

Strong performance in US market to support Indian pharma industry growth in FY24

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ICRA expects the revenue growth of its sample set of companies in the domestic market to be 7-9% in FY 2024



According to ICRA, the revenues of a sample set of 25 Indian pharmaceutical companies (which account for ~60% of the overall revenues of the Indian pharmaceutical industry) is to expand by 9-11% in FY 2024, post a YoY growth of 10% in FY 2023.

The operating profit margin (OPM) for the sample set is projected to improve to 22-23% in FY 2024, against 20.7% in FY 2023, supported by new product launches backed by increased focus on complex generics/specialty molecules, easing of pricing pressure, and some benefits of volume expansion and better pricing due to product shortages in the US market.

The projected revenue growth in FY 2024 will be primarily supported by 11-13% expansion in the US market and 7-9% growth in the domestic market, while revenues from the European market and emerging markets are expected to rise by 11-13% and 13-15%, respectively.

The US has always been a key market for most leading Indian pharmaceutical companies, accounting for a sizeable share of their revenues. However, the share of revenues from the US market for ICRA's sample set of companies declined to ~35% in FY 2022 vis-à-vis 40% in FY 2020 owing to consistent pricing pressure, lack of major blockbuster products going off-patent and increased regulatory scrutiny in the recent years.

Nonetheless, with easing of pricing pressure, significant new launches and shortages of some products, the same increased to 37% in FY2023 and 38% in H1 FY 2024.

In H1 FY2024, ICRA's sample set of companies witnessed a 7.2% YoY growth, negatively impacted by the price reductions required to be undertaken because of price caps by the National List of Essential Medicines (NLEM) on various products besides an uneven monsoon, which affected acute therapy sales.

ICRA foresees the research and development expenses for its sample set of companies to stabilise at 6.5-7% of their revenues as the companies will optimise their spending, focusing more on complex molecules and specialty products against plain vanilla generics.