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February 04, 2025

To,

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

ISIN : INE0KBH01020

Sub: Transcript of the Earnings Call with Analysts/Investors on Financial Results for the quarter ended December 31, 2024

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 ended December 31, 2024 held on January 29, 2025.

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: 2025.02.04 14:55:30 +05'30'

Ms. Sweta Poddar
Company Secretary & Compliance Officer
(M. No.: F12287)

“Blue Jet Healthcare Limited
Q3 & 9M FY '25 Earnings Conference Call”
January 29, 2025

MANAGEMENT: **MR. SHIVEN ARORA – MANAGING DIRECTOR**

MR. VK SINGH – CHIEF OPERATING OFFICER

MR. GANESH KARUPPANNAN – CHIEF FINANCIAL OFFICER

MR. SANJAY SINHA – DEPUTY CHIEF FINANCIAL OFFICER

MODERATOR: **MR. ADVAIT BHADEKAR – ERNST & YOUNG**

Moderator: Ladies and gentlemen, good day, and welcome to Blue Jet Healthcare Q3 and 9 Months 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 E&Y. Thank you, and over to you, sir.

Advait Bhadekar: Thank you, Sagar. Good evening, and a warm welcome, everyone, to the Q3 and 9M 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 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 any specific and written consent of the company.

From the management, we have with us Mr. Shiven Arora, Managing Director; Mr. VK 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 and nine months ended 31st December 2024. Thank you, and over to you, sir.

Shiven Arora: Good evening, everyone, and a warm welcome to our Q3 FY '25 earnings call. We are pleased to report a record-breaking quarter, reflecting our strong execution capabilities and growth momentum. On operational performance, we delivered revenue of INR3,184 million and a PAT of INR990 million, marking the highest ever profit for the quarter in the company's history. This performance is a reassurance of the step-up growth that we had communicated earlier.

The growth this quarter was primarily driven by our new capacity additions in Unit 2. Capacity expansions, as you may recall, we had announced additions in June 2024, and I'm happy to share that we were able to fully operationalize the facility in Q3. This expansion has played a key role in our strong performance, and we believe we can sustainably add production levels on the current customer offtake.

Additionally, we had earlier communicated about another capacity addition in December 2024 in Unit 2, which was more focused towards contrast media. I'm pleased to confirm that commercial production has commenced, and we expect to optimize capacity utilizations by H1 2026.

R&D initiatives. Recognizing the critical role of innovation in our future growth, we have decided to invest INR40 crores towards R&D. This investment will focus on developing advanced intermediates, expanding our contrast media portfolio and enhancing our capabilities towards high-value CDMO projects. We believe this strategic commitment to R&D will reinforce our leadership position and accelerate product pipeline expansion in the coming years.

Order book and business outlook. Our contract manufacturing order book remains robust and near-term forecasts indicate a strong sustained performance. We continue to see a healthy customer offtake across all key segments, reinforcing confidence in our future growth trajectory. With successful capacity expansions, strong demand visibility and ongoing investments in innovations, we are confident of delivering sustained growth in the coming quarters.

With that, I now hand over the call to Mr. VK Singh. Thank you.

VK Singh: Hi. Good evening, everyone. Am I audible?

Moderator: Yes, sir, loud and clear.

VK Singh: Okay. Thank you for joining the call, all of you. We continue to debottleneck and add new capacity to keep in step with the growth that we envision. Our capacities are often co-engineered and build-to-suit to support our go-to-market that is largely innovator-oriented. We also build capacity to complete a backward integration, which is a stated goal for cost leadership and strategic independence.

As Shiven also mentioned in the last call, we had said that we are going to expand or add more capacity in Unit 2. We have done this in 2 phases. In Phase 1, we added 120 KL capacity. And in Phase 2, we added another 37 KL capacity. The capacity that we had added in Phase 1 is now on stream, producing the cardiovascular intermediate optimally. The capacity that we added in Phase 2 has also gone live, and we are happy to announce that the validation batches for the contrast media intermediate have been successfully completed, and the first quantities have been shipped to the customer. Our current capex cycle for Unit 2 is mostly in step with what we had indicated in the past and is also synchronized with the customer lock-in and supply contracts.

Moving to Unit 3 at Mahad. At this site, we were creating a build-to-suit capacity for backward integration for contrast media. The common utilities at this site are nearing completion, but we have redesigned the process. We have some good data and proof of concept for a continuous process, which we will tech transfer and commercialize. This change, when implemented, shall deliver higher and more consistent quality, be safer and have a lower

physical and carbon footprint. We have also added some more products to that site, given the requirements that we have from our customers. We expect to go live now in H2 FY '26.

As Shiven mentioned in his opening remarks, the company has shown robust growth and industry-leading financial ratios. The growth is an outcome of new product launches. These launches are based on complex chemistries in multistep synthesis, often requiring custom-built suites. For consistency and homogeneity, these newly built suites have a very high level of automation.

The CDMO business globally is witnessing two clear tailwinds; one, increasing product offerings from small and midsized VC-funded biotechs; and two, new discoveries in targeted therapies like GLP-1s. The company is building capability to capitalize on both. New labs are being designed, as Shiven mentioned, that will focus on new technologies, both for amino acid derivatives that will act as a regulated building block for NCEs in the GLP-1 space and dedicated CDMO labs for a quick turnaround of RFPs for advanced intermediates for late-stage NCEs for the smaller biotechs, which are mostly virtual companies.

Due to the changing legislative environment like the BIOSECURE Act and the IRA, there will be a migratory trend for business to geographies other than China. To be closer to our clients and to tailor our proposals to their need and ensure a faster turnaround of RFPs, the company has onboarded a very senior resource based in Europe.

We are a company in the growth phase. As operations expand, it is very critical to improve operational efficiency. We have, therefore, created a very strong team for operational excellence. In the past 18 months, we had doubled our R&D hardware and talent pool. We are now undertaking a second very significant expansion. Strengthening the R&D talent pool, strengthening the project team and creating this new department on process excellence, all these initiatives are getting reflected in the increase in our HR cost.

On sustainability, as we have always maintained that we -- between our windmills and solar, we have created capability to use renewable source energy up to 70% to 75% of our total energy requirement. We are also taking a lot of initiatives for having green chemistries in our sites by using add on efficiency.

With this, I pass it on to my colleague, Ganesh, to take you through the financials.

Ganesh Karuppannan: Good evening. We have uploaded Q3 financial performance in our website for your reference. I'll be providing certain key financial indicators for you to understand better about our results. Our reported sales at INR3,184 million for Q3 '25 is higher by 53% quarter-over-quarter and 91% year-over-year.

Our EBITDA at INR1,240 million for the current quarter is higher by 79% quarter-over-quarter and 127% year-over-year. Our PAT at INR990 million is higher by 70% quarter-over-quarter and 208% year-over-year.

For the 9 months ended December '24, we reported a revenue from operations of INR6,895 million, up by 31% year-over-year. Our EBITDA for the 9-month period at INR2,378 million is higher by 35% year-over-year. Our reported PAT for the 9 months period at INR1,951 million is up by 57% year-over-year.

For the 9-month period, our contrast media segment reported a turnover of INR3,028 million. There is roughly a degrowth of 17%. We had highlighted customer offtake in the last few quarters for reasons beyond our control. And our production for the NCE molecule has started from the new production block in this quarter, and we expect a new advanced intermediate to go live in Q1 of '26. With these additions, we believe we will be in a position to sustain the growth.

Our pharmaceutical intermediates category reported a turnover of INR2,663 million, up by 352% year-over-year. As informed by Shiven and VK, we were able to optimize the new capacity. Based on the order book, we believe we can actually like sustain similar growth in the coming years.

Saccharin category grew by 10% to INR1,038 million. Gross margin for the 9 months at 55% dropped by 2%. This is due to the change in the product mix. You can appreciate now pharmaceutical intermediate share has actually gone up. And we are also witnessing a stable raw material prices in the last few quarters, and we don't see any significant variance out of raw material prices. While the EBITDA for quarter 3 is at 39% of sales, for the 9-month period, it is 34.5%. The step-up growth in Q3 has impacted positively on the operational leverage for the quarter.

On sustaining similar level of turnover in the coming quarters, we believe we can benefit from operational leverage, improving the EBITDA margin on an annual basis. Profit after tax is at 28.3% for 9-month period, driven by sales growth, expansion in EBITDA margin and change in the depreciation method.

Our working capital for the 9 months increased by INR1,200 million, predominantly due to increase in inventory to produce pharmaceutical intermediate. This increase will be optimized over a period of time.

During the 9-month period, we have capitalized production capacities amounting to INR1,000 million. Apart from this, we have spent around INR620 million, and we hope to spend an additional INR1,500 million on the existing projects, mostly in Mahad. As Shiven mentioned, we will also be investing around INR400 million in R&D, which is slated in FY '26. Our total investments, cash and bank balance put together is at INR3,313 million, marginally down by INR210 million compared to September. The increase in working capital has been funded by internal accruals.

With this, I actually open the call for question and answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question comes from Sanjesh Jain from ICICI Securities.

Sanjesh Jain: A few questions from my side. First, on the pharmaceutical intermediate side, very strong number, and I think this is entirely coming from cardiovascular product. Have we reached the full utilization for the capacity? So, we have now a total capacity of 140, 150 metric tons per annum. Are we running that full capacity? If yes, then sequentially, this number should remain stable.

The second question is, is this entire offtake is for building the channel inventory and all? So, when we say sustainable number, how are we getting confidence that this entire full capacity utilization will run for next few years? And when is this product expected to go out of patent regime? These are the three on this particular product.

VK Singh: Sanjesh, welcome to the call. I think it's a very good question that you asked. See, the installed capacity or the design capacity of the plant is much more than what you have indicated. And that was intentional because everything about the product was very positive. The initial label updation and then the label expansion in U.S. and then the label expansion in Europe and then the Phase 3 data of Japan and settlement with Daiichi Sankyo. So, we have enough headroom.

But to answer your question, I would say that today, I think the plant is being run optimally, as you can see from the numbers also. And given the offtake, I mean, if you look at the published data, then I think quarter-on-quarter, the prescription increase for the product, I mean, the retail -- the RPE, the retail prescription equivalent for the product on the U.S. market is about 15% quarter-on-quarter.

So annually, you can say that the molecule is growing by more than 50%. And that is just U.S. For Europe, the growth numbers, not so easily available, but then are supposed to be even better. The anchor market being the German market. So, I think as far as the molecule is doing, it is doing very well. And we believe that it will bring a lot of consistency in our number also.

Your third part, which is about the patent. So, the initial patent expiry was in 2026, but then there was a patent term extension given granted for the molecule. So, in the U.S., I think it is 2031. In Europe, you get an additional marketing exclusivity. So, I think it will go to 2032. So, I think till that point of time, we are protected from generic competition in this molecule.

Sanjesh Jain: That's pretty clear, very, very helpful and very detailed one. Second, on the contrast media. Last quarter, Shiven, you mentioned that two products for the new customer in the contract media, we were expecting one to go live in December and second in the quarter of March. It appears to be there is some delay in the first and any update on the second one?

Shiven Arora: The update on the second one, this is the current quarter. I would refrain from telling around that. But at the same time, the one which was done in December for the NCE molecule, that is running smoothly. And we will reach optimal utilization levels from both the products in H1 '26.

Sanjesh Jain: You're expecting the other product also to go live next quarter or that is more of an FY '26?

Shiven Arora: In the immediate quarters.

Sanjesh Jain: In the immediate quarter. So, both the products will go live in the immediate quarter. And we have that kind of capacity right now? I understand we have built 47 KL capacity, but for both the products to go live, do we have the capacity there?

Shiven Arora: Yes. So, the capacity built up for a dedicated line for the NCE molecule, this is a fresh capacity. But the other molecule towards the iodinated side of contrast media, we have built up capacities well in advance, maybe 18 months ago. So that also we are very much covered because these are long-term arrangements, and we've been really looking forward to this offtake.

Sanjesh Jain: Got it. Got it. And the next question is on the future pipeline. Now that all these contracts which were in the progress are closing to completely commercialized, how should we look beyond this product?

Shiven Arora: Firstly, there would be an increased uptake in the existing product line with these new launches. From a short- to medium-term focus, this would be our key focus area. But at the same time, there are other intermediates under validation, which could fuel the future growth.

Sanjesh Jain: Any number you want to share how many are in the process of validation? How many are in the process of development? You're also committing a large sum into the R&D. How is that going to aid it?

Shiven Arora: Yes. It's a fairly encouraging number, but it would be under CDA right now would not be possible for me to share. But it's exciting enough for us.

Sanjesh Jain: –The revenue sequentially has gone up by more than 50%, while the cost line has remained stable, only increase of 1%. Can you help us understand where in the cost are we benefiting, not even the freight cost or power cost getting captured in the other expenses? Was there any one-off or anything in this quarter?

Ganesh Karuppannan: Not exactly. Like there is a -- like if you say, look at it as a percentage of sale, salaries would be at a lower percentage. But absolute numbers have marginally gone up. So, we have built up team for expansions and new capacities. So that impact is marginally there.

In terms of other expense, if you look at the first 9 months, the previous quarter, we did have a certain impact on freight. For this quarter, most of the sale is ex works. So, we didn't have any implication on the freight -- on account of freight.

Sanjesh Jain: You're telling freight is captured in the previous quarters already and there is not getting captured in...

Ganesh Karuppannan: So, this year -- this quarter, we don't have a significant impact on account of that. We are getting leverage, operational leverage. But the real issue is, if you look at the Q3 EBITDA, this is close to 39%. If you just look at the stand-alone Q3 and if you look at the year-to-date number, it is 34.5%. The impact is because of the first 2 quarters. I think we should have

sustained levels of activities based on Q3. When you do that in that fashion, we should expect an EBITDA in excess of 35%, 37%.

Sanjesh Jain: So, we are increasing the guidance from 30%-33% to 35%-37%.

Ganesh Karuppannan: I'm just indicating when the operational leverage, so it is not -- technically, it should go up. Mathematically, if you look at it, it should actually grow.

Sanjesh Jain: But from the guidance perspective, we still maintain, or we want to increase the margin expectation?

Ganesh Karuppannan: We don't want to give any guidance at this stage because we also have the new R&D coming in, and we need to actually like make an assessment how the operating costs are going to be for FY '26.

Moderator: The next question comes from Kunal Dhamesha from Macquarie.

Kunal Dhamesha: Congratulations on a great set of numbers. First one on the pharmaceutical intermediate value you said that the capacity is at optimum level, but you also have said the caveat that there is an opportunity there or capacity. So, is that incremental capacity from 120 KL additional, is it a function of putting more equipment while you have the manufacturing suite ready? How should we think about it? And how can -- how fast it can be added?

VK Singh: So, there are three ways of increasing capacity. One is better utilization. The second is debottlenecking. The third is adding more equipment or putting up more capacity. I think when I say that we are not still operating at design or installed capacity, it is because we, at the outset, built more capacity.

Now -- so there is headroom to go up, right? If there is further demand, then we have an opportunity to debottleneck in that plant. It's a dedicated plant, and therefore, we'll have an opportunity to debottleneck. But we will not need to add more reactors. We don't see the demand go up so high that we have to add more equipment.

Kunal Dhamesha: Okay. And if I may, this 120 KL capacity, how much does it translate in terms of metric tons annually?

VK Singh: I think metric tons number we will not have right away, but we normally don't go to that level also.

Kunal Dhamesha: Because what I understood is yield improvement would be one then debottlenecking and then more reactor, you said you are not going to add.

VK Singh: So, if you are talking about -- when I said debottlenecking, that is just sometimes changing the batch charging frequency, sometimes improving the cycle times and sometimes increasing just the batch size. So, there are many, many ways of debottlenecking, if that was what your question was.

Kunal Dhamesha: I get the gist. And then for the NCE on the contrast media side, again, the 37 KL, my question remains the same, how much does it translate in terms of metric ton, whatever processes we are following, whatever current yield we are getting or expected to get, let's say, for next 1 year?

Shiven Arora: Yes. I mean, again, the same answer, we would be difficult to go down to the metric ton level. But these are long-term projects, patent protected space. So, I think we take -- typically take a 5- to 7-year view when it comes to designing capacities and execution timelines.

Kunal Dhamesha: So, this -- let's say, 37 KL, what is your expectation that this gets utilized fully? Is it next 2 quarters or longer horizon?

Shiven Arora: It should be a slightly longer horizon. But in general, the acceptance of the end molecule is very encouraging. So, we believe that it could be a sustained growth over the next few years.

Kunal Dhamesha: Okay. You suggested R&D. You are setting up R&D with roughly INR40 crores expense in FY '26. What is that number currently in FY '25? So, what's the delta that we are looking at or delta itself is INR40 crores?

Ganesh Karuppannan: The INR40 crores is going to be more on equipment. It's more of a capex, okay? It is -- the operating expense would be in the range of -- expectation would be around INR10 crores to INR12 crores. The current number is somewhere close to INR5 crores to INR6 crores.

Kunal Dhamesha: It's going to double from here.

Ganesh Karuppannan: Yes.

Moderator: The next question comes from Sudarshan Padmanabhan from JM Financial BMS.

Sudarshan Padmanabhan: Congrats on great set of numbers. Sir, my question is to dwell a little deeper on your R&D now that we are spending more on the equipment as well as the absolute expense as well. And also, can I know taking your earlier statement on GLP-1s. If my understanding is correct, GLP-1 requires a fair amount of complex chemistry around the peptide chemistry.

Would it be right to assume that a fair amount of incremental capabilities that you are building would largely be towards a specific GLP-1 or a group of GLP-1? If you can elaborate a little bit more about, what are we trying to enhance our capability on R&D?

VK Singh: So, the whole idea of augmenting our R&D capability is to have new chemistry platforms. The company is built on chemistry platforms. And when you talk of complexity, then, of course, what we do today is also -- has got a lot of complexity. The company is in the business of building blocks.

And there also, as far as GLP-1 is concerned, we'll be giving advanced intermediates for the GLP-1 products, where the volume is higher, and we benefit from patent protection. While one of the labs that we are putting up could be working on peptides, but that's something which is still far away.

So, if that was your question that we are going to work on the final peptide, no, that's not the idea today. We'll be working on advanced intermediates for these peptide products. So, you could say that we are working on amino acid derivatives.

Shiven Arora: I think just to add on to that, I think the new infrastructure, I think, in terms of utilizations or dedicating our R&D resources would be 1/4 towards this segment. But of course, there are other platforms which VK indicated, where we could add more value to the business.

Sudarshan Padmanabhan: Sure. And as far as the runway of growth from this platform is concerned, should we assume that probably the commercial offtake would be in the near term or the medium term or the long term? I'm persisting a little bit on this primarily GLP-1s are very large as an opportunity. And we know the funnel basically percolates to all the people who have capabilities in that.

VK Singh: So, I would say that we are working on several opportunities. Some of them are for products which are already commercial and on the market, although still under patent. Some of them in Phase 3 and some of them are in earlier phases, Phase 1 and Phase 2. So very difficult to make this assessment. I think nobody will be able to do it, even the innovators that we are working with will not be able to do it. But it would suffice to say that we are working on several opportunities. And in a staggered way, they'll keep getting commercialized.

Sudarshan Padmanabhan: Sure. And one final question before I join back the queue is on the contrast media side. One, of course, is the molecules, which you had said would primarily start from the fourth quarter. But also, there was some capacity expansion, which was expected from our clients. And I just wanted to check if that is something that would incrementally benefit additional to the commercialization of the molecules and the supply that we've talked about.

Shiven Arora: I think we'll have to wait and watch on that aspect. Broadly, the indicators are positive.

Moderator: The next question comes from Meet Katrodiya from Niveshaay.

Meet Katrodiya: Congratulations team for the very good set of numbers. So, my question was on the side of pharma and API. So, what could be the bottleneck to get the Esperion for even larger quantities, right? So, we are seeing the traction which Esperion is facing is very good. So, can we -- what would be the bottlenecks to get even more larger quantities?

Shiven Arora: I think we are very, very happy with the current offtake. The whole idea is towards the right execution. From the time we had put the production line active, we've been able to scale up immediately. So, it's a good success story for us as a company. Broader indicators for the end molecule are very encouraging, as you indicated. So, we just have to be focused on execution, and let's see where it takes us.

Meet Katrodiya: Also, we are seeing from the last 2 years, the pharma API segment is doing very good, right? So going forward on which segment we are focusing more like contract media. What are the plans of us? Like contract media will be the next growth drivers or we are focusing more on the pharma side. So, pharma will be the next growth driver. What we are focusing on?

VK Singh: The whole idea of having three or four verticals is that we have a diversified portfolio. So, it's -- 2 years back, we had a lot of questions that PI, API segment was subscale. Now it has scaled up very well. Shiven mentioned about two new launches on the contrast media side. Once that happens, you'll see higher growth there. So, in a CDMO business, each time -- which was a part of my narrative also, each time we launch a product, there is a step-up growth. There's a quantum jump that we get in both revenue and profitability. So, I think let's just wait and watch and see how the story unfolds. But all that I would say is that we have a very decent pipeline in all three of our verticals.

Meet Katrodiya: Also, one -- let's say, there are also one competitor from India, which is supplying Esperion, right? So how are we better placed as compared to them? So, if Esperion wants to allocate or bifurcate the quantities between two players, what right do we have or we do have any additional capabilities or capacities or what could be the winning capability for us to win the orders?

VK Singh: See as far as we are concerned, we have long-term orders. And I don't know if I know about the competition or even if I would, I don't think it's fair to comment on that on this call. But all that we can say is that we have very good business visibility, and we have orders in hand. And I think the product is doing extremely well. The supply chain is extremely well oiled. So, I think it's a good business that we are tracking.

Moderator: The next question comes from Bansi Desai from JPMorgan.

Bansi Desai: Congratulations for a good set of numbers. My first question is again on contrast media. So, we have a couple of launches ahead of us. You also mentioned about sustained growth here. So, are we talking about more high single-digit kind of growth? Or are we saying that there is a possibility of step function increase also in contrast media space?

Ganesh Karuppannan: We are actually -- we will be launching this product shortly. And we need to await customer response for a higher offer. So, like today, I will not be in a position to immediately share anything.

Bansi Desai: But over a 2-, 3-year period, do we believe that this business can see a step increase in revenue if we were to forward integrate on any of those products?

Shiven Arora: Yes. There would be a very high conviction around that, very, very high, yes.

Bansi Desai: Okay. And second is that on bempedoic acid, what would be your sense in terms of the market opportunity ex of U.S.? Would it be as big in all markets put together, say, Europe, Japan in your assessment?

VK Singh: See, if the -- how should I say if the benchmark is statins, then I would say that the opportunity outside of U.S. is even bigger. So -but then it depends a lot upon the brand company, how it's promoting the product. But I think it's a huge opportunity. The molecule is on its way to become a blockbuster. And you have just pointed out the right markets. U.S. is, of course, big. Europe is even bigger, and Japan will be a very credible market. But interestingly, the growth

of this product is very good in Latin America also. If you see the numbers, it's -- the Latin American markets are small, but then the growth is phenomenal.

Bansi Desai: Yes. But in terms of pricing, it would be disproportionately high in U.S., right? So, I'm just thinking in terms of value, would U.S. be 50% of the overall market or higher, lower?

VK Singh: Usually, the thumb rule is right, what you said, but I have personally not seen the non-U.S. numbers. But then you can track them through perhaps the royalty payments to Esperion, but I would not have data on what the non-U.S. numbers are. Honestly, I have not checked. But all I know is that the molecule is doing very well as far as prescriptions are concerned.

Bansi Desai: Yes, yes, that is seen in IQVIA. And so here, again, I mean, we would be supplying ultimately to Daiichi, right? Because Daiichi is doing the entire manufacturing even for the U.S. market for Esperion.

Shiven Arora: I mean let's not take specific names. We are under CDA in some conditions. But yes, Daiichi is one of the partners, which is promoting this. Yes.

Bansi Desai: Okay. And just on this product, we are doing almost a run rate of INR145 crores on -- in Pharma Intermediates, API. I'm assuming a large part of it would be your CVS product. But to think about it, if this product is going to grow, say, 12%, 15% on prescriptions in U.S. quarter-over-quarter, and I'm assuming you mentioned the growth is higher in other geographies. Should we assume the realizations to remain stable here because patent protection is also kind of long here? So how should we think about realizations while your volumes could continue to grow quarter-over-quarter?

Shiven Arora: We haven't received any indications of any recalibrations as of now. We'll keep you all updated if there is any.

Moderator: The next question comes from Pooja Rathi from Lucky Investment Private Limited.

Pooja Rathi: So, I actually wanted to speak about contrast media and like about the iodination, etcetera, the product itself. So, what I wanted to understand is in contrast media, there are three, four various use, right, like iodine, barium, gadolinium, etcetera. So, are we only going to focus on iodine or are we going to also get into the other forms of contrast media? That's my first question.

Shiven Arora: It's a very valid question actually...

Pooja Rathi: And how much would iodine be as a percentage share of the entire contrast media market?

Shiven Arora: Iodine is about 76% of the overall contrast media market, followed by gadolinium which is around 22%. This is for MRI scans. Since the early 2000s, our focus was on iodinated space. But in the past 5 to 6 years, we've also added a pipeline and product portfolio on the MRI side of molecules as well.

Pooja Rathi: Okay. And you mentioned you want to do backward integration for contrast media on the call. So how would you go about doing the same? And any plans or any pipeline for the same?

Shiven Arora: So, we are majorly backward integrated on this space. So that's why we have a cost and a quality leadership in some of our key candidates. But there was one missing link, which was -- which we were importing a particular raw material. That would be manufactured at one of our sites in the short to medium term.

Pooja Rathi: Okay. And with respect to the market for this contrast media, most of it, would it require a heavy regulation and most of it would be exported to the U.S. markets only or globally, correct?

Shiven Arora: Yes, we are at the intermediate stage, advanced intermediate stage. Majority part of the regulatory burden would be at our customers' end. But I think we also face crews very -- a lot of scrutiny around the quality parameters as well, even at the intermediate stage, which is very unusual. But having said that, it's a high dosage injectable. So, quality plays a very big role at every stage.

Pooja Rathi: Okay. So, any future or you won't be able to discuss that. Someone already asked the question. So, I just thought I'll add on to the thing about this future client potential risk, etcetera. But I think you've already answered the questions of the other people.

Moderator: The next question comes from Alankar Garude from Kotak Institutional Equities.

Alankar Garude: Congrats on the great numbers. Firstly, on the cardiovascular product, you spoke about the plant being run optimally. On the other hand, you also spoke about the opportunity growing prescriptions. Even the innovator sales are growing at a pretty fast pace. So, in that context, will this debottlenecking suffice to cater to that incremental demand? Won't we run out of capacity soon? So just wanted to understand the constraining factor here.

VK Singh: No, there will be -- as far as capacity is concerned, there's no constraining factor. The way the plant has been designed, there's a lot of flexibility.

Alankar Garude: So, any colour, VK, sir, in terms of percentage expansion in our supply -- in our dispatches, which can happen with those changes which you are alluding to? That would be helpful.

VK Singh: See, dispatches will depend upon the orders that we have today. We are moving based upon the orders that we have in hand. But I would suffice it to say that even if we have to double capacity, we can, as far as capacity is concerned. This is not any guidance or indication of what the run rate for the molecule would be. But then if it comes to debottlenecking capacity, we can double capacity.

Alankar Garude: And that is just via debottlenecking?

VK Singh: Yes.

Alankar Garude: Okay. So basically, there is no reason to believe that growth in this product could be more measured just because of a capacity constraint?

VK Singh: No.

Alankar Garude: Fair enough. That's helpful. Secondly, how should we look at traction for our flagship existing contrast media product? Are the supply issues which we had spoken about in the previous 2, 3 quarters sorted? And how is our market share trending? Is it stable?

Shiven Arora: I think it's very stable and robust right now. I think all these issues that we've discussed in the past have been partially resolved.

Alankar Garude: In that context, Shiven, how should we look at the growth for this product more closer to the overall contract media market growth of 7%, 8%?

Shiven Arora: Yes, broader market growth of the contrast agents, I think that could be a benchmark for this particular candidate. But the key things to focus on would be the two new launches for the overall segment contribution.

Moderator: The next question comes from Harsh Bhatia from Bandhan Mutual Funds.

Harsh Bhatia: Yes. Just one clarification. You mentioned, this may be a little bit early for you to comment on. But again, just going back to the peptide opportunities. You made a passing statement that that would sort of include both commercial as well as molecules which are in clinical stages. Is that the right way to think about it?

VK Singh: Yes. You could say that, yes.

Harsh Bhatia: Sure. And just one in terms of clarification for this advanced intermediate for the same. Again, a little bit early to ask, but this would also sort of mean that you would be taking the synthetic route or the fermentation route for the process or because you are very early in the process, it might not make any difference. I'm just trying to sort of get my thought process.

Shiven Arora: Just to give you some background, when it comes to the fragments of amino acids as a company, we've been doing R&D for the past 4 to 5 years. And the evolution is ongoing. And we have some inroads with our key customers, and we submitted RFQs. So, I think it's -- as a CDMO business, it's majorly customer-driven. And from a development standpoint, we have decent capabilities, but we are adding more to strengthen our position.

VK Singh: But then coming to your question on fermentation, that is involved at the amino acid stage. So, we are not doing that. We'll be doing the stages after that. So, we are not setting up any fermentation capacity as of now.

Moderator: Next question comes from Darshan Engineer from ValueQuest.

Darshan Engineer: First of all, congratulations for a great set of numbers. I hope you're able to hear me. Yes. Sir, I just wanted to understand in the past, we have seen that for some of the key products in

pharma intermediates relating to cardiovascular, we have seen in other companies as well as that the volumes and the growth is more -- I mean, I would say, sporadic or it happens inches and then there are months of that happen.

So would it be fair to say that the strong growth that you have seen in Q3 would be more I would say a one-off and should not be extrapolated into the coming quarters because a lot of the volumes that you may dispatch would be used by the client over a period of time in the coming quarters and therefore, the next order will come maybe a few months down the line so I just want to understand the sustainability of the Q3 run rate as far as the pharma intermediates business is concerned.

Ganesh Karuppannan: Based on the current order book and customer forecast, short to medium term, it is pretty encouraging for us, and we should be in a position to sustain similar margins or growth.

Darshan Engineer: I understand the margins are a function of the strong sales that you reported. But what I'm trying to get a sense is on the volume sustainably in the upcoming quarters for this specific product. And is it -- I mean, would this be the new normal in a way, the Q3 volume or the run rate that we are seeing for specific product, would that be the new normal? Or would this be more like an elevated quarter and therefore, maybe the sustainable volumes can be steady at a lower level, but I mean, more smooth throughout the year is what I'm trying to get an understanding.

Ganesh Karuppannan: I mentioned that short to medium term, based on customer feedback, it is pretty encouraging for us.

Moderator: The next question comes from Aditya Chheda from InCred Asset Management.

Aditya Chheda: Congrats on a blockbuster quarter. My question is on the sweetener segment. It's more of a trend question where we've heard that saccharin is getting replaced by sucralose in the overall scheme of things. If you can comment about how your product is sort of placed in the overall market share in the sweetener market? And if that trend has changed in the recent past or how it's going on right now?

VK Singh: Saccharin has been on the market for 150 years. So, this was invented 150 years back. I think it's the most stable product, both in chemistry and demand. And sucralose is doing extremely well, but I don't see saccharin getting replaced by sucralose. And the segment that we are in, which is the FMCG segment or the pharma segment, very niche segment, there, there's a lot of stickiness of business. So, I mean, I would say that over the last 5, 6 years, we have not lost any saccharin customer. So, I don't foresee any existential threat for the product as such. I mean there will be competition. So, there's a lot of competition from China, but we are in a different segment.

Aditya Chheda: Right. And my next question is an extension of the previous one. It is noticed in the past that the margins in the development phase are usually higher for a product, but they tend to normalize over a period as the volumes are further ramped up. So, is there an element of higher margin in the initial supplies that we have made in the pharma intermediate space? And are we

expecting any normalization of those in the medium to longer term? Yes, these were my questions.

VK Singh: So, two points I will make here. One is that if you see the complexion of business, the entire business that we have, we are not really in a generic space. Although there are no patents in contrast media that there also, there is no generic competition at this point of time. So, we don't see the type of price erosion that perhaps you are talking about.

The second is what Shiven already mentioned as far as PI is concerned that we have no indication of any recalibration happening in the near future. So, price erosion is not a threat at this point of time.

Moderator: The next question comes from Kunal Dhamesha from Macquarie.

Kunal Dhamesha: Just wanted to understand the peptide piece a little bit more. So, we are saying that we are more like offering building blocks at this point. So, is it more like dipeptide, tripeptide stage? Is it a fair way to understand?

VK Singh: So right now, we are not developing or supplying peptides. Right now, the first businesses that will happen when they happen, I don't wish to give any timeline or guidance for that, but they will be for intermediates for peptide products.

Eventually, if -- as you know, as an aspiration, if you will ask, then we would like to be in the peptide space for which, as Shiven mentioned, we are building capabilities today. Now whether that happens 2 years from now or 3 years from now, that's something that even we will wait and watch. But this is clearly an opportunity, and we have -- we are building capabilities to be able to tap that opportunity.

Kunal Dhamesha: And does it require specialized type of equipment or can be done in the normal API reactor that we have for small molecules?

VK Singh: It will require specialized type of equipments. It is a relatively smaller volume, high-value type of business. And as we advance, we will build capabilities which are compatible for that.

Moderator: The next question comes from Yash from Stallion Asset.

Yash: So, in your pharma intermediates segment, I wanted to understand -- so are you the only supplier from India for the product?

VK Singh: We are a primary supplier for sure. But I think beyond that, I wouldn't have any information.

Yash: Okay. And so, these contracts are fixed margin. Like if there's any changes in your raw material API prices, will you have to then sort of negotiate or are they sort of fixed margin contracts?

VK Singh: I think we are covered by FCA. But all -- I think Ganesh already mentioned that the margins are sustainable.

Moderator: The next question comes from Prateek Chaudhary from Saamarthya Capital.

Prateek Chaudhary: Sir, with many growth levers building up for us, as you mentioned, GLP-1, the advanced intermediates for biotech companies and even others in our other segments, would you want to revise your capex guidance for the next 3 years till FY '28? Because earlier you had talked about INR200 crores kind of a number for FY '25 and '26. Given these significant areas that we are venturing into, would that be a much higher number annually till FY '28?

Ganesh Karuppannan: We don't give guidance on financial performance.

Shiven Arora: But on the absolute capex number, we are working on the drawing board from a long-term perspective. I think we'll give you visibility in the coming quarters. Yes, your observation is absolutely right. But specifics we can share in the near future.

Moderator: The next question comes from Amish Kanani from Knowise Investment Managers.

Amish Kanani: Sir, the question is on order book. If you can give us some flavour, there in terms of visibility? Is it a few quarters or in terms of value? How do you look at? And is it in API, the new vertical or also some flavour on the new -- two new products that we have launched on the contrast media side? If you can give us some total addressable market opportunity in that side?

Ganesh Karuppannan: We don't give guidance on order book. Based on the current trend, we believe the numbers are quite encouraging. Short to medium term, the numbers are encouraging.

Amish Kanani: Sir, is it possible to share some number on current pipeline versus, say, 6 months back or something, which gives us some colour of a probable growth rate that can come? We are not looking at number, some range or some…

Ganesh Karuppannan: If you look at our investor presentations, the numbers are there. You can actually check the last 4 quarters, and you can assess yourself how we are doing.

Moderator: Ladies and gentlemen, we would take that as our last question for today. I now hand the conference over to the management for closing comments.

Ganesh Karuppannan: On behalf of the management, I thank all the participants and thank you for being active in this entire conversation. Thank you.

Moderator: Thank you. On behalf of Blue Jet Healthcare, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

(This document was edited for readability purpose.)