

# Indian Pharmaceutical Industry

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

**JUNE 2024**



## 1 Q4 FY2024 Financial Performance



## 2 Geography-wise Growth Trends and Outlook



## 3 ICRA's Outlook on the Industry



## 4 Peer Comparison



## 5 Rating Actions





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*ICRA maintains its Stable outlook for the Indian pharmaceutical industry, led by stable demand in the export and domestic markets and comfortable credit profile of key industry participants*



- **ICRA expects the revenue growth of its sample set of Indian pharmaceutical companies<sup>1</sup> to moderate** to 7-9% in FY2025 due to the high base of FY2024. ICRA's sample set reported a healthy YoY growth of 12.6% in revenues in FY2024, supported by 18.3% and 15.3% 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 at 5-7% in FY2025, partly attributable to minimal price increases permitted under NLEM. In FY2024, the sample set witnessed a 6.3% 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 from the US market to moderate to 8-10% in FY2025 post a robust 18.3% 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 are expected to grow at 11-13% in FY2025. The companies' healthy YoY growth of 15% in FY2024 was supported by new product launches and favourable movement in some key currencies vis-à-vis the INR.



- **The operating profit margin (OPM)** for the sample set is likely to remain stable at ~23% in FY2025, supported by steady growth across key markets, increased focus on complex generics/ specialty molecules and stability in raw material prices.



- **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 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.

<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



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