

## INDIAN API INDUSTRY

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**Headwinds in remission; credit profile of Indian API companies to remain comfortable in FY2025**

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ICRA expects revenues of its sample set companies to grow by 7-8% in FY2025, after an estimated 3-5% increase in FY2024. Moreover, with expected improvement in earnings and moderate capex plans, the credit profile of these companies will remain comfortable.



The Indian active pharmaceutical ingredients (APIs) industry is expected to grow at a compounded annual growth rate (CAGR) of 7-8% between CY2023 and CY2029, following ~8% CAGR between CY2017 and CY2023. This will be supported by steady growth in the pharmaceutical formulations industry, increasing demand for contract manufacturing with companies across the globe looking to diversify their supply chain along with greater focus on domestic sourcing.



India imports ~35% of its APIs and intermediates requirement, of which China accounts for 65-70%. Dependence on China for imports of APIs for certain essential medicines remains as high as 80-100%. Even when the APIs are manufactured in India, the key starting materials (KSMs) are still primarily sourced from China.



FY2021-FY2023 was fairly challenging for the Indian API industry amidst multiple headwinds such as rising raw material costs, crude oil prices, inflationary pressures and increased energy costs in Europe, as well as heightened volatility in foreign exchange rates. However, these **headwinds are in remission**. That said, impact of subdued demand from some key export markets such as Europe and tensions in the Red Sea impacting supply chain and freight costs will remain monitorable.



Credit metrics for ICRA's sample\* set of companies are expected to remain comfortable in FY2025, supported by marginal improvement in OPM and moderate capital expenditure (capex) plans. This is after debt coverage metrics had weakened in FY2023 and remained range-bound in FY2024.



The Government's production-linked incentive (PLI) scheme is seeing some traction, with capex of ~Rs. 3,715 crore incurred till April 2024, of the total committed capex of ~Rs. 6,500 crore.

\* Aggregate of 10 companies: Aarti Drugs Limited, Anuh Pharma Limited, Covalent Laboratories Private Limited, Everest Organics Limited, Hikal Limited, NGL Fine Chem Limited, Satya Deeptha Laboratories Private Limited, Sri Krishna Pharmaceutical Limited, Supriya Lifescience Limited, and Virchow Petrochemicals Private Limited

## 1 Headwinds in remission; certain challenges remain monitorable



## 2 Overview of the Indian pharmaceutical industry



## 3 High dependence on China for import of APIs



## 4 Financial performance of the Indian API industry



## 5 PLI scheme to help India reduce dependence on China



## 6 ICRA-rated entities in the API industry





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