Domestic pharma companies eye robust growth from US market in FY20

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Domestic pharmaceutical companies are expecting buoyant growth from the US market in FY20 on the back of product launches, easing of price erosion and withdrawal of certain drugs by top companies.

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While companies continue to face regulatory pressure leading to higher costs, they see an uptick from the launch of differentiated and high-margin products. "We expect FY20 to be fairly strong with most of our focused markets expected to show reasonable growth in the coming financial year . Our growth will be driven by wider portfolio, limited competition and complex generic launches," said a Dr Reddy's Laboratories (DRL) spokesperson.

DRL's fourth quarter revenue growth remained flat on a sequential basis but the result was boosted by one-offs like sale of dermatology drugs in the US. The firm also continues to face pressure on profit margin but is hoping for improved performance in the coming financial year. "Overall generic pricing environment has been relatively stable over the past couple of quarters. Barring a couple of products that have witnessed higher competition, base business for the company is holding up well," the spokesperson said and added that the company would capitalise on the opportunities created by supply disruptions in the US market.

"Some of the larger peers like Teva and Mylan have undertaken rationalisation of their portfolios. This volume share, given by them, has been largely taken up by incumbents from India, including Lupin, based on cost competitiveness and customer relationships," said Nilesh Gupta, MD, Lupin. Gupta said price erosion was now reduced from double digits to single digit.

"Overall, there is stability in the US market. Price erosion between 6 and 10 per cent is normal. If it exceeds 10 per cent, it would be a cause for worry," said Kedar Upadhye, global chief financial officer (CFO) of Cipla.

Cipla is a late entrant in the US and earned 21 per cent of its revenue from the market in FY19. Also, unlike its peers, a single product does not contribute more than 10 per cent to Cipla's consolidated revenue. The company is targeting double-digit growth in the US in the coming financial year.

Contribution of launches and strong growth from all its key markets like India, US and South Africa resulted in 19 per cent revenue growth on a year-on-year basis in the fourth quarter of FY19.

Earnings before interest tax depreciation and ammortisation (Ebitda) margin stood at 22 per cent in the fourth quarter. "Our focus in the coming year will be revenue growth without diluting profitability," Upadhye said.

Lupin plans to launch 20 products and is targeting double-digit growth in the US. New products include complex generics and Albuterol, its first major inhalation product. "Despite lower contribution from exclusive opportunities, Indian companies have gained volume share in total prescriptions of the US market to 45 per cent now. This highlights the strength of backward integration, customer relationships and the R&D pipeline for Indian players, which will continue to remain the drivers for growth of the business," Gupta said.