

Dr. Reddy's Labs

Quarterly Flash

CMP :	Rs. 666	Target Price :	As per report dated	Date :	May 18, 2007
SENSEX :	14,303	Recommendation :	NR		

Views:

Actuals v/s ARG Est. Above Estimates

Actuals v/s Consensus Est. Above Estimates

Absolute Performance Good

Comments:

Topline

Sales is higher than estimates due to sales from Ondansetron under exclusivity (Rs 2.7bn) and higher than expected sales from Custom Pharma Services (Rs 1.9bn).

Operating Profit

High margins on sales from ondansetron under exclusivity, absence of low margin authorised generic product sales and write back of excess duties/taxes provided in preceding quarters (Rs 1.1bn) has resulted in abnormally high margins.

Net Profit

Higher than expected operating profit has resulted in higher PAT.

Key Data

Bloomberg Code :	DRRD IN Equity
Reuters Code :	REDY.BO
BSE Code :	500124
NSE Code :	DRREDDY
52-Week Range(H/L) (Rs):	840 579
Market Cap (Rs mn) :	111,835
Shares O/S (mn) :	168
Free Float (mn) :	122
3m Avg. Volume :	154848
Face Value (Rs):	5

Financials (Rs. mn)

Y/E Mar	ARG Estimates			
	Mar-05	Mar-06	Mar-08	Mar-09
Net sales	18,265	23,389	49,424	55,679
Operating profit	1,434	2,908	6,709	7,267
Operating margins (%)	7.8	12.4	13.6	13.1
PAT	892	1,467	1,904	2,302
PAT margins (%)	5.1	6.3	4.0	4.0
FDEPS (Rs.)	5.8	9.6	12.4	15.0
PER (x)	114.7	69.7	53.7	44.3
P/B (x)	5.1	4.7	3.8	3.6
EV/ EBITDA (x)	61.9	31.2	19.0	15.5
Dividend Yield (%)	0.4	0.4	0.8	0.8
ROCE (%)	4.1	7.0	14.2	14.8
ROE (%)	4.4	7.0	7.1	8.1

Impact on-

To be revised upwards

Financial Forecast :

Target Price : NR **Recommendation** : NR

Quarterly Performance (Rs. mn)	1QCY06	2QCY06	3QCY06	4QCY06	1QCY07		Growth (%)		Variance Rs mn
					Actual	Estimate	YoY	QoQ	
Net Sales	6,875	13,363	19,414	14,749	15,627	10,811	127.3	6.0	4,816
- Operating expenses	6,394	10,966	14,728	12,004	9,810	9,867	53.4	(18.3)	(56)
Operating profit	481	2,397	4,686	2,746	5,817	944	1,109.8	111.9	4,872
Operating margin (%)	7.0	17.9	24.1	18.6	37.2	8.7			2849 bps
+ Other income	242	369	386	431	885	(955)	266.3	105.2	1,840
EBITDA	722	2,766	5,072	3,177	6,702	(11)	827.8	111.0	6,712
EBITDA margin (%)	10.5	20.7	26.1	21.5	42.9	(0.1)			4298 bps
- Depreciation	536	848	827	926	1,190	685	121.8	28.4	504
- Interest expense	514	389	474	523	141	(196)	(72.6)	(73.1)	337
PBT	(328)	1,530	3,772	1,727	5,371	(500)	L2P	211.0	5,871
- Taxes	58	240	850	672	982	61	1,598.8	46.2	921
PAT	(386)	1,290	2,921	1,056	4,389	(561)	L2P	315.9	4,950
+ Profit share in associates	-	-	-	-	-	-			-
- Minority interests	-	-	(4)	(0)	1	4		(325.0)	(4)
Consolidated PAT	(386)	1,290	2,925	1,056	4,388	(566)	L2P	315.6	4,954

Disclaimer: This note is to be read in conjunction with the disclaimer note as mentioned in the mail.

Recommendation Guide: Buy >30%; Outperformer (OP): 20 to 30%; Market Performer (MP): 10 to 20%; Under-Performer (UP): 0 to 10%; Sell: <0%; Not Rated (NR)