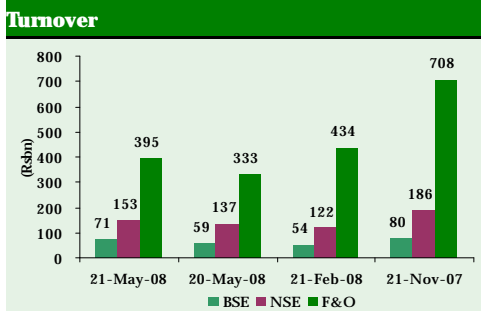




Indices	%Change			
	21-May-08	1mth	3mth	6mth
Sensex	17,243	3	(2)	(7)
Nifty	5,118	2	(1)	(8)
CNXMidcap	6,957	1	(3)	(9)
Banking	8,640	1	(19)	(16)
Capital Goods	13,670	(1)	(14)	(29)
IT	4,453	12	15	12
Healthcare	4,246	1	15	11
NASDAQ	2,448	2	6	(4)
Dow Jones	12,601	(1)	3	(2)

Net Inflows				
Rsbn	16-May-08	15-May-08	MTD	YTD
FII	7	3	2	(101.6)
Mutual Fund	2	3	(3)	58.0
FII - F&O	5.0	(2.6)	14.1	382.3



Commodity & Currency % Change				
	21-May-08	1mth	3mth	6mth
Crude (US\$/barrel)	134.8	14.4	33.8	38.3
Gold (US\$/Oz)	934.6	3.1	(1.0)	16.4
US\$	42.7	6.9	6.4	8.5
Euro	66.9	4.9	13.3	14.4

Debt				
%	21-May-08	1mth	3mth	6mth
RBI Repo	7.8	7.8	7.8	7.8
10 yr G-Sec yld	8.0	8.2	7.6	7.9
Spread 1 & 10 yr G-Sec	0.2	0.3	0.0	0.3
US 10 yr treasury	3.8	3.7	3.8	4.0
Surplus liquidity (Rs bn)	(271.0)	(180.0)	167.1	327.4

Results Review

Dr. Reddy's Laboratories (Rs658) BUY - Target Price: Rs850

Rahul Sharma
rahul.sharma@karvy.com

Sharmila P
sharmila@karvy.com

Dr. Reddy's Laboratories Limited (DRL) revenues have declined by 15 % to Rs 13252 mn. The lower revenues are on account of high base of Zofran in the corresponding quarter of the previous year. The key growth drivers have been domestic formulations which has increased by 24 % to Rs 1993 mn while International formulations has grown by 19 % to Rs 1528 mn. Gross margins for the quarter has been lower at 53 % as against 63% in the corresponding quarter of the previous year. Profits for the quarter are at Rs 1028 mn after providing write down of intangible of Rs 128 mn on account of product related intangibles while impairment of goodwill has been on account of Rs 90 mn relating to the subsidiary in Atlanta.

The company has given a guidance of 25 % revenue growth in rupee terms. We have factored the same which would be powered by greater traction in domestic and international formulations, US generics, CPS and API business. We upgrade our revenues from Rs 57 bn to Rs 62 bn for FY 2008 and from Rs 64 bn to Rs 73 bn for FY 2009. We upgrade our EPS by 25.5 % to Rs 41.2 for FY 2008 and by 26 % to Rs 49.3 for FY 2009. We upgrade our price target by 20 % to Rs 850 based on 17.2x FY 2010E (EPS Rs 49.3). We upgrade our rating from Market Performer to **BUY**.

DRL Year end March (Rsmn)	Q4FY07	Q3FY08	Q4FY08E	QoQ %	YoY %
Total Revenues	15,573	12,320	13,252	7.6	(14.9)
Cost of Revenues	5,818	6,285	6,229	(0.9)	7.1
Gross Profit	9,755	6,035	7,023	16.4	(28.0)
Total Expenditure	6,506	7,394	5,991	(19.0)	(7.9)
Other Operating Income	(25.00)	1.00	106.00		
EBITDA	3,224	(1,358)	1,138	(183.8)	(64.7)
EBITDA Margin (%)	20.7	(11.0)	8.6		
Other Income	98.0	39.0	(62.0)	(259.0)	(163.3)
Equity Loss in Affiliates	14.0	(3.0)	-	(100.0)	
Profit before Tax	3,308	(1,316)	1,076	(181.8)	(67.5)
Tax & Deferred tax benefit	260.00	(380.00)	168.00	(144.2)	(35.4)
Tax rate (%)	7.9	28.9	15.6		
Minority Interest	1.0	(3.0)	(2.0)		
Net Profit	3,047	(933.0)	910.0	(197.5)	(70.1)
EOI	205.00	87.0	118.0	35.6	(42.4)
Reported Net Profit	3,252	(846.0)	1,028	(221.5)	(68.4)

DRL		US GAAP Consolidated					
Reuters/Bloomberg Code	REDY.BO/DRRD.IN	Rs Mn	FY2006	FY2007	FY2008E	FY2009E	FY2010E
Market Cap (Rs bn)	110.43	Net sales	24,267	65,095	50,113	62,331	72,926
Market Cap (US\$ mn)	2598.25	EBITDA	1,122	11,157	3,358	7,819	9,239
Shares Outstanding (mn)	167.82	Net Profit	1,633	9,327	4,602	6,953	8,385
52-week High/Low (Rs)	760/501	EPS (Rs)	10.6	55.6	27.4	41.4	49.9
		EPS growth (%)	1016	422.5	(50.7)	51.1	20.6
Major Shareholders (%)		EBITDA margin (%)	3.9	16.0	6.5	12.5	12.7
Promoters	30.20	PER (x)	61.9	11.8	24.0	15.9	13.2
FII/NRI/ADRs	29.80	EV/EBITDA (x)	108.8	9.9	34.3	14.9	12.0
Banks/FIs/MFs	22.47	P/S (x)	4.2	1.7	2.2	1.8	1.5
Public	17.53	RoCE (x)	10.5	35.8	9.5	21.4	24.2
		RoE (%)	7.6	29.2	10.5	14.2	14.9

Source: Company & KSBL Research

Key Highlights :

We believe traction should continue in domestic formulations and US generics with 15 launches going forward. The company is planning to launch 1 Biologic in Indian market every year and a couple of Biologics in unregulated export markets. As competition is expected to be less in these markets we believe this would have a positive impact on the gross margins of the company.

The integration of the API and the CPS business would be the key drivers for growth going ahead with the raw material issue also being resolved. Acquisition of Dow Chemicals small chemicals business would also have a positive impact on the company's business as Dow Chemicals has a strengths in chiral chemistry. API sourcing from Betapharm as well as other API opportunities would be key growth drivers. Till December 2007 Betapharm has already moved 50 % of products to India. With major outsourcing initiative from Betapharm likely to be completed by 2nd quarter of FY 2009, we believe gross margin should see further upward bias. Further downside in the German market remains a risk. The company's organic Indian CPS business will be growing in excess of 50 % in FY 2009.

With the acquisition of Dow Chemicals Small molecules business and BASF's contract manufacturing business for generics, the company would get manufacturing facilities in UK and in USA.

The company's molecule 2593 is currently undergoing clinical trials and key trials establishing differentiation would be available in mid 2009.

Dr Reddys has a cache of 15 FTF and 30 Para IVs. Any upside in this would mean additional earnings upgrade.

The company has given a guidance of 25 % revenue growth in rupee terms. We have factored the same which would be powered by greater traction in domestic and international formulations, US generics, CPS and API business. We upgrade our revenues from Rs 57 bn to Rs 62 bn for FY 2008 and from Rs 64 bn to Rs 73 bn for FY 2009. We upgrade our EPS by 25.5 % to Rs 41.2 for FY 2008 and by 26 % to Rs 49.3 for FY 2009. We upgrade our price target by 20% to Rs850 based on 17.2x FY 2010E (EPS Rs 49.3). We upgrade our rating from Market Performer to **BUY**.

BULK DEALS ON NSE - 21 May 2008

Symbol	Scrip Name	Client Name	Buy/Sell	Quantity Traded	Price
BIRLAPOWER	Birla Power Solutions Ltd	GOPALTRADERS	BUY	12,224	31.4
HDIL	Housing Development and I	P R B SECURITIES PRIVATE LTD	BUY	1,094,141	837.6
ISPATIND	Ispat Industries Limited	JAYPEE CAPITAL SERVICES LTD.	BUY	6,335,111	33.5
ITI	ITI Ltd.	RAHUL DOSHI	BUY	101,554	42.6
JAYSREETEA	Jayashree Tea Ltd.	PAWAN BHIMSARIA	BUY	93,029	161.2
JAYSREETEA	Jayashree Tea Ltd.	RASHI EQUISEARCH PVT. LTD.	BUY	55,444	153.3
MAXWELL	Maxwell Industries Ltd.	KAPIL JAYAKUMAR PATHARI	BUY	944,065	18.8
MAXWELL	Maxwell Industries Ltd.	SUNIL JAYAKUMAR PATHARI	BUY	1,095,950	18.8
ZICOM	Zicom Electronic Security	GKK CAPITAL MARKETS PVT LTD	BUY	140,000	171.8
ADLABSFILM	Adlabs Films Limited	BARCLAYS CAPITAL MAURITIUS LIMITED	SELL	249,245	723.0
BIRLAPOWER	Birla Power Solutions Ltd	GOPALTRADERS	SELL	222,224	31.5
HDIL	Housing Development and I	P R B SECURITIES PRIVATE LTD	SELL	1,130,141	839.4
ISPATIND	Ispat Industries Limited	JAYPEE CAPITAL SERVICES LTD.	SELL	5,858,981	33.5
ITI	ITI Ltd.	RAHUL DOSHI	SELL	74,979	42.6
JAYSREETEA	Jayashree Tea Ltd.	PAWAN BHIMSARIA	SELL	93,029	161.0
JAYSREETEA	Jayashree Tea Ltd.	RASHI EQUISEARCH PVT. LTD.	SELL	69,233	153.4
MAXWELL	Maxwell Industries Ltd.	VINAY JAYAPAL REDDY	SELL	2,040,015	18.8

Source: NSE

BULK DEALS ON BSE - 21 May 2008

Symbol	Scrip Name	Client Name	Buy/Sell	Quantity Traded	Price
522273	AHMEDA STEEL	LOLABEN ARVINDBHAI CHINAI	B	21,850	22.3
532975	AISHWARYA TE	SHETTY MANISH NARAYANBHAI	B	80,421	117.8
532975	AISHWARYA TE	PREM MOHANLAL PARIKH	B	100,000	114.8
532975	AISHWARYA TE	N D NISSAR	B	552,201	116.1
532975	AISHWARYA TE	DIPAK R RATHOD	B	55,000	117.1
532975	AISHWARYA TE	RAVINDRA THIMMAPPA SHETTY	B	62,500	116.8
532975	AISHWARYA TE	SMITEVILAS MARATHE	B	160,362	116.8
532975	AISHWARYA TE	AMU SHARES AND SEC LTD	B	66,754	115.0
532975	AISHWARYA TE	SHETTY MANISH NARAYANBHAI	S	83,329	118.3
532975	AISHWARYA TE	VINOD SHOKEEN	S	85,001	115.7
532975	AISHWARYA TE	PREM MOHANLAL PARIKH	S	100,000	115.1
532975	AISHWARYA TE	SANDEEP S SABOO	S	100,000	115.5
532975	AISHWARYA TE	N D NISSAR	S	552,201	116.1
532975	AISHWARYA TE	DIPAK R RATHOD	S	55,000	118.4
532975	AISHWARYA TE	RAVINDRA THIMMAPPA SHETTY	S	62,500	116.3
532975	AISHWARYA TE	SMITAVILAS MARATHE	S	160,362	116.9
532975	AISHWARYA TE	AMU SHARES AND SEC LTD	S	66,754	115.1
504629	ANIL SP STEL	ANUSHA RAVI JAISWAL	B	20,000	23.0
504629	ANIL SP STEL	ANUSHA RAVI JAISWAL	S	20,000	23.1
531223	ANJANI SYNTH	ARVIND KALYANJI RAMBHIA	B	186,853	48.2
531223	ANJANI SYNTH	ARVIND KALYANJI RAMBHIA	S	186,853	46.2
530355	ASIAN OILFIE	ROCKLINE CONSTRUCTION CO NG	B	520,000	190.0
530355	ASIAN OILFIE	CONSOLIDATED SECURITIES LTD	S	400,000	189.9
531932	C G IMPEX	PRAFULLABEN AMRUTBHAI SONI	S	43,523	19.1
531067	CONTIL I LTD	SAURBH MOHAN	B	27,200	9.7
524388	CRAZY INFOTE	RELIGARE FINVEST LTD	S	600,000	8.5
532271	CYBERMAT INF	EDELWEISS ESTATES PRIVATE LIMITED	B	3,688,541	6.0
532271	CYBERMAT INF	ASTUTE COMMODITIES AND DERIVATIVES PVT LTD	B	745,045	6.0
532271	CYBERMAT INF	EDELWEISS ESTATES PRIVATE LIMITED	S	3,015,309	6.0
532271	CYBERMAT INF	ASTUTE COMMODITIES AND DERIVATIVES PVT LTD	S	780,044	6.0
504000	ELPRO INTERN	JUPITER ASSET MANG AC JUPITER INDIA FUND	B	25,000	694.1
504000	ELPRO INTERN	JUPITER ASSET MANG AC JUPITER PAF INVESTMENT LTD	S	25,000	694.1
531137	GEMSTONE INV	BHAVESH PRAKASH PABARI	S	50,000	23.1
532283	KASHYAPTEC	AMRUT SEC.LTD	S	2,084,473	2.0
531602	KOFF BR PICT	LAXMI CAP BROKING PVT LTD	B	93,834	24.0
531602	KOFF BR PICT	LAXMI CAP BROKING PVT LTD	S	63,978	22.9
531602	KOFF BR PICT	UNIVERSAL CREDIT	S	30,191	23.3
522298	MICRO FORGE	KRISHNARAJ SANJAY KILACHAND	B	100,000	15.6
521030	NAKODATEXT	CREDIT CAPITAL ASSET MANAGEMENT CO.LTD ACC DISCOVERY STOCK FUND	B	100,000	55.5
531273	RADHE DEVELO	RAVIVASANTBHAI PAWAR	S	55,000	128.8
532972	SANKHYA INFO	CHANDRA SHEKHAR KAPOOR	B	46,846	190.9
532972	SANKHYA INFO	CHANDRA SHEKHAR KAPOOR	S	44,796	191.2
531626	SILVER SMITH	A.L.JAIN OVERSEAS PVT LTD	B	23,500	32.5
531626	SILVER SMITH	DECENT FINANCIAL SERVICES PVT LTD	S	56,250	32.5
508976	SPANCTELESY	BEEJAY INV AND FIN CONS PVT LTD	S	97,000	157.0
532966	TITAGARH WAG	OPG SECURITIES PVT LTD	B	148,943	807.4
532966	TITAGARH WAG	OPG SECURITIES PVT LTD	S	148,943	808.1
524038	VENLON ENTER	RAMESHV MATHRANI	B	200,000	4.8
524038	VENLON ENTER	CHANDRU DAULAT DATWANI	S	200,000	4.8
526586	WIM PLAST LT	RAJIV ARORA	B	40,354	71.1

Source: BSE

Research Desk (Tel: 91-22-22895000)

Hemindra Hazari

Head of Research

hemindra.hazari@karvy.com

Institutional Sales (Tel: 91-22-22895000)

N Subramaniam

Head of Institutional Sales

n.subramaniam@karvy.com

Stock Ratings		Absolute Returns		Stock Ratings		Absolute Returns
Buy	:	> 25%		Market Performer	:	0 - 15%
Out Performer	:	16 - 25%		Under Performer	:	< 0%

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Karvy Stock Broking Limited

Regd Off : 46, Road No 4, Street No 1, Banjara Hills, Hyderabad – 500 034. Tel: 040-23351988, 23354283.
