

October 25, 2023

IPO Note

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Issue Details

Price Band: ₹ 329 to ₹ 346
Issue Opens on: October 25, 2023
Issue Closes on: October 27, 2023
Lot Size: 43 Shares & in Multiples thereafter

Issue Highlights

Issue Size:	₹ 840.27 Cr.
No of Shares:	24,285,160
Face Value:	₹ 2

Offer Structure

Issuance	₹ in Cr.
Fresh Issue	-
Offer for Sale	840.27
Total	840.27

Issue Breakup

Reservation for	% of Issue	₹ in Cr. (at upper band)
QIB	50	420.14
HNI	15	126.04
Retail	35	294.09
Total	100	840.27

Listing

BSE & NSE

Lead Managers

- Kotak Mahindra Capital Company Ltd.
- ICI Securities Ltd.
- J.P. Morgan India Pvt. Ltd.

Registrar

Link Intime India Pvt. Ltd.

ANALYST

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COMPANY OVERVIEW

Incorporated in 1968, Blue Jet Healthcare is a speciality pharmaceutical and healthcare ingredients and intermediates company, offering niche products targeted toward innovator pharmaceutical companies and multi-national generic pharmaceutical companies. It has competencies and manufacturing capabilities in contrast media intermediates and high-intensity sweeteners, including saccharin and its salts. It manufactures a range of products in-house, including the key starting intermediate and advanced intermediates, which allows them to control production process for consistent quality and cost effectiveness.

As of June 30, 2023 the company invoiced a total of 400 customers in 39 countries. Its operations are primarily organized in three product categories: (i) contrast media intermediates, (ii) high-intensity sweeteners, and (iii) pharma intermediates and active pharmaceutical ingredients ("APIs").

The company currently operate three manufacturing facilities, which are located in Shahad (Unit I), Ambarnath (Unit II) and Mahad (Unit III) in the state of Maharashtra, India, with an annual installed capacity of 200.60 KL, 607.30 KL and 213.00 KL, respectively, as of June 30, 2023. It's manufacturing is driven by customer demands, which are contracted in advance. Given the nature of their medium- to long-term supply contracts with the customers, it is able to plan for capacity utilization and expansion ahead of time.

HIGHLIGHTS

1. Large manufacturer of contrast media intermediates in India
2. Presence in niche categories with high barriers to entry
3. Long-standing relationships and multi-year contracts with multi-national customers
4. Strong product development and process optimization capabilities with a focus on sustainability
5. Manufacturing facilities with regulatory accreditations

OBJECTS OF THE ISSUE

1. To carry out the Offer for Sale of up to 24,285,160 Equity Shares by the Selling Shareholders.
2. To achieve the benefits of listing the Equity Shares on the Stock Exchanges

OUR VIEW

Since its incorporation in 1968, Blue Jet Healthcare had established a contract development and manufacturing organization ("CDMO") business model with specialized chemistry capabilities in contrast media intermediates and high-intensity soureteners, on the back of strategic and early investments in research and development ("R&D") and manufacturing infrastructure.

The company has shown consistent growth in its top-lines at 20% CAGR for the period FY21-23, whereas bottom-line showed inconsistency as it decreased in FY23. The company operated on an EBITDA margin of 30.39% and PAT margin of 22.20% for year ended FY23. However, the declining RONW, ROE, and net profit margin in 2023 raise concerns.

81% of the company's revenue is generated from its top ten customers. Any loss or reduction in demand from these customers could negatively impact the business also, large portion of the company's revenue (~80%) comes from exports to Europe and the US. Any slowdown in market growth or entry of new competitors in these regions could affect the company's revenue.

The company is asking for a PE multiple of 37x on the upper end of the price band and using diluted EPS for FY 2023 (₹ 9.23) and a PE of 34x annualizing diluted EPS for Q1FY 2024 (₹ 2.54). The business operates in niche segment that have high entry barriers.

The company has long-term and stable relationships with multinational customers, including industry leaders in contrast media and tabletop sweeteners. The company collaborates and enters into annual and multi-year supply contracts thus providing strong visibility and predictability of order book revenue. With plans to enhance operational efficiency and expand production capacity, the company goals to meet rising customer demand with no listed peers.

Looking at all the factors, risks and opportunities the investors may apply for the issue with a medium to long-term view.

Brief Financials

PARTICULARS	As at June 30, 2023 (Standalone)	₹ in Million		
		FY '23 (Standalone)	FY '22 (Standalone)	FY '21 (Consolidated)
Total Income	1,846.04	7,449.38	7,028.81	5,078.13
Total Expenditure	1,266.83	5,283.27	4,596.51	3,178.49
EBITDA	2,060.53	2,190.88	383.18	589.56
Profit before Tax	579.21	2,166.11	2,432.30	1,846.57
Profit after Tax	441.21	1,600.27	1,815.91	1,357.87
E.P.S. (Diluted)	2.54*	9.23	10.47	7.98
P/E (x) (Diluted)	-	37	-	-
RONW (%)	6.08*	23.48	34.82	39.96

* Not Annualised

PRICE CHART (@ ₹ 346) (Retail Category)

LOT SIZE	Amount
43	14,878
86	29,756
129	44,634
172	59,512
215	74,390
258	89,268
301	104,146
344	119,024
387	133,902
430	148,780
473	163,658
516	178,536
559	193,414

HNI Payment Chart

Category	No. of Shares	Minimum Bid Lot Amount (Rs.)
Between ₹ 2 to ₹ 10 Lakhs (Minimum Shares)	602	208,292
Between ₹ 2 to ₹ 10 Lakhs (Maximum Shares)	2,881	996,826
Above ₹ 10 Lakhs	2,924	1,011,704

Indicative Time Table

Tentative Events	Indicative Dates
Finalisation of Basis of Allotment with the Designated Stock Exchange	01/11/2023
Initiation of refunds/unblocking ASBA Fund	01/11/2023
Credit of Equity Shares to demat accounts of Allottees	03/11/2023
Commencement of trading of the Equity Shares on the Stock Exchanges	06/11/2023

For more details, Please refer RHP,
[\(SEBI | Blue Jet Healthcare Limited - RHP\)](#)

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