PRESS RELEASE
September 30, 2024

Revenues of Indian pharma companies likely to expand by 9-11% in FY2025: ICRA

- **Revenues estimated to increase by 9-11% from the US market, and 7-9% each from the European and the domestic markets in FY2025**

ICRA expects the revenues of its sample set of companies to expand by a healthy 9-11% in FY2025, albeit a moderation from the YoY increase of 13-14% recorded in FY2024. This will be driven by 9-11% revenue growth from the US market, 7-9% each from the European and domestic markets, and 11-13% from the emerging markets. ICRA's Stable outlook on the industry reflects the steady growth expectations across key markets and the healthy credit profile of pharma players.

Commenting on the near-term expectations of the industry's operating profit margin (OPM), **Kinjal Shah, Senior Vice President & Co-Group Head – Corporate Ratings, ICRA,** said: "ICRA expects the operating margins of its sample set of companies to remain stable at 23-24% in FY2025, supported by an increase in revenues, higher contribution of complex generics/ specialty molecules and soft prices of raw materials."

ICRA expects the revenue growth from the domestic market for its sample set of companies to improve to 7-9% in FY2025 against 6.4% in FY2024. Growth in the previous fiscal was impacted to an extent by the change in the composition of the National List of Essential Medicines (NLEM), which resulted in a decline in realisations for certain drugs, in addition to an uneven monsoon, which affected acute therapy sales. In contrast, in Q1 FY2025, ICRA's sample set of companies witnessed a YoY increase of 11.7% in revenues as some of the players gained market share in chronic therapies and enjoyed continued benefits from the introduction of new products. The overall growth for ICRA's sample set of companies is expected to be supported by sales force expansion and improvement in productivity of medical representatives (MR), widening distribution in rural areas, and new product launches, even though the price hike granted under NLEM for FY2025 is minimal.

Regarding the US market, ICRA expects its sample set of pharma companies to continue to report a healthy performance in FY2025. While revenue growth from this market is expected to moderate to 9-11% in FY2025 due to the high base of the previous fiscal, it will still remain much higher than the recent years.

"Performance of Indian pharmaceutical companies in the US market was significantly better in FY2024. ICRA's sample set of companies witnessed an 18.3% increase in revenues on a YoY basis. This was supported by new product launches with faster abbreviated new drug application (ANDA) approvals by the United States Food & Drug Administration (USFDA), continued good performance of first-to-file (FTF) products (lenalidomide, darunavir, etc.) for some companies and pricing benefit from product shortage for certain chronic therapies, stemming from disruption in the local supply chain. Indian pharmaceutical companies also benefited from the easing of pricing pressure in the US in FY2024 and YTD FY2025 due to supply-side constraints in the market, providing volume growth and better pricing opportunities. However, the sustainability of the same remains to be seen in the current fiscal. Additionally, regulatory risks pertaining to this market remain a key monitorable, given the heightened scrutiny by USFDA ", added **Shah**.

In the European market, ICRA's sample set of companies is expected to witness revenue growth of 7-9% in FY2025, moderating from the previous year, due to the base effect. In FY2024, ICRA's sample set of pharma companies grew by 15.3%, supported by an uptick in the base business (both branded and generics segments), new product launches (especially injectables and respiratory) and incremental revenues from new tender wins (in countries such as Germany). While revenue growth has been healthy over the last few quarters, some impact of macroeconomic headwinds (such as disturbances in the Red Sea) will be a key monitorable.

ICRA has maintained its Stable outlook for the Indian pharmaceutical industry, led by steady demand in the export and domestic markets and the comfortable credit profile of key industry participants. The debt metrics of ICRA's sample set of companies[1] are expected to remain comfortable, with Total Debt/OPBDITA of 0.8-0.9 times as on March 31, 2025, despite significant capital expenditure (capex) of ~Rs. 20,000 crore planned in FY2025 towards capacity expansion, maintenance, and upgradation, supported by the generation of healthy internal accruals. The liquidity profiles of the companies remain strong with sizeable free cash and bank balances and liquid investments.

[1] *ICRA's sample set comprises 25 leading Indian pharmaceutical companies, which account for ~60% of the overall industry*

The research and development (R&D) expenses for its sample set of companies are estimated to remain at 6.5-7% of their revenues as they optimise their spending, focusing more on complex molecules and specialty products, against generics. Leading Indian pharmaceutical companies have made sizeable acquisitions in the recent past to enhance market share in select geographies/ therapeutic areas. This is likely to provide diversification benefits and support revenue growth for these companies, going forward. It also hints at the increasing risk appetite of the industry.

Click here to access our previous press releases on the sector.

For further information, please contact:

Media Contacts:	
Naznin Prodhani Head – Group Corporate Communications & Media Relations ICRA Ltd Tel: + (91 124) 4545300, Dir - 4545860 Email: naznin.prodhani@icraindia.com	**Shreya Bothra** Manager - Corporate Communications & Media Relations ICRA Ltd Tel: + (91 022) 61693300, Dir - 61693367 Email: shreya.bothra@icraindia.com

© Copyright, 2024 ICRA Limited. All Rights Reserved.

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions presented in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

Disclaimer:

This Press Release is being transmitted to you for the sole purpose of dissemination through your newspaper / magazine / agency. The Press Release may be used by you in full or in part without changing the meaning or context thereof, but with due credit to ICRA Limited. However, ICRA Limited alone has the sole right of distribution of its Press Releases for consideration or otherwise through any media including, but not limited to, websites and portals.

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency. Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

Click on the icon to visit our social media profiles.