‘Pharma industry projected to grow between 7 and 9 % in FY26’

Our Bureau
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Despite regulatory uncertainties and tariffs casting a shadow on pharma exports to the US, its largest export market, the Indian pharmaceutical industry expects to see “moderate growth” of between 7 per cent and 9 per cent in the current financial year (FY26), said ratings agency ICRA, based on revenues of companies it reviews.

GROWTH SLOWING

While about 8-10 per cent of this growth is expected from the domestic market and 10-12 per cent in Europe, “the US market is expected to moderate, with year-on-year growth slowing to 3-5 per cent from nearly 10 per cent in FY25,” ICRA said.

“The operating profit margins of ICRA’s sample entities is expected to remain resilient at 24-25 per cent in FY26, broadly in line with 24.6 per cent in FY25, aided by favourable raw material prices, improved operating leverage, and a rising share of specialty products,” it added.

Kinjal Shah, ICRA Senior Vice-President and Co-

Group Head, said: “The domestic market continues to be a key growth driver for Indian pharma companies. Sales force expansion, improved productivity of medical representatives, deeper rural distribution, and new product launches are expected to support 8-10 per cent revenue growth in FY2026.”

“ICRA’s sample set companies continue to report a double-digit expansion (10.3 per cent year-on-year growth in Q1 FY26, following 11.6 per cent growth in FY25), driven by market share gains in chronic therapies, new product introductions, and regular price hikes — despite subdued volume growth for branded generics, partly due to rising genericisation,” Shah said.

Recent debt-funded acquisitions to expand geographic and therapeutic footprints signal a rising risk appetite among leading players, ICRA said, adding total capital expenditure of companies it reviews is set to reach ₹42,000-45,000 crore in FY26, including ₹25,000 crore in inorganic investments.

The Centre’s GST exemptions and rate reductions on select lifesaving/general medicines, and some medical supplies and equipment, are expected to enhance affordability and accessibility, the representatives pointed out.

CAUTIOUS OUTLOOK

The outlook on US though, is cautious. “After a strong FY25, where revenues grew 9.9 per cent over the previous year, growth is expected to slow down due to price erosion and declining sales of lenalidomide, a key revenue contributor in previous years,” ICRA said.

Regulatory scrutiny by the US Food and Drug Administration is an ongoing risk factor, with warning letters and import alerts delaying product launches and triggering the imposition of failure-to-supply penalties, it added.