

Healthcare

Trump likely to sign Executive Order to Cap Prescription Drug

According to Pres. Trump's social media [post](#), he has decided to sign an executive order to slash prescription drug (Rx) prices by 30% to 80% in the US. He believes prices will be reduced to a level where the US will become the cheapest market for prescription drugs. It remains unclear which drugs will be affected and which segments of the insurance market will be targeted. During his first term, he attempted to address Medicare drug pricing under the "most favored nation" clause. However, that initiative was successfully opposed by both Republicans and the pharmaceutical lobby in the federal court.

- **Impact:** If implemented only for Medicare/Medicaid, it would impact 25% of the US market (representing 35% of volumes). Currently, Indian generic companies have limited exposure to this segment. While if applied across the entire US market, it may not significantly affect the existing US sales of generic companies but would certainly erode the attractiveness of the US pharma market, reducing the overall opportunity size. Among the generic/specialty players with high US exposure in our coverage universe, **Sun Pharma, Lupin, Dr. Reddy's, Zydus, Cipla, Aurobindo, and Biocon** would be impacted. CDMO companies may not see a sizable immediate impact. In fact, they could benefit from incremental orders as companies look to reduce costs. On the other hand, CRO revenues are likely to decline as R&D spending is expected to drop immediately.

Such an executive order could dramatically reshape the US pharmaceutical industry and severely impact the US biotech sector. Major US pharma companies aiming to cut manufacturing costs won't be able to shift production to the US. Instead, they would have to rely more heavily on CDMO players to manage costs. It remains to be seen how Trump's administration plans to achieve these conflicting objectives during its tenure. Just to add, there are separate [media reports](#) that say this executive order could only be meant for a limited number of drugs covered under Medicare part B and not for commonly prescribed drugs. Part B constitutes only 5% to 10% of the US market. Impact could very limited.

Exhibit 1.USA exposure

Company	FY24 US exposure
Dr Reddy's	48%
Aurobindo Pharma	48%
Zydus Lifesciences	45%
Lupin	36%
Sun Pharma	32%
Cipla	29%
Torrent Pharma	10%
JB Pharma	8%
Piramal Pharma	NA

Source: Company

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