

# Bikaji Foods International Limited



# Bikaji Foods International Ltd

<b>Issue Opens On</b> November 03, 2022	<b>Issue Closes On</b> November 07, 2022	<b>Price Band (INR)</b> 285-300	<b>Issue Size (INR Mn)</b> 8,372-8,812	<b>Rating</b> SUBSCRIBE
--	---	------------------------------------	---	----------------------------

Bikaji Foods International Limited (Bikaji) is India's leading fast-moving consumer goods (FMCG) brand. The company's product offering is classified into six major segments: bhujia, namkeen, packaged sweets, papad, western snacks, and other snacks, the majority of which are gift packs (assortment), frozen food, mathri range, and cookies. The company has established market leadership in its core states of Rajasthan, Assam, and Bihar, with a significant market presence. With operations in 23 states and three union territories as of June 30, 2022, it has gradually increased its presence throughout India. Bikaji Foods International Limited operates six operational manufacturing facilities, four in Bikaner (Rajasthan), one in Guwahati (Assam), and one in Tumakuru (Tumkur) (Karnataka) held through the subsidiary Petunt Food Processors Private Limited to serve the southern markets in India.

## OFFER STRUCTURE

Particulars		IPO Details		Indicative Timetable	
No. of shares under IPO (#)	29,373,984			Offer Closing Date	November 07, 2022
Net offer (# shares)	29,373,984			Finalization of Basis of Allotment with Stock Exchange	On or about 11 <sup>th</sup> Nov’ 2022
Price band (INR)	285-300			Initiation of Refunds	On or about 14 <sup>th</sup> Nov’ 2022
Post issue MCAP (INR Mn.)	71,110-74,853			Credit of Equity Shares to Demat accounts	On or about 15 <sup>th</sup> Nov’ 2022
				Commencement of Trading of Eq.shares on NSE	On or about 16 <sup>th</sup> Nov’ 2022

Source: IPO Prospectus

Source: IPO Prospectus

Issue	# Shares	INR in Mn	%	Objects of the Offer: The net proceeds will be utilized for the following purpose	
QIB	1,46,86,992	4,406	50%	To achieve the benefits of listing the Equity Shares on the Stock Exchanges	
NIB	44,06,098	1,322	15%	To carry out the Offer for Sale of up to 293,73,984 Equity Shares by the Selling Shareholders	
Retail	1,02,80,894	3,084	35%		
<b>Net Offer</b>	<b>2,93,73,984</b>	<b>8,812</b>	<b>100%</b>		

Shareholding Pattern	Pre-Issue (%)	Post-Issue (%)
Promoters & Promoters Group	79.97%	75.96%
Others	22.03%	24.04%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Source: IPO Prospectus

Source: IPO Prospectus

Particulars (In INR Mn)*	FY20	FY21	FY22	Q1FY23
Revenue	10,746	13,107	16,110	4,192
EBITDA	946	1,448	1,395	308
EBITDA Margin	8.8%	11.0%	8.7%	7.4%
PAT	564	903	760	157
PAT Margin	5.2%	6.9%	4.7%	3.8%
Net Worth	5,292	6,057	8,208	8,363
RONW	10.7%	14.9%	9.5%	1.9%

Source: IPO Prospectus, \* Restated Statement

# Bikaji Foods International Ltd

## Company Overview

Bikaji Foods International Ltd (Bikaji) is the third largest ethnic snacks company in India with an international footprint, selling Indian snacks and sweets, and is the second fastest growing company in the Indian organised snacks market. In FY22, it was the 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. It is 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. Bikaji 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.

Bikaji's history and lineage traces back to Mr Gangabishan Agarwal, founder of Haldiram brand. His grandson, Mr Shiv Ratan Agarwal, the company's founder and one of its Promoters, continued his legacy and developed extensive experience in the Indian ethnic snacks industry. Mr Shiv Ratan Agarwal launched the Bikaji brand in the year 1993 with an indepth understanding of Indian tastes and preferences. The company has established market leadership in the ethnic snacks market in its core states of Rajasthan, Assam and Bihar with extensive reach, and has gradually expanded its footprint across India, with operations across 23 states and four union territories as of June 30, 2022. Bikaji has exported its products to 21 international countries, including countries in North America, Europe, Middle East, Africa, and Asia Pacific, representing 3.20% of its sales of food products.

Its product range includes six principal categories: bhujia, namkeen, packaged sweets, papad, western snacks as well as other snacks which primarily include gift packs (assortment), frozen food, mathri range and cookies. The company has sold more than 300 products under the Bikaji brand. It has established a brand as the preferred home consumption snacking brand for families. Amongst its competitors, Bikaji's the market leader in the family pack segment with 60.57% share of business coming from SKUs other than INR 5 and INR 10 packs during FY22. This reflects the strength of its brand as a planned purchase product while most of its competition in the packaged snacks industry in India has significantly higher contribution from small packs that primarily cater to the impulse purchase market. Bikaji also caters to the on-the-go (impulse) consumption market through its product packs available at established price points of INR 5 and INR 10.

As of June 30, 2022, the company had six depots, 38 super-stockists, 416 direct and 1,956 indirect distributors that work with its super-stockists, located across 23 states and four union territories in India. It has seven operational manufacturing facilities that are operated by the company, with four facilities located in Bikaner (Rajasthan), one in Guwahati (Assam), one facility in Tumakuru (Tumkur) (Karnataka) held through of one its subsidiary Petunt Food Processors Private Limited to cater to the southern markets in India and one facility in Muzaffarpur (Bihar) held through the other subsidiary Vindhyawasini Sales Private Limited to cater to its core market of Bihar, respectively. It has entered into a contract manufacturing agreement on a non-exclusive basis with a contract manufacturing unit in Kolkata (West Bengal).

The manufacturing facilities are generally equipped with modern and automated production processes, with specialized custom-made manufacturing equipment obtained from national and international suppliers. In particular, the production process for bhujia, namkeen snacks and packaged tin-based sweets are almost fully automated. It has also started manufacturing of papad through automation. However, most of the company's papad products are handmade, and it indirectly works with a large number of rural women through independent contractors to produce papad.

Bikaji has invested heavily in strengthening the brand recall and consumer goodwill of its brand Bikaji. It has engaged Amitabh Bachchan, a well-known celebrity in India, as its brand ambassador. The company has recently launched Bikaji Café and Bikaji Funkeen brands to promote its western snack segment. It has also launched its online retail platform [www.bikaji.com](http://www.bikaji.com) in February 2020 and introduced a mobile application in June 2020.

Mr Deepak Agarwal, the Managing Director and Promoter, has been instrumental in managing the rapidly expanding operations, implementing strategic marketing and business initiatives, and focusing on financial performance. Its Board of Directors also includes individuals who carry wide industry experience across sectors with significant business expertise in consumer, legal, sales and marketing and finance matters.

Bikaji has established a track of consistent revenue growth and profitability, even during periods impacted by the COVID-19 pandemic. It has recorded an increase in sales of food products at a CAGR of 22.3% over FY20-22, and EBITDA and profit after tax increased at a CAGR of 21.5% and 16.1%, respectively.

## Business Portfolio:

The company has a diversified portfolio of products split largely into six categories: Bhujia, Namkeen, Packaged Sweets, Papad, Western Snacks and other snacks.

**Bhujia:** It manufactures Bikaneri bhujia, a traditional crispy snack which is made using dew bean (moth dal), gram flour (besan), edible oil, salt, and various spices, and is light yellow in colour. It is famously known to have been first prepared in Bikaner and enjoys geographical indication tagging and has grown over years from being a cottage industry product to being manufactured in large scale in state of art manufacturing units. In FY22, Bikaji was the largest manufacturer of Bikaneri bhujia with annual production of 29,380 tonnes.

## Bikaji Foods International Ltd

### Business Portfolio:

Its current portfolio of bhujia varieties include Bikaneri Bhujia, Tana Tan Aloo Bhujia, Ratlami Chatpata Sev Bhujia, Sidha Sadha Bhujia, Makhan Malai Bhujia, Dankoli, Special Marwari Sev, Boondi Bhujia, Bikaneri Bhujia No. 3 and Kropati Khokha Mota Bhujia, amongst others. The company has 14 different kinds of Bhujia to cater to various regional and international tastes. The key export regions for its Bhujia outside India include Asia Pacific, North America and Middle East. The product contributes approximately 35.0%, as of June 30, 2022.

**Namkeen:** Namkeen refers to a type of traditional savoury Indian snack (other than bhujia) which are typically a mixture of one or more ingredients including moong dal, dry fruits and fried nuts, amongst others. Bikaji has an extremely diversified selection of namkeen, and several of its products like kuch kuch, moong dal, soya stick, nutcracker, sab kuch, panchratna, amongst others, are its best-selling products across India. Bikaji has a wide, diversified portfolio of namkeen snacks, and as of June 30, 2022, it has 66 snacks classified under the namkeen category. It contributes 39.2%, as of June 30, 2022.

**Packaged Sweets:** Bikaji manufactures more than 30 varieties of dry and wet sweets using ingredients such as milk, gram flour, sugar, dry fruits, mawa and paneer (cottage cheese). The company's selection of sweets is very diversified and are popular across India. Some of its popular sweet brands are Gol-Matol (Rasgulla), Manbhavan (Soan Papdi), Sadabahr (Soan Papdi), Gol-M-Gol (Gulab Jamun), Rajbhog, amongst others. As of June 30, 2022, the company had 43 products classified under packaged sweets. The segment accounts for 7.6% of the total sale of food products. Its key export regions for the packaged sweets are Asia Pacific, North America and Middle East.

**Papad:** Papad is one of its specialty products, as almost all of its Papad snacks are handmade, and it is the second largest manufacturer of handmade papad in India with an annual production capacity of 9,000 tonnes in FY22. It currently has eight different kinds of papad, and its papad varieties include Dil Khush Papad, Baat Cheet Papad, Premium Papad, Aas Paas Papad, Chana Papad, Super Papad and Chote Chote Mini Papad. These products accounts for 6.97% of its total sale of food products

**Western Snacks:** The western snack category primarily consists of chips, extruded products and pellets. Its selection of western snacks is developed to cater for the changing tastes of Indians domestically and internationally and are rapidly gaining popularity across India. As of June 30, 2022, the company had 32 products classified under western snacks. Western snacks contributes 8.64% of its total sale of food products.

**Other Snacks:** Other snacks primarily include gift packs (assortment), frozen food, mathri range and cookies.

### Company's Raw Material Portfolio:

Bikaji's raw material requirements include ingredients required for production of snack foods, as well as packaging and labelling materials. Its primary required raw ingredients for the manufacturing of its products are various flours, oil, spices, seasonings and others.

**Pulses and Flour:** The company uses various different types of pulses and flour for different types of snacks. As a whole, the cost of pulses and flour represented 25.2%, 27.5%, 25.2%, 29.4% and 26.0%, respectively, of its sale of food products, in FY20, FY21, FY22, Q1FY22 and Q1FY23, respectively.

**Oil:** The cost of oil used represented 13.1%, 15.4%, 19.9%, 22.6% and 22.9%, respectively, of its sale of food products in FY20, FY21, FY22, Q1FY22 and Q1FY23, respectively.

**Spices and seasoning:** Spices are generally used in its products to enhance the taste and texture of the product, and includes cinnamon, star anise, cumin seeds, black pepper, cardamom and garlic powder, amongst others. The cost of spices used represented 4.9%, 4.4%, 4.3%, 5.0% and 5.3%, respectively, of its sale of food products in FY20, FY21, FY22, Q1FY22 and Q1FY23, respectively.

**Sugar:** Sugar is used in its product to provide flavour for its sweets and certain namkeen snacks. The cost of sugar used represented 2.4%, 2.2%, 2.2%, 1.5% and 1.6%, respectively, of its sale of food products in FY20, FY21, FY22, Q1FY22 and Q1FY23, respectively.

**Milk and other Dairy Product:** Dairy products like milk and butter are used for certain of its sweets, including for rasgulla, gulab jamun, soan papdi and burfi amongst others, and is procured through milk farmers and chilling centres, sent to its facilities, and tested for fat and solid non-fat content protein and mineral content, bacterial organisms, antibiotics, pesticides, toxins and other contaminants prior to use. The cost of dairy products used represented 3.3%, 2.5%, 2.4%, 1.4% and 1.8%, respectively, of its sales of food products in FY20, FY21, FY22, Q1FY22 and Q1FY23, respectively.

Bikaji also require packing materials for packaging, which includes laminates, metal tins and cardboard boxes with its brand printed on them. The cost of packing materials that used, represented 11.9%, 11.4%, 11.1%, 10.5% and 10.7%, respectively, of sales of food products in FY20, FY21, FY22, Q1FY22 and Q1FY23, respectively.

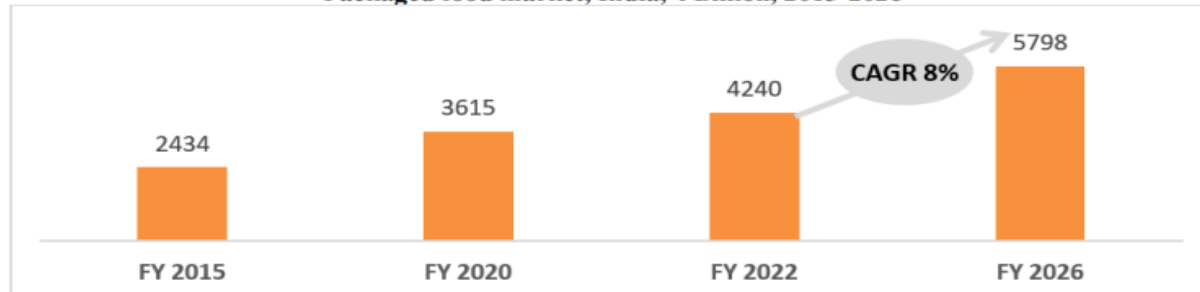


## Bikaji Foods International Ltd

### Industry Overview:

India's packaged food business is currently valued at INR 4,240 Bn. It has grown significantly in last five years on account of changing lifestyles, rising incomes and urbanization. In FY15, the packaged food retail revenue was worth INR 2,434 Bn and has registered a CAGR of approximately 8.3% from FY15-22. It is estimated to grow at CAGR of 8% in next five years to reach at INR 5,798 Bn.

**Packaged food market, India, ₹ Billion, 2015-2026**

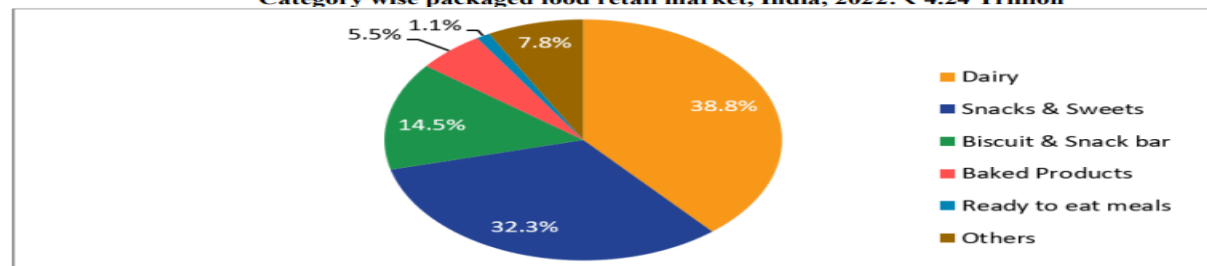


Source: IPO Prospectus

### Category-wise Packaged Food Market:

In CY22, the packaged food industry was valued at approximately INR 4.24 Tn. Dairy products contribute to 38.8% i.e., INR 1.64 Tn followed by snacks and sweets and biscuits segments at 32.3% and 14.5% respectively. Increasing product and packaging innovation, emphasis on healthy foods and increasing demand for convenience foods will continue to drive the demand for packaged foods at a growth of 31% over the next few years, as well.

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

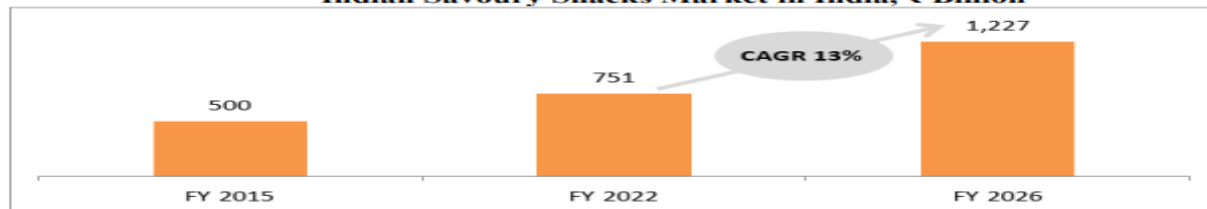


Source: IPO Prospectus

### Overview of Indian Savoury Snacks and Sweets Market:

Indian Savoury Snacks market is valued at INR 751 Bn in FY22 and is expected to reach INR 1,227 Bn by FY26 at CAGR 13%. Indian savoury snacks market can be broadly segmented into western snacks and traditional snacks. Traditional snacks market which is valued at INR 366 Bn, contributes around 48% to the total savoury snacks market. Western snacks market is valued at INR 385 Bn in FY22.

**Indian Savoury Snacks Market in India, ₹ Billion**



Source: IPO Prospectus

### Packaged Savoury Snacks Market in India:

The INR 751 Bn 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.

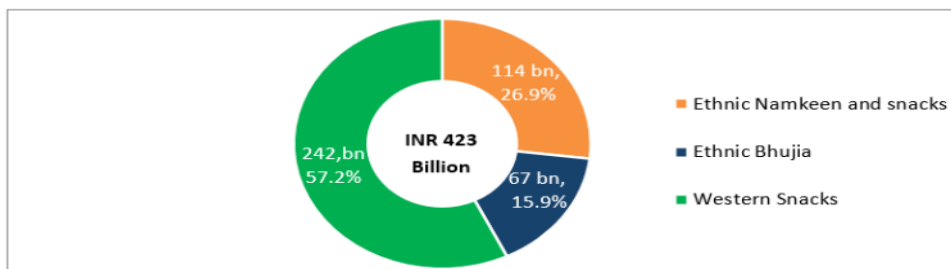
Due to demonetization, goods and services ("GST") rules and the COVID-19 pandemic many small and regional unorganized players were forced to shut down business which has resulted in providing impetus to organized players. Despite 43.7% of packaged savoury snacks market being unorganized, organized players such as Haldiram, Pepsico- Lays, Balaji, Bikaji have strong foothold across the country and major market share in regional pockets. Reverse migration has helped to move consumption trends to India's smaller cities helping in brisk sale of packaged goods in these regions.

# Bikaji Foods International Ltd

## Industry Overview:

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 INR 196 Bn in FY15 and is INR 423 Bn in FY22. It is further expected to grow at CAGR 15% till FY26E.

### Organized Indian Savoury Snacks market- Market size by Type, 2022



Source: IPO Prospectus

Western snacks still dominate the organized market with 57.2% of market share in the Indian savoury snacks segment. Ethnic namkeen and snacks contribute to 26.9% of the organized savoury market followed by ethnic bhujia which is at 15.9% in overall savoury snacks market in FY22. Ethnic namkeen and snack items were very region-specific even within India. But now, with urbanization and working population migration to different regions the demand for regional snacks is increasing in pan-India. This has led to domestic expansion of many regional players like Bikaji, Chitale, etc.

Another trend in the foods market is the packaging and sales of products that were previously not sold as packaged item. Typical examples are Bhakarwadi, samosas, Bhel Puri by Haldiram's Aam Panna by Paperboat, packaged coconut water, etc. This trend is expected to continue as companies discover processes to increase the shelf life while retaining the authentic taste of traditional foods. Companies are also leveraging product innovation to compete within as well as outside the category.

The ethnic namkeen and snacks market is valued at INR 114 Bn. This segment has grown immensely since last few years and majorly since pandemic because of increase in number of consumers buying branded namkeen instead of loose products from local stores due to the hygiene issues. The boom in branded or organized namkeen is driven by consumers who are upgrading from unbranded segment rather than consumers of western snacks shifting to ethnic segment. In recent times, ethnic namkeen is the fastest gaining opportunity in Indian Savoury snacks market offering benefits of good margins, broad range of products.

Organized western snacks with INR 242 Bn market value, is expected to grow at 15% CAGR till FY26E. Within western snacks we have chips, extruders and bridges-others which contribute to 52%, 33% and 15% respectively in FY22. A variety of branded and unbranded chips, extruders are also available in the market which are usually restricted to a city or even a locality within a city. The consumer preferences in India are shifting towards packed western snacks where Bikaji's current market share is low but is growing steadily.

## Sweets Market in India:

The Indian sweet market is valued at INR 593 Bn with major share coming from unorganized players. The market is predicted to reach INR 846 Bn by FY26E owing to the sweet tooth Indians. Indian sweets market is largely unorganized with INR 535 Bn market value and share of almost 90%. The popularity of traditional sweets coupled with increasing consumer awareness of cleanliness and hygiene has assured that the packaged sweets have acquired good amount of traction. Moreover, the open sweets or unorganized market constantly faces the threat of rising prices of milk and other raw products leading the seller to resort to adulteration. Shelf life increasing is only possible with packaged sweets. The INR 58 Bn organized sweet market is segmented into milk-based sweets, Soan Papdi, dry fruit sweets and other sweets such as ladoos, etc. Haldiram, Bikaji, Bikano are the major players in organized sweet industry which offer a wide range of packed sweets. Milk based sweets is growing at CAGR of 15% and is expected to reach approximately INR 29 Bn by FY26E. Similarly, Soan Papdi and Dry fruits sweet segments are growing at CAGR of 16% and 15% respectively.

## Papad Market in India:

Papad segment has majority of the unorganized players some of which are in form of women self-help groups which gives a means of earning to women across the geographies in India. There are some organized players such as Lijjat papad, Bikaji, Agarwal 420, Shree ram papad. The overall market is expected to reach INR 103 Bn by FY26E with a CAGR of 7%. The organized market in papad segment is valued at INR 26 Bn and is growing at CAGR of 10%.

## Estimated Market share in Pan India:

Bikaji is among the top three Indian ethnic snack manufacturers in India. Haldiram is the market leader in Ethnic Namkeen, and snacks market has always been associated with packaged traditional snacks and sweets in India and abroad. With a long heritage it is expected to dominate the market over the next 4-5 years. In western snacks category, PepsiCo, with its "Lay's" and "Kurkure" brand, is the market leader with more than 22% share.

# Bikaji Foods International Ltd

## INVESTMENT RATIONALE

### Well-known brand with pan-India presence:

Bikaji sells all its products under its well-established Bikaji brand, focusing on a diverse range of quality products, authentic ethnic Indian taste, innovative packaging, and effective pricing strategies covering all key price points. These qualities have enabled the company to develop strong brand recognition and consumer loyalty in its key markets in India and abroad. Bikaji is among the top three Indian ethnic snack manufacturers in India. A significant part of its sales of food products is derived from sales of family packs (i.e., SKUs priced above INR 10), which were INR 6,407 Mn, INR 8,186 Mn, INR 9,705 Mn, INR 1,940 Mn and INR 2,236 Mn and accounted for 59.8%, 62.6%, 60.6%, 58.4% and 53.6% of its sale of food products in FY20, FY21 and FY22, and in Q1FY22 and Q1FY23, respectively. This reflects the strength of its brand as a home consumption and planned purchase product. Amongst its competitors, Bikaji is the market leader in the family pack segment, with the family pack segment constituting 60.6% of its sale of food products in FY22, as compared to its other SKUs of INR 5 and INR 10 packs.

The company has strategically undertaken brand-building initiatives to increase brand recall through the prudent use of resources and increasing branding and marketing expenses as it grows its business. It has, over the years, consistently invested in developing strong brand recall and consumer preference. Bikaji has engaged Amitabh Bachchan, a well-known celebrity in India, as its brand ambassador. Bikaji brand continues to benefit significantly from the goodwill of its brand ambassador, which will enable it to penetrate further markets where the company is a relatively new entrant. In addition to working closely with its brand ambassador, Bikaji also promotes the brand through in-film integration, co-branded advertisements, social media campaigns and on-product pack promotions.

### Diversified product portfolio with focus on multiple consumer segments and markets:

The Indian taste palate complements the company's product development capabilities, which has allowed it to develop a comprehensive portfolio of a variety of Indian snack foods and sweets. As of June 30, 2022, its diversified product portfolio included more than 300 products across all its product segments. Bikaji has launched packages of various sizes for its products. It has maintained a consistent product pipeline at its manufacturing facilities. The relationship with its raw ingredient suppliers enables it to ensure that its manufacturing facilities operate efficiently. The company's focus on developing quality and diversified Indian snacks allows it to differentiate its offering from its competitors and market and consumer-relevant products. Bikaji is in the process of setting up a facility in Bikaner to manufacture frozen products. It uses a range of raw ingredients for its comprehensive portfolio of products, thereby reducing its dependence on any particular raw ingredient, resulting in results of operations being less susceptible to price fluctuations or disruptions on account of the supply of a single raw ingredient.



Source: IPO Prospectus

ANALYST  
Vikrant Kashyap, [research2@krchoksey.com](mailto:research2@krchoksey.com), +91-22-6696 5413

**KRChoksey Research**  
is also available on Bloomberg KRCS<GO>  
Thomson Reuters, Factset and Capital IQ

Phone: +91-22-6696 5555, Fax: +91-22-6691 9576  
[www.krchoksey.com](http://www.krchoksey.com)

# Bikaji Foods International Ltd

## INVESTMENT RATIONALE

### Large-scale, specialized production facilities with stringent quality standards that are strategically located:

Bikaji's existing manufacturing facilities are built for large scale operations and are strategically located in proximity to (i) its key raw ingredient supplies; and (ii) improve its distribution and supply of finished products, which results in reduced freight and logistics related time and cost. The 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 its bhuja, sweets and namkeen products. Its manufacturing facility in Guwahati (Assam) commissioned on January 14, 2022, with capacity to produce namkeen and western snacks is strategically located in the core market which will help Bikaji to reduce logistic costs and build sales in its western snacks category. Bikaji operates two facilities through its Subsidiaries with one facility at Tumakuru (Tumkur) (Karnataka) held through Petunt Food Processors Private Limited to cater to the southern markets in India and the other facility at Muzaffarpur (Bihar) held through Vindhyaasini Sales Private Limited to cater to its core market of Bihar which was commissioned on March 31, 2022. It also has a contract manufacturing unit in Kolkata (West Bengal) for which it has entered into a contract manufacturing agreement on a non-exclusive basis that helps the company primarily cater to certain parts of eastern India and two contract manufacturing agreements on an exclusive basis with one of its Group Company, Hanuman Agrofood for a contract manufacturing facility located at Bikaner and with a contract manufacturer for a contract manufacturing facility located at Kanpur, Uttar Pradesh. In addition, it has one small facility in Mumbai to manage its Mumbai restaurant sales.

The company aims to establish additional manufacturing facilities to ensure optimization of its logistical costs. It intends to operationalise two additional manufacturing facilities, of which one in Rajasthan will be operated by Bikaji and will manufacture its frozen snacks and sweets products, and for the remaining manufacturing facilities in Bihar, it has entered into contract manufacturing agreement for the manufacture of namkeen and western snacks.

The company has maintained a stringent quality control across the entire production chain, including sourcing, processing, manufacturing, packaging and distribution. The raw ingredients used in its products are of premium quality. The products are Halal certified, EIC approved for milk-products processing, and APEDA approved for peanut-based products processing. It also ensures the consistency of the taste of its products by supplying requisite seasonings to its contract manufacturing facilities

### Strong pan-India and global distribution network, partnerships with reputable retail chains, and expanding ecommerce and exports channels:

Bikaji sells its products primarily through general trade, modern trade, and e-commerce platform, as well as exports.

	FY20		FY21		FY22		Q1FY22		Q1FY23		
Channel	Amount (INR Mn)	Percentage of Sale of Food Products	Amount (INR Mn)	Percentage of Sale of Food Products	Amount (INR Mn)	Percentage of Sale of Food Products	Amount (INR Mn)	Percentage of Sale of Food Products	Amount (INR Mn)	Percentage of Sale of Food Products	CAGR FY20-22
General Trade	9,156.2	85.4%	11,288.0	86.4%	13,581.9	84.8%	2,954.4	89.0%	3,562.5	85.5%	21.8%
Modern Trade	716.4	6.7%	776.4	5.9%	1,100.6	6.9%	120.3	3.6%	237.6	5.7%	24.0%
Exports	460.2	4.3%	664.6	5.1%	637.5	4.0%	165.9	5.0%	133.5	3.2%	17.7%
E-commerce Platform	29.8	0.3%	102.1	0.8%	186.8	1.2%	34.5	1.0%	34.2	0.8%	150.4%
Others	359.2	3.4%	238.0	1.8%	516.1	3.2%	45.6	1.4%	201.2	4.8%	19.9%
<b>Total</b>	<b>10,721.8</b>	<b>100.0%</b>	<b>13,069.1</b>	<b>100.0%</b>	<b>16,022.9</b>	<b>100.0%</b>	<b>3,320.7</b>	<b>100.0%</b>	<b>4,168.9</b>	<b>100.0%</b>	<b>22.3%</b>

Source: IPO Prospectus

### a) Extensive distribution network in India:

Bikaji has developed a large pan-India distribution network. As of June 30, 2022, it had six depots, 38 super-stockists, 416 direct and 1,956 indirect distributors that work with its super-stockists, located across 23 states and four union territories in India. It has developed longstanding relationships with most of its super-stockists and direct distributors and they play a key role in ensuring that its products reach the end retailer in an efficient manner. The company consistently engage with its super-stockists and direct distributors as well as end retailers to collect product feedback and insights on market trends to drive its product development initiatives. The company implements an integrated inventory and distribution management systems and sales force automation solutions to further improve the efficiency in its supply chain. Bikaji is also focused on developing strategic distribution channels, such as sale of its products at railway stations across India. Further, it has also started supplying products for sale in Indian army canteens from August 2022.



# Bikaji Foods International Ltd

## INVESTMENT RATIONALE

**b) Strategic partnerships with Indian and worldwide retail chains:** The company has entered into arrangements with various modern retail channels, including supermarkets, hypermarkets and retail store chains either directly or through super-stockists. Within India, it has entered into arrangements with multiple retail chains. Bikaji has, over the years, developed robust export sales through distributors or a direct arrangement with international retail chains; its products are available at various international retail chains. These arrangements with retail chains are critical to increasing its footprint across India, further strengthening its brand and driving increased sales of its products.

### c) Growing e-commerce channel:

E-commerce platform channels include listing its products on various popular eCommerce platforms, distribution start-ups, and its own eCommerce platform, [www.bikaji.com](http://www.bikaji.com). Sales through e-commerce channels in FY20, FY21 & FY22 and Q1FY22 & Q1FY23 were INR 29.81 Mn, INR 102.1 Mn, INR 186.8 Mn, INR 34.5 Mn and INR 34.18 Mn and contributed 0.28%, 0.78%, 1.17%, 1.04% and 0.82%, respectively of its sales of food products in such periods.

### d) Significant export sales of multiple products:

In FY20, FY21, FY22, and in Q1FY22 & Q1FY23, its export sales were INR 460.2 Mn, INR 664.6 Mn, INR 637.5 Mn, INR 165.9 Mn and INR 133.5 Mn and represented 4.29%, 5.09%, 3.98%, 5.00% and 3.20% of its sale of food products. In FY20, FY21, FY22, and Q1FY22 & Q1FY23, the products were exported to 29, 31, 35, 26 and 21 countries, respectively. Bikaji's revenues from exports also increased at a CAGR of 17.69% from INR 460.23 Mn in FY20 to INR 637.45 Mn in FY22 and INR 133.45 Mn in Q1FY23. The company has also entered into certain supply arrangements with international retail chains, primarily in the Middle East. The export sales help to grow its geographical footprint and brand internationally.

### Consistent financial performance:

Bikaji's continued focus on efficiency, productivity and cost rationalization has enabled it to deliver consistent financial performance, despite the recent increase in the cost of certain of its raw ingredients and packaging materials. Despite the price of palm oil increasing significantly in FY22 and the increase in inflation resulting in an increase in raw material prices in Q1FY23, the company has managed to maintain consistent EBITDA margins by passing on the rise in raw ingredients cost to its consumers, which it believes reflects the strength of its brand. The sales of food products have grown at a CAGR of 22.25% from INR 10,721.8 Mn in FY20 to INR 16,022.9 Mn in FY22, despite the impact of the COVID-19 pandemic. Bikaji believes that its strong operational and financial performance will allow it to capitalize on significant growth opportunities in the Indian snacks industry in India.

### Experienced Promoters and management team:

The founder and Promoter, Mr Shiv Ratan Agarwal has more than three decades of experience in this industry. Its Managing Director and Promoter, Mr Deepak Agarwal, has been instrumental in managing its rapidly expanding operations, implementing strategic marketing and business initiatives, and focusing on financial performance. The company has a well-qualified senior management team with extensive experience in the consumer goods and food and beverages industry, which positions it well to capitalize on future growth opportunities. As of June 30, 2022, the company has been supported by 2,664 committed staff base on its payroll out of which 474 are employees (excluding skilled and unskilled labours) and 2,190 are skilled and unskilled labours. In FY20, FY21 & FY22 and Q1FY22 & Q1FY23, the attrition rate of its employees (excluding skilled and unskilled labours) was at 18.23%, 17.42%, 23.13%, 5.05% and 7.00%, respectively

# Bikaji Foods International Ltd

## Business Strategies

### Core market strategic intervention:

The core markets are Rajasthan, Assam and Bihar, where it continues to gain market share and strengthen its leadership position. In FY22, it enjoyed a market share of approximately 45%, approximately 58% and approximately 29%, respectively, of the market share of total organized Indian ethnic snack category in Rajasthan, Assam and Bihar respectively. Bikaji will continue to invest into these markets to further consolidate its leading position in these states. In these core markets, the company intends to leverage growth from the stores where it is already present by enhancing its sales efficiency and productivity enabled by automation tools. The key task would be to drive premiumization and up-trading which would help gaining weighted distribution and share amongst handlers, driving deeper penetration and complete sales automation which would help us to maintain and further gain market shares in these geographies. It will continue to focus on driving category share in stores in these markets by leveraging the strength of its diversified product portfolio and on the ground, best-in-class execution. It will leverage its sales automation tool to drive effective coverage and efficiency and increase through-put per store by tracking and driving lines per call as key operational and business metrics, to increase direct reach. Bikaji is in the process of digitalizing its super-stockist and distributor network by providing them with comprehensive distribution management systems and sales force automation solutions. Its new manufacturing facilities will give immense opportunity to play aggressively in western categories, better turnaround timelines, and ensure logistic efficiency to help further funding growth.

### 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 it offers. In these states there are immense growth opportunities, and it has already made some inroads, started making its presence felt and started gaining market share. The strategic lever will be to strengthen its distribution network and increase direct and indirect reach in these states. 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 a 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. It expects these focus markets to contribute disproportionate growth for the next several years and eventually move into the set of core states. Bikaji intends to leverage certain of its products such as bhujia, namkeen and drive western snacks categories to develop products to cater to local tastes. The company also intends to prioritize its focus on building its distribution network in the large metropolitan markets and cities with significant growth opportunities, before further expanding into smaller cities and rural areas in these states. It aims to leverage modern trade channels (such as e-commerce) in these markets to ensure consumer awareness and reach. Bikaji plans to increase its feet on the ground to strengthen its sales team in these regions which will drive and assist in managing its distribution network and increase reach.

### Expansion into other markets:

In such other markets, Bikaji aims 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 is expected 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, the focus will be on large cities and driving its popular products. Bikaji will leverage e-commerce B2B platforms and national modern trade retail chains to increase its presence and brand in these markets. As the company generates the threshold business volumes, it will invest behind the full-fledged infrastructure to expand into deeper markets and proliferation of categories and product SKUs.

### Establish strategically located new manufacturing facilities to pursue growth in its focus and other markets:

Apart from the existing manufacturing facilities, to support the growth strategy in its focus and other markets, Bikaji intends to operationalise two additional manufacturing facilities, of which one in Rajasthan will be operated by the company and will manufacture its frozen snacks and sweets products, and for the remaining manufacturing facility in Bihar, it has entered into a contract manufacturing agreement for the manufacture of namkeen and western snacks, which are expected to commence commercial operations over the next two years. Freight costs for western snacks are significantly higher than traditional ethnic snacks, as packaging of western snacks involve significant packaging volume. In order to ensure freshness of products and optimize freight costs, the company aims to manage production and supply of its western snacks from its facilities located in close proximity to its target markets. The company believes this will allow to optimise its freight costs and delivery efficiency to these markets.

### Continue to use advanced technology to further optimise its operations:

The Indian snacks industry is rapidly evolving, and it has implemented various advanced technology driven production and distribution processes to drive and track its operational productivity, supply chain management and consumer engagement. These technological initiatives implemented by the company will continue to assist in increasing efficiency and productivity. Almost all the production operations are fully automated, controlled and managed by its ERP system, which allows it to align demand with production, ensuring optimal use of technologies with best practices. Bikaji continues to make significant investment to support its super-stockists and distributors and further scale the distribution network which includes additional cities, towns and rural areas that increase market penetration across India

## Bikaji Foods International Ltd

### Key Strengths

- Bikaji is a well-established brand with a strong pan-India presence.
- It has a diversified product portfolio focusing on various consumer segments & markets.
- The company's manufacturing facilities are strategically located at a large scale, having stringent quality standards.
- The company has an extensive pan-India and global distribution network & arrangements with retail chains & growing e-commerce & export channels.
- It has a large scale of multi-product export sales.
- With a continued focus on efficiency, productivity and cost rationalization, the company has been able to deliver a consistent performance despite the increase in the cost of material & packaging material.
- Bikaji has a highly experienced promoter & management team, which positions it well to capitalize on future growth opportunities.

### Key Risks

- Bikaji is significantly dependent on the sale of its bhuja products & family pack stock keeping units ('SKUs') for its revenues. An inability to anticipate and adapt to evolving consumer tastes, preferences and demand for particular products, or ensure product quality or reduce the demand for its bhuja products may adversely impact demand for its products, brand loyalty and consequently, its business prospects and financial performance.
- Its profit and EBITDA margins may be impacted by a variety of factors, including but not limited to variations in raw materials, pricing, product mix, end consumer preferences, sales velocities, advertisement and sales promotion initiatives, and competition.
- The proposed capacity expansion plans relating to its manufacturing facility and proposed contract manufacturing facilities 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.
- There may have been certain instances of non-compliances and alleged non-compliance concerning certain regulatory filings for corporate actions taken by the company in the past. Consequently, it may be subject to regulatory actions, and penalties for any such past or future non-compliance and its business, financial condition and reputation may be adversely affected.
- Any slowdown, interruption to its manufacturing operations, or under-utilization of its existing or future manufacturing facilities may hurt the business.
- Bikaji currently avail benefits under specific Government incentive schemes. However, any failure to meet the obligations under such schemes may adversely affect the business operations.
- The company relies on a limited number of super-stockists and direct distributors for a portion of its revenue from operations. A significant decrease in revenue from any of those super-stockists, an inability to expand or effectively manage its growing super-stockist and distributor network, or any disruptions in its distribution chain may adversely affect the business prospects and financial performance.
- Inadequate or interrupted supply and price fluctuation of the raw materials and packaging materials could adversely affect its business, results of operations, cash flows, profitability and financial condition.

## Bikaji Foods International Ltd

### Outlook and Valuation:

Bikaji is a well-established brand, the second fastest growing company with a CAGR of 21.3% from FY19 to FY22 in the Indian organized snacks market. The company has registered healthy revenue growth CAGR of 19.8% over FY18-FY22 and a growth of 9.1% in EBITDA over the same period while maintaining healthy profitability. The company has continued to report healthy cash flow from operations, with strong liquidity and credit metrics supported by strengthening its distribution network and launching new products. Despite the increase in the raw material prices, the company managed margins in the range of 7.2-8.0% in FY22 and Q1FY23. Its strong operational and financial performance will help to capitalize on significant growth opportunities in the Indian snacks industry in India. The company's objective of the offer is a) to achieve the benefits of listing the Equity Shares on the Stock Exchanges; and b) to carry out the Offer for Sale of up to 293,73,984 Equity Shares by the Selling Shareholders.

Bikaji's IPO size is INR 8,812 Mn. The price band of the issue is INR 285-300 per share. On the upper price band of INR 300 and EPS of INR 3.15 for FY22, the P/E ratio works out to be 95.2x. The ROCE/ROE for the bank stood at 13.9%/ 9.5% respectively in FY22, which is better than the head-to-head peers, i.e., Prataap Snacks & DFM Foods. We believe the current valuation of 95.2x is reasonable considering the average industry P/E of 204.4x as per the Company RHP. Given the market positioning, brand equity & improving penetration of the packaged food products, we are optimistic about the company's outlook. **As a result, we recommend that Bikaji Foods International Ltd IPO be rated 'SUBSCRIBE'.**

### Peer Comparison:

Based on the peer group information (excluding the Company) given below in this section, the highest P/E ratio is 748.91, the lowest P/E ratio is (77.84) and the average P/E ratio is 204.4x.

As per the company's prospectus, comparison of accounting ratios with listed industry peers:

Name of the company	Face Value (INR per share)	Market Cap (INR Mn)	Revenues for FY22 (INR in Mn)	ROE (%)	RoCE for FY22 (%)	Basic EPS for FY22 (INR)	NAV (INR per share)	P/E for FY22 (x)
Bikaji Foods International Ltd	1.0	83,135	16,110	9.5	13.9	3.2	32.8	95.2
Peer Group								
Pratap Snacks Ltd	5.0	214,607	13,966	2.4	2.6	1.2	266.2	748.9
DFM Foods Ltd	2.0	189,590	5,545	-15.0	-9.5	-4.9	30.4	NA
Nestle India Ltd	10.0	19,64,229	147,094	113.0	147.0	222.5	216.2	86.9
Britannia Industries Ltd	1.0	907,242	141,363	49.7	41.5	63.3	105.4	59.8

Source: IPO Prospectus

Note:\*Considering the upper price band



# Bikaji Foods International Ltd

## Financials:

Income Statement (INR Mn)	FY20	FY21	FY22	Q1FY23
<b>Total Revenue from Operations</b>	<b>10,746</b>	<b>13,107</b>	<b>16,110</b>	<b>4,192</b>
YoY Growth (%)		22.0%	22.9%	25.5%
<b>EBITDA</b>	<b>946</b>	<b>1,448</b>	<b>1,395</b>	<b>308</b>
<b>EBITDA Margin (%)</b>	<b>8.8%</b>	<b>11.0%</b>	<b>8.7%</b>	<b>7.4%</b>
Other Income	84	115	105	47
Depreciation	342	331	383	111
<b>EBIT</b>	<b>688</b>	<b>1231</b>	<b>1117</b>	<b>244</b>
Interest expense	51	30	67	26
<b>PBT</b>	<b>636</b>	<b>1201</b>	<b>1050</b>	<b>218</b>
Tax	73	298	290	61
<b>PAT</b>	<b>564</b>	<b>903</b>	<b>760</b>	<b>157</b>
<b>EPS (INR)</b>	<b>2.3</b>	<b>3.7</b>	<b>3.2</b>	<b>0.7</b>

Source: IPO Prospectus, KRChoksey Research

Balance Sheet (INR Mn)	FY20	FY21	FY22	Q1FY23
Equity Share Capital	243	243	250	250
Other Equity	5,049	5,814	7,958	8,113
<b>Total Shareholders' Funds</b>	<b>5,292</b>	<b>6,057</b>	<b>8,208</b>	<b>8,363</b>
Non-controlling interest	0	18	-1	-6
<b>Total Equity</b>	<b>5,292</b>	<b>6,075</b>	<b>8,207</b>	<b>8,357</b>
Borrowings	523	862	1,412	1,564
Lease Liabilities	16	13	185	217
Provisions	68	48	29	32
Trade Payables	143	425	428	519
Other Financial Liabilities	278	232	267	248
Other current Liabilities	447	517	493	525
Current Tax Liabilities	0	100	0	18
<b>Total Equity &amp; Liabilities</b>	<b>6,766</b>	<b>8,171</b>	<b>11,021</b>	<b>11,463</b>
<b>Assets</b>				
Cash and Cash Equivalents	44	18	25	55
Bank Balance	839	856	877	932
Trade Receivables	417	473	733	704
Current Tax Assets	0	0	0	0
Other current assets	89	231	257	300
Other Financial Assets	637	780	1,533	1,686
<b>Total Current Assets</b>	<b>2,026</b>	<b>2,358</b>	<b>3,425</b>	<b>3,677</b>
Income Tax Assets (net)	69	31	67	68
Property, Plant and Equipment	3,904	4,071	4,789	4,937
Right of Use Assets	97	99	270	341
Capital work-in-progress	29	361	294	485
Deferred Tax Assets	0	0	0	0
Other Intangible Assets	15	19	12	12
Other Non-Financial Assets	627	1,233	2,164	1,943
<b>Total Non-Financial Assets</b>	<b>4,740</b>	<b>5,814</b>	<b>7,596</b>	<b>7,786</b>
<b>Total Assets</b>	<b>6,766</b>	<b>8,171</b>	<b>11,021</b>	<b>11,463</b>

Source: IPO Prospectus, KRChoksey Research

# Bikaji Foods International Ltd

**ANALYST CERTIFICATION:**

I, Vikrant Kashyap (PGDBM-Finance & IT), Research Analyst, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

**Terms & Conditions and other disclosures:**

KRChoksey Shares and Securities Pvt. Ltd. (hereinafter referred to as KRCSSPL) is a registered member of National Stock Exchange of India Limited and Bombay Stock Exchange Limited. KRCSSPL is a registered Research Entity vide SEBI Registration No. INH000001295 under SEBI (Research Analyst) Regulations, 2014.

We submit that no material disciplinary action has been taken on KRCSSPL and its associates (Group Companies) by any Regulatory Authority impacting Equity Research Analysis activities.

KRCSSPL prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analyst covers. The information and opinions in this report have been prepared by KRCSSPL and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of KRCSSPL. While we would endeavor to update the information herein on a reasonable basis, KRCSSPL is not under any obligation to update the information. Also, there may be regulatory, compliance or other reasons that may prevent KRCSSPL from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or KRCSSPL policies, in circumstances where KRCSSPL might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. KRCSSPL will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. KRCSSPL accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Our employees in sales and marketing team, dealers and other professionals may provide oral or written market commentary or trading strategies that reflect opinions that are contrary to the opinions expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

Associates (Group Companies) of KRCSSPL might have received any commission/compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of brokerage services or specific transaction or for products and services other than brokerage services.

KRCSSPL or its Associates (Group Companies) have not managed or co-managed public offering of securities for the subject company in the past twelve months.

KRCSSPL encourages the practice of giving independent opinion in research report preparation by the analyst and thus strives to minimize the conflict in preparation of research report. KRCSSPL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither KRCSSPL nor Research Analysts have any material conflict of interest at the time of publication of this report.

It is confirmed that, Vikrant Kashyap (PGDBM-Finance & IT), Research Analyst of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific brokerage service transactions.

KRCSSPL or its associates (Group Companies) collectively or its research analyst do not hold any financial interest/beneficial ownership of more than 1% (at the end of the month immediately preceding the date of publication of the research report) in the company covered by Analyst, and has not been engaged in market making activity of the company covered by research analyst.

It is confirmed that, Vikrant Kashyap (PGDBM-Finance & IT), Research Analyst do not serve as an officer, director or employee of the companies mentioned in the report.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other Jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject KRCSSPL and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform them of and to observe such restriction.

Please send your feedback to [research.insti@krchoksey.com](mailto:research.insti@krchoksey.com)

Visit us at [www.krchoksey.com](http://www.krchoksey.com)

**KRChoksey Shares and Securities Pvt. Ltd.**

**Registered Office:**

1102, Stock Exchange Tower, Dalal Street, Fort, Mumbai – 400 001.

Phone: +91-22-6633 5000; Fax: +91-22-6633 8060.

**Corporate Office:**

ABHISHEK, 5th Floor, Link Road, Andheri (W), Mumbai – 400 053.

Phone: +91-22-6696 5555; Fax: +91-22-6691 9576.