

# Indian Pharmaceutical Industry

**Strong performance in the US market to support growth in FY2024; regulatory risks persist**

**DECEMBER 2023**



## 1 Q2 FY2024 Financial Performance



## 2 Geography-wise Growth Trends and Outlook



## 3 ICRA's Outlook on the Industry



## 4 Peer Comparison



## 5 Rating Actions



ICRA expects its sample set to witness a revenue growth of 9-11% in FY2024 primarily supported by 11-13% growth from the US, its key market.

Key factors supporting growth in the US market include new product launches, reduced pricing pressures and faster ANDA approvals, partly also attributed to shortages being witnessed in some products.



- ICRA expects these companies to see a revenue growth of 9-11% in FY2024 and subsequently moderate to 7-9% in FY2025 partly due to the base effect. ICRA's sample set<sup>1</sup> of Indian pharmaceutical companies reported a healthy YoY growth of 15.2% in revenues in Q2 FY2024, supported by 16.8% and 21.9% YoY growth in the US and European markets, respectively.



- Domestic Market:** ICRA expects the revenue growth from the domestic market for its sample set companies to be 7-9% in FY2024, supported by price increases and new product launches. In H1 FY2024, ICRA's sample set witnessed a 7.2% YoY growth, negatively impacted by the price reductions required to be undertaken due to NLEM-related price caps in addition to an uneven monsoon, which in turn impacted acute therapy sales.



- US Market:** ICRA expects the revenue growth from the US market for its sample set to be 11-13% in FY2024. ICRA's sample set witnessed a healthy YoY revenue growth in H1 FY2024, aided by new product launches with faster USFDA ANDA approvals and healthy performance of FTF - Lenalidomide for select companies.



- Emerging Markets:** ICRA's sample set companies are expected to grow at 11-13% in emerging markets in FY2024. They witnessed a healthy YoY growth of 17.4% in H1 FY2024, supported by new product launches, favourable movement in some key currencies and low base of the previous year, to some extent.



- Operating profit margin (OPM) for the sample set is expected to improve to 22-23% in FY2024, against 20.7% in FY2023. This will be supported by new product launches in the US market backed by increased focus on complex generics/specialty molecules and some benefit from product shortages.



- USFDA inspections have gained traction post the pandemic and higher issuances of warning letters/import alerts have resulted in delays in product launches, translating into failure to supply penalties and also entails significant costs towards remedial measures.



- To enhance market share in select geographies/therapeutic areas, leading Indian pharmaceutical companies have made sizeable acquisitions in the recent past. This is likely to provide diversification benefits and support revenue growth for these companies going forward. It also hints at increasing the industry risk appetite.

<sup>1</sup> ICRA's sample set of 25 leading listed Indian pharmaceutical companies; NLEM: National List of Essential Medicines; ANDA: Abbreviated New Drug Application; USFDA: United States Food & Drug Administration; FTF: First-to-File



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