

The Issue	
Type of Issue	Rs. Mn
Fresh Issue	-
Offer for Sale	8,403
Total Issue Size	8,403
Post-Issue Market cap*	60,019
Lot size	43 shares

*At Upper Price Band

Issue Break-Up	
Reservation for	% of Issue
QIB	50%
NIB	35%
Retail	15%
Total	100%

Indicative Offer Timeline	Indicative Date
Bid/Offer Opening Date	25th Oct, 2023
Bid/Offer Closing Date	27th Oct, 2023
Basis of Allotment	01st Nov, 2023
Initiation of refunds	01st Nov, 2023
Credit of shares	03rd Nov, 2023
Listing Date	06th Nov, 2023

Use of Proceeds	
Entire IPO is an Offer for sale	

Manager	Kotak, ICICI, JP Morgan
Registrar	Link InTime

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Leader in niche industry with high entry barriers - SUBSCRIBE

Company Overview: Incorporated in 1968, Blue Jet Healthcare (BJH) a leading specialty pharmaceutical and healthcare ingredients and intermediates company, offering niche products targeted toward innovator pharma companies and MNC generic pharmaceutical companies.

The company CDMO business model with specialized chemistry capabilities in contrast media intermediates and high-intensity sweeteners (saccharin and its salts), on the back of strategic and early investments in R&D and manufacturing infrastructure. The company has ~400 customers in 39 countries.

The business can be categorized into following product categories: (i) contrast media intermediates, (ii) high-intensity sweeteners, and (iii) pharma intermediates and APIs.

(i) Contrast media intermediates (~70.5% of sales): Contrast media are agents used in medical imaging to enhance the visibility of body tissues under X-rays, CT scans, MRI or ultrasound. The company supplies a KSM and several advanced intermediates primarily to three of the largest contrast media manufacturers in the world, including GE Healthcare AS, Guerbet Group, and Bracco Imaging S.p.A, directly. As of June 30, 2023, its commercialized contrast media intermediate portfolio comprised 19 products. CMI has grown at ~20% CAGR over FY21-23.

(ii) High-intensity Sweeteners (Saccharin—~24% of sales): Saccharin is primarily used in table-top sweeteners, oral care products such as toothpastes and mouthwashes, beverages, confectionary products, pharmaceutical products, food supplements and animal feeds. The oral care market is reasonably concentrated, with the top five players (Colgate, Proctor & Gamble, Johnson & Johnson, Unilever and Glaxo-Smith Kline) with ~60% of the market. The non-alcoholic beverages market, specifically the carbonated soft drinks segment, is dominated by two players (PepsiCo and the Coca Cola Company), which have a combined revenue share of nearly 75%. The company caters to several MNCs in the oral care and non-alcoholic beverage markets, such as Colgate Palmolive (India) Limited, Unilever, Pri-nova US LLC, and MMAG Co. Ltd etc. This business has grown at ~33% CAGR over FY21-23.

(iii) Pharma Intermediates and APIs (~4.7% of sales): Its CDMO business caters to manufacturing of APIs in chronic therapeutic areas, such as the CVS, Oncology and CNS, including new chemical entities (“NCEs”). This segment has declined by ~10% over FY21-23.

Geography mix: Europe contributes ~74%, India stands at ~14%, USA at ~5% and Others at ~7% of sales.

The company operates out of three manufacturing facilities including **Shahad (Unit I)**, **Ambarnath (Unit II)** and **Mahad (Unit III)** with an annual installed capacity of 200.60 KL, 607.30 KL and 213.00 KL, respectively.

Blue Jet Healthcare

Jupiter's key financial summary

Financial summary (Rs. mn)	FY21	FY22	FY23
Revenue	4,989	6,835	7,210
Adj. EBITDA	2,061	2,493	2,191
Adj. EBITDA margin (%)	41.3%	36.5%	30.4%
APAT	1,411	1,816	1,600
APAT margin (%)	28.3%	26.6%	22.2%
P/E (x)	42.5x	33.1x	37.5x

Pre-issue and post-issue holding structure

	Pre-issue	Post-issue*
Shareholding pattern	Holding (%)	Holding (%)
Promoter & Promoter Group	100.0	86.0
Public	0.0	14.0
Total	100.0	100.0

* At upper price band

Valuation: At the upper price band, the IPO is priced at 33.1x/37.5x FY22/23 EPS. Given that, BJH has ~9% of global contrast media intermediates capacity share, it should see traction owing to increasing penetration of contrast media v/s the traditional scan report. The contrast media provides a clear picture of the scan and helps better diagnosis of the illness leading to higher adoption of the same. Additionally, BJH is one of the leading manufactures and suppliers of High-intensity Sweeteners and has several marquee clients under its ambit. Europe contributes ~74% to its rev followed by India (~14%) and USA (~5%). Its Rev/Ebitda/APAT has grown at 20%/3%/6% over FY21-23. The company has a robust RoCE/RoE of 28.5%/23.5% respectively coupled with debt-free B/S. We thus assign a "SUBSCRIBE" rating to the issue.

Key Risks:

- BJH derives ~83%/~75% of its revenue from its top 10/top 5 customers. The loss of any key customer could impact its revenues and profitability.
- High dependency on Europe (~74% of sales) and USA (~4%) which are regulated markets. Any disruption in these markets could hamper BJH's growth.
- Any compliance issue from USFDA in its key plants could affect production and revenue.

Blue Jet Healthcare

BJH segment wise key customers

High Contrast media	High intensity Sweetner	Pharma Intermediates, API and CDMO
GE Healthcare AS	Colgate-Palmolive (India) Ltd	Ion S.p.A.
Guerbet Group	Unilever	Hovione Farmaciência S.A.
Bracco Imaging S.p.A.	Prinova US LLC	Bial - Portela
Cambrex Karlskoga AB	MMAG Co. Ltd.	CA S.A.

BJH segment wise revenue mix (%)

Segment wise Revenue mix (%)	2021	2022	2023	Q1FY24
Contrast media intermediates	71.5%	70.6%	70.6%	72.0%
High-intensity sweeteners	19.9%	23.3%	24.5%	22.5%
Pharma intermediates and API	8.5%	6.1%	4.7%	5.3%
Others	0.0%	0.0%	0.2%	0.2%
Total revenue	100.0%	100.0%	100.0%	100.0%

BJH sales volumes (in MT)

	2021	2022	2023	Q1FY24
Contrast media intermediates	3,718	4,885	4,615	1,174
High-intensity sweeteners	1,658	2,500	2,512	580
Pharma intermediates and API	299	357	227	54
Others	9,444	9,971	9,622	2,364

Blue Jet Healthcare

BJH geography mix (%)

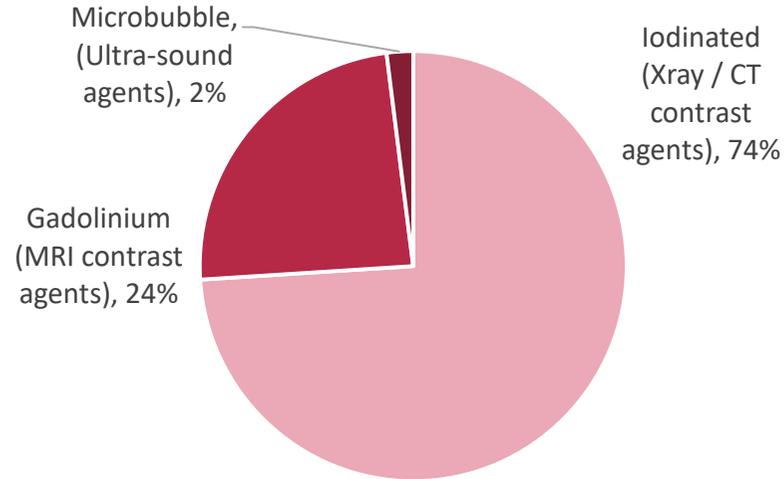
Segment wise Revenue mix (%)	2021	2022	2023	Q1FY24
Europe	79.7%	76.1%	74.5%	77.5%
India	14.5%	17.1%	13.9%	12.2%
USA	3.4%	4.2%	4.9%	4.0%
Others	2.3%	2.6%	6.7%	6.3%
Total	100.0%	100.0%	100.0%	100.0%

Manufacturing facilities

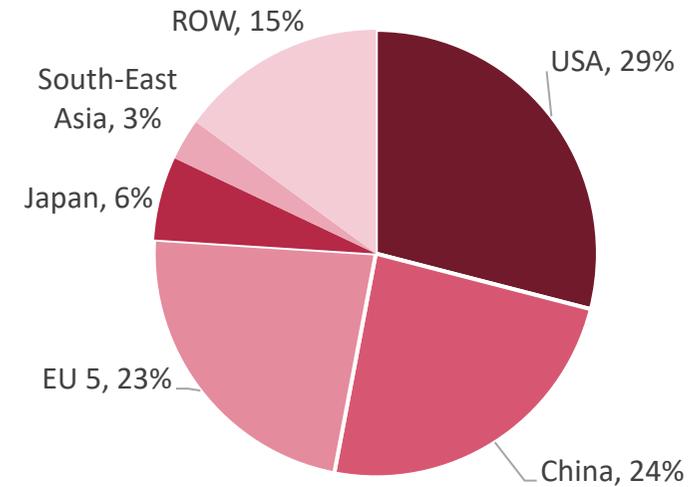
Location	Description	Employees	Installed Capacity
Unit I– Shahad	<ul style="list-style-type: none"> Contrast media intermediates, High-intensity sweeteners Pharma intermediates and API 	29	200.60 KL
Unit II - Ambernath	<ul style="list-style-type: none"> Contrast media intermediates, High-intensity sweeteners Pharma intermediates and API 	248	607.30 KL
Unit III - Mahad	<ul style="list-style-type: none"> Contrast media intermediates, High-intensity sweeteners Pharma intermediates and API 	105	213.00 KL
Unit IV - Ambernath	<ul style="list-style-type: none"> Contrast media intermediates, High-intensity sweeteners Pharma intermediates and API 	-	Expected to be 71 KL

Industry Outlook

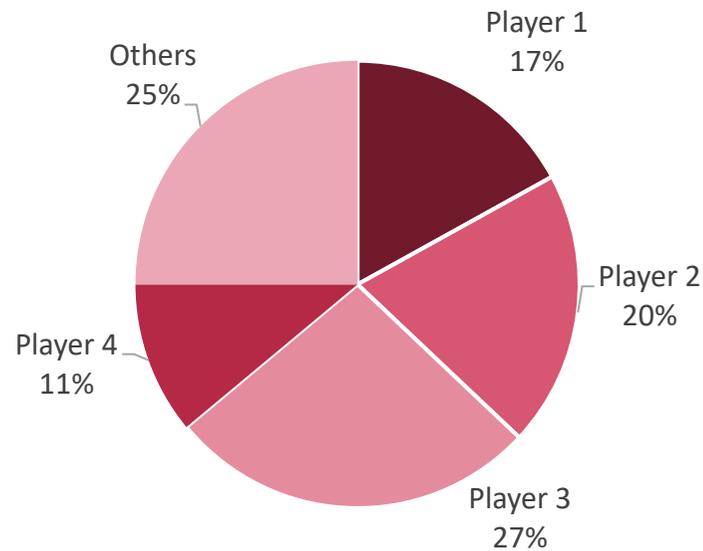
Global Contrast Media Formulations Market by Market Segments



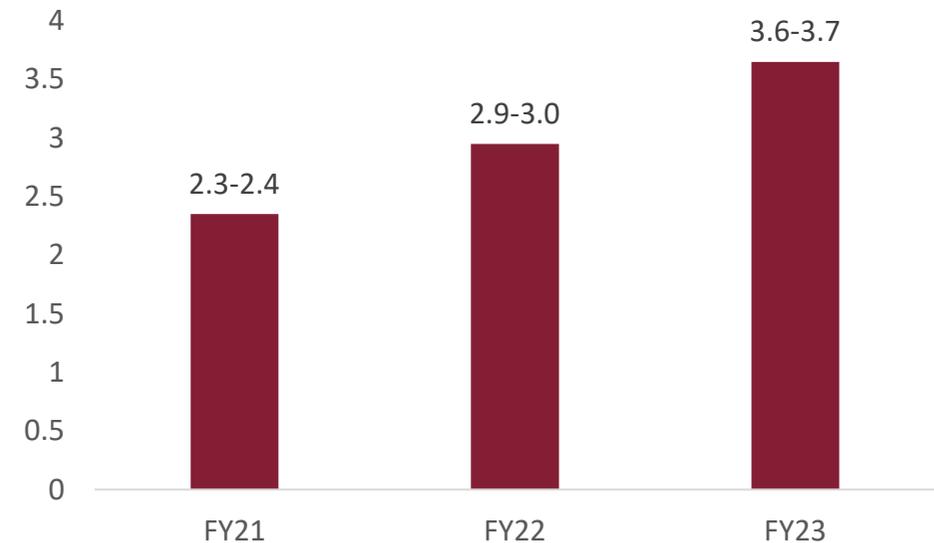
Geographic Distribution of Contrast Media Market (%)



Global Contrast Media Formulations Market market share (%)



Global High Intensity Sweetener Market (bn \$)



INDSEC Rating Distribution

BUY : Expected total return of over 15% within the next 12-18 months.

HOLD : Expected total return between 0% to 15% within the next 12-18 months.

SELL : Expected total return is negative within the next 12-18 months.

NEUTRAL: No investment opinion, stock under review.

Note: Considering the current pandemic situation, the duration for the price target may vary depending on how the macro scenario plays out. Therefore, the duration which has been mentioned as a period of 12-18 months for upside/downside target may be higher for certain companies.

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