

Healthcare | India

IPO | 24 October 2023

# Blue Jet Healthcare Limited

## A Niche Business Model



### About the Company

Blue Jet Healthcare Limited (BJHL) incorporated in 1968 is a specialty pharmaceutical and healthcare ingredients and intermediates company, offering niche products targeted toward innovator pharmaceutical companies and multi-national generic pharmaceutical companies. BJHL have established themselves a contract development and manufacturing organization ("CDMO") business model with specialized chemistry capabilities in contrast media intermediates and high intensity sweeteners, on the back of strategic and early investments in research and development ("R&D") and manufacturing infrastructure. They have competencies and manufacturing capabilities in contrast media intermediates and high-intensity sweeteners, including saccharin and its salts.

### Strong product categories

BJHL operations are primarily organized in 3 product categories: (i) contrast media intermediates, (ii) high-intensity sweeteners, and (iii) pharma intermediates and active pharmaceutical ingredients ("APIs"). Contrast media are agents used in medical imaging to enhance the visibility of body tissues and it supplies critical starting intermediate and several advanced intermediates to 3 of the largest manufacturers and the top 4 players accounting for 75% global market share. The high-intensity sweetener business involves development, manufacture and marketing of saccharin and its salts for the usage of table-top sweeteners, oral care products, beverages (primarily soft-drinks), confectionary products, pharmaceutical products, food supplements, and animal feeds to over 300 customers globally.

### Long standing relationships with higher market share.

BJHL has strategically focused on complex chemistry categories in both the contrast media intermediate and high-intensity sweetener categories with 95% of the revenues coming from these segments. BJHL has built a long-term customer base with innovator pharmaceutical companies and multinational generic pharmaceutical companies, supported by committed multi-year contracts. BJHL follows a "Collaboration, Development, Manufacturing" approach critical to success and a key factor for growing CDMO business, through its three manufacturing facilities located in Maharashtra with facilities that have received accreditation from various regulatory agencies.

### Diversifying revenues and expanding capacities for increased demand

BJHL plans to expand production capacities from 607.30 KL to 743 KL by FY25 in Unit II, 213.00 KL as of to 499 KL by FY25 in Unit III. It has acquired a green field manufacturing site (Unit IV) on a leasehold basis in Ambarnath in 2021 to have an estimated installed capacity of 71 KL and would be operational by FY25 with total annual production capacity expected to reach 1,513.6 KL by the end of FY25. BJHL is leveraging its long customer relationships to continue entering the pharma intermediates and API categories with its process research, analytical and chemistry capabilities for drugs that are still patent and not genericized in chronic therapeutic areas like CVS, CNS and Oncology.

### Financials in Brief

On the financial front, the company reported a turnover of Rs213 Crs, Rs549 Crs and Rs1045 Crs for FY21, FY22 and FY23 respectively, on a consolidated basis. It posted net profit of Rs 35 Crs, Rs128 Crs and Rs 63 Crs respectively for the aforementioned period, while the company's top-line continued to grow, registering a CAGR of ~76% over FY21-23, its bottom line reported a lower growth in CAGR of 34.5% for the same period with decline in net margins. It has reported an average EPS of Rs. 25.7 and an average RoNW of 33.5% for the last 3 years.

### Our View

BJHL is one of the innovative companies in niche categories with more than two decades of experience and has specialized chemistry capabilities; with dedicated R&D laboratories to offer various products in highly concentrated contrast media formulations. The management is adopting a prudent strategy of diversifying revenues with a major thrust on exports with a high margin product mix going forward. The increased expansion over the next 2 years for envisaged increase in demand and leveraging the customer relationships for pharma intermediates and API categories will boost earnings over the next few years. **We recommend a SUBSCRIBE to the issue.**

#### IPO Details

Price Band (Rs)	329-346
Face Value (Rs)	2
Issue Open/Closing Date	25-Oct-23/27-Oct-23
Fresh Issues (Crs)	-
OFS (Crs)	840.3
<b>Total Issue (Crs)</b>	<b>840.3</b>
Minimum Bid Qty. (Nos)	43
QIB / HNI / Retail	50%/15%/35%
<b>Implied Market Cap (Rs Crs)*</b>	<b>6,002</b>

\*At higher band

#### Object of the Issue

- ▶ Achieve the benefits of listing of equity shares enhancing visibility and brand image

#### 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

#### Key Risk

- ▶ Any competition in contrast media as over dependency of revenues which may impact revenues and market share
- ▶ Pricing pressure, fluctuation in raw materials and government incentives for key products

Shareholding (%)	Pre-Issue	Post-Issue
Promoters	100	86.0
Others	0	14.0

#### Key Financials

(Rs Crs)	FY21	FY22	FY23
Revenue	499	683	721
EBITDA	206	249	219
EBITDA Margin (%)	41.3	36.5	30.4
PAT	136	182	160
PAT Margin (%)	27.2	26.6	22.2
EPS (Rs)	8.0	10.5	9.2
RoCE (%)	49.7	47.1	31.9
RoE (%)	40.0	34.8	23.5
FA Turnover (x)	4.2	5.8	5.6

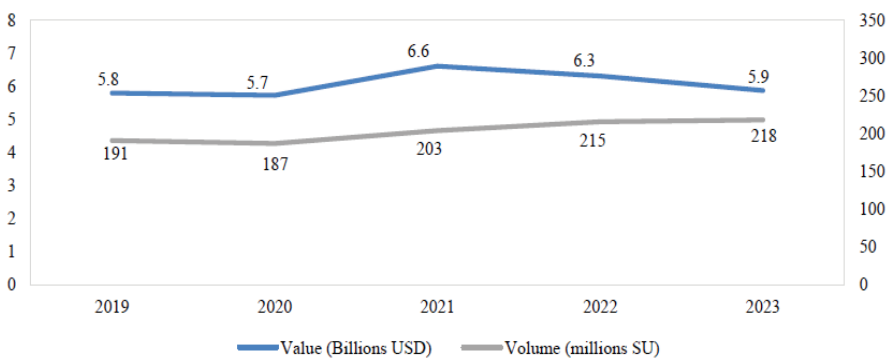
Source: RHP

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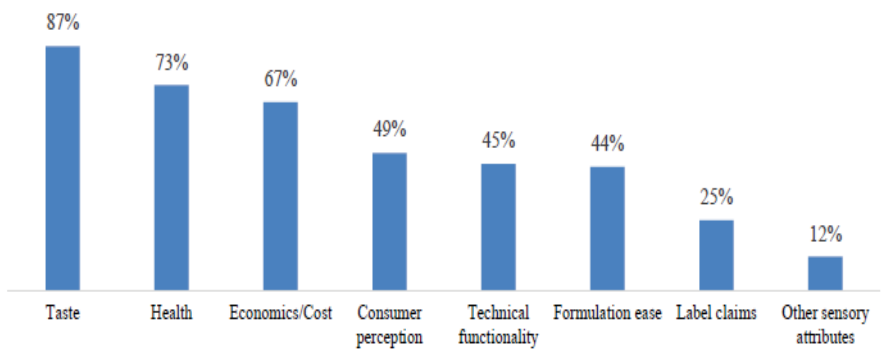
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Exhibit 1: Global contrast media sales value and volume, MAT June 2019-2023



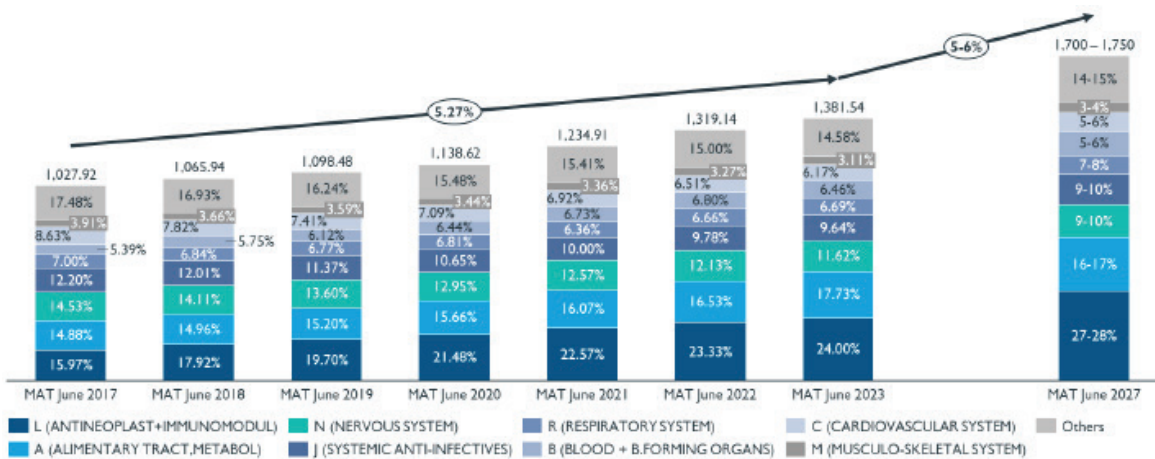
Source: RHP, IQVIA MIDAS Quarterly Sales data, MAT June 2023

Exhibit 2: Percentage of Attributes Ranked in Top Three Most Important Attributes by R&D/Product Development Officials of Food and Beverage Companies



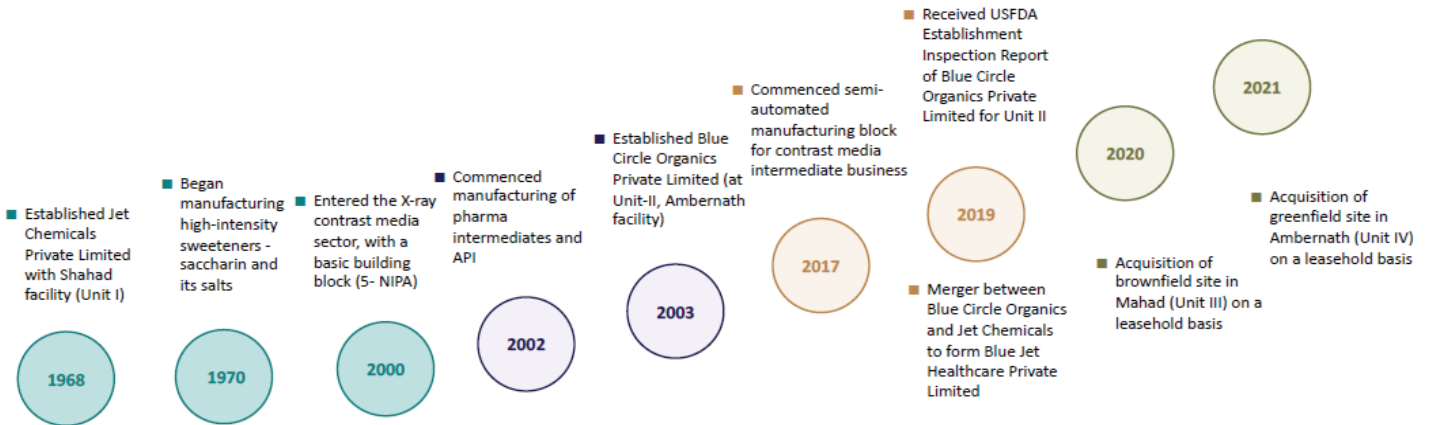
Source: RHP, Secondary research

Exhibit 3: Global Pharmaceuticals Market – By Region (US\$ billion)



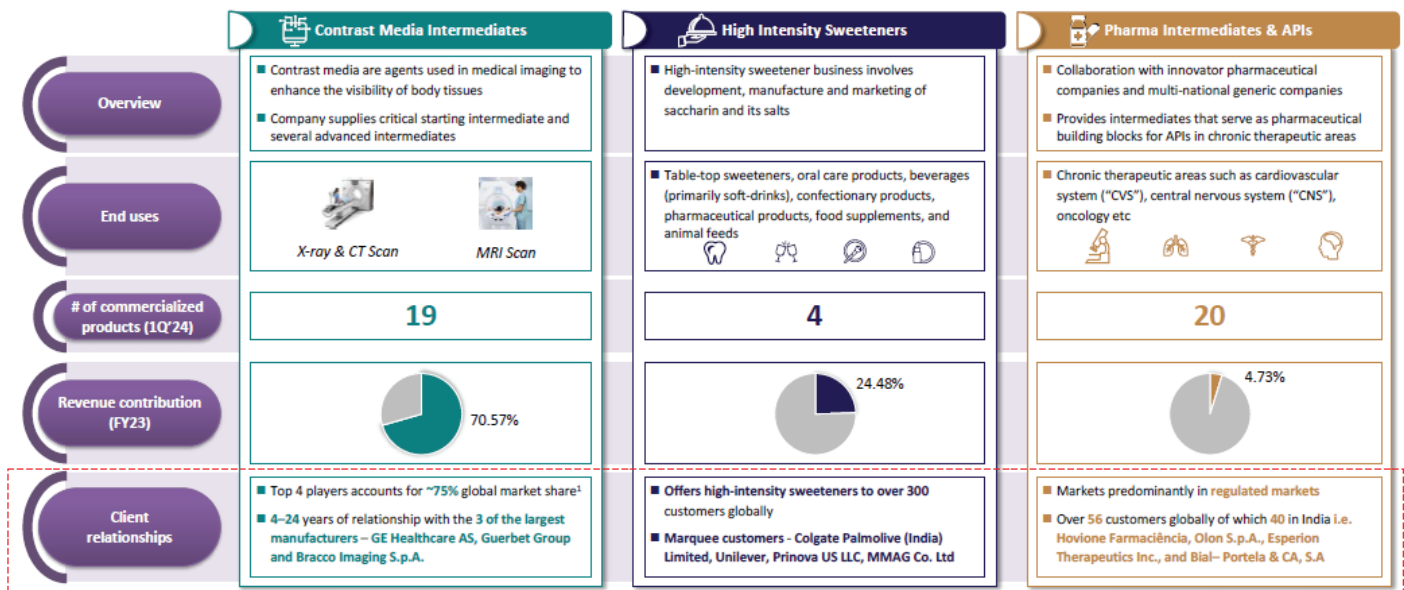
Source: RHP, MIDAS Quarterly Sales Data, MAT June 2023, IQVIA Market Prognosis Global - May 2023 (MAT June 23- June 27 analysis recalculated based on IQVIA MIDAS MAT June 2023 figures).

Exhibit 4: Our Journey



Source: RHP,

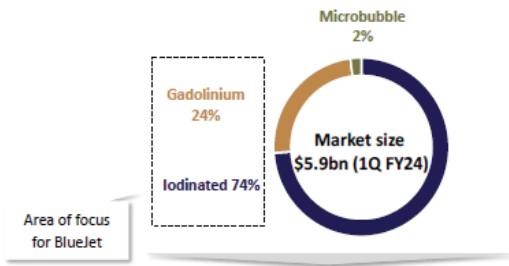
Exhibit 5: Overview of our Business Segments



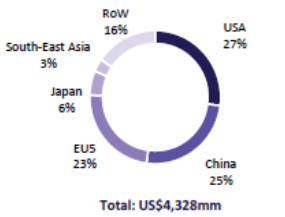
Source: RHP, Company information, IQVIA report dated October 9, 2023 ("Industry Report"); Note: 1 In each of MAT June 2019, 2020, 2021, 2022 and 2023

Exhibit 6: Overview of Contrast Media and its growth drivers (cont'd)

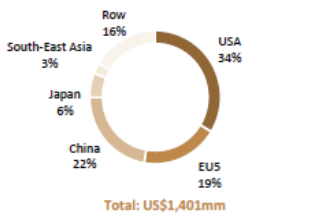
Segmental breakdown of Contrast Media



Iodinated market for MAT 2023

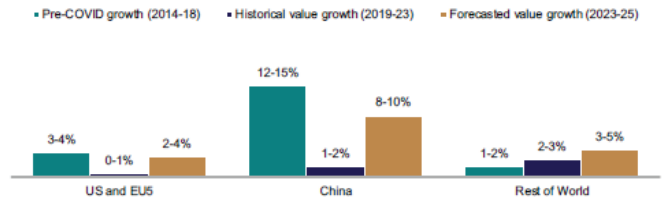


Gadolinium-based market for MAT 2023



Growth Forecasts for Contrast Media

Iodine based contrast media

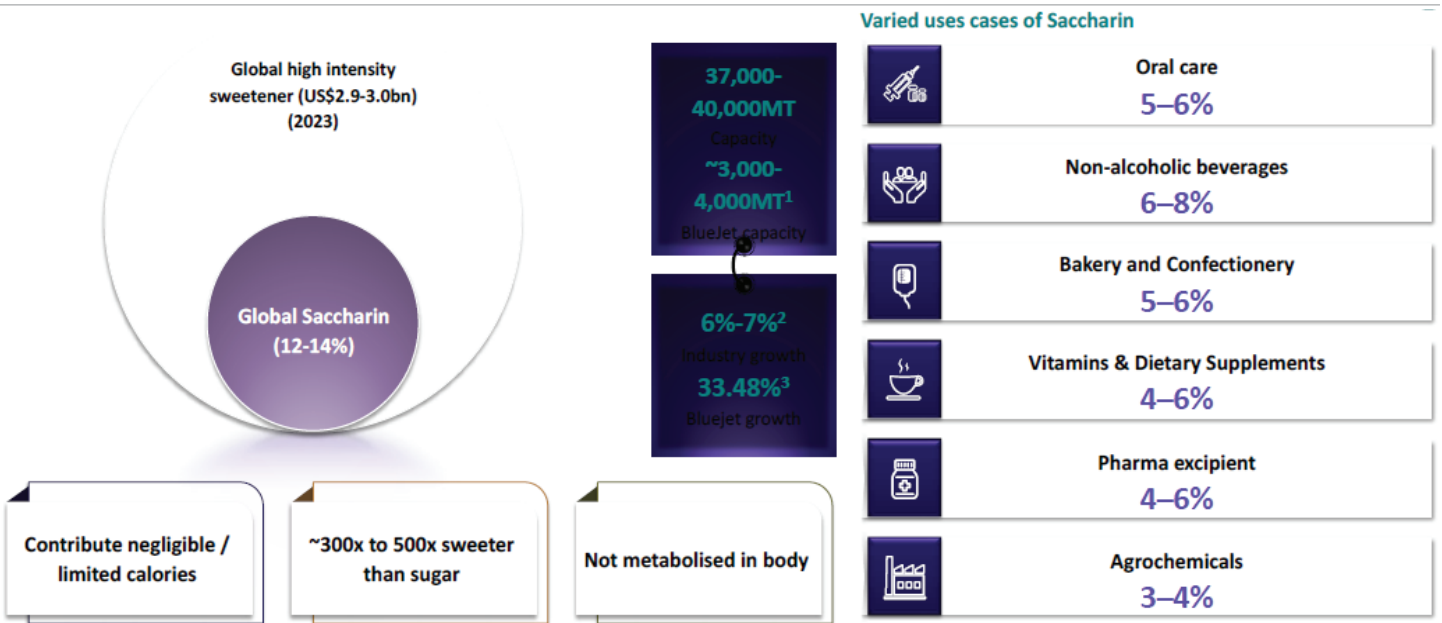


Gadolinium based contrast media



Source: RHP, Industry report

Exhibit 7: Blue Jet contributes ~3,000-4,000MTI to the Global Saccharin Market by capacity



Source: RHP, ICompany information, industry report; Notes: 1 Blue Jet Capacity of 3,000-4,000MT and industry capacity of 37,000-40,000MT; 2 Growth between MAT2021 and 2026; 3 High Intensity Sweeteners segment growth for the year FY21-23

X-X%  
CY23-26 CAGR

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