9%. Analysts had projected it at 22.4%.

GV Prasad, co-chairman and managing director at Dr. Reddy's, said the drugmaker delivered a steady performance in Q3 and strong cash generation, while continuing to invest in building a pipeline of products across businesses. "ESG (environmental, social and governance) will remain a key focus area for us."

Other Highlights (YoY)

- ◆ Revenue from the mainstay North America market, which contributes 35% of the total sales, rose 7%. This was driven by new product launches, increase in volumes of base business and a favourable forex rate, partially offset by price erosion.
- ◆ European business declined 2% primarily due to price erosion, partially offset by volume traction and new launches. The region contributes 8% to the total sales.
- ◆ India revenue rose 7% on account of new products and increase in sales prices of some existing products. Sale of Covid-related products, however, declined. This portfolio contributes 19% to the revenue.
- ◆ Emerging market sales rose 20%, contributing 21% to the top line.
- ◆ Pharmaceutical services and active ingredients segment grew 4% majorly driven by new product launches, making up 14% of the revenue.
- ◆ Revenue from proprietary products declined 8%.
- ◆ Expenditure on selling, administration and distribution rose 7% to Rs 1,541 crore.
- ◆ Research and development expenses stood at 7.8% of revenue against 8.3% a year ago.
- ◆ The company has a net cash surplus of Rs 1,000 crore as on Dec. 31, 2021.

"While the U.S. market is expected to continue to grow, the company is shifting focus towards the branded markets of India and other emerging markets," Ramana said. This move along with launching of new products will help deal with the price erosion, he said.

The increase in share from branded markets, the company said, is being done through its foray into the over-the-counter medicines and nutraceuticals segments. It has also launched a digital offering providing holistic health services as a pilot project in India.

Ramana said better planning of demand has helped the company reduce freight costs by switching more to sea freight as against air freight, bringing down costs to an extent.

The company expects the U.S.FDA to get back on its responses filed in connection to observations raised against its Duvvada formulation manufacturing facility in Visakhapatnam, he said.

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Shares of Dr. Reddy's closed 0.9% lower on Friday compared with the S&P BSE Sensex's 0.13 fall.

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