

We initiate our coverage of Blue Jet Healthcare with BUY and SOTP-based TP of Rs1,150. Blue Jet's key strength is its simplified business model—standalone entity, lean cost structure, debt-free balance sheet, and a niche portfolio—which lends itself to a strong margin and return profile, high revenue per commercialized product, and best-in-class asset turns. We expect global sales of Bempedoic Acid to exceed USD1bn by CY27E, and we believe our estimates of the resultant opportunity for Blue Jet are conservative. We see upside risks to the 31% CY24-27E CAGR in Bempedoic Acid intermediate sales (where Blue Jet has an estimated ~75% share in end API supplies), given the expected commercialization of the product in multiple geographies and the potential introduction of triple combination products including Bempedoic Acid. CDMO scale-up, accompanied by ~20% CAGR in core contrast media intermediate as well as high-intensity sweetener sales on a depressed FY25 base, should drive 26%/23% EBITDA/PAT CAGR over FY25-27E. Blue Jet's strong near-term earnings visibility and superior financial metrics (35%+ EBITDA margin, 25%+ RoE, 35%+ RoCE – the highest in the CDMO peer-set) are reflected in our target multiples (implied FY27E PER of 45x, at ~20% premium to the current trading range of CDMO peers but in line with consensus' target multiples for peers).

Opportunity size for the pharma intermediate segment underappreciated

Per our estimate, net sales of Bempedoic Acid (US + Europe) will see CAGR of ~40% over CY24-28E, and the intermediate accounts for ~45% of the end API cost (~41% per our computations based on the process yield and ~49% basis Neuland's end API export price). Given the opportunity size for Bempedoic Acid across markets, our FY26/27 sales estimates for the intermediate are conservative, in our view (refer to the section on **Bempedoic Acid for our detailed assumptions**). The innovator inking licensing (including product supply) agreements across geographies and developing 2 triple combination products including Bempedoic Acid with superior efficacy offer growth visibility beyond CY27. Given Blue Jet's dedicated capacity for this product, scale up in volumes and larger batch sizes will be the key drivers of near-term margin expansion (~260bps expansion in EBITDA margin over FY25-27E to ~38%; ~600bps expansion over FY24-27E).

Lean cost structure and best-in-class asset turns

Given that Blue Jet operates on a low opex model, we expect revenue CAGR of 21% over FY25-27E to drive EBITDA CAGR of 26% over the same period, primarily on the back of operating leverage gains. Blue Jet's balance sheet remains debt-free and, despite the company being in the middle of a capex cycle, we expect cumulative FCF generation of ~Rs2.2bn over FY25-27E. The company has delivered best-in-class asset turns (~5x NFA turn in FY24 vs peer average of ~2x), aided by a low gestation period for incremental capex as well as high revenue per commercialized product.

Target Price – 12M	Mar-26
Change in TP (%)	NA
Current Reco.	BUY
Previous Reco.	NA
Upside/(Downside) (%)	26.2

Stock Data	BLUEJET IN
52-week High (Rs)	955
52-week Low (Rs)	347
Shares outstanding (mn)	173.5
Market-cap (Rs bn)	158
Market-cap (USD mn)	1,828
Net-debt, FY25E (Rs mn)	(3,891.3)
ADTV-3M (mn shares)	0.5
ADTV-3M (Rs mn)	380.8
ADTV-3M (USD mn)	4.4
Free float (%)	14.0
Nifty-50	22,911.7
INR/USD	86.4

Shareholding, Dec-24	
Promoters (%)	86.0
FPIs/MFs (%)	1.1/2.0

Price Performance			
(%)	1M	3M	12M
Absolute	21.5	61.8	149.9
Rel. to Nifty	21.1	64.7	145.0

Blue Jet Healthcare: Financial Snapshot (Standalone)

Y/E (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	7,210	7,116	9,999	11,733	14,759
EBITDA	2,191	2,292	3,559	4,258	5,638
Adj. PAT	1,600	1,735	2,875	3,362	4,383
Adj. EPS (Rs)	9.2	10.0	16.6	19.4	25.3
EBITDA margin (%)	30.4	32.2	35.6	36.3	38.2
EBITDA growth (%)	(12.1)	4.6	55.2	19.6	32.4
Adj. EPS growth (%)	(11.9)	8.4	65.7	16.9	30.4
RoE (%)	26.6	22.7	29.3	26.4	26.8
RoIC (%)	42.1	43.6	58.4	47.0	46.0
P/E (x)	98.7	91.1	55.0	47.0	36.0
EV/EBITDA (x)	71.0	67.5	43.5	36.4	27.5
P/B (x)	23.2	18.7	14.2	11.0	8.6
FCFF yield (%)	0.5	0.5	0.2	0.5	0.8

Source: Company, Emkay Research

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Contrast Media Intermediates: The bedrock of stable medium-term growth

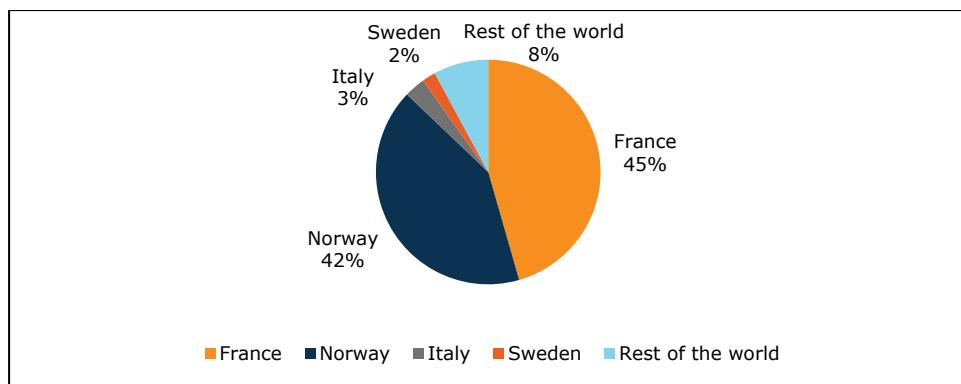
Blue Jet has evolved into a long-term supplier of advanced intermediates to majority of the top contrast media manufacturers globally from a per-transaction supply model. The company is a direct supplier to 3 of the top-4 contrast media formulation manufacturers, with whom it has had long-term relationships (5-20+ years). Besides, the company has been a long-standing supplier of 5-NIPA (5-Nitroisophthalic Acid) to a global CDMO with a facility in Sweden that manufactures NIPA derivatives (5-NIPA-MME, 5-NIPA-MEE, and 5-AIPA). The company currently has a commercialized portfolio of 19 contrast media intermediates. Blue Jet's contrast media intermediate portfolio is only meant for exports, with the top-4 export destinations being Norway, France, Italy, and Sweden.

Exhibit 1: Contrast media intermediates (CMI) – Commercialized product portfolio

Sr No	Products	End API	Diagnostic Category
1	5-Nitro Isophthalic Acid	Iohexol	X-ray, CT
2	5-Nitroisophthalic Acid Dimethyl Ester (NIPA-DME)	Ioversol	X-ray, CT
3	5-Amino-N,N'-bis (2,3-dihydroxypropyl) isophthalamide (ABA-HCl)	Iohexol / Iodixanol	X-ray, CT
4	5-Amino-N,N'-bis(2,3-dihydroxypropyl)-2,4,6-triiodo-1,3-benzenedicarboxamide (Iodinated ABA HCl)	Iohexol, Ioversol	X-ray, CT
5	5-Amino Isophthalic Acid	Iopamidol	X-ray, CT
6	2-Amino-1,3 propanediol	Iopamidol	X-ray, CT
7	5-Amino-2,4,6-triiodoisophthaloyl dichloride (ATIPA Dichloride)	Iopamidol	X-ray, CT
8	(S)-(-)-2-Acetoxypropionyl chloride	Iopamidol	X-ray, CT
9	5-Amino-N,N'-bis (1,3-dihydroxypropyl) isophthalamide (1,3-ABA)	Iopamidol	X-ray, CT
10	5-Nitroisophthalic acid monomethyl ester (NIPAMME)	Iopromide	X-ray, CT
11	5-Nitro-N-Methylisophthalamic Acid (Half Amide)	Iotalamic Acid	X-ray, CT
12	5-Nitro-N-Hydroxyethylisophthalamic Acid	Iobitridol	X-ray, CT
13	5-Hydroxyisophthalic Acid	Iomeprol	X-ray, CT
14	3-Aminobenzoic Acid	Iodipamide	X-ray, CT
15	1,4,7,10-Tetraazacyclododecane (Cyclen)	Gadoteric Acid Gadobutrol, Gadobenic Acid, Gadoteridol, Gadoxetic Acid	X-ray, MRI
16	Pantanedioic 2-Bromo,1,5-Dibutylester (BGB)	Gadopiclenol	X-ray, MRI
17	1,5-dimethyl 2-bromopentandioate	New Chemical entity	X-ray, CT
18	(S)-2-Acetoxy Propionic Acid	Iopamidol	X-ray, CT
19	5-Amino Isophthalic Acid Dimethyl Ester (AIPA DME)	Iopamidol	X-ray, CT

Source: Company, Emkay Research

Exhibit 2: Export destinations for Blue Jet's CMI portfolio (10MFY25)

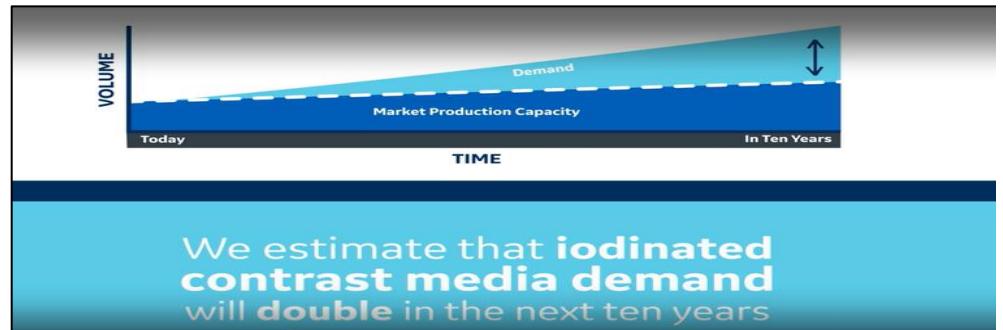


Source: Export Data, Emkay Research

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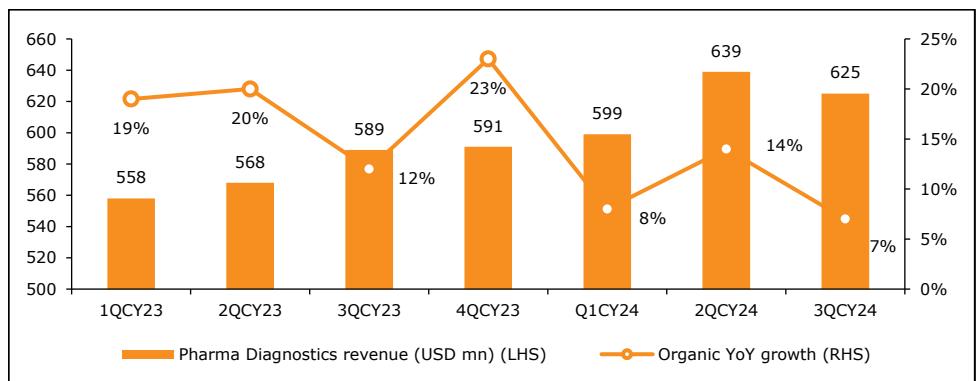
The largest product in Blue Jet's contrast media intermediate portfolio is ABA-HCI (5-Amino-N,N'-bis(2,3-dihydroxypropyl) isophthalamide), which accounted for ~66%/~56% of the company's export revenue/total revenue, respectively, in FY24. Blue Jet's share of overall exports of ABA HCI from India stands at more than 75%. ABA HCI is used as an intermediate in the synthesis of iodinated contrast agents, including Iohexol, Ioversol, and Iodixanol. Blue Jet's largest customer, who has recently expanded its capacity by ~30% in its pharma diagnostics division, procures ABA HCI from the company to manufacture Iohexol and Iodixanol, which collectively account for ~45% of the iodine-based contrast media market. Our volume growth expectations (~8%) for ABA HCI over FY26-27E are in line with the customer's guidance of the iodine-based contrast media market doubling over CY23-33.

Exhibit 3: Blue Jet's largest CMI customer expects the iodine-based contrast media market to double over CY23-33



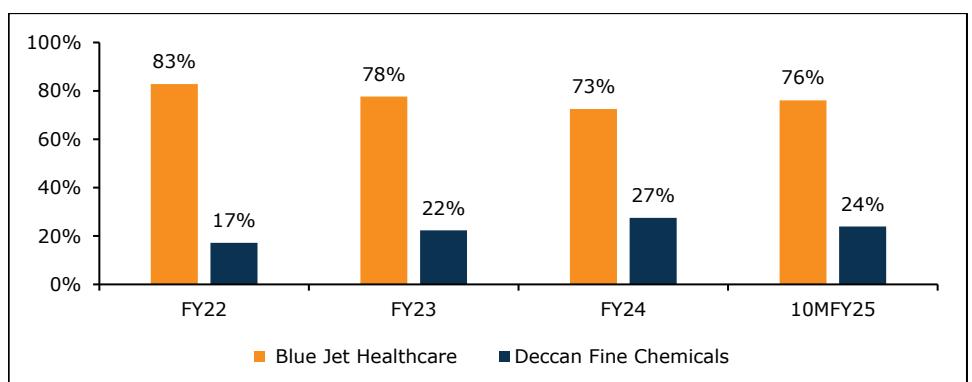
Source: Company, Emkay Research

Exhibit 4: Blue Jet's largest CMI customer has been witnessing double-digit growth YoY in its Pharma Diagnostics vertical

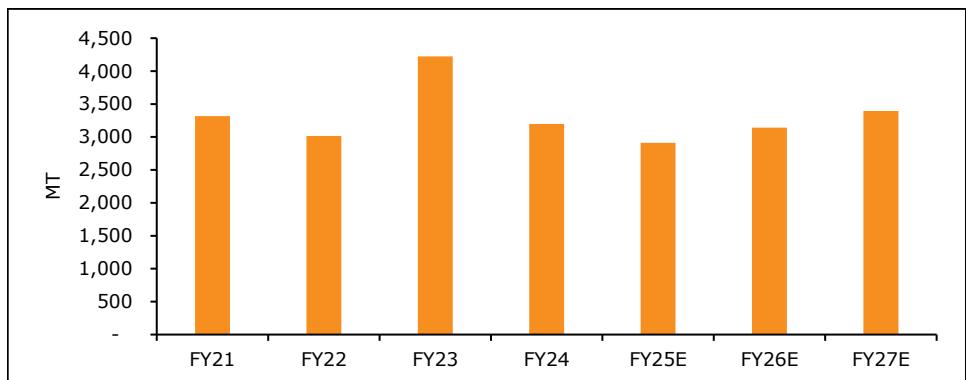


Source: Company, Emkay Research

Exhibit 5: Share of ABA HCI exports from India – Blue Jet vs Deccan Fine Chemicals



Source: Export Data, Emkay Research

Exhibit 6: ABA HCI export volumes for Blue Jet

Source: Export Data, Emkay Research

5-NIPA (5-Nitroisophthalic Acid), NIPA-DME (5-Nitroisophthalic Acid Dimethyl Ester), and 3-Aminobenzoic Acid are the other key products in Blue Jet's contrast media intermediate portfolio. While 5-NIPA and NIPA-DME are intermediates for Iohexol and Ioversol, respectively, 3-Aminobenzoic Acid serves as an intermediate for Iodipamide and has been exported to the company's Italy-based customer in the past. NIPA-DME is currently not a meaningful contributor to Blue Jet's topline and Iodipamide, given its specific use case (diagnostic tests for the biliary system to provide clear imaging of the liver, gallbladder, and bile ducts), has a small share of the overall iodine-based contrast media market. We build in ~8% volume growth over FY26-27E for 5-NIPA, which is Blue Jet's second largest product in the contrast media intermediate segment.

Exhibit 7: 5-NIPA export volumes for Blue Jet

Source: Export Data, Emkay Research

While it started off by supplying the key starting intermediate (5-NIPA) for contrast media formulations, the company has, over the years, moved up the value chain by developing advanced intermediates (NIPA → NIPA DME/MME → ABA HCI → Iodinated ABA HCI). Blue Jet had initiated the supply of validation batches of Iodinated ABA HCI [5-Amino-N,N'-bis(2,3-dihydroxypropyl)-2,4,6-triiodo-1,3-benzenedicarboxamide] to one of its existing customers in FY24. The advanced intermediate has recently been validated by the customer and is expected to start contributing meaningfully to Blue Jet's topline from FY27. Iodinated ABA HCI's realization is ~5x vs that of ABA HCI (which itself is ~3x vs 5-NIPA's). This advanced iodinated intermediate will be used in the manufacture of Ioversol, which has been approved in more than 65 countries. Ioversol has low viscosity which helps reduce infusion time and is also available in prefilled syringes that helps prevent microbiologic contamination (particularly in the case of immunocompromised patients).

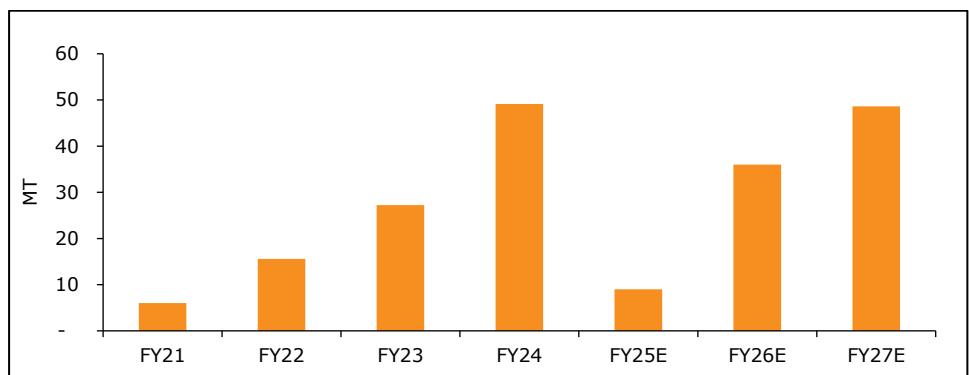
Exhibit 8: Moving up the value chain – Iodinated ABA HCI's realization is ~5x that of ABA HCI's (which itself is ~3x vs 5-NIPA)

Source: Company, Emkay Research

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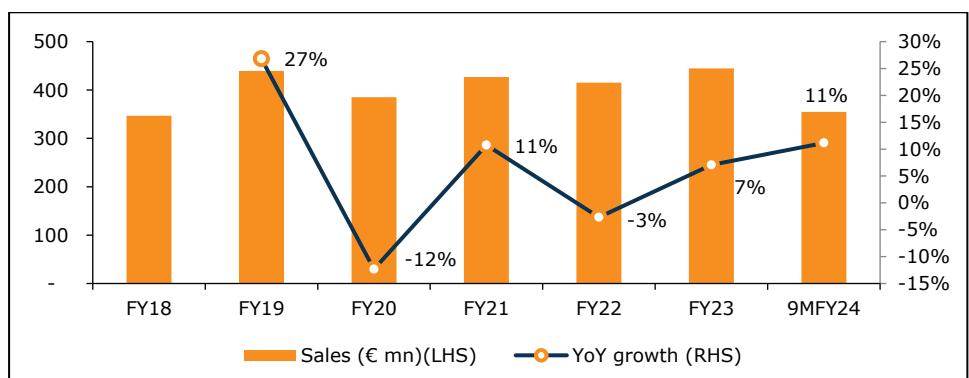
Blue Jet entered the gadolinium-based contrast media intermediate segment by initiating the supply of Pentanedioic 2-Bromo,1,5-Dibutylester (BGB) in FY21. The end API for this intermediate is Gadopiclenol, which is used to enhance the visibility of lesions, particularly in the central nervous system, in MRI scans. Gadopiclenol only requires half the gadolinium dose vs conventional gadolinium-based contrast agents. Gadopiclenol is marketed by two innovators independently under separate brands. While Blue Jet has relationships with both the innovator companies, it currently supplies BGB to one, owing to a collaboration agreement between the innovators. Post-CY28 and a tech transfer, both the innovators will have the right to manufacture the product. Gadopiclenol has ramped up rapidly in the US following its approval in Sep-22, with one of the innovator brands achieving the milestone of one million injections in Nov-24 and the other innovator witnessing strong offtake on the back of new client additions. Gadopiclenol was commercialized in Europe in CY24, and is expected to be filed in more markets beyond the US and Europe. Given the strong traction that the product is gaining, its expected expansion into more regulated/semi-regulated markets, and the dedicated capacity that Blue Jet has in place for BGB at its Unit 2 facility, we see upside risks to our modest BGB volume estimates for Blue Jet.

Exhibit 9: See upside risks to our modest BGB volume estimates for Blue Jet

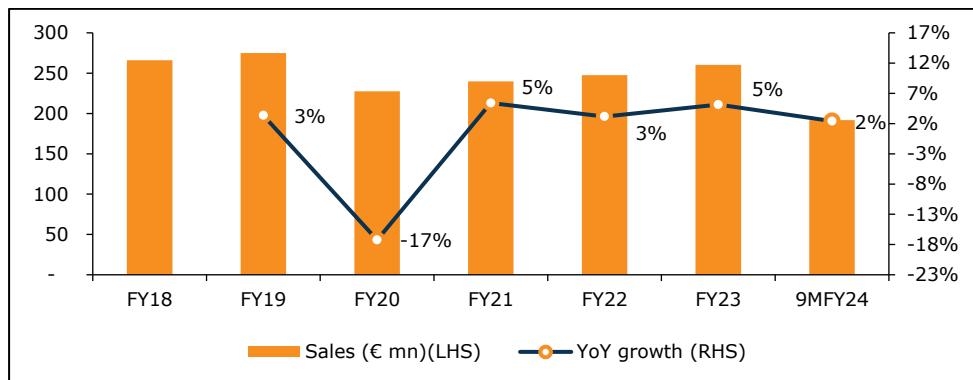


Source: Export Data, Emkay Research

Exhibit 10: Ioversol innovator's X-ray business sales trajectory

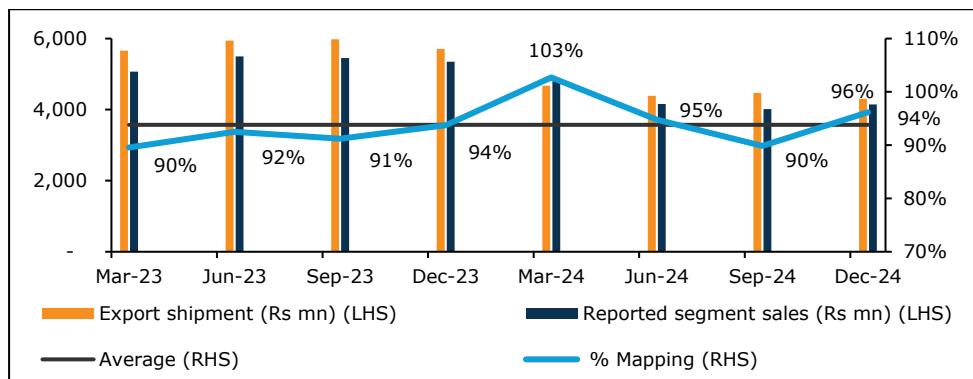


Source: Company, Emkay Research

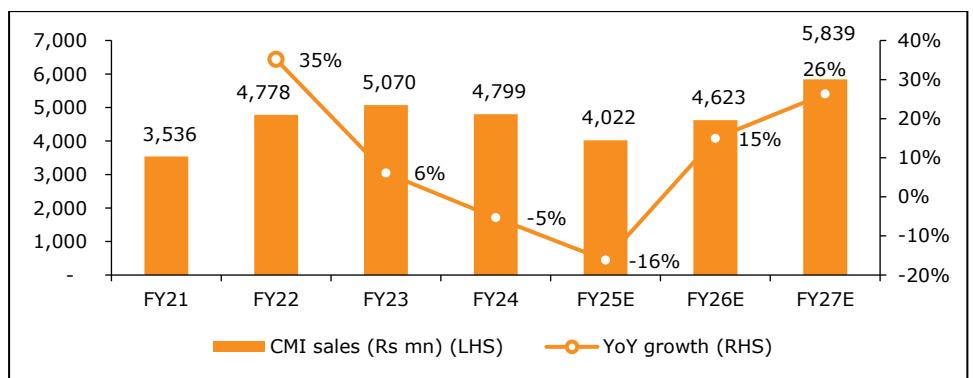
Exhibit 11: Gadopiclenol innovator's MRI business sales trajectory

Source: Company, Emkay Research

Blue Jet's contrast media intermediate segment will exit FY25 on a depressed base, primarily on account of the impact of capacity expansion-linked plant shutdowns by the company's largest customer and disruptions in the Red Sea on the reported segment sales in 1HFY25. Note that for its top 2 products in this segment, the company recognizes revenue only when the dispatched shipment reaches the customer site (following 'Delivery at Place' terms). However, basis our analysis, on a rolling 12-month basis, ~94% of the company's reported revenue for the segment can be mapped to its export shipment figures, indicating that the lag between revenue recognition and shipment dispatch eventually smoothens and does not impact the revenue growth trajectory over a period of 12 months or more (Exhibit 12). We expect Blue Jet's contrast media intermediate sales to recover to FY24 levels in FY26.

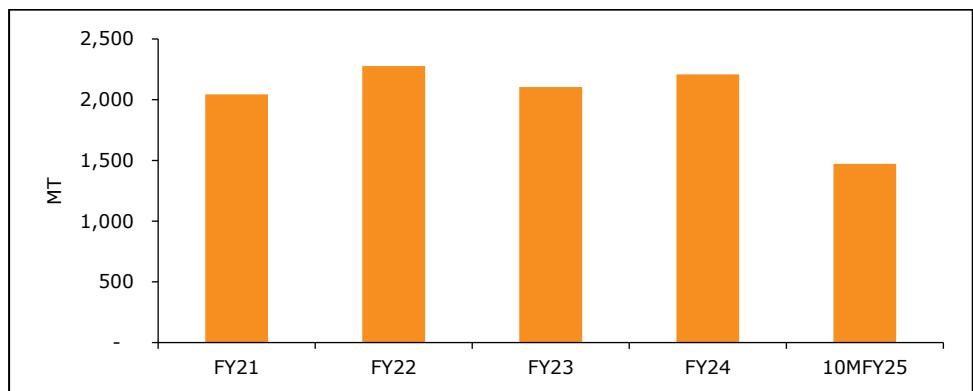
Exhibit 12: On a rolling 12-month basis, ~94% of the company's reported revenue for the CMI segment can be mapped to its export shipment figures

Source: Company, Export Data, Emkay Research

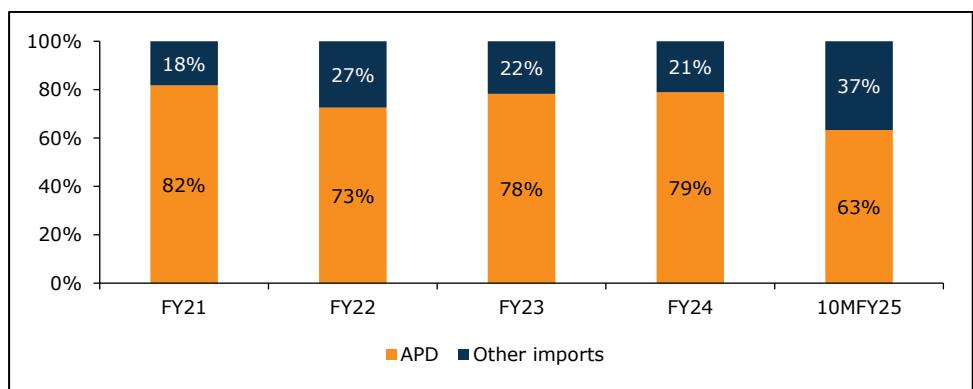
Exhibit 13: Blue Jet's contrast media intermediates sales to post ~20% CAGR on a depressed FY25E base

Source: Company, Emkay Research

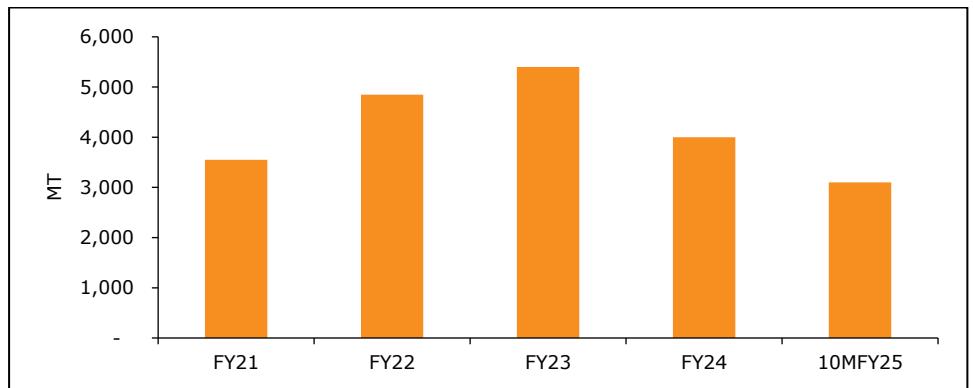
3-Amino-1,2-Propanediol (APD), isophthalic acid, and methanol are the key raw materials used by Blue Jet in the manufacture of contrast media intermediates. Imports of APD from Norway and China alone accounted for ~79% of the company's total imports in FY24. As a major step toward backward integration, Blue Jet plans to commence the production of APD at its Unit 3 (Mahad facility) in FY26. The upcoming capacity of APD is anticipated to be more than the company's in-house requirement. Besides aiding margin improvement, the in-house APD capacity will help the company achieve supply reliability. While the purchase of APD from its Chinese supplier can be replaced immediately once the new facility comes on stream, the contract for procuring APD from its Norway-based supplier is long-term in nature and is likely to be gradually replaced by APD manufactured in-house.

Exhibit 14: APD import volumes for Blue Jet


Source: Import Data, Emkay Research

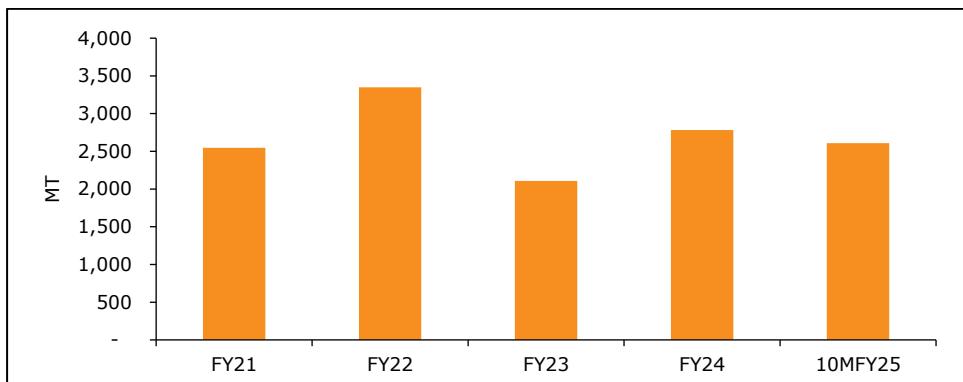
Exhibit 15: Imports of APD from Norway and China alone accounted for ~79% of the company's total imports in FY24


Source: Import Data, Emkay Research

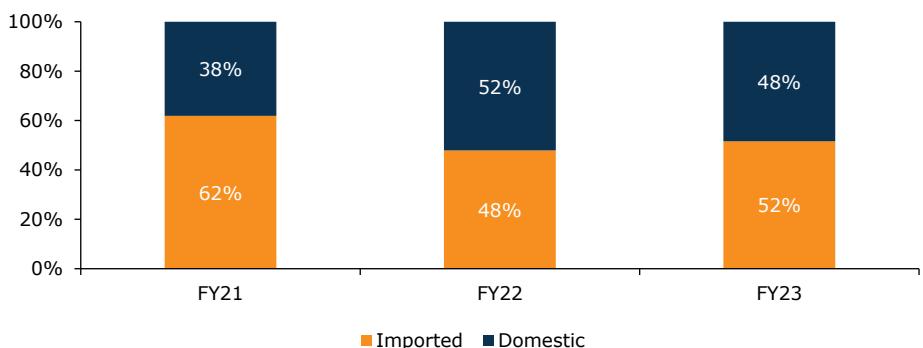
Exhibit 16: Methanol import volumes for Blue Jet


Source: Import Data, Emkay Research

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Exhibit 17: Isophthalic Acid import volumes for Blue Jet

Source: Import Data, Emkay Research

Exhibit 18: Share of raw materials – Imported vs Domestic

Source: Company, Emkay Research

Blue Jet's high customer concentration in this segment notwithstanding, we note that the top 4 players, while maintaining an alternative source, typically do not have a large supplier base which prevents new credible competitors from emerging in the contrast media intermediate space (specifications of intermediates are not shared with too many suppliers + product validation tends to be a time-consuming process). Blue Jet has emerged as a credible contrast media intermediate supplier owing to its long-standing relationships with innovators (**>70% of Blue Jet's overall sales are driven by contracted volumes**), backward integration, as well as its semi-continuous manufacturing capabilities that have helped scale-up yield while offering a consistent quality profile. Despite the end molecules being off patent, the contrast media space in the US and Europe has not witnessed genericization owing to drug-device coupling, the capex-heavy nature of the business, the scale at which the top 4 players currently operate, and innovators' long-term relationships with end-users (hospitals and diagnostic centers).

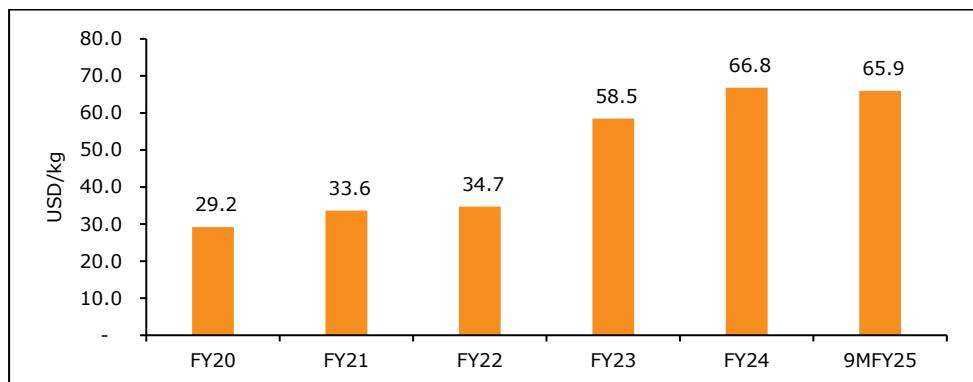
The presence of Divi's in the contrast media API space is not a meaningful threat to Blue Jet, in our view. Currently, Divi's has three commercialized contrast media APIs: Iopromide, Iopamidol, and Iohexol. Divi's largest product in this space (Iopromide), in which it has been gaining traction over the last 3 years, is exported directly to an innovator who Blue Jet does not currently cater to. The intermediate for Iopromide (NIPA MME) is also not a meaningful product for Blue Jet. Divi's had filed a DMF for Iopamidol in 2005 and its Iopamidol exports have largely been stable (~USD10-15mn) over the last 10 years (Divi's had last supplied validation batches of Iopamidol to Blue Jet's largest customer in CY20, but has not seen any subsequent API sales generation from that customer). While Divi's is fully backward integrated, has strong iodine recovery capabilities, and has a strong pipeline in both gadolinium and iodine-based contrast media APIs, we note that Blue Jet's iodine recovery (~80%-85%) is also higher than industry standards (**refer to Appendix I for a detailed overview of key India and China-based intermediate/formulation players in the contrast media space**).

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Exhibit 19: Divi's' contrast media API portfolio

Category	Product	Status
Iodinated contrast media	Iopamidol	Commercial
	Iopromide	Commercial
	Iohexol	Commercial
	Iodixanol	Sample available
	Iobitridol	Sample available
	Ioversol	Sample available
Gadolinium-based contrast media	Gadoterate Meglumine	Product under evaluation
	Gadopentetate Dimeglumine	Product under evaluation

Source: Company, Emkay Research

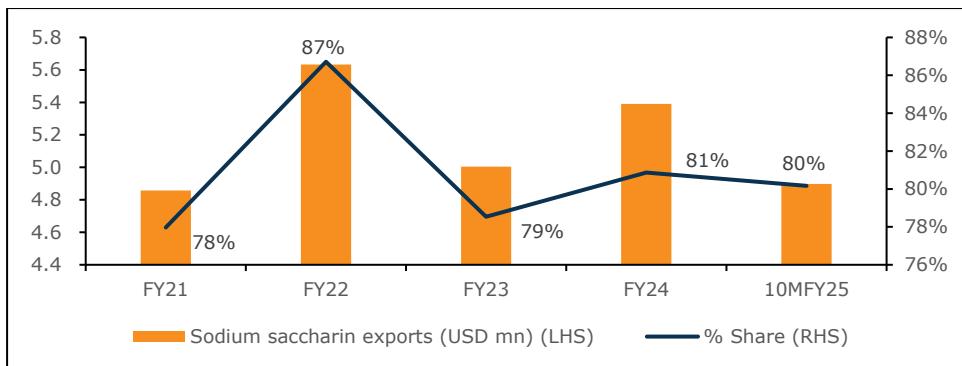
Exhibit 20: Iodine import prices witnessed a spike post-FY22, but have stabilized YoY in FY25

Source: Import Data, Emkay Research

High-intensity sweeteners: Sustainable recovery under way

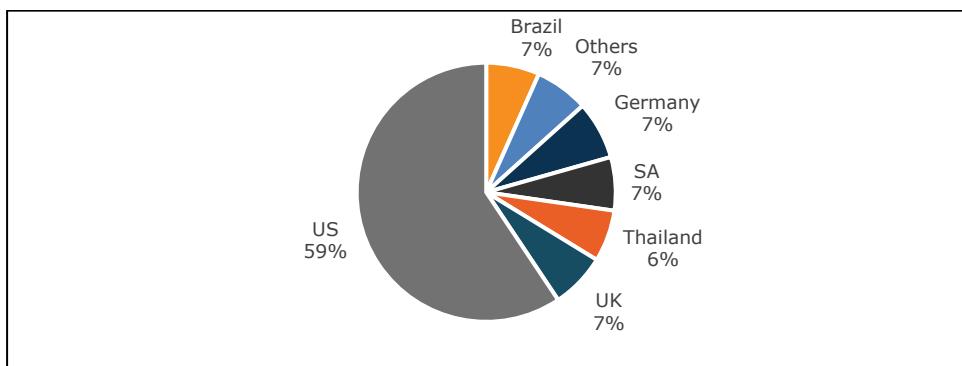
Blue Jet is India's first manufacturer of saccharin (1970). With installed saccharin capacity of 3,500-4,000MTPA, Blue Jet is one of the leading players worldwide (global demand for saccharin is estimated at ~37,000-40,000MTPA). Over the last 3 years, Blue Jet alone has accounted for ~80% of the total sodium saccharin exported from India. Blue Jet exports sodium saccharin to customers across markets, including the US, the UK, Thailand, Brazil, Germany, and South Africa. The company's vast domestic and international clientele (>300 customers) includes several leading FMCG, pharma, and agrochem companies.

Exhibit 21: Blue Jet's share of total exports of sodium saccharin from India



Source: Export Data, Emkay Research

Exhibit 22: Geographical split of Blue Jet's sodium saccharin exports (CY24; by value)



Source: Export Data, Emkay Research

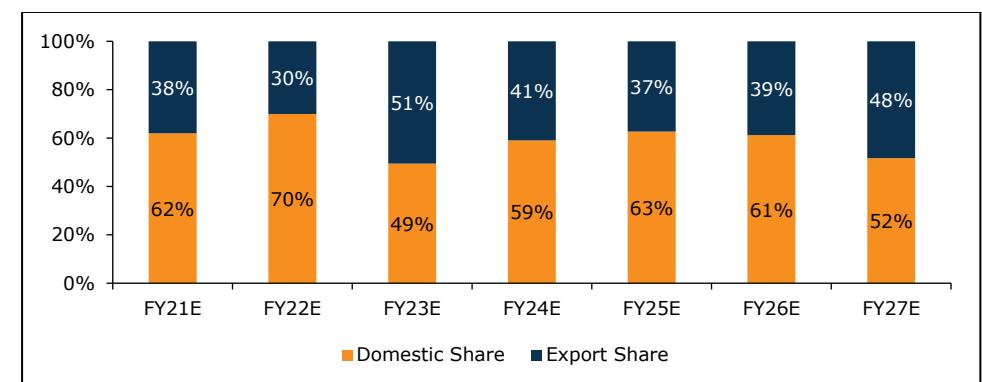
Sodium saccharin is the largest product in the company's high-intensity sweetener portfolio. Blue Jet has recently expanded its product portfolio with the launch of calcium saccharin. The company is also expected to commercialize a new sweetener in FY27, by leveraging its existing relationship with a large FMCG customer. Saccharin Imide, an intermediate for Probenazole (a fungicide) which is sold to Japan-based customers, is currently not a meaningful product for Blue Jet.

Exhibit 23: High intensity sweeteners: Commercialized product portfolio

Sr No	Products	End Use	Category
1	Saccharin Insoluble	Electroplating industries as nickel brightener	Artificial sweetener
2	Saccharin Imide	Probenazole	Fungicides
3	Saccharin Sodium	Pharma excipient (sweetener), oral care, feed, food and beverages	Artificial sweetener, pharma excipient
4	Calcium Saccharin	Pharma excipient	Pharma excipient

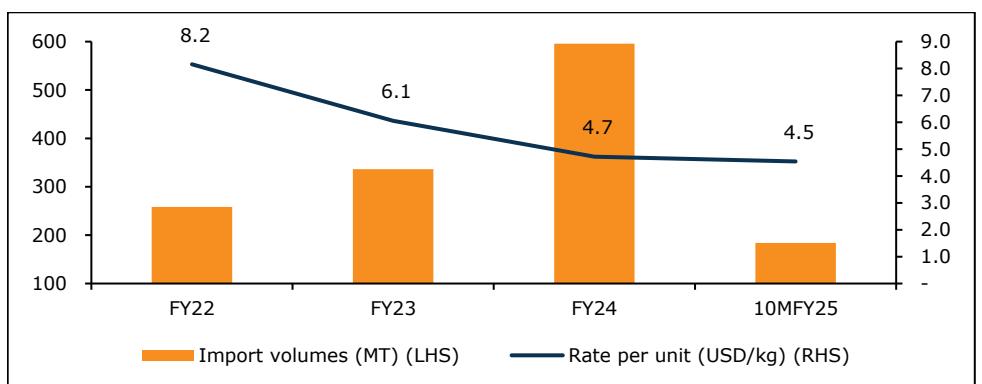
Source: Company, Emkay Research

The company manufactures key starting materials in-house which, along with its scale of operations, drives cost leadership. FMCG customers (incl oral care and non-alcoholic beverages) value consistency in taste and supply reliability. Besides, such customers prefer long-term relationships owing to regulations governing the use of ingredients in food and beverages. ~50% of Blue Jet's domestic sweetener revenue is driven by such long-term contracts, with the rest being generated in the spot market. Blue Jet is currently focusing on increasing the share of contract-driven sales (the company has not lost any customers in this segment over the last 5 years), to minimize its exposure to price movements in the spot market. Domestic sweetener sales account for ~60% of its overall sweetener sales.

Exhibit 24: Blue Jet's high-intensity sweetener revenue – Domestic vs Export share

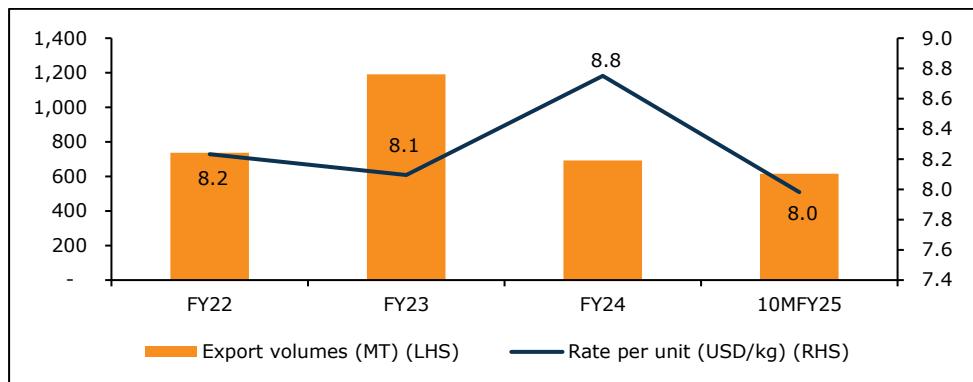
Source: Emkay Research

Blue Jet's sweetener business revenue posted a CAGR of ~33% over FY21-23. However, the business witnessed a sharp revenue decline of ~27% YoY in FY24 on account of dumping of sodium saccharin in the domestic spot market by China-based players (Exhibit 25 represents the quantity of sodium saccharin imported from China, and the corresponding rate per unit over this period). Blue Jet has refrained from engaging in a price war with Chinese manufacturers in the domestic market. Blue Jet's export price per unit has also been broadly stable over FY21-25YTD. However, the company's export as well as domestic saccharin volumes witnessed a sharp decline in FY24.

Exhibit 25: Sodium saccharin imports from China

Source: Import Data, Emkay Research

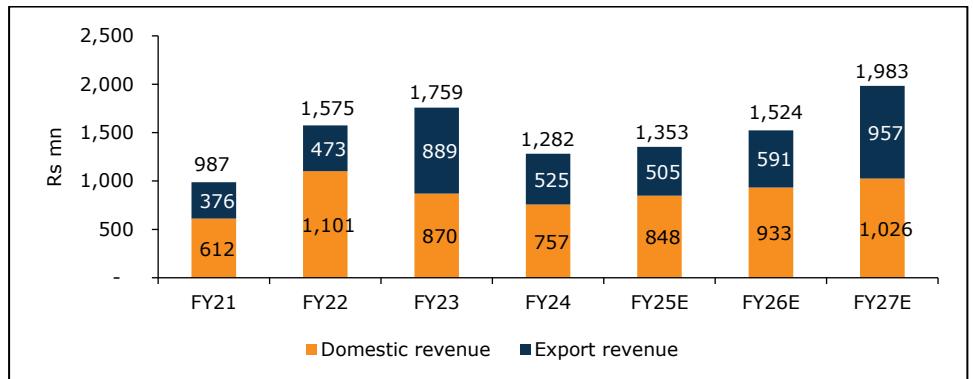
Exhibit 26: Blue Jet's sodium saccharin export volume and realization trend



Source: Export Data, Emkay Research

Blue Jet's overall sweetener revenue has witnessed a modest recovery in FY25, aided by its efforts toward increasing the share of contract-driven sales, existing customers' share of wallet, and its overall customer base. Notably, the Ministry of Finance had, in Feb-25, extended the levy of a countervailing duty of 20% on saccharin imports from China for a period of 5 years (refer to Appendix I for specific details on the anti-dumping investigation demanded by Blue Jet). Blue Jet currently has 2 more products in the development phase, and is targeting more customers in the US and Europe. We expect ~21% CAGR in sweetener sales over FY25-27E on the back of commercialization of a new sweetener in FY27 and a sustained recovery in domestic sales. We expect the domestic sweetener revenue to post a CAGR of 10% over FY25-27E, recovering to FY22 levels by FY27.

Exhibit 27: Expect ~21% CAGR in sweetener sales over FY25-27E



Source: Export Data, Emkay Research

Pharma Intermediates and API: Surface barely scratched

Blue Jet entered the Pharma Intermediates and Active Pharmaceutical Ingredients (PI and API) space in 2002. While the company operates under the CDMO as well as the bulk API model in this segment, the company is essentially a pure-play CDMO given the negligible share of the non-CDMO business (less than 1% of the segment revenue in FY25E). The company is primarily focused on the manufacture of pharma intermediates used in the therapy areas of oncology, CNS, and CVS. Blue Jet's commercialized portfolio includes 21 products, with ~8-10 products manufactured under the CDMO model. The company has over 40 customers in India and more than 15 customers globally across the US, Europe, South America, and Asia.

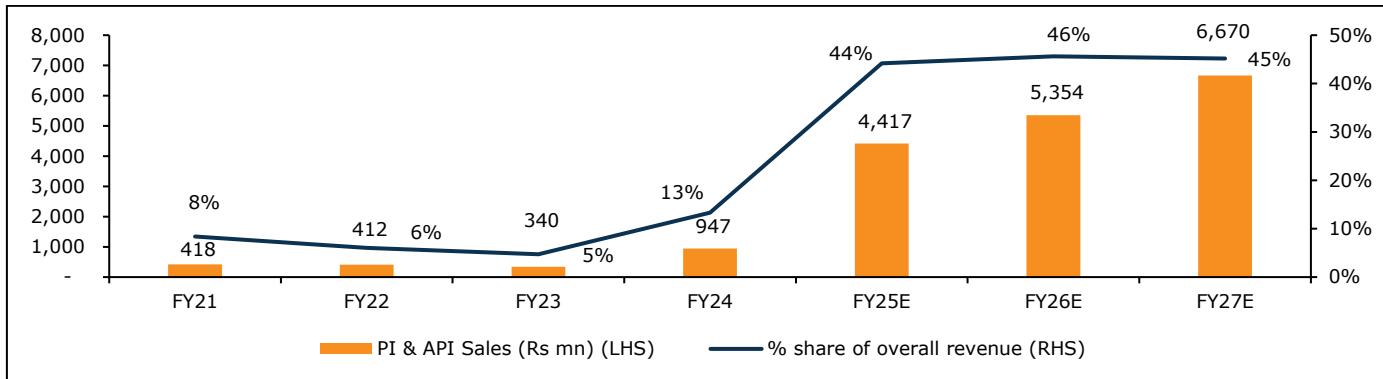
Exhibit 28: Commercialized product portfolio

Sr No	Product Category	Products	End API	Therapeutic Category
1	Pharma Intermediates	Methyl Anthranilate	Ambroxol and perfumes	Anti-mucolytic
2		2-Carbomethoxy Benzene Sulphonamide (CBS)	Flutriafol	Fungicides
3		5-Cyanophthalide	Escitalopram	Anti-depressant
4		Mica Ester (M-70)	Cefexime	Antibiotic
5		Para Amino Benzoic Acid (PABA)	Benzocaine	Anaesthetics
6		4-Acetamidobenzoic Acid (PACBA)	Inosine Pranobex	Antiviral
7		4-Sulfonylbenzoic acid potassium salt (PSBA)*	Probenecid	Uricosurics
8		4-(acetyl amino) benzoic Acid- 1-(dimethylamino)-2-propanol*	Inosine Pranobex	Antiviral
9		4-(Aminomethyl) Benzoic Acid*	Chidamide	Oncology
10		4-Fluro-1,2-Phenylenediamine*	Chidamide	Oncology
11		3,5-Dinitrobenzotrifluoride*	Nilotinib	Oncology
12		1,4-Butane Sultone*	Pharma excipient (also used for remdesivir)	Antiviral
13		Vanillic Acid*	Opicapone, etamivan, brovanexine	Anti-Parkinson
14		TosMIC*	Bempedoic acid	Lipid lowering
15		Diethyl 2,2,14,14-tetramethyl-8-oxo pentadecanedioate*	Bempedoic acid	Lipid lowering
16	API	Docusate Sodium Suspension	Docusate Sodium Suspension	Laxative
17		Calcium Docusate	Calcium Docusate	Laxative
18		INDOL-3-ACETIC ACID	New chemical entity (NCE) molecule	CNF
19		Vanilline Acetate	Etamivan	Anti-Parkinson
20		Trans-3(3-Pridyl)-Acrylic Acid	Chidamide	Oncology
21		Methyl Iodide	Flucanazole	Anti-inflammatory

Source: Company, Emkay Research; * Under the CDMO model

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Exhibit 29: PI and API segment revenue trajectory



Source: Company, Emkay Research

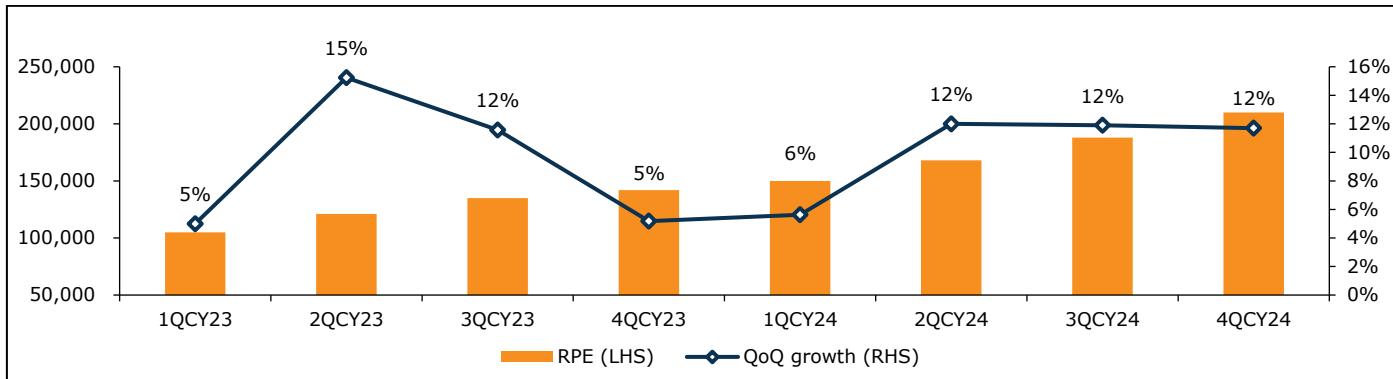
Bempedoic Acid intermediate: Opportunity size underappreciated; poised to achieve meaningful scale

Blue Jet's PI and API revenue nearly tripled in FY24 vs FY23, primarily driven by the commercialization of CION-04 (Diethyl 2,2,14,14-tetramethyl-8-oxo pentadecanedioate), an advanced intermediate used in the manufacture of Bempedoic Acid. Bempedoic Acid is a lipid-lowering medication used to lower low-density lipoprotein cholesterol (LDL-C; often referred to as "bad" cholesterol). The drug inhibits ATP-citrate lyase (ACLY), an enzyme which plays a crucial role in cholesterol synthesis in the liver. Bempedoic Acid was earlier prescribed as an adjunct to statins for patients who were unable to achieve their cholesterol-lowering goals or for those who could not tolerate statins. The innovator markets Bempedoic Acid and the combination of Bempedoic Acid and Ezetimibe in the US. Bempedoic Acid enjoys patent protection in the US till CY31 (earliest expiry of the drug substance patent).

In Mar-24, the USFDA approved broad label expansion for Bempedoic Acid and the combination of Bempedoic Acid and Ezetimibe. The new labels include indications for cardiovascular (CVD) risk reduction and LDL cholesterol lowering in both—primary (not diagnosed with CVD and currently on low dose statin/unwilling to take statins, but needs LDL cholesterol lowering) and secondary (diagnosed with CVD and currently on a high-intensity statin, but needs more LDL cholesterol lowering) prevention patients, regardless of statin use. This implies that these drugs, unlike competing treatment options, can now be prescribed to patients at a high risk of cardiovascular events, even if they have not experienced a cardiovascular event yet. In the US, the addressable patient population post the label expansion has expanded to ~70mn patients. Subsequently, the European Commission approved the label expansion in May-24. Studies indicate that ~80% of the patients in Europe are unable to achieve the recommended LDL cholesterol levels despite taking statins. The innovator's recent deal with a Canada-based pension fund for the monetization of its European royalties further validates the drug's market opportunity in Europe.

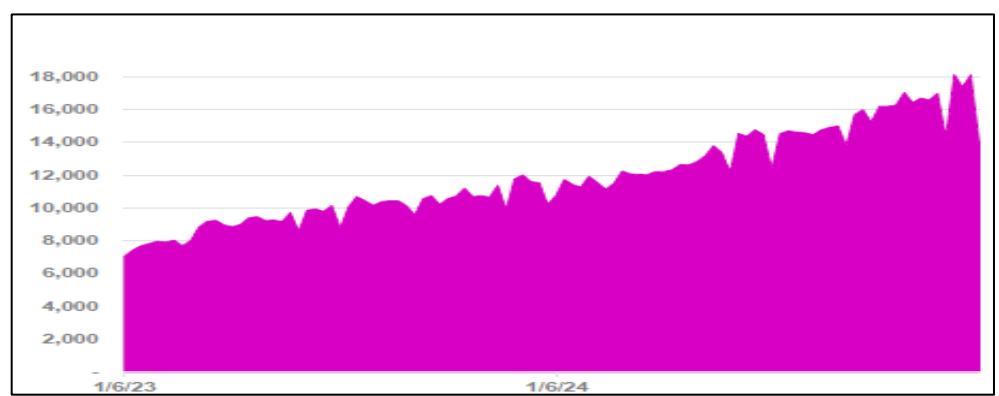
The innovator has witnessed ~12% sequential increase in retail prescription equivalents (RPE) in the US over the last 3 quarters (9MCY24). Sustained growth in new-to-brand prescriptions has been driven by the innovator's focus on expanding coverage in the commercial as well as Medicare channels (>92% in the commercial and >65% in the Medicare channel, as of CY24) and continued expansion in the prescriber base. The drugs have recently received preferred status on the US Department of Defense Uniform Formulary (access to ~9mn active-duty personnel, their dependents, and retirees).

Exhibit 30: Innovator's quarterly retail prescription equivalent (RPE) trend in the US



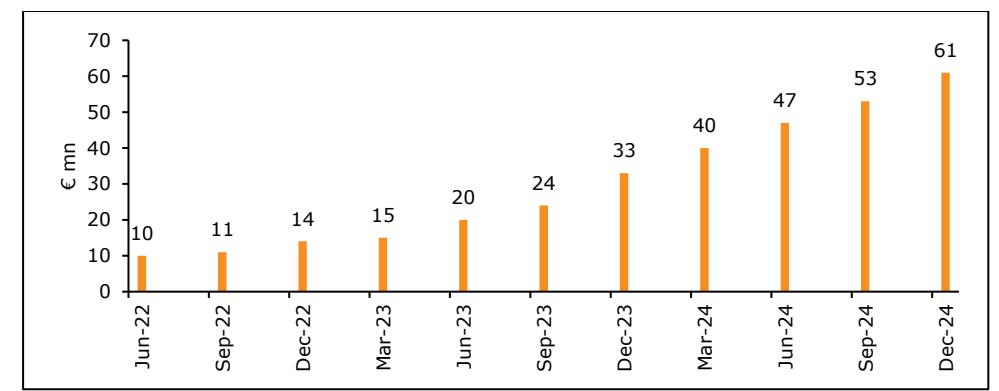
Source: Company, Emkay Research; Note: RPE is derived by normalizing the Rx units (number of tablets) to determine the 30-day supply equivalent

Exhibit 31: Innovator's weekly RPE trend through Dec-24 in the US



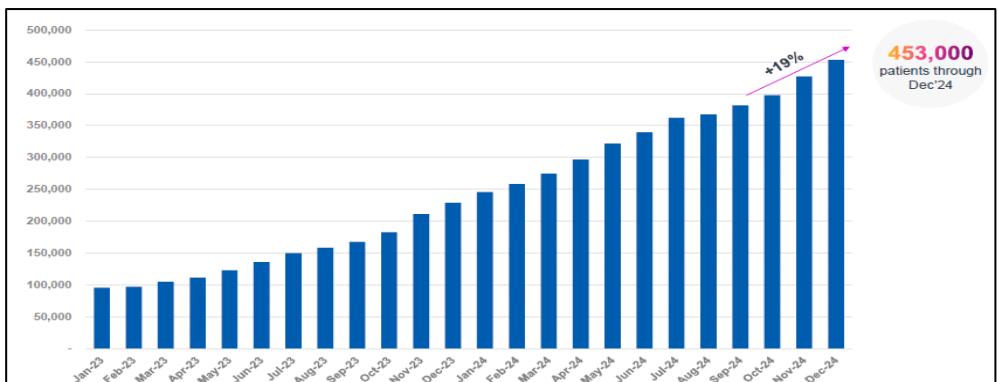
Source: Company, Emkay Research

Exhibit 32: Innovator's European partner's revenue trajectory



Source: Company, Emkay Research

Exhibit 33: Ex-US markets witnessing a strong ramp-up in patient base



Source: Company, Emkay Research; Note: Numbers include Germany, the UK, Austria, Belgium, Switzerland, Italy, Spain, and the Netherlands

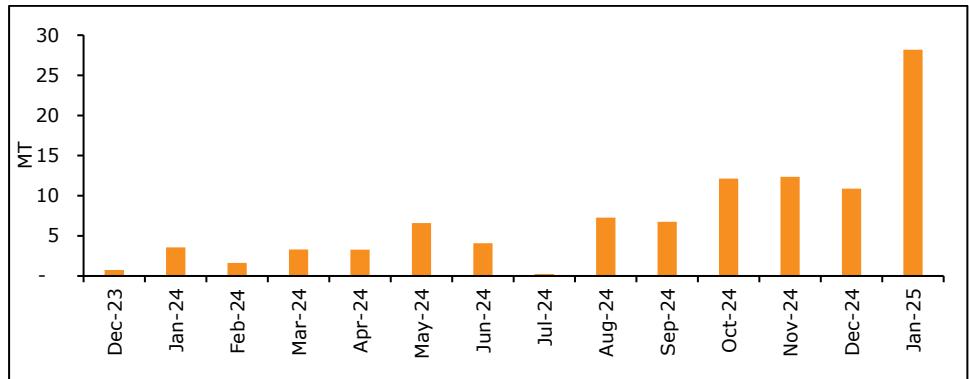
Under the recently amended collaboration agreement between the innovator and its partner in Europe, the two companies will be collaborating on the development and commercialization of two triple combination products (Bempedoic Acid + Ezetimibe + Atorvastatin / Rosuvastatin). The innovator plans to commercialize these triple combination options by CY27. Published literature suggests that triple combination products can lower LDL cholesterol by 60-70%. This level of efficacy has the potential to rival both, existing and emerging injectable and oral therapies, thereby offering a valuable oral treatment option. Besides, these products could also aid the innovator in patent life cycle management beyond CY30.

The innovator is focusing on expanding into more geographies beyond the US and Europe. The innovator's partner in Asia + South America has received approvals to market Bempedoic Acid in multiple markets, including Taiwan, Hong Kong, and Thailand. The innovator's Japanese partner had filed a new drug application in Nov-24 (Japan is the third largest market for lipid-lowering drugs). While the innovator had filed an NDS in Canada in Nov-24 and expects approval by 4QCY25, the company has entered into licensing agreements for the commercialization of Bempedoic Acid in Australia, New Zealand, and Israel.

Neuland Laboratories has been associated with the innovator since CY20 (following the product's approval in the US and Europe) for commercial supplies of Bempedoic Acid (primarily the end API + the same intermediate supplied by Blue Jet). While Neuland had supplied nominal quantities of the intermediate to the innovator's CDMO partner in CY24, Neuland currently has, per our estimate, ~25% share in the supply of the end API, with Blue Jet (via its intermediate) accounting for the rest. **Blue Jet has dedicated capacity for Bempedoic Acid at its newly commissioned Plant 6 within Unit 2 (Abernath facility). Per the management, the current capacity is sufficient to cater to 2x the current volumes, with further room to expand capacity via debottlenecking initiatives.**

Per our estimate, the net sales of Bempedoic Acid (US + Europe), which stood at USD333mn in CY24, will see CAGR of ~40% over CY24-28. Per our calculations, the intermediate (CION-04) accounts for ~45% of the end API cost (~41% per our computations based on the process yield and ~49% basis Neuland's end API export price). Consequently, we expect Blue Jet's intermediate sales, which stood at USD 33mn in CY24, to clock a CAGR of ~31% to reach USD 73mn over CY24-27E. Our estimates of intermediate sales for Blue Jet are conservative, in our view, given that the innovator is expected to commercialize the end product in multiple geographies (in addition to the US and Europe; for instance, markets such as Australia and New Zealand where the innovator has also entered into product supply agreements) in the medium term. Besides, the potential introduction of two triple combination products in CY27 poses further upside risks to our estimates.

Exhibit 34: Bempedoic Acid intermediate – Monthly volume



Source: Export Data, Emkay Research

Exhibit 35: Expect Blue Jet's Bempedoic Acid intermediate sales to clock a CAGR of ~31% over CY24-27E to reach USD73mn

Emkay Estimates (USD mn)	CY23	CY24	CY25E	CY26E	CY27E	CY28E
US + Europe Bempedoic Acid sales (net)	178	333	576	855	1,105	1,295
US sales	78	116	174	231	294	363
Europe sales	100	217	402	623	810	932
Relevant projection year for Blue Jet	CY24	CY25E	CY26E	CY27E		
Adj for safety stock (10%)		633	940	1,215	1,425	
Innovator's cost of the end API (@ 15%)			95	141	182	214
Neuland's share of the end API				25%	25%	25%
Blue Jet's share of the end API				75%	75%	75%
Blue Jet's intermediate sales (@ 45% of the end API cost)	33	48	63	73		

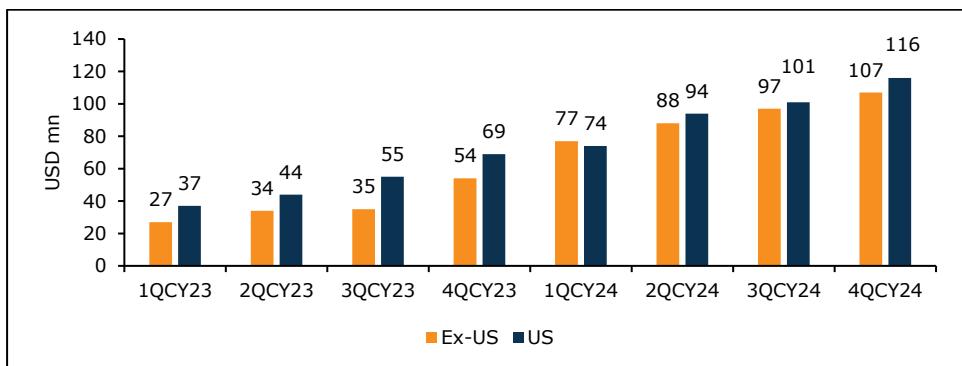
Source: Emkay Research

Competitive landscape: Bempedoic Acid vs Novartis' Leqvio and Merck's MK-0616

Novartis' Leqvio

Leqvio (Inclisiran) works by inhibiting the PCSK9 (proprotein convertase subtilisin/kexin type 9) protein, which increases the liver's ability to remove LDL cholesterol from the blood. It is administered as an injection once every six months after two initial doses. While both—Leqvio and Bempedoic Acid—can be used to lower LDL cholesterol, they are not direct substitutes for each other. The choice between them depends on individual patient factors, such as tolerance to statins, the degree of LDL reduction needed, and patient preferences regarding administration (oral vs injection). Leqvio is often used alongside a statin, whereas Bempedoic Acid can be used with or without statins. Bempedoic Acid is a preferred line of treatment for patients intolerant to statins. Moreover, Bempedoic Acid is more cost-effective than Leqvio.

Exhibit 36: Novartis' Leqvio sales in the US and ex-US markets



Source: Company, Emkay Research

Merck's MK-0616

MK-0616 (Enliticidate Decanoate) is designed to lower LDL cholesterol via the same mechanism as injectable PCSK9 inhibitors. However, the drug is administered once daily in a pill form. Currently in Phase 3, the drug could be the first oral PCSK9 inhibitor to be commercialized. In the Phase 2 clinical trials, MK-0616 demonstrated a significant reduction in LDL cholesterol levels across all dose levels compared to placebo, with reductions ranging from ~41% to ~61%. The drug's head-to-head Phase 3 trial vs Bempedoic Acid, Ezetimibe, and Bempedoic Acid + Ezetimibe is currently under way, with clinical trials expected to be completed by 1H25. However, we note that commercialization and meaningful scale up could be at least 3 years away. Besides, the drug is likely to compete with triple combination products (Bempedoic Acid + Ezetimibe + a statin), which offer similar or better efficacy, at the time of its launch.

Blue Jet is also building capabilities to capitalize on two major tailwinds in the CDMO space: more opportunities from small and mid-size VC-funded biotechs, and new discoveries in targeted therapies such as GLP-1s. The company's upcoming R&D center in Hyderabad and the pilot plant at Ambernath (Unit 2) will help it achieve a quick turnaround of RFPs from biotechs for advanced intermediates as well as focus on new platforms such as amino acid derivatives (the building block for molecules in the GLP-1 space). Blue Jet has also recently made a senior-level hire in Europe, to build relationships with innovators and drive business development activities. The company currently has 12-15 high potential product opportunities in the pipeline at various stages of development.

Other key products in Blue Jet's PI and API portfolio

TosMIC

TosMIC (Toluenesulfonylmethyl isocyanide) is a key reagent used in the manufacture of the Bempedoic Acid intermediate. The product is highly inflammable, given the presence of the isocyanide functional group. Consequently, Blue Jet has been importing TosMIC from China and has not made any external sales of the product over the last 4 years.

Chidamide

Blue Jet manufactures the Chidamide API (Trans-3(3-Pridyl)-Acrylic Acid) and 2 intermediates [4-(Aminomethyl) Benzoic Acid, 4-Fluro-1,2-Phenylenediamine] under the CDMO model. Chidamide is an oncology product indicated for the treatment of relapsed or refractory peripheral T-cell lymphoma.

Indol-3-Acetic Acid

Blue Jet exports the Indol-3-Acetic Acid API to a CDMO for the manufacture of a new chemical entity. Blue Jet has filed a patent with the Indian Patent Office for its method of synthesis of this API.

4-Sulfobenzoic Acid Potassium Salt (PSBA)

The company manufactures 4-Sulfobenzoic Acid Potassium Salt (PSBA) for an Israel-based generic firm under the CDMO model. The intermediate is used in the manufacture of Probenecid. Probenecid is used to treat gout and gouty arthritis by reducing the levels of uric acid in the body.

Vanillic Acid

Vanillic Acid is used as an intermediate in the synthesis of Opicapone and is manufactured by the company under the CDMO model. Opicapone is used as an adjuvant to Levodopa/Carbidopa. Levodopa/Carbidopa is the current standard of care treatment for Parkinson's disease.

Methyl Anthranilate

Blue Jet has been exporting Methyl Anthranilate, an intermediate used in the manufacture of Ambroxol and perfumes, to the US. Ambroxol is indicated for respiratory diseases associated with excessive mucus secretion.

2-Carbomethoxy Benzene Sulphonamide (CBS)

The company manufactures 2-Carbomethoxy Benzene Sulphonamide (CBS), used in the manufacture of Flutriafol, for a US-based innovator. The innovator markets multiple fungicide brands containing Flutriafol.

3,5-Dinitrobenzotrifluoride

Blue Jet manufactures 3,5-Dinitrobenzotrifluoride (an intermediate for Nilotinib) under the CDMO model. Nilotinib is an oncology drug indicated for the treatment of Philadelphia Chromosome Positive Chronic Myeloid Leukemia. The innovator is likely to face generic competition in FY26. However, we note that contribution from the intermediate has not been meaningful for Blue Jet in FY25YTD.

5-Cyanophthalide

5-Cyanophthalide is the intermediate for Escitalopram, an anti-depressant. Blue Jet supplies the intermediate to the innovator. Escitalopram is now genericized but remains one of the most prescribed drugs in the US.

R&D Capabilities: Punching above its weight

Blue Jet's R&D laboratory is situated at Ambernath (Unit 2) with its R&D team focusing on new product development, cost improvement programs, and process improvements. The company's R&D initiatives are planned basis market opportunities, the intellectual property landscape, and the potential competitive scenario. Blue Jet has a 50+ strong R&D team (more than 10% of its total permanent employee base). In the last 18 months, the company has doubled its R&D hardware and strengthened its talent pool. Blue Jet views R&D as a key growth enabler for its CDMO business, with the company having expanded its CDMO portfolio from 6 molecules as of FY20 to >40 molecules currently.

Blue Jet will invest Rs400mn toward establishing an R&D center in Hyderabad in FY26 (~Rs100mn toward opex, and the rest toward capex). The investment will be geared toward the development of advanced pharma intermediates, expansion of the company's contrast media portfolio, and enhancement of capabilities for delivering high-value CDMO projects. The new R&D center is expected to accelerate the expansion of the company's product pipeline in the medium term.

Blue Jet is also building a small-volume pilot plant at Ambernath (Unit 2) which is expected to be operational in 2HFY26. This plant will primarily be used for proof of concept, regulatory filings, and supplies of small validation quantities to innovators for clinical trials. This pilot plant will help achieve the management's stated objective of building robust kilograms to multi-ton capabilities. The plant will supply initial quantities to customers till the molecules receive regulatory approvals.

Blue Jet has recently added capabilities in new chemistry platforms such as enzymatic chemistry. The focus on enzymatic chemistry has been driven by a rise in inquiries from customers for products where the platform will drive higher efficiency, cost effectiveness, and lower effluent generation. Blue Jet has filed 2 patents (synthesis of Alpha Lipoic Acid and R-Alpha Lipoic Acid) by leveraging its capabilities in this platform. The company plans to commercialize this platform for CDMO as well as import substitution-linked opportunities.

In the medium term, Blue Jet has plans to venture into the manufacture of advanced intermediates (amino acid derivatives) for high-value GLP-1 products. The company is likely to dedicate around 25% of its incremental R&D investments toward this opportunity, and targets setting up a lab focused on peptides. While Blue Jet has been working on amino acid derivatives for the past 5 years, it does not expect any meaningful contribution from this opportunity in the near term.

Capex initiatives now starting to yield dividend

At the end of FY18, Blue Jet's aggregate installed capacity stood at 230KL. Since FY18, the company's annual production capacity has increased by ~4x to ~1,180KL now. Most recently, the company incurred capex of ~Rs900mn toward adding 120KL capacity in Plant 6 of Unit 2. While the capacity, which came on stream in Jul-24, is versatile, it has been specifically deployed for manufacturing the intermediate for Bempedoic Acid. Blue Jet has also added a capacity of 37KL within the same plant in Unit 2, for its new gadolinium-based contrast media intermediate. The company has successfully completed validation and initiated commercial production of the gadolinium-based contrast media intermediate in 3QFY25, with optimum utilization of the new capacity expected to be achieved by 1HFY26.

In 2020, the company acquired a brownfield plant (Unit 3) in **Mahad** with 1 production block. **The company is currently adding 2 new production blocks to this site.** Unit 3 will help Blue Jet achieve backward integration in contrast media intermediates, with the company planning the manufacture of a key raw material, 3-Amino-1,2-Propanediol (APD) – currently being imported, at this site. APD capacity at Unit 3 is expected to be more than that required for in-house consumption, and the company expects its price for potential external sales to be competitive given its scale and low-cost process. The effluent treatment plant in Unit 3 is ready for trials, and other common infrastructure is nearing completion. **Unit 3's capacity is expected to come on stream in 2HFY26.** The company has achieved proof of concept for a continuous process at this site, which, per management, will help deliver more consistent quality and have a lower carbon footprint. Moreover, Blue Jet has added more products to Unit 3, to meet customer needs.

Blue Jet had acquired a greenfield site at Morivali in Ambernath (Unit 4) in FY21. This site is expected to have 2 multi-purpose blocks, which will cater to all business segments. The company has submitted documents seeking regulatory approvals for the commencement of work at the site, and expects the site to be commercialized by the end of FY27. The company is also currently considering certain greenfield opportunities in Gujarat and Maharashtra. Blue Jet has guided to capex of ~Rs1,500-2,000mnpa over the next two years. Following the completion of capex initiatives at Unit 3 and the operationalization of Unit 4, the company's annual production capacity across all units is expected to increase to ~1,535KL.

Exhibit 37: Annual production capacity across units expected to increase to ~1,535 KL by FY27

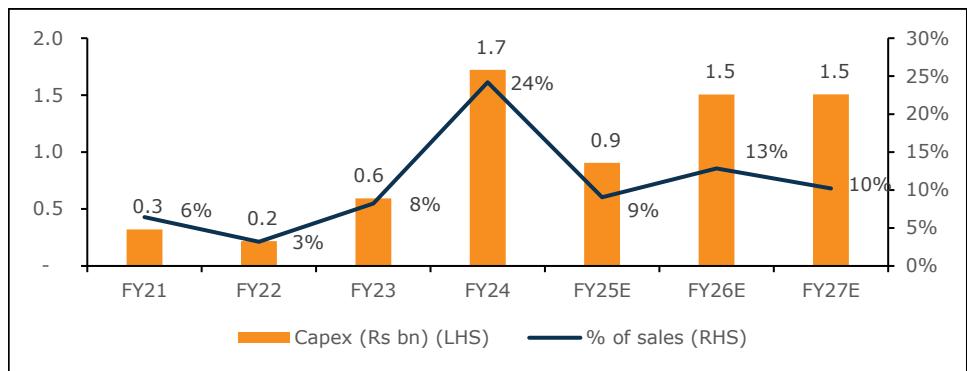
Manufacturing facility	Capacity before expansion (FY23)	Capacity after expansion (FY27E)
Unit 1, Shahad, Maharashtra	200.6KL	200.6KL
Unit 2, Ambernath, Maharashtra	607.3KL	764.3KL
Unit 3, Mahad, Maharashtra	213.0KL	499.0KL
Unit 4, Ambernath, Maharashtra	-	71.0KL

Source: Company, Emkay Research

Exhibit 38: Manufacturing Footprint (Unit 2, Ambernath - Blue Jet's largest facility)

Plant	Business Segment	Products
Plant 1	Contrast media intermediates	NIPA
Plants 1 & 2	Contrast media intermediates	NIPA Derivatives
Plant 3	PI & API	Bempedoic Acid intermediate, other PI & API
Plant 4	Contrast media intermediates	ABA HCI
Plant 5	High-intensity sweeteners	Sodium Saccharin
Plant 6	PI & API and Contrast media intermediates	Bempedoic Acid intermediate, BGB

Source: Company, Emkay Research

Exhibit 39: Capex intensity likely to remain elevated in the near term

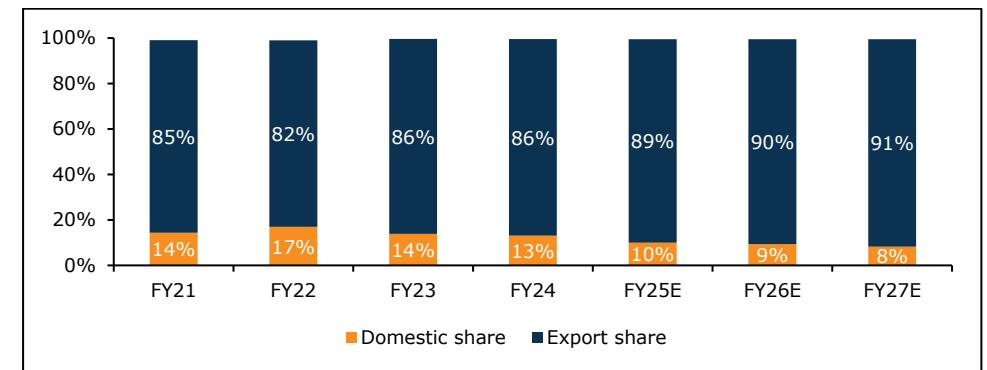
Source: Company, Emkay Research

Financial Analysis and Valuation

Financial Analysis

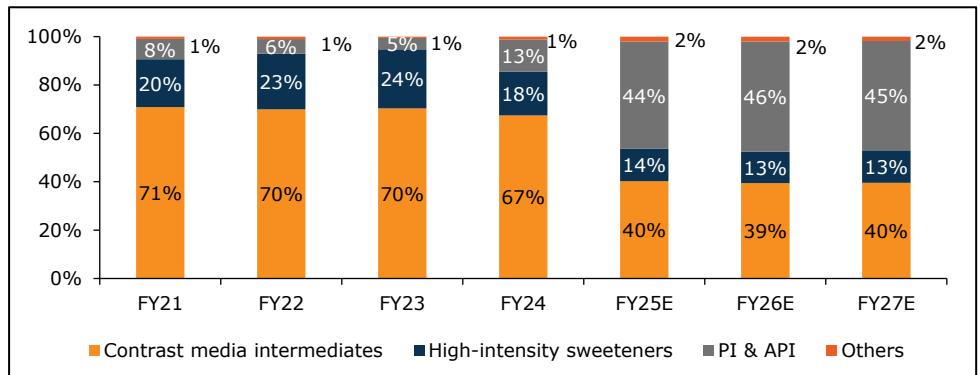
Blue Jet is predominantly an export-driven firm with ~90% of its present overall revenue being generated from exports. The contrast media intermediate segment currently accounts for ~40% of the company's sales (vs ~70% over FY21-24). This has been driven by the sharp increase (FY25E sales at ~11x vs FY21) in the sales share of the PI and API segment (~44% in FY25E). We expect the company's export share as well as its overall sales mix to be broadly stable over FY25-27E.

Exhibit 40: Export share in the overall revenue to remain stable



Source: Company, Emkay Research

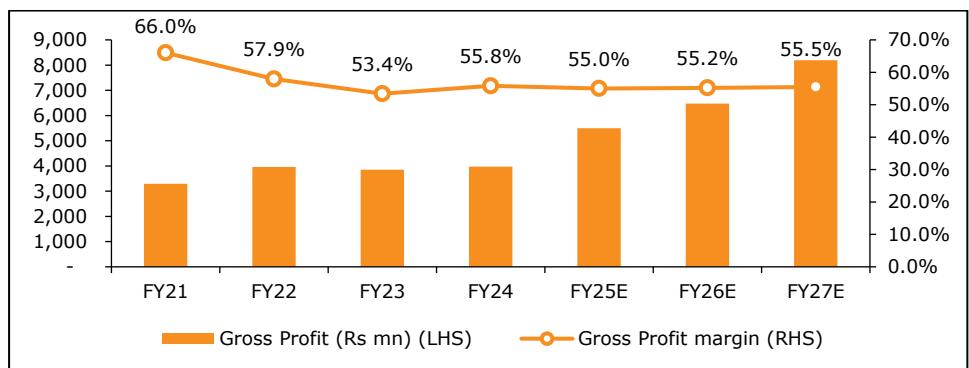
Exhibit 41: Segmental revenue split – Sales mix unlikely to change over FY25-27E



Source: Company, Emkay Research

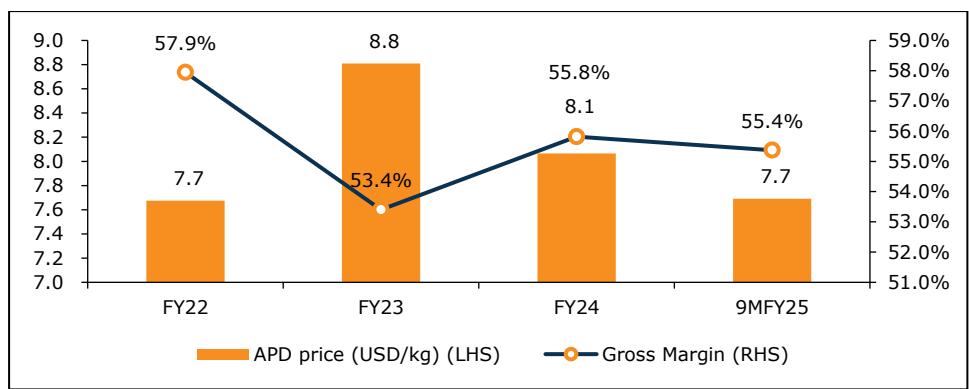
Gross margin declined by ~450bps over FY22-23, primarily on account of a spike in prices of key raw materials, such as APD, and witnessed a modest recovery in FY24. While APD prices (FY25YTD) have now reverted to FY22 levels, we note that the company's gross margin is also a function of the sales mix (contrast media intermediate margin > PI & APIs = high-intensity sweeteners). We expect gross margin to be stable at ~55% over FY25-26E, and factor in a marginal benefit from in-house APD production in FY27E.

Exhibit 42: Expect gross margin to be stable at ~55% over FY25-26E, and see marginal benefit from in-house APD production in FY27E



Source: Company, Emkay Research

Exhibit 43: APD prices have now reverted to FY22 levels



Source: Company, Import Data, Emkay Research

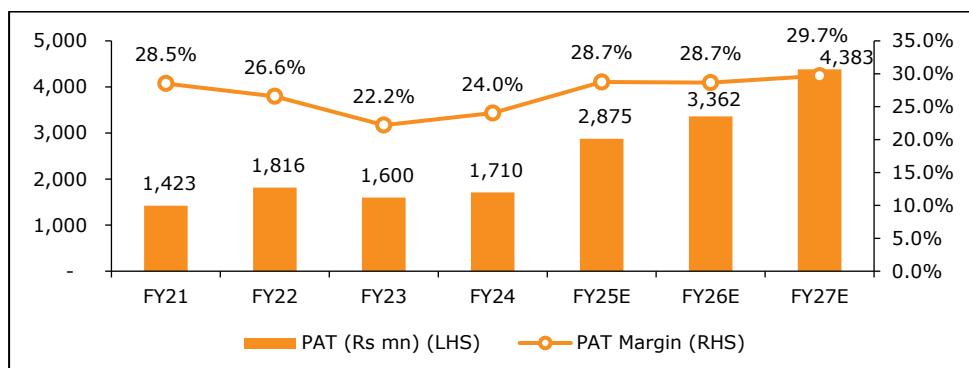
Given that Blue Jet operates on a low opex model, we expect revenue CAGR of 21% over FY25-27E to drive EBITDA CAGR of 26% over the same period, primarily on the back of operating leverage gains. We factor in an uptick in R&D spend, with the new R&D center likely to come on stream in FY26. Given Blue Jet's dedicated capacity for the Bempedoic Acid intermediate (as well as the gadolinium-based contrast media intermediate), scale up in volumes and larger batch sizes will be the key drivers of near-term margin expansion. We expect ~260bps expansion in EBITDA margin over FY25-27E (~600bps over FY24-27E).

Exhibit 44: Breakup of other expenses – Blue Jet operates on a low opex model

(Rs mn)	FY20	FY21	FY22	FY23	FY24
Power and fuel	193.0	199.1	272.5	329.9	245.6
% of sales	3.6%	4.0%	4.0%	4.6%	3.5%
Freight expenses	212.7	244.3	322.8	272.7	196.4
% of sales	4.0%	4.9%	4.7%	3.8%	2.8%
Labor charges	133.7	146.3	172.7	194.8	202.2
% of sales	2.5%	2.9%	2.5%	2.7%	2.8%
Consumption of stores and spares	43.6	58.7	62.0	83.3	60.0
% of sales	0.8%	1.2%	0.9%	1.2%	0.8%
Repairs and maintenance	64.5	66.1	71.5	67.3	67.9
% of sales	1.2%	1.3%	1.0%	0.9%	1.0%
Packing & forwarding charges	35.7	42.0	55.6	57.6	49.6
% of sales	0.7%	0.8%	0.8%	0.8%	0.7%
Legal and professional charges	36.4	36.5	26.0	33.9	50.4
% of sales	0.7%	0.7%	0.4%	0.5%	0.7%
Insurance charges	9.4	25.0	13.8	19.0	23.0
% of sales	0.2%	0.5%	0.2%	0.3%	0.3%
Travelling and conveyance	0.4	6.3	7.4	8.1	7.7
% of sales	0.0%	0.1%	0.1%	0.1%	0.1%
Corporate social responsibility expenditure	3.9	10.5	3.0	28.0	52.0
% of sales	0.1%	0.2%	0.0%	0.4%	0.7%
Auditors' remuneration	0.2	2.4	1.7	1.5	2.7
% of sales	0.0%	0.0%	0.0%	0.0%	0.0%
Miscellaneous expenses	168.3	107.5	128.2	144.4	190.4
% of sales	3.1%	2.2%	1.9%	2.0%	2.7%
Total Other Exp	901.8	944.7	1,137.2	1,240.3	1,147.8
% of sales	16.8%	18.9%	16.6%	17.2%	16.1%

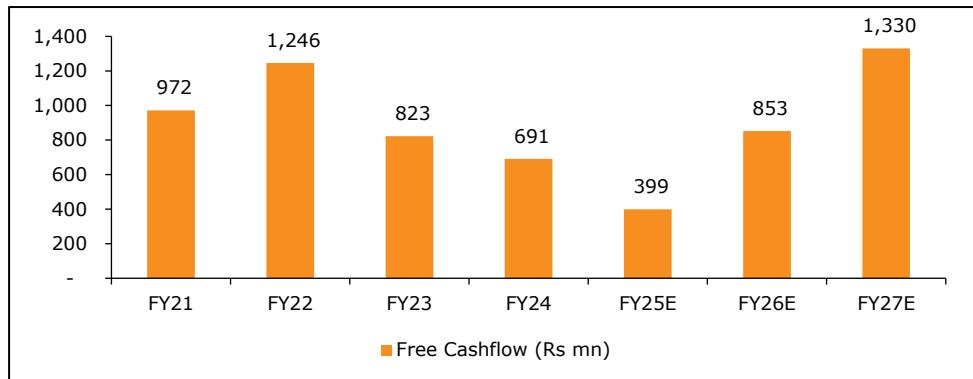
Source: Company, Emkay Research

Exhibit 45: EBITDA to PAT conversion high, owing to low depreciation and finance costs

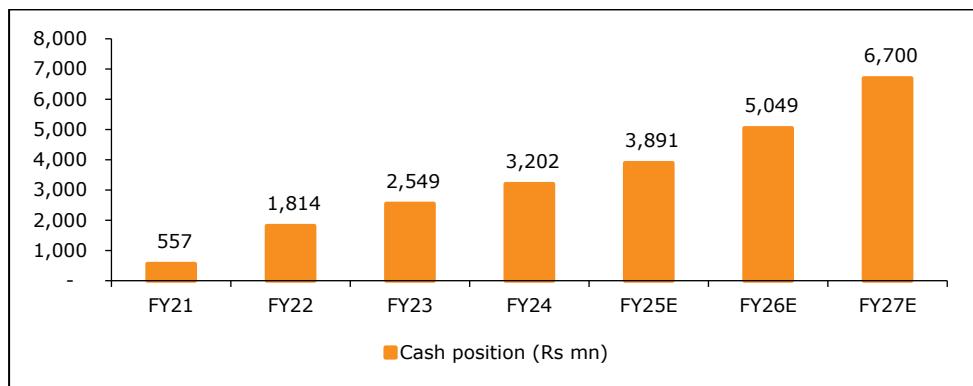


Source: Company, Emkay Research

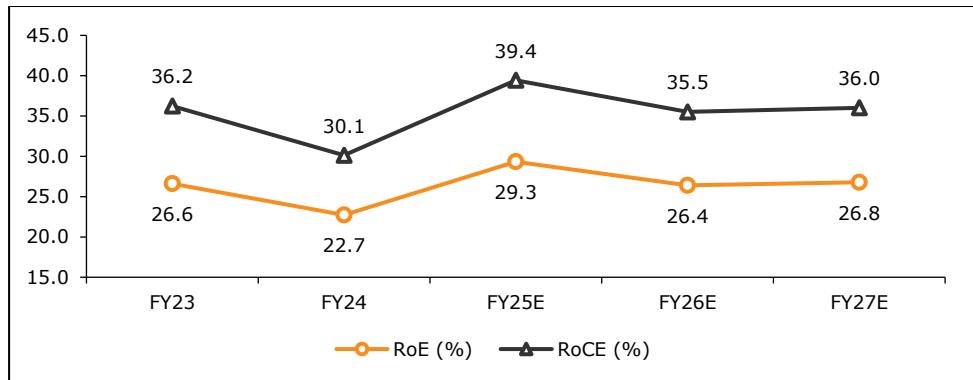
Blue Jet's balance sheet remains debt-free and, despite the company being in the middle of a capex cycle, we expect cumulative FCF generation of ~Rs2.2bn over FY25-27E. The company has delivered best-in-class asset turns (~5x net fixed asset turn in FY24 vs peer average of ~2x), aided by a low gestation period for incremental capex (expected NFA turnover of 3-4x going forward) as well as high revenue per commercialized product.

Exhibit 46: Expect cumulative FCF generation of ~Rs2.2bn over FY25-27E

Source: Company, Emkay Research

Exhibit 47: Strong cash position and debt-free balance sheet

Source: Company, Emkay Research

Exhibit 48: Blue Jet's return metrics (>25% RoE and >35% RoCE) the highest among peer set

Source: Company, Emkay Research

Valuation

We initiate our coverage of Blue Jet Healthcare with BUY and SOTP-based Mar-26 TP of Rs1,150 (blended target EV/EBITDA of 34x). Our TP implies FY27E PER of 45x, ie at ~20% premium to the current trading range of Blue Jet's CDMO peers but in line with the consensus target multiples for peer group.

Exhibit 49: SOTP-based valuation

	FY27E EBITDA (Rs mn)	Multiple (x)	EV (Rs mn)
Contrast media intermediates	2,511	35	87,881
Margin	43%		
High-intensity sweeteners	714	27	19,278
Margin	36%		
Pharma intermediates and API	2,401	35	84,038
Margin	36%		
Others*	12	5	60
Margin	6%		
Enterprise value			191,258
Net debt (FY26E)			-5,049
Equity value			196,307
Number of shares outstanding (mn)			173.5
Fair value per share (Rs)			1,150

Source: Company, Emkay Research; * Spent acids and solvents, which were used in the process of manufacturing contrast media intermediates and high-intensity sweeteners, and excess raw materials

Peer Comparison

Exhibit 50: Margin, Return Profile, and Asset turn – Blue Jet vs peers

Company	EBITDA Margin (%)				ROE (%)				NFA Turn
	FY24A	FY25E	FY26E	FY27E	FY24A	FY25E	FY26E	FY27E	
Ami Organics	17.9	22.1	23.6	24.7	6.7	13.8	14.7	16.6	2.8
Divi's Laboratories	28.3	31.2	33.5	35.4	12.1	15.0	16.9	18.5	1.7
Laurus Labs	15.0	19.1	22.5	24.7	3.9	7.8	12.5	15.1	1.6
Piramal Pharma	14.8	15.6	17.8	19.0	0.2	1.8	6.2	9.0	2.3
Suven Pharma	39.2	33.3	33.7	35.7	15.9	17.1	17.8	21.5	1.8
Neuland Laboratories	30.5	26.6	32.2	33.7	26.4	18.4	24.5	26.3	3.2
Syngene	30.7	28.9	30.4	31.2	13.0	11.2	12.4	13.8	1.5
Aether Industries	22.1	28.2	29.6	29.8	5.0	7.3	9.1	10.5	1.0
Sai Lifesciences	19.5	24.4	26.6	28.0	8.9	11.0	11.9	13.5	1.7
Average	24.2	25.5	27.8	29.1	10.2	11.5	14.0	16.1	1.9
Blue Jet	32.2	35.6	36.3	38.2	22.7	29.3	26.4	26.8	5.1

Source: Company, Bloomberg, Emkay Research; Note: Figures refer to Bloomberg consensus estimates for peers and Emkay estimates for Blue Jet

Exhibit 51: Valuation metrics – Blue Jet vs peers

Company	CMP	M.Cap (Rs bn)	P/E(x)			EV/EBITDA(x)			Target PE Multiples
			FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	
Ami Organics	2,342	96	64	47	36	45	33	25	36
Divi's Laboratories	5,823	1,546	73	58	47	52	41	34	47
Laurus Labs	602	325	101	55	38	33	24	19	37
Piramal Pharma	221	292	158	54	34	23	18	14	47
Suven Pharma	1,183	301	80	64	44	34	25	19	54
Neuland Laboratories	11,705	150	57	34	25	37	23	17	36
Syngene	703	283	56	44	35	26	21	18	43
Aether Industries	851	113	70	51	41	47	31	24	49
Sai Lifesciences	708	147	89	56	44	39	30	25	50
Average			83	52	38	37	27	22	44
Blue Jet	911	158	55	47	36	44	36	27	45

Source: Company, Bloomberg, Emkay Research; Note: Multiples basis Bloomberg consensus estimates for peers and Emkay estimates for Blue Jet; Figures as of March 19, 2025

Key Risks

- **Share gain for Neuland in Bempedoic Acid, in terms of the end API supplies:** While we have assumed that Neuland's and Blue Jet's share of the end API supplies for Bempedoic Acid would be stable in the near term, any **meaningful gain in share for Neuland could pose a downside risk to our Bempedoic Acid intermediate sales estimates.** However, we note that alternative sourcing of advanced intermediates by its customers might not necessarily pose a threat to Blue Jet, given that its existing as well as incremental capacities are typically aligned with customer needs.
- **Potential change in the sourcing strategy following a transition in manufacturing of Bempedoic Acid to the innovator's partner:** Under a supply agreement, the innovator currently supplies bulk tablets of Bempedoic Acid to its partner in Europe. As part of an amended agreement between the innovator and its European partner, the innovator's partner will gradually assume manufacturing and supply responsibilities in Europe and certain other geographies. Any change in the sourcing strategy, in terms of a change in the supplier of the intermediate, could have a material impact on our intermediate sales estimates.
- **Customer and product concentration:** Blue Jet's largest customer in the contrast media intermediate segment currently accounts for ~35% of the company's overall revenue (FY25E vs ~56% in FY24). Besides, the Bempedoic Acid intermediate accounts for ~43% of the company's revenue (FY25E).
- **Fire incidents:** The company faced two fire incidents in its manufacturing facilities in CY23 (Unit 2 in Jun-23, and Unit 3 in Nov-23). Subsequently, the company undertook a review of its safety systems, engaged consultants to conduct risk assessments, hired a senior-level resource to drive safety-linked initiatives, invested in fire hydrant systems as well as fire trucks, and implemented process-related changes wherever possible (eg reduction in the use of hazardous nitric acid).

Company and Management Background

Established in 1968, Blue Jet Healthcare is a specialty pharmaceutical, healthcare ingredients, and intermediates company. Operating under a CDMO business model since establishment, the company offers niche products targeted at innovator pharmaceutical companies and multi-national generic pharmaceutical companies. It has core capabilities in contrast media intermediates, high-intensity sweeteners, and pharma intermediates, driven by strategic and early investments in research and development as well as manufacturing infrastructure.

Blue Jet's business is divided into 3 verticals – **Contrast Media Intermediates (CMI), High-intensity Sweeteners, and Pharma Intermediates and Active Pharma Ingredients (PI and API)**. The CMI business involves the supply of critical starting intermediates, and several advanced intermediates used in the manufacture of contrast media formulations. The sweetener business involves the manufacture and marketing of saccharin and its salts. As part of its PI and API business, the company collaborates with various innovators and generic companies to provide intermediates that form the key elements of APIs in chronic therapeutic areas.

Established as Jet Chemicals Private Limited, the company began manufacturing saccharin and its salts in 1970. The production of Contrast Media Intermediates was started in 2000, with a basic building block (5-NIPA). Expanding its offerings, Blue Jet entered the PI and API space in 2002. It commenced operations at its largest facility (Ambernath; Unit 2) under the aegis of Blue Circle Organics Private Limited. As part of its expansion efforts in the Contrast Media Intermediates segment, Blue Jet established a semi-automated manufacturing block in 2017. The company received an Establishment Inspection Report from the USFDA for its Unit 2 in 2019. Prior to its listing, Jet Chemicals Private Limited and Blue Circle Organics Private Limited were merged to form Blue Jet Healthcare Private Limited. The company acquired a brownfield site in Mahad (Unit 3) in 2020 and a greenfield site at Morivali in Ambernath (Unit 4). In 2023, the company commenced supply of a key PI to an innovator company. Blue Jet commissioned an automated Plant 6 in its Ambernath (Unit 2) site, with an additional capacity of 120KL in 2024 to service clients in the CMI and PI & API segments.

Exhibit 52: Management background

Name	Designation	Brief background
Akshay Arora	Executive Chairman	Akshay Arora has been on the Board since 13-Apr-1983. He holds a Bachelor's degree in Science (Chemistry) from the University of Mumbai, and a Master's in Science (Organic Chemistry) from St Xavier's College, University of Mumbai. He has more than four decades of experience with the company.
Shiven Arora	Managing Director	Shiven Arora has been on the Board since 8-Dec-2015. He holds a Bachelor's in Business from Bond University, Gold Coast, Australia. He has more than a decade of experience with the company. He is presently in charge of finance and strategic matters of the company.
Naresh Shah	Executive Director, Head of Marketing	Naresh Shah has been associated with the company since 1-Sep-1991 and has been on the Board since 31-Dec-2020. He holds a diploma in Chemical Engineering from Khopoli Polytechnic College, Raigad, Maharashtra. He has more than three decades of experience in sales and marketing and manages business development and commercial activities in the company.
Ganesh Karuppannan	Chief Financial Officer	Ganesh Karuppannan has been associated with the company since 1-Nov-2021. He has been an associate member of the Institute of Chartered Accountants of India since 1988. Prior to joining the company, he worked with Philips Electronics India, Dr Reddy's Laboratories, Granules India as Chief Financial Officer, and Hetero Labs as Chief Financial Officer.
VK Singh	Chief Operating Officer	VK Singh has been associated with the company since 1-Mar-2022. He has a Bachelor's in Chemical Engineering from IIT Kanpur, and a Master's in International Business from the Indian Institute of Foreign Trade, New Delhi. He has previously worked with Strides Pharma Science as its Chief Business Officer, RPG Life Sciences as its Chief Executive Officer, Emcure Pharmaceuticals, and Ranbaxy Laboratories.
Chandrashekhar Parenky	President - R&D	Chandrashekhar Parenky was associated with Blue Circle Organics Private Limited since 11-Jun-2012. Pursuant to the scheme of merger, he has been associated with the company since 21-Oct-2020. He holds a Bachelor's in Science from the University of Mysore, and a Master's degree in Chemistry from Birla Institute of Technology & Science. He also holds a Doctorate of Philosophy in Science from the University of Mumbai. He has prior experience in the pharmaceutical industry. He has previously worked at Amoli Organics Private Limited, Kores (India) Limited as its Chief Executive Officer, and Blue Circle Organics Private Limited as President – R&D.
Popat B Kedar	Executive Director	Popat B Kedar holds a Bachelor's degree in Science and a Master's degree in Science (specialization in Inorganic Chemistry) from Shivaji University, Kolhapur. He has more than 34 years of experience as a Plant Manager. He has previously worked with Infotech Pharma Pvt. Ltd., Godavari Drugs Pvt. Ltd. and Sara Research Centre as a Plant Manager. He has been associated with the company since Jul-2005.
Sanjay Sinha	Deputy CFO	Sanjay Sinha has been associated with the company since Nov-2021. He holds a Bachelor's degree in Commerce from the University of Calcutta and an MBA in Finance. He is a member of the Institute of Cost Accountants of India. Prior to joining the company, he worked with Cadila Pharmaceuticals as Vice President - Finance and Head of Treasury and as the CFO of IRM Group (Group company of Cadila).
Sweta Poddar	CS and Compliance Officer	Sweta Poddar has been associated with the company since 15-Jan-2021. She has been an associate member of the Institute of Company Secretaries of India since 2007. She holds a Bachelor's degree in Commerce from the University of Calcutta. She has experience of over a decade as a Company Secretary. Prior to joining the company, she worked as a Company Secretary at Chinar Chemicals Private Limited and as Company Secretary and Compliance Officer at Aarey Drugs and Pharmaceuticals Limited.

Source: Company, Emkay Research

Appendix I: Industry Overview

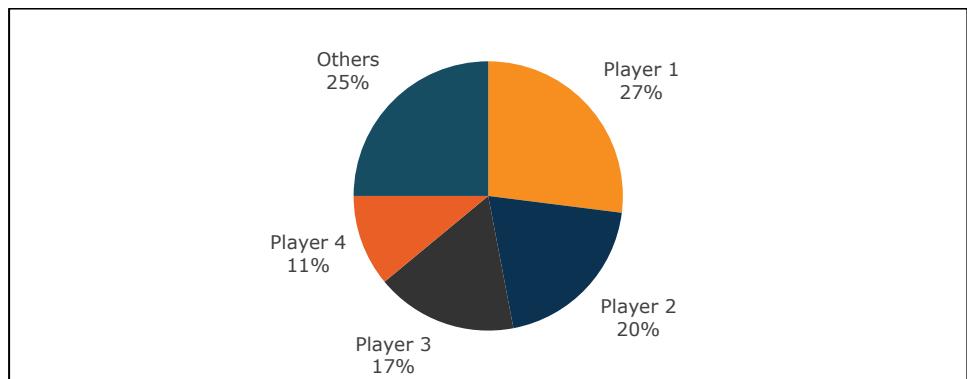
Contrast Media Intermediates

Contrast media are agents used in medical imaging to augment the visibility of tissues, blood vessels, and organs. They are administered to a patient prior to diagnostic procedures, such as X-ray, CT scan, MRI, and Ultrasound. Contrast media are critical in the visualization of small areas of interest (such as cancer lesions or vascular structures) and to plan medical interventions (such as angioplasties, biopsies, radiation therapy). The type of contrast agent for different imaging modes can be different; for instance, MRIs use gadolinium-based agents, X-Rays rely on iodine-based agents and Ultrasound utilizes microbubble-based agents.

Market Dynamics

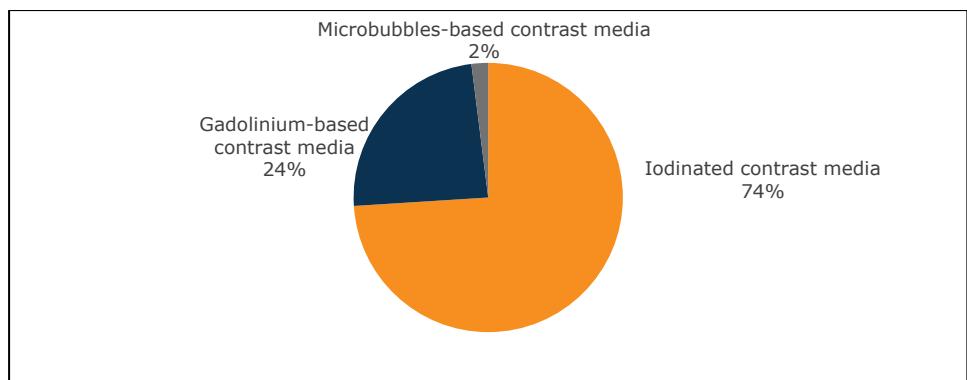
Contrast media is a highly concentrated market and is dominated by 4 large global players. These players collectively account for ~75% of the global sales of contrast media formulations. Blue Jet has had a longstanding relationship with 3 of these 4 key players, and has been increasing its customers' share of wallet over the years. The manufacturers of contrast media intermediates are primarily based in India and China. Blue Jet focuses on iodinated and gadolinium-based contrast media intermediates (iodinated + gadolinium-based agents account for ~98% of the end formulations market).

Exhibit 53: Market share of top players in the global contrast media formulations market (MAT Jun-23)



Source: Company, Emkay Research

Exhibit 54: Global contrast media formulation market by category (MAT Jun-23)



Source: Company, Emkay Research

Key India and China-based players in the contrast media space (intermediates/formulations)

Infinium Pharmachem: Infinium Pharmachem is a company that specializes in the production and export of iodine derivatives. The company has announced plans of expanding into the contrast media intermediates segment. Infinium has commenced the construction of a new manufacturing facility dedicated to contrast media intermediates in Anand, Gujarat, at capex of Rs110mn, and expects the facility to come on stream in CY25. In the first year of commercialization, the company expects to generate revenue of Rs300-400mn at EBITDA margin of >30%.

Arco Lifesciences: Arco Lifesciences, based in Nagpur, is a manufacturer of small volume parenterals, liquid oral products, and various contrast media formulations. The company's product range includes ionic and non-ionic iodinated contrast media, gadolinium-based contrast media, and oral contrast media formulations.

Arvee Laboratories: Arvee Laboratories, based in Ahmedabad, is a company focused on the production of polymer modifiers, contrast media intermediates, and drug intermediates. The company produces various contrast media intermediates, including 5-Nitroisophthalic acid (5-NIPA), 5-Nitroisophthalic Acid Dimethyl Ester (NIPA-DME) and 5-Hydroxyisophthalic acid (5-HIPA). The company exports these intermediates to the US, Europe, and China.

Biophore Pharma: Biophore Pharma, based in Hyderabad, is engaged in the manufacture of APIs across therapeutic areas. The company operates four USFDA-approved API manufacturing facilities and one gadolinium-based contrast media intermediate facility. Biophore has DMF filings for 4 gadolinium-based contrast media APIs – Gadobutrol, Gadoteridol, Gadoterate Meglumine and Gadopentetate Dimeglumine.

Elppe Chemicals: Elppe Chemicals is a Mumbai-based firm engaged in the manufacture of a wide range of intermediates, including those used in contrast media. The key products in the company's contrast media intermediate portfolio are 5-Nitroisophthalic Acid (5-NIPA) and 5-Hydroxyisophthalic acid (5-HIPA). The company primarily exports these intermediates to its customers in Europe.

Jodas Expoim: Jodas Expoim is a Hyderabad-based generic pharma company focused on the therapy areas of anti-infectives, oncology, contrast media, and critical care injectables. The company has presence across >25 emerging and semi-regulated markets. Jodas has a portfolio of iodinated as well as gadolinium-based contrast media formulations, which are primarily exported to Russia and CIS.

Beijing Beilu Pharma: Beijing Beilu was one of the earliest entrants in the contrast media space in China, and was the first Chinese player to launch the Gadopentetate Dimeglumine injection in the domestic market. The company is engaged in the production and sales of contrast media formulations, APIs, as well as intermediates. The company competes with global innovators in both, the iodinated as well as the gadolinium-based contrast media formulations segments.

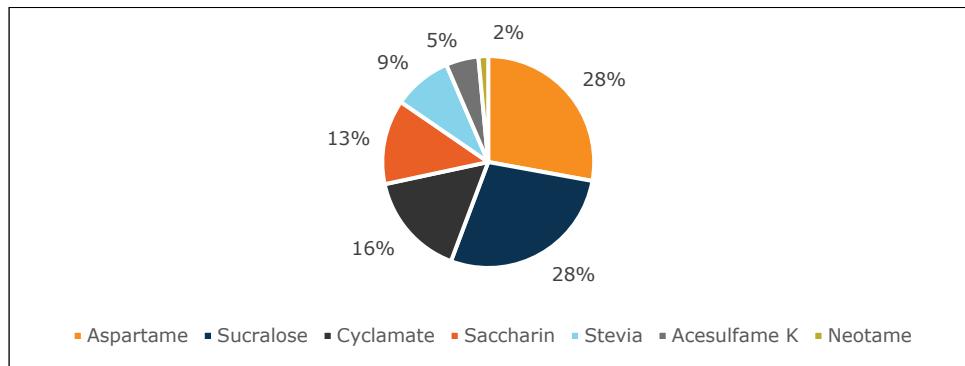
Zhejiang Starry Pharma: Zhejiang Starry is one of the leading manufacturers of Iohexol API in China, and is one of the largest generic players in the domestic contrast media formulations segment. The company's product portfolio includes iodinated contrast media formulations, and iodinated as well as gadolinium-based contrast media APIs. The company has made filings for its iodinated contrast media APIs across markets, including the US, China, Europe, Japan, India, and South Korea.

High-intensity Sweeteners

High-intensity sweeteners are used as substitutes for sugar in food items, beverages, dental care, and pharmaceutical products. High-intensity sweeteners are ~300-500 times sweeter than sugar, but contribute limited calories when added to food items. The global high-intensity sweeteners market in CY23 was estimated at ~USD3bn, comprising products such as Sucratose, Aspartame, Saccharin, Stevia, and Neotame. Saccharin accounts for 12-14% of the high-intensity sweeteners market by value and 17-19% of the market by volume. Saccharin is expected to retain its share in the overall market, aided by its attributes such as consistency in taste, an established safety profile, cost effectiveness, stability at high temperatures and a long shelf life.

Saccharin is one of the cheapest high-intensity sweeteners and is combined with other high-intensity sweeteners, in order to reduce the per unit product cost. Saccharin is commercially sold as a granular or powdered form artificial sweetener. Saccharin manufacturers are primarily based in Asia with majority of the production capacity being concentrated in China.

Exhibit 55: Global market share of high-intensity sweeteners, by value



Source: Company, Emkay Research

Exhibit 56: Cost comparison of sweetening 1,000 cups of coffee/tea with various high-intensity sweetener alternatives

Sweetener	Cost of the sweetener for 1,000 cups of coffee or tea (USD)
Saccharin	20.0
Sugar	23.9
Aspartame	36.5
Sucratose	54.9
Rebaudioside A (Reb-A)	107.3

Source: Company, Emkay Research

Exhibit 57: End-use industries and expected CAGR

End-use Industries	Expected CAGR over CY23-26
Oral Care	5-6%
Non-Alcoholic Beverages	6-8%
Bakery and Confectionery	5-6%
Vitamins and Dietary Supplements	4-6%
Pharma Excipients	4-6%

Source: Company, Emkay Research

Key considerations for selecting saccharin vendors

Strict internal standards for impurity profiles: Manufacturers of saccharin must adhere to stringent impurity profile standards given the product's end use in food and beverage items, dental care products, nutritional supplements, and medicinal products. Leading companies in the baking, confectionery, and beverage sectors choose to purchase saccharin from a select group of suppliers with manufacturing facilities that meet these standards. To guarantee consistency in the quality, flavor, and impurity profile of the saccharin produced, high levels of backward integration in raw material procurement are essential.

Stickiness of relationship: Considering the regulations on the use of ingredients in food and beverages, saccharin buyers prefer long-term stability in supply chain operations. As a result, they collaborate with a few chosen ingredient suppliers over an extended period, resulting in long-term relationships. The lead time to secure a contract with a global food and beverage customer is 3-5 years.

Anti-dumping duty on saccharin imports from China

Blue Jet Healthcare and Swati Petro Products Ltd. had filed a request for an anti-dumping investigation concerning the import of saccharin from China. The investigation was initiated by issuing a notification in Mar-24. The applicants (Blue Jet and Swati Petro) demonstrated that the import of saccharin at extremely low prices was adversely affecting their ability to achieve reasonable returns owing to pricing pressures, decreased capacity utilization, and high inventory levels.

Following a detailed investigation, the Directorate General of Trade Remedies (DGTR) concluded that the subsidy provided by the Chinese government to the producers of saccharin were countervailable in nature and that saccharin was exported from China at subsidized prices, thereby causing harm to the Indian saccharin industry. DGTR recommended imposition of definitive countervailing duties on saccharin imports from China. The said duty was supposed to expire on 28-Feb-2025. The anti-dumping investigation was terminated in Dec-24, when the applicants withdrew their petition stating that DGTR has recommended the continuation of existing definitive countervailing duties. Considering the petition from the applicants, the Ministry of Finance has extended the countervailing duty of 20% on import of saccharin originating in China, in all forms, for 5 years.

Blue Jet Healthcare: Standalone Financials and Valuations

Profit & Loss

Y/E (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	7,210	7,116	9,999	11,733	14,759
Revenue growth (%)	5.5	(1.3)	40.5	17.3	25.8
EBITDA	2,191	2,292	3,559	4,258	5,638
EBITDA growth (%)	(12.1)	4.6	55.2	19.6	32.4
Depreciation & Amortization	251	281	178	270	356
EBIT	1,940	2,011	3,380	3,988	5,282
EBIT growth (%)	(14.6)	3.7	68.1	18.0	32.4
Other operating income	-	-	-	-	-
Other income	240	289	485	533	614
Financial expense	14	2	1	3	4
PBT	2,166	2,298	3,864	4,518	5,891
Extraordinary items	0	(97)	0	0	0
Taxes	566	563	989	1,157	1,508
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	1,600	1,638	2,875	3,362	4,383
PAT growth (%)	(11.9)	2.3	75.6	16.9	30.4
Adjusted PAT	1,600	1,735	2,875	3,362	4,383
Diluted EPS (Rs)	9.2	10.0	16.6	19.4	25.3
Diluted EPS growth (%)	(11.9)	8.4	65.7	16.9	30.4
DPS (Rs)	-	-	1.0	1.2	1.5
Dividend payout (%)	-	-	6.0	6.0	6.0
EBITDA margin (%)	30.4	32.2	35.6	36.3	38.2
EBIT margin (%)	26.9	28.3	33.8	34.0	35.8
Effective tax rate (%)	26.1	24.5	25.6	25.6	25.6
NOPLAT (pre-IndAS)	1,433	1,518	2,515	2,967	3,930
Shares outstanding (mn)	173	173	173	173	173

Source: Company, Emkay Research

Cash flows

Y/E (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT (ex-other income)	1,927	2,010	3,379	3,985	5,277
Others (non-cash items)	234	(365)	0	0	0
Taxes paid	(600)	(111)	(989)	(1,157)	(1,508)
Change in NWC	(410)	596	(1,265)	(742)	(1,292)
Operating cash flow	1,416	2,413	1,304	2,358	2,837
Capital expenditure	(619)	(1,657)	(925)	(1,529)	(1,534)
Acquisition of business	0	0	0	0	0
Interest & dividend income	-	-	-	-	-
Investing cash flow	(1,473)	(2,638)	(420)	(973)	(893)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	0	0	0	0	0
Payment of lease liabilities	14	(17)	-	1	2
Interest paid	(14)	(2)	(1)	(3)	(4)
Dividend paid (incl tax)	-	-	(173)	(203)	(264)
Others	(42)	(2)	(20)	(23)	(26)
Financing cash flow	(42)	(20)	(195)	(228)	(293)
Net chg in Cash	(99)	(245)	689	1,158	1,651
OCF	1,416	2,413	1,304	2,358	2,837
Adj. OCF (w/o NWC chg.)	1,825	1,817	2,569	3,101	4,130
FCFF	796	755	380	830	1,304
FCFE	783	753	378	827	1,299
OCF/EBITDA (%)	64.6	105.2	36.7	55.4	50.3
FCFE/PAT (%)	48.9	46.0	13.2	24.6	29.6
FCFF/NOPLAT (%)	55.6	49.7	15.1	28.0	33.2

Source: Company, Emkay Research

Balance Sheet

Y/E (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	347	347	347	347	347
Reserves & Surplus	6,468	8,105	10,807	13,965	18,084
Net worth	6,815	8,452	11,153	14,312	18,431
Minority interests	0	0	0	0	0
Non-current liab. & prov.	10	32	32	32	32
Total debt	0	0	0	0	0
Total liabilities & equity	6,901	8,541	11,272	14,468	18,636
Net tangible fixed assets	1,282	1,491	2,236	3,493	4,669
Net intangible assets	-	2	4	6	8
Net ROU assets	228	226	256	292	340
Capital WIP	305	1,471	1,471	1,471	1,471
Goodwill	0	0	0	0	0
Investments [JV/Associates]	-	-	-	-	-
Cash & equivalents	2,549	3,202	3,891	5,049	6,700
Current assets (ex-cash)	4,101	3,854	5,450	6,385	8,014
Current Liab. & Prov.	1,720	2,047	2,378	2,571	2,907
NWC (ex-cash)	2,382	1,807	3,072	3,815	5,107
Total assets	6,901	8,541	11,272	14,468	18,636
Net debt	(2,549)	(3,202)	(3,891)	(5,049)	(6,700)
Capital employed	6,901	8,541	11,272	14,468	18,636
Invested capital	3,664	3,301	5,312	7,314	9,784
BVPS (Rs)	39.3	48.7	64.3	82.5	106.3
Net Debt/Equity (x)	(0.4)	(0.4)	(0.3)	(0.4)	(0.4)
Net Debt/EBITDA (x)	(1.2)	(1.4)	(1.1)	(1.2)	(1.2)
Interest coverage (x)	160.4	1,428.6	3,058.8	1,743.0	1,366.2
RoCE (%)	36.2	30.1	39.4	35.5	36.0

Source: Company, Emkay Research

Valuations and key Ratios

Y/E	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	98.7	91.1	55.0	47.0	36.0
P/CE(x)	85.4	78.4	51.8	43.5	33.3
P/B (x)	23.2	18.7	14.2	11.0	8.6
EV/Sales (x)	21.6	21.8	15.5	13.2	10.5
EV/EBITDA (x)	71.0	67.5	43.5	36.4	27.5
EV/EBIT(x)	80.1	77.0	45.8	38.8	29.3
EV/IC (x)	42.4	46.9	29.1	21.2	15.8
FCFF yield (%)	0.5	0.5	0.2	0.5	0.8
FCFE yield (%)	0.5	0.5	0.2	0.5	0.8
Dividend yield (%)	-	-	0.1	0.1	0.2
DuPont-RoE split					
Net profit margin (%)	22.2	24.4	28.7	28.7	29.7
Total asset turnover (x)	1.2	0.9	1.0	0.9	0.9
Assets/Equity (x)	1.0	1.0	1.0	1.0	1.0
RoE (%)	26.6	22.7	29.3	26.4	26.8
DuPont-RoIC					
NOPLAT margin (%)	19.9	21.3	25.2	25.3	26.6
IC turnover (x)	2.1	2.0	2.3	1.9	1.7
RoIC (%)	42.1	43.6	58.4	47.0	46.0
Operating metrics					
Core NWC days	120.6	92.7	112.1	118.7	126.3
Total NWC days	120.6	92.7	112.1	118.7	126.3
Fixed asset turnover	5.8	5.1	5.4	4.1	3.6
Opex-to-revenue (%)	23.0	23.6	19.4	18.9	17.3

Source: Company, Emkay Research

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