

## Bikaji Foods International Limited

IPO DESK

November 2, 2022

### About Company

Bikaji Foods International Limited was established in 1987 and is one of India’s largest fast-moving consumer goods (“FMCG”) brands with an international footprint, selling Indian snacks and sweets, and is among the fastest growing companies in the market.

The product range includes six principal categories such as bhujia, namkeen, packaged sweets, papad, western snacks as well as other snacks which primarily includes gift packs (assortment), frozen food, mathri range and cookies. The company is the largest manufacturer of Bikaneri bhujia with annual production of 26,690 tonnes, and were the second largest manufacturer of handmade papad with an annual production capacity of 9,000 tonnes in Fiscal 2021. The company is also one of the largest manufacturers of packaged rasgulla with an annual capacity of 24,000 tonnes along with that of soan papdi and gulab jamun with annual capacity of 23,040 tonnes and 12,000 tonnes respectively. The Rajasthan-based snack major is backed by investors like Avendus, Axis Asset Management, Lighthouse Funds, IIFL Asset Management, etc.

The company has six operating manufacturing facilities, four of which are located in Bikaner, Rajasthan and one each in Assam and Karnataka. It also has a contract manufacturing unit in West Bengal and a small facility in Mumbai catering to restaurant sales.

### Objects of the Offer:

The company proposes to utilize the Net Proceeds from the Offer for Sale towards funding the following objects:

- To achieve the benefits of listing the Equity Shares on the Stock Exchanges
- Carry out the Offer for Sale of up to 293,73,984 Equity Shares by the Selling Shareholders.
- To enhance visibility and brand image as well as provide a public market for the Equity Shares in India.

### Rationale

#### Well established brand with pan India recognition

The company has strategically undertaken brand-building initiatives to increase brand recall through prudent use of resources and increasing branding and marketing expenses as it grew the business. The company’s advertisement expenses represented 1.62%, 3.43%, 2.34% and 1.06% of its sales of food

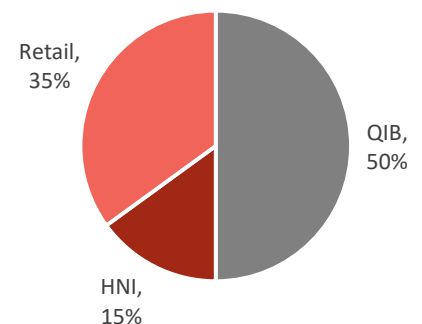
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Issue	
Open	Close
Wednesday 03-Nov-22	Friday 07-Nov-22

Issue Size	
Fresh Issue	00.00 cr
Offer for Sale	881.22 cr
<b>Total Issue</b>	<b>881.22 cr</b>

Per Equity Share	
Price Band	Face Value
Rs.285 - Rs.300	Rs 1
<b>Minimum Shares</b>	<b>50 Qty</b>

### NET OFFER STRUCTURE



Source: Dalal & Broacha Research

products in Fiscal 2019, 2020 and 2021 and in the six months which ended at September 30, 2022, respectively. Bikaji sell all of its products under their deep-rooted Bikaji brand, focusing on a wide range of quality products, attractive packaging and great taste. According to the F&S Report, the company is among the top three Indian ethnic snack manufacturers in India.

### **Diversified product portfolio focused on various consumer segments and markets**

The company generally maintains a consistent product pipeline at its manufacturing facilities and their relationship with raw ingredient suppliers have enabled them to ensure that their manufacturing facilities operate efficiently. Bikaji believes that a company focusing on developing quality and diversified Indian snacks allows it to differentiate their offering from the competitors in the segment, as well as offering market and consumer-relevant products. The company has also entered into the frozen foods segment particularly frozen sweets and snacks, which is believed to be fast-growing segments in packaged foods. They are also in the process of setting up a facility in Bikaner to manufacture frozen products.

### **Extensive pan-India and global distribution network, arrangements with reputed retail chains and growing E-commerce and exports channel**

The company sells its products primarily through general trade, modern trade, and e-commerce platforms, as well as exports. As of June 2022, they have six depots, 38 super stockists, 416 direct and 1956 indirect distributors that work with the super stockists, located across 23 states and four union territories of India. The company consistently engages with their super stockists and direct distributors as well as end retailers to collect product feedback and insights on market trends to drive the company's development initiatives.

## **Conclusion**

Bikaji sells all their products under their well-established brand "Bikaji" focusing on a diverse range of quality products, authentic ethnic Indian taste, innovative packaging, and effective pricing strategies covering all key price points. They are among the Top-3 Indian ethnic snack manufacturers in India. Bikaji has consistently allocated significant resources to establish and strengthen the Bikaji brand and consciously developed their product portfolio under the Bikaji brand, allowing customers to associate with one brand. Going forward, they intend to roll out special programmes and enter arrangements with their "category top end stores". They intend to increase the visibility of their products in other states with their current branding efforts. Bikaji with its industry leading position is well placed to capture the high growth snacks market. The new manufacturing facilities and expansion of distribution base would help in growing at a fast pace.

At the upper band the IPO is valued at 98x FY22 earnings which is expensive but we believe that the company can grow at a CAGR of 20% for the next 2-3 years and deliver a better margin profile due to operating leverage kicking in. Based on our calculations the IPO is priced at 47x FY25E. Due to the strength of the brand and its positioning in a high growth market we recommend investors to "SUBSCRIBE".

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**Sources of the reports taken from: Red Herring Prospectus, Various other websites, etc.**

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