January 09, 2026

Dr. Reddy's Laboratories Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term - fund-based/ non-fund based limits	2,000.00	2,000.00	[ICRA]AA+ (Stable); reaffirmed
Total	**2,000.00**	**2,000.00**	

**Instrument details are provided in Annexure-I*

Rationale

The reaffirmation of the rating of Dr. Reddy's Laboratories Limited (DRL) factors in its established position as one of the leading Indian pharmaceutical companies with a diversified presence across the key international markets including the US, Europe, India and other emerging markets. Over the years, DRL has developed a strong pipeline of generic products in developed markets across the globe, supported by strong research and development (R&D) capabilities with an increasing focus towards biosimilars, injectables and peptides, that are expected to support its growth and profitability over the medium-to-long term. The company also benefits from its integrated presence across the value chain with backward integration into active pharmaceutical ingredients (APIs).

The rating also factors in DRL's healthy financial profile, characterised by a healthy internal accrual generation, comfortable capital structure, robust credit metrics and strong liquidity. Despite the moderation in revenues and profitability from the US on account of the price erosion of lenalidomide during H1 FY2026, DRL's revenue from operations grew to Rs. 17,400.4 crore during the period with a 10.6% YoY growth supported by healthy growth across all other major geographies. The operating profit margin (OPM), while moderated slightly, remained healthy at 24.4% in H1 FY2026 as against 26.7% in FY2025. While the loss of exclusivity of lenalidomide in January 2026 is expected to have a short-term impact on its performance, DRL is expected to sustain a healthy revenue growth and profitability over the medium to long term, aided by its strong product pipeline. Despite the acquisition of the NRT portfolio from Haleon, DRL has maintained a healthy financial profile with a total debt (including lease liabilities) of Rs. 5,854.0 crore as on September 30, 2025, leading to a debt/OPBDITA of 0.7x, interest coverage of 24.5x and TOL/TNW of 0.4x. Its strong cashflow generation is expected to lead to further reduction in debt and improvement in its financial profile over the near to medium term, however, any major debt funded acquisitions shall be monitored.

DRL's operations, however, remain exposed to regulatory risks including scrutiny by regulatory agencies like the US FDA[1], US SEC[2] and US DoJ[3]. While regulatory issues with the US FDA can impact DRL's ability to maintain a healthy portfolio, especially in the US, comfort can be drawn from the successful outcome of the US FDA inspections at its manufacturing facilities over the last few years. While some of the recent USFDA inspections were completed with the issuance of form 483s, no warning letters, import alerts or OAI[4] classifications have been issued. Moreover, there have been no material adverse development across the key issues including the ongoing industrywide investigation by the anti-trust division of the US DoJ on price fixing and price collusion allegations, the antitrust litigations regarding the launch of gRevlimid or the ongoing investigation by the SEC and DoJ about the alleged violation of the anti-corruption laws.

[1] *United States Food and Drug Administration*
[2] *United States Securities and Exchange Commission*
[3] *United States Department of Justice*
[4] *Official Action Indicated*

The Stable outlook on the rating reflects ICRA's opinion that the company will maintain its healthy credit profile and strong liquidity position, supported by strong cash accrual generation, with an established market position in key markets and a diverse product mix.

Key rating drivers and their description

Credit strengths

Well diversified geographic mix and strong presence in key generic markets globally – DRL has an established presence in the generics business across North America and Europe as well as in the branded generics markets across India and other emerging markets, including Russia and the CIS[5] region. Its key markets include North America (accounted for 38% of DRL's revenues in H1 FY2026), India (18%), Europe (15%) and emerging markets (18%). While the North American generics (NAG) business declined by 12% to Rs. 6,653 crore in H1 FY2026 on account of the price erosion in some existing products, including lenalidomide, a healthy growth across other geographies including Europe (+140% YoY, driven by consolidation of the nicotine replacement therapy business acquired in Q3 FY2025), India (+12%) and emerging markets (+16%) led to an 10.6% growth in the consolidated revenues. Despite expectations of a near term impact on revenues from NAG following the loss of exclusivity of lenalidomide, growth is expected to remain healthy over the medium to long term as DRL continues to focus on limited competition drugs with a particular focus on injectables, peptides and biosimilars, including through in-licensing arrangements.

Integrated presence across value chain with backward integration into active pharmaceutical ingredients (APIs) – The PSAI[6] business of DRL generated 10% of its H1 FY2026 revenues. The API business services DRL's own generic business in addition to external partners. This backward integration presents a significant cost advantage to DRL and supports its overall margin profile.

Strong R&D capabilities supporting development of strong generic product pipeline in key markets – DRL has a robust R&D set-up focused on complex and differentiated formulations/injectables, first-to-file (FTF) products and biosimilar compounds. Its R&D spend stood at 8.4% in FY2025 and 7.2% in H1 FY2026. The strong R&D focus results in healthy product filings and a strong pipeline of complex products across its key markets. Aurigene Oncology Limited, a subsidiary of DRL, is involved in discovery and clinical development of novel and best-in-class therapies for oncological treatments.

Healthy financial profile, characterised by robust credit metrics and strong liquidity – Despite some increase in the working capital utilisation following the acquisition for nicotine replacement therapy (NRT) brands from Haleon in Q3 FY2025, DRL has maintained a healthy credit profile, marked by robust leverage and coverage indicators with an interest coverage of 24.5 times in H1 FY2026 and total debt/OPBDITA of 0.7 times and total outside liabilities/tangible net worth of 0.4 times as on September 30, 2025. Moreover, DRL is expected to maintain its healthy financial profile, underpinned by strong accrual generation, low leverage and strong liquidity position.

Credit challenges

Ongoing investigations, pending resolution of product litigations as well as exposure to regulatory risks – Like its peers, DRL's operations remain exposed to the risks of scrutiny by various regulatory agencies including the US FDA, US SEC and US DoJ. While DRL has no unresolved regulatory non-compliances from the US FDA, its ability to maintain a healthy launch momentum in the US and other key geographies remains dependent on successful closure of any future inspection by such regulatory agencies. Besides, DRL is yet to resolve the ongoing industry-wide investigation by the anti-trust division of the US DoJ on price fixing and price collusion allegations. Further, there are ongoing investigations on alleged violations of anti-corruption laws in the US and other product and patent related matters. Like many of its peers, the company has also been named as a defendant in antitrust suits regarding the settlement of patent litigations of Revlimid. The outcomes of these matters are unascertainable at the moment and would be monitored on a case-to-case basis.

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[5] *Commonwealth of Independent States*

[6] *Pharmaceutical Services and Active Ingredients*

Base US pharmaceutical generics business remains competitive; regular product introductions expected to mitigate risk to an extent – The US generic market has remained competitive with continued pricing pressure across various product categories, impacting the performance of Indian pharmaceutical companies in this segment. DRL's NAG revenues have also declined by 12% in H1 FY2026 on account of the price erosion of some its key products like lenalidomide. Despite some near-term uncertainty, regular product launches (including FTF products) and increased focus on complex generics and biosimilars is expected to support the medium-to-long-term growth prospects of this segment. However, the company's ability to launch new products in the US market in a timely manner and ramp up its speciality/complex generics product portfolio shall remain a key for its growth in the segment.

Environmental and social risks

Environmental considerations – DRL does not face any major physical climate risk. However, it remains exposed to tightening environmental regulations related to breach of waste and pollution norms, which can increase the operating and new capacity instalment costs. However, DRL has been constantly making efforts to minimise the impact of environmental risks on its operations. It has set various targets as a part of its ESG framework, to be achieved by 2030, which include transitioning to 100% renewable power, achieving carbon neutrality in scope 1 and 2 emissions, and reducing scope 3 emissions by 12.5%.

Social considerations – DRL faces high industry-wide social risks related to product safety and its associated litigation risks, access to qualified personnel for R&D and process engineering, and maintenance of high manufacturing compliance standards.

Liquidity position: Strong

DRL's liquidity position remains strong, supported by a healthy generation of cash flow from operations. It had cash, cash equivalents and liquid investments of Rs. 4,912.2 crore as on September 30, 2025, in addition to a sizeable cushion in the form of undrawn lines of credit. The cash flow generation of the company is also likely to remain strong over the near-to-medium term, supported by revenue growth across major geographies. DRL is likely to incur an annual capex of Rs. 2,500 crore over FY2026 and FY2027 (excluding that towards any inorganic expansion), to be funded by internal accruals.

Rating sensitivities

Positive factors – The rating may be upgraded if there is a substantial growth in DRL's revenues and profitability, leading to a sustained improvement in return indicators and further strengthening of its financial risk profile.

Negative factors – The rating may be downgraded if there is weakening in the company's revenues and profitability due to lower-than-anticipated performance in key markets, and/or increase in debt levels on account of inorganic investments, leading to an increase in debt/ OPBDIT to above 1.5 times on a sustained basis. Any adverse outcome of the ongoing litigations/ lawsuits/ investigations would remain an event risk, and the impact of the same on the company's business, credit profile and liquidity position would be monitored on a case-to-case basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Pharmaceuticals
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered the consolidated financials of DRL. The subsidiaries and step-down subsidiaries of TPL are listed in Annexure-II.

About the company

DRL was incorporated by its promoter and founder chairman, the Late Dr. K. Anji Reddy, as a private limited company on February 24, 1984. The company was subsequently converted to a public limited one on December 6, 1985 and listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) in August 1986 as well as on the New York Stock Exchange (NYSE) on April 11, 2001.

DRL offers a portfolio of pharmaceutical products and services, including generics, APIs, custom pharmaceutical services, biosimilars and differentiated formulations. It has three divisions—global generics (accounted for 89% of the revenues in FY2025), pharmaceutical services and active ingredients (PSAI, 10%) and others (1%). The major therapeutic areas of focus for the company include central nervous system, gastro-intestinal, oncology, cardiovascular and pain management with the US, India, West Europe, Russia and the CIS countries being the major markets.

DRL, currently, has nine API-manufacturing facilities, of which six are in India, one in Mexico, one in US and one in UK coupled with 13 formulations manufacturing facilities in India and one in China. In addition, the company has nine technology development and R&D centers in India and across the globe.

Key financial indicators (audited)

DRL – Consolidated	FY2024	FY2025	H1 FY2026*
Operating income	28,011.1	32,643.9	17,400.4
PAT	5,563.2	5,703.5	2,740.2
OPBDIT/OI	28.3%	26.7%	24.4%
PAT/OI	19.9%	17.5%	15.7%
Total outside liabilities/Tangible net worth (times)	0.3	0.4	0.4
Total debt/OPBDIT (times)	0.3	0.5	0.7
Interest coverage (times)	46.4	30.8	24.5

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; * Provisional numbers*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current rating (FY2026)				Chronology of rating history for the past 3 years					
FY2026				FY2025		FY2024		FY2023	
Instrument	Type	Amount Rated (Rs Crore)	Jan 09, 2026	Date	Rating	Date	Rating	Date	Rating
Fund based/ non fund based limits	Long term	2,000.0	[ICRA]AA+ (Stable)	Dec 27, 2024	[ICRA]AA+ (Stable)	Sep 28, 2023	[ICRA]AA+ (Stable)	Jul 28, 2022	[ICRA]AA+ (Stable)
			-	Jun 04, 2024	[ICRA]AA+ (Stable)	-	-	-	-
			-	Jul 05, 2024	[ICRA]AA+ (Stable)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term - fund-based/ non fund based limits	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund-based/ non-fund based limits	NA	NA	NA	2,000.00	[ICRA]AA+ (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA]

Annexure II: List of entities considered for consolidated analysis

Company Name	DRL's Ownership	Consolidation Approach
Subsidiaries		
Aurigene Discovery Technologies (Malaysia) Sdn. Bhd, Malaysia	100%	Full Consolidation
Aurigene Oncology Limited (Formerly, Aurigene Discovery Technologies Limited), India	100%	Full Consolidation
Aurigene Pharmaceutical Services Limited, India	100%	Full Consolidation
beta Institut gemeinnützige GmbH, Germany	100%	Full Consolidation
betapharm Arzneimittel GmbH, Germany	100%	Full Consolidation
Cheminor Investments Limited, India	100%	Full Consolidation
Dr. Reddy's Farmaceutica Do Brasil Ltda., Brazil	100%	Full Consolidation
Dr. Reddy's Laboratories (EU) Limited, UK	100%	Full Consolidation
Dr. Reddy's Laboratories (Proprietary) Limited, South Africa	100%	Full Consolidation
Dr. Reddy's Laboratories (UK) Limited, UK	100%	Full Consolidation
Dr. Reddy's Laboratories Canada, Inc., Canada	100%	Full Consolidation
Dr. Reddy's Laboratories Chile SPA., Chile	100%	Full Consolidation
Dr. Reddy's Laboratories Inc., USA	100%	Full Consolidation
Dr. Reddy's Laboratories Japan KK, Japan	100%	Full Consolidation
Dr. Reddy's Laboratories Kazakhstan LLP, Kazakhstan	100%	Full Consolidation
Dr. Reddy's Laboratories Malaysia Sdn. Bhd., Malaysia	100%	Full Consolidation
Dr. Reddy's Laboratories New York, LLC, USA	100%	Full Consolidation
Dr. Reddy's Laboratories Philippines Inc., Philippines	100%	Full Consolidation
Dr. Reddy's Laboratories Romania Srl, Romania	100%	Full Consolidation
Dr. Reddy's Laboratories SA, Switzerland	100%	Full Consolidation
Dr. Reddy's Laboratories Taiwan Limited, Taiwan	100%	Full Consolidation
Dr. Reddy's Laboratories (Thailand) Limited, Thailand	100%	Full Consolidation
Dr. Reddy's Laboratories LLC, Ukraine	100%	Full Consolidation
Dr. Reddy's New Zealand Limited, New Zealand	100%	Full Consolidation
Dr. Reddy's Srl, Italy	100%	Full Consolidation
Dr. Reddy's Bio-Sciences Limited, India	100%	Full Consolidation
Dr. Reddy's Laboratories (Australia) Pty. Limited, Australia	100%	Full Consolidation
Dr. Reddy's Laboratories SAS, Colombia	100%	Full Consolidation
Dr. Reddy's Netherlands B.V. (Formally Dr. Reddy's Research and Development B.V.), Netherlands	100%	Full Consolidation
Dr. Reddy's (Beijing) Pharmaceutical Co. Limited, China	100%	Full Consolidation
DRL Impex Limited, India	100%	Full Consolidation
Dr. Reddy's Formulations Limited, India	100%	Full Consolidation
Idea2Enterprises (India) Pvt. Limited, India	100%	Full Consolidation

Company Name	DRL’s Ownership	Consolidation Approach
Imperial Owners and Land Possessions Private Limited (Formerly, Imperial Credit Private Limited, till August 05, 2025), India	100%	Full Consolidation
Industrias Quimicas Falcon de Mexico, S.A. de CV, Mexico	100%	Full Consolidation
Lacock Holdings Limited, Cyprus	100%	Full Consolidation
Dr. Reddy’s Laboratories LLC, Russia	100%	Full Consolidation
Promius Pharma LLC, USA	100%	Full Consolidation
Reddy Holding GmbH, Germany	100%	Full Consolidation
Reddy Netherlands B.V., Netherlands	100%	Full Consolidation
Reddy Pharma Iberia SAU, Spain	100%	Full Consolidation
Reddy Pharma Italia S.R.L., Itali	100%	Full Consolidation
Reddy Pharma SAS, France	100%	Full Consolidation
Svaas Wellness Limited, India	100%	Full Consolidation
Nimbus Health GmbH, Germany	100%	Full Consolidation
Dr. Reddy’s Laboratories Jamaica Limited, Jamaica	100%	Full Consolidation
Dr. Reddy’s and Nestle Health Science Limited (Formerly, Dr. Reddy’s Nutraceuticals Limited)	51%	Full Consolidation
Northstar Switzerland SARL, Switzerland	100%	Full Consolidation
North Star OpCo Limited, UK	100%	Full Consolidation
North Star Sweden AB, Sweden	100%	Full Consolidation
Dr. Reddy's Denmark ApS, Denmark	100%	Full Consolidation
Dr. Reddy's Finland Oy (wef December 20, 2024), Finland	100%	Full Consolidation
Dr. Reddy's Laboratories (Vietnam) Company Limited (incorporated on May 09, 2025)	100%	Full Consolidation
Associates		
O2 Renewable Energy IX Private Limited, India	26.0%	Equity Method
Clean Renewable Energy KK 2A Private Limited, India	27.0%	Equity Method
Joint Ventures		
DRES Energy Private Limited, India	26.0%	Equity Method
Kunshan Rotam Reddy Pharmaceutical Co. Limited (including Kunshan Rotam Reddy Medicine Company Limited), China	51.3%	Equity Method
Other Consolidating Entities*		
Cheminor Employees Welfare Trust	-	Full Consolidation
Dr. Reddy's Research Foundation	-	Full Consolidation
Dr. Reddy’s Employees ESOS Trust	-	Full Consolidation

**The company does not have any equity interests in these entities, but has significant influence or control over it*
Source: DRL FY2025 Annual report

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