



“Blue Jet Healthcare Limited  
Q1 FY '25 Earnings Conference Call”  
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**MODERATOR: MR. ADVAIT BHADDEKAR – ERNST & YOUNG**

**Moderator:** Ladies and gentlemen, good day and welcome to Blue Jet Healthcare Limited Q1 FY '25 Earnings 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. Thank you and over to you, sir.

**Advait Bhadekar:** Thank you, Manav. Good evening and a warm welcome everyone to Q1 FY '25 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 stock 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 today, Mr. Shiven Arora, Managing Director, Mr. V K Singh, Chief Operating Officer, Mr. Ganesh Karuppannan, 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 ended 30<sup>th</sup> June 2024. Thank you and over to you, sir.

**Shiven Arora:** Thanks, Advait. Good afternoon and a warm welcome to all. We continue to be an export-led regulated market-focused company. Our customers are market leaders in the MedTech, FMCG space and innovators for new products in different therapeutic areas. We believe to have strong abilities in capital management with the key ratios of ROCE at 22% annualised basis, EBITDA at 27.2% and PAT at 23% as on Q1 FY '25. The fixed asset turnover is over 3x.

We continue to be a debt-free and cash treasury investments over INR380 crores. The other financial matrices remain steady. During this quarter, we did see an impact on our logistics cost and transit time due to the Red Sea situation. Our production and dispatches during this quarter exceeded the previous quarter. Due to longer transit time, we could not recognize sales during this quarter, resulting in a degrowth of 11% compared to Q4 '24. Our CFO will explain more in detail on this.

Apart from this transit time, there are no other threats as of now. We continue to closely monitor the geopolitical situation that can impact input material prices or revenue stream. I would like to share a few key highlights about the business.

During June 2024, we added 120KL capacity dedicated for intermediates for the cardiovascular drug for our innovator customer in Unit II Ambernath. Currently, we are in the validation phase.

Things are looking positive, and we hope to go commercial shortly. We believe that this capacity addition will result in meeting our customers' order backlog placed with us. In the same production block, we will be adding additional capacity, which is expected to go commercial by Q3 for Contrast Media Intermediate for the innovator in the MRI space. Enquiries for new products in all the three product segments are encouraging.

Our sites are being inspected by existing and new customers for new products. We believe we are well-placed to lock in certain new products which can sustain our growth in the medium to long term. We will keep you updated on our capex plan for the long term in the coming quarters. On the pipeline, we have a strong pipeline in Contrast Media. Coming from the expansion we are doing in the MRI space, we are also forward integrating into more advanced intermediates in the iodinated segment. On the high-intensity sweetener segment, we have recently commercialized another salt in the saccharine family.

We are also working on a couple of new candidates which are currently in the development phase. The third vertical, the PI segment or the CRAMS business, the company is actively seeking seven to eight CRAMS opportunities with innovators or global CDMOs for oncology and CNS, which are in advanced discussions. With a focus on expanding its portfolio in these therapeutic areas, the company is also focused on gaining expertise in amino acid-based derivatives.

On this note, I would like to pass it on to Mr. V K Singh for more highlights on the business. Thank you.

**VK Singh:**

Hi and good evening to all of you attending the call. I will just take you very quickly through the capacity expansions that we are doing. I will also touch upon R&D and talk a bit about our sustainability initiatives. Capacity for our CDMO business is a key pivot and we are adding capacity to keep in step with the growth that we envision over the next few years. Our current capex cycle is mostly in step with what we had indicated in the past. We have added about 120 KL capacity in Unit II at Amarnath at a cost of about INR90 crores.

This capacity went on stream in July this year. While the capacity is versatile, it has been specifically deployed for making intermediates for the CDMO cardiovascular opportunity that we were pursuing with the innovator of the molecule. The molecule is showing great promise and the end product being the only non-statin oral drug approved for both primary and secondary cardiovascular indications.

The capacity that we have now established for this intermediate will be good to address the possible uptick in the volumes given the recent label updation and also the label expansion. The validation batches for this product from the new capacity were successfully executed last month and we expect an increase in offtake from Quarter 3 onward. In the same block, we are commissioning an incremental capacity of about 70 to 80 KL and this capacity will go live by September or October this year when the validation batches for an advanced intermediate orientated towards the NCE in the MRI space will be shipped out.

In Unit II, we have recommenced work on a small volume plant which we envisage will be ready for commissioning in Quarter 1 of FY '26. This plant will be primarily used for proof of concept,

regulatory filings if the product requires that, and supplies of small GMP validation quantities to innovators for the clinical development and trial requirements. With this small volume plant, we complete our stated objective of building robust bench-to-bulk and milligram-to-multi-ton capability.

Moving to Unit III at Mahad, in Phase 1, the priority was to create common infrastructure for the site. The project work for the warehouse and effluent treatment plant is almost complete. At this site, we were creating a capacity for backward integration for the contrast media segment. We believe this new capacity will get commissioned as we had indicated in the past in quarter 1, FY '26. Suffice it to say that we are on schedule as far as that is concerned. I'll quickly touch upon R&D.

As you have seen that in the next 12 to 18 months, we are adding about 40% to 50% more capacity. To keep in step with the growth that we envision and the surge in the CDMO RFPs that we are witnessing, the number of R&D labs and scientific talent pool both have been augmented. Some new chemistry platforms like the pyrophoric chemistry, the iodination platform, enzymatic platform, and amino acid platform have been added.

On sustainability, as a responsible and forward-looking company, we are continuously focusing on reducing our carbon footprint and GHG emissions. Our solar plant was commissioned last year, and between our windmills and solar, we have built capability to generate about 70% of our energy from renewable sources. We also continuously strive to achieve a high level of atom efficiency in our chemistries and endeavor to make our industrial processes and plant designs environmentally friendly.

With this, I will hand it over to my colleague, Ganesh, to take you to the financials in more detail.

**Ganesh Karuppannan:**

Good evening, everybody. Q1 FY25, we had a revenue of INR163 crores, which is a drop of 11% compared to the previous quarter. So I will quickly explain the reasons why the turnover actually came down. If you look at contrast media, on a quarter-on-quarter basis, our turnover came down by 42%. Maybe I will just give you the backdrop of the contracts we have with the customer. We need to recognize turnover once the material is received by the customer at their site.

So today, what happened in Q1, there were delays in transit, sea shipment, because of Red Sea issues. The consignments, which used to take 35 to 40 days for transit, now is taking upwards of 65 to 70 days. I think this has actually, while the production and dispatches were better than Q4, unfortunately, we couldn't recognize the entire dispatches as sale in this quarter, and this would be recognized in the next quarter.

In the beginning of this quarter, in Q1, because our sale for one of the major customers dipped in Q4 of FY24, we didn't get the same advantage in the beginning of the quarter. So to that extent, for us, Q1, while in terms of production, we are better than Q4, but in terms of recognizing sale, we have to actually take a higher cut off, which will actually get into the subsequent quarter, which is Q2. Moving on to Pharmaceutical Intermediate, if you recall, we kick-started our commercial supplies to the cardiovascular customer way back in Q3, and this

product, we are actually like, you could actually see a growth happening, and in this particular quarter, you will see a 60% growth in PI segment.

With this new capacity addition, we believe we could actually like increase our wallet share with this particular customer in the next coming quarters. Artificial sweetener, while today, we are actually focusing more on the FMCG customers, and we are slowly getting out of the spot market. To that extent, there is a small impact, but way forward, we would actually have a consistent sale in this particular segment.

Coming to raw material cost, there is a little bit of easing. This I communicated in the last conversation, and one of our key raw material, there is a marginal dip in the price, so our margins improved. There is also a higher sale of one product with a higher gross margin. This product mix also helped us improve our gross margin by a percent. Employee benefit cost went up marginally. This is on account of headcounts that are added for new capacities and certain other corporate functions.

This trend you would actually see in the next 12 months in terms of employee cost. Other expense, barring sea freight, we could actually control the cost on every other aspect. Sea freight, there was an impact in Q1-25. With this, EBITDA stands at 27% compared to Q4, which is at 29%. Now, in terms of depreciation, I just wanted to highlight the change in the accounting policy, what we did. Earlier, we were following WDB method of depreciation.

We couldn't change the method to SLM for certain reasons. Today, we did a technical evaluation. Our reactors are actually operating at more or less at similar capacities. If I look at the utilization of our facilities, it is uniformly distributed. We actually decided to shift to straight-line method in line with most of the corporates who are actually following straight-line method. This actually has a reduced impact of depreciation.

This quarter, we had a INR3.5 crores impact on depreciation, while Q4 had INR7.7 crores. So, there is actually a lower charge on depreciation because of straight-line method. Our profit after tax stood at 23%, which is marginally higher than Q4. Now, coming back to inventory, we talked about goods in transit, which are yet to be recognized as sale.

Because of this, our inventory days went up almost by 60 days. Q4, we were at 136 days. Today, we are at 204 days, predominantly because of goods in transit. And the new product, the cardiovascular product, we will be actually using the new facility. So, that needs a little bit of more raw material. Now, in terms of capex, we have capitalized INR90 crores for this particular quarter.

And we do expect another INR200 crores which are committed, which would be spent between 12 to 18 months. So, now I open up the floor for question and answers, and we are happy to answer your queries.

**Moderator:**

Thank you very much. We will now begin the question and answer session. We have our first question from the line of Sanjesh Jain from ICICI Securities. Please go ahead.

**Sanjesh Jain:**

My first question is on the largest product, which is the contrast media, which has seen a dip. This is purely because of logistical issue. I believe they were also into the de-bottlenecking stage,

and they were expecting that to be completed by June. I hope that is completed. And how do you see the sales for the remaining nine months?

Do you think the contrast media for this particular product, will we grow on that product? Because last year also, two quarters was impacted because of the de-bottlenecking exercise. That means there should be some step up, which we were anticipating. And how has been the market share trend for that product for us within the India suppliers?

**Ganesh Karuppannan:** Okay, I will just take the question on contrast media. We actually had an impact in Q4, especially in the month of February and March. And that impact actually came in this particular quarter. See, what happens is because of the sales cut off, whatever cut off we had in November, December got realized in January, February. But since there was an impact of lower sale in February, March, the impact in April, May was very little. So today, way forward, our order book is consistent, like whatever we have dispatched in this particular quarter, we expect similar number for the next three quarters.

So starting Q2, Q3, there will not be any, what do you call, the offtake from the customer would be at similar levels. Today, whatever we are dispatching, that will continue till December. We do expect the next year forecast, which will be higher than what the current year forecast is. That is our expectation. It could be a single digit number, but we do expect from next January, there would be a higher offtake as far as this particular product is concerned. If I look at the customer, the largest customer, recently they announced their results.

Their Q2 is, as far as this particular segment is concerned, they have shown a 14% growth and they have also talked a lot about capacity building for this particular product.

**Sanjesh Jain:** So in terms of market share?

**Ganesh Karuppannan:** For the global customer, I do not have the data maybe this is something we will have to actually like once we have it we will actually share it with you. At this point of time, we do not have the data.

**Sanjesh Jain:** Our contrast media contribution has fallen from 62% to 40% and that is higher margin business generally. Despite that, our gross profit margin has improved by 140 basis points quarter-on-quarter. Our belief was that once this new product comes in whether is a cardiovascular or the forward integration for the iodine chemistry. These were slightly margin dilutive versus the existing product while margin continues to improve despite the contribution coming down. What is driving this improvement in the margin despite the inferior mix in terms of margin profile?

**Ganesh Karuppannan:** Sanjesh there are four reasons. One the key raw material used in the contrast media for the largest customer, there is a slight reduction in the price. That is number one. There is another contrast media where we were able to actually increase the volume. So that has actually contributed a higher margin and this product mix, this particular building block also has contributed positively to our margins.

The third reason is on the other segments due to efficiencies we are able to actually like one is there is a general reduction in some of the chemical prices and some of the recoveries we were able to actually achieve the targets and that is contributing a reduction in this gross margin. And

the fourth is a little bit technical like when you have a higher goods in transit or WIP finished goods the cost gets inventorized and that has a marginal impact on the gross margin which will actually show up in the next quarter. I think the fourth point is a bit technical, but the first three points I would say is more or less straightforward, why the gross margin has actually gone up.

**Sanjesh Jain:** But will it be a fair assumption that as the mix changes towards more new product versus the legacy product, margins should dive down, right?

**Shiven Arora:** I think both the product categories are for the innovators. And these are specialized products and as we gain more experience in these categories and the specific products our efficiencies are improving with time. So the aspiration would be around the same margin levels and be consistent in terms of suppliers.

**Sanjesh Jain:** Got it. My follow-up is on the new Ambernath facility which we just commissioned. We haven't shipped anything from that, right? All this increase in the revenue for the pharma intermediate space is largely coming from our legacy fixed asset and this new asset is yet to yield any revenue. Is that the right assumption?

**Ganesh Karuppannan:** We are yet to do any commercial invoice from this facility.

**Sanjesh Jain:** Okay. So we had that much of a capacity to drive say INR60 crores of revenue from pharma intermediate for a quarter?

**Shiven Arora:** We should. That's correct. Having said that, I think the validations for this new commercial plant has shown positive results and as far as the scale-up is concerned from Q3 we are on track.

**Sanjesh Jain:** Got it. Next on the new product within the contrast media where we were expecting some forward integration in Iodine and into the MRI space where are we in terms of commercial supply? Have we got the POs for this product now or we are in the validation stage?

**Shiven Arora:** No. So validation stage is complete and the results on the use test trials and stability data are positive. Maybe we'll have a more positive update in the next quarter on this.

**Sanjesh Jain:** Okay. We haven't received that's right understanding as of today right?

**Shiven Arora:** There is a supply agreement in place, but yes formal PO is a matter of time is what we believe.

**Sanjesh Jain:** Got it. One on the accounting side of it. Ganesh you said that DAS for the contrast media it's limited to the one product for one customer or it is as a policy we follow for all the product, all the customers?

**Ganesh Karuppannan:** So for two products we have this DAP terms.

**Sanjesh Jain:** For two products?

**Ganesh Karuppannan:** Products yes.

**Sanjesh Jain:** One for cardiovascular the other one for the...

- Ganesh Karuppannan:** This is within the contract media with two customers we have this delivery in place.
- Sanjesh Jain:** But rest all is FOB, right?
- Ganesh Karuppannan:** Yes. CIF.
- Sanjesh Jain:** CIF. Got it. Any update on the APD plant if I heard it right VK told that that should be ready by 1Q 26. Is that right?
- VK Singh:** That's right, Sanjesh. So we are on track for that site. As I mentioned that a lot of work is happening on the common infrastructure and the APD plant is also the construction has recommenced and I think by quarter 1 of FY26 we should be up and about.
- Sanjesh Jain:** VK, we are targeting, this will be my last, I will come back on the queue. For APD, this is purely for captive we are looking right now or we also intend to sell it to the external clients?
- VK Singh:** The capacity that we are putting up for CPD and APD will exceed our consumption. And so that's where we will leave it. There are opportunities beyond captive consumption. The whole idea of putting up the capacity was for one strategic reason, strategic independence, cost control, support to captive, but then the capacity that we are putting up is more than what we will consume.
- Sanjesh Jain:** But at current price do you think it's feasible for us to sell it in the external market?
- VK Singh:** You know these prices there's an element of cyclicity. That's one. I mean the moment people know that you are putting up capacity, the prices start coming down, but that will not stay. The second part is that our costs because of the process that we have, because of the technology that we have, we will be able to meet any type of there is headroom for us to compete with the most aggressive players and the type of scale that we have put in. So, we are going in with a continuous process on this product. I don't think anybody else has got a continuous process. So I think our costs will be pretty much in control. We'll be one of the industry leaders as far as cost is concerned and there'll be a lot of headroom to fight.
- Sanjesh Jain:** Fair enough. That's pretty much clear. Thanks everyone for answering my question and best of luck for the coming quarters.
- Moderator:** Thank you. We have our next question from the line of Sudarshan Padmanabhan from JM Financials. Please go ahead.
- Sudarshan Padmanabhan:** Thank you for taking my question and thanks for the elaborate explanation. Just looking forward from what Sanjesh was discussing about see today I mean I agree that probably the sales is not being booked on the contract media side and we are running at anywhere between 120 to 130 per quarter. But when I look at the build-up as far as this segment goes I think as you had alluded earlier I mean GEH also talked about better growth on this segment and more capacity. Then you have the idea of Gadolinium opportunity that you have. And in this segment, one is from the current run rate say if you are looking at the next year, what are the kind of volumes run rate that we are talking about? And the second is in terms of capacity while we have been upgrading capacities inconsistently.



I mean when I'm just looking at the opportunities ahead I mean we know about the label extension product, the cardiovascular product. But interestingly there are also a couple of more products, which is in the oncology and CNSA which is at the next stage. If we are lucky and we are able to see the commercialization on this, would we have capacities to take the kind of growth visibility if everything goes well? I mean, what would be the capex that we'd be looking at?

**VK Singh:**

So if you're talking of contrast media then for the two contrast media products, the new launches, we have adequate capacity. I mean, that we have already provided for. And as far as the PI, API segment is concerned, you are right that we have some opportunities in oncology space and some in the CNS space and all that. To be able to track those opportunities also for the next couple of years, we have adequate capacity.

Having said that, there's a greenfield site that we are going to initiate development at and maybe, in a year, year and a half, there'll be one or two blocks on that greenfield site also that will further augment the capacity. So, we understand that as a pure play boutique CDMO, capacity is one of the pivots for business. And therefore, we are ensuring that it is in step with the growth that we envision going forward in all three segments.

**Sudarshan Padmanabhan:** Sir, with respect to the scaleup, I mean, as we move from clinical trials to the absolute profitability on a unitary basis might be less, which is compensated by economies of scale. But when I'm looking at two things here, one is you are also backward integrating with the APD, capacities coming in. And also the fact that when you move up the scale, I mean, currently, if I look at the quarter, I'm happy to see that we are already running at INR60 odd crores.

As the scale goes up, you also have operating leverage on the pharma business. I mean, which was subscale, I would say, even a year ago, which is actually coming into a fair amount of growth space and maturity in the next two to three years. So, from that side, when you're looking at molecules transitioning from, say, pre-commercial to commercial, I mean, I'm talking about including the oncology products, the cardiovascular products.

So, the scale would basically be much higher. In the context of operating leverage and APD, I mean, how do we see the margins? I'm just trying to understand whether the trajectory would be more or less similar to what we are doing or is there going to be a negative obtuse, but something which is very gradual. Because at one end, your operating leverage will offset the kind of absolute profitability in terms of unitary when you move from market to commercial.

**Ganesh Karuppannan:**

That could be certain corrections in the gross margin level. But as you rightly pointed out, at an EBITDA level, because of this operating leverage, we should be able to sustain this sort of EBITDA margin or a PAT margin. I think we would even be better than what has been reported currently.

There are two factors when I talk about a gross margin. As we actually introduce some of these new products, the margin profile could be slightly different. But if you really look at our operating expense, that is well under control, and we should be actually able to get this. In fact, one of our targets is to sustain the existing level of EBITDA and PAT.

**Sudarshan Padmanabhan:** Sure. I mean, the final question before I join back the queue. Sir, we have good cash on books, and we would continue to generate good cash with the growth that we will be seeing in the next few years. We see a lot of opportunities as well. I mean, you talked about the greenfield.

I'm just trying to understand greenfield vs M&A, in the sense, there are also facilities that are available, which you can probably use. I mean, get your sense on whether it also makes sense to look at an M&A in case, we are lucky to see some of the molecules scale up much faster than expected, or we would still believe to build and operate the facility.

**Ganesh Karuppannan:** It depends on the target. So, we are open for M&A or a green field, but at the end of the day, it should meet our expectation in terms of technology, location, and the infrastructure. Because when we look at it, we also look at for the next five years to 10 years.

And so, in our type of scenarios, the utilities are very critical because we handle large volumes. So, the question is, it's not about, we are not shying away from M&A, but the question is, it should meet all our expectation in terms of capacities and our ability to grow for the next three to five years. And at this point of time, we are evaluating certain green field, probably either in Gujarat or in Maharashtra, or we are also open to M&A. But it may be in the next call, we will be in a better position to update you on our green field proposals.

**Sudarshan Padmanabhan:** So, one last question. I mean, how is your scenario on saccharin? I mean, we've seen a lot of issues on competition and dumping from China. Has that situation improved? I mean, it's still a smaller component of the business, but just wanted to get a sense on that.

**Ganesh Karuppannan:** With our FMCG customer, it's generally an annual contract, we have gotten a lock-in from all our FMCG customers. That should sustain our existing level of operations. We have also launched one new salt, calcium saccharin, and we need to see how this market will grow. While we work on a number of other opportunities, currently, we will be in a position to sustain the existing level of operations.

**Sudarshan Padmanabhan:** Thanks a lot. Thank you.

**Moderator:** We have our next question from the line of Gautam Rajesh from EverFlux Capital. Please go ahead.

**Gautam Rajesh:** Yes, good evening. I had a question regarding your pharma intermediary business. So, the first one was, what sort of asset turns do you typically expect in the Pharma Intermediate business? And how much investment do you have lined up, let's say, roughly for the pharma intermediary business?

**Ganesh Karuppannan:** The asset turn depends on our sale realization also. So, we may actually get something with a very high per kg value. So, today, for all our incremental investment, we would be looking at anywhere between three to four times.

**Gautam Rajesh:** Understood and how much investment do you have lined up for the Pharma Intermediate business?

- Ganesh Karuppannan:** We don't actually invest based on product category. The capacities are fungible. So, we look at the total investment and we don't actually specify for any specific product. For example, the current investment is actually a combination of for both PI, API as well as for Contrast Media.
- Gautam Rajesh:** Understood. And my final question is, what sort of growth do you expect in the pharma intermediary business for the next three years?
- Ganesh Karuppannan:** We don't give future guidance. But our order book is quite interesting. That's what I would actually put it across.
- Gautam Rajesh:** Understood. Thank you.
- Moderator:** Thank you. The next question is from the line of Ritika from ValueQuest. Please go ahead.
- Ritika:** Hi, thank you for taking my question. First question is, if I got the opening remarks correct, you mentioned that this 120 KL plant, 90 crores, the capex which was spent, though this plant is fungible, but this will be majorly used for the cardiovascular intermediates. And you are creating a separate 70-80 KL plant for this MRI drug. Would that be a correct understanding?
- VK Singh:** Yes, that's right, Rithika.
- Ritika:** And on this 120 KL plant, as Ganesh sir was just mentioning, we should expect a 3-4x kind of asset turnover.
- VK Singh:** Possible. That's clearly one scenario. And we are targeting that yes.
- Ritika:** Right. And has a validation process for this new cardiovascular intermediate started? Can there be a delay from the customer point of view, since we are expecting the new supply to start from Q3?
- VK Singh:** Validations are complete, successfully conducted, the batches have been passed, and orders are in hand. So, we don't envisage any type of delay, hopefully.
- Ritika:** Okay. I thought you mentioned the capacity has been operationalized, but the validation is pending from the customer point of view, for this cardiovascular intermediate.
- VK Singh:** Validation batches have been taken.
- Ritika:** Okay. So, in our sense, we don't expect any delay and we expect a ramp up from Q3. And on this MC MRI Drug 70 80 KL expansion, what kind of capex are we expecting on this?
- VK Singh:** This number, we may not be able to, share.
- Ganesh Karuppannan:** This would be just an incremental. It won't be significant, because all the infrastructure has already been built, and this is just not a significant investment.
- Ritika:** Could you please help us with the capex number for Q1 25?
- Ganesh Karuppannan:** Q1, it's close to INR90 crores.

- Ritika:** Okay. And last question on a contrast media segment, with now validations being completed for this new contrast media drug, what is leading to delay in supplies or getting the PO in hand?
- Shiven Arora:** There's no specific delay, actually. I think this is a complex molecule and has gone through series of use test trials and validations and stability studies. Things like this typically can have a certain amount of delay, but overall outlook when it comes to this advanced intermediate and the necessity from a sourcing point of view by the customer is there. So I just believe it's a matter of time where we can scale up this molecule because the capacities are already live and are on warm standby.
- Ritika:** Again, what could be the risk of the company not getting PO in like next one to two quarters? How confident or what kind of risk do you envisage over here?
- Shiven Arora:** The conviction and the confidence levels are high, but we'll keep you updated if there is any course correction.
- Ritika:** So, that's it for me. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Meghana Agarwal from Mount Intra Finance. Please go ahead.
- Meghana Agarwal:** Good evening, sir. Thank you for taking my question. I just want to know, I miss that what is the salt that we are bringing in the FMCG sector and what is the usage of that salt? Can you just brief me on that, please?
- Shiven Arora:** So, up till now, we were manufacturing saccharine in the form of sodium saccharine. The other salt is calcium saccharine, which has been scaled up. The application is more or less similar, but that was the need by the customer for a specific formulation and it's also high value.
- Meghana Agarwal:** So, basically, now the new salt that we have come up with is the calcium saccharine, right?
- Shiven Arora:** Correct.
- Meghana Agarwal:** Thank you so much.
- Moderator:** We have our next question from the line of Pradeep Rawat from Yogya Capital. Please go ahead.
- Pradeep Rawat:** So, what would be the capacity utilization as of now?
- VK Singh:** It's about between 70%, 75%.
- Pradeep Rawat:** Okay. And how much of the headcount have we increased year-over-year?
- VK Singh:** Numbers, we won't have ready, but then the manpower expense has gone up by about 14% in the quarter. So, distributed across segments, starting from production, we've added people in production because of new block. We've added people in the project team because we needed more execution bandwidth.

We've added people in EHS because that's the orientation that we have going forward. And we've also strengthened the business development team. So, there's certain corporate functions. So, there's an all-round, but then this will not be as much as the growth that we have because there'll be some amount of operating leverage that'll kick in. But overall, I would say that the type of growth that we envision in anticipation of that growth, we have to create strong teams with quality, talent and caliber.

**Pradeep Rawat:** Yes, understood. And my last question was regarding, I missed it earlier. So, when is the commissioning of the unit third plant?

**VK Singh:** So, in unit three, we plan to have two blocks. The first block, that's the vertical integration, backward integration block for contrast media should get commissioned in quarter one of FY '26.

**Pradeep Rawat:** Okay. Thank you and all the best.

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

**Nikhil:** Just two questions. In fact, in the previous question you talked about, you are creating a team bandwidth and all in the anticipation of a strong growth. Two parts to it. One is, if we have to understand what are the industry drivers which are giving you confidence of such a strong growth.

And secondly, on the CDMO, if you have to understand our pipeline trajectory or development, how do you see that pipeline trajectory evolving? So, if we compare ourselves six months back to today, how has the pipeline improved for us?

And in continuation there was one thing you said, we are also looking at greenfield capex. Now, I understand that CDMO business requires capacities to be in place initially before we get the business but we also carry the risk of underutilization of capacity if the business doesn't turn up. So, how do you balance between these two? What gives you the confidence to put a new capacity?

**VK Singh:** So, your question has three parts. The first one was that something about the industry and where we get the confidence of the growth. So, as that being a pure-play CDMO, we are in contact with a lot of innovator companies. And for whatever reason you attribute it to, China plus one or whatever you call it they are tailwinds for Indian companies.

And within Indian companies, we have certain very specific capabilities based upon the chemistry platforms that we have and extremely long-term relationships with most of our clients and therefore very high possibility of repeat business. So, I think all this augurs pretty well for charting a sustainable growth for the business. The second part is about the capacity. So, normally, as you would have seen that we are one of the industry-leading companies as far as our asset terms are concerned. One of the reasons for that is... I mean, there are other reasons as well. One of the reasons for that is that our gestation period is low. Why is the gestation period low? Because normally, our businesses are contractual businesses and our customers being mostly innovators they give us a good visibility for the next several years.

And therefore, you would see that our capacity in Unit 2, which we call Plan 6 has been just established. And in two months of commissioning the commercialization or industrialization will start. When we talk of building future capacity that is based upon the visibility that we already have and much of that visibility is from our existing customers. So, there is a decent amount of probability and positive correlation based upon which we are planning our future capacities. These capacities that we plan will be with the growth that we have to a very large extent contractually backed.

**Nikhil:** I get that point, sir. Just a continuation here. See, when you talked about the two capacities in Unit 2, one was for a product where the clinical trials and everything is already done and commercial launch is there. So, you have a clear visibility on the product getting commercially launched commercially scale up of the product. And similarly, on the contrast media. But for the future molecule the success rate for molecules from Phase 2, Phase 3 keeps on reducing. So, if you have to understand, is it like we have a good pipeline of Phase 3 molecules, which gives us confidence that probably we can keep doing a capex of INR50 crores, INR100 crores every year to meet the demand? I'm trying to understand on the future products in the pipeline.

**VK Singh:** Okay. So, firstly if you look at our business and the three main product categories, we I think, have a reasonably good pipeline in all three product verticals. On contrast media, we are entering new segments as well as there is a forward integration. So, our pipeline caters to both these growth drivers. In saccharine, Shiven mentioned about a product line extension. Besides that, we have a couple of very credible opportunities that we are working on, which would be significantly large.

And on the PI side also, we are focusing on Oncology, CNS and cardiovascular. So, the cardiovascular opportunity has kicked in. The Onco and CNS opportunities there are a couple of which are currently commercial and a couple that we are tracking. Now, coming to your question of the success rate of NCEs that's a very valid point that you bring out. And because we are a little selective in our product in the products that we choose or the customers that we partner with. But nevertheless having said that, I agree that if we are tracking 10 opportunities, 2 will materialize.

But then these opportunities the eight that don't materialize, we are not planning capacities for those. I mean, that will till the time they get approved will be catered from like I said, we were building milligram to multi-ton capability. And that's specifically the purpose for that.

So, we have an R&D and we have a Kilolab and we are constructing a new Kilolab and a new small volume plant. So, for these, I mean the initial supplies will go from there. And it's only the opportunities that finally click or kick in that's where the capacities are going to get added. For this uncertain period, when the molecule is not approved, for that period the volumes will go from the small volume plant. You could call it a pilot plant.

**Shiven Arora:** Some of the opportunities that we are tracking are phase three and beyond. So, the uncertainty risk is much lower.

**Nikhil:** Okay. So, for those opportunities the capex would probably kick in from next year? Or like, how should we understand? Because you mentioned the two capex, which we have done this year for

these two molecules, which are largely commercial. But for the future molecules, which you are talking probably will get commercial. So, how should we track your capex?

So, because I think somewhere you mentioned that every year we would be doing a INR100 crores kind of capex for the next two, three years. So, I'm just trying to attach that capex visibility with the pipeline visibility.

**Ganesh Karuppannan:** So, with our existing customers based on their forecast, we have to add capacities for them to take care of the future needs of the existing product. So, partly the capital expenditure is going for that. And we also have clear visibility of at least three to four products, partly commercialized, partly in the validation. So, that also has a clear visibility how we should look at it.

So, like the next FY '26 capex, we more or less know the product and the requirement. For FY '27 already there are indications like based. So, it all depends how the dialogue with the customer picks up. And we have a visibility what the customers expect for FY '27. So, we need to be at least a year or year and a half in advance before the customer comes with the contract.

**Nikhil:** Okay. And just last question. So, as you said partly it would be for our existing pipeline and partly for newer molecules. So, would it be right to say it would be a two-third, one-third kind of a split between existing and new? And this greenfield is basically to diversify the plant risk or is it like a completely larger plant than what we have as of now? What's the idea behind this greenfield?

**VK Singh:** So, the greenfield will be required because now existing capacities are saturated. There's no further debottlenecking or addition of blocks in the existing capacities possible. So, therefore, we need a greenfield. And as Ganesh mentioned the capacities that we put up as a stated policy they're all fungible capacities. So, while they may be dedicated to a particular product it's not that nothing else can be made in those capacities. So, there is business visibility for which the greenfield will be needed. And maybe we'll update you in the next call but then we are looking at a significantly large land parcel this time.

**Moderator:** Thank you. The next question is from the line of Keval our shareholder. Please go ahead.

**Keval:** Can you guide us as to what was the amount of the quantum of goods which were shipped out, but we could not recognize the sale in this quarter?

**Ganesh Karuppannan:** We are not allowed to actually disclose it. Maybe just to give a like this would be almost equal to more than at least 50% of the turnover quarterly.

**Keval:** So, if it's 160, we can assume it's around INR80 crores.

**Ganesh Karuppannan:** Yes.

**Keval:** Okay. So, this will be a spillover for the next quarter.

**Shiven Arora:** It will not be a full spillover but will be a partial spillover.

**Keval:** Partial spillover. Okay. And is the freight issue now getting resolved or it is still taking the same time?

**Ganesh Karuppannan:** It is still around 60-65 days. And also, the ocean freight has gone up in the last quarter. The last two, three months, we could see that because of the longer route the ocean freight has gone up. So, we expect things to get resolved maybe in a quarter or so.

**Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

**Ganesh Karuppannan:** We would like to thank all the participants and we hope to see you in the next conference call. Thank you very much.

**Moderator:** Thank you. On behalf of Blue Jet Healthcare that concludes this conference.

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(This document was edited for readability purpose.)