

Top Indian pharma firms set to grow by 7-9% in FY2024: ICRA study

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USFDA inspections have gained momentum in the recent past and regulatory risks remain a key monitorable



Indian agency ICRA expects the revenues of the sample set of 25 Indian pharmaceutical companies (which account for ~60% of the overall Indian pharmaceutical industry) to grow by 7-9% in FY2024, post a YoY growth of 10% in FY2023.

The same will be primarily supported by 8-10% expansion in the domestic market and 6-8% growth in the US market, while revenues from the European market and Emerging Markets are expected to rise by 3-5% and 8-10%, respectively.

The operating profit margin (OPM) for the sample set is expected to be steady at 20.5-21.5% in FY2024. While high raw material and freight prices were a drag on margins in H1 FY2023, these input costs have stabilised now.

Coupled with a continued focus on complex generics/specialty launches in the US market, this is expected to support industry margins in FY2024. T

Patent expirations in the US are expected to be nearly \$115-125 billion between CY2023 and CY2026. Of this, biosimilars will comprise around \$35-40 billion. This is expected to boost the growth for Indian pharma companies over the next few years. Moreover, increasing per capita wallet share of specialty drugs and industry players' focus on the same is expected to augur well going forward.

Indian pharma companies have also made some acquisitions in recent times to strengthen their specialty molecule portfolio in this market. The key focus areas include biosimilars, inhalation, ophthalmology, dermatology, CNS, oncology, anti-diabetes, osteoarthritis and pulmonary.

ICRA also notes that there have been some recent instances of cyber attacks with some Indian pharmaceutical companies leading to temporary disruptions in their operations. The frequency of such attacks and their impact on the companies' business and financial profiles remain a monitorable.

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

annual capex run rate for ICRA's sample set is expected to be Rs. 20,000 crore in FY2024 (against ~Rs. 51,600 crore in FY2023 on account of a large acquisition by one of the companies).