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16 September 2025

RESEARCH

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WPI inflation turns positive

PHARMACEUTICALS

August'25 IPM update

SUMMARY

INDIA ECONOMICS: WPI

WPI inflation rose by 0.5% in Aug'25 following 1.2% increase in Aug'24. However, compared with Jul'25, wholesale inflation rebounded from (-) 0.6% decline. Compared with last year (Aug'24), softening in prices was helped by food and fuel and power inflation. On the other hand, manufactured product inflation increased. Core inflation also creeped up to 1.6% in Aug'25 from 0.9% in Aug'24. Within food, vegetable, fruits and spices helped drag the index down, while protein inflation (eggs, meat and fish) increased. Food grain inflation remains subdued, led by pulses. Amongst cereals, paddy prices have declined more notably. Under manufactured products, basis metals, other manufacturing and other transport equipment led inflation higher.

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- Aug'25 monthly IPM grew to 8.7% in value and 1.2% in units. MAT Aug'25 IPM saw 7.5% value growth and 0.2% volume growth
- Diabetes therapy witnessed 7.2% growth in new launches, largely due to introduction of LOE and GLP products
- GST rate cut pass-through to witness in-elastic demand in the IPM. Continue to prefer SUN, BOOT, ALKEM, LPC.

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WPI

15 September 2025

WPI inflation turns positive

Sonal Badhan
Economist

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Within basic metals, aluminium, copper and Lead are facing upward pressure. Deflation in fuel inflation was driven by mineral oil index, particularly given weaker international oil prices. However, more recently, oil prices have seen some build-up in pressure which could have an impact on headline WPI as well. Going forward, international commodity prices will remain a concern, given tight supplies, increased demand and tariff related impact.

Food inflation remains on downward trajectory:

Headline WPI inflation was at 0.5% in Aug'25 versus at 1.2% in Aug'24. In Jul'25, WPI inflation had fallen by (-) 0.6%. Compared to last year (Aug'24), food inflation has seen significant moderation from 3.2% to 0.2% in Aug'25. Vegetable inflation index declined for the 7th consecutive month in Aug'25, and fell by (-) 14.2%, much sharper than (-) 9.9% decline noted during the same period last year. This was helped by decline in index for potato, onion, cabbage, cucumber and bitter gourd etc. Index for spices and condiments (-15.7% versus -5.9%) and fruits (-4.9% versus 16.8%) too declined. Index for milk (2.6% versus 3.5%) noted moderation, while that of eggs, meat and fish (0.1% versus -0.7%) inched up. Food grain inflation remained lower, as the index declined in Aug'25 (-2.2% versus 10.5%), led by sharp decline in inflation index for pulses (-14.8% versus 18.3%). Cereal inflation too softened, mainly due to movement in paddy inflation (-0.8% versus 9.6% in Aug'24). Wheat inflation eased less sharply (4.7% versus 7.4%). Comparing cereal prices on a global level (World Bank's pink sheet) shows that domestic prices are following international trend. Paddy prices internationally have fallen by (-) 34.5% in Aug'25, versus (-) 6.3% decline noted in Aug'24. Wheat prices on the other hand are falling at a slower pace (-5.5% versus -16.5%).

PHARMACEUTICALS

15 September 2025

August'25 IPM update

- **Aug'25 monthly IPM grew to 8.7% in value and 1.2% in units. MAT Aug'25 IPM saw 7.5% value growth and 0.2% volume growth**
- **Diabetes therapy witnessed 7.2% growth in new launches, largely due to introduction of LOE and GLP products**
- **GST rate cut pass-through to witness in-elastic demand in the IPM. Continue to prefer SUN, BOOT, ALKEM, LPC.**

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IPM growth continues upward trajectory: During Aug'25, IPM grew by 8.7% and 1.2% in terms of value and volume, respectively. The value growth was driven by 2.4% growth in new product launches, 5.6% price growth and 0.6% volume growth. On MAT Aug basis, IPM grew by 7.5% in value while 0.2% in volume. This is the 2nd time that the IPM has reported 8.7% growth in CY25.

Therapy-wise growth: In therapies, Anti Neoplastic reported 19.7% growth — the highest in IPM, Respiratory reported 17.3% growth, Cardiac grew by 13.2% and Urology grew by 12.4%. Therapies that reported sub IPM growth are Opthal that grew by 1.9%, Gastro growing by 3.1%, and Derma rising by 5%. This is the 4th consecutive month where Gastro has underperformed the IPM in both value and volume terms.

Company-wise growth: Amongst the listed Top 20 companies, companies that reported higher than the IPM growth are Sun with highest — 13.7%, Torrent -13.5% Dr. Reddy's - 11.8%, Glenmark -10.3% and Mankind - 9.6%. Companies that reported below IPM growth are GSK, with 6.5%, followed by Emcure - 5.1%. Amongst the next 20, companies rising above the IPM rate are JB Chemicals which grew by 14.2%, followed by Ajanta -13.2% and Indoco -12.5% growth. Companies reporting below-IPM growth are Alembic, with 1% decline.

Our View: IPM reported healthy growth in Aug'25, largely due to a good monsoon. We anticipate that GST cut on drugs will likely lead to in-elastic demand and hence, would have no impact on the sector despite a pass-through. Companies with a domestic focus are largely strategizing on making "big brands bigger". Hence, we expect major brands to scale up further through deeper penetration with no competition from trade generics or generic generics. Most companies have hired MRs, which can enhance productivity.

Domestic Preferred picks: Sun, Abbott India and Alkem

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