

# Stocks and Securities

Aditya Birla Money Ltd.



ADITYA BIRLA  
CAPITAL

PROTECTING INVESTING FINANCING ADVISING

## IPO Note- Bikaji Foods International Limited

03 November 2022

Bikaji Foods International Ltd. ("Bikaji") is the 3<sup>rd</sup> largest ethnic snacks company in India. It has a diverse product portfolio of Bhujia, Namkeen, packaged sweets, handmade papad, western snacks and other snacks like gift packs, frozen food, mathri and cookies. It has a pan-India presence with leading market share in ethnic snacks in Rajasthan, Bihar and Assam.

### Established Brand with Strong Market Share and Diversified Product Portfolio

Bikaji was the largest manufacturer of Bikaneri Bhujia and the 2<sup>nd</sup> largest manufacturer of handmade papad in FY22. Company is also the 3<sup>rd</sup> largest player in the organised sweets market. Namkeen contributes 39% to the revenue followed by Bhujia at 35%. Sweets, Papad and Western Snacks contribute 7% each. Bikaji is the market leader in the family pack segment with 60.6% revenue coming from SKUs above the ₹ 5 & ₹ 10 price points. Most other competitors are mainly present in the under ₹ 10 price point.

### Wide Manufacturing Footprint with PLI Benefit

The company has a cumulative annual manufacturing capacity of ~2 lakh tons across product categories with facilities built for large scale operations. The Bikaner facilities are located close to the major raw material sources of moth dal, moong dal and milk. Bikaji has recently added capacities at Guwahati in Assam, Muzaffarpur in Bihar, and Tumakuru in Karnataka to cater to the markets in these regions and reduce the logistics costs. The company has also been selected under the PLI scheme under which it has committed to invest ₹ 291 Cr. through itself and its subsidiaries and ₹ 148 Cr. through contract manufacturers for capacity expansion over FY21-23. In addition, Bikaji will spend ~ ₹ 47 Cr on brand and marketing expenditure for promotion of Indian brand abroad under a separate PLI scheme.

### Extensive Distribution Network

Bikaji has developed a pan-India distribution network with 6 depots, 38 super-stockists, 416 direct and 1,956 indirect distributors as of 30<sup>th</sup> June, 2022. It derives ~85% revenues from general trade. It has also entered into arrangements with various modern retail channels.

**Key Risks –** i) Sales concentration in North and East India with just 3 States contributing more than 70% of sales. ii) Intense competitive intensity.

### Expensive Valuation; Long Growth Runway – SUBSCRIBE

The company enjoys a strong brand recall for its products. Bikaji's revenues have grown at 22% CAGR (FY20-22) with 16% CAGR in Bhujia and 19% in packaged sweets. The company should enjoy tailwinds in the form of (i) rising share of organized segment in the ethnic snacks and sweets category, (ii) market share gains within the organized segment, (iii) geographical expansion, (iv) strict quality controls in raw material procurement, storage and manufacturing, (v) wide distribution network and (vi) benefits from the PLI scheme. At the issue price of ₹ 300, it will trade at 91.7x TTM PE. We ascribe **SUBSCRIBE** rating on the IPO.

Particulars (₹ Cr)	Mar-20	Mar-21	Mar-22
Revenue	1,074.5	1,310.7	1,611.0
EBITDA	94.5	144.7	139.5
EBITDA Margin (%)	8.8%	11.0%	8.7%
Net Profit	56.4	90.3	76.0
CFO	60.7	117.2	57.5
ROE	10.7%	14.9%	9.5%

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Rating	SUBSCRIBE
<b>Issue Details</b>	
Issue Opens	03-Nov-22
Issue Closes	07-Nov-22
Face Value (₹)	1
Price Band (₹)	285-300
Bid Lot	50
Fresh Issue (₹ Cr.)	0
OFS Size (₹ Cr.)	881
Market cap @ upper price band (₹ Cr.)	7,485
Listing	NSE/BSE
BRLMs	Axis Cap, JM Fin, IIFL Sec, Intensive Fiscal, Kotak Mah Cap
Registrar	Link Intime India Pvt. Ltd..

### Shareholding Pattern (%)

	Pre Issue	Post Issue
Promoter	78	76
Non-Promoter	22	24

### Issue Structure (In Cr. no. of shares)

Issue size	2.94
OFS	2.94
<b>Break-up of net issue to public (%):</b>	
QIB's portion	50.0
Non-institutional portion	15.0
Retail Portion	35.0

### Analyst Details

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