

# IPO Report

Choice

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## Blue Jet Healthcare Ltd.

A CDMO offering niche products to global MNCs



**Salient features of the IPO:**

- Pharmaceutical ingredients maker, **Blue Jet Healthcare Ltd.** (BJHL), is coming up with an IPO to raise around Rs. 840cr, which opens on 25<sup>th</sup> Oct. and closes on 27<sup>th</sup> Oct. 2023. The price band is Rs. 329 - 346 per share.
- The IPO consists only of OFS portion, thus the company will not receive any funds from the issue.
- Some of the promoter & promoter group (P&PG) entities are participating in the OFS and offloading 2.429cr share. Post-issue, P&PG will have 86% stake in the company. Consequently, public shareholding will increase from nil to 14%.

**Key competitive strengths:**

- Large manufacturer of Contrast Media intermediates in India
- Presence in niche categories with high barriers to entry
- Long-standing relationships and multi-year contracts with multi-national customers
- Strong product development and process optimization capabilities with a focus on sustainability
- Manufacturing facilities with regulatory accreditations
- Experienced management team with proven execution capabilities

**Risk and concerns:**

- General slowdown in the global economic activities
- Unfavorable government policies & regulations
- Unfavorable/volatile forex rates
- Revenue concentration risk
- Unfavorable product-mix in Contrast Media intermediates
- Working capital intensive operations
- Difficulty in maintaining the profitability
- Competition

**Below are the key highlights of the company:**

- Contrast media are chemical agents developed to enhance the contrast of an imaging modality in diagnostic imaging, thereby aiding diagnosis of diseases. Once inside the human body, contrast media agents are selectively and temporarily taken up by different body tissues. By virtue of their inherent properties, contrast media agents enhance the images, leading to better visualizations of the tissues and organs.
- Depending on the application, Contrast media is divided into three key segments i.e. X-ray/Computed Tomography (CT) contrast agents (iodine-based contrast media agents), Magnetic Resonance Imaging (MRI) contrast agents (predominantly gadolinium based contrast media agents) and Ultrasound (USG) agents (microbubble-based contrast media agents). Globally, iodinated contrast agents formed the major segment by value, accounting for around 74% of all sales in moving annual turnover (MAT) Jun. 2023. Gadolinium based agents formed the next largest segment accounting for approximately 24% of the total sales by value.
- The global contrast media formulation market is highly concentrated. The four largest contrast media manufacturers, namely GE Healthcare AS (30% share in contrast media formulation market in 2022), Guerbet Group (19% market share), Bracco Imaging S.p.A (16% market share) and Bayer AG (13% market share), consistently contributed over 70-75% of the global MAT from Jun. 2013 to Jun. 2023. The size of the global contrast media formulations market for MAT Jun. 2023, was around USD 5.9bn, which is expected to grow by 6.8% CAGR between 2023-25. The size of contrast media intermediates market is estimated at around USD 2bn in 2022.

**Issue details**

Price band	Rs. 329 - 346 per share
Face value	Rs. 2
Shares for fresh issue	Nil
Shares for OFS	2.429cr shares
Fresh issue size	N/a
OFS issue size	Rs. 799 - 840.3cr
Total issue size	2.429cr shares (Rs. 799 - 840.3cr)
Bidding date	25 <sup>th</sup> Oct. - 27 <sup>th</sup> Oct. 2023
Implied MCAP at higher price band	Rs. 6,002cr
Implied enterprise value at higher price band	Rs. 5,786cr
Book running lead manager	Kotak Mahindra Capital Company Ltd., ICICI Securities Ltd. and J.P. Morgan India Pvt. Ltd.
Registrar	Link Intime India Pvt. Ltd.
Sector	Pharmaceuticals
Promoters	Mr. Akshay Bansarilal Arora, Mr. Shiven Akshay Arora and Mrs. Archana Akshay Arora

**Issue break-up**

Category	Percent of issue (%)	Number of shares
QIB portion	50%	1.214cr shares
Non institutional portion (Big)	10%	0.243cr shares
Non institutional portion (Small)	5%	0.121cr shares
Retail portion	35%	0.850cr shares

**Indicative IPO process time line**

Finalization of basis of allotment	1 <sup>st</sup> Nov. 2023
Unblocking of ASBA account	1 <sup>st</sup> Nov. 2023
Credit to demat accounts	3 <sup>rd</sup> Nov. 2023
Commencement of trading	6 <sup>th</sup> Nov. 2023

**Pre and post - issue shareholding pattern**

	Pre-issue	Post-issue
Promoter & promoter group	100.00%	86.00%
Public	0.00%	14.00%
Non-promoter & Non-public	0.00%	0.00%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

**Retail application money at higher cut-off price per lot**

Number of shares per lot	43
Application money	Rs. 14,878per lot

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## Key highlights of the company (Contd...):

Company name	Face value (Rs.)	CMP (Rs.)	MCAP (Rs. cr)	EV (Rs. cr)	Stock return				TTM total operating revenue (Rs. cr)	TTM EBITDA (Rs. cr)	TTM PAT (Rs. cr)	TTM gross margin	TTM EBITDA margin	TTM PAT margin
					1 M	3 M	6 M	1 Y						
Blue Jet Healthcare Ltd.	2	346	6,002	5,786					756	240	176	54.1%	31.7%	23.3%
Aether Industries Ltd.	10	913	12,099	11,996	-7.6%	-13.4%	-4.5%	-4.2%	652	189	130	52.3%	28.9%	19.9%
Clean Science and Technology Ltd.	1	1,381	14,669	14,329	-4.9%	4.4%	-2.3%	-14.2%	890	387	291	65.5%	43.5%	32.7%
Divi's Laboratories Ltd.	2	3,638	96,583	92,370	-3.8%	0.4%	11.3%	1.9%	7,291	2,021	1,477	59.8%	27.7%	20.3%
JB Chemicals & Pharmaceuticals Ltd.	1	1,370	10,607	10,747	-6.2%	11.0%	31.8%	44.1%	3,261	755	447	63.6%	23.2%	13.7%
Suven Life Sciences Ltd.	1	71	1,557	1,326	-3.5%	13.4%	25.1%	8.3%	14	(133)	(126)			
Suven Pharmaceuticals Ltd.	1	579	14,744	14,311	4.4%	19.1%	24.4%	40.9%	1,349	583	424	69.4%	43.2%	31.5%
<b>Average</b>												<b>62.1%</b>	<b>33.3%</b>	<b>23.6%</b>

Company name	4Y revenue growth (CAGR)	4Y EBITDA growth (CAGR)	4Y PAT growth (CAGR)	4Y average EBITDA margin	4Y average PAT margin	4Y capital employed growth (CAGR)	4Y CFO growth (CAGR)	4Y average working capital cycle (Days)	4Y average CFO / EBITDA	4Y average CFO / Capital employed	4Y average fixed asset turnover (x)	4Y average total asset turnover (x)	4Y average RoE	4Y average RoIC
Blue Jet Healthcare Ltd.	10.2%	0.8%	3.4%	37.0%	26.1%	24.5%	4.9%	122.9	60.9%	43.6%	4.2	1.0	43.1%	36.9%
Aether Industries Ltd.	29.2%	37.4%	48.3%	26.5%	16.9%	87.6%		127.8			1.7	0.8	32.6%	21.4%
Clean Science and Technology Ltd.	30.7%	29.4%	28.4%	45.4%	34.2%	49.0%	20.4%	56.6	68.1%	50.7%	2.1	0.8	34.1%	31.5%
Divi's Laboratories Ltd.	12.9%	9.1%	9.8%	37.2%	27.6%	11.9%	26.5%	169.1	72.0%	23.0%	1.6	0.6	19.9%	18.2%
JB Chemicals & Pharmaceuticals Ltd.	21.1%	22.6%	14.6%	23.2%	16.5%	41.3%	31.4%	91.3	62.7%	19.2%	2.3	0.8	19.6%	17.0%
Suven Life Sciences Ltd.	-2.1%	2.8%	7.9%			1.6%	-8.5%	(36.8)			0.4	0.0		
Suven Pharmaceuticals Ltd.	51.7%	50.2%	60.7%	44.9%	34.3%	21.7%	87.1%	128.3	69.5%	29.6%	1.8	0.6	29.1%	29.7%
<b>Average</b>	<b>23.9%</b>	<b>25.3%</b>	<b>28.3%</b>	<b>35.4%</b>	<b>25.9%</b>	<b>35.5%</b>	<b>31.4%</b>	<b>89.4</b>	<b>68.1%</b>	<b>30.6%</b>	<b>1.7</b>	<b>0.6</b>	<b>27.1%</b>	<b>23.6%</b>

Company name	TTM EPS (Rs.)	BVPS (Rs.)	DPS (Rs.)	Debt equity ratio (x)	TTM fixed asset turnover ratio (x)	TTM total asset turnover ratio (x)	TTM RoE	TTM RoCE	TTM P / E (x)	P / B (x)	EV / TTM sales (x)	EV / TTM EBITDA (x)	MCAP / TTM sales (x)	TTM Earning yield
Blue Jet Healthcare Ltd.	10.2	39.3	0.0	0.1	4.2	0.9	25.9%	49.5%	34.0	8.8	7.7	24.1	7.9	2.9%
Aether Industries Ltd.	9.8	93.9	0.0	0.0	1.0	0.5	10.4%	13.6%	93.4	9.7	18.4	63.6	18.6	1.1%
Clean Science and Technology Ltd.	27.4	95.1	5.3	0.0	1.9	0.8	28.8%	50.1%	50.4	14.5	16.1	37.0	16.5	2.0%
Divi's Laboratories Ltd.	55.7	480.9	30.0	0.0	1.5	0.5	11.6%	18.3%	65.4	7.6	12.7	45.7	13.2	1.5%
JB Chemicals & Pharmaceuticals Ltd.	57.8	320.4	16.5	0.2	1.7	0.8	18.0%	19.8%	23.7	4.3	3.3	14.2	3.3	4.2%
Suven Life Sciences Ltd.	(5.8)	17.2	0.0	0.0	0.4	0.0	-33.6%	-94.7%	(12.4)	4.1	96.1	(10.0)	112.8	-8.1%
Suven Pharmaceuticals Ltd.	16.7	60.0	4.0	0.1	2.4	0.7	27.8%	48.9%	34.7	9.7	10.6	24.6	10.9	2.9%
<b>Average</b>			<b>9.3</b>	<b>0.0</b>	<b>1.5</b>	<b>0.5</b>	<b>10.5%</b>	<b>9.3%</b>	<b>42.5</b>	<b>8.3</b>	<b>26.2</b>	<b>29.2</b>	<b>29.2</b>	<b>0.6%</b>

Note: Financials as of FY23 and TTM (with IPO adjustments); Source: Choice Broking Research

- BJHL supplies critical starting intermediates 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. It has a long-term relationships ranging from 4-24 years with these manufacturers. Till 30<sup>th</sup> Jun. 2023, the company commercialized 19 contrast media intermediate products. Considering the global contrast media intermediates market, BJHL is estimated to have around 4% market share.
- Currently, the company is focusing on iodinated and gadolinium based contrast media intermediates. Seven iodinated contrast media and seven gadolinium-based contrast media manufactured by the four largest contrast media manufacturers accounted for around 99-100% of the global iodinated and gadolinium-based contrast media market during MAT Jun. 2023. Being a supplier to global contrast media formulators, all of the BJHL's contrast media products are exported. Over FY20-23, business from the contrast media segment increased by 6.8% CAGR, while contributing over 70% to the total operating revenue of the company.
- In 2020, BJHL developed and commercialized another contrast media intermediate, which will be a building block for gadolinium-based contrast media agents. With gadolinium-based contrast media formulation market growing faster than others, commercialization of this intermediate will expand the addressable market and is likely to improve the profitability in the medium term.
- Saccharine is a 'high-intensity sweetener', which is commonly used as substitute for sugar in food, beverages, oral health and pharmaceutical products. High intensity sweeteners are around 300-500 times sweeter than sugar but contribute negligible/limited calories, when added to food items. In 2023, the global high-intensity sweetener market is estimated at around USD 3bn, comprising of products such as Sucralose, Aspartame, Saccharine etc. Considering a global Saccharine capacity of 37,000-40,000 tonnes, BJHL had a capacity share of around 10%.
- As of 30<sup>th</sup> Jun. 2023, the company offered high-intensity sweeteners to over 300 customers in India, United States, Europe, Asia and Latin America. Its clientele includes names like Colgate-Palmolive (India) Ltd., Unilever, Prinova US LLC, MMAG Co. Ltd., and many other international and domestic manufacturers across end products like oral care products, soft drinks, cosmetics and pharmaceutical products.

## Key highlights of the company (Contd...):

- BJHL's high-intensity sweetener products are consistent in taste and meet the purity and quality standards of its customers. Further, it complies with the major pharmacopoeias and food standards, including United States Pharmacopeia and the Food Chemicals Codex, European Pharmacopoeia, European food additive number E954, British Pharmacopoeia and Indian Pharmacopoeia. Over FY20-23, BJHL's business from this segment expanded by 26.1% CAGR, while overall revenue contribution ranged between 17-25%.
- Both the Contrast Media and High-Intensity Sweetener business have high entry barriers. Because of strict standards on feature & impurity profiles and compatibility issues with the imaging instruments manufactured by the above mentioned global contrast media manufacturers, it is tough for new supplier to venture in the Contrast Media business. With long-standing relationships, wide product portfolio and long-term contracts with the global contrast media a manufacturer, BJHL is well protected from the entry of new supplier. Similarly, in the High-Intensity Sweetener business, there is also a stringent supplier qualification requirement. BJHL with its product quality track record and long-term customer relationship is well placed to face the market competition.
- Since last two decades, BJHL is also engaged in the manufacturing of pharma intermediates and APIs. The company collaborates with an innovator companies for the development, manufacturing and sale of select high-value pharma intermediates, which finds application in chronic therapeutic areas like cardiovascular disease, oncology and central nervous system. Additionally, it also collaborates with generics companies on high-value pharma intermediates and APIs.
- BJHL markets its pharma intermediates and API in both regulated markets and emerging markets. As of 30<sup>th</sup> Jun. 2023, it had over 40 customers in India and 16 globally across Europe, North America, South America, and Asia. Its clientele includes names like Olon S.p.A., Hovione Farmaciência, S.A., Esperion Therapeutics Inc. and Bial-Portela & CA, S.A. Over FY20-23, business from the Pharma Intermediates and API segment increased by 11.1% CAGR, contributing around 5% to the total operating revenue.
- The company's business is supported by three operating manufacturing facilities having a cumulating annual production capacity of 1,021KL. These facilities are located at Shahad (Unit-I), Ambarnath (Unit-II) and Mahad (Unit-III) in the state of Maharashtra, India. Anticipating growth across the business and improving the production capabilities, BJHL has acquired a greenfield manufacturing site (Unit-IV) with 71KL capacity in Ambarnath. Additionally, it is pursuing a brownfield expansion at the Unit-II and Unit-III facilities. Once all the expansion plans are executed, BJHL intends to have an annual capacity of 1,514KL by FY25E.
- Mainly on the back of its niche product profile, long-term contracts with the key global formulator's and growth across the operating segments, BJHL has reported a strong business growth over FY20-23. However, mainly due to the higher raw material prices, profitability was impacted. On the contrary, RoE was healthy, despite over 3x rise in the net-worth during the period.
- Over FY20-23, the company reported a 10.2% CAGR rise in total operating revenue to Rs. 721cr in FY23. Business from the Contrast Media, High-Intensity Sweetener and Pharma Intermediates & API segment increased by 6.8%, 26.1% and 11.1% CAGR, respectively. Higher realization was largely the growth driver for the Contrast Media (6.4% CAGR) and Pharma Intermediates & API segment (14.6% CAGR). In the High-Intensity Sweetener segment, volume and realization increased by 18.1% and 6.7% CAGR, respectively. Business contribution from the Contrast Media, High-Intensity Sweetener and Pharma Intermediates & API segments stood at 70.6%, 24.5% and 4.7%, respectively, in FY23, compared to 78.7%, 16.6% and 4.7% in FY20. Higher cost of raw materials led to a 750bps contraction in gross profit margin. Further, relatively higher employee and other expenses, resulted in 932bps contraction in EBITDA margin, which stood at 30.4% in FY23. EBITDA increased by 0.8% CAGR to Rs. 219.1cr in FY23. With increase in capacity, depreciation charge increased by 11.6% CAGR, while lower financial liabilities led to a 43.1% drop in finance costs. Further, with 60.3% CAGR rise in other income and almost stable effective tax rate, PAT increased by 3.4% CAGR to Rs. 160cr in FY23. PAT margin contracted by 472bps during the period to 22.2% in FY23. BJHL reported positive operating cash flows during the period, which grew by 4.9% CAGR. Average operating cash flow stood at Rs. 135cr. Total financial liabilities declined by 29.8% CAGR, further with sustained profitability, debt-to-equity ratio stood at 0.1x in FY23, compared to 0.6x in FY20. Average pre-issue RoIC and RoE stood at 36.9% and 43.1%, respectively.
- During Q1 FY24, BJHL reported a 24.4% Y-o-Y growth in the top-line to Rs. 179.5cr, largely due to 19.6% Y-o-Y rise in blended realization. EBITDA increased by 53.9% Y-o-Y to Rs. 59cr, with a margin expansion of 632bps Y-o-Y. PAT increased by 58.4% Y-o-Y to Rs. 44.1cr. PAT margin expanded by over 530bps Y-o-Y to 24.6%. On TTM basis, top-line stood at Rs. 756cr, with EBITDA and PAT margin of 31.7% and 23.3%, respectively, compared to 30.4% and 22.2% in FY23.
- Based on our quick conservative forecast, over FY23-25E, top-line is anticipated to increase by 12.1% CAGR to Rs. 905.6cr. Relatively lower cost of production would expand the EBITDA margin by 470bps, while lower other income would result in 294bps expansion in the PAT margin. Post-issue RoIC and RoE are forecasted to contract by 284bps and 279bps, respectively, to 18.5% and 20.7% in FY25E, compared to 21.3% and 23.5%, respectively, in FY23.

**Peer comparison and valuation:** BJHL is mainly a Contract Development and Manufacturing Organization (CDMO), deriving around 75% of the business from CDMO operations. Its product profile is niche and over the period of operations, it has developed a long lasting relation with the clients. As a result, today it is able to generate around 70% of the total business from long term contracts with such clients. Over FY20-23, the company has reported a strong growth in the business, however higher raw material costs impacted the profitability. RoE was healthy, despite 3x rise in net-worth. Going forward, BJHL will benefit from sustained demand of its products and lower/stabilizing raw material prices. It has planned certain brownfield and greenfield expansions, which will increase the installed capacity by around 50% over FY25E.

There are no comparable peer having product and business operations similar to BJHL. The above peers are considered only to benchmark the demanded valuation. At higher price band, BJHL is demanding a TTM P/E multiple of 34x (to its TTM EPS of Rs. 10.2), which is at discount to the adjusted peer average. Thus considering the above observations, we assign a **"SUBSCRIBE"** rating for the issue.

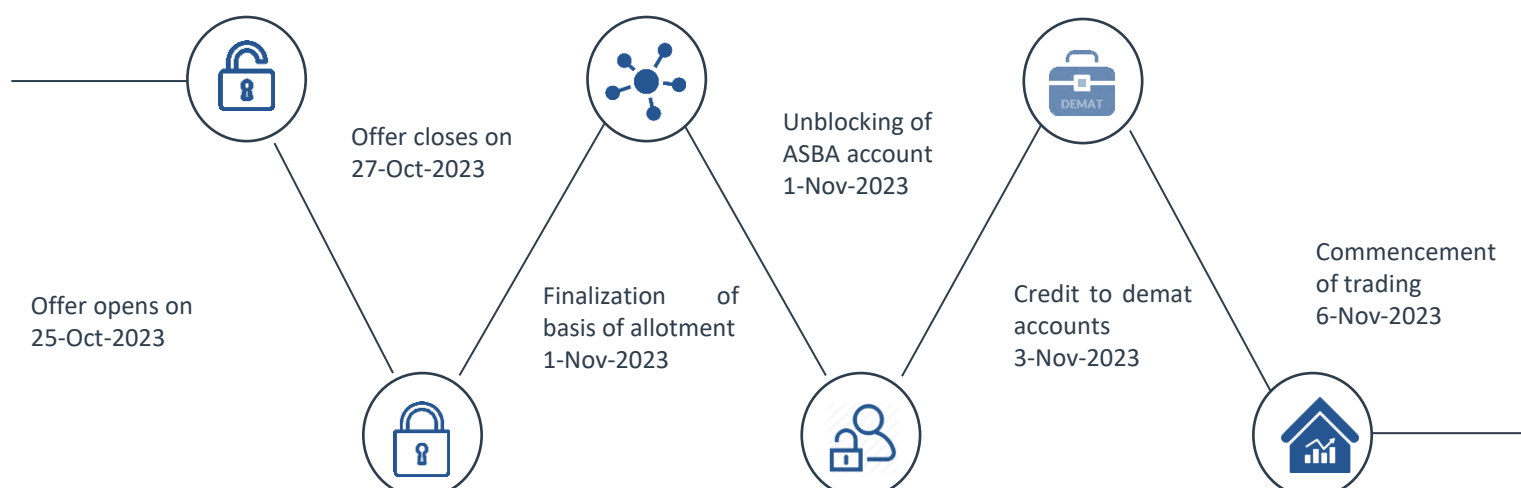
## About the issue:

- BJHL is coming up with an IPO with 2.429cr shares (fresh issue: nil; OFS shares: 2.429cr) in offering. This offer represents 14% of the post-issue paid-up equity shares of the company. Total IPO size is Rs. 799 - 840.3cr.
- The issue is through book building process with a price band of Rs. 329 - 346 per share.
- Lot size comprises of 43 equity shares and in multiple of 43 shares thereafter.
- The issue will open on 25<sup>th</sup> Oct. 2023 and close on 27<sup>th</sup> Oct. 2023.
- The IPO consists of only of OFS portion, thus the company will not receive any funds from the issue.
- 50% of the net issue is reserved for qualified institutional buyers, while 15% and 35% of the net issue is reserved for non-institutional bidders and retail investors, respectively.
- Some of the promoter & promoter group (P&PG) entities are participating in the OFS and offloading 2.429cr share. Post-issue, P&PG will have 86% stake in the company. Consequently, public shareholding will increase from nil to 14%.

Pre and post-issue shareholding pattern (%)		
	Pre-issue	Post-issue (at higher price band)
Promoter & promoter group	100.00%	86.00%
Public	0.00%	14.00%
Non-promoter & Non-public	0.00%	0.00%

Source: Choice Equity Broking

## Indicative IPO process time line:





## Pre-issue financial performance:

**Performance over FY20-23:** Mainly on the back of its niche product profile, long-term contracts with the key global formulator's and growth across the operating segments, BJHL has reported a strong business growth over FY20-23. However, mainly due to the higher raw material prices, profitability was impacted. On the contrary, RoE was healthy, despite over 3x rise in the net-worth during the period.

Over FY20-23, the company reported a 10.2% CAGR rise in total operating revenue to Rs. 721cr in FY23. Business from the Contrast Media, High-Intensity Sweetener and Pharma Intermediates & API segment increased by 6.8%, 26.1% and 11.1% CAGR, respectively.

Higher cost of raw materials led to a 750bps contraction in gross profit margin. Further, relatively higher employee and other expenses, resulted in 932bps contraction in EBITDA margin, which stood at 30.4% in FY23. EBITDA increased by 0.8% CAGR to Rs. 219.1cr in FY23.

With increase in capacity, depreciation charge increased by 11.6% CAGR, while lower financial liabilities led to a 43.1% drop in finance costs. Further, with 60.3% CAGR rise in other income and almost stable effective tax rate, PAT increased by 3.4% CAGR to Rs. 160cr in FY23. PAT margin contracted by 472bps during the period to 22.2% in FY23.

BJHL reported positive operating cash flows during the period, which grew by 4.9% CAGR. Average operating cash flow stood at Rs. 135cr. Total financial liabilities declined by 29.8% CAGR, further with sustained profitability, debt-to-equity ratio stood at 0.1x in FY23, compared to 0.6x in FY20. Average pre-issue RoIC and RoE stood at 36.9% and 43.1%, respectively.

**Performance during Q1 FY24:** BJHL reported a 24.4% Y-o-Y growth in the top-line to Rs. 179.5cr, largely due to 19.6% Y-o-Y rise in blended realization. EBITDA increased by 53.9% Y-o-Y to Rs. 59cr, with a margin expansion of 632bps Y-o-Y. PAT increased by 58.4% Y-o-Y to Rs. 44.1cr. PAT margin expanded by over 530bps Y-o-Y to 24.6%. On TTM basis, top-line stood at Rs. 756cr, with EBITDA and PAT margin of 31.7% and 23.3%, respectively, compared to 30.4% and 22.2% in FY23.

Pre-issue financial snapshot (Rs. cr)	FY20 C	FY21 S	FY22 S	FY23 S	TTM S	CAGR over FY20-23	Y-o-Y (FY23 annual)
Contrast Media	416.6	353.6	477.8	507.0	549.8	6.8%	6.1%
High-Intensity Sweetener	87.8	98.7	157.5	175.9	163.8	26.1%	11.7%
Pharma Intermediates and Active Pharmaceutical Ingredients	24.8	41.8	41.2	34.0	37.7	11.1%	-17.4%
Others	0.3	0.1	0.3	1.6	1.8	68.9%	426.2%
Revenue from operations	538.2	498.9	683.5	721.0	756.0	10.2%	5.5%
Gross profit	327.8	329.5	396.0	385.0	409.2	5.5%	-2.8%
EBITDA	213.7	206.1	249.3	219.1	239.7	0.8%	-12.1%
Reported PAT	144.8	138.4	181.6	160.0	176.3	3.4%	-11.9%
Adjusted PAT	144.8	143.7	181.6	160.0	176.3	3.4%	-11.9%
Restated reported EPS	8.4	8.3	10.5	9.2	10.2	3.4%	-11.9%
Cash flow from operating activities	122.7	129.3	146.4	141.6	126.8	4.9%	-3.3%
NOPLAT	146.1	137.1	169.6	143.3	158.8	-0.6%	-15.5%
FCF		3.3	37.6	(8.2)			
RoIC (%)	59.0%	35.7%	31.8%	21.3%	22.3%	(3,772) bps	(1,046) bps
Revenue growth rate		-7.3%	37.0%	5.5%			
Gross profit growth rate		0.5%	20.2%	-2.8%			
Gross profit margin	60.9%	66.0%	57.9%	53.4%	54.1%	(750) bps	(454) bps
EBITDA growth rate		-3.6%	21.0%	-12.1%			
EBITDA margin	39.7%	41.3%	36.5%	30.4%	31.7%	(932) bps	(608) bps
EBIT growth rate		-4.7%	21.9%	-14.6%			
EBIT margin	36.4%	37.4%	33.2%	26.9%	28.4%	(945) bps	(632) bps
Restated adjusted PAT growth rate		-0.8%	26.3%	-11.9%			
Restated adjusted PAT margin	26.9%	28.8%	26.6%	22.2%	23.3%	(472) bps	(437) bps
Inventory days	46.8	68.3	59.5	58.4	64.3	7.7%	-1.8%
Debtor days	80.4	96.0	99.2	118.2	108.3	13.7%	19.1%
Payable days	(35.3)	(40.8)	(31.0)	(27.9)	(28.8)	-7.5%	-9.9%
Cash conversion cycle	91.9	123.5	127.7	148.6	143.8	17.4%	16.4%
Fixed asset turnover ratio	4.9	3.5	4.3	4.0	3.9	-6.9%	-7.1%
Total asset turnover ratio	1.4	0.9	1.0	0.8	0.8	-16.4%	-12.7%
Current ratio	2.3	2.6	3.1	3.8	4.0	19.3%	21.7%
Quick ratio	1.6	1.8	2.5	3.1	3.2	24.0%	22.1%
Total debt	112.8	80.1	44.4	39.0	30.0	-29.8%	-12.0%
Net debt	72.2	(27.2)	(137.1)	(215.9)	(250.6)		57.5%
Debt to equity	0.6	0.2	0.1	0.1	0.0	-53.2%	-32.6%
Net debt to EBITDA	0.3	(0.1)	(0.5)	(1.0)	(1.0)		79.2%
RoE (%)	71.9%	42.3%	34.8%	23.5%	24.3%	(4,843) bps	(1,134) bps
RoA (%)	38.6%	26.8%	25.5%	18.6%	19.5%	(2,002) bps	(689) bps
RoCE (%)	87.2%	66.2%	63.5%	44.8%	47.6%	(4,243) bps	(1,876) bps

Note: Pre-IPO financial and ratios; Source: Choice Equity Broking



### Competitive strengths:

- Large manufacturer of Contrast Media intermediates in India
- Presence in niche categories with high barriers to entry
- Long-standing relationships and multi-year contracts with multi-national customers
- Strong product development and process optimization capabilities with a focus on sustainability
- Manufacturing facilities with regulatory accreditations
- Experienced management team with proven execution capabilities

### Business strategy:

- Continue to forward integrate into more advanced intermediates for Contrast Media
- Leverage long-standing customer relationships to continue entering adjacencies in the pharma intermediate and API category
- Build additional production capacity to keep in step with the envisaged increase in customer demands
- Continue to invest in R&D infrastructure and capabilities
- Focus on operational efficiency and mitigation of supply chain risks



### Risk and concerns:

- General slowdown in the global economic activities
- Unfavorable government policies & regulations
- Unfavorable/volatile forex rates
- Revenue concentration risk
- Unfavorable product-mix in Contrast Media intermediates
- Working capital intensive operations
- Difficulty in maintaining the profitability
- Competition

## Financial statements:

Profit and loss statement (Rs. cr)							
	FY20 C	FY21 S	FY22 S	FY23 S	TTM S	CAGR over FY20 - 23	Annual growth over FY22
<b>Revenue from operations</b>	<b>538.2</b>	<b>498.9</b>	<b>683.5</b>	<b>721.0</b>	<b>756.0</b>	<b>10.2%</b>	<b>5.5%</b>
Cost of materials consumed	(186.6)	(214.3)	(283.7)	(350.3)	(359.1)	23.4%	23.5%
Changes in inventories of finished goods, stock-in-trade and work-in-progress	(23.8)	44.8	(3.8)	14.3	12.3		
<b>Gross profit</b>	<b>327.8</b>	<b>329.5</b>	<b>396.0</b>	<b>385.0</b>	<b>409.2</b>	<b>5.5%</b>	<b>-2.8%</b>
Employee benefits expense	(23.9)	(29.0)	(33.0)	(41.9)	(45.4)	20.6%	26.8%
Other expenses	(90.2)	(94.5)	(113.7)	(124.0)	(124.1)	11.2%	9.1%
<b>EBITDA</b>	<b>213.7</b>	<b>206.1</b>	<b>249.3</b>	<b>219.1</b>	<b>239.7</b>	<b>0.8%</b>	<b>-12.1%</b>
Depreciation and amortisation expense	(18.0)	(19.7)	(22.1)	(25.1)	(25.2)	11.6%	13.2%
<b>EBIT</b>	<b>195.7</b>	<b>186.4</b>	<b>227.1</b>	<b>194.0</b>	<b>214.5</b>	<b>-0.3%</b>	<b>-14.6%</b>
Finance costs	(7.4)	(5.3)	(3.3)	(1.4)	(1.1)	-43.1%	-58.8%
Other income	5.8	8.9	19.4	24.0	24.7	60.3%	23.4%
Exceptional items		(5.3)			0.0		
<b>PBT</b>	<b>194.1</b>	<b>184.7</b>	<b>243.2</b>	<b>216.6</b>	<b>238.1</b>	<b>3.7%</b>	<b>-10.9%</b>
Tax expenses	(49.2)	(48.9)	(61.6)	(56.6)	(61.8)	4.8%	-8.2%
<b>PAT before minority interest</b>	<b>145.0</b>	<b>135.8</b>	<b>181.6</b>	<b>160.0</b>	<b>176.3</b>	<b>3.4%</b>	<b>-11.9%</b>
Minority interest	(0.1)	2.6			0.0		
<b>Reported PAT</b>	<b>144.8</b>	<b>138.4</b>	<b>181.6</b>	<b>160.0</b>	<b>176.3</b>	<b>3.4%</b>	<b>-11.9%</b>
<b>Adjusted PAT</b>	<b>144.8</b>	<b>143.7</b>	<b>181.6</b>	<b>160.0</b>	<b>176.3</b>	<b>3.4%</b>	<b>-11.9%</b>

Balance sheet statement (Rs. cr)							
	FY20 C	FY21 S	FY22 S	FY23 S	TTM S	CAGR over FY20 - 23	Annual growth over FY22
Equity share capital	0.6	9.9	34.7	34.7	34.7	286.7%	
Other equity	200.8	329.9	486.8	646.8	691.0	47.7%	32.9%
Minority interest	1.3				0.0		
Non-current borrowings	59.7	44.4			0.0		
Non-current lease liabilities		0.0	13.3	1.5	1.3		-88.3%
Non-current provisions	2.5	3.3	3.8	4.1	4.2	18.5%	9.6%
Net deferred tax liabilities		1.4	0.3	1.0	0.4		286.4%
Trade payables	52.0	59.5	56.5	53.8	59.6	1.1%	-4.9%
Current borrowings	17.8	7.1			0.0		
Current lease liabilities	0.0	0.0	4.0	1.9	1.2	518.3%	-53.0%
Other current financial liabilities	35.2	28.4	27.0	35.6	27.5	0.4%	31.7%
Net current tax liabilities	4.2	49.9	85.1	80.9	82.1	167.9%	-4.9%
Current provisions	0.6	0.4	0.5	0.5	0.6	-3.4%	0.8%
Other current liabilities	0.6	1.9	1.3	1.2	1.3	25.3%	-8.8%
<b>Total liabilities</b>	<b>375.4</b>	<b>536.3</b>	<b>713.4</b>	<b>862.1</b>	<b>903.8</b>	<b>31.9%</b>	<b>20.8%</b>
Property, plant and equipment	103.9	118.8	118.5	128.2	134.1	7.3%	8.2%
Intangible assets	0.0	0.0	0.0	0.0	0.1	80.3%	
Capital work-in-progress	2.0	2.6	3.4	30.5	37.5	146.4%	787.9%
Right-of-use assets	3.2	20.1	38.0	22.8	23.8	92.1%	-40.1%
Non-current investments	8.4				0.0		
Other non-current investments	1.1	1.3	3.0	3.4	3.6	43.5%	12.7%
Net deferred tax assets	1.5				0.0		
Other non-current assets	6.3	3.5	2.1	12.1	17.1	24.1%	475.1%
Inventories	69.0	117.7	105.0	125.7	133.1	22.1%	19.6%
Trade receivables	118.5	144.0	227.4	239.4	224.4	26.4%	5.3%
Current investments	25.3	36.8	93.8	189.3	202.7	95.5%	101.8%
Cash & cash equivalents	15.2	70.5	87.7	65.6	77.8	62.7%	-25.1%
Current loans	4.0				0.0		
Other current financial assets	3.9	3.6	6.8	18.5	19.6	67.9%	171.9%
Other current assets	12.8	17.4	27.4	26.6	30.1	27.5%	-3.0%
Assets held for sale			0.2		0.0		
<b>Total assets</b>	<b>375.4</b>	<b>536.3</b>	<b>713.4</b>	<b>862.1</b>	<b>903.8</b>	<b>31.9%</b>	<b>20.8%</b>

Note: Pre-IPO financials; Source: Choice Equity Broking



## Financial statements (Contd...):

Cash flow statement (Rs. cr)							
	FY20 C	FY21 S	FY22 S	FY23 S	TTM S	CAGR over FY20 - 23	Annual growth over FY22
Cash flow before working capital changes	232.6	202.2	250.0	234.4	258.0	0.3%	-6.2%
Working capital changes	(61.2)	(72.7)	(76.0)	(32.9)	(67.7)	-18.7%	-56.7%
<b>Cash flow from operating activities</b>	<b>122.7</b>	<b>129.3</b>	<b>146.4</b>	<b>141.6</b>	<b>126.8</b>	<b>4.9%</b>	<b>-3.3%</b>
Purchase of fixed assets and CWIP	(16.0)	(49.2)	(22.9)	(59.3)	(83.0)	54.7%	158.6%
<b>Cash flow from investing activities</b>	<b>(45.2)</b>	<b>(50.7)</b>	<b>(76.0)</b>	<b>(147.3)</b>	<b>(161.1)</b>	<b>48.2%</b>	<b>93.7%</b>
<b>Cash flow from financing activities</b>	<b>(72.5)</b>	<b>(27.5)</b>	<b>(56.1)</b>	<b>(4.2)</b>	<b>(4.5)</b>	<b>-61.2%</b>	<b>-92.4%</b>
<b>Net cash flow</b>	<b>5.0</b>	<b>51.1</b>	<b>14.2</b>	<b>(9.9)</b>	<b>(38.8)</b>		
Opening balance of cash	5.1	10.1	61.1	75.4	105.4	145.8%	23.3%
<b>Closing balance of cash</b>	<b>10.1</b>	<b>61.1</b>	<b>75.4</b>	<b>65.4</b>	<b>66.6</b>	<b>86.6%</b>	<b>-13.2%</b>

Financial ratios					
Particulars	FY20 C	FY21 S	FY22 S	FY23 S	TTM S
Profitability ratios					
Revenue growth rate		-7.3%	37.0%	5.5%	
Gross profit growth rate		0.5%	20.2%	-2.8%	
Gross profit margin	60.9%	66.0%	57.9%	53.4%	54.1%
EBITDA growth rate		-3.6%	21.0%	-12.1%	
EBITDA margin	39.7%	41.3%	36.5%	30.4%	31.7%
EBIT growth rate		-4.7%	21.9%	-14.6%	
EBIT margin	36.4%	37.4%	33.2%	26.9%	28.4%
Restated adjusted PAT growth rate		-0.8%	26.3%	-11.9%	
Restated adjusted PAT margin	26.9%	28.8%	26.6%	22.2%	23.3%
Turnover ratios					
Inventory receivable turnover ratio	7.8	5.3	6.1	6.3	5.7
Trade receivable turnover ratio	4.5	3.8	3.7	3.1	3.4
Accounts payable turnover ratio	10.3	8.9	11.8	13.1	12.7
Fixed asset turnover ratio	4.9	3.5	4.3	4.0	3.9
Total asset turnover ratio	1.4	0.9	1.0	0.8	0.8
Return ratios					
RoIC (%)	59.0%	35.7%	31.8%	21.3%	22.3%
RoE (%)	71.9%	42.3%	34.8%	23.5%	24.3%
RoA (%)	38.6%	26.8%	25.5%	18.6%	19.5%
RoCE (%)	87.2%	66.2%	63.5%	44.8%	47.6%
Per share data					
Restated adjusted EPS (Rs.)	8.4	8.3	10.5	9.2	10.2
DPS (Rs.)	0.0	0.0	0.0	0.0	0.0
BVPS (Rs.)	11.6	19.6	30.1	39.3	41.8
Operating cash flow per share (Rs.)	7.1	7.5	8.4	8.2	7.3
Free cash flow per share (Rs.)		0.2	2.2	(0.5)	
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%

Note: Pre-IPO financial ratios; Source: Choice Equity Broking

## IPO rating rationale

**Subscribe:** An IPO with strong growth prospects and valuation comfort.

**Subscribe with Caution:** Relatively better growth prospects but with valuation discomfort.

**Avoid:** Concerns on both fundamentals and demanded valuation.

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