

Blue Jet Healthcare Limited

Excellence is a way of life!



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Blue Jet Healthcare Limited, is a speciality pharmaceutical and health care ingredient and intermediary company offering niche products to multinational generic pharma companies in India. Originally established in 1968 as a private limited company in the name of “Jet Chemicals Private Limited”, it was later named “Blue Jet Healthcare Private Limited” in 2020. The company converted into a public limited company in May 2022. Blue Jet has established a contract development and manufacturing organization (CDMO) business model with three verticals namely contrast media, high intensity sweeteners, and pharmaceuticals intermediates.

Blue Jet Healthcare Ltd is headquartered in Mumbai, India and has 3 state of art manufacturing facility at Shahad(Unit I), Ambernath (Unit II), Mahad (Unit III) with an annual installed capacity of 200.60 KL, 607.30 KL and 213 KL, respectively, as of June 30, 2023 and 1 recently acquired manufacturing site in Ambernath, Maharashtra.

Contrast media are agents used in medical imaging to enhance the visibility of product issues. High-intensity sweeteners business involves development, manufacture and marketing of saccharin and its salts used in tabletop sweeteners, oral care products, beverages, confectionary products, pharmaceutical products, and food supplements. The main focus of the pharma intermediate and API business is to focus on collaboration with the innovator pharmaceutical companies and multinational generic pharmaceutical companies by providing them with pharma intermediates that serve as building blocks for API's and chronic therapeutic areas like the cardio vascular system, oncology and central nervous system.

| Industry | Healthcare |
|---------------|---------------------------|
| Issue Details | |
| Listing | BSE & NSE |
| Open Date | 25 th Oct 2023 |
| Close Date | 27 th Oct 2023 |
| Price Band | INR 329-346 |
| Face Value | INR 2 |
| Market Lot | 43 shares |
| Minimum Lot | 1 Lot |

| Issue Structure | |
|---------------------|-------------|
| Offer for Sale | 100.00% |
| Fresh Issue | 0.00% |
| Issue Size (Amt) | INR 837 cr |
| Issue Size (Shares) | 24,285,160 |
| QIB Share (%) | ≤ 50% |
| Non-Inst Share (%) | ≥ 15% |
| Retail Share (%) | ≥ 35% |
| Pre issue sh (nos) | 173,465,425 |
| Post issue sh (nos) | 173,465,425 |
| Post issue M Cap | INR 6002 cr |

| Shareholding (%) | Pre (%) | Post (%) |
|------------------|---------------|---------------|
| Promoters | 100.00 | 86.00 |
| Public | 0.00 | 14.00 |
| TOTAL | 100.00 | 100.00 |

Key Financial Data (INR Cr, unless specified)

| | Revenue | EBITDA | PAT | EBITD A (%) | PAT (%) | EPS (₹) | BVP S (₹) | RoE (%) | ROC E(%) | P/E (X) | EV/Sales (X) | EV/EBITD A(X) |
|------|---------|--------|-------|-------------------|------------|------------|-----------------|------------|-------------|------------|-----------------|------------------|
| FY21 | 498.9 | 206.1 | 135.8 | 41.3 | 27.2 | 7.98 | 19.6 | 50.2 | 49.7 | 43.4 | (0.0) | (0.0) |
| FY22 | 683.5 | 249.3 | 181.6 | 36.5 | 26.6 | 10.5 | 30.1 | 42.2 | 47.1 | 33.0 | (0.1) | (0.2) |
| FY23 | 721.0 | 219.1 | 160 | 30.4 | 22.2 | 9.23 | 39.3 | 26.6 | 31.9 | 37.5 | (0.0) | (0.1) |

The objects of the Offer are to

- (i) achieve the benefits of listing the Equity Shares on the Stock Exchanges; and**
- (ii) carry out the Offer for Sale of up to 24,285,160 Equity Shares by the Selling Shareholders.**

Further, The Company expects that the proposed listing of its Equity Shares will enhance the visibility and brand image as well as provide a public market for the Equity Shares in India.

Growth Strategies

One of the primary manufacturer of contrast media intermediates in India

With more than 2 decades of experience in manufacturing contrast media intermediates, Blue Jet is a large manufacturer of contrast media intermediates in India. They have been regularly supplying the key starting intermediate as the building block, and several functionally critical advanced intermediates, for manufacturing 7 of these iodinated contrast media..

Multi year contracts

The 4 largest contrast media manufacturers in the world manufacture different sets of contrast media molecules, and they continue to hold significant market share in their respective molecules. Blue Jet has long-term relationships ranging from 4 to 24 years with the manufacturers. Their relationship with one of the customers has evolved from providing contrast media intermediates on a per transactional basis to a long-term key supplier, and they now supply a substantial portion of the intermediates under long-term supply contracts and manage the warehousing and logistics for their supply to this customer.

Key Risks & Concerns

- The company is dependent on Europe and the United States, which are regulated markets, for a significant portion of their revenue from operations. There is no assurance that the sales to these regions will not decline in the future as a result of increased competition, regulatory action, acts of war or laws, rules and regulations of such regions.
- The company's success and competitiveness depend significantly on their ability to successfully commercialize the products under development in a timely manner. In the Financial Years 2021, 2022 and 2023 and the three months ended June 30, 2022 and June 30, 2023, they have commercialized four, two, eight, two, and nil new products, respectively. The commercialization process is both time consuming and costly, and involves a high degree of business risk.
- Inability to successfully expand the production capacity could have an adverse effect on the company's business, results of operations, financial condition and cash flows. The expansion of existing production capacities and the addition of new manufacturing facilities are subject to certain risks that could result in delays or cost overruns, which could require the company to expend additional capital and, as a result, adversely affect the business and operating results.

Issue Structure and Offer Details

The proposed offer for sale of Blue Jet Healthcare Limited is INR 837 cr, 100% being offer for sale and the price band for the issue is in the range of INR 329 –346 and the bid lot is 43 shares and multiples thereof.

| Issue Structure | | |
|-------------------|--------------------------------|---------------|
| Investor Category | Allocation | No. of shares |
| QIB | Not more than 50% of the Offer | 12,142,580 |
| NIB | Not less than 15% of the Offer | 3,642,774 |
| Retail | Not less than 35% of the Offer | 8,499,806 |

Number of shares based on a higher price band of INR 346

Source: Company Reports

VLL financial summary and analysis

| Fig in INR Cr (unless specified) | FY21 | FY22 | FY23 | Fig in INR Cr (unless specified) | FY21 | FY22 | FY23 |
|-----------------------------------|--------------|-------------|---------------|------------------------------------|--------|--------|---------|
| Income Statement | | | | Per share data & Yields | | | |
| Revenue | 498.9 | 683.5 | 720.9 | Adjusted EPS (INR) | 8.16 | 10.47 | 9.23 |
| <i>YoY Growth (%)</i> | | 37 | 5.5 | Adjusted Cash EPS (INR) | 9.3 | 11.75 | 10.67 |
| Raw Material Cost | (44.8) | 3.8 | (14.3) | Adjusted BVPS (INR) | 19.6 | 30.1 | 39.3 |
| <i>RM Cost to Sales (%)</i> | (9.0) | 0.6 | (2.0) | Adjusted CFO per share (INR) | 7.76 | 8.44 | 8.16 |
| Employee Cost | 29 | 33 | 41.8 | CFO Yield (%) | 2.2 | 2.4 | 2.4 |
| <i>Employee Cost to Sales (%)</i> | 5.8 | 4.8 | 5.8 | Adjusted FCF per share (INR) | 5.2 | 7.3 | 7.6 |
| Other Expenses | 307.9 | 397.4 | 474.2 | FCF Yield (%) | 1.5 | 2.1 | 2.4 |
| <i>Other Exp to Sales (%)</i> | 61.7 | 58.1 | 65.8 | Solvency Ratio (X) | | | |
| EBITDA | 206.9 | 249.3 | 219.2 | Total Debt to Equity | 0.2 | 0.0 | 0.0 |
| <i>Margin (%)</i> | 41.5 | 36.5 | 30.4 | Net Debt to Equity | (0.2) | (0.3) | (0.4) |
| <i>YoY Growth (%)</i> | | 20.5 | (12.1) | Net Debt to EBITDA | (0.3) | (0.7) | (1.2) |
| Depreciation & Amortization | 19.7 | 22.1 | 25.1 | Return Ratios (%) | | | |
| EBIT | 187.2 | 227.1 | 194.1 | Return on Equity | 41.7 | 34.8 | 23.5 |
| <i>Margin (%)</i> | 37.5 | 33.2 | 26.9 | Return on Capital Employed | 35.6 | 32.5 | 21.1 |
| <i>YoY Growth (%)</i> | | 21.3 | (14.5) | Return on Invested Capital | 65.9 | 66.8 | 45.5 |
| Other Income | 8.6 | 19.4 | 24 | Working Capital Ratios | | | |
| Finance Cost | 5.3 | 3.3 | 1.4 | Payable Days (Nos) | 44 | 30 | 27 |
| Interest Coverage (X) | 35.3 | 68.8 | 143.8 | Inventory Days (Nos) | 86 | 56 | 64 |
| Exceptional Item | 0.0 | 0.0 | 0.0 | Receivable Days (Nos) | 105 | 121 | 121 |
| PBT | 190.5 | 243.2 | 216.6 | Net Working Capital Days (Nos) | 148 | 147 | 158 |
| <i>Margin (%)</i> | 38.2 | 35.6 | 30 | Net Working Capital to Sales (%) | 40.5 | 40.4 | 43.2 |
| <i>YoY Growth (%)</i> | | 27.7 | (10.9) | Valuation (X) | | | |
| Tax Expense | 48.9 | 61.6 | 56.6 | P/E | 43.4 | 33.0 | 37.5 |
| <i>Tax Rate (%)</i> | 25.7 | 25.3 | 26.1 | P/BV | 17.7 | 11.5 | 8.8 |
| PAT | 141.6 | 181.6 | 160 | EV/EBITDA | (0.0) | (0.2) | (0.1) |
| <i>Margin (%)</i> | 28.4 | 26.6 | 22.2 | EV/Sales | (0.0) | (0.1) | (0.0) |
| <i>YoY Growth (%)</i> | | 28.2 | (11.9) | Cash Flow Statement | | | |
| Min Int/Sh of Assoc | 0.0 | 0.0 | 0.0 | PBT | 190.5 | 243.2 | 216.6 |
| Net Profit | 141.6 | 181.6 | 160 | Adjustments | 17.0 | 6.74 | 17.8 |
| <i>Margin (%)</i> | 28.4 | 26.6 | 22.2 | Change in Working Capital | (72.7) | (75.9) | (32.9) |
| <i>YoY Growth (%)</i> | | 28.2 | (11.9) | Less: Tax Paid | (0.2) | (27.6) | (59.9) |
| Balance Sheet | | | | Cash Flow from Operations | 134.6 | 146.4 | 141.5 |
| Share Capital | 9.9 | 34.7 | 34.6 | Net Capital Expenditure | (49) | (21.5) | (58.8) |
| Total Reserves | 329.9 | 486.8 | 646.7 | Change in Investments | (7.6) | (55) | (88.4) |
| Shareholders Fund | 339.8 | 521.5 | 681.3 | Cash Flow from Investing | (56.0) | (76.0) | (147.2) |
| Long Term Borrowings | 28.7 | 0.0 | 0.0 | Change in Borrowings | (8.0) | (29.2) | 100.8 |
| Deferred Tax Assets / Liabilities | 1.4 | 0.3 | 1.0 | Less: Finance Cost | (5.2) | (3.6) | (1.4) |
| Other Long Term Liabilities | 0.0 | 13.3 | 1.5 | Proceeds from Equity | 0.0 | 0.0 | 0.0 |
| Long Term Trade Payables | 0.0 | 0.0 | 0.0 | Buyback of Shares | 0.0 | 0.0 | 0.0 |
| Long Term Provisions | 3.3 | 3.8 | 3.4 | Dividend Paid | 0.0 | 0.0 | 0.0 |
| Total Liabilities | 373.2 | 538.9 | 687.3 | Cash flow from Financing | (27.5) | (56.1) | (4.24) |
| Net Block | 138.9 | 156.5 | 152 | Net Cash Flow | 51.1 | 14.25 | (9.9) |
| Capital Work in Progress | 2.6 | 3.4 | 30.5 | Forex Effect | 0.0 | 0.0 | 0.0 |
| Intangibles under development | 0.0 | 0.0 | 0.0 | Opening Balance of Cash | 10.1 | 61.1 | 75.4 |
| Non Current Investments | 0.0 | 0.0 | 0.0 | Closing Balance of Cash | 61.1 | 75.4 | 65.4 |
| Long Term Loans & Advances | 4.7 | 5.0 | 2.0 | | | | |
| Other Non Current Assets | 0.1 | 0.1 | 12.1 | | | | |
| Net Current Assets | 226.9 | 373.8 | 490.7 | | | | |
| Total Assets | 373.2 | 538.9 | 687.3 | | | | |

Source: Ventura Research

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