



“Blue Jet Healthcare Limited
Q4 & FY '24 Earnings Conference Call”
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MANAGEMENT: MR. SHIVEN ARORA – MANAGING DIRECTOR

MR. VK SINGH – CHIEF OPERATING OFFICER

**MR. GANESH KARUPPANNAN – CHIEF FINANCIAL
OFFICER**

**MR. SANJAY SINHA – DEPUTY CHIEF FINANCIAL
OFFICER**

MODERATOR: MR. ADVAIT BHADDEKAR – ERNST & YOUNG

Moderator: Ladies and gentlemen, good day and welcome to Blue Jet Healthcare Limited Q4 FY '24 Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Advait Bhadekar from EY Investor Relations. Thank you and over to you, sir.

Advait Bhadekar: Thank you, Sagar. Good evening and a warm welcome everyone to Q4 and FY '24 Earnings Call of Blue Jet Healthcare Limited. Please note, investor presentation and the financial results are available on the company website and the stock exchanges.

Also, anything said on this call which reflects our outlook for the future, or which could be construed as a forward-looking statement must be reviewed in conjunction with the risks that the company faces. The conference call is being recorded and the transcript along with the audio of the same will be made available on the website of the company as well as on the exchanges. Please also note that the audio of the conference call is the copyright material of Blue Jet Healthcare Limited and cannot be copied, rebroadcasted or attributed in press or media without specific and written consent of the company.

From the management side, we have with us Mr. Shiven Arora, Managing Director, Mr. VK Singh, Chief Operating Officer, Mr. Ganesh Karuppanan, Chief Financial Officer and Mr. Sanjay Sinha, Deputy Chief Financial Officer. Now, I would request Mr. Shiven Arora, Managing Director of Blue Jet Healthcare Limited to provide you with the updates for the quarter and the year ended 31st March 2024. Thank you and over to you, sir.

Shiven Arora: Good morning and a warm welcome to all. I would like to start off by saying that as a company, we were able to restructure the business successfully despite the incident which had a short-term impact on the business. With our sustained efforts and strong business continuity plan, we were able to grow our business in Q4 compared to Q3 FY '24 by 10%.

We believe to have strong abilities in capital management with the key ratios of ROCE at 26%, EBITDA at 32% and fixed asset turnover north of 5x. As a company, we are also evaluating to acquire strategic talent for R&D and business development activities in Europe, which is our key market. On the manufacturing side, while Mr. VK will take you through the mid-term capex plan but seeing the overall outsourcing trends in the CDMO business, we are also evaluating a much larger capex plan. Once formulized, we will update in the coming quarters.

To share some business highlights, we will continue our strategic intent of serving innovator customers in the pharma space and marquee customers in the artificial sweetener space. Listing of the company has increased the brand awareness, and we are also able to see more inquiries and positive feedback from our existing customers. We have seen positive developments across our business segments.

To start with contrast media, which is about 68% of our revenues as on FY '24, our dominant segment, as you are aware, we are closely working with the industry leaders in the medtech industry and are able to sustainably increase our wallet share with our key customers, both in the iodinated space for our CT products and gadolinium space for MRI applications.

Important update, our validation quantities for advanced intermediates in the iodinated side has received a customer approval and the NCE intermediate on the gadolinium side is gaining solid traction in the market. The second vertical, pharma intermediates, the CRAM segment, about 14% of our business which grew about 156% year-on-year.

We started commercial production of pharmaceutical intermediate for our innovator customer in FY '24. Our innovator customer presence in the market has been further strengthened by the label expansions and approvals in both regulated and less regulated markets. Confirming our order book for the next 18 months.

We also see a surge in RFPs with our other innovators across, in our focus areas of ecology, CNS and cardiovascular health. The third vertical, artificial sweetener segment, we continue our development activities in this segment since we are already supplying to market names in the FMCG space and pharmaceutical segment and have demonstrated a great track record with them. There is a high likelihood to expand this portfolio in the segment and grow with our existing customers.

On this note, I will pass it on to Mr. V K to give more light on our capex and R&D initiatives. Thank you.

VK Singh:

Thank you Shiven and good evening all of you attending the call. I will quickly take you through the capex that we are incurring. The capex cycle is mostly in step with what we had indicated in the previous call. If you recall, we were building a block at Unit 2 Ambarnath, which will cater to the uptick in the volumes of our intermediate for the CDMO cardiovascular opportunity with the innovator in the PI segment. This block will also cater to the NCE opportunity that we were tracking in a contrast media segment, which will be going on stream shortly.

As indicated in our previous call, this block will be ready for validation in the quarter 1 of FY '25. With regard to Unit 3 Mahad, we foresee a delay of a quarter. The plant will now be ready for validation batches in quarter 1 of FY '26.

As we speak, we are in the process of commissioning the flue treatment plant at Unit 3. But as you know that this site is not deployed for making any product that we currently sell but was more for import substitution of a particular product that we import. Hence, we don't foresee any material sales revenue impact from this delay of a quarter.

The multipurpose block in Mahad Unit 3 will get validated by quarter 2 of FY '26. With regard to Unit 4 that is the Greenfield site our expansion site in Borivali here also the site master plan is ready and submitted and all the required approvals for the commencement of work at the site

have been submitted. We expect this unit to be on stream in the second half of FY27. Additionally, we had invested in a solar plant which went live in quarter 3 of FY24.

With regard to R&D to be able to keep in step with the additional capacity of about 50% that we are adding, we have increased our R&D as well. We have augmented our scientific talent pool and significantly increased the number of labs that we had. Several patents have been filed in FY24, and some new chemistry platforms have been added on which work has commenced like the pyrophoric platform, the iodination platform, enzymatic platform and a platform on which we are working for amino acids.

To assist our increased focus in R&D and improve the speed of industrialization a world-class pilot plant with versatile capability is under construction. This will help R&D improve in proof of concept and act as a bridge between bulk and bench production. Quickly touching upon sustainability as a responsible company our endeavour always is on reducing our carbon footprint and GHG emissions.

With our solar plant going on stream in the previous financial year almost 60% to 70% of our power requirement should be met from renewable energy sources. We are also consciously working on several green initiatives as far as our chemistry is concerned. We continuously strive to achieve high level of atom efficiency in our process chemistry and strive to make our industrial process and plant designs more efficient and environmentally friendly.

And I'm happy to say that we have achieved good success in this regard. With this, I will hand it over to my colleague Ganesh who will take you through the financial numbers.

Ganesh Karuppanan:

Good evening. I'll first start with Q4 to talk about key highlights of Q4 and then go to the full year of FY24. When you look at Q4 sales we had a growth of 10% compared to the previous quarter Q3 and as you are aware Q3 there was an impact in the performance due to the accident incident at Mahad and we are able to come out of this impact and Q4 we are able to demonstrate a sales growth of 10%.

In terms of EBITDA Q4 it dropped approximately by 3.9%. This is primarily because of change in WIP and finished goods. If you see our P&L for Q4 the change in WIP and finished goods is almost close to INR27 crores, 274 million and there is an overhead impact which normally gets inventorized in the previous quarter, gets released to the P&L in the subsequent quarter.

So because of this we had an impact close to 4.3% which was offset by reduction in operating expense marginally because of ocean freight and the power cost. As V.K. Singh mentioned, we are dependent more on renewable energy and this has certain positive impact on our overall power consumption. Our profit after tax is at 21.6% an improvement of 2.3% compared to Q3. If you go to the full year FY24 our turnover is more or less flattish.

It actually degrew by 1.3%. Our sales from operations of product segment are around INR708 crores against the last year number of INR718 crores. The sale of artificial sweetener and PI grew, and this was actually offset partially by degrowth in contrast media. The key factor on

degrowth in contrast media is certain actions by the customers in terms of destocking and their plan to take a longer maintenance which is actually disturbing the overall shipment.

So today you see a variability on quarter-to-quarter dispatch which in our opinion should get eased out after Q2. EBITDA for the full year is 32.2% an improvement of 1.8% compared to FY23. This is predominantly driven by reduction in raw material price, and we are also able to control our operating expense and there is more or less a flattish trend in the operating expense. This EBITDA is before extraordinary item. We had actually classified INR 97 million on account of the Mahad incident as extraordinary expense.

This is a conservative approach wherein we have actually taken the entire loss of plant and machinery is taken as an extraordinary item. As and when we receive the claim from the insurance company this would be reversed and will be shown as a credit to the P&L. The profit after tax for the full year is at 23% compared to 22.2% for the last year remaining flattish, but we should be growing at a healthy PAT rate of 23%.

As far as the new product launch is concerned in FY24 we launched the intermediate for pharmaceutical – in the pharmaceutical intermediate segment. and you could actually see a significant growth in that particular segment, and we do expect with our new capacity what Shiven and V. K. mentioned about, we should be in a position to actually like optimize the capacity in this financial year.

Certain general observations: in terms of raw material, we could actually see an overall reduction in the price levels during this year. Almost all of our key raw materials, we could see a marginal decline in the prices, and we believe this particular trend should sustain and which should actually help us in sustaining our gross margin.

Coming to working capital, there is a reduction in receivable. This is due to the customer mix. We talked about contrast media sale declining due to customer offtake and pharmaceutical intermediate sale is going up because of this.

There is a different credit term between contrast media customers versus pharmaceutical intermediate customers and because of this customer mix credit term, the working capital has actually come down. Inventory remained at the similar level compared to last year and with the commercialization of the new products, we do expect the inventory level to marginally go up in the current financial year.

Payable also dropped predominantly because of product mix and the payment terms. Capex, already V. K. Singh has explained. We have spent close to INR200 crores in this financial year, the asset which is capitalized plus the capital work in progress, and we should be spending at least INR200 crores per annum for the next two years at least on the capex plan for our units, for our existing units.

I think with this, I just open the floor for Q&A.

- Moderator:** Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Sanjesh Jain from ICICI Securities. Please go ahead.
- Sanjesh:** I got a few of the questions. First, Ganesh, actually you explained the reason for the lower gross margin in the quarter. I missed that. One of the reasons is that we have lower mix of contrast media. I get that, but there is a steeper drop than what we thought. So what is driving this decline in the margin?
- Ganesh Karuppannan:** This is predominantly because of change in WIP and finished goods. If you refer our P&L, you will see the change is close to INR27 crores. Now, this is accounting. Normally, the overhead gets inventorized along with the fixed goods valuation. So you have a raw material plus overheads. So whatever overheads that got inventorized in the last quarter, this quarter, whenever this change happens, to that extent, it impacts your P&L. This has nothing to do with our actual gross margin. That is intact. But this aberration has occurred only because our finished goods stock end of the year is lower than the previous quarter.
- Sanjesh:** I thought that should also capture in the other expenses, right? Because our other expenses are pretty much flattish. I know there is a slight bit of employee cost which has come down, but other expenses have remained flattish. What explains the decline in the EBITDA margin by 400 basis point?
- Ganesh Karuppannan:** If I look at byproduct, the margins are almost identical compared to Q3. There is no major change. Now the real impact is only on account of this closing inventory, closing inventory of finished goods. This may be offline. I can explain how this works.
- Sanjesh:** What we are telling that there is no impact because of change in the mix, because the contrast media mix has come down from 68 to 62, while sweetener and pharma mix has gone up, which otherwise have a lower margin. That should have some impact, right?
- Ganesh Karuppannan:** So technically like this product mix, the impact is very less. Bigger impact is more on account of change in inventory.
- Sanjesh:** Next question is on the iodinated product and the gadolinium and the cardiovascular. First on the iodinated, are we still in the validation stage? So when should we expect the commercial supplies to begin? And what is the risk in the validation stage? Can it go back and tell that this needs to be optimized further so that can increase the timeline? How should we think about it?
- Shiven Arora:** Yes. So specifically on this iodinated molecule, which is an advanced intermediate from our current base, we have supplied this material for validation in the month of January. And today we have got a full approval from them. So, nothing could go wrong when it comes to the product quality. I think it has been established well. And the use test trials have come out fairly positive. So scale up will happen during this particular financial year.
- Sanjesh:** That's clear. And what about the by-products to be produced from the iodine which will come up easily and all those things where are we in that process in terms of optimizing the operations?

- Shiven Arora:** I think with these 8 to 9 metric tonne dispatches of these validation quantities we were able to fairly demonstrate well in terms of the overall recovery cycle of the iodine and we are very confident in terms of having a very sustainable margin on this particular product also going forward.
- Sanjesh:** And the second you Shiven made a comment that gadolinium has seen a good pickup while innovator initially did not see so much of a success with that product. What is driving the success right now for them and how is it benefiting us?
- Shiven Arora:** So, I think in the past few months it got a European approval. With these regulated market approvals, they can further flood the market with the material, and they are also filing this NCE molecule in the other semi-regulated markets as well. I think this will drive the future growth. And that's one of the reasons we had expanded this capacity for this particular intermediate as well.
- Sanjesh:** Lastly, on the cardiovascular drug which we are supplying to the innovator, how has been the order book looking like for the next fiscal year considering that they had a big success with our regulator and also expected to get from the European Union as well that should establish them being the billion dollar plus kind of a product. So, what does it mean for us in terms of a pipeline for FY25?
- VK Singh:** The label updation and the label expansion were already approved in the US this year, this calendar year. I think it happened in the month of May. After that we expect something similar label expansion in the European market as well. There could be an uptick in volume, but the capacity that we have now created I think we have enough to be able to address should there be any uptick that's indicated by the customer.
- I think we are in very good state as far as the traction that the molecule is getting and the capacity that we have now created in unit two plant 6 which is going to go on stream this quarter itself.
- Sanjesh:** So, how much capacity are we expanding with this new capex?
- Management:** This is a multi-product block and it's not only for the innovator, but we also have a couple of other products. So, it will not be appropriate to give or dedicate the whole capacity for one particular customer.
- Moderator:** Thank you. The next question is from the line of Sudarshan Padmanabhan from JM Financial. Please go ahead.
- Sudarshan Padmanabhan:** Yes. So this is with respect to the cardiovascular intermediate taking cues from the earlier participant. I mean, our client has listed and if we look at the commentary post the label extension. So, in the US alone they talked about potentially additional 50 million and Europe would be incremental. So, in that context, I mean, FY25 definitely we see good growth, but if you're looking at peak sales in the US and also with Europe, how do we see say in the next 3

years to 4 years specifically with respect to this molecule both in terms of scale as well as in terms of profitability?

VK Singh: It's very difficult to predict how a molecule will behave, but all that we can say is that the data was presented to the FDA and the data was also presented to the American Cardiology College and both institutes which are institutes of international repute there is very high acceptability of this data because of the acceptability of this data the molecule is now indicated not only for secondary use, but as a primary treatment product.

So now it is used to address the primary indication and that's the reason that like you mentioned that the addressable population goes up by 50 or 60 million in the US and maybe even higher in Europe and other markets. So, I think as far as the molecule is concerned there is today no other oral product which can act as an adjunct to the statins. So, there is great potential. And we reckon that this would be a blockbuster.

Sudarshan Padmanabhan: Sure, sir. And with respect to the profitability and second is given that this is the only non-statin used to reduce the cholesterol as you had mentioned, I mean with respect to vis-a-vis what the client earlier had requested in terms of capacity, had there been any kind of an upward revision in the kind of volumes that you're now talking about?

VK Singh: See there could be an uptick in volume. And as Blue Jet we are prepared to address that the capacity that we have created is not only for this product. The block that we have built has got a very large capacity. So, should that be an uptick in volume because of the primary indication that it is now valid for I think we are well positioned to address that upside, but beyond this I think it's not prudent to comment.

Sudarshan Padmanabhan: Shifting to the CMI segment if I'm correct one of our clients had taken a plant shutdown to expand capacity. So, it might have impacted our numbers say in the last couple of quarters. The expanded capacity, when is it expected to start and how do we see the benefits probably in the next couple of quarters?

Ganesh Karuppanan: See, we see a slowdown even for one more quarter. And maybe we should come back to our historical levels from Q3 onwards, actually. I think that is when we expect the volumes to pick up.

Sudarshan Padmanabhan: With respect to the overall business, we have seen some kind of lower-than-expected offtake primarily because of various issues or various hurdles across segments. With volume picking up big time, if you're looking at various tailwinds. What should be the kind of margin expansion that you would be looking at with the operating leverage?

Shiven Arora: Yes, I think you pointed out well, I think we are all aware of the short-term impact, but if you see the big picture and the several tailwinds for this particular segment, the outlook is fairly positive. And we are also further backward integrating in Unit 3 for a particular key intermediate. So, going forward, since this is already backed by multi-year supply agreement, by using our own intermediate, we will have good control on already a very profitable product.

- Moderator:** Thank you. The next question is from the line of Banshi from JP Morgan. Please go ahead.
- Banshi:** My first question is on contrast media. Ganesh, you mentioned that probably this impact will continue for the next two quarters. So, fair to assume that our fiscal '25 run rate will be similar to our fiscal '24, because I'm assuming the newer product also probably will start contributing or probably will be in the phase of ramping up. So, any colour there?
- Shiven Arora:** Yes, I think as a segment overall, of course, there's a short-term impact, but the newer advanced intermediate will act as a very good buffer to see a potential growth in the segment for the next financial year.
- Banshi:** Okay. And this is both for – so, you mean to say the advanced intermediate in iodinated space and in the gadolinium space, the NCE molecule, both will equally contribute? How should we think about product opportunities between them?
- Shiven Arora:** Both are highly credible candidates. One is an NCE, which is gaining traction in the regulated and semi-regulated markets. And the other iodinated molecule is well-established, growing at a double-digit annually in the end market. So, most important milestone was this validation for the iodinated intermediate, which the company has done successfully.
- Banshi:** Okay. So, that should basically drive growth in CM business in fiscal '25 over '24, despite the impact of planned shutdown on one of your products.
- Shiven Arora:** That's the end of it, yes.
- Banshi:** And the second question is that on Unit 2, VK mentioned it is ready and on-stream. So, when should we start seeing commercialization of product here? Are our sales today constrained because of this plant not being validated and now that it's done, we should now see a spike? How should we think about the wrap-up here?
- VK Singh:** See, in quarter two, FY'25, we should see an uptick in the supplies that we are making, because the new capacity, the larger capacity is getting on-stream.
- Banshi:** And this capacity will be multi-fold of what our current existing capacity or what quantities we could be selling right now?
- Management:** Yes.
- Banshi:** Between our segments, contrast media, artificial sweetener, and PI-API, is it fair to assume that gross margins are broadly similar?
- Ganesh Karuppanan:** Contrast media would be slightly higher. The PI-API and artificial sweetener will be similar.
- Banshi:** Okay. So, next year, if you are expecting higher growth in, you know, say, for example, PI-API because of the ramp-up of the product, how should we think about gross margins?

Ganesh Karuppanan: It should be like whatever current level we are having, maybe it may go down by a percent or two.

Bansi: Okay. And you also mentioned about augmenting your team in terms of, adding capabilities in R&D and elsewhere. Should that have any bearing on your employee cost?

VK Singh: Yes. If you see our numbers, FY'25, the employee cost is significantly higher. But then our sales are also increasing. Even in FY'25, we would be adding some people, both at the senior management level and at the execution level. We will be also increasing our R&D further. So, we are gearing up to keep in step with the growth that we envisage.

Moderator: Thank you. The next question is from the line of Nikhil from SIMPL. Please go ahead.

Nikhil: A few questions. One is, can you talk about our CDMO? How is the pipeline looking like? In the initial commentary, you said that there are a lot more interactions which are happening. But any sense on how is the RFQs or how large is our pipeline currently? Some indication which is in talk.

VK Singh: See, you mentioned RFQs or RFPs, and that's a very valid point that you brought out. Given the environment that we have today and the tailwinds that we are, you know, experiencing, A, as a country, and two, as a boutique CDMO, I think the RFPs that we have is 2x of what we used to have. Speaking of the pipeline, I think in all three segments, we have a deep pipeline.

Contrast media, we are looking at new products as well as forward integration. So, that gives a lot of depth to the pipeline. In the high-intensity sweetener or artificial sweetener, there also we are working on two or three very credible opportunities, some large opportunities, which will add to the current commercialized product.

On the PI-API side, you can see traction already. I mean, the opportunities that got incubated two, three years back are now fructifying. Going forward, we have a strong pipeline as well. A couple of launches would happen in FY '25. As I mentioned, we have added a couple of chemistry platforms also, new chemistry platforms. Based upon those platforms also, there will be some new products that we will be developing.

How soon they will, you know, get to industrial or commercial scale, that we have to see. But as far as pipeline is concerned, I think we are in a very good place and the R&D pipeline is well poised to drive growth.

Nikhil: On contrast media, if you look at the global supplier base, we know one of the large players in India. But other than India, how do you see the competitive dynamics in this space? Are there more players coming in? Or is it like the level of competition is largely plus minus two, three players, but largely stable? How should we understand?

Because the profitability, what you enjoy, as you said, on the gross margins and all, it looks very favourable and a very large growing market. So, are there more players coming or how should we understand it?

Shiven Arora: Yes, so I think the industry is fairly consolidated. And in four key players have about more than 75% of global market share. And for the past 10 years or more.

Nikhil: I was more trying to understand from the suppliers of the API. On the formulation, we understand it's a largely consolidated player. But in terms of suppliers of intermediate API, how do you see the scenario?

Shiven Arora: So the ones who are formulating the four key large players are also manufacturing APIs today. And there is a strong sense of drug device coupling in this. And that's one of the major reasons. They have solid control on the API and also medical devices in some cases. So which has helped them to maintain this market share for the past more than 10 years. And in the balance 20% market share, yes, there are a few Indian players that have entered and there are multiple players in China for the ordained set of molecules.

How we are working differently is, of course, working on established key customers and also innovating on the NCE side on the MRI space. So, we will always be marginally ahead of the curve, even if there's a strong generic competition kicking in.

Nikhil: Can you talk about our revenue from top customers, top five and top 10 customers for FY '24?

Ganesh Karuppannan: It's pretty much the same. Our business is concentrated with three major players in contrast media. And in addition to that list is the new innovator in the PI segment. Apart from that, technically, there is no change in the customer mix. But for the PI customer in the innovator customer.

Nikhil: Can you provide the percentage revenue contribution from them, top customer, top five, top 10, which we presented in our DRHP?

Ganesh Karuppannan: No, we don't share that, actually.

Moderator: Thank you. The next question is from the line of Ritika from Value Quest. Please go ahead.

Ritika: Hi, sir. Good evening. My first question is on contrast media. When we see the export data, we saw much lower shipments of one of the large drugs. Of course, due to plant maintenance at innovator's end. But in terms of revenue booking on a Q-o-Q basis, we saw flat revenue. So could you please explain how did we book the revenues or how does the revenue booking happen?

Ganesh Karuppannan: See, in our case, the supplies to the key customer in contrast media is on a DAP term, which is Delivery at Place. Technically, unless the material reaches the site, we cannot actually recognize that sale. Okay. So generally, in accounting term, we call it a sales cutoff. What has happened this quarter is the sales cutoff of previous quarter got recognized in this quarter. Okay, so that's why you will see like if you see the data, export data, there would be a, what we would have recognized will be more than what is dispatched. This is because whatever dispatched in the previous quarter actually gets into the recognized as sale in this quarter.

- Ritika:** But that would be rolling on a quarter-on-quarter basis, even last quarter, some sales from the previous quarter would have got recorded?
- Ganesh Karuppannan:** You are right. The challenge is, this quarter, what I mentioned, since the offtake is a bit lower, the cutoff is also coming down.
- Ritika:** can you please explain?
- Ganesh Karuppannan:** See, this quarter, our dispatch is lower. Because of that, even our sales cutoff is very much on the lower side, which would actually have an impact in the next quarter. So, this quarter, we don't have an impact in the next quarter. So, this quarter, we don't have an impact. In terms of revenue recognized you will see some impact in the Q1 of FY '25.
- Ritika:** Got it. But there is nothing to do with inventory at our warehouse?
- Ganesh Karuppannan:** No, nothing of that sort.
- Ritika:** Last question is on capex. We have guided for a 200 capex for '25 and '26. Should we get a split of this INR400 crores between Mahad and the new Greenfield Unit 5?
- Ganesh Karuppannan:** It will be more or less equal; I would actually put it like that.
- Moderator:** Thank you. The next question is from the line of Pradeep Rawat from Yogya Capital. Please go ahead.
- Pradeep Rawat:** We have spent over INR200 crores this year and we are guiding for INR200 crores for next year and INR200 crores for the next year. So what kind of fixed asset turnover should we see for these capex?
- Ganesh Karuppannan:** I would actually put it in the range of upwards of three.
- Pradeep Rawat:** So currently we have an asset turnover of four. So why we are estimating it to be in the range of three?
- Ganesh Karuppannan:** This is actually like today what you are seeing is a depreciated block. So like when you actually do the new capex, it will be around three actually upwards of three which according to me itself is an excellent ratio.
- Moderator:** Thank you. Our next question is from the line of Kanishka Sorcar, who is a private investor. Please go ahead.
- Kanishka Sorcar:** I just want to have one understanding. So of course, we went through a little difficult time after the accident and all and now we are kind of getting up to invest a lot of money. I have just one simple question that as a company, post IPO there is a great sense that we have changed the gear in terms of growth.

So I just want to know from the management's perspective, with the investments we have done, doing currently and which is planned in the next one year when do you see the inflection point, which is that part or in terms of time maybe a year down the line, months down the line, where do you see the inflection point where we actually ramp up the growth and we move into the higher trajectory?

Shiven Arora: Yes, I think the capacities would be kicking in different phases in this financial year as well in the next year, but full extent would be seen in '26, '27.

Moderator: Thank you. The next follow-up question is from the line of Sanjesh Jain from ICICI Securities. Please go ahead.

Sanjesh: So just touching upon this revenue recognition, which you mentioned on the DAP basis, I thought we are also managing the supply chain for our largest customers. That means we should have built certain inventory at our warehouse, and we deliver it on a just-on-time basis. How does that vary from this revenue recognition, what we are talking right now?

Ganesh Karuppannan: When this off-take goes down in a particular quarter, we do not actually produce and stock it. So, to that extent even our production goes down. So, there are two factors. First, during this quarter our total actual production is on the lower side. And whatever positive benefit you are actually seeing is because of the cut-off, which came from the previous quarter. This quarter our finished goods is very much on the lower side. And if impact, you would see only in Q1 of '25.

Sanjesh: When should we see the normalization of supply to the largest customer? When should that happen?

Ganesh Karuppannan: In our estimate, it will be Q2.

Sanjesh: And second is on the APD prices and its impact on the realizations. How have they behaved?

Ganesh Karuppannan: There is actually a reduction in the APD prices, marginal reduction during the year and Shivan can take on the new contract.

Shiven Arora: So, I think with this backward integration play, I think we would be able to further improve the profitability of this major product. But overall market is in terms of the sourcing has been very favourable when it comes to APD prices. Interestingly, I would like to take this opportunity to explain further. From this particular backward integration block there is an opportunity to sell to other contrast media players as well. But the idea is to first use this quantity for our consumption and then perhaps pitch it to the other key players in this space.

Sanjesh: Okay. So, we are still – I thought APD prices should be too low for us to make any large economical benefit out of that APD plant which we are trying to put. You still see the economics being favourable for being a backward integrated facility?

Shiven Arora: I mean, the kind of continuous manufacturing that we are trying to develop in this particular block will definitely drive better efficiencies for us as a company. Strategic independence is

also important because in the year 2021, there was a big impact on the APD prices. So cycles like this in this current world do happen. And we will still continue to, of course, manufacture our own APD but also outsource some quantities to keep our existing suppliers in place.

- Sanjesh:** Any plan for further backward integration in our new product for the PI API segment?
- Shiven Arora:** I think we are very much covered in terms of the supply chain when it comes to the PI product.
- Sanjesh:** Okay. There we are not looking to further backward integrated product.
- VK Singh:** We start from the very basic chemicals, Sanjesh.
- Sanjesh:** So you are telling we are fully backward integrated already. So there is no meaning in going into the commodities?
- VK Singh:** Yes.
- Sanjesh:** We have slightly increased our capex outlay for three years. I thought we were at INR500-odd crores. Right now, we are INR600 crores. What has changed? It's just the cost of putting capex has gone up or how is it?
- Shiven Arora:** Cost of capex has remained the same, but at the same time, I would request Mr. Ganesh to add on.
- Ganesh Karuppannan:** We are keeping a slightly larger outlay for unit four. That is we will be replicating quite a few capacities. One as a risk mitigation and also like taking care of the higher needs of the customer. So, the plan for unit four could be slightly larger than what we envisaged last year.
- Sanjesh:** That should lead us to a much larger capacity. Are we confident of placing because I don't think our largest customer is looking to grow more than 5%, 6%, at least that's the ambition and the guidance they have provided?
- Shiven Arora:** I think these molecules are not only built for the next few years, but the next decade. Seeing that view and having a strong business continuity plan in place, I think this is well appreciated.
- Sanjesh:** Because will this hurt the margins for us because we will be utilizing much lower capacity initially to start with and then probably ramp up over the years. Will it have any major implications on the margins?
- Shiven Arora:** We'll try to. I mean as a company; we've at least demonstrated good abilities in capital management. The endeavour would be to also have a multi-purpose nature in these blocks that we design in the short term but keeping the long-term strategy in place. So it's better to have an additional capacity is our understanding.
- Ganesh Karuppannan:** Just to add on, we also need to keep the capacity in place for certain proposed launches. If we succeed, maybe our capacity should be ready in place at that point of time.

- Moderator:** Thank you. Our next follow-up question is from the line of Banshi from JP Morgan. Please go ahead.
- Banshi:** The sweetener business, we see sequentially this has picked up. Last quarter, you had mentioned about launching a new product in this segment. So where are we on that? And should we expect this to be now a new base for a sweetener business?
- Shiven Arora:** Firstly, I think, yes, the Saccharin business is progressing fairly okay. The other sweetener that we spoke about is currently at the pilot stage. We are trying to optimize a few things, but you will hear from us if there's any positive update. But the results so far are fairly encouraging.
- Banshi:** Okay. So unlikely that adds to, your revenues in fiscal 25. I mean, the launch could potentially be in 26.
- Shiven Arora:** It could be, but it won't be a major needle mover.
- Banshi:** For our PI-API, if you can talk about any other molecules that we are working with, innovator, which could be an advantage?
- Shiven Arora:** There are a couple of opportunities that are at a very advanced stage in the CNS and the oncology side that we are tracking with the innovators. And as it moves ahead, we will definitely share some updates on that.
- Banshi:** Okay. But you think there's some time for those to get commercialized?
- Shiven Arora:** Clinical data is fairly positive of our end-customers, and we believe that they could have a better solution to overall patient healthcare going forward.
- Banshi:** Okay. And on your CVS product, as the volumes ramp up, and probably if at all the innovator also kind of increases the off take, what happens to the realization? Do they remain the same generally?
- VK Singh:** Some efficiencies will certainly kick-in. So, because if the volumes go up, then the plant will be, one line will be working as a dedicated line for the product. The batch size will be much larger than what we do today. So, certainly, some efficiencies will be there. So, which should go straight into the bottom line, into the margins.
- Banshi:** Okay. So, those are your process savings. But from the innovator side, the realization, I mean, that does not change?
- VK Singh:** The product is patented until 2032. So, that's the advantage of being in a patented space. Generics will not be hitting. So, if that's the thing that you are trying to indicate generic pressure coming to 2032 in the advanced markets.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Management: We thank all the participants and hope we have addressed all your queries. We will meet in Q1 results. Thank you.

Moderator: On behalf of Blue Jet Healthcare Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

(This document was edited for readability purpose.)