

### Company Overview

Bikaji is one of the largest FMCG brands and the third-largest ethnic snacks company in India. The company's product range includes six major categories viz. Bhujia, Namkeen, Packaged sweets, Papad, Western Snacks and others which include gift packs, frozen food, mathri range, and cookies. The company was the largest manufacturer of bhujia in the country with an annual production of 29,830 tonnes and also the second largest manufacturer of handmade papad in Fiscal 2022. The company has market leadership in the states of Rajasthan, Assam and Bihar with 45%, 58% and 29% market shares respectively. The company has gradually expanded in 23 other states and 3 union territories. The company also has established an international footprint in 21 countries in North America, Europe, the Middle East, Africa, and Asia-Pacific, representing 3.20% of its sales for the period ending 30<sup>th</sup> June 2022. It has a pan-India distribution network with 6 depots, 38 super stockists, and 416 direct and 1,956 indirect distributors. The company currently operates 7 manufacturing facilities with four located in Rajasthan, one in Assam, one in Karnataka under its subsidiary Petunt Food Processors Private Ltd and one facility in Bihar held through its other subsidiary Vindhya wasini Sales Private Ltd. It has also recently launched "Bikaji Cafe" and "Bikaji Funkeen" to promote the western segment of the brand.

### Objects of the issue

The following uses will be made of the IPO proceeds:

- ⇒ To achieve the benefits of listing the equity shares on the Stock Exchanges.
- ⇒ Carry out the Offer for Sale of up to 2,93,73,984 equity shares by the selling shareholders

### Investment Rationale

#### Robust CAPEX with Significant Brand-Building and Advertising Spend

The company has recently incurred heavy capital expenditure with two of the seven manufacturing facilities in Assam and Bihar commissioned in January 2022 and March 2022 respectively. This will help the company to efficiently promote its products in its core markets of Assam and Bihar and will reduce logistics and sales costs. The company has consistently allocated significant resources to Brand-building and advertising. It has roped in a well-known celebrity as its brand ambassador allowing customers to associate with the brand. The company is also intending to roll out special programmes and outdoor promotional campaigns with its "category top-end stores" to increase brand visibility and premiumization.

#### Improved Growth in Focus Markets

The company is determined to expand its reach in the focus markets viz. Uttar Pradesh, Punjab, Haryana and Delhi in North India and Karnataka and Telangana in South India. It has committed investments to establish a strong distribution base in these markets by adding more super stockists and distributors. The company is also leveraging technology to improve its production and distribution process. The company is in the process of digitalizing its super stockists and distributor network with the use of comprehensive distribution management systems and sales force automation.

### Valuation and Outlook

The traditional snacks market in India is valued at INR 366 billion which is 46% of the total savoury snacks market and has grown significantly in recent years providing Bikaji with an excellent opportunity to grow. The company's market leadership in core states and growing presence in other demographics combined with heavy CAPEX and brand-building spending help the company to further expand its domestic as well as international footprint. The company is developing a strategy to target states by modifying tastes to the specific needs of the focus state. Also, it has been sanctioned a PLI from the government of approx INR 216 crores which it will receive over the next six years starting FY23. However, an inability to maintain customer loyalty and change in taste preference remains a key risk. On the upper end of the price band, the issue is valued at a P/E of 95.2x based on FY22 earnings which is on the steeper side. However, looking at the brand recognition of the company in the organised snack segment and its long-term prospects we recommend a **SUBSCRIBE** rating for the benefit of listing gains.

Issue Details	
Offer Period	03 <sup>rd</sup> Nov – 07 <sup>th</sup> Nov 2022
Price Band	INR.285 to INR.300
Bid Lot	50
Listing	BSE&NSE
Issue Size (no. of shares in mn)	29.37
Issue Size (INR. in bn)	8.81
Face Value	1

Issue Structure	
QIB	50%
NIB	15%
Retail	35%
	JM Financial Limited
	Axis Capital Limited
	IIIFL Securities Limited
BRLM	Intensive Fiscal Services Private Limited
	Kotak Mahindra Capital Company Limited
Registrar	Link Intime India Private Limited

Particulars	Pre Issue %	Post Issue %
Promoter	77.97%	75.96%
Public (selling S/h)	15.42%	5.65%
Public (other)	6.61%	18.39%
<b>Total</b>	<b>100%</b>	<b>100%</b>

(Assuming issue subscribed at higher band)

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## Bikaji Foods International Ltd.

IPO Note

## Income Statement (INR in millions)

Particulars	Q1FY23	FY22	FY21	FY20
<b>Revenue</b>				
Revenue from Operations	4,192	16,110	13,107	10,746
<b>Total Revenue</b>	<b>4,192</b>	<b>16,110</b>	<b>13,107</b>	<b>10,746</b>
<b>Expenses</b>				
Cost of Materials Consumed	3,103	11,360	9,093	7,208
Purchases of Stock in Trade	132	431	312	227
Change in inventory of finished goods and stock-in-trade	(65)	(88)	(35)	13
Employee benefit expenses	238	901	699	646
Other expenses	476	2,111	1,592	1,704
<b>Total Operating Expenses</b>	<b>3,884</b>	<b>14,714</b>	<b>11,660</b>	<b>9,800</b>
<b>EBITDA</b>	<b>308</b>	<b>1,395</b>	<b>1,448</b>	<b>946</b>
Depreciation and amortisation expense	111	383	331	342
Other income	47	105	115	84
EBIT	244	1,117	1,231	688
Finance costs	26	67	30	51
<b>PBT</b>	<b>218</b>	<b>1,050</b>	<b>1,201</b>	<b>636</b>
Current tax	64	276	310	155
Deferred Tax charge	(3)	14	(12)	(83)
<b>Total tax</b>	<b>61</b>	<b>290</b>	<b>298</b>	<b>73</b>
<b>PAT</b>	<b>157</b>	<b>760</b>	<b>903</b>	<b>564</b>

Source: RHP, BP Equities Research

## Cash Flow Statement (INR in millions)

Particulars	Q1FY23	FY22	FY21	FY20
Cash Flow from operating activities	375	575	1,172	607
Cash flow from investing activities	(291)	(2,316)	(1,141)	(635)
Cash flow from financing activities	(17)	1,688	(91)	(315)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>67</b>	<b>(53)</b>	<b>(59)</b>	<b>(343)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>(283)</b>	<b>(229)</b>	<b>(171)</b>	<b>172</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>(215)</b>	<b>(283)</b>	<b>(229)</b>	<b>(171)</b>

Source: RHP, BP Equities Research



## Bikaji Foods International Ltd.

IPO Note

## Balance Sheet (INR in millions)

Particulars	Q1FY23	FY22	FY21	FY20
<b>Equity and Liabilities</b>				
Share Capital	250	250	243	243
Other Equity	8,113	7,958	5,814	5,049
Non Controlling Interest	-6	-1	18	0
<b>Net worth</b>	<b>8,357</b>	<b>8,207</b>	<b>6,075</b>	<b>5,292</b>
<b>Financial Liabilities</b>				
Borrowings	522	411	142	169
Lease liabilities	181	159	8	5
Provisions	1	1	19	41
Deferred tax liabilities	315	327	293	335
Other liabilities	14	14	13	0
<b>Total Non Current Liabilities</b>	<b>1,033</b>	<b>912</b>	<b>475</b>	<b>549</b>
<b>Current Liabilities</b>				
Borrowings	1,042	1,002	719	354
Lease liabilities	36	26	5	12
Trade Payables				
(a) total outstanding dues of micro enterprises and small enterprises	77	87	51	12
(b) total outstanding dues of creditors other than micro enterprises and small enterprises	442	341	374	131
Other Financial Liabilities	248	267	232	278
Provisions	31	27	29	27
Other liabilities	180	151	112	112
Current tax liabilities	18	0	100	0
<b>Total Current Liabilities</b>	<b>2,073</b>	<b>1,902</b>	<b>1,621</b>	<b>926</b>
<b>Total liabilities</b>	<b>3,106</b>	<b>2,814</b>	<b>2,096</b>	<b>1,475</b>
<b>Total Equity and Liabilities</b>	<b>11,463</b>	<b>11,021</b>	<b>8,171</b>	<b>6,766</b>
<b>Assets</b>				
Property, plant and equipment	4,937	4,789	4,071	3,904
Right-of-Use assets	341	270	99	97
Capital work in Progress	485	494	361	29
Goodwill	1			
Intangible assets	12	12	19	15
Investment Property	37	37	37	52
Financial Assets	1,589	1,683	858	415
Income tax assets	68	67	31	69
Other non-current assets	315	244	337	160
<b>Total Non current assets</b>	<b>7,786</b>	<b>7,596</b>	<b>5,814</b>	<b>4,740</b>
Inventories	795	729	568	365
<b>Financial Assets</b>				
Trade Receivables	704	733	473	417
Cash and cash equivalents	55	25	18	44
Bank balances other than cash and cash equivalents	932	877	856	839
Loans	13	13	12	60
Other Financial Assets	878	791	200	212
Other current assets	300	257	231	89
<b>Total Current Asset</b>	<b>3,677</b>	<b>3,425</b>	<b>2,358</b>	<b>2,026</b>
<b>Total Assets</b>	<b>11,463</b>	<b>11,021</b>	<b>8,171</b>	<b>6,766</b>

Source: RHP, BP Equities Research

**Key Risks**

- ⇒ Our 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.
- ⇒ Our proposed capacity expansion plans relating to our manufacturing facility and proposed contract manufacturing facilities are subject to the risks of unanticipated delays in implementation and cost overruns. In addition, information relating to our production capacities and the historical capacity utilization of our manufacturing facilities included in this Red Herring Prospectus is based on various assumptions and estimates and future production and capacity utilization may vary
- ⇒ We have made investments in debt instruments that are not secured.

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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