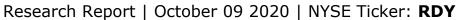
Dr. Reddy's Laboratories



Closing Price: \$70.40 (10/08/2020) Recommendation: Sell (Trim 2.6% to 1.5%) Sector: Healthcare

12-month Target: \$48.63 Cost Basis: \$39.98 Industry: Medical - Generic Drugs



RDY Summary Statistics				
Current Price	\$70.40			
52 Week Range	\$33.33 - \$73.50			
Market Cap	\$11.7 BB			
P/E	44.83			
P/S	4.9			
Beta	0.53			
Forward Dividend Yield	.48%			

RDY Historical EPS				
	Annual			
2021	1.72			
2020	1.56			
2019	1.64			
2018	.91			
2017	1.11			

Highlights

Dr.Reddy's

With YTD price up 73.5%, Pres. Chakrobarty and other executive officers have combined to sell \$4.7 million USD of shares. Compared with compensation structure for executives, the insider selling is not large enough to indicate change of sentiment but points to profit-taking

- Low-cost manufacturing/release of acquired brands, favorable outlook on forex rates in U.S and Europe versus India in next 2 years, growth in branded-generic drugs in India & other emerging markets, and improved debt profile will be drivers for continued financial growth
- RDY acquired a branded generic drug portfolio of 62 brands from Wockhardt in India which was 13-15% of Wockhardt's consolidated revenue and a portfolio in the U.S of 42 ANDA's which could launch products in 1-2 years in an addressable market of \$650 million. News of RDY partnering with FujiFilm, GRA, Gilead, and RDIF to produce favipiravir, remdesivir, and potentially distribute COVID-19 vaccines seem priced in

Investment Risk

Low	Medium	High
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- RDY's strategy is centered on the successful launch of limited drug products and so regulatory woes and product recalls could cause problems amid ongoing FDA warnings, contamination recalls and six data-integrity infractions
- Anticipate that RDY will benefit from unusually strong demand for active ingredients, which will not be sustainable growth over the long run
- RDY may face greater pricing pressure in U.S and European markets where new entrants offering competitively priced commodity generic drugs could compete with RDY's top-sales areas

RDY Financial Summary						
(USD millions)	2018	2019	2020	2021	2022	
Revenue	\$2,181	\$2,225	\$2,316	2548	2700	
Gross Profit	\$1,172	\$1,207	\$1,247	1401	1485	
EBITDA	\$363	\$478	\$600	685	762.48	
Net Income	\$151	\$272	\$259	274	304	

^{*}Cells denoted in yellow are estimated values