



Bikaji Foods International Ltd is the 3rd largest ethnic snacks company and 2nd fastest growing company in the Indian organized snacks market. Its well diversified product portfolio and brand endorsement have enabled the company to establish its brand within organized snacks segment.

Further, it plans to reduce its concentration in the north and eastern market to have a pan India distribution network in addition to strengthening exports, which we believe would help in decent revenue growth in the future. The company's ability to understand taste of Indian consumer has helped it grow despite of the competition from western snacks category. However, the company is available at expensive valuation hence we are recommending to SUBSCRIBE for listing gains.



About Company

Bikaji Foods is the third largest ethnic snacks company in India with an international footprint, selling Indian snacks and sweets and are the second fastest growing company in the Indian organized snacks market. The company is also the third largest player in the organized sweets market.

In fiscal 22, they were largest manufacturer of Bikaneri bhujia with annual production of 29380 tonnes and 2nd largest manufacturer of handmade papad with an annual production capacity of 9000 tonnes in fiscal 2022.

Issue details

Price Band (in ₹ per share)	285-300
Issue size (in ₹ Crore)	836.78-880.84
Fresh Issue (in ₹ Crore)	NIL
OFS (in ₹ Crore)	836.78-880.84
Issue open date	03-11-2022
Issue close date	07-11-2022
Tentative date of Allotment	11-11-2022
Tentative date of Listing	16-11-2022
Total number of shares (lakhs)	293.74
No. of shares for QIBs (50%) (lakhs)	145.62
No. of shares for NII (15%) (lakhs)	43.69
No. of shares for retail investors (35%) (lakhs)	101.93
No. of shares for Employees (lakhs)	2.50
Employee discount in INR	15
Minimum order quantity	50
Face value (in ₹)	1.00
Amount for retail investors (1 lot)	14,250-15,000
Maximum number of shares for Retail investors at lower Band	700(14 Lots)
Maximum number of shares for Retail investors at upper band	650(13 Lots)
Maximum amount for retail investors at lower Band- upper band (in ₹)	1,99,500-1,95,000
Exchanges to be listed on	BSE, NSE

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Promoters

1. Shiv Ratan Agarwal
2. Deepak Agarwal

Objective of the Offer

1. Sale of shares of upto 2,93,73,984 by the promoters

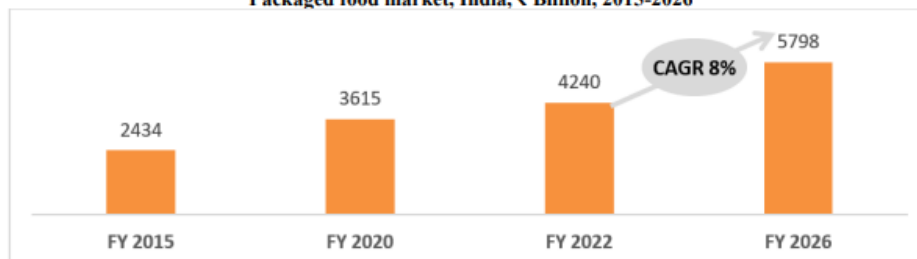
**Brief Financials**

Particulars (Rs. Cr)*	JUN 22 (3M)	FY22	FY21	FY20
Share Capital	24.95	24.95	24.31	24.31
Net Worth	834.80	819.26	604.10	529.17
Revenue from Operation	419.16	1610.96	1310.75	1074.55
PBT	21.79	105.01	120.11	63.64
PAT	15.70	76.03	90.34	56.37
Basic EPS(Rs)	0.65	3.15	3.71	2.32
NAV	33.46	32.83	24.85	21.76
P/E#	115.38^	95.24	NA	NA
P/B #	8.97	9.14	NA	NA

Source: RHP # Calculated at the upper price band, * Restated consolidated financials ^Annualised P/E

Industry Review**Overview of the Packaged Food in India**

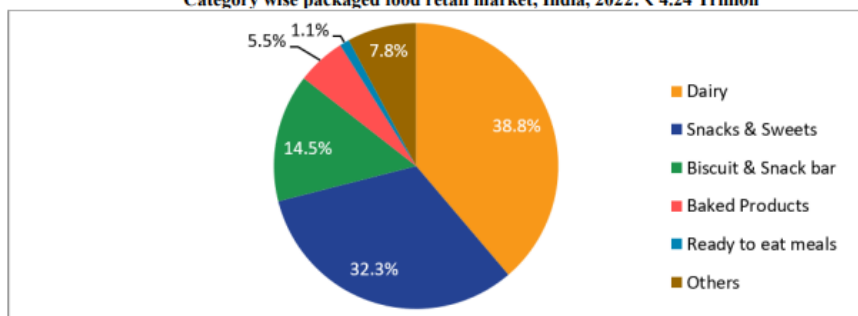
India's packaged food business is currently valued at ₹ 4,240 billion. It has grown significantly in last five years on account of changing lifestyles, rising incomes and urbanization. In Fiscal 2015, the packaged food retail revenue was worth ₹ 2,434 billion and has registered a CAGR of approximately 8.3% from Fiscal 2015 to Fiscal 2022. It is estimated to grow at CAGR of 8% in next five years to reach at ₹ 5,798 billion.

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

Source: Retailers association, Frost & Sullivan Analysis

Category wise Packaged Food Market

In 2022, the packaged food industry was valued at approximately ₹ 4.24 trillion. Dairy products contribute to 38.8% i.e., ₹ 1.64 trillion followed by snacks and sweets and biscuits segments at 32.3% and 14.5% respectively.

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

Source: Statista, Frost & Sullivan Analysis



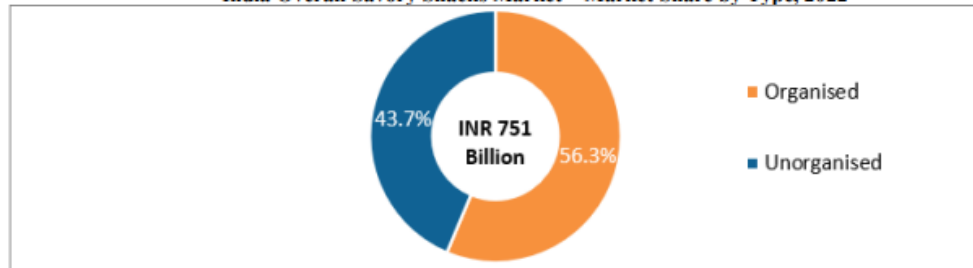
Industry Review

Savoury Snacks and Sweets Market in India

Indian Savoury Snacks market is valued at ₹ 751 billion in 2022 and is expected to reach ₹ 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 ₹ 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 ₹ 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.

Packaged Savoury Snacks Market in India

India Overall Savory Snacks Market – Market Share by Type, 2022

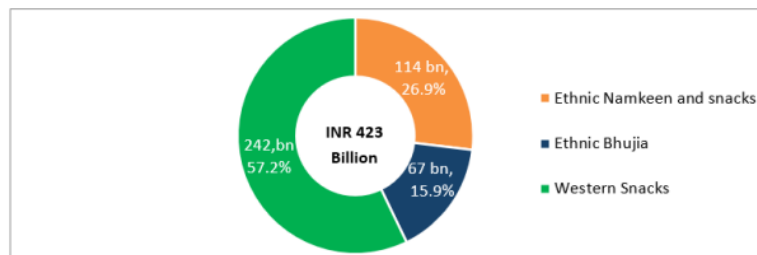


Source: Frost & Sullivan Analysis, Industry experts

The ₹ 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.

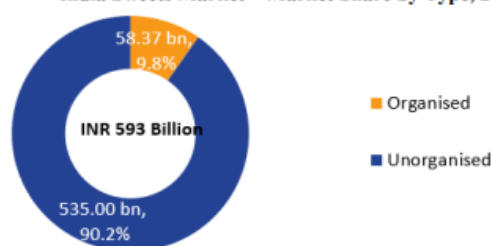
Despite 43.7% of packaged savoury snacks market being unorganized, organized players such as Haldiram, Pepsico- Lays, Balaji, Bikaaji have strong foothold across the country and major market share in regional pockets. Reverse migration has helped to move consumption trends to India's smaller cities helping in brisk sale of packaged goods in these regions.

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



Source: Frost & Sullivan Analysis

India Sweets Market – Market Share by Type, 2022

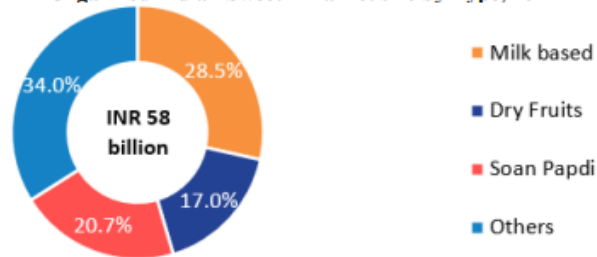


Source: Frost & Sullivan Analysis



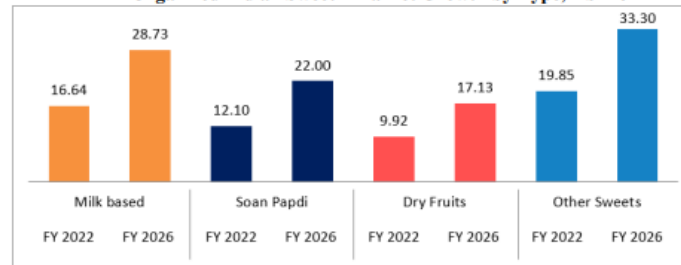
Industry Review

Organized Indian Sweet - Market size by Type, 2022



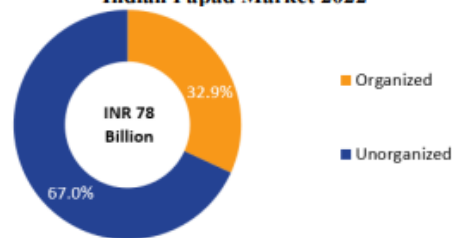
Source: Frost & Sullivan Analysis

Organized Indian Sweet - Market Growth by Type, ₹ billion



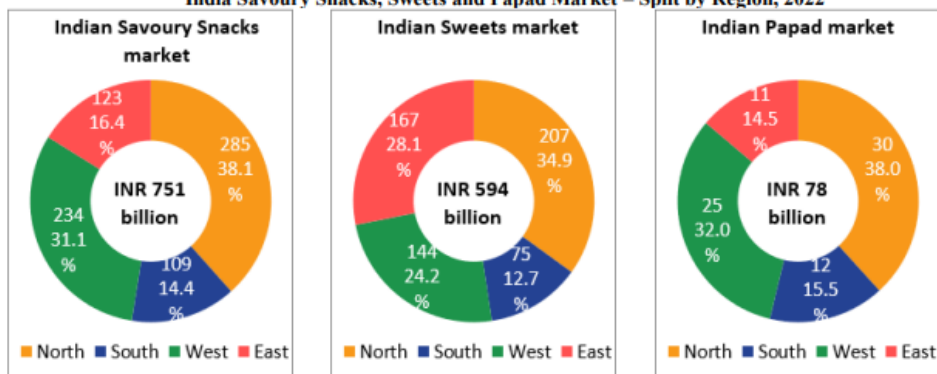
Source: Frost & Sullivan Analysis

Indian Papad Market 2022



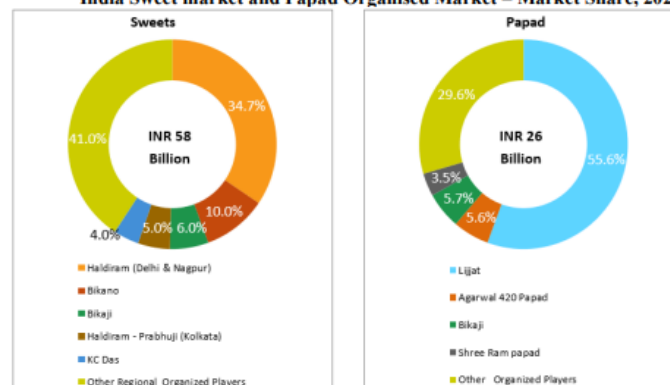
Source: Frost & Sullivan Analysis

India Savoury Snacks, Sweets and Papad Market – Split by Region, 2022



Source: Frost & Sullivan Analysis

India Sweet market and Papad Organised Market – Market Share, 2022



Source: Frost & Sullivan Analysis



Competitive Strengths

Well established brand with pan India recognition-

Bikaji sells all of its products under 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. They believe that these qualities have enabled them to develop strong brand recognition and consumer loyalty in its key markets in India and abroad. According to the F&S Report, they are among the top three Indian ethnic snack manufacturers in India.

A significant part of sale of food products is derived from sales of family packs (i.e., SKUs priced above ₹ 10), which were ₹ 6,407.36 million, ₹ 8,185.86 million, ₹ 9,705.11 million, ₹ 1,940.42 million and ₹ 2,236.23 million and accounted for 59.76%, 62.64%, 60.57%, 58.43% and 53.64% of sale of food products in Fiscal 2020, 2021 and 2022, and in the three months ended June 30, 2021 and June 30, 2022, respectively. They believe this reflects the strength of their brand as a home consumption and planned purchase product. Amongst competitors, Bikaji is the market leader in family pack segment, with family pack segment constituting 60.57% of sale of food products in Fiscal 2022, as compared to other SKUs of ₹ 5 and ₹ 10 packs. (Source: F&S Report).

Diversified product portfolio focused on various consumer segments and markets-

As of June 30, 2022, its diversified product portfolio included more than 300 products across all product segments. They have launched packages of various sizes for products.

They generally maintain a consistent product pipeline at their manufacturing facilities and relationship with raw ingredient suppliers enable them to ensure that their manufacturing facilities operate efficiently. They believe that their focus on developing quality and diversified Indian snacks allows to differentiate their offering from competitors, as well as offering market and consumer-relevant products

Strategically located, large scale sophisticated manufacturing facilities with stringent quality standards-

Bikaji's existing manufacturing facilities are built for large scale operations and are strategically located in proximity to (i) their key raw ingredient supplies; and (ii) improve 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. Their 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 to reduce logistic costs and build sales in their western snacks category.

They operate two facilities through their 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 Vin-dhyawasini Sales Private Limited to cater to their core market of Bihar which was commissioned on March 31, 2022. They also have a contract manufacturing unit in Kolkata (West Bengal) for which they have entered into a contract manufacturing agreement on a non-exclusive basis that helps them primarily cater to certain parts of eastern India and two contract manufacturing agreements on an exclusive basis with one of the 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, they have one small facility in Mumbai to manage its Mumbai restaurant sales. They also intend to establish additional manufacturing facilities to ensure optimization of their logistical costs. 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 facilities in Bihar, they have entered into contract manufacturing agreement for the manufacture of namkeen and western snacks



Risk Factors

Dependence on Bhujia products-

The company is significantly dependent on the sale of its bhujia products. They are also dependent on the sale of family pack stock keeping units ("SKUs") for revenues. An inability to anticipate and adapt to evolving consumer tastes, preferences and demand for particular products, or ensure product quality or reduction in the demand of bhujia products may adversely impact demand for their products, brand loyalty and consequently their business prospects and financial performance.

Limited number of super stockists and direct distributors-

They rely on a limited number of super-stockists and direct distributors for a portion of their revenue from operations. A significant decrease in revenue from any of those super-stockists or an inability to expand or effectively manage growing superstockist and distributor network, or any disruptions in their distribution chain may have an adverse effect on the business prospects and financial performance.

Inadequate supply of price fluctuation of raw materials-

Inadequate or interrupted supply and price fluctuation of their raw materials and packaging materials could adversely affect the business, results of operations, cash flows, profitability and financial condition.

Peer Comparison

Name of the Company	Total Income (Crores)	FV	Basic EPS	NAV	P/E *	P/B*	ROE	ROCE
Bikaji Food International Ltd.	1610.96	1.00	3.15	32.83	95.23	9.14	9.51%	13.88%
Prataap Snacks Ltd.	1396.62	5.00	1.24	266.17	751.09	3.50	0.47%	2.64%
DFM Foods Ltd.	554.45	2.00	(4.93)	30.38	NA	12.61	(16.21%)	(9.51%)
Nestle India	14709.41	10.00	222.46	216.20	91.54	94.19	102.90%	147.00%
Britannia Industries Ltd.	14136.26	1.00	63.31	105.37	59.49	35.75	60.08%	41.50%

**P/E & P/B ratio based on closing market price as on Oct 31st, 2022, At the upper price band of IPO, financial details consolidated audited results as on FY22.*



Our View

Bikaji Foods International Ltd is the 3rd largest ethnic snacks company and 2nd fastest growing company in the Indian organized snacks market. Its well diversified product portfolio and brand endorsement have enabled the company to establish its brand within organized snacks segment. Further, it plans to reduce its concentration in the north and eastern market to have a pan India distribution network in addition to strengthening exports, which we believe would help in decent revenue growth in the future. The company's ability to understand taste of Indian consumer has helped it grow despite of the competition from western snacks category. However, the company is available at expensive valuation hence we are recommending to SUBSCRIBE for listing gains.

Source— Company, RHP, CBSL



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