

Pharma formulators diverge on strategy for NP biz

18 April 2018 | News

Strong fundamentals will aid Indian formulators' increased focus with an expected CAGR of 8.8% over 2017-2022 for the domestic over the counter (OTC) market.



India Ratings and Research (Ind-Ra) expects Indian formulators to continue to make investments to grow their domestic non-prescription business through organic and inorganic routes. This would be driven by the need to further diversify the domestic prescription business.

Strong fundamentals will aid Indian formulators' increased focus with an expected CAGR of 8.8% over 2017-2022 for the domestic over the counter (OTC) market. Investments by Indian formulators are likely to be in consumer healthcare and wellness products, apart from the traditional OTC product categories through new launches, brand extensions and switches from prescription products.

This strategy is in sharp contrast to some global majors looking for strategic alternatives to exit their mature consumer health business owing to low single-digit growth and shift in focus back to the core prescription business. The agency believes the non-prescription business to contribute a solid 15%-20% to the domestic revenues of Indian formulators over the next five years.

Structurally, the margin and return profile of an optimised non-prescription business with a mix of OTC, consumer and wellness products is structurally better than that of an acute prescription portfolio, but may significantly be lower than that for a chronic prescription portfolio. The profitability from a non-prescription business happens with a lag, subject to significant investments in media spends and distribution to establish/enhance consumer appeal or brand recall.

The agency believes that large Indian formulators with demonstrated brand building capabilities and established distribution network can break-even faster and achieve profitability early. While FMCG players are likely to maintain market leadership in consumer products, competition for Indian formulators is expected to be moderate due to inherent strengths and limited product overlap.