Initial Public Offer of Blue Jet Healthcare Limited

Issue Opens on: October 25, 2023 | Issue Closes on: October 27, 2023

Price Band - Rs. 329 to Rs. 346 per share

The Floor Price is 164.50 times the face value of the Equity Shares and the Cap Price is 173.00 times the face value of the Equity Shares

Minimum Bid Lot of 43 shares; Bids in multiples of 43 shares thereafter

Initial Public Offering of up to 24,285,160 equity shares of face value of ₹ 2 each ("Equity Shares") of Blue Jet Healthcare Limited ("Company" or the "Issuer") for cash at a price of ₹ [•] per equity share (including a share premium of ₹ [•] per equity share) ("Offer Price") aggregating up to ₹ [•] million (The "Offer"). The Offer comprises of an offer for sale of up to 24,285,160 equity shares ("Offered Shares") aggregating up to ₹ [•] million, including up to 18,366,311 equity shares aggregating up to ₹ [•] million by Akshay Bansarilal Arora and up to 5,918,849 equity shares aggregating up to ₹ [•] million by Shiven Akshay Arora (collectively referred as "Selling Shareholders" and such offer for sale by the Selling Shareholders, the "Offer For Sale"). The offer would constitute [•] % and [•] % of post-offer paid-up equity share capital

Overview of the Company	
Business Overview	• Blue Jet is a speciality pharmaceutical and healthcare ingredients and intermediates company, offering niche products targeted toward innovator pharmaceutical companies and multi-national generic pharmaceutical companies • Established a contract development and manufacturing organization ("CDMO") business model with specialized chemistry capabilities in contrast media intermediates and high-intensity sweeteners • Competencies and manufacturing capabilities in contrast media intermediates and high-intensity sweeteners, including saccharin and its salts with range of products manufactured in-house • In the past 3 Financial Years and the 3 months ended June 30, 2023, invoiced a total of more than 400 customers in 39 countries • Built long-term customer base with innovator pharmaceutical companies and multi-national generic pharmaceutical companies, supported by committed multi-year contracts • **"Collaboration, Development, Manufacturing"** approach critical to success and a key factor for growing CDMO business • 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"). The following table sets forth a breakdown revenue from contracts with customers by product categories and the related contribution of each product

Product category	Financial Year						CAGR from the Financial Year 2021 to the Financial Year 2023 (%)
	2021		2022		2023		
	Revenue from sales of products (₹ millions)	Contribution (%)	Revenue from sales of products (₹ millions)	Contribution (%)	Revenue from sales of products (₹ millions)	Contribution (%)	
Contrast media intermediates	3,535.86	71.54%	4,778.38	70.61%	5,070.16	70.57%	19.75%
High-intensity sweeteners	987.24	19.98%	1,574.83	23.27%	1,758.97	24.48%	33.48%
Pharma intermediates and API	417.67	8.45%	411.58	6.08%	339.84	4.73%	(9.80)%
Others(1)	1.33	0.03%	3.01	0.04%	15.84	0.22%	245.12%
Revenue from operations from contract with customers	**4,942.10**	**100.00%**	**6,767.80**	**100.00%**	**7,184.81**	**100.00%**	**20.57%**

	Three Months ended June 30,				%Increase/ (Decrease) Between the Three Months ended June 30, 2022 and 2023
	2022		2023		
	Revenue from sales of products (₹ millions)	Contribution (%)	Revenue from sales of products (₹ millions)	Contribution (%)	
Contrast media intermediates	858.70	59.63%	1,286.33	72.00%	49.80%
High-intensity sweeteners	522.57	36.28%	401.55	22.48%	(23.16)%
Pharma intermediates and API	57.38	3.98%	94.59	5.29%	64.85%
Others(1)	1.64	0.11%	4.09	0.23%	149.39%
Revenue from operations from contract with customers	**1,440.29**	**100.00%**	**1,786.56**	**100.00%**	**24.04%**

- *Contrast Media Intermediates*
  - Supplies a critical starting intermediate and several advanced intermediates primarily to 3 of the largest contrast media manufacturers in the world, including GE Healthcare AS, Guerbet Group, and Bracco Imaging S.p.A, directly and have had long-term relationships ranging from 4 to 24 years with these manufacturers
  - As of June 30, 2023, commercialized contrast media intermediate portfolio comprised 19 products. Blue Jet supplied over 75% of the value of exports of a selected contrast media intermediate (5-Amino-N,N'-bis (2,3-dihydroxypropyl) isophthalamide) from India, over the calendar years 2020 to 2022 (Source: IQVIA Report)
- *High-intensity Sweeteners*
  - High-intensity sweetener business involves development, manufacture and marketing of saccharin and its salts, which is backward integrated with the aim to ensure environmental sustainability with zero by-products and cost-effective production processes
  - As a result of the consistent quality of high-intensity sweeteners, part of the select supplier base of several multi-national companies in the oral care and non-alcoholic beverage markets, such as Colgate Palmolive (India) Limited, Unilever, Prinova US LLC, and MMAG Co. Ltd, and many other international and domestic customers across all end product categories
- *Pharma Intermediates and APIs*
  - CDMO activity in the pharma intermediate and API business primarily focuses on collaborating with innovator pharmaceutical companies and multi-national generic pharmaceutical companies by providing them with pharma intermediates that serve as building blocks for APIs in chronic therapeutic areas, such as the cardiovascular system (“CVS”), oncology and central nervous system (“CNS”), including new chemical entities (“NCEs”)
  - Engage with CDMO customers early in the drug development process, which provides the opportunity to continue to expand relationship as the drug development progresses through the clinical phase and into

commercial manufacturing. Blue Jet has been a CDMO for certain products over the past two decades

- Derives majority of revenue from sales of products from the regulated markets of Europe. The following table sets forth a breakdown of revenue from sales of products by geography for the years/periods indicated:

	Financial Year					
	2021		2022		2023	
	Revenue from sales of products (₹ millions)	Contribution to total revenue from sales of products (%)	Revenue from sales of products (₹ millions)	Contribution to total revenue from sales of products (%)	Revenue from sales of products (₹ millions)	Contribution to total revenue from sales of products (%)
Europe	3,940.19	79.73%	5,147.85	76.06%	5,351.41	74.49%
India	716.55	14.50%	1,159.70	17.14%	1,001.84	13.94%
USA	170.13	3.44%	282.96	4.18%	350.81	4.88%
Others	115.23	2.33%	177.29	2.62%	480.75	6.69%
Total	**4,942.10**	**100.00%**	**6,767.80**	**100.00%**	**7,184.81**	**100.00%**

	Three Months ended June 30,			
	2022		2023	
	Revenue from sales of products (₹ millions)	Contribution to total revenue from sales of products (%)	Revenue from sales of products (₹ millions)	Contribution to total revenue from sales of products (%)
Europe	927.38	64.39%	1,384.97	77.52%
India	274.43	19.05%	218.61	12.24%
USA	88.18	6.12%	70.57	3.95%
Others	150.30	10.44%	112.41	6.29%
Total	**1,440.29**	**100.00%**	**1,786.56**	**100.00%**

- Currently operate 3 manufacturing facilities, which are located in Shahad (Unit I), Ambernath (Unit II, certified by World Health Organization for good manufacturing practices, and is registered with the US-FDA) 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 and acquired a "greenfield" manufacturing site on a leasehold basis in Ambernath (Unit IV) in FY 2021
- **Key Financial Data:**

	As of / for the Financial Year			As of / for the Three Months ended June 30,	
	2021	2022	2023	2022	2023
	(in ₹ millions, unless otherwise specified)				
Revenue from operations[(1)]	4,989.32	6,834.69	7,209.82	1,445.17	1,795.41
Profit for the year/period[(1)]	1,357.87	1,815.91	1,600.27	278.49	441.21
Profit margin[(2)]	27.22%	26.57%	22.20%	19.27%	24.57%
EBITDA[(3)]	2,060.53	2,492.64	2,190.88	383.18	589.56
EBITDA margin[(4)]	41.30%	36.47%	30.39%	26.51%	32.84%
Return on capital employed[(5)]	49.70%	47.13%	31.91%	6.67%	7.97%
Return on equity[(6)]	50.18%	42.16%	26.60%	5.20%	6.27%
Net cash generated from operating activities	1,292.75	1,464.17	1,415.56	570.33	423.20
Fixed asset turnover[(7)]	4.20	5.77	5.62	1.26	1.34
Free cash flow[(8)]	785.50	703.91	(56.96)	307.90	21.87

Notes:

(1) For further details, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Three Months ended June 30, 2023 compared to Three Months ended June 30, 2022", "Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Financial Year 2023 compared to Financial Year 2022" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Financial Year 2022 compared to Financial Year 2021" on pages 286, 288 and 289, respectively.

(2) Calculated as profit for the year/period divided by revenue from operations.

(3) Calculated as profit before exceptional items and tax expense for the year/period less other income, plus depreciation and amortization expenses and finance cost. EBITDA increased from ₹2,060.53 million for the Financial Year 2021 to ₹2,492.64 million for the Financial Year 2022, due to increases in revenue from operations of ₹1,845.37 million, as well as an increase in other income and a decrease in finance cost. EBITDA decreased from ₹2,492.64 million for the Financial Year 2022 to ₹2,190.88 million for the Financial Year 2023, primarily due to an increase in the price of raw materials and employee benefits expenses. EBITDA increased from ₹383.18 million for the three months ended June 30, 2022 to ₹589.56 million for the three months ended June 30, 2023, due to a decrease in price of raw materials and other expenses. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Three months ended June 30, 2023 compared to Three months ended June 30, 2022", "Management's Discussion and Analysis of Financial Condition and Results of Operations — Results

	of Operations — Financial Year 2023 compared to Financial Year 2022" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Financial Year 2022 compared to Financial Year 2021" on pages 286, 288 and 289, respectively. *(4) Calculated as EBITDA (as defined in (3) above) divided by revenue from operations.* *(5) Calculated as EBIT divided by closing capital employed. EBIT is calculated as profit before exceptional items and tax for the year/period plus finance cost. Closing capital employed is the sum of equity share capital, other equity, and current and non current borrowings for the relevant period.* *(6) Return on equity is calculated as total restated profit for the year/period divided by ((opening equity share capital + opening other equity) + (closing equity share capital + closing other equity)) divided by two.* *(7) Calculated as revenue from operations divided by closing property, plant and equipment.* *(8) Calculated as funds generated from operations less funds used in investing activities as per the cash flow statement*
Strengths	***1. Large manufacturer of contrast media intermediates in India*** • Large manufacturer of contrast media intermediates in India with more than 2 decades of experience • Global contrast media formulation market had a market size of US$5.9 billion in terms of moving annual turnover for June 2023. The market is expected to grow at a CAGR of 6-8% between the calendar years 2023 and 2025 • Iodinated contrast media APIs and gadolinium-based contrast media APIs accounted for approximately 74% and 24%, respectively, of the global contrast media market in terms of moving annual turnover of sales value for June 2023 *(Source: IQVIA Report)* • 7 iodinated contrast media APIs contributed to approximately 99% of the iodinated contrast media market and 7 gadolinium-based contrast media APIs to almost 99.5% to 100% of the gadolinium-based contrast media market in terms of moving annual turnover for June 2023 *(Source: IQVIA Report)* • Blue Jet regularly supplies the key starting intermediate as the building block, and several functionally critical advanced intermediates, for manufacturing 7 of these iodinated contrast media. In 2020, developed and commercialized another contrast media intermediate as the building block for all gadolinium-based contrast media, which has significantly increased total addressable market. From the building blocks, moving up the value chain by developing advanced intermediates ***2. Presence in niche categories with high barriers to entry*** • Strategically focus on complex chemistry categories in both the contrast media intermediate and high-intensity sweetener categories • The barriers to entry for becoming a supplier to any of the large contrast media manufacturers are high, as a result of (i) the strict internal standards of contrast media manufacturers for feature and impurity profile, due to the parenteral use of contrast media formulations; and (ii) the relationships between the contrast media manufacturers and their existing suppliers, which are typically supported by long-term supply contracts *(Source: IQVIA Report)* • Similarly, stringent supplier qualification criteria need to be met to become a supplier of high-intensity sweeteners to companies in the end-use industries • Specifically, consistency in quality, taste and impurity profile are required for end use in beverages, confectionery products and oral care products *(Source: IQVIA Report)* • Track record in these parameters has provided with customer stickiness, with long-term customer relationships ranging from 4 to 24 years in the contrast media intermediate category, and ranging from 3 to 14 years in the high-intensity sweetener category ***3. Long-standing relationships and multi-year contracts with multi-national customers*** • As a CDMO, Blue Jet collaborates and not compete with customers. With research and development capabilities, process optimization, technical know-how, knowledge of the regulatory environment, track record of timely fulfilment of customer orders and ability to ramp up manufacturing capacities in close coordination with key customers, able to establish long-standing customer relationships in each of the product categories • Garnered a significant share of the addressable market as a result of long-standing relationships with customers. Enter into annual and multi-year supply contracts ranging from 1 to 4 years, thus providing strong visibility and predictability of order book revenue, as well as cashflow visibility • More than 70% of total sales in each of the Financial Years 2021, 2022 and 2023 and the 3 months ended June 30, 2023 were backed by contracted sales volumes, through both annual and multi-year contracts • Supplying *contrast media intermediates* as building blocks for manufacturing contrast media manufactured by the 4 largest contrast media manufacturers in the world, including to 3 of such manufacturers directly, which has provided with long-term customer relationships. Relationship with one of the customers has evolved from providing contrast media intermediates on a per transactional basis to a long-term key supplier, and now supply a substantial portion of the intermediates under long-term supply contracts and manage the warehousing and logistics for supply to this customer • In the *high-intensity sweetener* category, ability to deliver quality products has enabled to establish long-term relationships with several key customers, such as Colgate-Palmolive (India) Limited, Unilever, Prinova US LLC, and MMAG Co. Ltd, which have provided a stable stream of revenue from operations • In the *pharma intermediate and API category*, provide innovator pharmaceutical companies with pharma intermediates under a CDMO model for manufacturing NCEs. Manufactures pharma intermediates for Hovione Farmaciência, Olon S.p.A., Esperion Therapeutics Inc., and Bial–Portela & CA, S.A. Provide multi-national generic pharmaceutical companies with pharma intermediates under a CDMO model for manufacturing drugs in chronic therapeutic areas, such as CVS, oncology and CNS

	4. Strong product development and process optimization capabilities with a focus on sustainability • Strong product development and process optimization capabilities, underpinned by in-house R&D capabilities, which has enabled to forward integrate from manufacturing a key starting intermediate as building block for contrast media in 2000 to 18 additional advanced intermediates with higher realization and profitability per unit • R&D center combines product development, technology transfer and scale-up functions. • Over the past 50 years, developed over 100 products, with over 40 products commercialized • In addition, a team of engineers in R&D center who work on scaling up products, from the proof of concept stage, to producing engineering and trial batches, and finally producing the plant scale validation batches ***5. Manufacturing facilities with regulatory accreditations*** • Currently operate 3 manufacturing facilities, which are located in Shahad (Unit I), Ambernath (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 • Facilities have received accreditation from various regulatory agencies. In particular, Unit II facility has been subject to US-FDA inspections in the Financial Year 2018, following which, it received the US-FDA establishment inspection report in November 2019 • Capital expenditure cycles have been planned on the basis of supply contracts and volume forecasts, which provides better predictability regarding product offtake before investment in any increases in production capacity, allowing to optimize capacity utilization and asset turnover ratio • Production capacity increased rapidly from an aggregate installed capacity of 230 KL as of March 31, 2018 to 1,020.90 KL as of June 30, 2023 ***6. Experienced management team with proven execution capabilities*** • Executive Chairman, Akshay Bansarilal Arora, has over 3 decades of experience in business operations, project management and business development • Managing Director, Shiven Akshay Arora, has more than 6 years of experience in business management • Executive Director, Naresh Suryakant Shah has been associated with Blue Jet for more than 3 decades, with more than 3 decades of experience in marketing
Strategies	***1. Continue to forward integrate into more advanced intermediates for Contrast Media*** • Offer contrast media intermediates to serve customers and forged strong relationships and built equity with customers • Enjoys a competitive advantage in the global contrast media market, built on (i) established customer relationships with the top contrast media manufacturers, (ii) deep understanding of customers' requirements, (iii) chemistry and process development capabilities, and (iv) proven track record of forward integration • Contrast media intermediate customers, some of the largest contrast media manufacturers, prefer to enter into long-term supply contracts with intermediate players that have established track records and proven technological expertise in meeting strict standards of impurity and features profiles *(Source: IQVIA Report)* • By further improving technical know-how and chemistry capabilities in close synergy with customers, intend to capture a larger wallet share with existing customers going forward ***2. Leverage long-standing customer relationships to continue entering adjacencies in the pharma intermediate and API category*** • Given the process research, analytical research and chemistry capabilities, continuous focus on product quality and long-standing relationships with innovator companies, there is a competitive edge to continue being a reliable CDMO. Globally, there is an increasing trend to outsource manufacturing by pharmaceutical companies • Focusing on 3 niche areas in providing CDMO services in the pharma intermediate and API category, including: ➢ *Investigational new drugs and NCEs:* Developing a number of advanced intermediates for NCEs that are undergoing trials for US-FDA approvals; ➢ *Drugs that are still under patent and not genericized:* Offering advanced intermediates to innovators for 4 APIs which are still under patent and being sold only by innovators, including 2 APIs in the oncology category, 1 API in the CVS category and 1 API in the CNS category; and ➢ *Genericized drugs that are still niche:* Offering multiple advanced intermediates to a number of large generics companies for chronic illness therapies • Will continue to collaborate with innovator pharmaceutical companies and multi-national generic pharmaceutical companies, and seek to acquire new customers, with a focus on novel products at advanced stages of development and based on complex chemistries ***3. Build additional production capacity to keep in step with the envisaged increase in customer demands*** • Plan to expand production capacities in Unit II, from 607.30 KL as of June 30, 2023 to 743 KL by the Financial Year 2025 • Plan to expand production capacity from 213.00 KL as of June 30, 2023 to 499 KL as of the Financial Year 2025 in Unit III

	• Acquired a greenfield manufacturing site (Unit IV) on a leasehold basis in Ambernath in 2021 to have an estimated installed capacity of 71 KL and would be operational during the Financial Year 2025 • Once the capacity expansion at Unit III is completed and Unit IV is operational, total annual production capacity is expected to reach 1,513.6 KL by the end of the Financial Year 2025 ***4. Continue to invest in R&D infrastructure and capabilities*** • In the process of augmenting the R&D capacity and improving R&D capabilities, which will allow to (i) develop and improve products, and (ii) optimize production process • As of June 30, 2023, had a new pilot plant under construction at Unit II. Upon completion, the pilot plant will be used by the R&D team for proof of concepts through pilot-scale manufacturing before industrial-scale validation • In addition, expanding the capacity of R&D laboratories by adding an additional 35 fume hoods, which are to be divided among 7 organic synthesis laboratories • Increasing the size of the R&D team to keep in step with (i) development of new products; (ii) the new technologies that are being adopted increasingly in production lines; and (iii) efforts to optimize the production process, including minimizing product isolation stages and transitioning to semi-continuous manufacturing from batch manufacturing ***5. Focus on operational efficiency and mitigation of supply chain risks*** • Aim to expand margins through improved operational efficiency, semi-automation and economies of scale • To further enhance operational efficiency, have adopted a series of initiatives, such as recovery and recycling of solvents, optimization of batch sizes, and utilization of new downstream equipment for filtration, drying, and yield improvement • Continue to seek opportunities in import substitution, and implement dual sourcing initiatives to reduce dependence on single sources of raw material supplies • Implement a backward integration strategy for certain key contrast media intermediates with a plan to manufacture a key starting material in-house, thereby improving cost efficiency, reducing dependence on imports and mitigating the risk of foreign exchange fluctuation
Major Shareholders	Set forth below is a list of shareholders holding 1% or more of the paid-up equity share capital of the company, on a fully diluted basis, as on the date of filing of the Red Herring Prospectus:

Sr. No.	Name of the Shareholder	No. of Equity Shares of face value of ₹2 each	Percentage of the pre-Offer Equity Share capital (%)
1	Akshay Bansarilal Arora	138,036,635	79.58%
2	Shiven Akshay Arora	24,928,750	14.37%
3	Archana Akshay Arora	10,500,000	6.05%
	Total	**173,465,385**	**99.99%**

Market Related Data

• Price/Earning (“P/E”) ratio in relation to the Price Band of ₹ 329 to ₹ 346 per Equity Share

Particulars	P/E at the Floor Price (no. of times)	P/E at the Cap Price (no. of times)
Based on basic and diluted EPS for Financial Year 2023	35.64	37.49

• Listed Industry Peers: There are no listed companies in India that engage in a business similar to that of the Company

Objects of the Offer

The Objects of the Offer are to:
• Achieve the benefits of listing the Equity Shares on the Stock Exchanges
• Carry out the Offer For Sale of up to 24,285,160 equity shares by the Selling Shareholders

Investors are requested to refer to the Red Herring Prospectus dated October 17, 2023 at https://www.icicisecurities.com/Upload/ArticleAttachments/Blue%20Jet%20Healthcare%20Limited%20-%20RHP.pdf for details regarding the Issue, the Issuer Company and the risk factors before taking any investment decision