BLUE JET
HEALTHCARE

BLUE JET HEALTHCARE LIMITED

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November 18, 2023

To,

BSE Limited	National Stock Exchange of India Limited
Phiroze Jeejebhoy Towers	"Exchange Plaza"
Dalal Street	Bandra-Kurla Complex, Bandra (East)
Mumbai - 400 001	Mumbai - 400051
Scrip Code (BSE): 544009	Symbol: BLUEJET

Sub: Transcript of the Earnings Call with Analysts/Investors on Financial Results for the quarter/ half year ended September 30, 2023

Dear Sir / Ma'am,

Pursuant to Regulation 30 of the SEBI (LODR) Regulations, 2015, please find enclosed the transcript of the Earnings Call with the Analysts/ Investors on the Financial Results for the quarter/ half year ended September 30, 2023 held on November 15, 2023.

The same is also available at: https://bluejethealthcare.com/investor-presentation/

You are requested to take the same on record.

Thanking you,

Yours faithfully,

For **Blue Jet Healthcare Limited**

SWETA PODDAR
Digitally signed by SWETA PODDAR
Date: 2023.11.18 13:06:25 +05'30'

Ms. Sweta Poddar
Company Secretary & Compliance Officer

"Blue Jet Healthcare Limited
Q2 & H1 FY24 Earnings Conference Call"

November 15, 2023

MANAGEMENT:	**MR. SHIVEN ARORA – MANAGING DIRECTOR – BLUE JET HEALTHCARE LIMITED**
	MR. V. K. SINGH – CHIEF OPERATING OFFICER – BLUE JET HEALTHCARE LIMITED
	MR. GANESH KARUPPANNAN – CHIEF FINANCIAL OFFICER – BLUE JET HEALTHCARE LIMITED
	MR. SANJAY SINHA – DEPUTY CHIEF FINANCIAL OFFICER – BLUE JET HEALTHCARE LIMITED
MODERATOR:	**MR. DIWAKAR PINGLE – ERNST & YOUNG**

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY24 Earnings Conference Call of Blue Jet Healthcare Limited. 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 the conference is being recorded.

I now hand the conference over to Mr. Diwakar Pingle from Ernst & Young. Thank you and over to you.

Diwakar Pingle: Thank you so much, Michelle. A warm welcome to everyone who logged on to this Q2 FY24 Earnings Call of Blue Jet Healthcare Limited, which also happens to be the first earnings call post-listing. Please note that the investor presentation and the financial results are available on the company website and on the stock exchanges.

Anything said on this call which reflects our outlook for the future, which can be construed as a forward-looking statement, must be viewed in conjunction with the rest of the company faces. Blue Jet does also undertake no obligation to update any forward-looking statement to reflect developments that occur after the statement is made. The conference call is being recorded and the transcript along with audio of the same will be made available on the website of the company as well as the exchanges.

Please also note that the audio of the conference call is a copyright material of Blue Jet Healthcare Limited and cannot be copied, rebroadcasted or attributed to press and media without specific and written consent of the company. To take you through the results and give you a brief highlight of the company's business model and the performance for this quarter, we have with us the management, represented by Mr. Shiven Arora, the Managing Director, Mr. V. K. Singh, the Chief Operating Officer, Mr. Ganesh Karuppannan, the Chief Financial Officer, and Mr. Sanjay Sinha, Deputy Chief Financial Officer.

I will now handover the floor to Mr. Shiven Arora, Managing Director of Blue Jet Healthcare Limited to provide you with updates on the quarter. Over to you, Shiven.

Shiven Arora: Good afternoon, everyone. Thank you for joining us on our maiden early call to discuss the operational and financial performance of Q1 FY24 and H1FY24. To begin with, on behalf of Blue Jet team, I thank and congratulate all the stakeholders, investors, BRLMs, stock exchanges, and business partners for helping us to achieve the milestone of getting listed on Indian stock exchanges.

Since this is our maiden call, I would like to take you through our business vertical strategy going forward, followed by this and operational financial highlights for the quarter and half-yearly results, post which we can open the floor for Q&A.

We are a CDMO player in the specialty pharma and healthcare ingredients space, in operations for more than 50 years. We have three verticals: Contrast media intermediates, which is servicing the MedTech industry, artificial sweeteners, and the third vertical being pharma intermediates and APIs.

Our business is built on long-term relations with marquee customers in the respective product categories. Our business is export-led with CAGR of 20% during the last three years. Speaking more about contrast media, contrast agents are dyes that are injected in the body to enhance the visibility of organs, tissues, and blood vessels.

Contrast media segment is estimated at around 5.9 billion USD as on June 2023. 75% of the market is controlled by top four players in the world. The market is expected to grow at 6%-8% volume terms between 2023 and 2025.

We operate in the intermediate space of this specific vertical. We are a supplier of building blocks for iodinated set of molecules, which are used for x-ray CD scans. From 1997, we have developed a range of advanced intermediates catering to the needs of these global innovators, these four customers who are dominant shareholders of the market.

Recently, we commercialized advanced intermediates for gadolinium set of molecules in the contrast media space, which are used for MRI scans. We are tracking some credible opportunities over here, generic and also NCE. Currently, we have 19 products in different life cycles, such as development, sampling, validation, and commercialization.

I would request Mr. VK to take us through the other verticals.

V K Singh: Thank you, Shiven. So firstly, season's greetings to all of you. I just want to felicitate you all in this time of the year. We are having festivals and thank you for joining the call. As Shiven said, this is a maiden call and therefore it's imperative on our part to just give you a glimpse of the various business verticals, what we do and how we do. I will take up the high intensity sweeteners segment and also the pharma intermediate segment and talk a little bit about the pivots that these two business verticals need.

So HIS has been a legacy segment for the company. Historically, this constitutes about 20% of our top line. Over the last three to four years, we have had a top line CAGR north of 25% to 30%. So we have been growing very well in this HIS part of the business. We have been making sweeteners for more than three decades now. In HIS, the high intensity sweetener addressable market is about 3 billion.

And of this saccharine that we make, that's our major product, that constitutes about 13% to 14%. Globally, you know, the capacity present worldwide for this saccharine sweetener is about 35,000 to 40,000 metric tons. And of this, we have about 10% of the world capacity.

The capacity at Blue Jet is about 3,500 to 4,000 metric tons, which makes us one of the leading players worldwide in this molecule. As a molecule, this has been around for 150 years. It's completely non-nutritional, which means that it has a zero glycemic index and it is the cheapest alternative to sugar.

Hence, we don't foresee any life cycle risks to the product. Just like contrast media, where iodine has been working as a contrast agent for more than a hundred years, there also we don't foresee any life cycle risk on a disruption happening. Here again, in the high intensity sweetener, also we don't see any life cycle risk for saccharine.

Being a performance chemical, this has a multi-industry end use, but we cater more to the non-commodity or the sticky part of the business. We supply to the who's who of the beverage industry, we supply to the who's who of the oral healthcare industry, and we also supply to a lot of the big pharma. We make this in a US FDA approved environment, which gives us a unique positioning as most of the companies treat this as a fine chemical.

Our product is known for its taste and consistency of taste, both of which are very critical parameters for onboarding a vendor. Habit and customer preference work as huge entry barriers to any new vendor who's trying to pitch his product to the FMCG clients. With some hoovering, perhaps I could say that the high amount of backward integration that we have, the scale that we have built, our dedicated production block, they all contribute to our cost competitiveness. Because of this, we have been able to create a small moat for ourselves in this segment.

Having said that, I will now take you through our third product vertical that we call internally the PI, the Pharma Intermediate Vertical. This vertical is built on our CDMO and CRAMS capabilities, where we partner right from bench to the bulk stage.

Our focus is chronic therapeutic segments. We are working with several MNC and innovator companies for late stage NCEs and recently launched and commercialized opportunities. A lot of incubation was done in this segment three years or four years back, and some of those opportunities are now getting to industrial scale.

One such opportunity was in the cardiac space where commercialization has happened in the last quarter, which has led to a quantum jump in the revenues of this segment. And when my colleague Ganesh will dive deeper into the numbers, you would see that this segment is getting a lot of traction and is scaling. For a CDMO model, which we are in, I would say we are a pure play boutique CDMO company. Both R&D capability and production capacity are critical growth levers.

At R&D, we have constructed a new R&D center and we have doubled our hardware at R&D and have also added some very competent and capable scientists. As far as capacity is concerned, over the last four years, we have quadrupled our capacity. In 2018, we had about 230 KL. Today, we have a little more than 1,000 KL capacity. To keep in step with envisaged customer demand and the lock-ins that we have, we are adding another 50% to our capacity in the next 18 months as a part of our ongoing capex cycles on which my colleague Ganesh, the CFO, will shed more light when he speaks.

With this, our capacity will go up to 1,500 KL in the course of the next 18 months. This capacity will be spread over four units. Three of them have currently got some capacity. Unit 1 is our legacy unit. Unit 2 is our flagship unit, which has the USFD approval. And Unit 3 is a brownfield unit, which we had acquired in the past.

So, these have been very qualitative inputs from my side. And with this, I will hand over to my colleague Ganesh, who will take you through the numbers for the quarter and also the first half of the year. Thank you.

Ganesh Karuppanan: Good morning, everybody. Thanks for joining our first maiden call. I'll quickly give you the snapshot of the financials.

Revenues from operation for H1FY24 grew by 7.8% year-over-year to 3,609 million, compared to 3,347 million in H1FY23. Mainly, this is driven by higher sale in contrast media and the pharma intermediate API category. EBITDA for H1FY24 stands at INR1,216 million, up 25.3% year-over-year compared to INR970 million in H1FY23. EBITDA margin for H1FY24 was 33.7% as compared to 29.0% in H1FY23 due to rationalization of RM cost and suffering of ocean freight and utility cost. Profit after tax for H1FY24 was at INR920 million, up 28.1% year-over-year as compared to H1FY23. PAT margin was 25.5% as compared to 21.5% in H1FY23.

Q2FY24 revenue was down by 4.7% owing to de-growth in artificial sweetener. EBITDA for the quarter came at INR626 million, up 6.7% year-over-year compared to INR587 million in Q2FY23. EBITDA margin for the quarter was at 34.5% as compared to 30.9% in Q2FY23. PAT for the quarter was INR479 million, up 8.9% year-over-year as compared to Q2FY23. And the PAT margin for the quarter was 26.4% as compared to 23.1% in Q2FY23. You could see the overall company's improvement in the profitability margin in H1 and we can actually take it on in the Q&A section.

I request Shiven to give the operational update for Q2. Shiven, you can take it on.

Shiven Arora: I want to update an incident that occurred in Unit 3, Mahad. As VK mentioned, this was a brownfield acquisition that we had done in FY20. We had retained a production block and we are in the process of constructing two new blocks. Fire broke out in this particular production block on 3, November. Our team, with the help of fire brigade, brought the fire under control in a few hours. There were casualties and injuries reported. It is indeed a heart-wrenching that we have suffered these casualties, given that we have an unblemished record for safe and reliable manufacturing for the past five decades.

We are fully cooperating with the concerned authorities related to the investigations associated with this fire and have put in a mechanism so that we can avoid such incidents to the extent possible. We are in the process of evaluating direct damages to the property. However, I can confirm that we have adequate insurance coverage to take care of that particular block, which has been affected.

The near-term impact is the existing block impacted by the fire has to be reconstructed and no manufacturing activities would be carried out in that particular block. Our plan was to use this block to scale up certain intermediates. We are in the process of de-risking operations through other alternatives and will present the same in the subsequent quarter.

Our ongoing capex that has been carried out in this particular site is not affected by the fire. As a company, we are taking all the necessary steps and measures to support the families that have been affected in the form of compensation and also offering employment to their family members.

On this note, we can open the floor for Q&A.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Sudarshan Padmanabhan from JM Financial PMS.

Sudarshan Padmanabhan: On the Mahad unfortunate accident, I just wanted a little bit more color. Because if I understand, this facility currently contributes negligible or this facility is prospectively going to contribute over a period of time. So, one is on the current phase, it shouldn't have much of an impact, is that right?

Second is, from the client side, given that we had impeccable records in the past, as you mentioned, has there been any kind of communication with respect to, because a lot of our clients are MNCs, and they focus a lot on ESG. So, has there been any kind of actions that you will have to put in other facilities?

Management: So, customers have been intimated. And even though this particular site, Unit 3, we were in the stage of establishing certain molecules. This particular site is not under the quality management system of our customers at this point in time. However, it was our responsibility to inform. We are taking all the necessary measures to firstly control the situation at this point in time. And also, as I mentioned earlier, the capex that was ongoing in this particular site is not affected by the fire. It was in one production block.

Sudarshan Padmanabhan: If I look at primarily in the Saccharin business as well as the contract medium, it's my understanding that we have a long-term arrangement. So, we basically would have visibility in terms of volumes across the year. But is that a fair understanding that one is the drop that we saw in the sweetener, it would primarily mean that the business is not necessarily linear on a quarterly basis, but on a full year basis, the volumes more or less would be achieved.

And secondly, specifically to the CMI, if the slower growth or the fall in the top line, it is more to do with the fact that we operate on a gross contribution per kg. And if the raw material falls, we basically pass on at least partially or fully. Therefore, the gross contribution per kg on a lower realization is higher, which results in better gross margin. Is that a right understanding?

Ganesh Karuppannan: I'll just pick up on the artificial sweetener. In the first half, we had impact on artificial sweetener on two counts. The imported material pricing is cheaper. We are not interested in dropping the prices. We don't want to compromise on the gross margin at this stage. So, the spot market opportunity that is something we lost in Q2.

We will be actually catching up in the artificial sweetener in Q4, as most of the order cycles are between January to September. So, there is a little bit of seasonality. So, that we will be addressing as far as the artificial sweetener is concerned.

The second question is on gross contribution per kg. We have products where the realizations differ from product segment. The realization within the product segment is also very different. It is not appropriate to actually go based on contribution per kg. Because this is something where you have certain low-value products as well as very high-value products. You cannot actually uniformly assume a particular gross margin per kg. That would actually give a wrong assessment.

Sudarshan Padmanabhan: Sure, sir. On the question on the CMI (Contrast Media) side, where the sales were a little weaker, was it because the raw material price is corrected, and we had to pass on the benefit? Please give some color on that.

Ganesh Karuppannan: Contrast media, in the first half, we have grown. If you really look at the number, we have grown by quantity and as well as on a better price realization. Both contributed to a higher turnover.

Sudarshan Padmanabhan: And we should see a little bit more momentum in the second half, given that capacities have come in?

Ganesh Karuppannan: On the existing contract, being a CDMO business, we have a step-up growth. We don't actually see a linear growth. On the existing contract, you have a moderate growth, mostly on quantity terms. And whenever you have a new product, new customer launch, you see a step-up growth. We do expect, based on the pipeline, we should be actually seeing a positive growth in this financial year.

Moderator: Thank you. The next question is from the line of Darshan Shah from Multi-Act Equity Consultancy, Pvt.

Rahul Picha: My first question is on the contrast media segment. The largest customer accounts for a substantial portion of our revenues. We do about INR450 crores with GE Healthcare. So, just wanted to understand how much penetration have we achieved with that customer and what is the scope for incremental growth with the same customer?

Ganesh Karuppannan: While our top customer will continue to be the single largest customer, we have certain launches in the next couple of quarters which actually would bring in the concentration risk which will be addressed. Currently, we have a couple of opportunities in contrast media as well as pharmaceutical intermediate space. That would actually de-risk our concentration risk in the near term. In terms of the customer lock-in with our major customer, we have long-term contracts in place that would sustain whatever businesses we are currently doing with these customers.

Rahul Picha: Incrementally from our understanding point of view, so incremental growth in the contrast media business will be more driven by new customers or is there potential for, more penetration with the larger customer as well?

Ganesh Karuppannan: With the existing contract, there will always be a nominal growth based on the customer requirement and a step-up jump will always happen as and when we have a new customer or a new product.

Rahul Picha: That's exactly what I wanted to understand. Is there scope for newer products with the same customer or we are almost fully penetrated?

Ganesh Karuppannan: We are working on a number of projects and as we speak, we plan to have a few launches in this financial year, which is expected in Q4 to Q1 of FY25.

Rahul Picha: On the pharma intermediate business. Can you give the rough split between the revenues that come from patented and generic products?

Ganesh Karuppannan: We don't actually share this particular information. VK, you want to take it on?

V K Singh: Yes. No, Ganesh, you are right. I agree. We don't categorize it and share the numbers in that fashion. But today, whatever revenue we are getting, we are getting from products which are protected and there is no generalization. In fact, our strategy is to follow leads which are still either under patent protection or some sort of marketing exclusivity. Even if they are not, we try and track those opportunities where the generic competition has not hit in. Till date, we have been successful. We have to see how it pans out going forward.

Rahul Picha: Over the next couple of years, what kind of scale-up are you expecting in this division?

V K Singh: We have four or five very interesting opportunities. A couple of them have already kicked in the previous quarter. And because of those opportunities which have kicked in, for example, the couple of opportunities which have now entered the commercial phase, you will see a ramp-up happening and very good traction in this third vertical gaining. We are tracking some more opportunities in this space, and I think there is a lot of headroom for growth in this vertical.

Moderator: Thank you. We will take the next question from the line of Nikhil Mathur from HDFC Mutual Fund.

Nikhil Mathur: On the contrast media business. You talked about nominal growth in the existing business and step up only when the new products will come on stream in 4Q and 1Q of next year. Can you give some color on the addressable market of these launches that are planned in the next six months-nine months in terms of how big is the addressable opportunity, what can be the volume market share that Blue Jet is looking to target in these products, so that we can get some understanding as to what can that step up be once the business growth gets exhausted?

Ganesh Karuppannan: Actually, in the intermediate space, there is no available data on the market size, specifically on contrast media. Today, what's happening is the key customers, they are fully backward integrated, and they control everything from intermediate to formulation. There is no available data on what that market opportunity is.

Given our relationship with the customers, we were one of the preferred suppliers for the top four players whenever it comes to outsourcing. As and when the customer decides to outsource, we are one of the preferred suppliers in getting these opportunities. If you are looking for market data on the intermediate space, this is not available actually.

But the opportunity size, if you really look at a 5.9 billion market, even if you could make a best estimate, the intermediate would be quite a sizable opportunity which is currently controlled by the top four players. 75% of the market is covered by the top four players. And the opportunity for outsourcing for intermediate, we believe, would be quite interesting.

Nikhil Mathur: The launches that are planned in contrast media, all of them are NCEs?

Ganesh Karuppannan: No. Shiven, you want to take on the profile of the product because mostly it's all off-patent.

Shiven Arora: Yes. These molecules have been off patent for 30 decades now. But these opportunities that we are tracking, we will invoice one important validation that we are doing in Q3 this year. This is an advanced intermediate from what we are doing at this point in time. We are also tracking some credible opportunities on the MRI side. These are new products launched in the market and we are a key supplier to one of the big four players in this.

Nikhil Mathur: If the molecules are already quite generalized, like you're mentioning that they have been in the market for decades, why is it difficult to gauge the market potential of these molecules?

Ganesh Karuppannan: Today, what's available is the sales of the formulation, the contrast media, the dice part. Today, the entire supply is controlled by the formulator. Today, if you look at the top four players, there is no information available on what is actually getting outsourced. There is no reliable database on the intermediate side.

Nikhil Mathur: Sir, on the formulation end, the molecules that you are likely to launch, what is the market size of the formulation of these two or three molecules that you are launching?

Shiven Arora: Just take a step back. We will still be an intermediate manufacturer for these innovators. There are a few molecules that have an established market space. Today, since the overall market is growing, the propensity to outsourcing intermediates is increasing because in this particular way, our customers can make more of API outsourcing certain intermediates.

Over the past few years, we've seen this trend increasing. Today, since we are fully backward integrated, it gives us a good advantage from a cost and quality standpoint. This is one of the major reasons net realizations per kg is increasing as we launch some key products.

Nikhil Mathur: My second question is on the margin front. When I look at gross margins in the past, the data that we have from your DRHP of the last three years, gross margin has been above 60% as well in FY ‘20, FY ‘21. I think raw material prices were kind of under control at that point in time. Then they shot up in FY ‘22 and FY ‘23 and your margins came down to 58%, 53%.

Now you are tracking 56%, 57% in the first half. Is there a possibility of a gross margin turning back to above 60% levels in the next two years-three years?

Ganesh Karuppannan: If you look at the high margin period, I think that was because of the COVID impact. I think when COVID started, most of the chemical prices crashed. Especially some of the key raw materials we were importing, the prices literally crashed. So, you have to take it as one outlier.

Normally, I would actually expect levels of around 60% gross margin, 58% to 60%. FY '23 was again an issue with raw material prices. You might be aware most of the chemical prices significantly went up. That impact you could see in FY '23. FY '24, we are back to the 58% levels. We believe at the current chemical prices, we should be in a position to sustain this particular margin level.

Nikhil Mathur: So, 57%, 58% is where the company can go to, perhaps not beyond that on a sustainable basis?

Ganesh Karuppannan: On the existing portfolio.

Nikhil Mathur: The incremental business in FY'25, '26, will it be at a higher gross margin or at a similar level?

Ganesh Karuppannan: It depends on the portfolio. Like our assessment, it will be in excess of 50% to 55%.

Nikhil Mathur: One final question on the employee cost side. The numbers at 7% of sales and some employee costs how do you see this trending in the next two, three years? Amongst the companies that are a bit similar to yours, employee cost doesn't usually trend this low. At 6%, 7% is what you have been trending in the last two, three years. Will this continue or do you need to step up the employee cost expenditure in the coming two, three years? So any color on the employee cost, please?

Ganesh Karuppannan: It won't be significantly different. There could be a marginal increase of a percent or so. Our senior management is in place and for any new capacity addition, we will be actually hiring people at an operator level. So, it cannot be a significant jump in the salaries and wages cost.

Nikhil Mathur: So, it won't go beyond 7%, 8%?

Ganesh Karuppannan: Yes, it will be around in the similar range actually.

Moderator: Thank you. The next question is from the line of Naushad Chaudhary from Aditya Birla.

Naushad Chaudhary: Hi, thanks for the opportunity. Firstly, on the value addition piece in your Contrast Media business, so if you can help us understand, where exactly do we add value in term? Do we participate anything in terms of the product development piece or on the process side? What exactly do we add value to the customers here in this business to get the contract from the client?

Shiven Arora: Over the years, we've developed a good level of understanding with our key customers because the relations are of more than a decade in some cases. So, there could be some problems that we could help them when it comes to intermediates in terms of the quality profile. What we have recognized over the years is that since we are fully backward integrated and the unit operations that we are conducting in a semi-continuous manner offers better quality and yield.

So, this in turn creates advantage from a customer standpoint, from a sourcing view because this value addition is important. These molecules have been off patent for many, many years. But with the kind of manufacturing and the automation that we are offering, there is still innovation happening on the engineering side.

So, customer engagement on two fronts. One is helping them on the existing molecules and also participating in some of their newer developments which are in the early phases at the intermediate stage.

Naushad Chaudhary: In your existing portfolio, with some examples, if you can, share what exactly we have done to get the contract from the client? Is it the more the process innovation you have made which is helping you to make it cost-effective versus peer? Is there anything else which you have added and which has led you to win this contract? At least in your key products. With some example, that would be helpful.

Shiven Arora: I think the biggest win for us as a company is pure consistency and concentration in this particular segment. Today, we have been recognized as a credible intermediate supplier in the contrast media space with these global innovators. Over time, we have proven our capabilities from a scale-up standpoint. And it's a very heavily guarded industry. I mean, they don't prefer opening their specifications also at this intermediate stage because it's very unique.

Even though the molecules have been off patent, this particular therapeutic area has not seen generalization. Multiple factors to it would be the drug-device coupling. The scale at which the existing customers are operating. Like I mentioned before, as we start from the basics, when we move up the chain into advanced intermediates, there's a positive impact on the quality and yield which is much appreciated buyer and customers.

Naushad Chaudhary: That we understand, sir. Just from a product qualification point of view or for any new product which comes into your basket, there would be some checks, something which clients would do from his end to go ahead with you or with XYZ other suppliers. So what are the key things they check before giving a contract to their bidder?

Shiven Arora: I think the most important factor that they look closely is the quality parameters that we are offering. We'll have to, let me just take a step back and explain that this particular segment is addressing the Medtec industry. It's a high-dosage injectable. Injectables, as you are aware, have a very strict regulatory control. So even at the intermediate stage, product validation takes years.

Naushad Chaudhary: Typically, how many suppliers do they keep for one product?

Shiven Arora: So these are specific opportunities that we track closely with our customers. This has been discussed for many, many years after we effectively start manufacturing it because of the regulatory burden. I would refrain from making any statements from a customer sourcing strategy. But just like many other MNCs, they would have alternate sources.

Naushad Chaudhary: So there could be two reasons, geographical diversification or supplier diversification. Is there a possibility that clients can have two suppliers from the same region, from same geography?

Shiven Arora: That is true. That's quite possible.

Naushad Chaudhary: On the pricing policy side, how often do you change your product prices in your Contrast Media business?

Shiven Arora: So bulk of the contrast media revenues are backed by multi-year supply agreements that have a pricing formula, which factors in some key raw materials and major price fluctuations. So the pricing is fairly stable. The customers don't like working with many suppliers because that's one of the major reasons they've controlled the specification requirements and avoided competition.

Naushad Chaudhary: What all are the key raw materials, if we can share, you use in your business? Two, three key raw materials?

Shiven Arora: It's safe to confirm that we are fully backward integrated.

Naushad Chaudhary: I would like to understand from a pricing point of view, to have some sense on the business, if you can share the name of your key raw materials.

Shiven Arora: It would be currently under confidentiality IT agreements, but we will make that available in the subsequent quarters after the approval.

Moderator: Thank you, sir. We'll take the next question from the line of Rohan Advant from Prad Capital.

Rohan Advant: In the presentation, you stated that we have completed plant validation batches for one advanced intermediate. So is this from our top customer? Is this from a new customer? And how big is the opportunity and some timelines on when this would actually be commercialized?

Shiven Arora: This was a very important milestone and a key validation that has been completed. It is with one of the big four contrast media players. We see positive momentum on this particular front because the N-Formulation is also growing by low mid-teens. And it's a credible opportunity.

Rohan Advant: Is this pertaining to the step-up that you talked about that could happen in Q4 and Q1 or this is a separate opportunity?

Shiven Arora: This forms a part of what has been discussed. Yes.

Rohan Advant: Okay. So then secondly, with respect to the Mahad unit, we are on our capex program and we plan to increase our capacities. And also we are expecting a step-up in the last quarter of this year and first half of next year. How critical was the Mahad unit to this capex plan? Given that maybe we lost some part of that unit for some time, what implications does it have on our growth, if at all?

Shiven Arora: So the short and medium-term plans are intact. The capex, which is ongoing, is in the non-affected area.

Rohan Advant: For FY'24, '25 and '26, what are our capex plans in terms of rupees crores?

Ganesh Karuppannan: In the last 18 months, we have spent close to INR150 crores. We plan to spend another INR200-odd crore in the next 6 to 9 months. This expenditure is Unit II Ambernath, where we are coming out with an additional block. We are coming out with two new blocks in Mahad.

We have also completed our investment in solar. And this, we should be in a position to integrate with the grid shortly. The only expenditure which is slated for FY26 will be for our Unit IV, where we are awaiting environment clearance once we have this. Our capex plan for the new greenfield site should start somewhere in the middle of FY25.

Rohan Advant: Okay. And sir, you said the capex you've done in Mahad is unaffected by the fire. So that capex will be usable for our capacities going forward or it would be stalled for some time? And is the work going on right now?

Ganesh Karuppannan: As far as Mahad is concerned, the capex what we are planning is more for a backward integrated product. So we are actually taking out one of the imported raw material. We will be making it in-house out of this facility. So, while it's not a revenue generating investment, it is going to be more from de-risking our raw material sources. So, while it is critical, it won't have an impact in terms of the top line.

Rohan Advant: If there's any delay in Mahad. It's largely to, largely might delay the backward integration but not our revenues and the scale-up. Is that the right understanding?

Ganesh Karuppannan: So in terms of delay, we need to actually make an assessment because of this particular incident whether any short-term delay is expected in terms of our timelines. That's number one. We are also planning to have one additional block which is for multipurpose product. So that is something which was expected middle of FY25. So we need to make an assessment if there would be any delay in executing these products.

Moderator: The next question is from the line of Ritika from Value Quest.

Ritika: Hi, sir. Thank you for taking my question. My first question is on continuation of capex discussion. So in H1 FY24, we did INR80 crores of capex. What is the guidance for FY24 and '25?

Ganesh Karuppannan: FY24, we plan to spend another INR200 crores. FY25, we should have an investment of another INR150 crores. That's more on the green field in the site. Which is our Unit IV.

Ritika: My second question is on the cardiac esperon drug in the pharma intermediates. Wanted to understand how has the scale-up been? I believe there was some delay that was happening in the scale-up. So in terms of maybe per month, where are we in terms of this drug scaling up?

V K Singh: Yes. So the scale-up has happened. Commercialization, we've entered the commercialization phase. That's the reason that you see that the quarter numbers are showing ramp up and very good traction as compared to the same period of last year. Hereafter, I think there will be slight increase on monthly offtake as the product stabilizes. I think there should be a steady revenue stream month on month.

Ritika: So also we were expanding our capacities for this particular drug. With a Mahad incident or something, do we expect that to get impacted in any which way? Or do we expect scale-up in our capacities to happen as planned?

V K Singh: So how we structure the business is that we always have bridging capacities. So currently, this is being made in a particular facility. And going forward, by the time the volumes ramp up, our new capacity, which is at Unit II for this particular drug, will be on stream. Then when that happens, we don't foresee any delays. Whatever timelines have been indicated, we will be keeping in step with those timelines. The moment that happens, this will transition from the current plant that we are producing to this new facility. That facility being in Unit II, we don't foresee any impact or any delays from what we have indicated in the past.

Ritika: On the guidance. So earlier, we were guiding for a PAT, '24 PAT guidance of INR240 crores. Does that still stand?

Ganesh Karuppannan: We don't share any forward-looking numbers.

Ritika: What we've said is this new validation that we've done in the Contrast Media, we expect that to start commercializing from FY24. Would that be a correct understanding?

Ganesh Karuppannan: Yes. We are working on that, actually.

Ritika: Any idea on the metric ton that we expect to supply for this new drug for FY24?

Ganesh Karuppannan: No, we will not be giving guidance on those numbers now.

Moderator: Next question is from the line of Naitik Mohata from Sequent Investments.

Naitik Mohata: Yes, sir. Thank you for the opportunity. Sir, starting with what are our utilization levels as of now?

Ganesh Karuppannan: Capacity utilization is around 70%.

Naitik Mohata: Considering the incremental capacity that we are planning in the next 15 to 18 months, what our peak revenue could look like if the incremental capacity is running the same at 70%, 80%?

Ganesh Karuppannan: Number one, the incremental capacity, what we are proposing in Mahad is more for backward integration. So we will actually take out one of our raw materials and make it in-house. So that won't have any implication on the top line. It's more to do with our sourcing. And we don't give guidance on the future projected sales numbers.

Naitik Mohata: What would our peak revenue potential be like for our existing capacity or increased capacity per se? Just a ballpark figure?

Ganesh Karuppannan: When you talk about capacity, in our nature of business, it may not be appropriate to extrapolate the capacity utilization. The incremental capacity, the revenues generated by incremental capacity could be very different. The per kg realization, whatever we are discussing at this stage, could be significantly higher than what we are currently earning on a per kg basis. So, the incremental revenue from the incremental capacity is going to be very different.

Naitik Mohata: Among the three verticals that we operate in, according to you, which would be the vertical that we are more opportunistic in the upcoming years?

Ganesh Karuppannan: We go based on customer. So, it's basically like it could be either a Contrast Media, Artificial Sweetener, or PI. We have marquee customers and based on the customer needs, we look at it. It may not be specific to a particular product segment. I would actually say it's more specific to a customer.

Shiven Arora: I think we are very positive across the three verticals. We are hopeful and there are some credible opportunities that we are tracking. There is solid traction in all the three verticals at this point.

Moderator: Ladies and gentlemen, as that was the last question, I would now like to hand the conference over to the management for closing comments.

Ganesh Karuppannan: We thank your participation. Being our maiden call, to the extent possible, we have tried explaining our business model. The transcript will be uploaded within the timelines. We look forward to your support. Thank you.

Moderator: Thank you, sir. Thank you, members of the management. Ladies and gentlemen, on behalf of Blue Jet Healthcare Limited, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.

(This document was edited for readability purpose.)