

BLUE JET HEALTHCARE LTD

25-10-2023 to 27-10-2023

Industry: Speciality Pharmaceutical & Healthcare Ingredient
Recommendation: Subscribe with Risk

Price Band: ₹ 329 - 346
Post Implied Market Cap: ₹ 5,707 - 6,002 Cr

Key Data

Issue Size (₹ Cr)	799 - 840
Fresh (₹)	
OFS (₹)	799 - 840
No of shares offered	2,42,85,160
Face Value (₹ /share)	2
Bid Lot	43

About the Company

Blue Jet Healthcare Limited (Blue Jet) is a specialty pharmaceutical and healthcare ingredient company that specializes in creating unique products for innovator and multi-national generic pharmaceutical companies. Since they've been in operation since 1968, they have developed a Contract Development and Manufacturing Organization (CDMO) model. Their expertise lies in contrast media intermediates and high-intensity sweeteners, with a strong focus on research and development. In the past three Financial Years and the three months ended June 30, 2023, the company has invoiced a total of more than 400 customers in 39 countries. Blue Jet is known for its competency in producing products like saccharin and its salts in these specialized areas.

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	01-11-2023
Refunds/Unblocking ASBA Fund	01-11-2023
Credit of equity shares to DP A/c	03-11-2023
Trading commences	06-11-2023

Investment Rationale

- Large Manufactures of contrast media intermediates in India:** With over 20 years of experience, Blue Jet is a major manufacturer of contrast media intermediates in India. They supply essential building blocks and advanced intermediates for producing 7 iodinated contrast media. In 2020, they expanded their market by introducing a building block for gadolinium-based contrast media. This strategic move up the value chain enables them to better serve their customers' needs.
- Presence in niche categories with high barriers to entry:** Blue Jet strategically focuses on complex chemistry categories within contrast media intermediates and high-intensity sweeteners. Entry barriers are high in both areas, leading to a concentrated industry with few competitors in contrast media intermediates. Stringent qualifications are needed to become a high-intensity sweetener supplier. Blue Jet's strong track record in quality, taste, and impurity profile has fostered lasting customer relationships due to their consistency in meeting these criteria for products used in beverages, confectionery, and oral care.
- Long-standing relationships and multi-year contracts with multi-national customers:** Blue Jet serves the world's largest contrast media manufacturers, each specializing in different molecules, through long-term relationships ranging from 4 to 24 years. They've met strict standards related to product quality, sustainability, and capacity requirements, resulting in medium- to long-term supply contracts. One relationship has evolved from transactional to a key supplier role, managing warehousing and logistics for the customer. As a CDMO, Blue Jet collaborates and not compete with their customers. They are leveraging R&D, process optimization, regulatory expertise, and a proven track record to build lasting relationships. They engage in annual and multi-year supply contracts, ensuring revenue and cash flow predictability.
- Strong product development and process optimization capabilities with a focus on sustainability:** Blue Jet's R&D center handles product development, technology transfer, and scaling up of products. They have a rich history of developing over 100 products, with 40 successfully commercialized. They also employ engineers to facilitate product scaling. In their commitment to sustainability, they've implemented energy-efficient initiatives, including owning two windmills in Maharashtra, to reduce their carbon footprint.

Shareholding (No. of shares)

Pre-Issue	17,34,65,415
Post Issue (Lower price band)	17,34,65,415
Post Issue (Higher price band)	17,34,65,415

Shareholding Pattern

	%
Promoters:	
Pre Issue	100.00%
Post Issue	86.00%
Promoters Group:	
Pre Issue	0.00%
Post Issue	0.00%
Public - Others:	
Pre Issue	0.00%
Post Issue	14.00%

Issue Breakup

QIB	50%
NIB	15%
Retail	35%

Risk

- Higher dependency on regulated market like Europe & USA.
- Raw Material Price Fluctuations Pose Risks to their Operations.
- Risk of 100% OFS.

MView

We believe Blue Jet Healthcare IPO offer gives investors an opportunity to invest in a Speciality pharmaceutical company which offers niche products to innovator pharmaceutical companies. With 20 years' experience in manufacturing of contrast media intermediates and presence in making complex chemistries niche product categories in high-intensity sweeteners and contrast media intermediates gives high entry barriers to its competitors. We also believe Blue Jets long standing relationships and multi-year contracts with multinational clients helps them to take care not only of the long term supply contracts but also to manage the warehousing and logistics for their customer.

By looking at the financials, Blue Jets has delivered good growth in FY 2022 but a subdued growth in FY 2023, achieving growth in Revenue/PAT of 37%/34% for FY 2022 and 5.49%/-12% in FY 2023. On Valuation parse at upper price band of ₹ 346/- and based on annualized earnings and fully diluted post-IPO paid-up capital, the issue is asking for a Market Cap of ₹ 6002 Cr with P/E of 34x on consolidated basis, which appears the issue is fully priced-in looking at the revenue and profit growth. Due the company presence in niche product segment and has no immediate peers to compare so the issue may fetch demand on first mover advantage due to which there could be a decent listing gains expected. Long term Investors should look at offer with 100% OFS issue which is an area of concern for new investors hence we recommend investors to "SUBSCRIBE WITH RISK" in Blue Jet IPO offer with a decent listing gain perspective.

Other Details

BRLMs: Kotak Mahindra Capital, ICICI Securities, J.P.Morgan India

Registrar: Link Intime India Pvt Ltd.

Listing: BSE & NSE

Research Analyst

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CONSOLIDATED FINANCIAL TABLES

BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	As at Jun' 30		As at March' 31		
	2023 (03)	2022 (03)	2023	2022	2021
	Standalone	Standalone	Standalone	Standalone	Consolidated
Equity Share Capital	34.69	34.69	34.69	34.69	9.91
Reserve as stated	690.99	514.78	646.79	486.85	329.91
Net worth as stated	725.68	549.48	681.49	521.54	339.82
Revenue from Operations	179.54	144.52	720.98	683.47	498.93
Revenue Growth (%)	24.23%		5.49%	36.99%	
EBITDA	58.96	38.32	219.09	249.26	206.05
EBITDA Margin (%)	32.84%	26.51%	30.39%	36.47%	41.30%
Profit Before Tax	57.92	36.45	216.61	243.23	184.66
Net Profit for the period	44.12	27.85	160.03	181.59	135.79
Net Profit Margin (%)	24.57%	19.27%	22.20%	26.57%	27.22%
EPS (₹)	2.54	1.61	9.23	10.47	7.98
RONW %	6.08%	5.07%	23.48%	34.82%	39.96%
NAV (₹)	41.83%	31.68	39.29	30.07	19.59
ROCE %	7.97%	6.67%	31.91%	47.13%	49.70%
ROE %	6.27%	5.20%	26.60%	42.16%	50.18%

Source: RHP



MSEARCH

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Msearch's Recommendation (Absolute Performance)

Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

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