

PRESS RELEASE
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Indian pharma companies to show healthy revenue growth of 7-9% in FY2026, even as US market risks loom: ICRA

India's pharmaceutical sector is poised for moderate growth in the current fiscal, even as global headwinds and regulatory uncertainties cast a shadow over its largest export market. According to ratings agency ICRA, revenues for its sample set of companies¹ are projected to expand by 7-9% in FY2026, supported by 8-10% growth in the domestic market and 10-12% growth in Europe. However, performance in the US market is expected to moderate, with year-on-year growth slowing to 3-5%, from nearly 10% in FY2025. The operating profit margins (OPM) of ICRA's sample entities is expected to remain resilient at 24-25% in FY2026, broadly in line with 24.6% in FY2025, aided by favourable raw material prices, improved operating leverage, and a rising share of specialty products.

ICRA maintains a Stable outlook on the pharmaceuticals sector, supported by sustained demand in both domestic and export markets. ICRA's Stable outlook on the sector reflects its steady revenue growth and earnings trajectory, underpinned by healthy balance sheets, strong liquidity, and robust OPM.

Commenting on the domestic market performance, Kinjal Shah, Senior Vice President & Co-Group Head, ICRA, said: *"The domestic market continues to be a key growth driver for Indian pharma companies. Sales force expansion, improved productivity of medical representatives, deeper rural distribution, and new product launches are expected to support 8-10% revenue growth in FY2026 in the domestic market. ICRA's sample set companies continue to report a double-digit expansion (10.3% YoY growth in Q1 FY2026, following 11.6% growth in FY2025), driven by market share gains in chronic therapies, new product introductions, and regular price hikes—despite subdued volume growth for branded generics, partly due to rising genericisation."*

Recent Government measures, including GST exemptions and rate reductions on select lifesaving/ general medicines, and some medical supplies and equipment, are expected to enhance affordability and accessibility, aligning with India's broader healthcare inclusion goals.

In contrast to the robust domestic outlook, the US market outlook is more cautious. After a strong FY2025, where revenues grew 9.9% over the previous year, growth is expected to slow down due to price erosion and declining sales of lenalidomide, a key revenue contributor in previous years. Regulatory scrutiny by the US Food and Drug Administration (USFDA) remains an ongoing risk factor, with warning letters and import alerts delaying product launches and triggering the imposition of failure-to-supply penalties. These issues also impose significant costs for remediation, including consultant fees and increased management bandwidth, which tend to weigh on margins. Adding to the uncertainty is the recent imposition of 50% tariffs by the US on Indian imports across multiple sectors, effective August 27, 2025. While pharmaceuticals have so far been exempt, the possibility of future inclusion remains a key monitorable. The US government's proposal for a 'most favoured nation' (MFN) pricing policy to bridge global drug price disparities could further impact Indian exporters.

In **Europe**, ICRA's sample set companies are expected to witness a YoY revenue growth of 10-12% in FY2026, following a 18.9% increase in FY2025. This is primarily on the back of sizeable contribution from launch of drugs relating to the nicotine-replacement therapy by one of the sample set companies, in addition to other new product launches (especially injectables and respiratory).

Research and development (R&D) spending is projected to remain steady at 6-7% of revenues, with companies increasingly focusing on complex molecules and specialty products over generics. Recent debt-funded acquisitions aimed at expanding geographic and therapeutic footprints signal a rising risk appetite among leading players. ICRA estimates

¹ ICRA's sample set comprises of 25 leading Indian pharmaceutical companies, which account for around 60% of the industry's revenues.

total capital expenditure for its sample set to reach Rs. 42,000–45,000 crore in FY2026, including Rs. 25,000 crore in inorganic investments. As a result, leverage is expected to rise modestly, with Total Debt/OPBITDA increasing to 1.1-1.2x by March 2026, from 0.8x a year earlier. Despite this, liquidity remains strong, supported by sizeable cash reserves and liquid investments.

As global dynamics shift, Indian pharmaceutical companies are demonstrating resilience. But with regulatory risks, tariff uncertainties, and evolving market conditions, the sector's ability to sustain growth and protect credit metrics will be tested in the quarters ahead.

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