

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 - S&P 500

2-YR Return Against Benchmark



### Highlights

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

### 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
<b>2021</b>	1.72
<b>2020</b>	1.56
<b>2019</b>	1.64
<b>2018</b>	.91
<b>2017</b>	1.11

### 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
<b>Revenue</b>	\$2,181	\$2,225	\$2,316	2548	2700
<b>Gross Profit</b>	\$1,172	\$1,207	\$1,247	1401	1485
<b>EBITDA</b>	\$363	\$478	\$600	685	762.48
<b>Net Income</b>	\$151	\$272	\$259	274	304

\*Cells denoted in yellow are estimated values