

The Issue	
Type of Issue	Share Aggregating Upto Rs. Mn
Fresh Issue	-
Offer for Sale*	8,812
Total	8,812

*At Upper Price Band

Issue Break-Up	
Reservation for	% of Issue
QIB	50%
NIB	15%
Retail	35%
Total	100%

Indicative Offer Timeline	Indicative Date
Bid/Offer Opening Date	3 Nov, 2022
Bid/Offer Closing Date	7 Nov, 2022
Finalization of the Basis of Allotment	11 Nov, 2022
Credit of shares	15 Nov, 2022
Initiation of refunds	14 Nov, 2022
Listing Date	16 Nov, 2022

Use of Proceeds
To achieve the benefits of listing on stock exchange

General Information	
Manager	Axis Capital Ltd , JM Financial Ltd, IIFL Securities Ltd, Intensive Fiscal Services Pvt Ltd & Kotak Mahindra Capital Co. Ltd
Registrar	Link Intime India Pvt Ltd

Rakesh Roy
rakeshr@indsec.co.in

Sr. Research Analyst
 +91 22 61146111

Onkar Kelji
onkark@indsec.co.in

Research Associate
 +91 22 61146103

Company Overview:

Bikaji Foods is the third largest ethnic snacks company in India with an international footprint and are the second fastest growing company in the Indian organised snacks market. In FY22, they were largest manufacturer of Bikaneri bhujia with annual production of 29,380 tonnes, and the second largest manufacturer of handmade papad with an annual production capacity of 9,000 tonnes. They are also the third 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. This has given a novel twist to classic Indian snacks with a contemporary taste along with maintaining the regional flavours to address the evolving consumer preferences in India and internationally. Their product ranges include six principal categories namely bhujia, namkeen, packaged sweets, papad, western snacks as well as other snacks (which primarily include gift packs, frozen food, mathri range and cookies).

Important highlights

- As of June 30, 2022, the company sold over 300 products under Bikaji brand.
- Amongst its competitors, the company is the market leader in the family pack segment and recorded the highest share of 60.57% amongst its other SKUs of Rs. 5 and Rs. 10 packs during FY22.
- Leadership position (ethnic snacks market) in the states of Rajasthan, Assam, and Bihar
- In Q1FY23, the company exported products to 21 international countries, including North America, Europe, the Middle East, Africa, and Asia Pacific, representing 3.2% of its sales of food products.

Valuation:

Bikaji Foods is the third largest ethnic snacks company in India and the second fastest growing company in the Indian organized snacks market. The company has leadership position in the states of Rajasthan, Assam and Bihar. It is gradually expanding its footprint across India, with focus on UP, Punjab, Delhi, Haryana, Karnataka and Telangana.

We believe, (1) focus on expanding its geography reach (2) strong distribution network (3) Diversified product portfolio (4) commencement of new plants will aid margin on account of savings from logistic cost, (5) Consumer shift from unbranded to branded products. This will help Bikaji to drive its future growth and margin expansion.

At the upper price band of Rs.300, the stock is trading at 98.5x FY22 P/E. We assign a “Subscribe” rating to the stock.

Product Categories



**NAMKEEN
39.18%
CONTRIBUTOR**



**BHUJA
34.98%
CONTRIBUTOR**



**WESTERN
SNACK
8.64%
CONTRIBUTOR**



**SWEET
7.57%
CONTRIBUTOR**



**PAPAD
6.97%
CONTRIBUTOR**

Company Overview

Region-wise Revenue mix of Food Products Sale

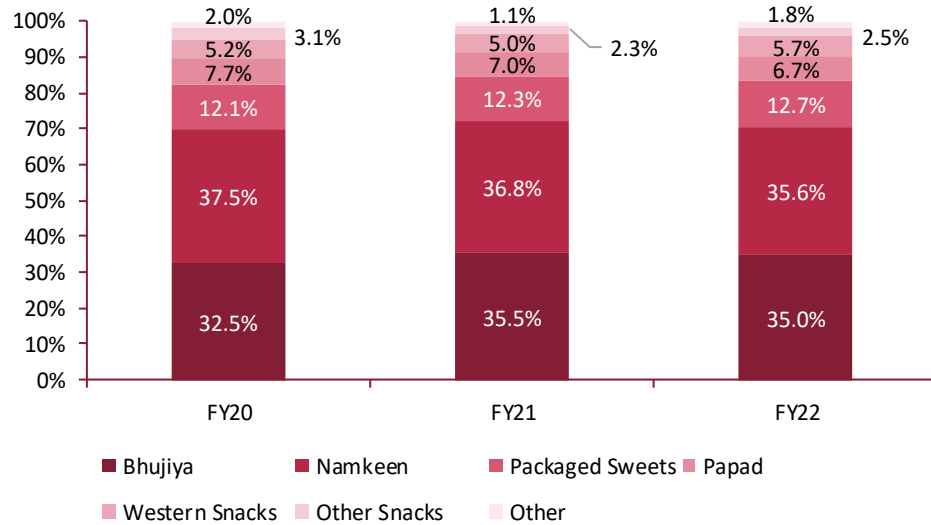
Region-wise Break-down	FY20		FY21		FY22	
	Revenue (Rs in Mn)	% of Revenue	Revenue (Rs in Mn)	% of Revenue	Revenue (Rs in Mn)	% of Revenue
East	3309.7	32.3%	4119.9	33.2%	4907.5	31.9%
North	5969.3	58.2%	7146.6	57.6%	9058.3	58.9%
South	105.8	1.0%	202.5	1.6%	269.7	1.8%
West	876.8	8.5%	935.5	7.5%	1150.0	7.5%
Total	10261.6	100.0%	12404.5	100.0%	15385.4	100.0%

Category-Wise Production & Capacity Utilization

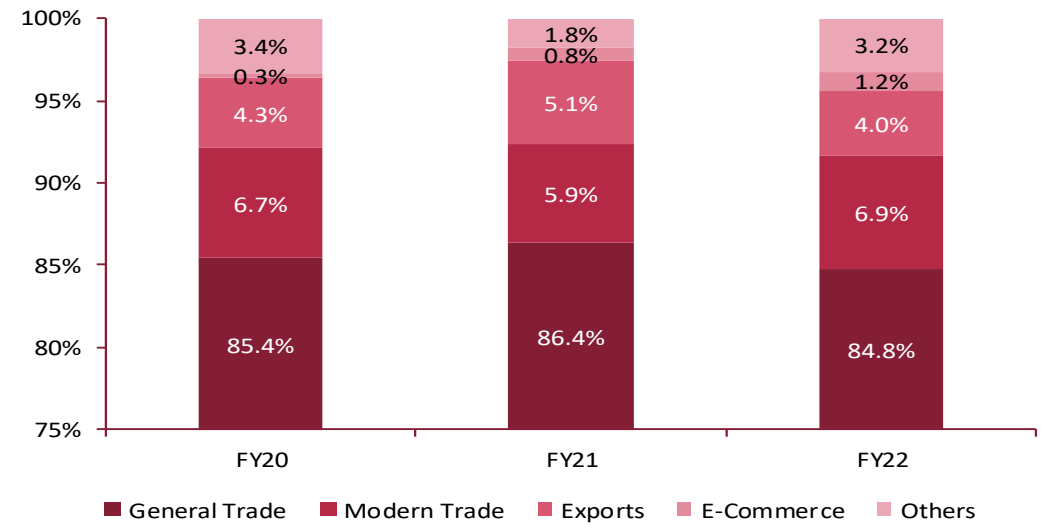
Products	FY20		FY21		FY22	
	Prod Capacity (mt)	Capacity Utilization	Prod Capacity (mt)	Capacity Utilization	Prod Capacity (mt)	Capacity Utilization
Bhujia	45600.0	52.2%	52372.6	56.7%	57600.0	55.7%
Namkeen	67938.1	40.5%	71133.7	42.8%	77446.0	42.8%
Machine made Papad	1200.0	26.5%	1897.0	23.7%	2400.0	16.9%
Western snacks	10800.0	26.9%	10800.0	29.9%	12263.0	27.2%
Packaged sweets	38173.5	28.9%	47572.6	28.1%	56734.7	27.9%

Company Overview

Product Mix



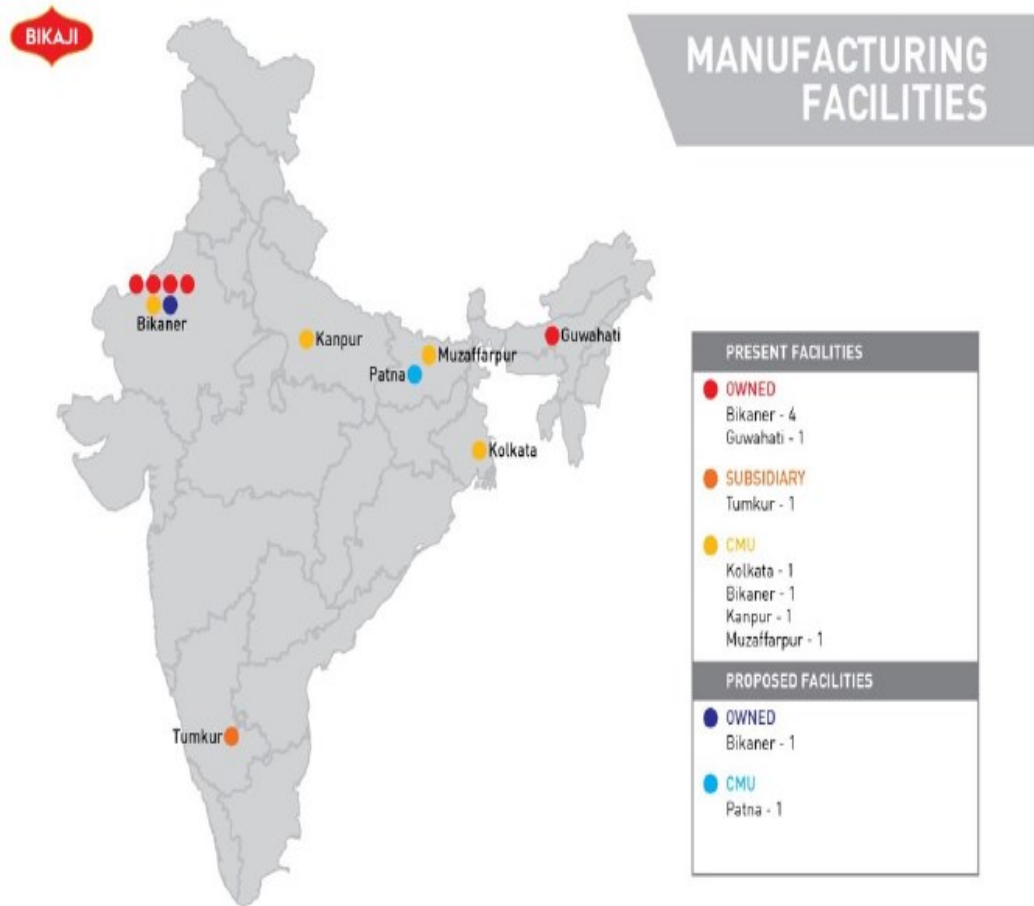
Distribution Mix



Product Portfolio (SKUs)

Product Type	No of Products
Bhujia	14
Namkeen	66
Packaged sweets	43
Papad	8
Western snacks	32
Other snacks	144
Total	307

Company Overview



Region-Wise Domestic Network

Region	Depots	Super Stockists	Direct Distributors	Indirect Distributors	Total
East	2	8	92	1148	1250
North	2	24	254	699	979
South	1	0	55	0	56
West	1	6	15	109	131
Total	6	38	416	1956	2416

Region-wise Revenue Mix

Region	FY20	FY21	FY22
East	30.9%	31.5%	30.6%
North	55.7%	54.7%	56.5%
South	1.0%	1.6%	1.7%
West	8.2%	7.2%	7.2%

Company Overview

Product-Wise Manufacturing Facilities

Manufacturing Facility	Bhujia	Namkeen	Papad	Western Snacks	Packaged Sweets
Owned					
Karni, Bikaner	✓	✓	✓	✓	✓
Bichhwal, Bikaner-I			✓		
Bichhwal, Bikaner-II		✓		✓	
Bichhwal, Bikaner-III					
Tumkur (Karnataka)		✓		✓	
Guwahati, Assam		✓		✓	
Muzaffarpur (Bihar)		✓		✓	
Contract Manufacturing					
Kolkata				✓	
Bikaner				✓	
Kanpur		✓		✓	

Product-Wise Manufacturing Facilities

Category	FY20	FY21	FY22	CAGR (FY20-22)	Q1FY22	Q1FY23
Bhujia	3480.0	4641.1	5601.4	27%	1366.4	1458.5
<i>YoY growth</i>		33%	21%			7%
Namkeen	4016.9	4805.7	5704.8	19%	1244.4	1633.5
<i>YoY growth</i>		20%	19%			31%
Packaged sweets	1297.8	1605.8	2034.7	25%	236.8	315.4
<i>YoY growth</i>		24%	27%			33%
Papad	822.4	914.1	1073.3	14%	224.4	290.6
<i>YoY growth</i>		11%	17%			30%
Western snacks	561.3	657.7	919.9	28%	150.9	360.4
<i>YoY growth</i>		17%	40%			139%
Other snacks	330.6	295.6	404.0	11%	61.8	56.1
<i>YoY growth</i>		-11%	37%			-9%
Others	212.8	149.1	284.9	16%	35.9	54.5
<i>YoY growth</i>		-30%	91%			52%
Total	10721.8	13069.1	16022.9		3320.5	4168.9

Key Strengths

Well-established brand with pan-India recognition

Over the years, the company has developed strong brand recognition and consumer loyalty through diverse range of quality products, authentic ethnic Indian taste, innovative packaging, and effective pricing strategies covering all key price points. A significant part of their sale of food products is derived from sales of family packs (60.57%, FY22). They are the market leader in family pack segment. This portrays the strength of its brand as a home consumption and planned purchase product. They have over the years consistently invested in developing strong brand recall and consumer preference. For this purpose, they have engaged with Amitabh Bachchan, a well-known celebrity in India, to endorse their brand ambassador. The brand recallability will also help the company to further penetrate the markets where they are relatively new entrants. They also promote their brand through in-film integration, co-branded advertisements, social media campaigns and on-product pack promotions. They have launched an online platform (www.bikaji.com) along with mobile apps for them to access a wider and more direct consumer base.

Diversified product basket focused on various consumer segments and markets

They have developed a comprehensive portfolio of a variety of Indian snack foods and sweets based on their understanding of consumer taste and preferences. As of Q1FY23, their diversified product portfolio included more than 300 products across all their product segments. They have also entered the frozen foods segment particularly frozen sweets and snacks to seize on the opportunities present in fast-growing packaged foods segments. They are in the process of setting up a facility in Bikaner to manufacture frozen products. Apart from this they also capture demand via product packages of various sizes. For example, their Bhujia and namkeen products are available in packages as small as a pouch that is 14-25 grams for Rs 5 to a one (1) kilogram pouch for Rs. 350.

Extensive distribution network in India

The company sells their products primarily through general trade, modern trade, and e-commerce platform, as well as exports. Over the years, they have developed a large pan-India distribution network. As of June 30, 2022, they had 6 depots, 38 super stockists, 416 direct and

Key Strengths

1,956 indirect distributors that work with their super stockists, located across 23 states and 4 union territories in India. The company has also developed longstanding relationships with most of their super stockists and direct distributors and they play a key role in ensuring that their products reach the end retailer in an efficient manner. They consistently engage with their super stockists and direct distributors as well as end retailers to collect product feedback and insights on market trends that will drive their product development initiatives. They implemented an integrated inventory and distribution management systems and sales force automation solutions to further improve the efficiency in the supply chain. They also focus on developing strategic distribution channels, such as sale of their products at railway stations across India. Further, they have also started supplying products for sale in Indian army canteens from August 2022.

Strategically located, large scale sophisticated manufacturing facilities

Their large-scale manufacturing facilities are strategically located in proximity to key raw ingredient supplies and improve their distribution and supply of finished products, which results in reduced freight and logistics related time and cost. Company's facilities in Bikaner are located with easy access to cow milk, dew bean (moth dal) and moong dal, which are primary ingredients for their bhujia, sweets and namkeen products. Their manufacturing facility in Guwahati (Assam) commissioned recently on January 14, 2022, with capacity to produce namkeen and western snacks is strategically located in their core market. One of the facilities at Tumakuru (Karnataka) held through their subsidiary Petunt Food Processors Pvt Ltd caters to the southern markets in India and the other facility at Muzaffarpur (Bihar) held through Vindhya wasini Sales Pvt Ltd caters to their core market of Bihar. They also have a contract manufacturing unit in Kolkata and 2 contract manufacturing facility located at Bikaner and at Kanpur. In addition to this, they have one small facility in Mumbai to manage their Mumbai restaurant sales. The company intends to operationalise 2 additional manufacturing facilities, 1 in Rajasthan which will be operated by them to manufacture frozen snacks and sweets products and have entered into contract manufacturing agreements for the remaining manufacturing facilities in Bihar, which will manufacture namkeen and western snacks. The company maintains stringent quality standards throughout their manufacturing process in their own facilities as well as at their contract manufacturing facilities.

Implement distinctive growth strategies for the core markets, focus markets and other markets

The core markets, focus markets and other markets requires different inputs and support and as such Bikaji intends to implement differentiated strategic priorities for the respective geographies

- **Core market strategic intervention**

Company's core markets are Rajasthan, Assam and Bihar where in Fiscal 2022, they enjoyed a market share of approximately 45%, 58% and 29% respectively. They will continue to invest into these markets to further consolidate their leading position in these states. Sales of food products in their core markets represented 72.57%, 71.43%, 71.48%, 76.43% and 74.70% in Fiscal 2020, 2021 and 2022, and in the 3 months ended June 30, 2021 and June 30, 2022. They delivered a CAGR of 21.32% in sales of food products in their core markets between Fiscal 2020 and Fiscal 2022. They would continue to leverage wholesale distributors and hawkers' channel, which are 2 critical and important business channels in these core markets. They are in the process of digitalizing their super-stockist and distributor network by providing them with comprehensive distribution management systems and sales force automation solutions.

- **Drive growth in focus markets leveraging existing and proposed facilities**

The focus markets are states identified basis the proximity of markets and opportunity to expand in the size of the products they offer. In these states there are immense growth opportunities and they have already made some inroads, started making their presence felt and started gaining market share. The strategic lever will be to strengthen their distribution network and increase direct and indirect reach in these states. The Company is in the process of strengthening their distribution base in these markets by adding more super stockists and distributors in more cities and towns. They entered in this geography by initially focusing on their top selling products and now they are expanding their category, both western and ethnic which would further help in gaining presence and market share. They have experienced significant growth in recent years in states such as Uttar Pradesh, Punjab, Haryana and Delhi in north India and Karnataka and Telangana in south India. Sales of food products from these markets increased at a CAGR of 35.84% between Fiscal 2020 and Fiscal 2022.

Further strengthen the brand

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.

Expansion into other markets

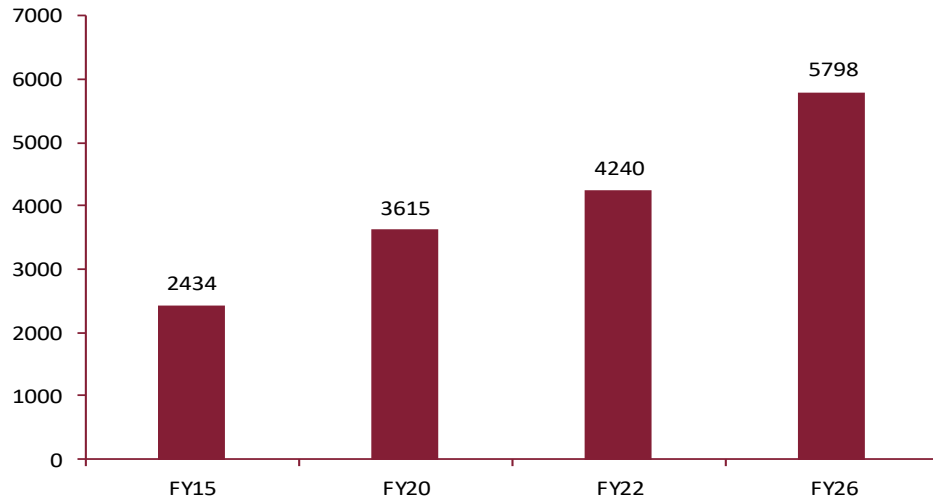
In other markets, as seeding operations, they intend to build the experienced super stockist distribution network with exposure of same categories to leverage their distribution strength in the respective markets. Continued ATL (above-the-line) spends for example on primetime shows, national news channels amongst others and advertisement are to create demand and strengthen the brand recall which is to complement the product acceptance resulting to enhanced trade and consumer traction. In these other markets, they intend to focus on large cities and driving their popular products. They will leverage e-commerce B2B platforms and national modern trade retail chains to increase their presence and brand in these markets. As they generate the threshold business volumes, they would invest behind the full-fledged infrastructure to expand into deeper markets and proliferation of categories and product SKUs.

Continue to use advanced technology to further optimise the operations

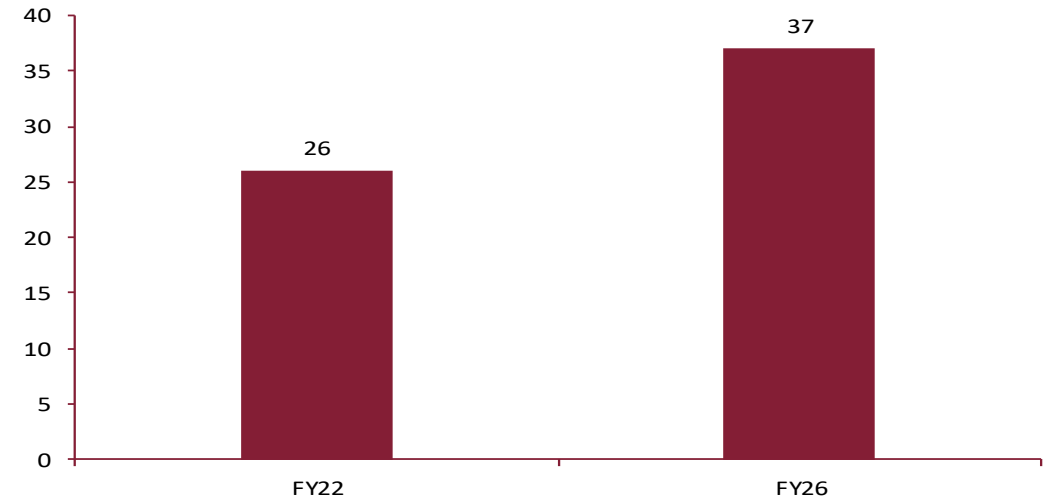
Bikaji continues to make significant investment to support their super-stockists and distributors and further scale their distribution network which includes additional cities, towns and rural areas that increase market penetration across India. They have recently commenced work for implementation of their distribution management system, and various measures to achieve operational technology and storage excellence. They are in the process of implementing an automated storage retrieval system to optimize floor space in their warehouses and streamline the goods movement.

Industry Overview

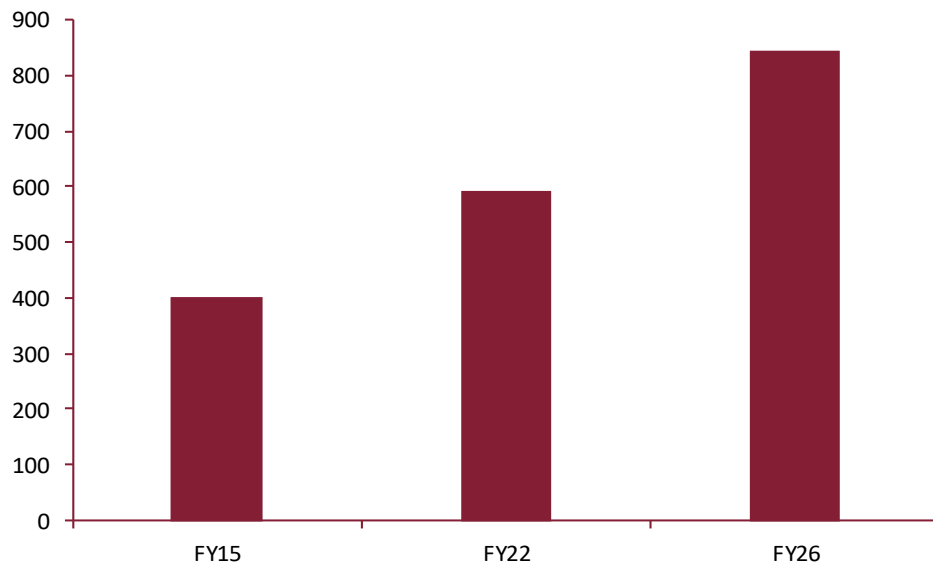
Packaged Food Market (Rs in Bn)



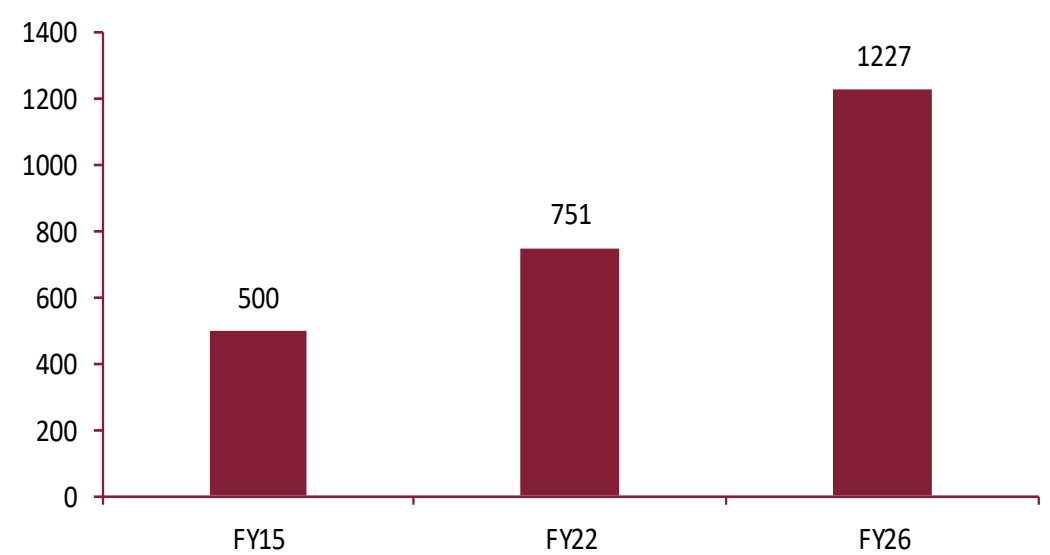
Domestic Organized Papad Market (Rs in Bn)



Indian Sweets Market (Rs in Bn)



Indian Savoury Snacks Market (Rs in Bn)

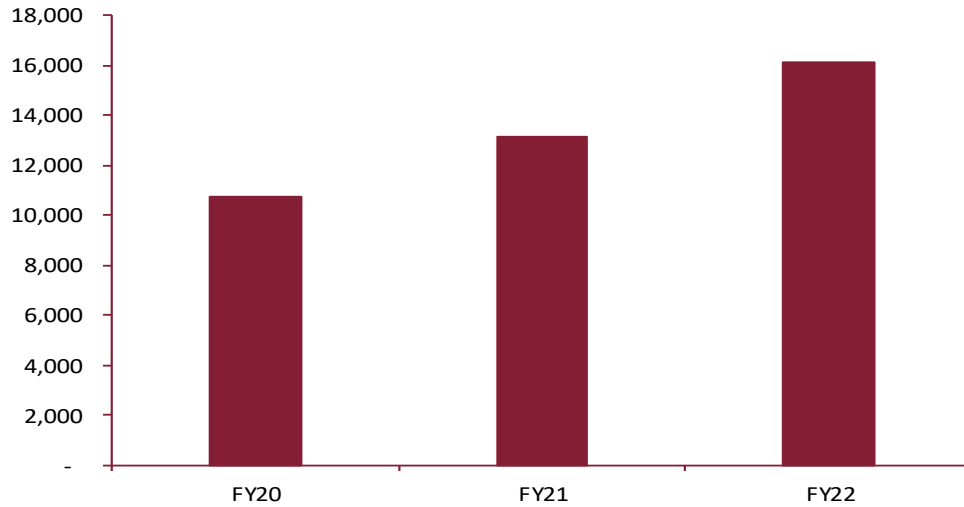


Key Risk

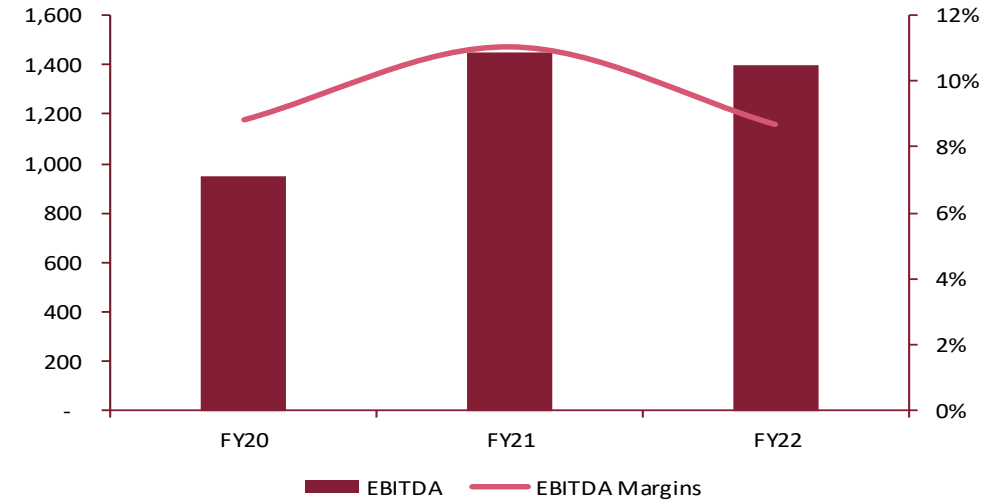
- Company's raw material are subject to price volatility and supply chain disruptions leading to increase in cost, this would affect its margin and financial condition.
- Bhujiya and Namkeen constitutes majority of its product mix (~70%, FY22). Any impact on the demand of these products could adversely impact company's business.
- Core market contributes significantly to its overall revenue. Any adverse development in these market could have an impact on the business and financial performance.

Financial Story

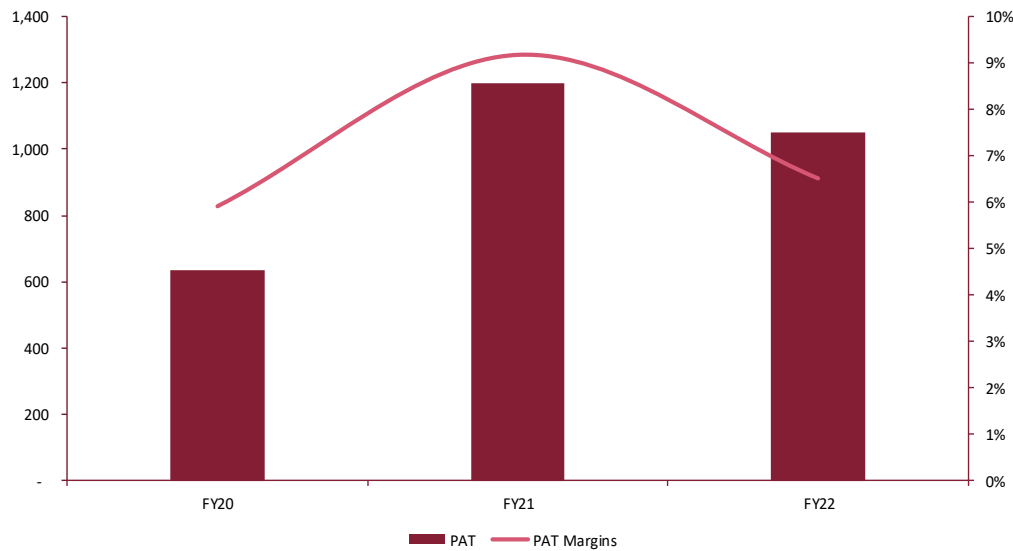
Revenue (Rs. Mn)



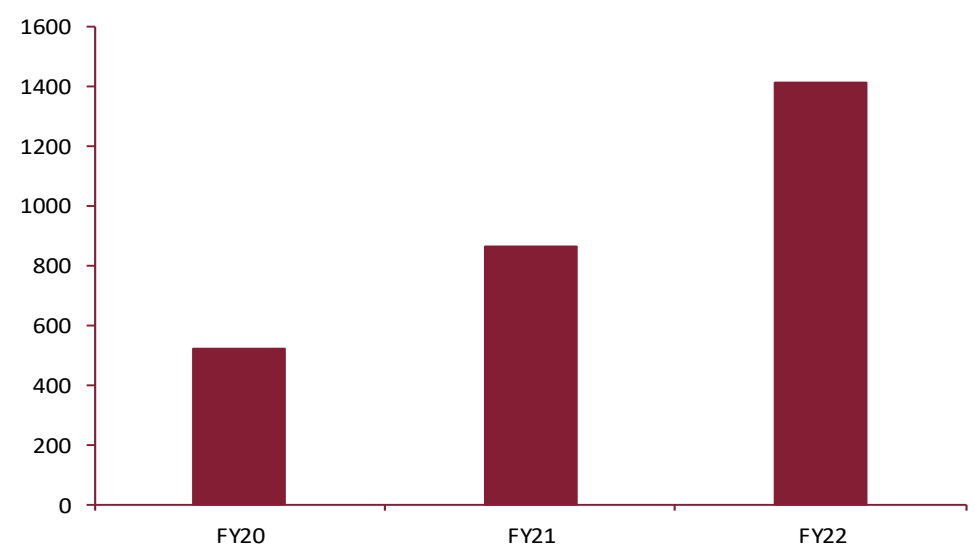
EBITDA (Rs Mn) & Margins (%)



PAT (Rs. Mn) & Margins (%)



Total Debt (Rs. Mn)



INDSEC Rating Distribution

BUY : Expected total return of over 15% within the next 12-18 months.

HOLD : Expected total return between 0% to 15% within the next 12-18 months.

SELL : Expected total return is negative within the next 12-18 months.

NEUTRAL: No investment opinion, stock under review.

Note: Considering the current pandemic situation, the duration for the price target may vary depending on how the macro scenario plays out. Therefore, the duration which has been mentioned as a period of 12-18 months for upside/downside target may be higher for certain companies.

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DISCLOSURE

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