

Price erosion in the US continues; maintain Hold

We maintain Hold rating for Dr. Reddy's Labs (DRL) with TP at Rs2,200 (earlier Rs2,000) based on 21x March'20E EPS of Rs104.6. DRL's Q1FY19 revenues were in line with our estimates. However, EBIDTA and net profit exceeded our expectations. The drug maker reported a 12% YoY growth in revenues, 1,090bps improvement in margin to 20.6% and a 615% YoY growth in net profit. DRL is facing pricing pressure in the US generic market due to channel consolidation and stiff competition from new players. Key positive risk to our assumptions includes faster approval of ANDAs by US FDA and key negative risk includes increase in pricing pressure in the US market. We recommend a switch to Aurobindo Pharma or Pfizer.

- **Revenues grew by 12%YoY:** DRL's revenues in Q1FY19 grew by 12% YoY to Rs37.36bn from Rs33.33bn. The company's global generics business (82% of revenues) grew by 12% YoY to Rs30.64bn from Rs27.45bn. Sales in North America (43% of revenues) grew by 6%YoY due to additional revenues from gSuboxone. The generics business from emerging markets (18% of revenues) grew by 16% YoY. DRL's domestic business (16% of revenues) grew by 30% YoY and recovered after effects of GST implementation. DRL's Pharma Services and Active Ingredients (PSAI) business (15% of revenues) grew by 16% YoY to Rs5.40bn from Rs4.65bn. We expect both PSAI and global generic businesses to drive future growth.
- **EBIDTA margin grew by 1,090bps YoY:** DRL's EBIDTA margin grew by 1,090bps YoY to 20.6% from 9.7% due to an overall reduction in costs. Material cost declined by 190bps to 26.9% from 28.8% due to a change in the product mix and revenues from high margin gSuboxone.. Personnel cost declined by 180bps to 22.4% from 24.2%. Other expenses declined 720bps to 30.1% from 37.3%. We expect the EBIDTA margin to improve, led by new launches in the US market and recovery in the domestic market.
- **Net profit grew by 615%YoY:** DRL's net profit grew by 615% YoY due to strong margin improvement and lower tax rate. Its tax rate declined to 10.2% from 29.4% of PBT. We expect profits to improve with the new launches in the US generics, good growth in the domestic businesses and entry into Brazil and Columbia.
- **Recommendation and views:** We have enhanced our FY19E and FY20E EPS estimates by 11% and 10% respectively. We expect DRL to perform better due to strong product pipeline for the US market and strong brands in the domestic market. We maintain Hold rating for DRL with a TP of Rs2,200 based on 21x March'20E EPS of Rs104.6 and with a upside of 3.1% from CMP.

Particulars (Rs mn)	Q1FY19	Q1FY18	YoY Gr%	Q4FY18	QoQ Gr%	Q1FY19E	% Var.
Total revenues	37,365	33,332	12.1	35,539	5.1	36,100	3.5
Raw material cost	10,049	9,592	4.8	10,067	(0.2)	10,100	(0.5)
Employee cost	8,371	8,073	3.7	8,005	4.6	8,480	(1.3)
Other expenses	11,257	12,435	(9.5)	11,831	(4.9)	11,830	(4.8)
EBIDTA	7,688	3,232	137.9	5,636	36.4	5,690	35.1
EBIDTA margin (%)	20.6	9.7	-	15.9	-	15.8	-
Depreciation	2787	2592	7.5	2763	0.9	2820	(1.2)
Interest	195	215	(9.3)	178	9.6	180	8.3
Other income	504	380	32.6	449	12.2	500	0.8
PBT	5,210	805	547.2	3,144	65.7	3,190	63.3
Prov. For tax	532	237	124.5	492	8.1	450	18.2
Adj. PAT	4,761	666	614.9	2,721	75.0	2,810	69.4

Source: Company, Centrum Research Estimates

E March (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adjust. PAT	YoY (%)	DEPS Rs.	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY16	1,55,683	3.6	35,853	23.0	21,306	(8.8)	128.3	17.9	14.2	27.5	17.6
FY17	1,41,961	(8.8)	24,722	17.4	12,921	(39.4)	77.8	10.4	8.2	39.6	22.7
FY18	1,42,810	0.6	23,512	16.5	9,468	(26.7)	57.0	7.6	5.7	41.9	18.9
FY19E	1,53,176	7.3	27,566	18.0	13,596	43.6	81.9	10.5	7.8	26.0	14.4
FY20E	169416	10.6	32631	19.3	17371	27.8	104.6	12.4	9.6	20.4	12.0

Source: Company, Centrum Research Estimates

In the interest of timeliness, this document is not edited

Centrum Equity Research is available on Bloomberg, Thomson Reuters and FactSet

Target Price	Rs2,200	Key Data	
CMP*	Rs2,133	Bloomberg Code	DRRD IN
Upside	3.1%	Curr Shares O/S (mn)	165.7
Previous Target	Rs2,000	Diluted Shares O/S(mn)	165.7
Previous Rating	Hold	Mkt Cap (Rsbn/USDbn)	353.9/5.1
Price Performance (%)*		52 Wk H / L (Rs)	2725/1887
		5 Year H / L (Rs)	4386.6/1887
DRRD IN	(7.0) (15.0) (18.6)	Daily Vol. (3M NSE Avg.)	1103470
Nifty	5.7 1.9 12.6		

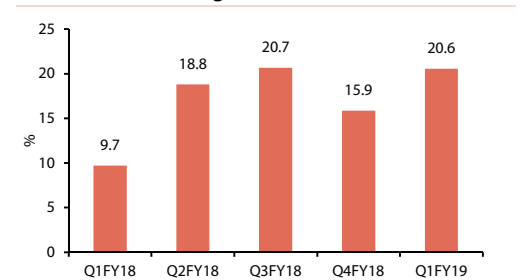
*as on 26th July 2018 Source: Bloomberg, Centrum Research

Shareholding pattern* (%)

	June-18	Mar-18	Dec-17	Sept-17
Promoter	26.8	26.8	26.8	26.8
FII's	27.2	30.3	29.3	29.7
DII's	17.1	14.8	15.3	13.5
Others	28.9	28.1	28.6	30.0

Source: BSE, *as on 26th May 2018

Trend in EBIDTA margin (%)



Source: Company, Centrum Research

Earning Revision

Particulars (Rs bn)	FY19E			FY20E		
	New	Old	Chg (%)	New	Old	Chg (%)
Sales	1,53,176	1,53,176	0.0	1,69,416	1,69,416	0.0
EBITDA	27,566	26,556	3.8	32,631	31,301	4.2
Ebitda margin (%)	18.0	17.3	70 bps	19.3	18.5	80 bps
Adj PAT	13,596	12,266	10.8	17,371	15,791	10.0

Source: Centrum Research Estimates

Centrum vs. Bloomberg Consensus*

Particulars (Rs mn)	FY19E			FY20E		
	Centrum	BBG	Var (%)	Centrum	BBG	Var (%)
Sales	1,53,176	1,57,179	(2.5)	1,69,416	1,77,958	(4.8)
EBITDA	27,566	30,558	(9.8)	32,631	38,602	(15.5)
PAT	13,596	15,146	(10.2)	17,371	20,413	(14.9)

Bloomberg Consensus*				Centrum Target Price (Rs)	Variance (%)
BUY	SELL	HOLD	Target Price (Rs)		
20	11	14	2,261	2,200	(2.7)

*as on 26th July J 2018 Source: Bloomberg, Centrum Research

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Concall highlights

US market –price erosion continues

- The management indicated FY19 as challenging year with price erosion prevailed in the US generic business.
- DRL has filed two DMFs with US FDA. The management indicted plans to launch 15-20 new products in the US market.
- As per the management, the company has strengthened its manufacturing and quality systems.
- DRL's US generics business (43% of revenues) grew by 6% YoY during the quarter due to additional revenues from gSuboxone.
- The management has informed that cumulative 112 ANDAs are pending approvals with US FDA, of which 61 are Para IV of which 30 FTF opportunities.
- The management indicated 9% growth in Russia revenues due to new launches and volume traction.

Emerging markets – Strong revenue growth

- DRL derives 16% of its revenues from the global generic business in emerging markets, which grew by 16% YoY during the quarter.
- DRL has strong presence in the emerging markets of Russia and Romania. The company has entered in Columbia and Brazil markets.

India – out of GST impact

- As per the management, the re-stocking by trade in the domestic market has completed which resulted in 30%YoY growth in Q1FY19 on a lower base.
- DRL has launched five biosimilar products in the domestic market.

Strong growth in PSAI business

- As per the management, the PSAI business' revenues grew by 16% YoY during Q1FY19 and contributed 15% to DRL revenues.

Financials

- DRL's gross profit margin of global generics business in Q1FY19 was 61.2% and that of PSAI was 21.9%. Overall, the gross margin stood at 55.7%.

DRL received one-time Rs160mn as licensing income from Encore Dermatology, USA.

- The company spent Rs4.20bn or 11.2% of its revenues on R&D during the quarter.
- DRL incurred Rs2.3bn on capex in Q1 FY19 and plans to spend Rs10.0bn on capex in FY19. This would include maintenance capex and new injectable site outside SEZ.
- The new tax laws in the US reduced corporate tax from 35% to 21%. This would reduce the overall tax rate on consolidated basis.
- The management has guided effective tax rate of 21-23% for FY19.

Sales composition

For Q1FY19, DRL reported 12% YoY growth in revenues to Rs37.36bn from Rs33.33bn, led by 12% YoY growth in its global generics business and 16%YoY growth in PSAI business. Its global generics business (82% of revenues) grew by 12% YoY to Rs30.64bn from Rs27.46bn due to additional contribution from gSuboxone which was partly offset by higher price erosion and stiff competition in the US generic market.

The global generics business in North America (43% of revenues) grew by 6% YoY to Rs15.90bn from Rs14.95bn, led by gSuboxone revenues. India business (16% of revenues) grew by 30% YoY to Rs6.07bn from Rs4.69bn due to lower base in Q1FY18 which was impacted by uncertainties of GST implementation. DRL's Europe business (5% of revenues) declined by 3% YoY to Rs2.02bn from Rs2.08bn. Global generics business in the emerging markets of Russia and Venezuela (18% of revenues) grew by 16% YoY to Rs6.64bn from Rs5.75bn due to new launches.. DRL's PSAI business (15% of revenues) grew by 16% YoY to Rs5.41bn from Rs4.65bn. Its proprietary products (3% of revenues) grew by 10% YoY to Rs1.16bn from Rs1.05bn.

Hence, the overall growth was led by India, emerging markets and PSAI business.

The details are as follows:

Exhibit 2: Sales composition

PARTICULARS (Rs mn)	Q1FY19	Q1FY18	YoY Gr%	Q4FY18	QoQ	Q1FY19E	% Var.
Segmentwise Revenues (by Geography)							
North America	15,903	14,946	6.4	14,487	9.8	14,300	11.2
Europe	2,016	2,075	(2.8)	1,711	17.8	1,800	12.0
India	6,074	4,687	29.6	6,138	(1.0)	6,400	(5.1)
Russia & Other CIS Countries	6,643	5,747	15.6	5,500	20.8	5,700	16.5
Others	6,571	5,704	15.2	7,513	(12.5)	7,700	(14.7)
Total	37,207	33,159	12.2	35,349	5.3	35,900	3.6
Segmentwise Revenues (by Geography)							
Global Generics	30,636	27,455	11.6	27,836	10.1	28,200	8.6
N.America	15,903	14,946	6.4	14,487	9.8	14,300	11.2
Europe	2,016	2,075	(2.8)	1,711	17.8	1,800	12.0
India	6,074	4,687	29.6	6,138	(1.0)	6,400	(5.1)
Emerging markets	6,643	5,747	15.6	5,500	20.8	5,700	16.5
PSAI (Pharma services & active ingredients)	5,409	4,651	16.3	6,251	(13.5)	6,400	(15.5)
Others	5,409	4,651	16.3	6,251	(13.5)	6,400	(15.5)
Proprietary products & others	1,162	1,053	10.4	1,262	(7.9)	1,300	(10.6)
Total	37,207	33,159	12.2	35,349	5.3	35,900	3.6

Source: Company, Centrum Research

Major brands exhibited good growth

As per AIOCD AWACS monthly data-June'18, DRL's revenues grew by 16.0% , better than the industry growth of 12.8%. The company's top 16 brands contributed ~41% to its revenues. Twelve of its top 16 brands grew faster than the market growth rate of 12.8%. We expect these brands to drive future growth. DRL's performance in the domestic market has improved after successful GST implementation.

The table below presents the details :

Exhibit 3: Performance of major brands

Products (Rs mn)	Therapeutic Category	April'18		May'18		June'18	
		Rs mn	Gr. Rate %	Rs mn	Gr. Rate %	Rs mn	Gr. Rate %
Pharma market		1,07,763	8.1	1,09,179	10.9	1,04,604	12.8
Company		2,220	4.6	2,339	7.8	2,300	16.0
Omez	Gastro-intestinal	107	5.0	118	16.5	113	25.7
OMEZ-D	Gastro-intestinal	86	(3.3)	100	13.2	95	32.3
Nise	NSAID	58	0.1	60	(17.9)	55	(4.6)
Econorm	Gastrointestinal	78	9.1	87	11.2	83	9.2
Razo-D	Gastro-intestinal	63	6.2	68	18.7	63	24.0
Stamlo	CVS	58	15.8	58	14.9	56	28.8
Mintop	baldness	40	4.9	42	14.0	43	18.6
Stamlo Beta	CVS	48	2.3	51	5.6	46	14.7
Razo	Gastro-intestinal	58	8.6	57	5.4	61	21.9
Atarax	anti-allergic	75	14.4	81	24.6	80	31.6
Clamp	anti-infective	37	7.5	32	6.7	32	7.3
Atocor	cholesterol reducer	32	(1.7)	34	(3.7)	34	14.8
Reclimet	antidiabetic	43	5.5	47	5.9	47	22.6
Ketorol	NSAIDs	50	22.4	53	25.1	49	28.9
Nootropil	nerve tonic	38	(4.0)	39	(4.7)	38	3.5
Glimy M	anti diabetic	34	(5.6)	38	2.8	38	14.7
Total		905		965		933	

Source: AIOCD AWACS monthly data- April-June'18

Valuation and key risks

At the CMP of Rs2,133, DRL trades at 26.0x FY19E EPS of Rs81.9 and 20.4x FY20E EPS of Rs104.6. We maintain our Hold rating for the scrip with target price of Rs2,200 based on 21x FY20E EPS of Rs104.6 with an upside of 3.1% over CMP. We have revised our FY19E and FY20E upwards by 11% and 10% respectively. The company is facing pricing pressure in the US market (43% of total revenues) which resulted in 6%YoY growth in US revenues. DRL is facing stiff competition in the US generic market. The US revenues for Q1FY19 included revenues from gSuboxone which is currently under litigation. DRL's Duvadda facilities continue to be under US FDA scanner. The company has reported 30%YoY growth in the domestic market due to lower base in Q1FY18 due to GST uncertainties.

We recommend a switch to Aurobindo Pharma or Pfizer.

Exhibit 4: Earning Revision

Particulars (Rs bn)	FY19E			FY20E		
	New	Old	Chg (%)	New	Old	Chg (%)
Sales	1,53,176	1,53,176	0.0	1,69,416	1,69,416	0.0
EBITDA	27,566	26,556	3.8	32,631	31,301	4.2
Ebitda margin (%)	18.0	17.3	70 bps	19.3	18.5	80 bps
Adj PAT	13,596	12,266	10.8	17,371	15,791	10.0

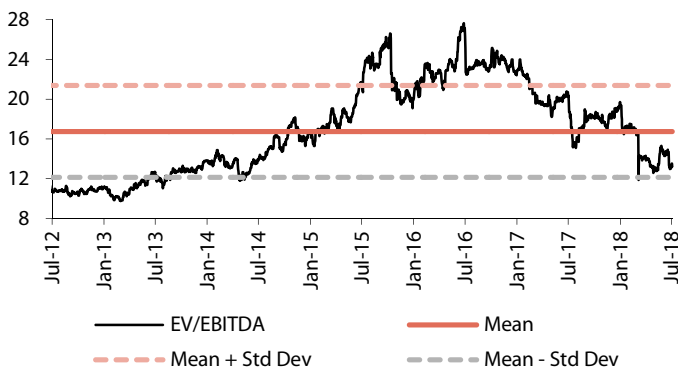
Source: Centrum Research Estimates

Exhibit 5: Sensitivity Analysis

Sensitivity to key variables – FY19E	% change	% impact on EBITDA	% impact on EPS
Sales	1	5.6	11.5
Material cost	1	(1.5)	(3.1)

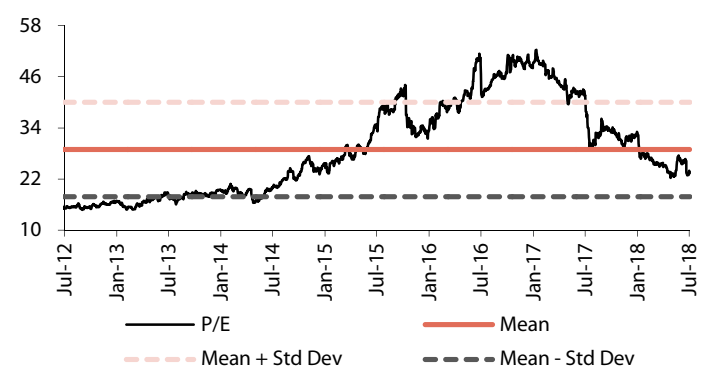
Source: Company, Centrum Research Estimates

Exhibit 6: 1 year forward EV/EBITDA chart



Source: Bloomberg, Company, Centrum Research Estimates

Exhibit 7: 1 year forward P/E chart



Source: Bloomberg, Company, Centrum Research Estimates

Exhibit 8: Comparative Valuations

Sector	Mkt Cap (Rs mn)	CAGR FY18-FY20E (%)			EBITDA Margin (%)			PE (x)			EV/EBITDA (x)			RoE (%)			Div Yield (%)		
		Rev.	EBITDA	PAT	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Dr. Reddy's Labs	3,54,078	8.9	17.8	35.4	16.5	18.0	19.3	41.9	26.0	20.4	18.9	14.4	12.0	7.6	10.5	12.4	1.0	1.4	1.7
Aurobindo	3,41,052	16.7	20.0	19.8	23.0	23.8	24.3	14.1	11.8	9.8	11.2	8.0	6.7	23.0	22.3	21.9	0.3	0.7	0.8
Cipla	5,05,540	15.6	23.4	31.1	18.6	20.0	21.1	31.1	26.9	20.7	17.1	15.0	12.2	10.6	12.5	14.5	0.6	0.7	0.8
Lupin	3,67,476	9.4	13.2	3.1	19.9	20.5	21.3	26.6	23.7	20.2	16.2	12.2	10.3	1.9	10.9	11.6	0.6	0.9	1.0

Source: Company, Centrum Research Estimates Prices as on 26th July 2018

Quarterly financials, Operating Metrics and Key Performance Indicators

Exhibit 9: Quarterly Financials

PARTICULARS (Rs mn)	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
P & L								
Total Revenues	36,163	37,232	36,119	33,332	35,598	38,341	35,539	37,365
Material cost	8,674	8,159	10,052	9,592	10,369	10,367	10,067	10,049
Personnel Expenses	8,161	8,146	6,711	8,073	7,890	8,181	8,005	8,371
Other Expenses	13,058	12,282	13,451	12,435	10,645	11,866	11,831	11,257
Total expenses	29,893	28,587	30,214	30,100	28,904	30,414	29,903	29,677
EBIDTA	6,270	8,645	5,905	3,232	6,694	7,927	5,636	7,688
Other income	438	403	205	380	316	430	449	504
EBIT	6,708	9,048	6,110	3,612	7,010	8,357	6,085	8,192
Interest	126	164	196	215	223	172	178	195
Depreciation	2622	2665	2543	2592	2702	2715	2763	2787
Profit before tax	3,960	6,219	3,371	805	4,085	5,470	3,144	5,210
Tax provision	956	1,385	97	237	1,123	2,528	492	532
Net profit before minority	3,004	4,834	3,274	568	2,962	2,942	2,652	4,678
Minority int./ share of asso.	85	89	102	98	92	85	69	83
Net profit	3,089	4,923	3,376	666	3,054	3,027	2,721	4,761
Growth (%)								
Revenues	(10.1)	(6.4)	(4.8)	2.7	(1.6)	3.0	(1.6)	12.1
EBIDTA	(44.6)	(12.1)	22.6	(17.2)	6.8	(8.3)	(4.6)	137.9
Net profit	(60.1)	(17.4)	175.4	(56.6)	(1.1)	(38.5)	(19.4)	614.9
Margin (%)								
EBIDTA	17.3	23.2	16.3	9.7	18.8	20.7	15.9	20.6
Profit before tax	11.0	16.7	9.3	2.4	11.5	14.3	8.8	13.9
PAT	8.5	13.2	9.3	2.0	8.6	7.9	7.7	12.7

Source: Company, Centrum Research

Exhibit 10: Key performance indicators

Key performance indicator	FY16	FY17	FY18	FY19E	FY20E
Global Generics growth%	7.0	(9.9)	(1.2)	6.2	9.7
PSAI growth %	(12.1)	(4.9)	3.4	6.0	10.0
Proprietary products growth%	39.0	(3.4)	46.1	30.0	25.0
Material cost %	24.1	24.3	28.3	27.7	27.3

Source: Centrum Research Estimates

Financials - consolidated

Exhibit 11: Income Statement

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenues	1,55,683	1,41,961	1,42,810	1,53,176	1,69,416
Material cost	37,585	34,449	40,395	42,435	46,300
% of revenues	24.1	24.3	28.3	27.7	27.3
Employee cost	31,174	31,068	32,149	34,020	37,400
% of revenues	20.0	21.9	22.5	22.2	22.1
Other Expenses	51,071	51,722	46,754	49,155	53,085
% of revenues	32.8	36.4	32.7	32.1	31.3
EBIDTA	35,853	24,722	23,512	27,566	32,631
EBIDTA margin (%)	23.0	17.4	16.5	18.0	19.3
Depreciation & Amortisation	9,389	10,266	10,772	11,540	12,110
EBIT	26,464	14,456	12,740	16,026	20,521
Interest Expenses	826	634	788	740	680
PBT from operations	25,638	13,822	11,952	15,286	19,841
Other income	2,950	1,715	1,552	2,010	2,280
PBT	28,588	15,537	13,504	17,296	22,121
Tax provision	7,511	2,965	4,380	4,100	5,200
Effective tax rate (%)	26.3	19.1	32.4	23.7	23.5
Net profit	21,077	12,572	9,124	13,196	16,921
Minority interest	229	349	344	400	450
Reported net profit	21,306	12,921	9,468	13,596	17,371
Adj. Net profit	21,306	12,921	9,468	13,596	17,371

Source: Company, Centrum Research Estimates

Exhibit 12: Key Ratios

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Growth Ratios (%)					
Revenues	3.6	(8.8)	0.6	7.3	10.6
EBIDTA	2.6	(31.0)	(4.9)	17.2	18.4
Adj. Net Profit	(8.8)	(39.4)	(26.7)	43.6	27.8
Margin Ratios (%)					
EBIDTA margin	23.0	17.4	16.5	18.0	19.3
PBT from operations margin	16.5	9.7	8.4	10.0	11.7
Adj. PAT margin	13.7	9.1	6.6	8.9	10.3
Return Ratios (%)					
RoCE	14.2	8.2	5.7	7.8	9.6
RoE	17.9	10.4	7.6	10.5	12.4
RoC	13.9	7.5	5.2	7.1	8.9
Turnover ratios (days)					
Gross Block Turnover (x)	1.1	0.9	0.9	0.9	0.9
Debtors	97	98	104	105	107
Creditors	21	27	34	49	55
Inventory	60	73	74	77	76
Cash Conversion Cycle	135	144	144	133	128
Solvency Ratio					
Debt-Equity	0.3	0.4	0.4	0.4	0.3
Net Debt-Equity	0.2	0.4	0.4	0.3	0.3
Current Ratio	2.1	2.0	2.0	2.0	1.9
Interest Coverage Ratio	0.0	0.0	0.1	0.0	0.0
Gross Debt/EBIDTA	0.9	2.0	2.2	1.7	1.3
Per Share (Rs)					
FDEPS (adjusted)	128.3	77.8	57.0	81.9	104.6
CEPS	184.9	139.7	121.9	151.4	177.6
Book Value	736.8	739.6	757.3	809.5	878.4
Dividend	20.0	20.0	20.0	25.0	30.0
Dividend Payout (%)	18.9	30.5	41.7	36.3	34.1
Valuations (x) (Avg Mkt Cap)					
PER	27.5	39.6	41.9	26.0	20.4
P/BV	4.8	4.2	3.2	2.6	2.4
EV/EBIDTA	17.6	22.7	18.9	14.4	12.0
Dividend Yield (%)	0.7	0.8	1.0	1.4	1.7
5-yr Avg AOCF/EV yield(%)	3.5	4.3	5.7	6.5	7.7

Source: Company, Centrum Research Estimates

Exhibit 13: Balance Sheet

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Share capital	853	829	830	830	830
Reserves & surplus	1,24,845	1,21,792	1,24,887	1,33,544	1,44,989
Total shareholders Funds	1,25,698	1,22,621	1,25,717	1,34,374	1,45,819
Total Debt	33,403	49,075	50,651	47,120	43,250
Minority interest	0	0	0	0	0
Deferred tax Liab.	(5,368)	(5,164)	(3,455)	(3,800)	(3,600)
Total Liabilities	1,53,733	1,66,532	1,72,913	1,77,694	1,85,469
Gross Block	1,50,196	1,59,324	1,72,574	1,78,168	1,94,214
Less: Acc. Depreciation	84,567	90,017	1,00,789	1,12,329	1,24,439
Net Block	65,629	69,307	71,785	65,839	69,775
Capital WIP	6,731	33,380	34,705	36,000	30,000
Net Fixed Assets	72,360	1,02,687	1,06,490	1,01,839	99,775
Investments	37,019	19,493	20,879	25,860	32,980
Inventory	25,579	28,528	29,089	32,200	35,500
Debtors	41,250	38,196	40,696	44,000	49,500
Loans & Advances	-	-	-	-	-
Cash & Bank Balance	4,921	3,865	2,638	5,070	6,384
Other assets	14,503	17,130	20,247	18,950	20,610
Total Current Assets	86,253	87,719	92,670	1,00,220	1,11,994
Trade payable	9,068	10,569	13,345	20,400	25,700
Other current Liabilities	26,594	26,831	28,577	22,575	25,300
Provisions	6,237	5,967	5,204	7,250	8,280
Net Current Assets	44,354	44,352	45,544	49,995	52,714
Total Assets	1,53,733	1,66,532	1,72,913	1,77,694	1,85,469

Source: Company, Centrum Research Estimates

Exhibit 14: Cash Flow

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
CF before WC changes	29,340	23,391	21,949	24,791	29,681
Working Capital Changes	24,885	1,573	698	(3,316)	255
CF from Operations	54,225	24,964	22,647	21,475	29,936
Adj OCF (OCF-Interest)	53,399	24,330	21,859	20,735	29,936
Change in fixed assets	(22,689)	(40,593)	(14,575)	(6,889)	(10,046)
Adj. FCF (AOCF-Capex)	30,710	(16,263)	7,284	13,846	19,890
CF from Investing	(37,230)	(23,067)	(15,961)	(11,870)	(17,166)
CF from Financing	(13,748)	(3,968)	(2,374)	(8,470)	(9,796)
Net change in Cash	3,247	(2,071)	4,312	1,136	2,974

Source: Company, Centrum Research Estimates

Appendix A

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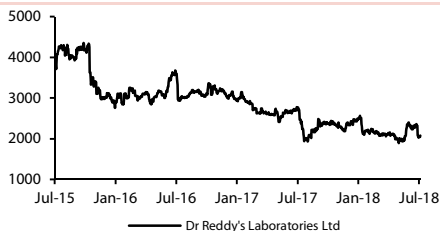
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Dr. Reddy's Labs price chart



Source: Bloomberg, Centrum Research

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