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India | Equity Research | Q2FY25 results review

Blue Jet Healthcare

Speciality Chemicals

New projects to start contributing from H2FY25

Blue Jet Healthcare's (BlueJet) Q2FY25 shows a ramp-up in contrast media as ABA HCL volumes normalise; the segment should see acceleration in growth with the commissioning of intermediate for NCE MRI molecule and iodinated ABA HCL from Q4FY25. BlueJet's PI/API segment shone bright with higher volumes from cardiovascular molecule, and should contribute to growth further as the company ramps-up its newly-commissioned facility. BlueJet is building its new product pipeline of 12–15 molecules in the PI/API segment, which may help in sustaining growth momentum beyond FY26E. EBITDA margins are expected to be stable in the range of +/- 200bp range. We tweak our FY25E/ FY26E EPS estimates and maintain TP at INR 600 with an unchanged FY26E P/E multiple to 35x. Maintain **BUY**.

Contrast media revenue dips YoY; PI and APIs stronger

BlueJet's contrast media segment revenue dipped 11.1% YoY, but jumped 75.8% QoQ to INR 1.1bn, impacted by an increase in number of days to reach consignments to customers in Europe from 30–35days to 60–65days. Its revenue recognition is based on deliver-at-site; therefore, the company was unable to recognise higher revenue for increased production quantities in H1FY25. BlueJet expects quantities to start growing from CY25. The company also expects to commercialise 80KL capacity for the NCE molecule, which has a strong orderbook with encouraging demand for underlying products – shall commence invoicing from Q4FY25. BlueJet has also made significant progress in forward integration for iodine-based contrast media by successfully completing validations. It is awaiting purchase order for final shipments.

Sweeteners' revenue was up 7.8% YoY, but down 9.7% QoQ to INR 316mn. BlueJet is focusing only on FMCG customers and has discontinued spot sales.

PI/APIs segment has grown strong 172.1% YoY/down 1% QoQ to INR 596mn with a ramp up in supplies for the cardiovascular drug. The company has started production at its new facility at Ambarnath (Unit-2) (in Maharashtra) since Sep'24 where it has added 120KL of capacities. BlueJet expects a sharp ramp-up in production, and expects to optimal peak utilisation by end-FY25.

The company expects to commission kilo-lab production; and facilities in Unit-3 (Mahad) in Q1FY26, which should help accelerate growth.

Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	7,210	7,116	9,147	11,745
EBITDA	2,191	2,292	3,007	3,905
EBITDA Margin (%)	30.4	32.2	32.9	33.2
Net Profit	1,600	1,735	2,351	2,943
EPS (INR)	9.2	10.0	13.6	17.0
EPS % Chg YoY	(11.9)	8.4	35.5	25.2
P/E (x)	51.3	47.3	34.9	27.9
EV/EBITDA (x)	36.3	34.4	26.5	20.6
RoCE (%)	23.8	19.9	22.5	24.0
RoE (%)	37.4	31.9	32.2	29.5

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Market Data

Market Cap (INR)	82bn
Market Cap (USD)	976mn
Bloomberg Code	BLUEJET IN
Reuters Code	BLUJ.BO
52-week Range (INR)	553 /319
Free Float (%)	14.0
ADTV-3M (mn) (USD)	1.5

Price Performance (%)	3m	6m	12m
Absolute	(6.8)	27.5	21.3
Relative to Sensex	(4.1)	20.9	(1.1)

ESG Score	2023	2024	Change
ESG score	NA	NA	NA
Environment	NA	NA	NA
Social	NA	NA	NA
Governance	NA	NA	NA

Note - Score ranges from 0 - 100 with a higher number indicating a higher ESG score.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY25E	FY26E
Revenue	(6.2)	(5.2)
EBITDA	(8.9)	(6.4)
EPS	(1.0)	(0.6)

Previous Reports

08-08-2024: [Q1FY25 results review](#)

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

Gross profit helped by higher stock-in-trade

BlueJet's revenue rose 14.8% YoY/27.8% QoQ to INR 2.1bn, partly impacted by rising goods-in-transit, offset by the strong ramp-up in cardiovascular molecule supplies to innovator. Gross profit expanded 15.3% YoY/33.3% QoQ to INR 1.2bn while gross profit margin was up 230bp QoQ to 57% – partly helped by higher stock-in-trade.

Employee cost increased 15.7% YoY, as the company continues to invest in manpower across R&D, marketing and production. Other expenses were up 25% YoY/12.7% QoQ to INR 339mn on the commissioning of its new facility. EBITDA increased 11% YoY/57% QoQ to INR 695mn. EBITDA margin increased 620bps QoQ to 33.4%. BlueJet expects EBITDA margin to range +/- 200bp at current product mix. Net profit rose by 21.9% YoY to INR 583mn as the company has moved its depreciation policy from WDV to straight-line method, which has lowered D&A to INR 46mn, from INR 65mn in Q2FY24. Other income was higher at INR 121mn, up 47% YoY.

BlueJet's balance sheet continues to be healthy

BlueJet is net cash positive at INR 3.6bn, improving its position from INR 3.2bn in FY24. However, the company's working capital has increased due to delay in revenue recognition, and higher raw material investments to feed increased capacity.

It had incurred cash capex of INR 450mn in H1FY25 to commence 120KL plant at Ambernath (Unit-2). It has committed capex of INR 2bn annually, and expects to be on track for FY25 for expansion of Unit-3, where it has already completed common utilities, and plans to commission APD plant.

Other highlights

- BlueJet is looking to expand into newer chemistry in the near future, including enzymatic process, iodination, amino-derivatives and others. Under the enzymatic process, the company has filed for certain patents and expects to commercialise a few products in FY26, catering to the markets of import substitution and CDMO.
- The company does not see immediate risk to sales for its cardiovascular molecule from GLP-1; however, it can be a potential risk in the medium term. In the past, pharmaceuticals had very few incidences of obsolesce. The immediate competition is from generic drugs such as statins.

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

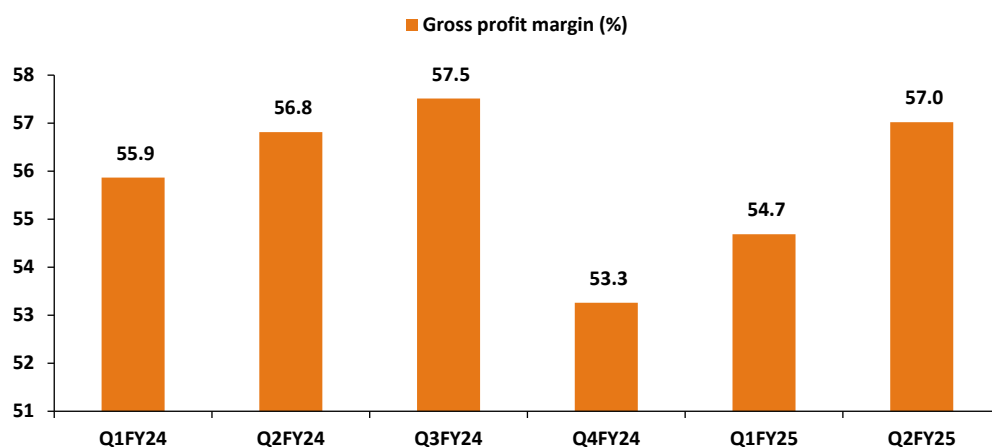
INR mn	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	QoQ (%)	YoY (%)
Revenue	1,814	1,668	1,839	1,629	2,083	27.8	14.8
COGS	783	709	860	738	895		
Gross profit	1,030	959	980	891	1,187	33.3	15.3
GPM (%)	56.8	57.5	53.3	54.7	57.0		
Employee cost	133	130	141	148	154	4.2	15.7
% of revenue	7.3	7.8	7.7	9.1	7.4		
Other expenses	271	283	308	300	339	12.7	25.0
% of revenue	14.9	17.0	16.7	18.4	16.3		
Total expenses	404	413	449	448	493	9.9	21.9
EBITDA	626	546	531	443	695	57.0	11.0
EBITDA (%)	34.5	32.7	28.8	27.2	33.4		
Depreciation	65	79	77	35	46	32.5	(28.6)
EBIT	562	467	454	408	649	59.1	15.5
Other income	82	68	88	87	121	38.5	47.0
Finance cost	0	0	0	0	0	(22.2)	(51.2)
PBT	643	534	542	495	769	55.5	19.6
Tax	165	116	145	117	186	58.9	12.9
ETR (%)	25.6	21.7	26.8	23.6	24.1		
Exceptional item	-	97	-	-	-		
Net profit	479	321	397	378	583	54.5	21.9
Net profit (%)	26.4	19.3	21.6	23.2	28.0		
EPS (INR)	2.8	1.9	2.3	2.2	3.4	54.5	21.9

Source: I-Sec research, Company data

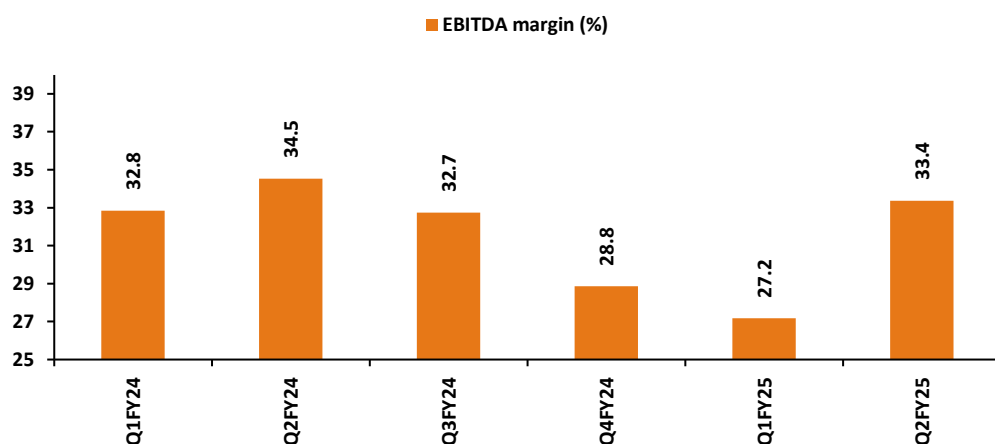
Exhibit 2: Segmental financials

INR mn	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	QoQ (%)	YoY (%)
Revenue							
Contrast Media	1,276	1,120	1,117	645	1,134	75.8	(11.1)
Sweeteners	293	247	340	350	316	(9.7)	7.8
Pharma & APIs	219	275	358	602	596	(1.0)	172.1
Total	1,788	1,642	1,815	1,597	2,046	28.1	14.4
Mix (%)							
Contrast Media	71.4	68.2	61.5	40.4	55.4		
Sweeteners	16.4	15.0	18.7	21.9	15.4		
Pharma & APIs	12.2	16.7	19.7	37.7	29.1		

Source: I-Sec research, Company data

Exhibit 3: Gross profit margin at 57% in Q2FY25

Source: I-Sec research, Company data

Exhibit 4: EBITDA margin at 33.4% in Q2FY25

Source: I-Sec research, Company data

Exhibit 5: Earnings revision

INR mn	Revised		Earlier		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	9,147	11,745	9,757	12,388	(6.2)	(5.2)
Gross profit	4,973	6,233	5,199	6,419		
GPM (%)	54.4	53.1	53.3	51.8		
EBITDA	3,007	3,905	3,302	4,173	(8.9)	(6.4)
EBITDA (%)	32.9	33.2	33.8	33.7		
PAT	2,351	2,943	2,375	2,961	(1.0)	(0.6)
EPS (INR)	13.6	17.0	13.7	17.1	(1.0)	(0.6)

Source: I-Sec research, Company data

Exhibit 6: Shareholding pattern

%	Mar'24	Jun'24	Sep'24
Promoters	86.0	86.0	86.0
Institutional investors	5.1	3.9	3.9
MFs and others	1.7	1.1	0.9
FIs/Banks	0.0	0.0	0.0
Insurance	0.9	0.5	0.1
FIIIs	2.5	2.5	2.9
Others	8.9	10.1	10.1

Source: Bloomberg

Exhibit 7: Price chart

Source: Bloomberg

Financial Summary

Exhibit 8: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	7,210	7,116	9,147	11,745
Operating Expenses	5,019	4,824	6,141	7,840
EBITDA	2,191	2,292	3,007	3,905
EBITDA Margin (%)	30.4	32.2	32.9	33.2
Depreciation & Amortization	251	281	180	301
EBIT	1,940	2,011	2,827	3,603
Interest expenditure	13	2	2	2
Other Non-operating Income	240	289	317	333
Recurring PBT	2,166	2,298	3,142	3,935
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	566	563	792	992
PAT	1,600	1,638	2,351	2,943
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	1,600	1,638	2,351	2,943
Net Income (Adjusted)	1,600	1,735	2,351	2,943

Source Company data, I-Sec research

Exhibit 9: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	6,650	7,056	7,991	8,864
of which cash & cash eqv.	656	847	1,264	533
Total Current Liabilities & Provisions	1,720	2,047	2,901	3,722
Net Current Assets	4,931	5,009	5,090	5,142
Investments	1,893	2,505	1,327	1,327
Net Fixed Assets	1,815	3,188	4,975	6,673
ROU Assets	228	226	226	226
Capital Work-in-Progress	305	1,471	735	735
Total Intangible Assets	0	2	-	-
Other assets	155	192	220	254
Deferred Tax Assets	-	-	-	-
Total Assets	8,621	10,588	13,336	15,941
Liabilities				
Borrowings	-	-	-	-
Deferred Tax Liability	10	32	32	32
Provisions	41	41	55	73
Other Liabilities	-	-	-	-
Equity Share Capital	347	347	347	347
Reserves & Surplus	6,468	8,105	9,986	11,752
Total Net Worth	6,815	8,452	10,333	12,099
Minority Interest	-	-	-	-
Total Liabilities	8,621	10,588	13,336	15,941

Source Company data, I-Sec research

Exhibit 10: Quarterly trend

(INR mn, year ending March)

	Dec-23	Mar-24	Jun-24	Sep-24
Net Sales	1,668	1,839	1,629	2,083
% growth (YOY)	(1.3)	(15.3)	(9.3)	14.8
EBITDA	546	531	443	695
Margin %	33	29	27	33
Other Income	68	88	87	121
Extraordinaries	97	0	0	0
Adjusted Net Profit	321	397	378	583

Source Company data, I-Sec research

Exhibit 11: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	1,745	2,281	2,215	2,913
Working Capital Changes	(329)	132	(856)	(799)
Capital Commitments	(593)	(1,729)	(1,965)	(2,000)
Free Cashflow	823	684	(606)	114
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	0	(470)	(1,177)
Others	(14)	(2)	-	-
Cash flow from Financing Activities	(42)	(20)	(472)	(1,179)
Chg. in Cash & Bank balance	(99)	(245)	417	(732)
Closing cash & balance	654	410	1,264	533

Source Company data, I-Sec research

Exhibit 12: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	9.2	10.0	13.6	17.0
Adjusted EPS (Diluted)	9.2	10.0	13.6	17.0
Cash EPS	10.7	11.6	14.6	18.7
Dividend per share (DPS)	-	-	2.7	6.8
Book Value per share (BV)	39.3	48.7	59.6	69.7
Dividend Payout (%)	-	-	20.0	40.0
Growth (%)				
Net Sales	5.5	(1.3)	28.5	28.4
EBITDA	(12.1)	4.6	31.2	29.9
EPS (INR)	(11.9)	8.4	35.5	25.2
Valuation Ratios (x)				
P/E	51.3	47.3	34.9	27.9
P/CEPS	44.3	40.7	32.4	25.3
P/BV	12.0	9.7	7.9	6.8
EV / EBITDA	36.3	34.4	26.5	20.6
EV/SALES	11.0	11.1	8.7	6.8
Dividend Yield (%)	-	-	0.6	1.4
Operating Ratios				
Gross Profit Margins (%)	53.4	55.8	54.4	53.1
EBITDA Margins (%)	30.4	32.2	32.9	33.2
Effective Tax Rate (%)	26.1	25.6	25.2	25.2
Net Profit Margins (%)	22.2	24.4	25.7	25.1
NWC / Total Assets (%)	57.2	47.3	38.2	(5.0)
Net Debt / Equity (x)	(0.4)	(0.4)	(0.2)	(0.1)
Net Debt / EBITDA (x)	(1.2)	(1.4)	(0.8)	(0.4)
Profitability Ratios				
RoCE (%)	23.8	19.9	22.5	24.0
RoE (%)	37.4	31.9	32.2	29.5
RoIC (%)	37.4	31.9	32.2	29.5
Fixed Asset Turnover (x)	3.5	2.9	1.8	1.6
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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