

28 May 2024

India | Equity Research | Q4FY24 results review

## Blue Jet Healthcare

Speciality Chemicals

### Growth to ride on new products; rising pipeline efforts, a welcome step

Blue Jet Healthcare's (BlueJet) Q4FY24 print was disappointing. The company's performance was bogged down by a few factors, but mainly – the contrast media segment being hurt from lower supplies to its largest customer, and higher recognition of change in inventory denting margins. Even so, BlueJet is confident on FY25 earnings growth supported by normalisation of ABA HCL supplies/iodinated ramping-up/gadolinium products. PI and APIs shall benefit from a ramp-up in supply to bempedoic acid as the product receives USFDA approval. Further, BlueJet is preparing to boost its pipeline by upping its R&D/infra investments. We marginally tweak our estimates, which are conservative compared to the company's outlook. Accordingly, our TP is INR 445 (earlier INR 450) with a FY26E PE multiple of 26x. Retain **BUY**.

### Contrast media revenue dips; PI and APIs stronger

BlueJet's contrast media segment revenue dip 33% YoY/0.3% QoQ to INR 1.1bn due to: 1) lower realisations, as drop in APD prices are 50% passed-on; and 2) an impact on volumes owing to lower off-take by its largest customer amid a protracted maintenance shut down at the customer's end. The customer is also undertaking de-bottlenecking, which should subsequently help drive higher volumes for BlueJet. The company has completed validation of new iodinated ABA HCL product with Guerbet; commercial supplies should start from Q2FY25. BlueJet also expects to boost supplies for its intermediates that find application in NCE Gadolinium-based contrast media – product is expected to ramp-up with approvals from both US and EU authorities. ABA HCL revenues are likely to be impacted even in Q1FY25 as revenue recognition was favourable in Q4FY24, and lower exports will likely pinch in Q1FY25.

Sweeteners' revenue was down 2% YoY, but smartly recovered with 38% QoQ growth to INR 340mn. The segment was hurt with the rise in competitive intensity from China.

PI and APIs segment has grown strong 2.6x YoY/30% QoQ to INR 358mn with a ramp-up in supplies for the NCE cardiovascular drug, for which BlueJet enjoys a patent till 2032. The company has validated a new facility in Ambarnath (Unit-2), which will be used to produce intermediates for bempedoic acid and NCE for gadolinium-based contrast media.

### Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	7,210	7,116	9,757	12,388
EBITDA	2,191	2,292	3,302	4,173
EBITDA Margin (%)	30.4	32.2	33.8	33.7
Net Profit	1,600	1,735	2,375	2,961
EPS (INR)	9.2	10.0	13.7	17.1
EPS % Chg YoY	(11.9)	8.4	36.9	24.7
P/E (x)	40.4	37.3	27.2	21.8
EV/EBITDA (x)	28.9	27.3	19.2	15.3
RoCE (%)	23.8	19.9	22.7	24.1
RoE (%)	41.7	36.5	36.4	33.1

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#### Market Data

Market Cap (INR)	65bn
Market Cap (USD)	778mn
Bloomberg Code	BLUEJET IN
Reuters Code	BLUJ.BO
52-week Range (INR)	433 /319
Free Float (%)	14.0
ADTV-3M (mn) (USD)	0.9

Price Performance (%)	3m	6m	12m
Absolute	6.5	2.2	-
Relative to Sensex	2.5	(11.4)	-

Earnings Revisions (%)	FY25E	FY26E
Revenue	(1.2)	(1.1)
EBITDA	(0.5)	(0.6)
EPS	(0.2)	(1.6)

#### Previous Reports

01-04-2024: [Company Update](#)

15-03-2024: [Initiating Coverage](#)

### Gross profit and EBITDA margin impacted by recognition policy

BlueJet's revenues slipped 15.3% YoY/+10.3% QoQ to INR 1.8bn with weakness in the contrast media segment. Gross profit shrunk 16.2% YoY, but was up 2.1% QoQ to INR 980mn – impacted by gross profit margin contracting 430bp QoQ to 53.3%. Gross profit margin took a hit on account of lower mix of higher margin contrast media and higher recognition of change in inventory, which comes loaded with operating cost. Underlying-basis, company notes margins as stable QoQ.

Employee cost has increased 25.6% YoY; and other expenses decreased 13% YoY/up 8.7% QoQ. EBITDA declined a sharp 24.5% YoY/2.8% QoQ to INR 531mn. Again, margin was impacted from lower gross profit margin, which should reverse with a normalisation of gross profit margin. EBITDA margin dipped 390bp QoQ to 28.8%. Net profit declined by 21.8% YoY to INR 397mn.

### BlueJet's balance sheet continues to be healthy

BlueJet is net cash positive at INR 3.2bn, improving from INR 2.5bn in FY23. Operating cashflow (after working capital) was INR 2.4bn in FY24 while capex stood at INR 1.7bn. The company announced dividend of INR 1/share (10% dividend payout). Working capital days have dipped slightly to 142 days [FY23: 158 days] on lower receivable days.

BlueJet has guided for capex to remain high for the next two years, at INR 2bn each year, which will help company to grow faster and support capacities for existing and new products. Asset turnover is guided at a strong 3x.

### Emphasis on rising R&D activities; new product commercialisation

BlueJet has indicated increased efforts and investments in its R&D activity to boost the pipeline. This, in turn, shall help the company level up growth efforts, post its five-products expansion over FY24-26E, which is likely to double BlueJet's revenue base, in our view. The company seeks to focus on new products, and move up the value chain in the contrast media segment. It is already working on a few more products to be launched in the contrast media segment. The successful validation of iodinated contrast media enhances BlueJet's credibility as a supplier of intermediates for contrast media. Under the sweetener category, the company is working on new products, and potential long-term contrasts particularly focused at FMCG segment. The PI and APIs segment will have more products for innovators.

BlueJet is running various capex projects to support ongoing development, and towards the de-risking of its existing businesses. The Mahad facility (Unit-3) – where the company plans to expand its presence in APD production – shall immediately cater to captive requirements; the facility also aims to supply to other contrast media intermediate producers. Mahad facility will have MPP for future development. Due to a recent incident, the capex completion is pushed by a quarter to Q1FY26.

Ambernath-2 (Unit-4) will likely see expanded capacities compared to the company's initial projection due to higher capacity addition replicating Ambernath-1 facility, and commercialisation of new products.

BlueJet has completed solar installation which should help meet 60–70% of the company's power requirement; and thus, reduce power cost.

### Risks

**Downside risks:** Higher product and customer concentration; delay in new product ramp-up; and lower-than-expected margins

**Upside risks:** Faster-than-expected ramp-up of new products with higher margins; and more long-term contracts that improve outlook and rerate valuations.

**Exhibit 1: Blue Jet Healthcare financials**

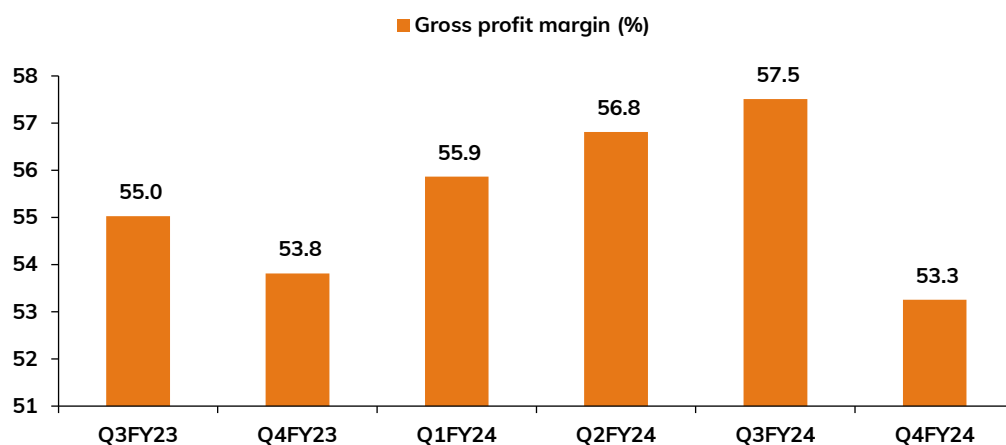
INR mn	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	QoQ (%)	YoY (%)
Revenue	2,173	1,795	1,814	1,668	1,839	10.3	(15.3)
COGS	1,004	792	783	709	860		
<b>Gross profit</b>	<b>1,169</b>	<b>1,003</b>	<b>1,030</b>	<b>959</b>	<b>980</b>	<b>2.1</b>	<b>(16.2)</b>
<b>GPM (%)</b>	<b>53.8</b>	<b>55.9</b>	<b>56.8</b>	<b>57.5</b>	<b>53.3</b>		
Employee cost	112	127	133	130	141	8.5	25.6
% of revenue	5.2	7.1	7.3	7.8	7.7		
Other expenses	354	286	271	283	308	8.7	(13.0)
% of revenue	16.3	15.9	14.9	17.0	16.7		
<b>Total expenses</b>	<b>466</b>	<b>413</b>	<b>404</b>	<b>413</b>	<b>449</b>	<b>8.6</b>	<b>(3.7)</b>
<b>EBITDA</b>	<b>703</b>	<b>590</b>	<b>626</b>	<b>546</b>	<b>531</b>	<b>(2.8)</b>	<b>(24.5)</b>
<b>EBITDA (%)</b>	<b>32.4</b>	<b>32.8</b>	<b>34.5</b>	<b>32.7</b>	<b>28.8</b>		
Depreciation	63	61	65	79	77	(1.8)	22.2
<b>EBIT</b>	<b>640</b>	<b>529</b>	<b>562</b>	<b>467</b>	<b>454</b>	<b>(2.9)</b>	<b>(29.1)</b>
Other income	62	51	82	68	88	30.8	42.0
Finance cost	3	0	0	0	0	(13.5)	(90.2)
<b>PBT</b>	<b>699</b>	<b>579</b>	<b>643</b>	<b>534</b>	<b>542</b>	<b>1.3</b>	<b>(22.5)</b>
Tax	192	138	165	116	145	25.1	(24.5)
<b>ETR (%)</b>	<b>27.5</b>	<b>23.8</b>	<b>25.6</b>	<b>21.7</b>	<b>26.8</b>		
Exceptional item	-	-	-	97	-		
<b>Net profit</b>	<b>507</b>	<b>441</b>	<b>479</b>	<b>321</b>	<b>397</b>	<b>23.5</b>	<b>(21.8)</b>
<b>Net profit (%)</b>	<b>23.3</b>	<b>24.6</b>	<b>26.4</b>	<b>19.3</b>	<b>21.6</b>		
<b>EPS (INR)</b>	<b>2.9</b>	<b>2.5</b>	<b>2.8</b>	<b>1.9</b>	<b>2.3</b>	<b>23.5</b>	<b>(21.8)</b>

Source: I-Sec research, Company data

**Exhibit 2: Segmental Financials**

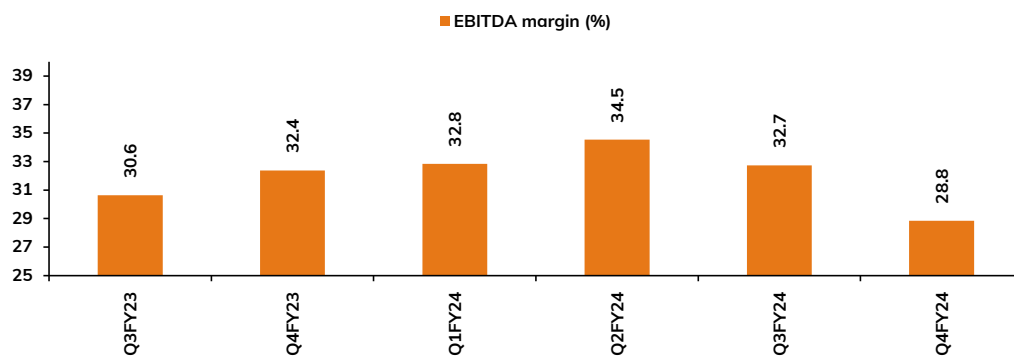
INR mn	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	QoQ (%)	YoY (%)
<b>Revenue</b>							
Contrast Media	1,668	1,286	1,276	1,120	1,117	(0.3)	(33.0)
Sweeteners	347	402	293	247	340	37.7	(2.0)
Pharma & APIs	140	95	219	275	358	30.2	155.7
<b>Total</b>	<b>2,155</b>	<b>1,783</b>	<b>1,788</b>	<b>1,642</b>	<b>1,815</b>	<b>10.5</b>	<b>(15.8)</b>
<b>Mix (%)</b>							
Contrast Media	77.4	72.1	71.4	68.2	61.5		
Sweeteners	16.1	22.5	16.4	15.0	18.7		
Pharma & APIs	6.5	5.3	12.2	16.7	19.7		

Source: I-Sec research, Company data

**Exhibit 3: Gross profit margin at 53.3% in Q4FY24**

Source: I-Sec research, Company data

#### Exhibit 4: EBITDA margin at 28.8% in Q4FY24



Source: I-Sec research, Company data

#### Exhibit 5: Earnings revision

INR mn	Revised		Earlier		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	9,757	12,388	9,871	12,530	(1.2)	(1.1)
Gross profit	5,199	6,419	5,249	6,480		
GPM (%)	53.3	51.8	53.2	51.7		
EBITDA	3,302	4,173	3,320	4,196	(0.5)	(0.6)
EBITDA (%)	33.8	33.7	33.6	33.5		
PAT	2,375	2,961	2,379	3,008	(0.2)	(1.6)
EPS (INR)	13.7	17.1	13.7	17.3	(0.2)	(1.6)

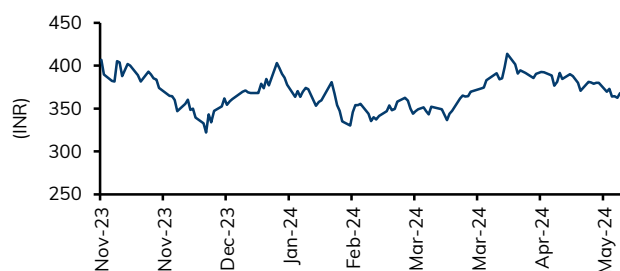
Source: I-Sec research, Company data

#### Exhibit 6: Shareholding pattern

%	Oct'23	Dec'23	Mar'24
Promoters	86.0	86.0	86.0
Institutional investors	6.7	6.6	5.1
MFs and others	2.3	2.2	1.7
FIs/Banks	0.6	0.0	0.0
Insurance	0.4	0.6	0.9
FIIIs	3.4	3.8	2.5
Others	7.3	7.4	8.9

Source: Bloomberg

#### Exhibit 7: Price chart



Source: Bloomberg

## Financial Summary

### Exhibit 8: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
<b>Net Sales</b>	<b>7,210</b>	<b>7,116</b>	<b>9,757</b>	<b>12,388</b>
Operating Expenses	5,019	4,824	6,455	8,216
<b>EBITDA</b>	<b>2,191</b>	<b>2,292</b>	<b>3,302</b>	<b>4,173</b>
EBITDA Margin (%)	30.4	32.2	33.8	33.7
Depreciation & Amortization	251	281	442	546
EBIT	1,940	2,011	2,859	3,627
Interest expenditure	13	2	2	2
Other Non-operating Income	240	289	317	333
<b>Recurring PBT</b>	<b>2,166</b>	<b>2,298</b>	<b>3,175</b>	<b>3,958</b>
<b>Profit / (Loss) from Associates</b>	-	-	-	-
Less: Taxes	566	563	800	997
PAT	1,600	1,735	2,375	2,961
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
<b>Net Income (Reported)</b>	<b>1,600</b>	<b>1,735</b>	<b>2,375</b>	<b>2,961</b>
<b>Net Income (Adjusted)</b>	<b>1,600</b>	<b>1,735</b>	<b>2,375</b>	<b>2,961</b>

Source Company data, I-Sec research

### Exhibit 9: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
<b>Total Current Assets</b>	<b>6,650</b>	<b>7,056</b>	<b>8,465</b>	<b>9,604</b>
of which cash & cash eqv.	656	847	1,359	872
<b>Total Current Liabilities &amp; Provisions</b>	<b>1,739</b>	<b>2,060</b>	<b>3,105</b>	<b>3,938</b>
<b>Net Current Assets</b>	<b>4,912</b>	<b>4,997</b>	<b>5,360</b>	<b>5,667</b>
Investments	1,893	2,505	1,327	1,327
Net Fixed Assets	1,815	3,190	4,712	6,166
ROU Assets	228	226	226	226
Capital Work-in-Progress	305	1,471	735	735
Total Intangible Assets	-	-	-	-
Other assets	155	192	225	258
Deferred Tax Assets	-	-	-	-
<b>Total Assets</b>	<b>8,621</b>	<b>10,588</b>	<b>13,552</b>	<b>16,179</b>
<b>Liabilities</b>				
<b>Borrowings</b>	-	-	-	-
<b>Deferred Tax Liability</b>	<b>10</b>	<b>32</b>	<b>32</b>	<b>32</b>
Provisions	41	41	59	77
Other Liabilities	-	-	-	-
Equity Share Capital	347	347	347	347
Reserves & Surplus	6,468	8,105	10,005	11,782
<b>Total Net Worth</b>	<b>6,815</b>	<b>8,452</b>	<b>10,352</b>	<b>12,129</b>
Minority Interest	-	-	-	-
<b>Total Liabilities</b>	<b>8,621</b>	<b>10,588</b>	<b>13,552</b>	<b>16,179</b>

Source Company data, I-Sec research

### Exhibit 10: Quarterly trend

(INR mn, year ending March)

	Jun-23	Sep-23	Dec-23	Mar-24
Net Sales	1,795	1,814	1,668	1,839
% growth (YoY)	-	(4.7)	(1.3)	(15.3)
EBITDA	590	626	546	531
Margin %	33	35	33	29
Other Income	51	82	68	88
Extraordinaries	0	0	97	0
Adjusted Net Profit	441	479	321	397

Source Company data, I-Sec research

### Exhibit 11: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
<b>Operating Cashflow</b>	<b>1,745</b>	<b>2,281</b>	<b>2,501</b>	<b>3,175</b>
Working Capital Changes	(329)	132	(1,043)	(810)
Capital Commitments	(593)	(1,729)	(1,965)	(2,000)
<b>Free Cashflow</b>	<b>823</b>	<b>684</b>	<b>(506)</b>	<b>366</b>
<b>Other investing cashflow</b>	<b>(880)</b>	<b>(909)</b>	<b>1,495</b>	<b>333</b>
Cashflow from Investing Activities	(880)	(909)	1,495	333
Issue of Share Capital	-	-	-	-
Interest Cost	0	-	(2)	(2)
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	0	-	(475)	(1,184)
Others	(14)	(20)	-	-
Cash flow from Financing Activities	(42)	(20)	(477)	(1,186)
<b>Chg. in Cash &amp; Bank balance</b>	<b>(99)</b>	<b>(245)</b>	<b>512</b>	<b>(487)</b>
Closing cash & balance	654	410	1,359	872

Source Company data, I-Sec research

### Exhibit 12: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
<b>Per Share Data (INR)</b>				
Reported EPS	9.2	10.0	13.7	17.1
Adjusted EPS (Diluted)	9.2	10.0	13.7	17.1
Cash EPS	10.7	11.6	16.2	20.2
Dividend per share (DPS)	-	1.0	2.7	6.8
Book Value per share (BV)	39.3	48.7	59.7	69.9
Dividend Payout (%)	-	10.0	20.0	40.0
<b>Growth (%)</b>				
Net Sales	5.5	(1.3)	37.1	27.0
EBITDA	(12.1)	4.6	44.0	26.4
EPS (INR)	(11.9)	8.4	36.9	24.7
<b>Valuation Ratios (x)</b>				
P/E	40.4	37.3	27.2	21.8
P/CEPS	34.9	32.1	22.9	18.4
P/BV	9.5	7.6	6.2	5.3
EV / EBITDA	28.9	27.3	19.2	15.3
EV/SALES	8.8	8.8	6.5	5.1
Dividend Yield (%)	-	0.3	0.7	1.8
<b>Operating Ratios</b>				
Gross Profit Margins (%)	53.4	55.8	53.3	51.8
EBITDA Margins (%)	30.4	32.2	33.8	33.7
Effective Tax Rate (%)	26.1	25.6	25.2	25.2
Net Profit Margins (%)	22.2	24.4	24.3	23.9
NWC / Total Assets (%)	57.0	47.2	39.5	(5.0)
Net Debt / Equity (x)	(0.4)	(0.4)	(0.2)	(0.2)
Net Debt / EBITDA (x)	(1.2)	(1.4)	(0.8)	(0.5)
<b>Profitability Ratios</b>				
RoCE (%)	23.8	19.9	22.7	24.1
RoE (%)	41.7	36.5	36.4	33.1
RoIC (%)	37.4	31.9	32.7	30.3
Fixed Asset Turnover (x)	4.0	2.2	2.1	2.0
Inventory Turnover Days	63.6	66.6	60.0	60.0
Receivables Days	121.2	90.8	120.0	120.0
Payables Days	27.2	15.5	30.0	30.0

Source Company data, I-Sec research

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