

RETAIL EQUITY RESEARCH

Bikaji Foods International Ltd.

FMCG

SENSEX: 61,121

NIFTY: 18,145

SUBSCRIBE

Price Range Rs. 285 - Rs. 300

A leading ethnic food brand....

Bikaji Foods International Ltd (BFIL) is the 3rd largest ethnic snacks company in India with an international footprint, selling Indian snacks and sweets, and is the 2nd fastest growing company in the Indian organised snacks market. Incorporated on 1995 at Bikaner in Rajasthan, BFIL has market leadership in the ethnic snacks market in Rajasthan, Assam and Bihar. The company has operations across 23 states and four union territories and is also exporting products to other countries. In the six months ended June 30, 2022, the company sold more than 300 products under the Bikaji brand.

- India's packaged food business is currently valued at ₹4,240 billion and is estimated to grow at a CAGR of 8% in the next five years to reach ₹5,798 billion. Indian savoury snacks market is valued at ₹751 billion in 2022 and is expected to reach ₹1,227 billion by 2026 at a CAGR 13%.
- BFIL has a track record of three decades in the Indian snacks industry, and the company has grown its sales at a CAGR of 22% and its EBITDA and PAT increased at a CAGR of 21% and 16%, respectively, between FY20 and FY22, while maintaining healthy profitability.
- Bikaji has developed a large pan-India distribution network with 6 depots, 38 super-stockists, 416 direct and 1,956 indirect distributors that work with their super-stockists as of June 30, 2022.
- BFIL intends to operationalise two manufacturing facilities in the next two years; one in Rajasthan to manufacture frozen snacks and sweets, and a facility in Bihar to manufacture namkeen and western snacks.
- BFIL's revenue grew 23% YoY in FY22, while its net profit fell 13% YoY due to higher raw material costs in FY22. Revenue for Q1FY23 increased by 26% YoY to 419.2cr, while net profit was 15.7cr. H2FY23 is anticipated to be better due to moderation in cost.
- At the upper price band of ₹300, BFIL is available at a P/E of 98.5x (FY22), which appears expensive compared to its peers. Considering its consistent top-line growth, industry leading position, future expansion plans, new product launches, investments in strengthening the brand recall and good future prospects for the packaged food business, we assign a "Subscribe" rating on a short -term basis for high-risk investors.

Purpose of IPO

The IPO consists of only an offer for sale. The objects of the offer are to (i) achieve the benefits of listing the equity shares on the stock exchanges and (ii) carry out the offer for sale of up to 29,373,984 equity shares by the selling shareholders.

Key Risks

- Significant dependence on the sale of Bhujia and Namkeen products (~70% of sales) and on the sale of family pack stock keeping units (60% of sales).
- The sale of food products from three core markets of Rajasthan, Assam and Bihar amounted for ~70% of total sales.

Peer Valuation

Company	MCap(₹ cr)	Sales (₹ cr)	EBITDA(%)	PAT (%)	EPS(₹)	RoE (%)	P/E(x)	CMP(₹)
Bikaji Foods International	7,485	1,611	8.7	4.7	3.0	9.3	98.5	300
Prataap Snacks Ltd	2,132	1,383	4.2	0.2	1.2	0.5	732.4	909
DFM Foods Ltd	1,892	554	-3.1	-4.5	-5.0	-	-	376
Nestle India Ltd	1,98,529	14,634	24.5	14.7	222.3	104.5	92.6	20,591
Britannia Industries Ltd.	91,184	13,945	15.8	10.9	61.6	49.9	61.5	3,786

Source: Geojit Research, Bloomberg; Valuations of BFIL are based on upper end of the price band (post issue), Financials as per FY22 consolidated.

Issue Details

Date of opening	Nov 03, 2022
Date of closing	Nov 07, 2022
Total No. of shares offered (cr.)	2.94
Post Issue No. of shares (cr)	24.95
Price Band	₹285 - ₹300
Face Value	₹1
Bid Lot	50 Shares
Minimum application for retail (upper price band for 1 lot)	₹ 15,000
Maximum application for retail (upper price band for 13 lot)	₹ 1,95,000
Listing	BSE,NSE
Lead Managers	JM Financial Ltd, Axis Capital Ltd, IIFL Securities Ltd, Intensive Fiscal Services (P) Ltd, Kotak Mahindra Capital Co. Ltd.
Registrar	Link Intime India Pvt. Ltd.

Issue size (upper price)	Rs.cr
Fresh Issue	0.0
OFS	881.0
Total Issue	881.0

Shareholding (%)	Pre-Issue	Post Issue
Promoter & Promo. Group	77.97	75.96
Public	22.03	24.04
Total	100	100

Issue structure	Allocation (%)	Size Rs.cr
Retail	35	305.8
Non-Institutional	15	131.1
QIB	50	436.8
Employee Reservation	-	7.13
Total	100	881.0

Y.E March (Rs cr) Consol.	FY20	FY21	FY22
Sales	1,074.6	1,310.7	1,611
Growth (%)	-	22	22.9
EBITDA	94.6	144.8	139.5
Margin(%)	8.8	11.0	8.7
PAT Adj.	56.4	90.3	76.0
Growth (%)	-	60.3	-15.8
EPS	2.3	3.6	3.0
P/E (x)	132.8	82.9	98.5
EV/EBITDA	80.0	52.5	55.0
RoE (%)	10.7	14.9	9.3

*Annualised.

Business Overview

In FY22, BFIL was the largest manufacturer of Bikaneri bhujia with annual production of 29,380 tonnes, and they were the 2nd largest manufacturer of handmade papad with an annual production capacity of 9,000 tonnes in FY22. They are also the 3rd largest player in the organised 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. Company's product range includes 6 principal categories: bhujia, namkeen, packaged sweets, papad, western snacks as well as other snacks which primarily includes gift packs (assortment), frozen food, mathri range and cookies. In the 3 months ended June 30, 2022, they sold more than 300 products under the Bikaji brand.

Over the years, Bikaji has developed a large pan-India distribution network. As of June 30, 2022, they had 6 depots, 38 super-stockists, 416 direct and 1,956 indirect distributors that work with their super-stockists, located across 23 states and 4 union territories in India. In their core markets of Rajasthan, Assam and Bihar, they have established deep penetration in FY22 and enjoys approximately 45%, 58% and 29% respectively, of the market share of total organized Indian ethnic snack category in such states.

Over the years, Bikaji has invested heavily in strengthening the brand recall and consumer goodwill of their brand Bikaji. They have engaged Amitabh Bachchan, as their brand ambassador. They have recently launched Bikaji Café and Bikaji Funkeen brands to promote their western snack segment. They also launched their online retail platform www.bikaji.com in February 2020 and introduced a mobile application in June 2020 which allow consumers to browse their selection of products. In 2008, they also set up a restaurant-cum- retail store Bikaji Food Junxon in Mumbai.

Strengths

Well-established brand with pan-India recognition

BFIL is among the top three Indian ethnic snack manufacturers in India. A significant part of the sale of food products is derived from sales of family packs (i.e., SKUs priced above ₹ 10), which were ₹ 640.7cr, ₹ 818.6cr, ₹ 970.5cr, ₹ 194.0cr and ₹ 223.6cr and accounted for 59.76%, 62.64%, 60.57%, 58.43% and 53.64% of the sale of food products in FY20, 21 and 22, and in the three months ended June 30, 2021 and June 30, 2022, respectively. This reflects the strength of the brand as a home consumption and planned purchase product. Amongst the competitors, they are the market leader in family pack segment, with family pack segment constituting 60.57% of the sale of food products in FY22, as compared to the other SKUs of ₹ 5 and ₹ 10 packs.

Diversified product portfolio focused on various consumer segments and markets

As of June 30, 2022, the diversified product portfolio included more than 300 products across all the product segments. They have launched packages of various sizes for the products. For example, the Bhujia and namkeen products are available in packages as small as a pouch that is 14-25 grams for ₹ 5 to a one (1) kilogram pouch for ₹ 350.

Namkeen is the highest selling category followed by Bhujia, Sweets, Papad and Others contributing to 35.6%, 34.9%, 12.7%, 6.7% and 10.0% of the total sales in Fiscal 2022.

Consistent financial performance

Despite the price of palm oil increasing significantly in FY22 and increase in inflation resulting an increase in raw material prices in the 3 months ended June 30, 2022, they have managed to maintain consistent EBITDA margins by passing on the increase in raw ingredients cost to their consumers. The sales of food products had grown at a CAGR of 22.25% from ₹ 1,072.18cr in FY20 to ₹ 1,602.29cr in FY22 and was ₹ 332.07cr and ₹ 416.89cr in the 3 months ended June 30, 2021 and June 30, 2022 despite the impact of the COVID- 19 pandemic since the beginning of Fiscal 2021.

Key strategies

New Product Diversification Backed by Strong Innovation Funnel

The company has developed a strong product innovation pipeline with the aid of Innovation funnel to ensure new product development and launch. The company plans to introduce new products such as Roasted multigrain-mix, Jowar mix, Bajra Mix, Cheese Balls, Corn Puffs, Soya katori, fingers, Pasta and Snacks, French Fries, Twisteez, Cones in bridge and extruded under brand name of Bikaji Funkeen. Multi-grain chips, popcorn, nachos, fillows, under Brand name of Bikaji Café and few region specific namkeens as part of their product diversification initiatives.

Strategic Expansion of Manufacturing Capabilities Across Multiple Locations

The company aspires to set up state of the art product manufacturing facilities across various strategic locations in the country to ensure ease of product serviceability across different zones, retain freshness of the products achieved through reduction in lead times and efficiency of operations. This would ensure the company to deepen their pan-India presence. The key initiatives planned in this direction include setting up state of the art manufacturing plants in the states of Assam, Bihar, Rajasthan, and Uttar Pradesh thereby establishing manufacturing presence across more locations in India, and penetrating their stronger and focused markets through Contract Manufacturing Units (CMU) to ensure wider presence, diversified product manufacturing, freshness and quality of the products and utilization of capital more efficiently for growth initiatives.

Increased direct and indirect distribution

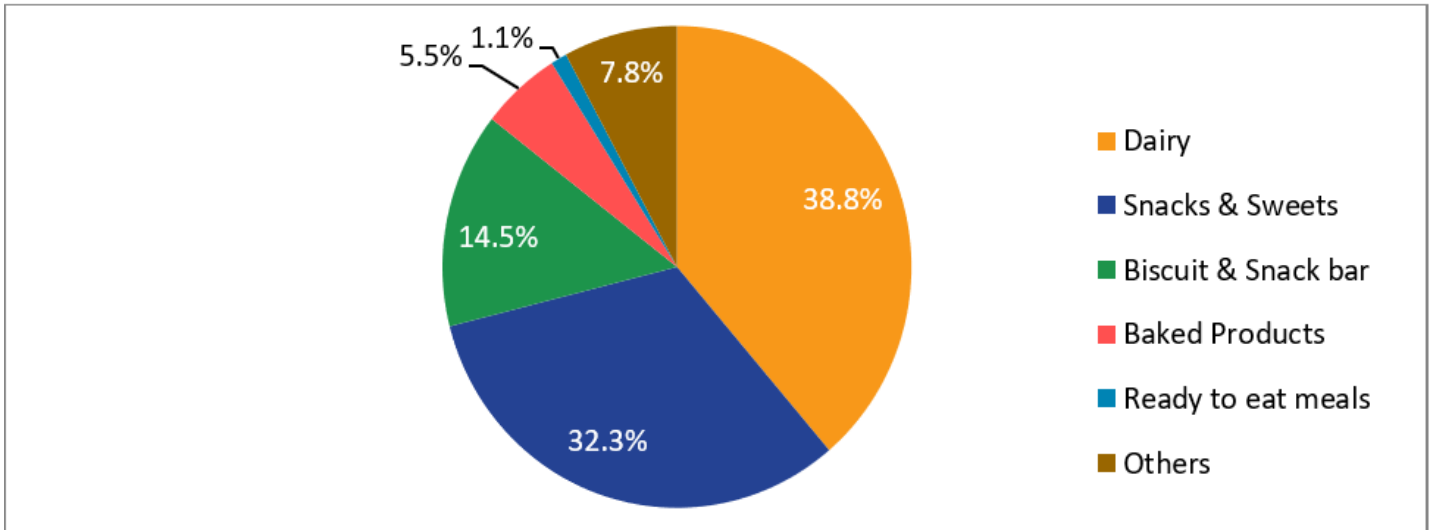
As strategic intervention organization has planned to increase feet on the ground to further strengthen the sales force with the stated objective of adding more outlets in the direct coverage and leverage WS for indirect distribution.



Industry Outlook...

India's packaged food business is currently valued at ₹ 4,240 billion. It has grown significantly in last five years on account of changing lifestyles, rising incomes and urbanization. In Fiscal 2015, the packaged food retail revenue was worth ₹ 2,434 billion and has registered a CAGR of approximately 8.3% from Fiscal 2015 to Fiscal 2022. It is estimated to grow at CAGR of 8% in next five years to reach at ₹ 5,798 billion. (Source: F&S Report) Indian Savoury Snacks market is valued at ₹ 751 billion in 2022 and is expected to reach ₹ 1,227 billion by 2026 at CAGR 13%.

Category wise packaged food retail market, India, 2022: ₹ 4.24 Trillion



Source: RHP, Geojit Research

Promoter and promoter group

The company was originally incorporated as Shivdeep Industries Limited" on October 6, 1995. Shiv Ratan Agarwal, Deepak Agarwal, Shiv Ratan Agarwal (HUF), and Deepak Agarwal (HUF) are the promoters of the company. Currently the promoters collectively hold 190,869,060 Equity Shares, representing 76.50% of the pre-Offer issued, subscribed and paid-up Equity Share capital of the company.

Brief Biographies of directors

- **Shiv Ratan Agarwal** is the Promoter, Chairman and Whole-time Director of the company. He has been a director of the company since its incorporation. He has over 30 years of experience in the food industry, including ethnic snacks and sweets.
- **Deepak Agarwal** is the Promoter, Managing Director of the company. He has been a director of the company since January 25, 2002. He has approximately 20 years of experience in the food industry, including ethnic snacks and sweets.
- **Shweta Agarwal** is the Whole-time Director of the company. She has been a director of the company since November 20, 2006.
- **Sachin Kumar Bhartiya** is the Non-Executive Director of the company and has been jointly nominated by India 2020 Maharaja, Ltd and Lighthouse India Fund III Ltd. He has been a director of the company since April 11, 2014.
- **Nidhi Ghuman** is the Non-Executive Director of the company and has been nominated by IIFL Special Opportunities Funds. She has been a director in the company Since June 30, 2022.
- **Siraj Azmat Chaudhry** is an Independent Director of the company. He has been a director of the company since August 24, 2021.
- **Richa Manoj Goyal** is an Independent Director of the company. She has been associated with the company since December 8, 2021.
- **Pulkit Anilkumar Bachhawat** is an Independent Director of the company. He has been a director of the company since December 8, 2021.
- **Nikhil Kishorchandra Vora** is an Independent Director of the company. He has been a director in the company since December 8, 2021.
- **Vipul Prakash** is an Independent Director of the company. He has been a director in the company since December 30, 2021. He is currently also associated with MakeMyTrip (India) Pvt Ltd in the capacity of chief operating officer - India.

CONSOLIDATED FINANCIALS

PROFIT & LOSS

Y.E March (Rs cr)	FY20	FY21	FY22
Sales	1,074.6	1,310.7	1,611
% change	-	22.0	22.9
EBITDA	94.6	144.8	139.5
% change	-	53	-4
Depreciation	34.2	33.1	38.3
EBIT	60.4	111.6	101.2
Interest	5.1	3.0	6.7
Other Income	8.4	11.5	10.5
Exceptional Items	-	-	-
PBT	63.6	120.1	105.0
% change	-	89	-12.6
Tax	7.3	29.8	29.0
Tax Rate (%)	11	25	28
Reported PAT	56.4	90.3	76.0
Adj	-	-	-
Adj. PAT	56.4	90.3	76.0
% change	-	60.3	-15.8
Post issue No. of shares (cr)	24.95	24.95	24.95
Adj EPS (Rs)	2.3	3.6	3.0
% change	-	60.3	-15.8

BALANCE SHEET

Y.E March (Rs cr)	FY20	FY21	FY22
Cash	88.3	87.4	90.2
Accounts Receivable	41.7	47.3	73.3
Inventories	36.5	56.8	72.9
Other Cur. Assets	14.9	24.3	27.1
Investments	67.9	109.6	237.3
Deff. Tax Assets	6.9	3.1	6.7
Net Fixed Assets	400.1	417.0	505.9
CWIP	2.9	36.1	49.4
Intangible Assets	1.5	1.9	1.2
Other Assets	16.0	33.7	38.2
Total Assets	677	817	1,102
Current Liabilities	25.5	53.6	58.0
Provisions	40.3	35.4	37.0
Debt Funds	81.7	110.6	186.4
Other Fin. Liabilities	-	-	-
Deferred Tax liability	-	10.0	-
Equity Capital	24.3	24.3	25.0
Reserves & Surplus	504.9	583.2	795.7
Shareholder's Fund	529.2	607.5	820.7
Total Liabilities	677	817	1,102
BVPS (Rs)	21	24	33

CASH FLOW

Y.E March (Rs cr)	FY20	FY21	FY22
PBT Adj.	63.6	120.1	105.0
Non-operating & non cash adj.	34.8	28.2	43.4
Changes in W.C	-37.8	-31.1	-90.9
C.F. Operating	60.7	117.2	57.5
Capital expenditure	-40.5	-70.5	-107.8
Change in investment	-1.8	-12.0	-61.7
Sale of investment	-22.7	-44.8	-54.0
Other invest.CF	1.5	13.2	-8.1
C.F - investing	-63.5	-114.1	-231.6
Issue of equity	-	-	134.7
Issue/repay debt	-20.7	-3.2	45.6
Dividends paid	-5.9	-4.9	-5.0
Other finance.CF	-4.9	-1.0	-6.5
C.F - Financing	-31.5	-9.1	168.8
Change. in cash	-34.3	-5.9	-5.3
Closing cash	-17.1	-23.0	-28.3

RATIOS

Y.E March	FY20	FY21	FY22
Profitab. & Return			
EBITDA margin (%)	8.8	11.0	8.7
EBIT margin (%)	5.6	8.5	6.3
Net profit mgn.(%)	5.2	6.9	4.7
ROE (%)	10.7	14.9	9.3
ROCE (%)	10.0	7.0	4.7
W.C & Liquidity			
Receivables (days)	14	12	14
Inventory (days)	18	18	20
Payables (days)	5	12	10
Current ratio (x)	3.8	3.7	5.3
Quick ratio (x)	5.1	2.5	2.8
Turnover & Levq.			
Net asset T.O (x)	2.7	3.2	3.7
Total asset T.O (x)	1.6	1.8	1.9
Int. covge. ratio (x)	0.1	0.0	0.1
Adj. debt/equity (x)	0.2	0.2	0.2
Valuation ratios			
EV/Sales (x)	7.0	5.8	4.8
EV/EBITDA (x)	80.0	52.5	55.0
P/E (x)	132.8	82.9	98.5
P/BV (x)	14.1	12.4	9.1

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