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IPO Report

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Snapshot

Bikaji Foods International Ltd 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 organised snacks market. In Fiscal 2022, company was largest manufacturer of Bikaneri bhujia with annual production of 29,380 tonnes, and was the second largest manufacturer of handmade papad with an annual production capacity of 9,000 tonnes in Fiscal 2022.

VALUATION

Company is bringing the issue at price band of Rs 285-300 per share at p/e multiple of 98x on FY22 basis.

Company owns well-established brand with pan-India recognition along with diversified product portfolio focused on various consumer segments and markets. Company has extensive distribution network in India with strategic arrangements with retail chains in India and international markets. Company's growing e-commerce channel with significant multi-product export sales & consistent financial performance makes it attractive issue to deploy the funds in.

Hence, we recommend "Subscribe" on issue.

Price Band (Rs./Share)	285-300
Opening date of the issue	03rd Nov 2022
Closing Date of the issue	07th Nov'2022
No of shares pre issue	249,509,880 Eq Shares
Issue Size	Rs 837-881 Cr
Offer For Sale	29,373,984 Eq Shares
Face Value (Rs/ share)	Rs 1/share
Bid Lot	50
Employee Discount	Rs 15/share

BIDDING DETAILS

QIBs (Including Anchor)	50% of the offer (Approx 14,561,991 Eq Shares)
Non-Institutional	15% of the offer (Approx 4,368,598 Eq Shares)
Retail	35 % of the offer (Approx 10193395 Eq Shares)
Employee Reservation	2.50,000 Eq Shares
Lead managers	Axis Capital, JM Financial, IIFL Securities, Intensive Fiscal, Kotak Mahindra
Registrar to the issue	Link Intime India Pvt Ltd.

WHAT WE LIKE

Well-established brand with pan-India recognition

Company sell 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. These qualities have enabled company to develop strong brand recognition and consumer loyalty in its key markets in India and abroad. Amongst its competitors, company is the market leader in family pack segment, with family pack segment constituting 60.57% of its sale of food products in Fiscal 2022, as compared to other SKUs of ₹ 5 and ₹ 10 packs.

Extensive distribution network in India

Over the years, company have developed a large pan-India distribution network. As of June 30, 2022, company had six depots, 38 superstockists, 416 direct and 1,956 indirect distributors that work with its superstockists, located across 23 states and four union territories in India. Company have developed longstanding relationships with most of its superstockists and direct distributors and they play a key role in ensuring that its products reach the end retailer in an efficient manner.

Consistent financial performance

Company's sales of food products has grown at a CAGR of 22.25% from ₹ 10,721.80 million in Fiscal 2020 to ₹ 16,022.88 million in Fiscal 2022 and was ₹ 3,320.71 million and ₹ 4,168.87 million in the three months ended June 30, 2021 and June 30, 2022 despite the impact of the COVID-19 pandemic. E-commerce platform channels include listing of company's products on various large popular ecommerce platforms, distribution start-ups as well as its own ecommerce platform, www.bikaji.com. Sales through ecommerce channels in Fiscal 2020, 2021 and 2022 and in the three months ended June 30, 2021 and June 30, 2022 were ₹ 29.81 million, ₹ 102.12 million, ₹ 186.84 million, ₹ 34.53 million and ₹ 34.18 million and contributed 0.28%, 0.78%, 1.17%, 1.04% and 0.82%, respectively of its sales of food products in such periods.



COMPANY BACKGROUND

Company 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. Company have 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. Company's history and lineage traces back to Gangabishan Agarwal, founder of Haldiram brand. His grandson, Shiv Ratan Agarwal, its founder and one of company's Promoters, continued his legacy and developed extensive experience in the Indian ethnic snacks industry. Shiv Ratan Agarwal launched the Bikaji brand in the year 1993 with an indepth understanding of Indian tastes and preferences. Company have over the years established market leadership in the ethnic snacks market in its core states of Rajasthan, Assam and Bihar with extensive reach, and have gradually expanded company's footprint across India, with operations across 23 states and four union territories as of June 30, 2022. In the three months ended June 30, 2022, company have 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 in such period.

Company's 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. In the three months ended June 30, 2022, Company sold more than 300 products under the Bikaji brand.

Company have seven operational manufacturing facilities that are operated by it, 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 company's core market of Bihar, respectively. In addition, company have entered into a contract manufacturing agreement on a nonexclusive basis with a contract manufacturing unit in Kolkata (West Bengal), that helps 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 another third-party contract manufacturer for a contract manufacturing facility located at Kanpur, Uttar Pradesh. Company also have one small facility in Mumbai to manage its Mumbai restaurant sales. Company intend to operationalise two additional manufacturing facilities, of which one in Rajasthan will be operated by company and will manufacture company's frozen snacks and sweets products, and for the remaining manufacturing facility in Bihar, company have entered into contract manufacturing agreement for the manufacture of namkeen and western snacks.

Deepak Agarwal, company's Managing Director and Promoter, has been instrumental in managing its rapidly expanding operations, implementing strategic marketing and business initiatives, and focusing on financial performance. Company's 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. Company have a well-qualified senior management team with extensive experience in the consumer goods and food and beverages industry, which enable to capitalize on future growth opportunities. Company is also supported by several marquee private equity funds and investors, including Avendus Future Leaders Fund I ("Avendus"), Axis Asset Management Company Limited ("Axis Asset Management"), Lighthouse Funds ("Lighthouse Funds"), IIFL Asset Management Limited ("IIFL Asset Management"), Intensive Softshare Private Limited ("Intensive Softshare"), Ashoka India Equity Investment Trust PLC and India Acorn Fund Limited.



INVESTMENT RATIONALE

<p><i>Diversified product portfolio focused on various consumer segments and markets</i></p>	<p>Company's understanding of the Indian taste palate complements its product development capabilities, which has allowed to develop a comprehensive portfolio of a variety of Indian snack foods and sweets. As of June 30, 2022, company's diversified product portfolio included more than 300 products across all its product segments. Company have launched packages of various sizes for its products. For example, company's Bhujia and namkeen products are available in packages as small as a pouch that is 14-25 grams for ₹ 5 to a one (1) kilogram pouch for ₹ 350. Company generally maintain a consistent product pipeline at its manufacturing facilities and its relationship with its raw ingredient suppliers enable company to ensure that its manufacturing facilities operate efficiently. Company's focus on developing quality and diversified Indian snacks allows it to differentiate its offering from its competitors, as well as offering market and consumer-relevant products. For example, company have entered into the frozen foods segment particularly frozen sweets and snacks, which are fast-growing segments in packaged foods. Company is in the process of setting up a facility in Bikaner to manufacture frozen products. Company use a range of raw ingredients for its wide portfolio of products thereby reducing its dependence on any particular raw ingredient, resulting in company's results of operations being less susceptible to price fluctuations or disruptions on account of supply of a single raw ingredient.</p>
<p><i>Strategically located, large scale sophisticated manufacturing facilities with stringent quality standard</i></p>	<p>Company'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. 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 company's bhujia, sweets and namkeen products. Company's manufacturing facility in Guwahati (Assam) commissioned on January 14, 2022 with capacity to produce namkeen and western snacks is strategically located in company's core market which will help to reduce logistic costs and build sales in its western snacks category.</p>
<p><i>Strategic arrangements with retail chains in India and international markets</i></p>	<p>Company have entered into arrangements with various modern retail channels including supermarkets, hypermarkets and retail store chains either directly or through superstockists. Within India, company have entered into arrangements with multiple retail chains. Sales through these modern retail channels in Fiscal 2020, 2021 and 2022 and in the three months ended June 30, 2021 and June 30, 2022 were ₹ 716.35 million, ₹ 776.38 million, ₹ 1,100.55 million, ₹ 120.29 million and ₹ 237.60 million and contributed 6.68%, 5.94%, 6.87%, 3.62% and 5.70% of its sale of food products, respectively. Company have over the years developed robust export sales either through distributors or through direct arrangement with international retail chains; its products are available at various international retail chains. These arrangements with retail chains are critical to increase company's footprint across India, further strengthening its brand and driving increased sales of company's products.</p>
<p><i>Significant multi-product export sales</i></p>	<p>In Fiscal 2020, 2021 and 2022, and in the three months ended June 30, 2021 and June 30, 2022, company's export sales were ₹ 460.23 million, ₹ 664.57 million, ₹ 637.45 million, ₹ 165.91 million and ₹ 133.45 million and represented 4.29%, 5.09%, 3.98%, 5.00% and 3.20% of its sale of food products. In Fiscal 2020, 2021 and 2022, and in the three months ended June 30, 2021 and June 30, 2022, company's products were exported to 29, 31, 35, 26 and 21 countries, respectively. Company's revenues from exports also increased at a CAGR of 17.69% from ₹ 460.23 million in Fiscal 2020 to ₹ 637.45 million in Fiscal 2022 and was ₹ 133.45 million in the three months ended June 30, 2022.</p>



OBJECTS OF OFFER

The objects of the Offer are to (i) achieve the benefits of listing the Equity Shares on the Stock Exchanges; and (ii) carry out the Offer for Sale of up to 293,73,984 Equity Shares by the Selling Shareholders.

RISKS

A portion of company's revenues from operations is derived from a limited number of super-stockists and distributors. In Fiscal 2020, 2021 and 2022 and for the three months ended June 30, 2021 and June 30, 2022, Company had two super-stockists, which contributed more than 10.00% of its sale of food products. Revenue from such customers/super-stockists were ₹ 2,292.94 million, ₹ 2,844.46 million, ₹ 3,846.32 million, ₹ 885.18 million and ₹ 1,240.51 million contributing 21.39%, 21.76%, 24.01%, 26.66% and 29.76%, respectively of company's total sale of food products in such periods. These two super-stockists cover Assam and Bihar regions, respectively. A significant decrease in business from such super-stockists may materially and adversely affect company's business, results of operations and financial condition.

Source:RHP

INDUSTRY OVERVIEW

Overview of Indian Savoury Snacks and Sweets Market

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

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.

Sweets Market in India

The Indian sweet market is valued at ₹ 593 Billion with major share coming from unorganized players. The market is predicted to reach ₹ 846 billion by 2026 owing to the sweet tooth Indians. Based on fruits, dairy, pulses and cereals or different combinations of different ingredients, the traditional Indian sweets, boast of a nearly 137 inconceivable range. Adding to this diversity, majority of the sweets have been nurtured and relished for ages in different regions of the country signifying regional specialties and tastes.

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 to name a few. Companies adapting to changing taste, technology and trends will grow in this segment. Bikaji continues to focus on handmade papad to retain the original authentic taste of the product along with automation to some extent. The overall market is expected to reach ₹ 103 billion by 2026 with a CAGR of 7%. The organized market in papad segment is valued at ₹ 26 billion and is growing at CAGR of 10%.


Consolidated Financials

(Rs in Mn)

Financials	FY20	FY21	FY22	Q1FY23
Total Revenue (A)	10745.51	13107.49	16109.61	4191.57
Total Expenditure (B)	9799.51	11659.84	14714.17	3883.64
EBIDTA	946.00	1447.65	1395.44	307.93
EBIDTA Margin	8.80	11.04	8.66	7.35
Other Income	83.50	114.63	104.90	46.65
Depreciation	341.95	331.20	383.31	110.73
EBIT	687.55	1231.08	1117.03	243.85
Interest	51.14	29.95	66.91	25.95
PBT	636.41	1201.13	1050.12	217.90
Extraordinary item	0.00	0.00	0.00	
PBT	636.41	1201.13	1050.12	217.90
Tax	72.70	297.77	289.85	60.92
PAT	563.49	903.36	760.27	156.98
NPM%	5.24	6.89	4.72	3.75
ROE %	10.65	14.92	9.26	1.88
EPS	2.32	3.72	3.05	0.63
Eq Cap	243.13	243.13	249.51	249.51
Net Worth	5,291.69	6,056.68	8,207.52	8,362.94

(Source: RHP)

Peer Comparison

Company Name	Total Income (Rs in million)	P/E	EPS	RONW %	NAV as at March'2022
Bikaji Foods International Ltd	16109.61		3.15	9.51	3283
Peer Group					
Prataap Snacks Ltd	13966.19	748.91	1.24	0.47	266.17
DFM Foods	5544.50	(77.84)	(4.93)	(16.21)	30.38
Nestle India	147094.10	86.85	222.46	102.90	216.20
Britannia Industries	141362.60	59.75	63.31	60.08	105.37

(Source: RHP)



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