

03rd November, 2022

Bikaji Food International Ltd. – Subscribe

Investment Thesis

Bikaji Food International is coming out with an Initial Public Offering (IPO) on 03rd November 2022. The issue comprises of Offer for sale of 29.37 Mn. equity shares worth Rs. 881.22 Cr. Objective behind the issue was to achieve the benefits of listing in the Equity Shares & Offer for Sales by the selling Shareholders. Bikaji is one of India's largest FMCG brands selling Indian snacks and sweets and is among the fastest growing companies in the Indian organized snacks market. Bikaji has well-diversified product basket of more than 300 products that ranges from wholesome bites to indulgent treats, such as namkeen, sweets, papad, western snacks, chips and cookies. In its core markets of Rajasthan, Assam and Bihar, Bikaji has established deep penetration and enjoys 45%, 58% and 29% respectively market share of total organized Indian ethnic snack category in FY22. It has established itself as a market leader in family pack segment and recorded over 60% of revenue from family packs in FY22 compared with its other SKUs of Rs.5 and Rs.10 packs. Over the years, Bikaji has invested heavily in strengthening the brand recall and consumer goodwill of its brand Bikaji and engaged Amitabh Bachchan, a well-known celebrity in India, as their brand ambassador with tag line "Amitji Loves Bikaji" since 2019. Bikaji's existing manufacturing facilities are built for large scale operations and are strategically located in proximity to their key raw ingredient supplies. Close proximity to the market also helped in improving distribution and supply of finished products, which results in reduced freight and logistics related time and cost. The 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. Its manufacturing facility in Guwahati (Assam) commissioned in January 2022 with capacity to produce namkeen and western snacks is strategically located in the core market which will help to reduce logistic costs and build sales in their western snacks category. Bikaji's core markets are Rajasthan, Assam and Bihar where it enjoyed a significant market share. Bikaji earn over 70% of its revenue from the core market and core market has delivered a CAGR of 21.3% in sales of food products in FY20-22. Bikaji has plan to leverage wholesale distributors and hawkers' channel, which are 2 critical and important business channels in these core markets. Bikaji is also in the process of digitalizing its super-stockiest and distributor network by providing them with comprehensive distribution management systems and sales force automation solutions. Government has approved the application of Bikaji for PLI scheme for sales-based incentives and for branding & marketing of RTC/RTE products.

Revenue from business Verticals

The sales of food products have grown at a CAGR of 22.44% from Rs 1074.6 Cr in FY20 to Rs 1611 Cr in FY22.

Particular (Cr.)	FY20	FY21	FY22	Q1FY23
Revenue from Operations	1074.6	1310.7	1611.0	419.2
Gross Profits	329.6	373.9	440.7	102.2
EBITDA	94.6	144.8	139.5	30.8
PAT	56.4	90.3	76.0	15.7
ROE (%)	10.7	14.9	9.5	1.9
RoCE (%)	12.8	20.9	13.9	2.6
Debt to equity (%)	0.1	0.1	0.2	0.2

IPO Details

Issue Open Date	03 rd November 2022
Issue Close Date	07 th November 2022
Price Band (Rs.)	Rs. 285 – Rs. 300
Issue Size (Rs in Cr)*	Rs. 881Cr.
Issue Size (Mn Shares)*	29.37 Shares
Market Lot	50 Shares
Listing Exchanges	NSE & BSE
Face Value (Rs.)	Rs. 1 /-

* At highest price band

Key Details

Fresh Issue	-
Offer For Sale	Rs. 881Cr.
Issue Type	Book Building
Book Running Lead Manager	JM Financials, IIFL Securities, Intensive Financial Services, Kotak Mahindra Capital
Issue structure	QIB: 50%, NII: 15%, Retail: 35%
Credit of Shares to Demat Account	15 th November 2022
Issue Listing Date	16 th November 2022

* At highest price band

Bikaji along with its subsidiaries and contract manufacturers have committed to spend Rs.438.7cr for capacity expansion over FY21-23 and Rs.13cr for branding & marketing outside India. The maximum incentive anticipated by it is around Rs.261.4cr until FY27.

Key Business Highlights

Bikaji is 3rd largest ethnic snacks company in India selling Indian snacks and sweets. It is 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 in FY22.

Bikaji's product portfolio consist of 6 principal categories: bhujia, namkeen, packaged sweets, papad, western snacks as well as other snacks (frozen food, mathri range and cookies). In Q1FY23, it sold more than 300 products under the Bikaji brand. Bikaji has a market share of 45% in Rajasthan, 58% in Assam, and 29% in Bihar. In FY22, they had exported products to 39 countries, including countries in North America, Europe, the Middle East, Africa, and Asia Pacific, representing 3.98% of the sales of food products. As on 30th June 2022, the company has 6 depots, 38 super stockists, 416 direct and 1,956 indirect distributors that work with the super stockists, located across 23 states and 4 union territories in India.

Bikaji has 7 manufacturing facilities that are operated by them, with 4 facilities located in Bikaner, 1 in Guwahati, 1 in Tumakuru and 1 in Muzaffarpur. Going forward, it intends to establish two additional facilities, of which one will be owned and another through a contract manufacturing agreement. These facilities are expected to commence commercial operations over the next two years.

Valuation

Bikaji's focus markets include Uttar Pradesh, Punjab, Haryana, and Delhi in north India and Karnataka and Telangana in south India. These focus markets are typically in proximity to its core markets where it has already established strong brand equity and has accordingly committed investments. The company has 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 35.8% between FY20 and FY22.

Market leader in family pack segment which signifies trust of families in the brand, belief in superior quality & consistency in product. It derived an average 61% of the business revenue from high-margin family packs and the snack industry is expected to grow at a CAGR of 13% in next four years and going by the past performance of the company we expect Bikaji to outperform the industry growth rate. At the current price band, the P/E of 95.2 xs is reasonably considerable against its peer group companies such as Prataap Snacks, DFM foods, Nestle India, and Britannia Industries. Considering Bikaji's market position, growth strategies such as product innovation, further strengthening in brand, leverage advanced technology to further optimize operation, focus on newer market, brand equity, and improving penetration of packaged food, we recommend to **SUBSCRIBE** this IPO for long term investment.

Risk & Concern

Bikaji is highly dependence on the sale of Bhujia and Namkeen products (70% of sales) and family packs (60% of sales), any market share loss in these products may have negative impact on Bikaji.

Bikaji's core markets Rajasthan, Assam and Bihar amounted for over 70% of total sales, any political / economic disruption in these states will affect negatively. Any inadequate or interrupted supply and price fluctuation in raw materials and packaging materials may adversely affect the business and margins of Bikaji.

Graphs & Charts

Figure 1: Revenue from Operations

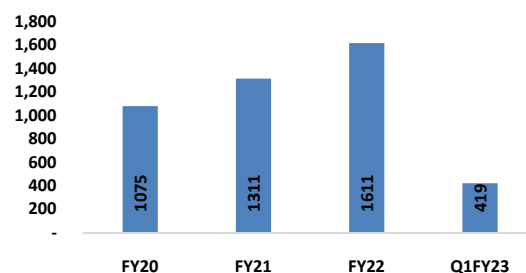


Figure 2: EBITDA & EBITDA Margin Trend

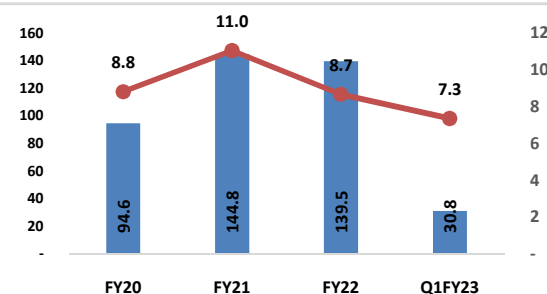


Figure 3: PAT & PAT Margin

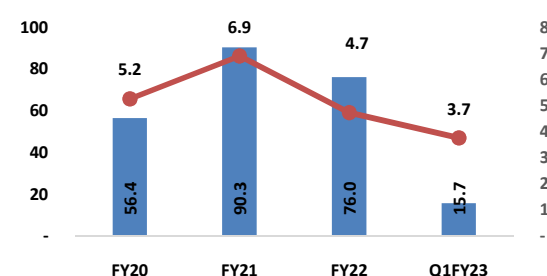
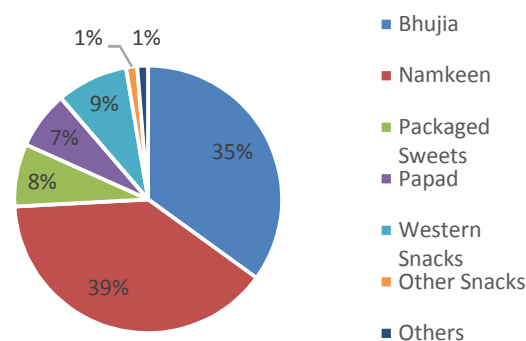


Figure 4: Product Portfolio



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