

08 August 2024

India | Equity Research | Q1FY25 results review

Blue Jet Healthcare

Speciality Chemicals

Logistical delays hit revenue recognition

Blue Jet Healthcare's (BlueJet) Q1FY25 print was marred by logistic delays which restricted revenue recognition despite sharp jump in production by almost 40-50%. Despite inferior revenue mix, company was able to improve gross profit margin due to softening raw material prices, and benefit from additional sale in one profitable molecule. It has ramped-up capacities to support growth from three products, and sales from largest product will stabilise from Q2FY25. BlueJet is guiding to grow revenue sharply with good new product pipeline, and expects to hold margin steady over the next two years. We retain our estimates, which are conservative vs company's outlook. However, our TP has been raised to INR 600 (earlier INR 445) as we increase FY26E PE multiple to 35x (from 26x). Maintain **BUY**.

Contrast media revenue dips; PI and APIs stronger

BlueJet's contrast media segment revenue dipped 50% YoY / 42.3% QoQ to INR 645mn, impacted by an increase in number of days to reach consignments to customers in Europe from 40-45days to 65-70days. Its flow revenue recognition of deliver-at-site therefore company was not able to recognise higher revenue for increased production quantities. Its revenue booking should accelerate from Q2FY25, and sustain at those levels for largest customers till Dec'24. BlueJet expects quantities to start growing again from CY25; underlying revenue growth for customer in the segment was strong at 14% YoY, and it has also expanded the capacities. It has made significant progress in MRI contrast media, and forward integration for iodine-based contrast media by successfully completing validations. It is awaiting purchase order for final shipments. BlueJet expects new capacity of 70-80KL will be commissioned by Q3FY25 which will support growth for MRI-based contract media.

Sweeteners' revenue was down 13% YoY, but up 3% QoQ to INR 350mn. BlueJet is focusing only on FMCG customers and has discontinued spot sales.

PI and APIs segment has grown strong 6.3x YoY / 68% QoQ to INR 602mn with a ramp up in supplies for the cardiovascular drug. The company has validated a new facility in Ambarnath (Unit-2) (in Maharashtra), which will support growth from Q3FY25, clear order backlogs and win more customer wallet share.

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Market Data

Market Cap (INR)	87bn
Market Cap (USD)	1,036mn
Bloomberg Code	BLUEJET IN
Reuters Code	BLUJ.BO
52-week Range (INR)	539 /319
Free Float (%)	14.0
ADTV-3M (mn) (USD)	1.5

Price Performance (%)	3m	6m	12m
Absolute	31.8	41.6	0.0
Relative to Sensex	23.6	30.3	0.0

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
Adj PAT	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)	54.4	50.1	36.6	29.4
EV/EBITDA (x)	38.5	36.5	25.6	20.4
RoCE (%)	23.8	19.9	22.7	24.1
RoE (%)	41.7	36.5	36.4	33.1

Previous Reports

28-05-2024: [Q4FY24 results review](#)

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

Gross profit improved due to softer RM prices, and higher sale of one molecule which has favourable margin

BlueJet's revenue slipped 9.3% YoY/11.4% QoQ to INR 1.6bn due to lower revenue recognition in contrast media segment. Gross profit shrunk 11.2% YoY / 9.1% QoQ to INR 891mn, while gross profit margin was up 140bp QoQ to 54.7%. Despite lower contribution of higher margin contrast media, company was able to grow gross profit margin due to softer key raw material prices (APD), one molecule in contrast media having higher sale where margins were favourable and higher goods-in-transit.

Employee cost increased 16% YoY as company continues to invest in manpower across R&D, marketing and production. Other expenses were up 5% YoY/ down 2.4% QoQ to INR 300mn. EBITDA declined 25% YoY / 16.6% QoQ to INR 443mn. EBITDA margin dipped 170bp QoQ to 27.2%. Net profit only declined by 14.4% YoY to INR 378mn as company has moved its depreciation policy from WDV to straight line method which has lowered D&A to INR 35mn from INR 77mn in Q4FY24.

BlueJet's balance sheet continues to be healthy

BlueJet is net cash positive at INR 3.8bn, improving from INR 3.2bn in FY24. However, company's working capital has increased due to delay in revenue recognition, and higher raw material investor to feed increased capacity.

It has incurred capex of INR 900mn in Q1FY25 to commence 120KL plant at Ambarnath (Unit-2). It has committed capex of INR 2bn over the next 12-18months for expansion of Unit-3 where it has already completed common utilities, and plans to commission APD plant. It is also looking for a large land parcel for greenfield expansion in Maharashtra/Gujarat to support future growth.

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, may help the company level up growth efforts, post its five-product 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 contrast media segment. It is already working on a few more products to be launched in contrast media segment. In pharma intermediate segment, the company is focusing on products in oncology, CNS etc. for future growth with already 7-8 products in the pipeline.

Other highlights

- Company has conducted an audit for a new customer for new product. It expects product launches to improve going ahead.
- BlueJet has commissioned calcium saccharine, a new product in sweeteners segment for a particular customer, and has higher realisation.
- Company is putting up higher than required captive capacity of APD, and it has used continuous flow process which makes it cost competitive.
- Asset turnover will be 3-4x; current plant utilisation stands at 70-75%.
- Delay in logistics impacted revenue recognition of INR 800mn in Q1FY25.
- Company has guided to maintain EBITDA margin at current levels despite new products which can be slightly dilutive at gross profit margin level due to higher operating leverage. PAT margin should also sustain at current levels.
- Company is likely evaluating large capex plan for future growth; it may disclose more plans in coming quarters.

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

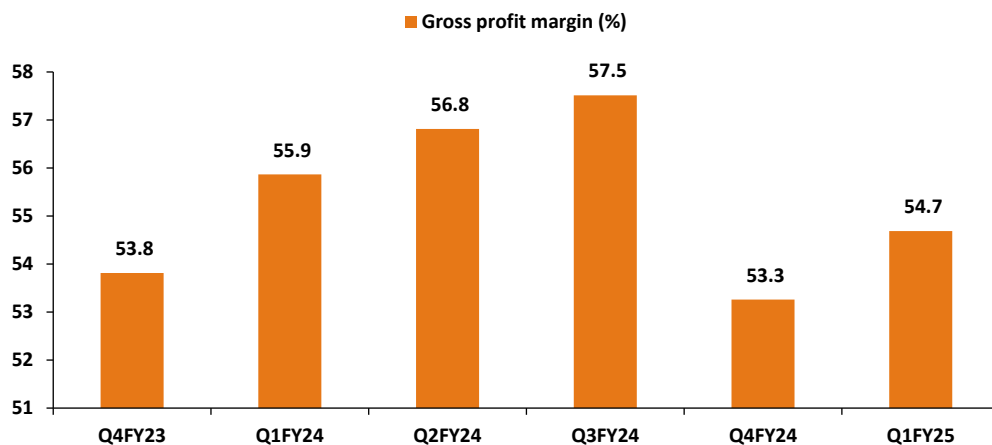
INR mn	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	QoQ (%)	YoY (%)
Revenue	1,795	1,814	1,668	1,839	1,629	(11.4)	(9.3)
COGS	792	783	709	860	738		
Gross profit	1,003	1,030	959	980	891	(9.1)	(11.2)
GPM (%)	55.9	56.8	57.5	53.3	54.7		
Employee cost	127	133	130	141	148	4.7	16.0
% of revenue	7.1	7.3	7.8	7.7	9.1		
Other expenses	286	271	283	308	300	(2.4)	5.0
% of revenue	15.9	14.9	17.0	16.7	18.4		
Total expenses	413	404	413	449	448	(0.2)	8.4
EBITDA	590	626	546	531	443	(16.6)	(24.9)
EBITDA (%)	32.8	34.5	32.7	28.8	27.2		
Depreciation	61	65	79	77	35	(54.9)	(42.4)
EBIT	529	562	467	454	408	(10.1)	(22.9)
Other income	51	82	68	88	87	(1.3)	72.1
Finance cost	0	0	0	0	0	(15.6)	(43.8)
PBT	579	643	534	542	495	(8.6)	(14.6)
Tax	138	165	116	145	117	(19.3)	(15.3)
ETR (%)	23.8	25.6	21.7	26.8	23.6		
Exceptional item	-	-	97	-	-		
Net profit	441	479	321	397	378	(4.7)	(14.4)
Net profit (%)	24.6	26.4	19.3	21.6	23.2		
EPS (INR)	2.5	2.8	1.9	2.3	2.2	(4.7)	(14.4)

Source: I-Sec research, Company data

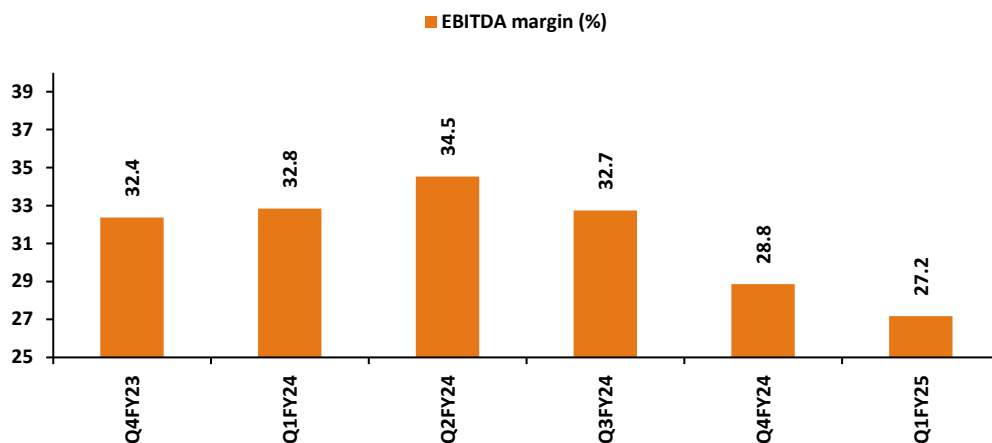
Exhibit 2: Segmental financials

INR mn	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	QoQ (%)	YoY (%)
Revenue							
Contrast Media	1,286	1,276	1,120	1,117	645	(42.3)	(49.8)
Sweeteners	402	293	247	340	350	2.9	(12.9)
Pharma & APIs	95	219	275	358	602	68.2	533.7
Total	1,783	1,788	1,642	1,815	1,597	(12.0)	(10.4)
Mix (%)							
Contrast Media	72.1	71.4	68.2	61.5	40.4		
Sweeteners	22.5	16.4	15.0	18.7	21.9		
Pharma & APIs	5.3	12.2	16.7	19.7	37.7		

Source: I-Sec research, Company data

Exhibit 3: Gross profit margin at 54.7% in Q1FY25

Source: I-Sec research, Company data

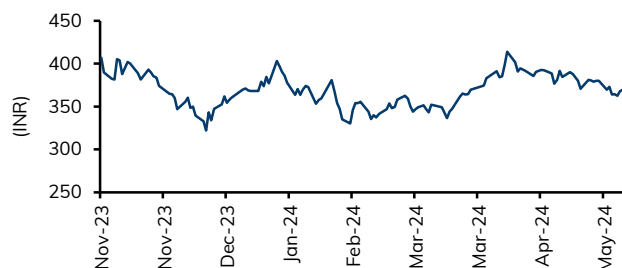
Exhibit 4: EBITDA margin at 27.2% in Q1FY25

Source: I-Sec research, Company data

Exhibit 5: 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 6: Price chart

Source: Bloomberg

Financial Summary

Exhibit 7: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	7,210	7,116	9,757	12,388
Operating Expenses	5,019	4,824	6,455	8,216
EBITDA	2,191	2,292	3,302	4,173
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
Recurring PBT	2,166	2,298	3,175	3,958
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	566	563	800	997
PAT	1,600	1,638	2,375	2,961
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	1,600	1,638	2,375	2,961
Net Income (Adjusted)	1,600	1,735	2,375	2,961

Source Company data, I-Sec research

Exhibit 8: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	6,650	7,056	8,465	9,604
of which cash & cash eqv.	656	847	1,359	872
Total Current Liabilities & Provisions	1,739	2,060	3,105	3,938
Net Current Assets	4,912	4,997	5,360	5,667
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	-	-	-	-
Total Assets	8,621	10,588	13,552	16,179
Liabilities				
Borrowings	-	-	-	-
Deferred Tax Liability	10	32	32	32
Provisions	41	41	59	77
Other Liabilities	-	-	-	-
Equity Share Capital	347	347	347	347
Reserves & Surplus	6,468	8,105	10,005	11,782
Total Net Worth	6,815	8,452	10,352	12,129
Minority Interest	-	-	-	-
Total Liabilities	8,621	10,588	13,552	16,179

Source Company data, I-Sec research

Exhibit 9: Quarterly trend

(INR mn, year ending March)

	Sep-23	Dec-23	Mar-24	Jun-24
Net Sales	1,814	1,668	1,839	1,629
% growth (YoY)	(4.7)	(1.3)	(15.3)	(9.3)
EBITDA	626	546	531	443
Margin %	35	33	29	27
Other Income	82	68	88	87
Extraordinaries	0	97	0	0
Adjusted Net Profit	479	321	397	378

Source Company data, I-Sec research

Exhibit 10: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	1,745	2,281	2,501	3,175
Working Capital Changes	(329)	132	(1,043)	(810)
Capital Commitments	(593)	(1,729)	(1,965)	(2,000)
Free Cashflow	823	684	(506)	366
Other investing cashflow	(880)	(909)	1,495	333
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)
Chg. in Cash & Bank balance	(99)	(245)	512	(487)
Closing cash & balance	654	410	1,359	872

Source Company data, I-Sec research

Exhibit 11: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
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
Growth (%)				
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
Valuation Ratios (x)				
P/E	54.4	50.1	36.6	29.4
P/CEPS	47.0	43.1	30.9	24.8
P/BV	12.8	10.3	8.4	7.2
EV / EBITDA	38.5	36.5	25.6	20.4
EV/SALES	11.7	11.8	8.7	6.9
Dividend Yield (%)	-	0.2	0.5	1.4
Operating Ratios				
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)
Profitability Ratios				
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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