

Indian Pharmaceutical Industry

Operating profit margins to remain healthy at 24-25% in FY2026

SEPTEMBER 2025



1 Q1 FY2026 Financial Performance



2 Geography-wise Growth Trends and Outlook



3 ICRA's Outlook on the Industry



4 Peer Comparison



5 ICRA Ratings in the Pharmaceutical Industry





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While the Indian pharmaceutical industry has been exempted from the US tariffs, any future imposition could have a bearing on the credit profile of the industry and remains a key monitorable.



- **ICRA expects the revenue growth of its sample set of Indian pharmaceutical companies¹ to stand at 7-9% in FY2026**, after growing by around 10% in FY2025. Moderation in revenue growth is likely to be largely driven by decline in growth momentum in the US market.



- **Domestic market:** Revenue growth for ICRA's sample set of companies in the domestic market is expected to be 8-10% in FY2026. In Q1 FY2026 and FY2025, revenues grew by 10.3% and 11.6%, respectively, on the back of market share gains for some players in chronic therapies, volume expansion, and continued benefits from new product introductions and acquisitions in the recent past.



- **US market:** Revenue growth for ICRA's sample set companies from the US market moderated to 1.4% on a YoY basis in Q1 FY2026 on account of price erosion and relatively lower sales of lenalidomide. Revenue growth for ICRA's sample set companies from the US market is estimated to moderate to 3-5% in FY2026 owing to pricing pressure on select drugs, including lenalidomide.



- **Emerging markets:** The revenue growth for ICRA's sample set of companies from the emerging markets is likely to be 9-11% in FY2026, following a 9% and 10.2% expansion in Q1 FY2026 and FY2025, respectively.



- **The operating profit margin (OPM)** for the sample set is projected to remain stable at 24-25% in FY2026 in line with 24.6% in FY2025, supported by healthy performance in key markets, in addition to relatively stable raw material costs.



- **USFDA² inspections** have gained traction after the pandemic and higher issuances of warning letters/import alerts have resulted in delays in product launches, translating into failure-to-supply penalties. The associated remedial measures also entail significant costs.



- **ICRA maintains its Stable outlook** for the Indian pharmaceutical industry on the back of the well-established business position of Indian pharmaceutical players and steady demand from export and domestic markets, which are expected to enable the industry to maintain a steady margin profile.

¹ ICRA's sample set of 25 leading listed Indian pharmaceutical companies, which account for around 60% of the overall industry; ² USFDA: United States Food & Drug Administration



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