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Pharma revenue to grow by 8-10% in FY25, post YoY increase of 13-14% in FY24: ICRA report

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Credit profile of Indian pharmaceutical companies to remain healthy in FY2025, despite expected moderation in revenue growth



ICRA expects the revenues of its sample set of 25 Indian pharmaceutical companies (which account for ~60% of the overall Indian pharmaceutical industry) to grow by 8-10% in FY2025, post a YoY increase of 13-14% in FY2024.

Following the high base of FY2024, the revenue growth momentum from the US and Europe markets is expected to moderate to 8-10% and 7-9%, respectively, from the YoY expansion of 18-20% and 16-18%, respectively, estimated for FY2024.

The domestic market is expected to see stable growth at 6-8%, while the emerging markets may log in an 8-10% rise in FY2025, against 16-18% in FY2024.

Mythri Macherla, Assistant Vice President & Sector Head, ICRA, said “The operating profit margin (OPM) for the sample set companies is expected to improve to 22-23% in FY2024 and remain stable in FY2025, against 20.7% in FY2023. This will be supported by new product launches, especially in the US market, backed by the increased focus on complex generics/ specialty molecules, relatively lower pricing pressure in the base business in the US, and some benefits of volume expansion.”

“ICRA anticipates the overall credit profile of the Indian pharmaceutical companies remain healthy, supported by their stable earnings profile, comfortable leverage and coverage metrics, and strong liquidity position. Moreover, ICRA expects the research and development expenses for its sample set of companies to remain at 6.5-7% of their revenues as they optimise their spending, focusing more on complex molecules and specialty products against plain vanilla generics”, added Macherla.

Going forward, sustained price growth and revival in volumes, supported by new product introductions, are expected to continue to support revenue growth from the domestic market. That said, developments on the trade generic policies would be a key monitorable.