

## RETAIL EQUITY RESEARCH

# Blue Jet Healthcare Ltd.

Healthcare Ingredient &amp; Intermediate

SENSEX: 64,572

NIFTY: 19,282

**SUBSCRIBE**

Price Range Rs.329- Rs.346

## A niche player on a capacity expansion spree...

Blue Jet Healthcare Ltd (BJHL), established in December 1968, is a specialty pharmaceutical and healthcare ingredients and intermediates firm that focuses on unique products tailored for innovator pharmaceutical and multinational generic pharmaceutical companies. They develop and supply specialty pharmaceutical and healthcare ingredients and intermediates under a contract development and manufacturing organization (CDMO) business model. Over the last 3 years, BJHL has issued invoices to more than 400 customers in 39 different countries. Furthermore, the company operates three manufacturing facilities located in Maharashtra.

- The global contrast media formulations market is at ~US \$5.9bn (~Rs.442.5bn) and is expected to grow at a CAGR of 6-8% over CY23-25 led by rising healthcare expenditure, demand for preventive healthcare and rise in lifestyle diseases etc.
- The global high-intensity sweetener market is at ~US\$2.9 to US\$3.0 bn (~₹232-₹240 bn) in size in FY23 and is expected to grow at a CAGR of ~ 6% to 7% over the next 5 years.
- BJHL's, core business encompasses three key product categories i.e., contrast media intermediates (~71% of sales in FY23), high-intensity sweeteners (~25% of sales in FY23), and pharmaceutical intermediates and active pharmaceutical ingredients (~5% of sales in FY23).
- BJHL accounted for more than 75% of the total export value of a specific contrast media intermediate from India between CY20-CY22.
- Revenue from operations grew at a CAGR of ~21% over FY21-23, led by increase in export sales volume of key business segments.
- Revenue and PAT rebounded in Q1FY24, led by increased sales volume and decrease in raw material prices and normalisation of receivables.
- The EBITDA margins were healthy at ~ 36% (3-year Avg.), and the return ratios such as 3-year Avg. RoE and RoCE were at 33% and 46%, respectively, over FY21-23.
- FY23 capacity utilisation was at ~71%, going ahead, backed by green field expansion, the aggregate annual production capacity is anticipated to increase by 48% to 1,513.6 KL by over FY23-FY25E.
- At the upper price band of Rs.346, BJHL is available at a P/E of 34x (FY24E annualised EPS), which appears to be fully priced. Considering its strong business prospects, healthy return ratios, forward integration, greenfield expansion plans and promising industry outlook, we assign a "Subscribe" rating on a medium- to long-term basis.

## Purpose of IPO

The IPO consists of only OFS (Offer for Sale) of Rs. 840cr. The issue consists of only offer for sale (OFS) wherein the selling shareholders will divest up to 2.43cr equity shares. Although the company will not receive any proceeds from this offer, yet the prime purpose of the issue is to achieve the benefits of listing shares on stock exchanges.

## Key Risks

- Significant portion of revenue (~78% in Q1FY24) is derived from European markets.
- Customer Concentration risk --~73% of total revenue from operations in Q1FY24 is derived from top 5 customers.
- Dependent on limited number of raw material suppliers (~54% of raw material is sourced from outside India in Q1FY24). However, company intends to produce contrast media intermediate (Key starting materials) inhouse starting from the FY24, thereby eliminating dependencies on imports.

### Issue Details

Date of opening	October 25, 2023
Date of closing	October 27, 2023
Total No. of shares offered (cr.)	2.43
Post Issue No. of shares (cr)	17.3
Price Band	₹329- ₹346
Face Value	₹2
Bid Lot	43 Shares
Minimum application for retail (upper price band for 1 lot)	₹ 14,878
Maximum application for retail (upper price band for 13 lot)	₹ 1,93,414
Listing	BSE,NSE
Lead Managers	Kotak Investment Banking, ICICI Securities, J.P Morgan
Registrar	Link Intime India Pvt. Ltd

Issue size (upper price)	Rs.cr
Fresh Issue	-
OFS	840.3
<b>Total Issue</b>	<b>840.3</b>

Shareholding (%)	Pre-Issue	Post Issue
Promoter & Promo. Group	100	86
Public & others	-	14
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Issue structure	Allocation (%)	Size Rs.cr
Retail	35	294.1
Non-Institutional	15	126.0
QIB	50	420.1
Employee Reservation	-	-
<b>Total</b>	<b>100</b>	<b>840.3</b>

Y.E March (Rs cr) Consol.	FY22	FY23	Q1FY24
<b>Sales</b>	<b>683.5</b>	<b>721.0</b>	<b>718.2</b>
<i>Growth (%)</i>	<i>37.0</i>	<i>5.5</i>	<i>-0.4</i>
<b>EBITDA</b>	<b>249.3</b>	<b>219.1</b>	<b>235.8</b>
Margin(%)	36.5	30.4	32.8
<b>PAT Adj.</b>	<b>181.6</b>	<b>160.0</b>	<b>176.5</b>
<i>Growth (%)</i>	<i>33.7</i>	<i>-11.9</i>	<i>10.3</i>
<b>EPS</b>	<b>10.5</b>	<b>9.2</b>	<b>10.2</b>
<i>P/E (x)</i>	<i>33.1</i>	<i>37.5</i>	<i>34*</i>
EV/EBITDA	24.1	27.4	101.8
RoE (%)	34.8	23.5	24.3*

\*Annualised

## Business Description:

**Blue Jet Healthcare Ltd (BJHL)**, is a speciality pharmaceutical and healthcare ingredients and intermediates company, offering niche products targeted toward innovator pharmaceutical companies and multi-national generic pharmaceutical companies. More than 70% of total sales in each of the Financial Years 2021, 2022 and 2023 and the three months ended June 30, 2023, were backed by contracted sales volumes, through both annual and multi-year contracts. The core business encompasses three key product categories i.e., contrast media intermediates (~71% of sales in FY23), high-intensity sweeteners (~25% of sales in FY23), and pharmaceutical intermediates and active pharmaceutical ingredients (~5% of sales in FY23).

### Product Categories

The three product categories: (i) contrast media intermediates, (ii) high intensity sweeteners, and (iii) pharma intermediates and active pharmaceutical ingredients (APIs).

#### Contrast Media Intermediates

BJHL is a major supplier of key components used in contrast media for medical imaging. Specifically, they provide a significant portion (over 75%) of the export value of a particular contrast media intermediate called 5-Amino-N,N'-bis (2,3-dihydroxypropyl) isophthalamide from India between CY20 to CY22. The company plays a critical role by providing a starting intermediate and advanced components to three of the world's largest contrast media manufacturers: GE Healthcare AS, Guerbet Group, and Bracco Imaging S.p.A. These supplies are directly utilized in the production of contrast media used in X-rays, CT scans, MRI, and ultrasound to enhance the visibility of body tissues during medical imaging procedures.

#### High-intensity Sweeteners

The company operate in the high-intensity sweetener sector, specializing in saccharin and its derivatives. The strategy involves backward integration to support environmental sustainability through waste reduction and efficient production. The company prioritizes rigorous quality control and low impurity levels in high-intensity sweeteners. This commitment to maintaining high standards has earned them the status of a preferred supplier for multinational companies in the oral care and non-alcoholic beverage sectors, including Colgate Palmolive (India) Limited, Unilever, Prinova US LLC, MMAG Co. Ltd, as well as numerous other clients, both domestic and international, across various product categories.

#### Pharma Intermediates and APIs

The company's CDMO operations are centered on collaborating with pharmaceutical innovators and major international generic drug manufacturers. They supply these partners with pharmaceutical intermediates, crucial components for APIs used in treating chronic health conditions, particularly in the fields of cardiovascular health (CVS), oncology, and the central nervous system (CNS), including new chemical entities (NCEs). The company engages closely with numerous CDMO clients during the initial stages of drug development, fostering relationships that expand as drug development advances from clinical phases to commercial production. According to IQVIA report, Contract Development and Manufacturing Organizations (CDMOs) that provide pharmaceutical intermediates for New Chemical Entities (NCEs) tend to attain higher realisation per unit than the CDMOs supplying intermediates for generic products.

### Revenue from operations



Source: RHP, Geojit Research

### Capacity Utilisation

Product category	Capacity Utilisation (%)			
	2021	2022	2023	Q1FY24
Contrast media intermediates	66	68.1	72.57	72.18
High-intensity sweeteners	51	71.64	71.53	51.1
Pharma intermediates and API	52	75.17	48.6	87.08
<b>Total</b>	<b>60.62</b>	<b>69.69</b>	<b>70.88</b>	<b>65.88</b>

Source: RHP, Geojit Research

### Key strengths:

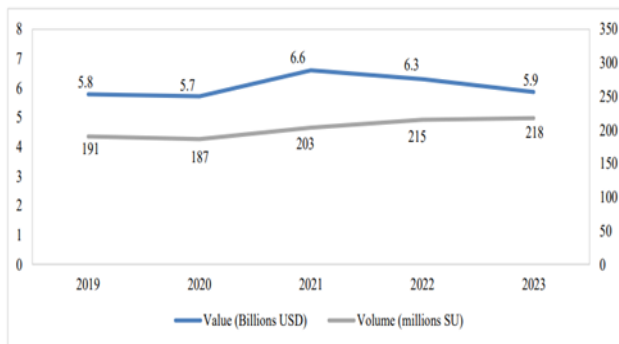
- ◆ Large manufacturer of contrast media intermediates in India.
- ◆ Presence in niche categories with high barriers to entry.
- ◆ Long-standing relationships and multi-year contracts with multi-national customers.
- ◆ Strong product development and process optimization capabilities with a focus on sustainability.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

### Key strategies:

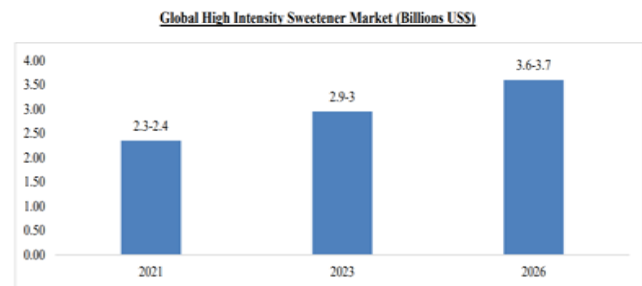
- ◆ Continue to forward integrate into more advanced intermediates for Contrast Media.
- ◆ Leverage the long-standing customer relationships to continue entering adjacencies in the pharma intermediate and API category.
- ◆ Build additional production capacity to keep in step with the envisaged increase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

### Industry outlook

The moving annual turnover of the global contrast media formulation market was approximately US\$5.9 billion for June 2023, and is forecasted to grow at a CAGR of 6% to 8% between calendar years 2023 and 2025, primarily led by increased volumes. (Source: IQVIA Report)



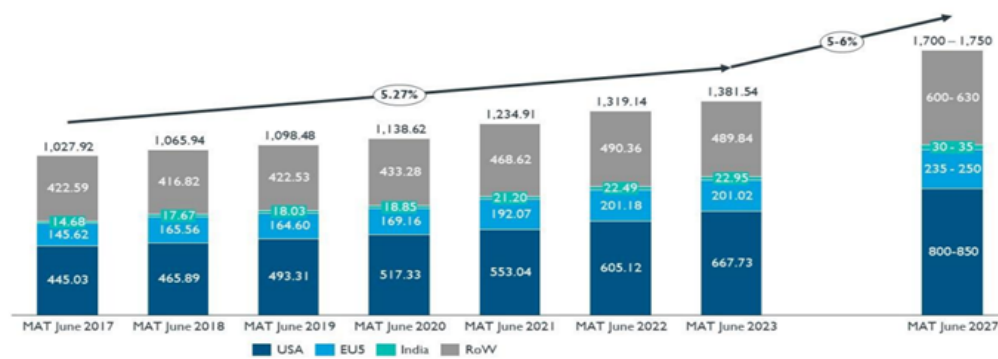
Source: IQVIA MIDAS Quarterly Sales data, MAT June 2023



Source: Secondary research, investor presentations of select high-intensity sweetener focused players

The global high-intensity sweetener market was approximately US\$2.9 billion to US\$3.0 billion, as of the calendar year 2023. (Source: IQVIA Report). The end product markets for high-intensity sweeteners, including oral care and non-alcoholic beverages, among others, are expected to grow at CAGRs of between 3% and 8% during calendar years 2023 to 2026. (Source: IQVIA Report)

### Global Pharmaceuticals Market – By Region (US\$ billion)



Source: MIDAS Quarterly Sales Data MAT June 2023, IQVIA Market Prognosis Global - May 2023 (MAT June 23-June 27 analysis)

Source: RHP, Geojit Research

### Promoter and promoter group

The Promoters of the company Mr. Akshay Bansarilal Arora, Mr. Shiven Akshay Arora and Ms. Archana Akshay Arora.

As on the date of this Red Herring Prospectus, the Board comprises of six Directors, including three Executive Directors, and three Non - Executive Independent Directors (including two women directors).

### Brief Biographies of Directors

- **Akshay Bansarilal Arora** is the Executive Chairman of the company. He has been on the Board since April 13, 1983.
- **Shiven Akshay Arora** is the Managing Director of the company.
- **Naresh Suryakant Shah** is an Executive Director of the company.
- **Girish Paman Vanvari** is an Independent Director of the company.
- **Preeti Gautam Mehta** is an Independent Director of the company.
- **Divya Sameer Momaya** is an Independent Director of the company.

## CONSOLIDATED FINANCIALS

### PROFIT & LOSS

Y.E March (Rs cr)	FY22	FY23	Q1FY24
Sales	683.5	721.0	718.2
% change	37.0	5.5	-
<b>EBITDA</b>	<b>249.3</b>	<b>219.1</b>	<b>235.8</b>
% change	21	-12	-
Depreciation	22.1	25.1	24.2
<b>EBIT</b>	<b>227.1</b>	<b>194.0</b>	<b>211.6</b>
Interest	3.3	1.4	0.2
Other Income	19.4	24.0	20.3
Exceptional items	-	-	-
<b>PBT</b>	<b>243.2</b>	<b>216.6</b>	<b>231.7</b>
% change	32.0	-10.9	7.0
Tax	61.6	56.6	55.2
Tax Rate (%)	25	26	24
<b>Reported PAT</b>	<b>181.6</b>	<b>160.0</b>	<b>176.5</b>
Adj	-	-	-
<b>Adj. PAT</b>	<b>181.6</b>	<b>160.0</b>	<b>176.5</b>
% change	33.7	-11.9	10.3
Post issue No. of shares (cr)	17.3	17.3	17.3
<b>Adj EPS (Rs)</b>	<b>10.5</b>	<b>9.2</b>	<b>10.2</b>
% change	33.7	-11.9	10.3

### BALANCE SHEET

Y.E March (Rs cr)	FY22	FY23	Q1FY24
Cash	87.7	65.6	77.8
Accounts Receivable	227.4	239.4	224.1
Inventories	105.0	125.7	133.1
Other Cur. Assets	27.4	26.6	30.1
Investments	103.6	211.2	225.9
Deff. Tax Assets	-	-	-
Net Fixed Assets	156.5	151.0	157.9
CWIP	3.4	30.5	37.5
Intangible Assets	-	0.0	0.1
Other Assets	2.1	12.1	17.1
<b>Total Assets</b>	<b>713.0</b>	<b>862.0</b>	<b>904.0</b>
Current Liabilities	57.8	55.0	60.8
Provisions	4.5	5.6	5.2
Debt Funds	17.3	3.4	2.5
Other Fin. Liabilities	27.0	35.6	27.5
Deferred Tax liability	85.1	80.9	82.1
<b>Equity Capital</b>	<b>34.7</b>	<b>34.7</b>	<b>34.7</b>
<b>Reserves &amp; Surplus</b>	<b>486.8</b>	<b>646.8</b>	<b>691.0</b>
Shareholder's Fund	521.5	681.5	725.7
<b>Total Liabilities</b>	<b>713.0</b>	<b>862.0</b>	<b>904.0</b>
<b>BVPS (Rs)</b>	<b>30.1</b>	<b>39.3</b>	<b>41.8</b>

### CASH FLOW

Y.E March (Rs cr)	FY22	FY23	Q1FY24
PBT Adj.	243.2	216.6	57.9
Non-operating & non cash adj.	6.7	17.8	2.1
Changes in W.C	-103.6	-92.6	-17.7
<b>C.F.Operating</b>	<b>146.4</b>	<b>141.6</b>	<b>42.3</b>
Capital expenditure	-21.5	-58.9	-30
Change in investment	-55	-111.4	-15.12
Sale of investment	-	23	5.12
Other invest.CF	-	-	-
<b>C.F - investing</b>	<b>-76.5</b>	<b>-147.3</b>	<b>-40.1</b>
Issue of equity	-	-	-
Issue/repay debt	-53.0	-4.2	-1
Dividends paid	-3.2	-0.0	-
Other finance.CF	-	-	-
<b>C.F - Financing</b>	<b>-56.1</b>	<b>-4.2</b>	<b>-1.0</b>
Change. in cash	13.8	-9.9	1.2
Opening Cash	61.1	75.4	65.4
Closing cash	74.9	65.4	66.6

### RATIOS

Y.E March	FY22	FY23	Q1FY24
<b>Profitab. &amp; Return</b>			
EBITDA margin (%)	36.5	30.4	32.8
EBIT margin (%)	33.2	26.9	29.5
Net profit mgn.(%)	26.6	22.2	24.6
ROE (%)	34.8	23.5	24.3*
ROCE (%)	39.6	26.3	6.8
<b>W.C &amp; Liquidity</b>			
Receivables (days)	99	118	104
Inventory (days)	141	125	140
Payables (days)	30	27	30
Current ratio (x)	8.8	11	10.5
Quick ratio (x)	5.4	5.5	5.0
<b>Turnover &amp;Levg.</b>			
Net asset T.O (x)	4.6	4.7	1.2
Total asset T.O (x)	1.1	0.9	0.2
Int. covge. ratio (x)	68.8	142.8	-
Adj. debt/equity (x)	0.0	0.0	0.0
<b>Valuation ratios</b>			
EV/Sales (x)	8.8	8.3	33.4
EV/EBITDA (x)	24.1	27.4	101.8
P/E (x)	33.1	37.5	34*
P/BV (x)	11.5	8.8	8.3

\*Annualised

## General Disclosures and Disclaimers

### CERTIFICATION

I, SHEEN G, author (s) of this Report, hereby certify that all the views expressed in this research report reflect my personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

**For General disclosures and disclaimer:** Please Visit : <https://www.geojit.com/research-disclosures#fundamental-research>

### REGULATORY DISCLOSURES:

Group companies of Geojit Financial Services Limited are Geojit Technologies Private Limited (Software Solutions provider), Geojit Credits Private Limited (NBFC), Geojit Investment Limited (financial Services Company ( yet to start operations)), Geojit Techloan Private Ltd( P2P lending (yet to start operations)), Geojit IFSC Ltd ( a company incorporated under IFSC Regulations( yet to start operations)), Qurum Business Group Geojit Securities LLC ( a joint venture in Oman engaged in Financial Services ), Barjeel Geojit Financial Services LLC (a joint venture in UAE engaged in Financial Services), Aloula Geojit Capital Company (a joint venture in Saudi Arabia (Under Liquidation)) and BBK Geojit Securities Co. K.S.C.C (a subsidiary in Kuwait-engaged in Financial services ). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

#### 1. Disclosures regarding Ownership:

*Geojit confirms that:*

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein.

It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein.

*Further, the Analyst confirms that:*

he, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company.

he, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered

#### 2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

#### 3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

#### 4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I, SHEEN G , Research Analyst (s) of Geojit have not served as an officer, director or employee of the subject company

#### 5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

6. "Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors."

7. Standard Warning: "Investment in securities market are subject to market risks. Read all the related documents carefully before investing."

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

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