

☰ **Explore**

**mint**



e-paper

Subscribe

Sign in

OPEN APP

Home

Latest

Trending

Premium

Coronavirus Vaccine  
Tracker

Coronavirus

Home > Markets > Mark To Market > How Dr Reddy's is making the most of its opportun...

## How Dr Reddy's is making the most of its opportunities



PREMIUM

Photo: Mint

2 min read . Updated: 30 Jun 2021, 01:17 AM IST

### Ujval Jauhari

- Analysts expect generic Vascepa to generate \$70-100 million in annualized sales in FY22
- The firm can see incremental gains in China, where it has established presence and front-end



Advertisement

Dr Reddy's Laboratories Ltd × Close gained over 20% in the past three months, thanks to improved prospects in both the domestic and US markets. Emergency approval for the Sputnik V vaccine being

OPEN APP

produced by the firm, and now the new covid treatment drug 2-DG has kept the company in the limelight.

The domestic business also continues to be supported by a strong branded formulations portfolio. Besides, the approval and launch of new drugs in the US are improving its earnings prospects further.

“We expect an earnings up-cycle for Dr Reddy’s, driven by India/emerging markets, niche US launches, and continuing productivity gains,” said analysts at Morgan Stanley India Co. Pvt. Ltd in a recent report. Generic Vascepa is an important US launch playing into this thesis, the broker points out, while the generic versions of Revlimid and Kuvan are other upcoming catalysts.

 Good show

OPEN APP



Good show



The company has recently launched generic Vascepa in the US markets ahead of its guidance. The drug is used to prevent cardiovascular diseases and addresses a large market size of around \$450 million per annum. Dr Reddy's is the second company to launch the drug in the best-selling 1g strength.

"Currently, the company has yearly sales of \$850 million in FY21. These drugs (generic version of Vascepa) could add incremental earnings per share of ₹12.2 and add ₹300-365/share value for Dr Reddy's," said analysts at Axis Securities Ltd. That works out to roughly 6% of the current stock price of ₹5,445.

Analysts at Morgan Stanley, who also consider the drug to be an important launch, expect Dr Reddy's could generate \$70-100 million in sales on a 12-month basis with good margins. They expect it to contribute 7-8% of F22 EPS on a 12-month basis, on the assumption that there will be two or three companies in the market, with a 25-30% market share for Dr Reddy's and a 50-60% price erosion for the generic version.

Note that some analysts had earlier valued the Revlimid opportunity at ₹400 per share.

OPEN APP

While the prospects for the US business look strong, the company's India business and emerging markets portfolio are also looking up. The branded formulations business and the acquired Wockhardt portfolio are driving sales. In China, it has an early mover's advantage, having already established its presence and front-end. This can help the company see incremental gains with the opening up of the China market.

Combined sales of the company's top 10 brands registered 51% year-on-year growth in May. While growth in May came on the back of a low base, Dr Reddy's trailing 12-month combined sales of top 10 brands still marked a strong 9.6% growth, as per analysts' data. Covid-treatment drugs such as Remdesivir and Favipiravir drove growth, and new drugs such as 2-DG are expected to further add to growth.

The Sputnik V vaccine is also expected to be a strong earnings driver. Analysts at Jefferies India Pvt. Ltd estimate sales of 203.5 million Sputnik V vaccine doses in FY22 and 46.5 million doses in FY23. "We treat Sputnik-V as a one-off that would contribute \$208 million/\$48 million Ebitda or ₹68.5/ ₹15.6 earnings per share in FY22/23," said analysts at Jefferies. That amounts to 29% and 6.5% of the broker's earnings estimates for the firm.

OPEN APP