# Indian Pharma Industry to Expand by 9% to Surpass $70 billion by FY27

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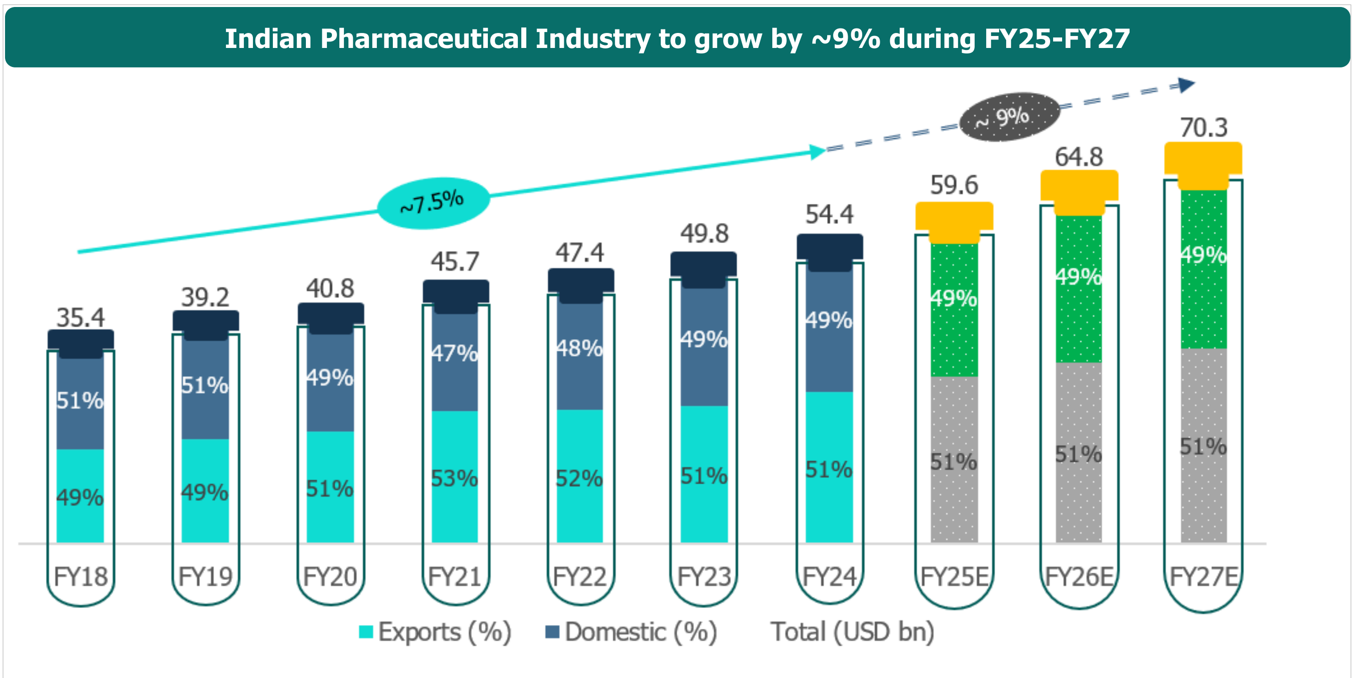
**Synopsis**

- The Indian Pharmaceutical Industry, encompassing both domestic and export, demonstrated a robust Compounded Annual Growth Rate (CAGR) of approximately 8% from FY18 to FY24. This growth was driven by an 8% increase in exports and a 7% rise in the domestic market during the same period.
- In FY24, the Indian pharmaceutical industry expanded by nearly 9% year-over-year, reaching approximately USD 54 billion. Exports experienced a healthy growth rate of 10%, while the domestic market saw a consistent increase of 9% compared to FY23.
- Within the export sector, regulated markets (contributing ~60% of total exports) experienced an 11% y-o-y growth, whereas the semi-regulated and unregulated markets registered a 7% y-o-y growth in FY24. Notably, after a contraction of about 3% in FY23 due to geopolitical issues, the semi-regulated/unregulated markets have rebounded strongly. CareEdge Ratings expects this segment to continue its upward trajectory at a CAGR of about 8% for the period FY25-FY27. Meanwhile, exports to regulated markets are expected to grow at a rate of approximately 9% during the same forecast period.
- CareEdge Ratings forecasts an overall industry growth rate of approximately 9% in the forthcoming years. This expectation is based on the anticipated parallel growth rates in both export and domestic markets, each expected to sustain a growth rate of around 9%.
- In summary, the Indian Pharmaceutical Industry is poised for continued expansion, driven by balanced growth across domestic and export markets, with significant contributions from both regulated and semi/unregulated markets.

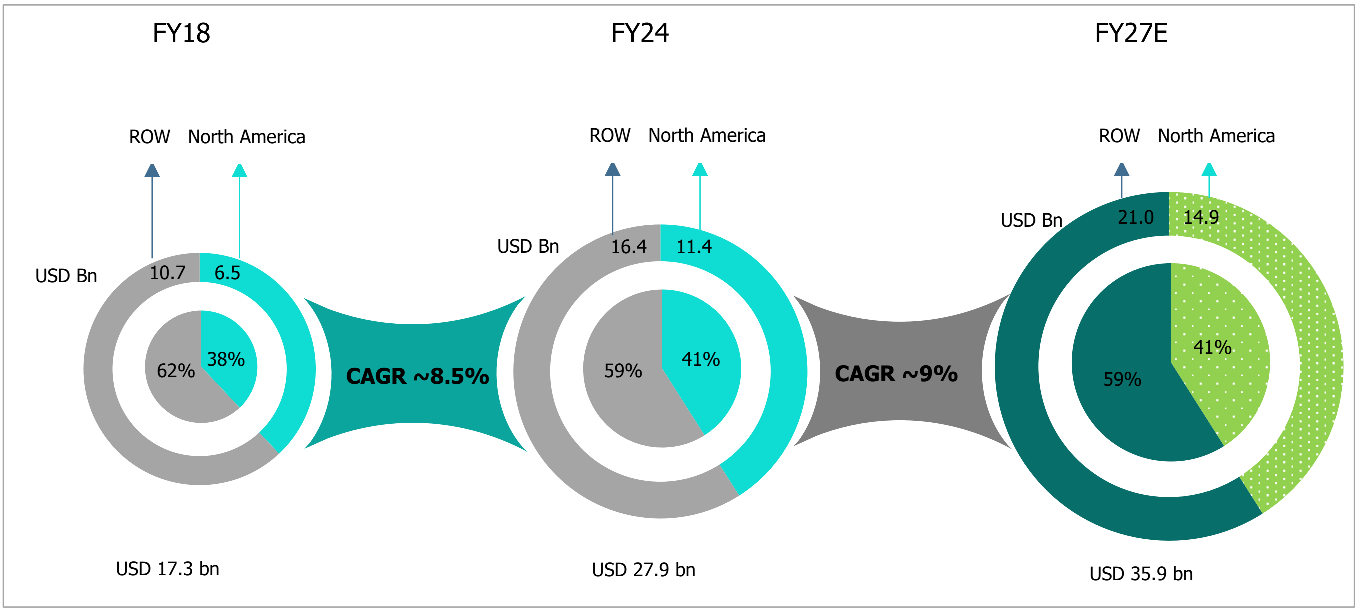
**Indian pharma exhibits healthy growth both domestically and in exports:**




Source: CMIE and compiled by CareEdge

- The Indian pharmaceutical industry has shown a commendable CAGR of approximately 8% between FY18 and FY24, with the domestic market expanding by 7% and exports by 8%. FY24 was particularly strong, with the domestic sector growing by 9% and exports by 10%.
- Several factors contributed to the domestic market's 9% growth in FY24. There was a notable rise in demand for both acute and chronic segments. The revision in prices adopted by the pharma companies as allowed under the National Pharmaceutical Pricing Authority (NPPA) to the extent of 4% to 5% positively impacted overall revenue growth. The launch of new products also played a role in driving growth by about 2% to 3%. Therapies for cardiac conditions, diabetes, and central nervous system (CNS) disorders experienced over 10% y-o-y growth, with other therapeutic areas also showing strong performance. Apart from above, about 2% to 3% was due to rise in demand for the existing therapies.
- Exports showed robust growth, especially in the North American market, which comprises about 40% of India's total pharmaceutical exports. After witnessing significant pricing pressures post COVID-19 up to FY23, the region saw a turnaround with a growth rate of approximately 13% in FY24. Contributing factors included the easing of pricing pressures, revitalization of biotech funding, the launch of specialty products, and deeper penetration in the generic market. European, African, and Asian markets reported growth rates between 7% and 8.5% during FY24. Overall, exports grew by 10% in FY24, with regulated markets achieving a growth rate of 11% and semi/unregulated markets growing by around 7%.

**North American market continues to garner major share in Indian pharma exports:**




Source: CMIE and compiled by CareEdge

**The key growth drives for export market:**

- Pharma companies are increasingly reassessing the economic viability of certain generic products for Abbreviated New Drug Application (ANDA) filings due to heightened competition and the high costs involved. This has led to a more selective approach in ANDA filings with the USFDA. Additionally, the ratio of ANDA filings to approvals has fallen below 1x, significantly reducing competitive intensity in the US generics market. This shift has altered the trajectory of price erosion and increased the demand for critical drugs.

- Between FY13 and FY18, Indian pharma companies faced severe regulatory challenges that adversely impacted their operations and ability to launch new products in regulated markets. However, over time, these companies have established robust systems, resulting in significant improvements in this critical area. The proportion of Form 483 observations classified as Official Action Initiated (OAI) by the USFDA has decreased from 22% in CY14 to 10% in CY23. Most recent OAI classifications have been issued to small to mid-sized companies, and data integrity issues have notably declined.
- The implementation of the Bio-Secure Act 2024 is expected to benefit Indian pharma companies involved in Contract Research and Manufacturing Services (CRAMS). Innovator companies will likely shift their research base for Phase I, II, and III trials to alternative destinations. CRAMS players are anticipated to gain from increased contributions from innovator pharma companies, a gradual recovery in biotech funding, and the commercialisation of more molecules in the discovery and development phases.
- The semi/unregulated markets demonstrated volatile growth rates from FY18 to FY24, with a CAGR of approximately 6%. This segment, which contributed about 35% to 40% of total exports during this period, is projected to achieve a CAGR of 8% from FY25 to FY27 due to an increased established base portfolio combined with new product launches.

**Factors that would lead to expansion of profitability margins:**

In FY24, Indian pharmaceutical companies saw an improvement in margins, increasing by approximately 100 to 120 basis points from the previous year's 22% to around 23%. This improvement is primarily due to an enhanced product mix, underpinned by the introduction of new products. CareEdge Ratings projects that the PBILDT% will further increase by about 50 to 100 basis points in FY25. This expected growth is attributed to several strategic initiatives, including entry into complex and specialty segments, selective ANDA filings, expanded market penetration in the Rest of the World (ROW), enhanced productivity of medical representatives domestically, and reduced raw material costs. Additionally, the expiration of patents on key molecules in chronic therapy areas like Diabetes (Gliptins) and Cardiovascular (Sacubitril Valsartan) is likely to further bolster margins.

**CareEdge Ratings' Perspective:**

"The Indian pharmaceutical sector is poised for robust growth, with projections indicating an approximate 9% increase during FY25-FY27. This growth is driven by structural trends such as domestic market expansion—anticipated from a 4% price increase, new product introductions, a growing share in chronic therapies, and deeper market penetration in tier-2 and tier-3 cities. These developments are supported by increasing consumer awareness, enhanced digital engagement, and strategic industry consolidation through mergers and acquisitions to bridge gaps in brands and therapeutic areas.

In the export sector, growth is expected from diversifying into specialty molecules, capitalizing on opportunities in the off-patent market, and increased penetration into ROW markets. Historically, the credit profile of Indian pharmaceutical firms has been stable, sustained by robust profitability and a minimal reliance on debt—a trend that is likely to continue," stated D. Naveen Kumar, Associate Director.

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