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Pricing pressures & regulatory overhang affect margins of Indian pharma companies in FY2023: ICRA

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Outlook for the Indian pharmaceutical industry remains stable, led by expectations of continued steady revenue growth and comfortable profit margins



ICRA, Gurugram-based full-service Credit Rating Agency, expects the revenues for its sample set of 16 Indian pharmaceutical companies to grow by 4-6% in FY2023, marginally lower than the growth of ~7.7% in FY2022.

While the same will be supported by 5-7% YoY growth in the domestic market and 4-5% in the US business, revenues from the European market are expected to contract marginally, given the ongoing macroeconomic challenges and the large base of the previous fiscal which was supported by vaccine sales.

For FY2024, ICRA expects the sample set revenues to grow by 6-8%, primarily driven by the domestic and emerging markets.

The sample set of pharma companies includes Wockhardt, Torrent Pharmaceuticals, Pfizer, Abbott India, Cipla, Indoco Remedies, Natco Pharma, Unichem Laboratories, Zydus Lifesciences, Lupin, Sun Pharmaceuticals, Dr. Reddy's Laboratories, Glenmark Pharmaceuticals, Aurobindo Pharma, Jubilant Pharmanova, and Biocon.

Commenting on the recent pick-up in inspections by the United States Food & Drug Administration (USFDA), Deepak Jotwani, Assistant Vice President & Sector Head, ICRA, said, "With the USFDA re-commencing physical inspections of manufacturing facilities and some companies receiving form 483s and warning letters, regulatory risks remain a key monitorable. Any adverse outcome in the form of warning letters or import alerts for key facilities could impact the companies' business prospects."

Most major Indian pharmaceutical companies continue to focus on emerging markets to fuel their growth, given that they continue to face pricing pressure in the US and the European markets. The growth in emerging markets also continues to be driven by new product launches, strong demand, and depreciation of the Rs against certain currencies.