

Indian Pharmaceutical Industry

Credit profile of Indian pharmaceutical companies to remain healthy in FY2025 despite expected moderation in revenue growth

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ICRA expects its sample set companies to witness moderation in revenue growth to 8-10% in FY2025 due to the high base of FY2024, which is estimated to see a revenue increase of 13-14%, supported by 18-20% growth from the US, its key market.

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



- **ICRA expects the revenue growth of its sample set of Indian pharmaceutical companies¹ to moderate** to 8-10% in FY2025 due to the high base of FY2024, which will see a revenue growth of 13-14%. ICRA's sample set reported a healthy YoY increase of 9.3% in revenues in 9M FY2024, supported by 19.6% and 18.4% YoY growth in the US and European markets, respectively.



- **Domestic Market:** The revenue growth for ICRA's sample set from the domestic market is likely to be pegged at 6-8% in FY2024 and FY2025. In 9M FY2024, the sample set witnessed a 6.5% YoY growth, impacted to an extent by the change in composition of NLEM, which led to the decline in realisations for certain drugs in addition to an uneven monsoon, affecting acute therapy sales.



- **US Market:** ICRA expects revenue growth for its sample set companies from the US market to moderate to 8-10% in FY2025 post a robust 18-20% YoY increase in FY2024. The sample set witnessed a healthy YoY revenue growth, aided by new product launches and healthy performance of certain blockbuster molecules.



- **Emerging Markets:** Revenues from the emerging markets for ICRA's sample set companies are expected to grow at 8-10% in FY2025 post 16-18% estimated for FY2024. They witnessed healthy YoY growth of 17.4% in 9M FY2024, supported by new product launches and favourable movement in some key currencies.



- **The Operating profit margin (OPM)** for the sample set is likely to improve to 22-23% in FY2024 and FY2025, against 20.7% in FY2023, supported by new product launches in the US market in the complex generics/specialty molecules and some benefit on pricing arising from certain product shortages there. ~~in the US market.~~



- **The 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 entailing 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 the increasing industry risk appetite.

¹ 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



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