

Rating: Subscribe for Long Term

Issue Offer

Offer for Sale of 29,373,984 equity shares up to INR 881.22 Cr.

Issue Summary

Price Band (INR)	285-300
Face Value (INR)	1
Implied Market Cap at upper price band (INR Cr)	7,485
Market Lot	50
Issue Opens on	Nov 3,2022
Issue Close on	Nov 7,2022
No. of share pre-issue	249,509,880
No. of share post issue	249,509,880
Listing	NSE ,BSE

Issue Break-up (%)

QIB Portion	≤ 50
NIB Portion	≥15
Retail Portion	≥35

Book Running Lead Managers

Axis Capital, IIFL Securities, JM Financial, Kotak Mahindra

Registrar

Link Intime India Pvt. Ltd.

Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters & Promoter Group	78%	66%
Public	22%	34%

Objects of the issue

The Selling Shareholders will be entitled to the entire proceeds of the offer after deducting the Offer expenses and relevant taxes thereon. The Company will not receive any proceeds from the Offer.

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Incorporated in 1993, Bikaji Foods Ltd (Bikaji) is one of the largest FMCG players in India and the second fastest growing company in the Indian organized snacks market. The company offers a diversified range of 250+ products across Namkeen, Bhujia, Frozen Food, Western Snacks, and Packed Sweets. It is the largest producer of Bikaner Bhujia in India with an annual production of 29,380 tonnes, and is the 2nd largest producer of papad with an annual production capacity of 9,000 tonnes. Bikaji is the 3rd largest player in the organized sweets market with annual capacity of 24,000 tonnes for packaged rasgulla, 23,040 tonnes for soan papdi and 12,000 tonnes for gulab jamun. They have a domestic presence in 23 states, and an international presence in 21 countries worldwide. The focus states are Rajasthan, Assam and Bihar where it has an extensive brand leadership. They have a revenue CAGR of 22.3% from FY20-FY22.

Investment Rationale

Leadership Position and large manufacturing scale: As the largest manufacturer of Bhujia, and the 2nd largest manufacturer of papad in India, Bikaji is the market leader in states like Rajasthan, Bihar, and Assam where they account for 46%, 28%, and 58% of the market respectively. The company has 7 manufacturing units across Bikaner, Guwahati, Tumkur, Muzaffarpur with contract manufacturing agreements in Kolkata, Bikaner, and Kanpur. The company intends to operationalize 2 new plants in Rajasthan and Bihar for frozen snacks & sweets, and namkeen & and western snacks respectively.

Dynamic pricing to maintain profits owed to strong customer loyalty: With the rising price of edible oil and crops, they have managed to deliver good returns with a healthy revenue CAGR of 20%+ since FY20. They have been very successful in shifting prices to the customers. This was made possible due to their customer loyalty owed to the fact that they are a renowned household name. In the near future, the price of oil and crops will normalise.

Huge pan India distribution network: Bikaji currently has 6 depots and 38 super stockists that have 416 direct and 1,956 indirect distributors working under them, across the aforementioned 23 states. This network has allowed them to cement the well established brand and expand their footprint across the country in a cost efficient manner encouraging consistent financial performance.

All product categories growing at a stellar pace: Bhujia which consists of 30% of the revenue share (as of FY22) is expected to grow at by 27%; Snacks which consists of 36% is expected to grow at by 19.2%; Sweets which accounts for 20% is expected to grow by 25.2%; Papad which accounts for 6.7% is expected to grow by 14.2%, Western snacks which accounts for 5.7% is expected to grow by 28%. Exports are expected to grow 4% every year.

Growth Strategy: Bikaji is increasing its expansion into western snacks as the category displays promising future growth, and also as an attempt to diversify the product portfolio. They prioritize investing in new technologies as the plants are continuously focused on automation, leading to synergies between plants and other units.

PLI Benefit: They will avail PLI scheme benefit from the government of about INR 260 Cr which will be given over the next 5 to 6 years. There was an investment of INR 430 Cr made by Bikaji to avail this scheme.

Valuation and Views: At the upper price band of INR 300, Bikaji has been offered at P/E of 90x the FY22 EPS of INR 3.05. It has undertaken many capex in the past 2 years, and established 7 new plants all over the country, giving them the PLI scheme benefit of INR 230Cr. The company displays a consistent and promising growth story which we expect to persist in the years to come. Bikaji has also shown impressive resilience in the face of the pandemic which is telling of its market leadership. Investors should subscribe for long term.

Key Persons:

Key Person	Description
Mr. Shiv Ratan Agarwal	He is the company's chairman and a full-time director and served as a director since the business was incorporated. He presently holds the position of director on the board of Mastkin Foods Pvt Ltd. and Basant Vihar Hotels Pvt Ltd. He has almost 30 years of expertise in the food business, working with sweets and snacks from various cultures.
Mr. Deepak Agarwal	He is the company's managing director, and joined the company as a director on January 25 th , 2002. Several companies, including Hanuman Agrofood Pvt Ltd., Petunt Food Processors Pvt Ltd., and Mastkin Foods Pvt Ltd. have appointed him as a director. He has around 20 years of expertise in the culinary business, working with sweets and ethnic foods.

Source: RHP, Arihant Capital Research

Peer Review:

Name	P/E Ratio
Prataap Snacks Ltd	123
Britannia Industries Ltd	75
Bikaji Food Ltd	98

Source: RHP, Arihant Capital Research

Abridged Financials:

INR Cr	Q1 FY 23	FY22	FY21	FY20	3 year CAGR
Revenue	419.15	1610.96	1310.74	1074.55	22%
EBITDA	30.79	139.54	144.76	94.60	21%
PAT	15.69	76.02	90.36	56.37	16%
EPS	0.63	3.05	3.62	2.26	16%
Book Value	835.69	820.68	607.50	529.16	25%
Financial Liability	310.59	281.44	209.64	147.48	38%
Total Assets	1146.28	1102.12	817.14	676.64	28%
Working Capital	160.44	152.28	26.14	55.13	66%
Cash	5.48	2.5	1.75	4.40	-25%

Ratios	Q1 FY 23	FY22	FY21	FY20
EBITDA Margin	0.73%	0.87%	1.10%	0.88%
PAT Margin	0.37%	0.47%	0.69%	0.52%
Total Asset Turnover Ratio	0.43	2.92	1.75	3.18
Working Capital Turnover ratio	2.61	10.58	50.14	19.49
ROCE	1.37%	6.90%	11.06%	8.33%
ROE	1.88%	9.26%	14.87%	10.65%

Source: RHP, Arihant Capital Research

Product Portfolio :



Source: Company Presentation, Arihant Capital Research

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Stock Rating Scale

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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