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| Retail Research | IPO Note |
| Sector: FMCG | Price Band (Rs): 285 - 300 |
| 4 th November 2022 | Recommendation: Subscribe (for long term horizon) |

BIKAJI FOODS INTERNATIONAL LIMITED

Company Overview:

The brand Bikaji was launched in 1993 by Shiv Ratan Agarwal, grandson of Gangabishan Agarwal, founder of Haldiram brand. Bikaji is the third largest snacks company in India with an international footprint, selling Indian snacks and sweets, and is the second fastest growing company in the Indian organized snacks market. Bikaji has established market leadership in the ethnic snacks market in company's core states of Rajasthan, Assam, Bihar with extensive reach, and has gradually expanded the company's footprint across India, with operation across 23 states and 4 union territories as of June'22. Bikaji also exports its product to 21 countries, which accounts for 3.20% of total sales of food products.

Key Highlights:

Strong product portfolio: The Company is among the pioneers in the Indian packaged snacks industry with strong product portfolio, including bhujia, namkeen, sweets, papad, western snacks, and other snacks. The Company is the largest manufacturer of Bikaneri bhujia with an annual production of 29,380 tonnes, the second largest manufacturer of handmade papad with an annual production capacity of 9,000 tonnes in FY22. The Company is the third largest player in the organised sweets market with an annual capacity of 24,000 tonnes for packaged rasgulla, 23,040 tonnes for soan papdi and 12,000 tonnes for gulab jamun.

Well-established and strategically located manufacturing units: The Company has 7 manufacturing units (2 Subsidiary included) along with the 3 CMU (Contract Manufacturing Units) in the states of Rajasthan, Assam, Bihar, Uttar Pradesh, West Bengal, and Karnataka. The company has further proposed to add two more manufacturing facilities (1 unit as owned and the other as CMU) in the states of Rajasthan and Bihar. The manufacturing units are located in proximity to key raw materials which would help to improve the distribution and supply of finished products and would also help in reducing freight and logistics related time and costs.

Pan India reach; Eligible for PLI incentive: The company has an estimated annual installed capacity of 57,600 tonnes for bhujia, 1,05,120 tonnes for namkeen, 33,900 tonnes for western snacks, 60,480 tonnes for packaged sweets, and 2,400 tonnes for machine-made papad. The Company has strong operation spread across the country with 6 depots, 38 super stockiest, 416 direct and 1956 indirect distribution at pan India level. Bikaji has also got an approval for the PLI scheme by GOI and maximum incentive to be received under the scheme is Rs 261 cr over next 4 years (FY22-26).

Valuation:

The IPO is valued at FY22 Mcap/Sales of 4.4x/4.6x of its lower and upper price band respectively while on P/E basis, the same is available at 93.5x/98.5x respectively. While comparing Bikaji Foods with other close peers, the issue is priced at premium valuation but the margins and return ratios are better than other companies. **We recommend the investors to subscribe the issue for long term investment at CUT-OFF price.**

| Issue Details | |
|-------------------------------|---|
| Date of Opening | 3 rd Nov 22 |
| Date of Closing | 7 th Nov 22 |
| Price Band (Rs) | 285 – 300 |
| Issue Size (Rs cr) | 837 - 881 |
| No. of shares | 29,373,984 |
| Face Value (Rs) | 1 |
| Post Issue Market Cap (Rs cr) | 7,115 – 7,485 |
| BRLMs | JM Financial, Axis Capital, IIFL Securities, Intensive Fiscal, Kotak Mahindra Capital |
| Registrar | Link Intime India Pvt Ltd |
| Bid Lot | 50 shares and in multiple thereof |
| QIB shares | 50% |
| Retail shares | 35% |
| NIB (HNI) shares | 15% |
| Employee Reservation | 0.10% |
| Employee Discount | Rs 15 |

| Objects of Issue | |
|--|----------|
| | (Rs Cr.) |
| 100% OFS; Hence, company won't receive any fund flow from the proposed IPO | [●] |

| Shareholding Pattern | | |
|---------------------------|--------------------|--------------|
| Pre Issue | No. of Shares | % |
| Promoter & Promoter Group | 194,543,900 | 77.97 |
| Public & Others | 54,965,980 | 22.03 |
| Total | 249,509,880 | 100.0 |

| Post Issue | No. of Shares | % |
|---------------------------|--------------------|--------------|
| Promoter & Promoter Group | 18,95,43,900 | 76.00 |
| Public & Others | 5,99,65,980 | 24.00 |
| Total | 249,509,880 | 100.0 |

Source: RHP, SSL Research

Risk factors and company dependency

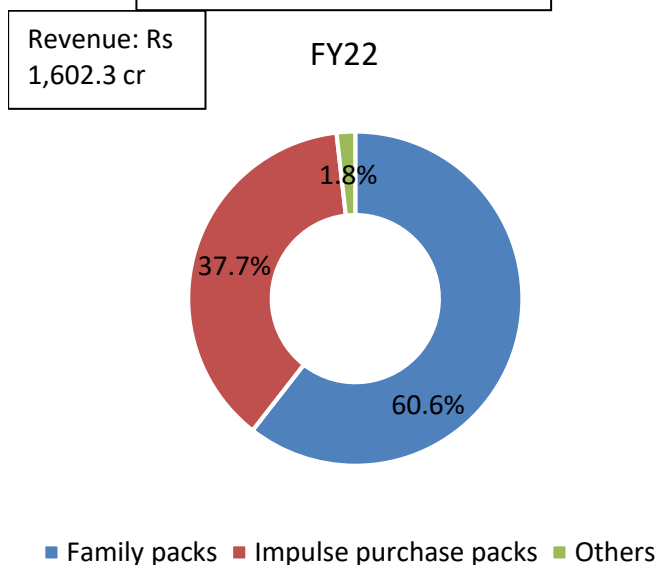
- Any variations in raw materials prices, product mix, and end consumer preferences can impact profit and EBITDA margin of the company.
- The company's proposed capacity expansion plans are subject to the risks of unanticipated delays in implementation and cost overruns.
- The company has made investments in debt instruments that are not secured.
- An inability to maintain or enhance the popularity of the "Bikaji" brand may adversely impact business prospects and financial performance

Product-wise revenue break-up

| Category | No. of products | FY22 Revenue contribution % | Category Revenue (Rs cr) | | |
|-----------------|-----------------|-----------------------------|--------------------------|---------------|------|
| | | | FY20 | FY22 | CAGR |
| Bhujia | 14 | 35.0 | 348.0 | 560.1 | 26.9 |
| Namkeen | 66 | 35.6 | 401.7 | 570.5 | 19.2 |
| Packaged Sweets | 43 | 12.7 | 129.8 | 203.5 | 25.2 |
| Papad | 8 | 6.7 | 82.2 | 107.3 | 14.2 |
| Western Snacks | 32 | 5.7 | 56.1 | 92.0 | 28 |
| Other Snacks | 144 | 2.5 | 33.1 | 40.4 | 10.5 |
| Total | 307 | 100.0 | 1050.9 | 1573.8 | |

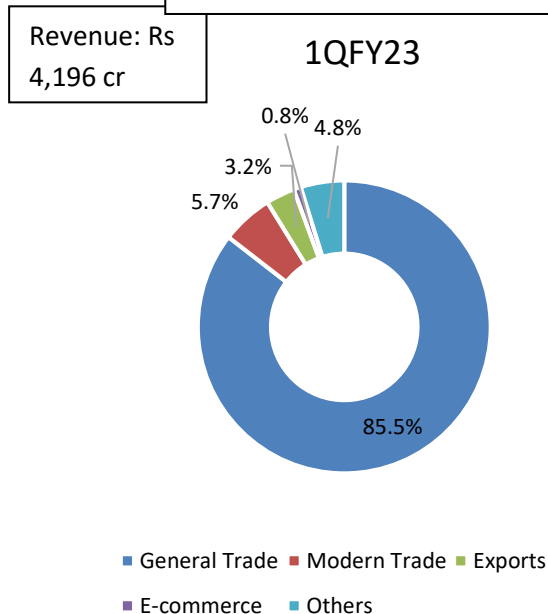
Contribution to revenue from food products by pack-size & by channel

Revenue break-up by pack-size



(Source: RHP)

Revenue break-up by channel



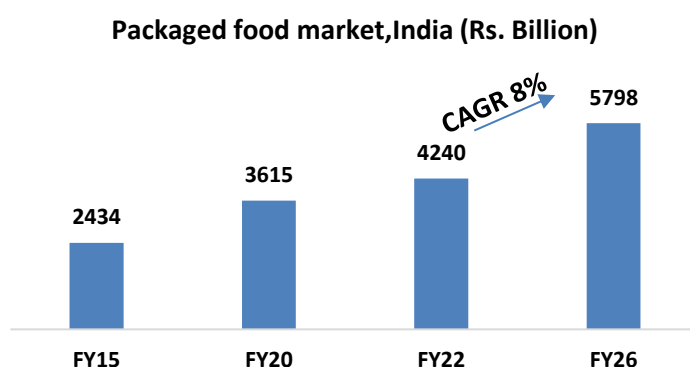
(Source: RHP)

Growth strategy

- Implement distinctive growth strategies for core markets, focus markets and other markets.
- Further strengthen the brand
- Establish strategically located new manufacturing facilities to pursue growth in focus and other markets.
- Leverage advanced technology to further optimize operations.

Industry Overview

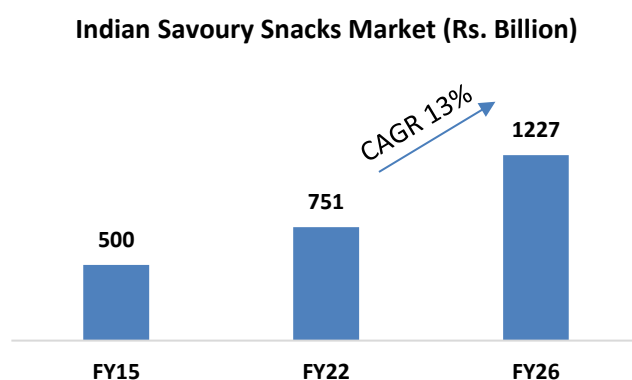
Packaged food market is estimated to grow at CAGR of 8% from FY22-FY26



(Source: RHP)

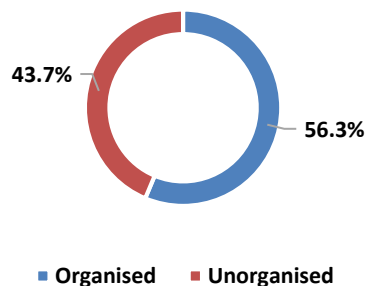
India's packaged food business is currently valued at Rs 4,240 billion. It has grown significantly in last 5 years on account of changing lifestyles, rising incomes and urbanization. In FY15, the packaged food retail revenue was worth Rs 2,434 billion and has registered a CAGR of approximately 8.3% from FY15 to FY22. It is estimated to grow at CAGR of 8% in next five years to reach at Rs 5,798 billion.

Indian Savoury Snacks Market is estimated to grow at CAGR of 13% from FY22-FY26

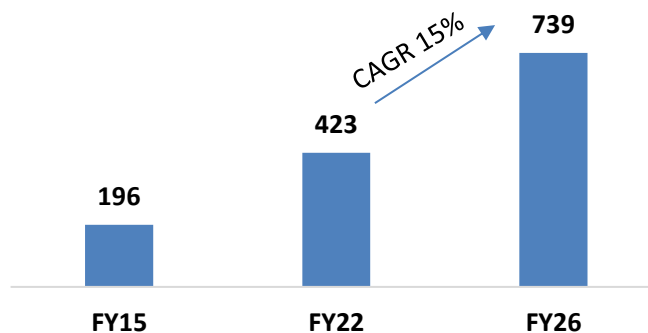


(Source: RHP)

Indian Savoury Snacks market is valued at Rs 751 billion in 2022 and is expected to reach Rs 1,227 billion by 2026 at CAGR 13%. Indian savoury snacks market can be broadly segmented into western snacks and traditional snacks. Traditional snacks market which is valued at Rs 366 billion, contributes around 48% to the total savoury snacks market. Traditional snacks market comprises of namkeens, bhujia and ethnic snacks such as dry samosa, kachori, chakli, etc. Western snacks market is valued at Rs 385 billion in 2022 and consists of chips, extruders and a new variety of snacks called as "bridges" which has local taste but western look.

India Overall Savory Snacks Market**Market Share Split - Organised and Unorganised - Total Size***(Source: RHP)*

The Rs 751 billion Indian savoury and snacks market is characterized by a large number of unorganized players across the product segments. Traditionally each type of snack is very specific to each region; hence, many small companies cater to this market. These players have a slim portfolio of products, usually of a single category and in many cases only provide traditional snacks items. They also operate in a small geographic range confined to a single state or city and primarily ride on the lower price and the traditional taste.

Organized Indian Savoury Snacks market is estimated to grow at CAGR of 15% from FY22-FY26**Growth trajectory of Organized Indian Savoury Snacks market (Rs Billion)***(Source: RHP)*

The organized segment has been strengthening its position in the market over the last few years, with new product launches and product innovations that have been largely targeted at the urban as well as rural consumer. The organized savoury snacks market was valued at Rs 196 billion in 2015 and is Rs 423 billion in 2022. It is further expected to grow at CAGR 15% till 2026. The role of advertisement and promotions cannot be overlooked when we talk about the growth of organized sector. With deep pockets, the organized segment can afford celebrity endorsements and engagements with mega events in India. This has also been instrumental to success of the organized sector.

Financial Snapshot

| Bikaji Foods International Limited | | | |
|------------------------------------|-----------|------------|---------|
| (Rs. Cr.) | Pre Issue | Post Issue | |
| | FY21 | FY22 | |
| Particulars | | Price Band | |
| | 285 | 285 | 300 |
| Net Sales | 1,310.7 | 1,611.0 | 1,611.0 |
| Total Income | 1,322.2 | 1,621.5 | 1,621.5 |
| EBIDTA | 144.8 | 110.6 | 110.6 |
| PAT# | 90.3 | 76.0 | 76.0 |
| Equity Share Capital | 24.3 | 25.0 | 25.0 |
| No of Equity Shares | 24.3 | 25.0 | 25.0 |
| Face Value | 1.0 | 1.0 | 1.0 |
| EPS | 3.7 | 3.0 | 3.0 |
| CMP | 285.0 | 285.0 | 300.0 |
| Cash and Bank | 87.4 | 90.2 | 90.2 |
| Debt | 86.2 | 141.2 | 141.2 |
| Market Cap | 6,929.2 | 7,111.0 | 7,485.3 |
| BV per share (Rs) | 24.9 | 32.9 | 32.9 |
| PE(x) | 76.7 | 93.5 | 98.5 |
| P/BV (x) | 11.4 | 8.7 | 9.1 |
| Enterprise Value | 6,928.0 | 7,162.1 | 7,536.3 |
| Mcap/Sales (x) | 5.3 | 4.4 | 4.6 |
| EV/Sales (x) | 5.3 | 4.4 | 4.7 |
| EV/EBIDTA (x) | 47.9 | 64.8 | 68.2 |
| EBITDA Margins (%) | 11.0 | 6.9 | 6.9 |
| Net Margins (%) | 6.9 | 4.7 | 4.7 |
| ROE (%) | 15.9 | 10.7 | 10.7 |
| ROCE (%) | 19.3 | 10.0 | 10.0 |
| Debt/Equity | 0.1 | 0.2 | 0.2 |
| Net worth | 605.7 | 820.8 | 820.8 |

(Source: RHP, SSL Research)

| Year | FY20 | FY21 | FY22 |
|-----------------------|---------|---------|---------|
| Net Sales (Rs Cr) | 1,074.6 | 1,310.7 | 1,611.0 |
| EBITDA (Rs Cr) | 94.6 | 144.8 | 110.6 |
| Net Profit (Rs Cr) | 56.4 | 90.3 | 76.0 |
| EBITDA Margin (%) | 8.8 | 11.0 | 6.9 |
| Net Profit Margin (%) | 5.2 | 6.9 | 4.7 |

(Source: RHP, SSL Research)

Peer Comparison – FY22

| Particulars (Rs cr) | Bikaji Foods International limited (at upper price band) | DFM Foods | Prataap Snacks |
|--|--|----------------|----------------|
| CMP (Rs) | 300.0 | 375.0 | 915.0 |
| Sales | 1,611.0 | 554.5 | 1,223.4 |
| EBITDA | 110.6 | - | 53.5 |
| Net Profit | 76.0 | - | 9.3 |
| PE (x) | 98.5 | - | 303.2 |
| Market Cap at post issue (Rs Crs) | 7,485.3 | 1,485.0 | 2,148.4 |
| EBITDA Margin (%) | 6.9 | - | 4.4 |
| RoE (%) | 10.7 | - | 2.4 |
| RoCE (%) | 10.0 | - | 2.5 |
| M.Cap/Sales(x) | 4.7 | 2.7 | 1.8 |

(Source: RHP, SSL Research)

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