

## Palatable offering; initiate with BUY

Consumer Goods ▶ Initiating Coverage ▶ May 9, 2024

TARGET PRICE (Rs): 650

We initiate coverage on Bikaji Foods International (Bikaji) with a BUY and Mar-25E TP of Rs650/sh (25% upside), on 48x P/E. An enhanced brand image and better pack-mix place Bikaji at an advantage to leverage the swiftly evolving Indian savory snacks story (mkt size: Rs1.4trn as of FY22) set for double-digit growth. We build-in mid-teens sales growth, likely to elevate further, backed by Company's distribution drive across core & focus markets. Bikaji has built capacity in the Frozen Foods space, which is not only fast gaining acceptance in India but holds opportunities to enhance exports too. With scale, Bikaji is likely to meet its aspirations, gaining access to India's QSR segment. Given Bikaji's better sales mix, operating leverage, and cost efficiency, we see its margin (ex PLI) rising by 220bps, thus aiding ~32% earnings CAGR over FY24-26E.

## Bikaji Foods International: Financial Snapshot (Consolidated)

Y/E March (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	16,110	19,661	23,339	26,765	31,296
EBITDA	1,395	2,136	3,967	4,525	5,345
Adj. PAT	760	1,266	2,667	3,084	3,748
Adj. EPS (Rs)	3.0	5.1	10.7	12.4	15.0
EBITDA margin (%)	8.7	10.9	17.0	16.9	17.1
EBITDA growth (%)	(3.6)	53.1	85.7	14.1	18.1
Adj. EPS growth (%)	(18.0)	66.5	110.7	15.6	21.5
RoE (%)	10.7	14.3	25.3	24.6	25.7
RoIC (%)	12.0	15.1	27.7	31.5	36.8
P/E (x)	170.7	102.5	48.6	42.1	34.6
EV/EBITDA (x)	93.2	60.8	32.2	27.8	23.3
P/B (x)	15.8	13.6	11.2	9.6	8.3
FCFF yield (%)	(0.1)	1.1	2.7	2.9	3.4

Source: Company, Emkay Research; Note: Bikaji to have PLI benefits accruing in P&L from FY24

## 'Bhujia king' aspires to become a pan-India food play

Bikaji has emerged as a strong savory snacks & sweets brand. The company is well-placed to address demand on the back of quality products and its brand popularity. Based on its current portfolio, Bikaji's TAM stands at Rs1.4trn, which is set to grow in low double digits. Bikaji, with its distribution prowess, is likely to drive a faster mid-teens net sales growth. It targets gaining scale across half of India (in identified core & focus markets), primarily in the North (57% of sales), East (34% of sales), and South (~2% of sales), where it is looking to develop categories amid fast formalization. Ahead-of-time capacity (utilization at 46-48%) is likely to help it address demand more efficiently. Given that 85% of sales are concentrated in general trade (GT), we see throughput at a healthy >Rs2,000/month/outlet. With capacity ramping up for Frozen snacks (now largely focused on exports), the company aspires to venture into the Indian QSR space.

## Healthy growth with a better mix aids margins, strengthens balance sheet

Unlike most traditional players, Bikaji's share of the bulk pack is ~60%, which shields the company from any major raw-material volatility risks. We expect gross margin (GM; ex-PLI) to remain steady at ~33% in the near term, and see 35% GM potential over the medium term. EBITDA margin is expected to expand to 15.6% by FY26E, from 13.5% in FY24, benefiting from leverage and cost efficiency. On the balance sheet front, we expect asset turns to see steady expansion (with better utilization) and the return profile getting a lift, bolstered by improving margins.

## Healthy earnings visibility; initiate with BUY; 25% upside

We initiate coverage on Bikaji with a BUY recommendation and Mar-25E TP of Rs650/sh, based on 48x P/E (3-stage DCF also offers a similar target price). Our target price factors in earnings adjusted for the PLI benefit, which will expire in FY27. With Bikaji aiming to become a total foods company, we see optionality in its QSR and export opportunities, which are largely built into the valuation premium. Key downside risks: RM volatility; regulatory noise around health.

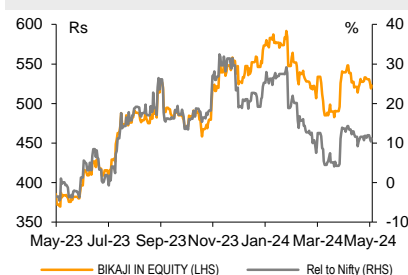
Target Price – 12M	Mar-25
Change in TP (%)	NA
Current Reco.	BUY
Previous Reco.	NR
Upside/(Downside) (%)	25.0
CMP (07-May-24) (Rs)	520.0

Stock Data	BIKAJI
52-week High (Rs)	606
52-week Low (Rs)	363
Shares outstanding (mn)	250.4
Market-cap (Rs bn)	130
Market-cap (USD mn)	1,559
Net-debt, FY24E (Rs mn)	-1,972
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	189.0
ADTV-3M (USD mn)	2.3
Free float (%)	49.5
Nifty-50	22,303
INR/USD	83.5
<b>Shareholding, Mar-24</b>	
Promoters (%)	75.1
FPIs/MFs (%)	7.7/13.5

## Price Performance

(%)	1M	3M	12M
Absolute	(3.6)	(7.8)	39.7
Rel. to Nifty	(2.7)	(9.3)	13.2

## 1-Year share price trend (Rs)



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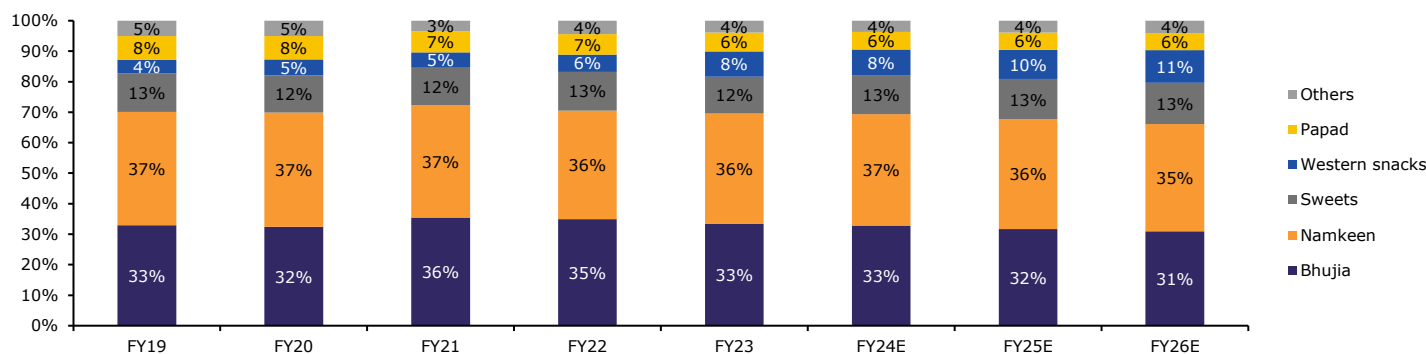
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## Table of Contents

<b>Focus charts.....</b>	<b>3</b>
<b>Aspiring for wider food play, initiate with BUY .....</b>	<b>8</b>
Initiating coverage with BUY and Mar'25 TP of Rs650.....	8
Key risks in the business.....	10
<b>Geared for pan-India play .....</b>	<b>13</b>
Strategic capacities to help address demand better .....	13
Meeting with Deepak Agarwal, Managing director.....	15
PLI an enabler for Bikaji.....	16
Strategy in place for the core and focus markets.....	17
High salience of family pack helps protect margins.....	21
Bhujialalji aimed to counter regional competition.....	22
Leveraging brand power to the fullest.....	23
<b>Business is posed for healthy growth.....</b>	<b>24</b>
Bhujia continues to leverage Bikaneri edge.....	26
Namkeen, a pan India play with regional capacities .....	27
Western snacks: Fastest growing savory snack segment .....	28
Packaged sweets to gain traction with migrants .....	29
Papad segment thrust with strong Bikaji brand .....	30
Frozen foods to drive export revenue and QSR aspiration.....	31
<b>Healthy earnings to aid return profile.....</b>	<b>33</b>
Expanded margins looks sustainable .....	33
Balance Sheet continue to strengthen.....	38
Limited capital needs helps healthy cash generation.....	41
<b>Appendix1: Impulse food options gaining scale.....</b>	<b>42</b>
Savory snacks seeing faster formalization .....	43
Packaged sweets adoption to heighten on hygiene .....	46
Papad category seeing penetration .....	48
<b>Appendix 2: Company Financials.....</b>	<b>49</b>

## Focus charts

Exhibit 1: Bikaji – Key revenue streams



Source: Company, Emkay Research

Exhibit 2: Assessing Bikaji's total addressable market and growth expectations

(Rs mn)	Overall category size and growth					Organized category size			Bikaji - Sales		
	FY22	Organized share	FY26E	Organized share	CAGR	FY22	FY26E	CAGR	FY23	FY26E	CAGR
<b>Savory snacks</b>	<b>751</b>	<b>56%</b>	<b>1,227</b>	<b>60%</b>	<b>13%</b>	<b>423</b>	<b>739</b>	<b>15%</b>	<b>78%</b>	<b>77%</b>	<b>13%</b>
Bhujia						67	119	15%	33%	31%	13%
Namkeen						114	204	16%	36%	35%	15%
Western snacks						242	416	15%	8%	11%	27%
<b>Papad</b>	<b>78</b>	<b>33%</b>	<b>103</b>	<b>36%</b>	<b>7%</b>	<b>26</b>	<b>37</b>	<b>9%</b>	<b>6%</b>	<b>6%</b>	<b>12%</b>
<b>Sweets</b>	<b>593</b>	<b>10%</b>	<b>846</b>	<b>12%</b>	<b>9%</b>	<b>59</b>	<b>101</b>	<b>15%</b>	<b>12%</b>	<b>13%</b>	<b>20%</b>
<b>Frozen foods</b>									<b>1%</b>	<b>2%</b>	<b>29%</b>
<b>Others (Cookies, restaurant sales)</b>									<b>3%</b>	<b>2%</b>	
<b>Total addressable market</b>	<b>1,422</b>	<b>36%</b>	<b>2,176</b>	<b>40%</b>	<b>11%</b>	<b>508</b>	<b>877</b>	<b>15%</b>	<b>100%</b>	<b>100%</b>	<b>16%</b>

Source: Company, Emkay Research

Exhibit 3: Bikaji's capacities across business streams

	Bhujia	Namkeen	Papad	Western Snacks	Sweets	Frozen Foods
<b>FY23 sales mix</b>	<b>33.4%</b>	<b>36.2%</b>	<b>6.2%</b>	<b>8.2%</b>	<b>12.1%</b>	
<b>Owned Capacities</b>						
- Karni, Bikaner, Rajasthan	57,600mt	50,520mt	2,400mt	4,800mt	24,000mt	9,600mt
- Bichhwal I, Bikaner, Rajasthan			10,200mt		36,480mt	
- Bichhwal II, Bikaner, Rajasthan		24,000mt		6,000mt		
- Kamrup, Assam (Commenced production FY22)		12,000mt		6,000mt		
- Muzaffarpur, Bihar (Commenced production FY22) <sup>^</sup>		3,000mt		1,800mt		
- Bikaner, Rajasthan#		3,600mt		4,500mt		
<b>Subsidiary capacities</b>						
- Tumakuru (Tumkur), Karnataka @		6,000mt		6,000mt		
<b>3P facilities</b>						
- Kolkata, West Bengal				*		
- Kanpur, Uttar Pradesh (Exclusive 3P)		6,000mt		4,800mt		
- Patna, Bihar		6,000mt		3,000mt		
- Durg, Chhattisgarh (WIP)		6,000mt		4,800mt		
<b>Total</b>	<b>57,600mt</b>	<b>117,120mt</b>	<b>12,600mt</b>	<b>41,700mt</b>	<b>60,480mt</b>	<b>9,600mt</b>
In-house (%)	100%	85%	100%	70%	100%	100%

Source: Company, Emkay Research

<sup>^</sup> Vindhya wasini Sales Private became Bikaji's wholly-owned subsidiary with effect from 1-Apr-22

<sup>#</sup> Hanuman Agrofood Private became Bikaji's subsidiary with effect from 1-Jan-23 and a wholly-owned subsidiary from 25-Jan-23

@ Petunt Food Processors Private, in which Bikaji has 51.22% stake; also undertakes manufacturing for 3Ps

\*Kolkata third-party unit is not exclusive to the company, as such capacity has not been highlighted

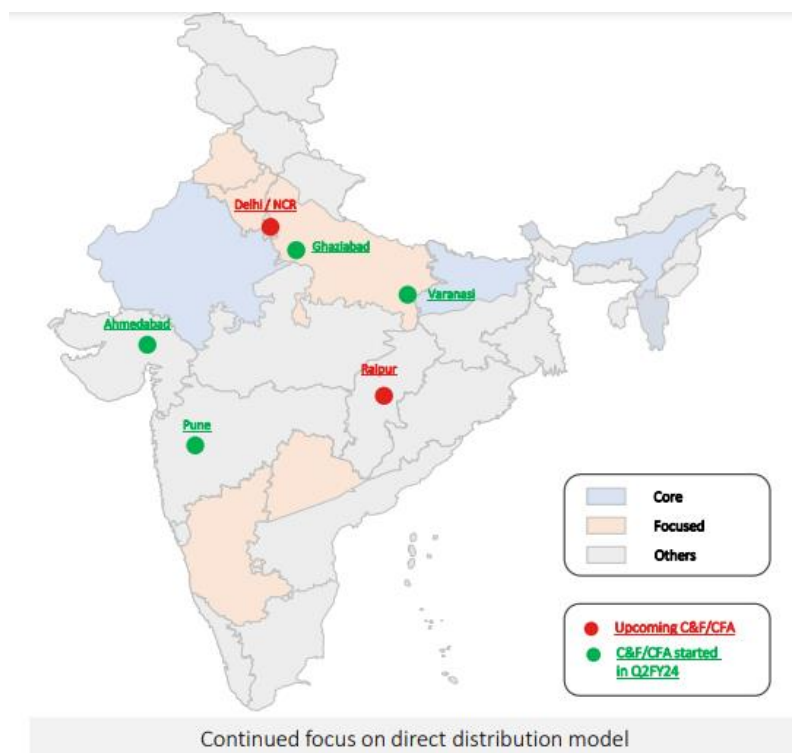
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**Exhibit 4: Recent capacity build-up to address the wider market demand**

Location	Commissioning date	Comments
Tumkur, Karnataka	Feb-21	Petunt Food Processing Private (Subsidiary)
Guwahati, Assam	14-Jan-22	Own facility
Muzaffarpur, Bihar	31-Mar-22	Vindhyawasini Sales Private (became subsidiary from 1-Apr-22)
Kolkata, West Bengal	In operations	Contract manufacturing arrangement, non-exclusive
Kanpur, Uttar Pradesh	13-Sep-22	Contract manufacturing arrangement with Hanuman Agrofood
Bikaner, Rajasthan	16-Aug-22	Contract manufacturing arrangement
Patna, Bihar	Aug-23	Contract manufacturing arrangement with Dadiji Snacks Private, on exclusive basis
Durg, Chhattisgarh	WIP	To be commissioned

Source: Company, Emkay Research

**Exhibit 5: Bikaji's geographical focus**

Source: Company

**Exhibit 6: Bikaji's category market focus – Category size as of FY22**

(Rs bn)	Ethnic Savories	Sweets	Western Snacks	Papad	Total
Rajasthan	34	42	23	9	<b>108</b>
Bihar	16	42	13	3	<b>74</b>
Assam	8	22	9	2	<b>41</b>
<b>Core market</b>	<b>58</b>	<b>106</b>	<b>45</b>	<b>14</b>	<b>223</b>
As a % of India	16%	18%	12%	19%	<b>16%</b>
Delhi NCR	26	58	30	5	<b>119</b>
Uttar Pradesh	51	46	33	4	<b>134</b>
Punjab	16	31	17	4	<b>68</b>
Haryana	18	21	18	4	<b>61</b>
Karnataka	8	16	20	2	<b>46</b>
Telangana	10	19	12	3	<b>44</b>
<b>Focus market</b>	<b>129</b>	<b>191</b>	<b>130</b>	<b>22</b>	<b>472</b>
As a % of India	35%	32%	34%	29%	<b>33%</b>
<b>Indian market coverage</b>	<b>51%</b>	<b>50%</b>	<b>46%</b>	<b>48%</b>	<b>49%</b>

Source: Company, Emkay Research

**With built-up capacity, Bikaji's capacity utilization stands at 46-48%**

**The company has an overall outlet reach of 1mn outlets, amid a universe of 8.6mn, wherein 23% of this is being addressed directly by the company**

**Given the competitive intensity (strong regional players) in the western region, the company is not aggressive in this market**

Exhibit 7: Assessing throughput per outlet for our coverage universe (on MRP)

	FY23 sales (Rs bn)	Domestic sales (Rs bn)	Trade margin + Tax	GMV sales (Rs mn)	General trade share (%)	Overall outlet reach (mn)	Throughput per store – Overall (Rs/month/outlet)	Direct retail sales (%)	Direct reach (mn outlets)	Throughput per store – Direct (Rs/outlet)
HUL	582	570	30%	814	75%	9.0	5,654	45%	3.00	7,633
ITC	191	191	30%	273	74%	7.0	2,401	41%	2.50	2,757
Nestlé India	168	161	30%	230	82%	5.2	3,022	55%	1.60	5,402
Britannia	160	151	30%	216	85%	6.3	2,424	52%	2.60	3,055
GCPL	132	75	30%	108	82%	6.0	1,225	50%	1.00	3,676
Dabur	114	82	30%	116	74%	7.9	909	45%	1.40	2,308
Marico	97	74	30%	105	85%	6.5	1,144	50%	1.70	2,188
Colgate	52	49	30%	70	63%	5.6	661	36%	1.00	1,332
Emami	34	28	30%	40	74%	4.9	502	43%	0.90	1,176
Honasa (GT sales)	14	14	50%	29	21%	0.2	3,263	41%	0.04	5,000
Bikaji	20	20	35%	30	85%	1.0	2,138	30%	0.23	2,789

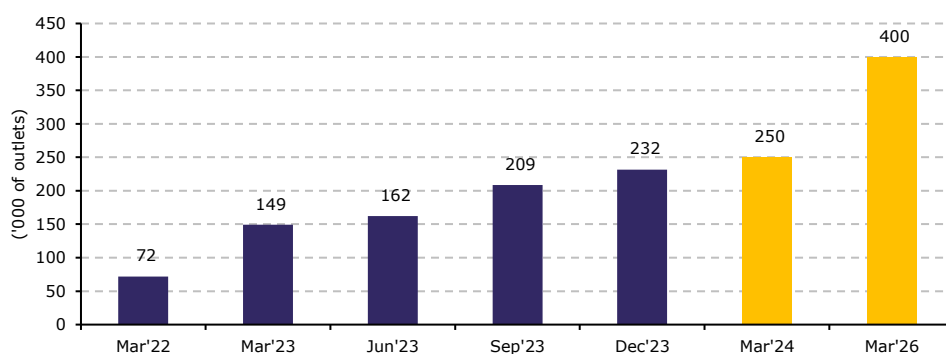
Source: Emkay Research

Exhibit 8: Assessing throughput per outlet across core and focus markets (on net sales)

	FY24	Core	Focus	Other states
<b>General trade revenue (Rs mn)</b>	<b>18,992</b>	<b>13,484</b>	<b>3,039</b>	<b>2,469</b>
% of Bikaji	100%	71%	16%	13%
Universe – Outlet (mn)	8.61	1.37	2.96	4.28
<b>Overall reach - Outlet (mn)</b>	<b>1.05</b>	<b>0.76</b>	<b>0.18</b>	<b>0.12</b>
% of universe	12%	55%	6%	3%
% of Bikaji	100%	72%	17%	11%
Throughput per outlet per month (Rs)	1,507	1,488	1,407	1,789
<b>Direct - Outlet (mn)</b>	<b>0.23</b>	<b>0.09</b>	<b>0.12</b>	<b>0.02</b>
% of Bikaji	100%	39%	52%	9%
% of overall reach	22%	12%	66%	17%
Revenue from direct outlets (Rs mn)	4,748	3,371	2,279	617
As a % of revenue	25%	25%	75%	25%
Throughput per outlet per month (Rs)	1,707	3,019	1,595	2,612
Multiple of overall throughput (x)	1.1	2.0	1.1	1.5
<b>Indirect – Outlets (mn)</b>	<b>0.82</b>	<b>0.66</b>	<b>0.06</b>	<b>0.10</b>
% of Bikaji	100%	80%	7%	12%
% of overall reach	78%	87%	33%	83%
Indirect/Direct (x)	3.5	7.1	0.5	4.8
Revenue from indirect outlets (Rs mn)	14,244	10,113	760	1,852
Throughput per outlet per month (Rs)	1,451	1,273	1,039	1,619

Source: Emkay Research

Exhibit 9: Direct outlet reach thrust to continue aiding growth

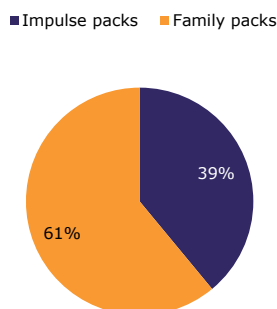


Source: Company, Emkay Research

**Of Bikaji's direct outlet reach of 231K, 93K is in core markets and 119K in focus markets, with 20K forming the balance market**

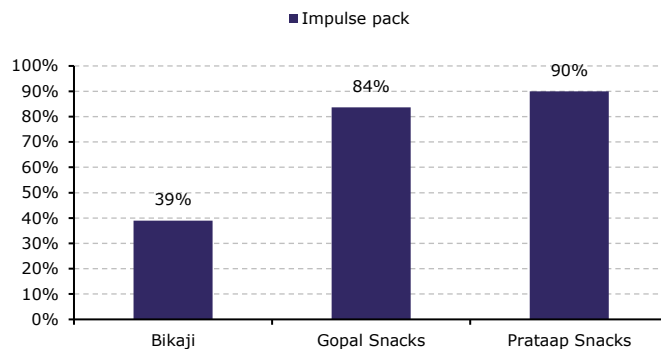
**The company aims for an outlet reach of 1.2-1.25mn within the next couple of years**

Exhibit 10: Pack salience for FY23



Source: Company, Emkay Research

Exhibit 11: Bikaji has a relatively low salience of impulse packs (priced at Rs5 and Rs10)



Source: Company, Emkay Research

Note: Bikaji and Gopal Snacks: based on FY23 data; Prataap Snacks: based on FY22 data

Exhibit 12: Summary of cash flow

(Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>EBITDA</b>	<b>933</b>	<b>946</b>	<b>1,448</b>	<b>1,395</b>	<b>2,136</b>	<b>3,967</b>	<b>4,525</b>	<b>5,345</b>
PBT	759	636	1,201	1,050	1,706	3,486	4,112	4,997
Tax	(214)	(117)	(173)	(411)	(466)	(819)	(1,028)	(1,249)
<b>PAT</b>	<b>545</b>	<b>520</b>	<b>1,029</b>	<b>639</b>	<b>1,240</b>	<b>2,667</b>	<b>3,084</b>	<b>3,748</b>
Non-cash and non-operating items	213	348	282	434	554	481	413	348
Changes in working capital	(70)	(321)	(90)	(498)	(33)	56	(304)	(372)
<b>Operating cash flow</b>	<b>687</b>	<b>547</b>	<b>1,220</b>	<b>575</b>	<b>1,762</b>	<b>3,204</b>	<b>3,193</b>	<b>3,724</b>
As a % of PAT	126%	105%	119%	90%	142%	120%	104%	99%
As a % of EBITDA	74%	58%	84%	41%	82%	81%	71%	70%
Capex	(733)	(405)	(737)	(1,078)	(806)	(467)	(535)	(626)
<b>Free cash flow</b>	<b>(46)</b>	<b>141</b>	<b>482</b>	<b>(504)</b>	<b>955</b>	<b>2,737</b>	<b>2,658</b>	<b>3,098</b>
As a % of PAT	-8%	27%	47%	-79%	77%	103%	86%	83%
As a % of EBITDA	-5%	15%	33%	-36%	45%	69%	59%	58%

Source: Company, Emkay Research

Exhibit 13: Peer analysis – Revenue and growth trends

(Rs mn)	FY18	FY19	FY20	FY21	FY22	FY23
<b>Revenue</b>						
Haldiram North	26,219	30,730	37,086	41,004	50,354	63,746
Balaji	18,400	19,723	23,360	29,386	40,029	49,249
Haldiram Nagpur	20,476	24,803	26,892	29,185	35,492	41,052
<b>Bikaji</b>	<b>7,813</b>	<b>9,014</b>	<b>10,746</b>	<b>13,107</b>	<b>16,110</b>	<b>19,661</b>
Prataap Snacks	10,174	11,706	13,938	11,711	13,966	16,529
Gopal Snacks	6,891	8,160	8,862	11,289	13,522	13,947
Bikanervala Foods	7,755	9,350	10,919	9,814	10,073	12,093
DFM Foods	4,253	4,836	5,079	5,241	5,545	5,861
Haldiram Prabhuji	3,305	3,943	3,699	3,023	3,778	4,709
<b>Revenue growth</b>						
Haldiram North	NA	17.2%	20.7%	10.6%	22.8%	26.6%
Balaji	30.1%	7.2%	18.4%	25.8%	36.2%	23.0%
Haldiram Nagpur	28.7%	21.1%	8.4%	8.5%	21.6%	15.7%
<b>Bikaji</b>	<b>28.5%</b>	<b>15.4%</b>	<b>19.2%</b>	<b>22.0%</b>	<b>22.9%</b>	<b>22.0%</b>
Prataap Snacks	13.8%	15.1%	19.1%	-16.0%	19.3%	18.4%
Gopal Snacks	10.1%	18.4%	8.6%	27.4%	19.8%	3.1%
Bikanervala Foods		20.6%	16.8%	-10.1%	2.6%	20.1%
NADFM Foods	24.4%	13.7%	5.0%	3.2%	5.8%	5.7%
Haldiram Prabhuji	2.6%	19.3%	-6.2%	-18.3%	25.0%	24.7%

Source: Gopal Snacks IPO Document, Capitaline

## Exhibit 14: Peer Analysis – Gross margin

	FY18	FY19	FY20	FY21	FY22	FY23
Haldiram North	39.8%	37.6%	36.0%	34.0%	29.6%	34.1%
Balaji	26.7%	22.2%	21.0%	14.8%	12.7%	20.2%
Haldiram Nagpur	36.1%	35.5%	34.7%	33.4%	28.5%	29.0%
<b>Bikaji</b>	<b>28.5%</b>	<b>28.5%</b>	<b>30.7%</b>	<b>28.5%</b>	<b>27.4%</b>	<b>29.0%</b>
Prataap Snacks	32.4%	29.9%	28.9%	27.7%	25.1%	27.4%
Gopal Snacks	15.6%	17.5%	21.9%	18.1%	20.6%	28.4%
Bikanervala Foods	NA	40.2%	35.0%	37.6%	31.4%	30.4%
DFM Foods	39.8%	41.3%	39.3%	40.3%	36.1%	39.2%
Haldiram Prabhuji	27.7%	32.0%	44.3%	32.4%	32.7%	33.0%

Source: Gopal Snacks IPO Document, Capitaline

## Exhibit 15: Peer Analysis – EBITDA margin

	FY18	FY19	FY20	FY21	FY22	FY23
Haldiram North	18.8%	16.2%	15.5%	15.1%	10.7%	15.1%
Balaji	17.6%	12.7%	10.1%	4.6%	3.7%	13.1%
Haldiram Nagpur	18.3%	19.2%	15.0%	17.2%	12.7%	14.6%
<b>Bikaji</b>	<b>12.8%</b>	<b>10.3%</b>	<b>8.8%</b>	<b>11.0%</b>	<b>8.7%</b>	<b>10.9%</b>
Prataap Snacks	8.3%	7.1%	7.0%	5.1%	2.6%	3.3%
Gopal Snacks	2.1%	1.8%	4.7%	5.3%	7.0%	14.1%
Bikanervala Foods	NA	9.9%	7.0%	9.3%	4.2%	7.1%
DFM Foods	11.9%	13.1%	7.6%	10.4%	-4.0%	-7.1%
Haldiram Prabhuji	4.8%	5.7%	17.7%	12.4%	12.2%	6.6%

Source: Company, Capitaline

## Exhibit 16: Return profile of savory snack peers

	Return on equity					Return on capital employed				
	FY19	FY20	FY21	FY22	FY23	FY19	FY20	FY21	FY22	FY23
<b>Bikaji Foods International</b>	<b>10.9%</b>	<b>10.7%</b>	<b>14.9%</b>	<b>9.3%</b>	<b>13.3%</b>	<b>16.4%</b>	<b>12.7%</b>	<b>18.4%</b>	<b>11.6%</b>	<b>16.7%</b>
Haldiram (Nagpur + Delhi)	21.8%	17.8%	16.3%	12.4%	-	27.8%	19.8%	18.8%	14.6%	-
Bikanervala Foods	18.3%	11.1%	11.2%	8.3%	-	21.1%	9.9%	12.4%	9.9%	-
Prataap Snacks	8.0%	7.7%	2.3%	0.5%	3.0%	9.4%	5.6%	1.4%	0.7%	0.0%
Balaji Wafers	10.2%	9.5%	1.8%	0.4%	22.5%	13.3%	9.8%	1.0%	-0.1%	25.5%
PepsiCo India Holdings	0.4%	12.2%	5.6%	1.3%	7.7%	0.4%	9.4%	4.5%	1.0%	13.8%
DFM Foods	25.3%	16.8%	16.1%	16.2%	-	30.3%	15.6%	25.1%	-17.8%	-
Gopal Snacks	29.7%	30.8%	15.6%	23.4%	38.6%	25.6%	32.1%	13.5%	18.7%	43.1%

Source: IPO Document

Note: ROE (%) = Profit after Tax/Total Equity; ROCE (%) = (EBITDA - Depreciation and amortization expense) / (Total Equity + Short-term borrowings + Long-term borrowings - Cash and cash equivalents)

## Exhibit 17: Emkay's FMCG Coverage – Valuation Snapshot

	Rating	TP (Rs/sh)	Upside	Mcap (USD bn)	P/E (x)			Average historical forward PER (x)			FY26E PER vs.		Emkay valuation	
					FY24E	FY25E	FY26E	3Y	5Y	10Y	5Y avg P/E	10Y avg P/E	P/E (x)	vs. 5Y avg P/E
ITC	BUY	520	18%	65.9	27.6	24.4	22.1	20.9	19.8	22.8	12%	-3%		
Hindustan Unilever	ADD	2,500	5%	67.0	56.0	51.6	46.7	55.5	53.6	44.7	-13%	4%	49	-10%
Nestlé India	REDUCE	2,600	4%	29.0	76.4	69.7	62.6	66.3	65.0	56.1	-4%	12%	65	0%
Britannia Industries	ADD	5,550	7%	14.9	58.2	51.3	44.7	47.7	47.2	44.1	-5%	1%	48	0%
Godrej Consumer Products	ADD	1,350	2%	16.2	97.6	56.6	48.9	44.9	42.3	39.6	15%	23%	50	20%
Dabur India	BUY	660	18%	11.9	52.5	45.7	39.1	41.3	38.2	33.5	2%	17%	46	20%
Colgate-Palmolive	SELL	2350	-18%	9.3	58.2	53.0	48.8	44.4	42.3	40.0	16%	22%	42	0%
Marico	ADD	600	3%	9.0	50.8	46.2	41.0	39.9	40.5	39.4	1%	4%	40	0%
Emami	BUY	600	14%	2.8	31.5	29.5	26.7	26.8	26.3	31.5	2%	-15%	31	20%
Honasa Consumer	BUY	500	17%	1.7	135.8	85.5	60.1	NA	NA	NA	NA	NA	NA	NA
Bikaji^	BUY	650	25%	1.6	66.9	49.3	38.6							

Source: Company, Bloomberg, Emkay Research; Note: Prices based on close of business as on 7-May-2024; ^ P/E based on PLI adjusted EPS

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## Aspiring for a wider food play; initiate with BUY

Bikaji emerged stronger in the Indian savory snacks space with a dominant share in *Bhujia*. With its core and focused market strategy, the company has charted out its pan-India expansion journey. Aided by differentiated marketing initiatives and better brand perception, the company has improved family pack salience, which not only drives revenue growth and market share but also helps profitability. The company, with ~1mn outlet coverages, has decent throughput per outlet, which is much better compared with some of the traditional FMCG players.

As the company leverages the pan-India opportunity with steady expansion in distribution, we see a net sales CAGR of 16% over FY24-26E. Aided by steady margin improvement from a) improving sales mix, b) operating leverage, and c) cost-optimization initiatives, we see adjusted earnings (ex-PLI) growth to be ~32% over FY24-26E. In the long run, as the company aspires to transform into a total food company, we see added optionality emerging in the business. From a near to medium-term perspective, we see a case for frozen foods and QSR expansion.

## We initiate coverage on Bikaji with a BUY and Mar-25E TP of Rs650/share

With improving sales mix, business scale-up, and cost-optimization initiatives in place, we see profitability improving, with EBITDA margin expansion of ~220bps over FY24-26E to 15.7%. We initiate coverage on Bikaji with a BUY recommendation and Mar-25 TP of Rs650/share, based on 48x P/E. We have used earnings adjusted for PLI benefit, as the benefit will expire in FY27. Scale up of frozen food products is an optionality from the QSR aspiration perspective; we have not factored in any positives from the initiative as of now.

### Bikaji to see valuation re-rating on strong earnings growth visibility

Amid our traditional foods companies' coverage, we ascribe 65x valuation multiple to Nestlé India (relative premium justified, on strong parent portfolio, resilient management execution prowess, and category opportunity) and 48x to Britannia (leadership in biscuits and aspiring to become a 'total foods company' with multiple category endeavors), both in line with their respective last five-year average forward P/E. Our discretionary team (led by Devanshu Bansal) covers Varun Beverages and has assigned 50x P/E to the TP.

We expand our foods companies coverage with our initiation on Bikaji. We see Bikaji well placed to drive a mid-teens top-line and 32% earnings growth. With scale, Company's asset-turn is likely to see steady expansion (current utilization at 46-48%) which, along with improving margin, would lead to healthy improvement in the company's ROIC profile. We value Bikaji at 48x P/E, which is in line with our valuation multiple for Britannia. We see the journey of savory snacks to be akin to that of Biscuits, a vertical that has seen steady formalization. Focusing on divergent segments, both entities (Bikaji and Britannia) aspire to become a 'Total Food Company' and address a near-similar TAM opportunity.

**We see 16% sales/32% earnings CAGR over FY24-26E**

**In the long run, Bikaji aspires to be a total foods company**

**We initiate coverage with BUY and Mar-25E TP of Rs650/share, which offers 25% upside**

Exhibit 18: Emkay's Foods and Beverages coverage – Valuations

	Price	Mcap	TP	Upside	P/E (x)		EV/sales (x)		RoE (%)		CAGR (FY24-26E)		
	(Rs/sh)	(Rs bn)			Reco	(Rs/sh)	(%)	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Nestlé India	2,509	2,419	Reduce	2,600	4	69.7	62.6	11.3	10.1	100.1	106.5	11%	10%
Britannia Industries	5,174	1,246	Add	5,550	7	51.3	44.7	6.8	6.2	60.3	65.6	10%	14%
Varun Beverages	1,443	1,875	Add	1,500	4	70.7	53.8	9.6	7.8	32.9	32.7	23%	30%
Bikaji	520	130	BUY	650	25	49.3	38.6	4.7	4.0	24.6	25.7	16%	32%

Source: Bloomberg, Emkay Research; Note: Prices based on close of business on 7-May-2024



### Discounted cash flow also suggests significant upside

We have also used a discounted cash flow approach to evaluate the fair value of Bikaji Foods. We have estimated detailed financials for the next 10 years, followed by the next 10-year period of growth convergence to a terminal growth of 5%. Overall, we arrive at a similar target price as that using the PER-based approach.

Details of our three-stage valuation:

- **Stage 1 (FY25E-34E, explicit period):** During this period, we estimate revenue CAGR of about 12%. We expect EBITDA margin to see a 300bps expansion in 10 years to 20%. EBITDA CAGR is likely to be 14%, while earnings CAGR ~15%.
- **Stage 2 (FY34E-44E, implicit period):** During this period, we estimate revenue/earnings CAGR of ~6%/7%, resp. Earnings-to-FCF conversion is likely to remain steady at ~95%.
- **Stage 3 (FY43E & beyond, terminal period):** We assume terminal growth of 5%.

#### Exhibit 19: Fair value using the discounted cash-flow approach

Key assumptions	
Risk free rate	7.3%
Observed Beta (x)	0.8
Market return	10.0%
Cost of Equity	9.5%
Terminal growth	5.0%
Fair value analysis (Rs mn)	
NPV (explicit FY25E-34E FCF)	32,336
NPV (explicit FY35E-FY44W FCF)	39,158
NPV (terminal value)	88,382
<b>Enterprise value (Rs mn)</b>	<b>159,876</b>
Less: Net Borrowing (FY23)	-2,300
Less: Minorities (FY23)	0
<b>Equity value (Rs mn)</b>	<b>162,176</b>
Shares outstanding (mn)	250
<b>Fair value / Target price (Rs/sh)</b>	<b>650</b>
Current share price	520
Upside	25%

Source: Emkay Research

#### Exhibit 20: DCF-based Sensitivity analysis

		WACC				
		8.5%	9.0%	9.5%	10.0%	10.5%
Terminal growth	3.0%	657	588	535	530	481
	4.0%	735	647	582	576	517
	5.0%	857	736	<b>650</b>	642	567
	6.0%	1077	883	757	745	642
	7.0%	1590	1178	951	931	767

Source: Emkay Research

#### Key assumptions

- We ascribe 5% terminal growth rate, given Company thrust on the foods & beverages segment.
- We have used a weighted average cost of capital/cost of equity of 9.5%, which takes into consideration a risk free rate of 7.25%, market return of 10%, and observed beta of 0.8x.
- Our double-digit growth assumption for the implicit and explicit periods is largely a factor of increased formalization of food categories. We see premiumization opportunities in the segment, wherein offerings are largely positioned at the value end.
- Premiumization opportunities in the core portfolio are likely to help Bikaji expand margin on a sustainable basis which will support double-digit earnings.
- Better growth and margin potential will drive a valuation premium.

## Exhibit 21: Explicit period – Cash-flow forecasts

(Rs mn)	Mar-25E	Mar-26E	Mar-27E	Mar-28E	Mar-29E	Mar-30E	Mar-31E	Mar-32E	Mar-33E	Mar-34E
<b>Net Sales</b>	<b>26,765</b>	<b>31,296</b>	<b>35,284</b>	<b>40,211</b>	<b>44,989</b>	<b>49,982</b>	<b>55,480</b>	<b>61,028</b>	<b>66,520</b>	<b>72,507</b>
- growth	14.7%	16.9%	12.7%	14.0%	11.9%	11.1%	11.0%	10.0%	9.0%	9.0%
Total Cost	22,240	25,951	29,050	33,435	37,197	41,005	44,939	49,127	53,216	58,006
<b>EBITDA</b>	<b>4,525</b>	<b>5,345</b>	<b>6,234</b>	<b>6,776</b>	<b>7,792</b>	<b>8,977</b>	<b>10,541</b>	<b>11,900</b>	<b>13,304</b>	<b>14,501</b>
- margin	16.9%	17.1%	17.7%	16.9%	17.3%	18.0%	19.0%	19.5%	20.0%	20.0%
Depreciation	598	609	651	691	734	782	813	833	842	845
as a % of sales	2.2%	1.9%	1.8%	1.7%	1.6%	1.6%	1.5%	1.4%	1.3%	1.2%
Other income	276	345	414	496	571	657	755	831	914	1,005
- growth	25.0%	25.0%	20.0%	20.0%	15.0%	15.0%	15.0%	10.0%	10.0%	10.0%
Oper. EBIT	4,203	5,081	5,996	6,582	7,629	8,852	10,483	11,898	13,376	14,662
Interest	91	84	70	56	42	28	29	30	32	34
<b>PBT</b>	<b>4,112</b>	<b>4,997</b>	<b>5,926</b>	<b>6,526</b>	<b>7,587</b>	<b>8,824</b>	<b>10,454</b>	<b>11,867</b>	<b>13,344</b>	<b>14,628</b>
Tax	1,028	1,249	1,511	1,664	1,935	2,250	2,666	3,026	3,403	3,730
Tax rate	25.0%	25.0%	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%
Reported PAT	3,084	3,748	4,415	4,862	5,652	6,574	7,789	8,841	9,941	10,898
<b>Adjusted PAT</b>	<b>2,631</b>	<b>3,358</b>	<b>4,028</b>	<b>4,862</b>	<b>5,652</b>	<b>6,574</b>	<b>7,789</b>	<b>8,841</b>	<b>9,941</b>	<b>10,898</b>
- growth	35.6%	27.6%	20.0%	20.7%	16.3%	16.3%	18.5%	13.5%	12.4%	9.6%
Depreciation	598	609	651	691	734	782	813	833	842	845
Capex	-535	-626	-895	-1,005	-1,125	-1,250	-1,138	-1,083	-1,094	-1,069
Capex/Dep	0.9x	1.0x	1.4x	1.5x	1.5x	1.6x	1.4x	1.3x	1.3x	1.3x
Decreased in Working Capital	-304	-372	-459	-521	-534	-443	-555	-305	-333	-363
as a % of net sales	-1.1%	-1.2%	-1.3%	-1.3%	-1.2%	-0.9%	-1.0%	-0.5%	-0.5%	-0.5%
<b>Free Cash Flow</b>	<b>2,390</b>	<b>2,970</b>	<b>3,325</b>	<b>4,027</b>	<b>4,728</b>	<b>5,664</b>	<b>6,909</b>	<b>8,286</b>	<b>9,356</b>	<b>10,311</b>
Growth	12.8%	24.2%	12.0%	21.1%	17.4%	19.8%	22.0%	19.9%	12.9%	10.2%
FCF-to-PAT	90.8%	88.4%	82.5%	82.8%	83.7%	86.2%	88.7%	93.7%	94.1%	94.6%
FCF-to-sales	8.9%	9.5%	9.4%	10.0%	10.5%	11.3%	12.5%	13.6%	14.1%	14.2%

Source: Emkay Research

## Exhibit 22: Implicit period forecast

(Rs mn)	Mar-35	Mar-36	Mar-37	Mar-38	Mar-39	Mar-40	Mar-41	Mar-42	Mar-43	Mar-44
Free Cash Flow	11,310	12,347	13,415	14,505	15,608	16,713	17,810	18,886	19,929	20,925
growth	9.7%	9.2%	8.6%	8.1%	7.6%	7.1%	6.6%	6.0%	5.5%	5.0%

Source: Emkay Research

**The company's sales are largely under the Bikaji brand; in the past, it had different branding for its western snack offerings**

## Key risks in the business

### Sustained raw-material volatility to have a bearing on performance

Any volatility in raw-material prices has a bearing on the financial health of the company. Inflationary pressures are being managed with effective price hikes, which at times invite competition. Effecting price hikes also involves decent time. In case raw-material volatility is sustained, the company would be under pressure to maintain its margin.

### Bikaji brand concentration

With a single-brand focus, the company optimizes A&P spending and leverages a wider product base. In case the Bikaji brand gets into any legal tussle, the company will see performance impact across the portfolio. The recent acquisition of Bhujialal is focused on countering mass-priced competition. Given high in-home production reliance, we do not see any major risk of brand concentration.

### Higher revenue concentration in the core market

The company generates ~70% revenue from core markets like Rajasthan, Assam, and Bihar. The company aspires to grow faster in the focused market, where it generates ~15% revenue. The company's inability to drive growth in focused markets would be a key risk ahead.



## Exhibit 25: Emkay FMCG Universe – Return profile and free cash conversion

	ROE (%)			ROCE (%)			FCF yield (%)			FCF/PAT (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
ITC	29.4	32.0	32.8	33.0	36.2	38.3	3.0	3.0	3.4	83	78	79
Hindustan Unilever	19.7	21.2	23.5	25.5	27.7	30.7	1.7	1.9	2.0	98	97	96
Nestlé India	109.2	100.1	106.5	181.2	133.4	141.6	2.5	1.3	1.4	153	91	87
Britannia Industries	57.3	60.3	65.6	45.6	53.2	60.1	1.3	1.7	2.1	74	92	96
Godrej Consumer Products	15.3	18.0	19.3	16.3	18.2	20.2	-0.4	1.8	2.1	-25	101	102
Dabur India	20.0	20.9	22.2	18.9	21.3	22.7	1.4	1.8	2.1	76	77	82
Colgate-Palmolive	74.3	73.7	71.9	41.6	43.4	43.9	1.6	2.5	2.2	80	111	88
Marico	38.8	40.1	40.1	91.8	91.3	89.4	1.8	1.9	2.1	106	103	103
Emami	28.4	26.2	26.2	32.1	30.5	30.6	3.5	3.4	3.8	109	100	100
Honasa Consumer	12.1	14.0	17.0	15.3	17.7	21.4	1.0	1.4	1.8	131	119	107
Bikaji	25.3	24.6	25.7	28.7	32.7	38.1	2.7	2.4	2.9	133	118	114

Source: Company, Bloomberg, Emkay Research; Note: Prices based on close of business as on 7-May-2024

## Exhibit 26: Valuation summary for Indian HPC and F&amp;B players (on Consensus)

	CMP (Rs/share)	MCap (USD bn)	P/E (x)			EV/Sales (x)			EV/EBITDA (x)		
			FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26
Hindustan Unilever	2,379	67.0	54.3	50.5	45.6	9.0	8.5	7.8	38.3	35.7	32.2
Godrej Consumer Products	1,322	16.2	67.7	55.6	47.3	9.6	8.8	7.9	45.7	39.3	34.5
Dabur India	558	11.9	52.0	46.7	41.0	7.9	7.2	6.6	40.3	36.1	31.9
Marico	584	9.0	50.7	45.9	40.8	7.7	7.0	6.3	36.8	33.3	29.8
Colgate-Palmolive	2,863	9.3	59.9	55.0	50.3	13.6	12.6	11.6	41.2	37.8	34.8
Emami	526	2.8	29.8	27.1	24.4	6.4	5.9	5.4	23.8	21.4	19.2
Jyothy Labs	457	2.0	44.3	38.7	33.9	5.9	5.3	4.7	33.6	30.0	26.7
Honasa Consumer	428	1.7	135.2	90.2	61.4	7.1	5.7	4.7	101.7	64.7	43.6
Bajaj Consumer Care	258	0.4	22.2	19.3	16.8	3.1	2.8	2.6	18.3	15.6	13.6
<b>India HPC players</b>		<b>129.1</b>	<b>57.5</b>	<b>51.4</b>	<b>45.5</b>	<b>9.2</b>	<b>8.6</b>	<b>7.9</b>	<b>40.9</b>	<b>36.7</b>	<b>32.6</b>
Britannia Industries	5,174	14.9	57.7	51.4	45.6	7.4	6.8	6.1	39.4	35.6	31.9
Nestlé India	2,509	29.0	80.7	67.1	65.7	12.5	10.5	10.9	53.4	44.0	44.7
Tata Consumer Products	1,099	12.5	73.2	63.7	53.0	7.0	6.0	5.4	48.5	38.2	33.4
Varun Beverages	1,443	22.5	73.5	58.1	45.8	9.5	8.0	7.0	42.8	35.4	30.0
Adani Wilmar	338	5.3	277.0	52.2	42.7	0.9	0.8	0.7	42.0	22.4	19.5
Zydu Wellness	1,665	1.3	37.6	26.9	25.3	4.6	4.1	3.7	34.4	25.2	21.6
Bikaji Foods International	520	1.6	53.2	50.5	42.3	5.6	4.9	4.2	35.7	34.2	29.6
Mrs Bectors Food Specialties	1,249	0.9	52.9	44.4	35.4	4.5	3.9	3.3	30.2	25.4	20.9
Agro Tech Foods	730	0.2	137.0	79.6	58.6	2.3	2.2	1.9	47.0	35.2	24.4
Prataap Snacks	886	0.3	39.4	26.4	19.9	1.3	1.1	1.0	15.3	12.3	10.1
<b>India F&amp;B players</b>		<b>88.3</b>	<b>84.2</b>	<b>59.6</b>	<b>52.6</b>	<b>9.0</b>	<b>7.7</b>	<b>7.3</b>	<b>46.0</b>	<b>37.5</b>	<b>34.7</b>

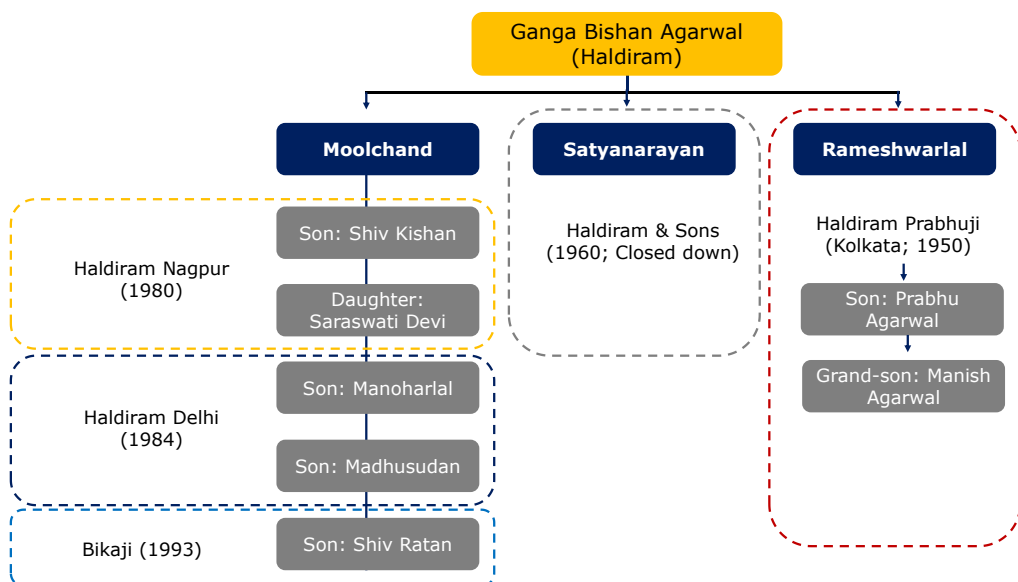
Source: Company, Bloomberg, Emkay Research; Note: Prices based on close of business as on 7-May-2024

## Geared to become pan-India play

Bikaji has emerged as a strong savory snacks and sweets brand, where the company is placed well to address demand with quality and a well-accepted brand. The company is leveraging its traditional Bikaner Bhujia heritage pan-India and, at the same time, is addressing demand in other emerging segments like Namkeen and Western snacks. With expected double-digit growth in the category, Bikaji is better placed to drive mid-teen topline growth, aided by steady distribution expansion. The company is targeting to gain scale in half of India, primarily in North, East, and South markets. The western region, which represents ~30% of the category, is not a focus market for the company, given the high regional competition.

**Company history:** Bikaji’s promoter is part of the Haldiram family where, as a part of business territory separation, the western region was allotted to Bikaji’s promoters. But with an aspiration to address pan-India demand, Bikaji’s promoter created a new brand Bikaji (named after Bikaner king – Rao Bika) in 1993. In 2016, the company set up its first mega factory in Bikaner with a daily capacity of 500ton. In the last couple of years, it has expanded its production base across India.

**Exhibit 27: Haldiram family’s history and division of businesses**



Source: Company

## Strategic capacities to help address demand better

**Exhibit 28: Annual installed capacity by manufacturing facilities**

(mt)	FY19	FY20	FY21	FY22	FY23	Dec-23
Bhujia	45,600	45,600	52,373	57,600	57,600	57,600
Namkeen	64,825	67,938	71,134	77,446	105,120	111,120
Machine made papad	1,200	1,200	1,897	2,400	2,400	2,400
Western snacks	8,255	10,800	10,800	12,263	33,900	36,900
Packaged sweets	23,943	38,173	47,573	56,735	60,480	60,480
Handmade papad					10,200	10,200
Frozen Foods						9,600
<b>Total</b>	<b>143,824</b>	<b>163,712</b>	<b>183,776</b>	<b>206,444</b>	<b>269,700</b>	<b>288,300</b>
Change (YoY)		14%	12%	12%	31%	3%

Source: Company, Emkay Research

**Bikaji’s plants have peak revenue potential of ~Rs45bn vs. revenue of Rs20bn in FY23**

As can be seen in the capacity table below, the company has a healthy capacity in core markets (73% of sales for FY23 and ~67% for 9MFY24). Additionally, it has been addressing capacity needs in its focused markets (~15% of sales for FY23). The company’s overall capacity (at 288,300mt) utilization is at 46-48%, which suggests capacity expansion needs to be limited over the medium term. With better distribution and strong brand recall, the company is poised well to drive sales in focused markets.

Bikaji’s manufacturing capacities are strategically located near raw-material suppliers (efficient procurement) as well as its core and focused markets. This aids in a) reducing lead time to its service markets, b) optimization of freight costs, and c) delivery of fresh products (better taste and quality). The company’s effort to add capacities through 3Ps will help it reach market in a better way and drive asset-light operations.

**Exhibit 29: Bikaji’s capacities across business streams**

	Bhujia	Namkeen	Papad	Western Snacks	Sweets	Frozen Foods
<b>FY23 sales mix</b>	<b>33.4%</b>	<b>36.2%</b>	<b>6.2%</b>	<b>8.2%</b>	<b>12.1%</b>	
<b>Owned Capacities</b>						
- Karni, Bikaner, Rajasthan	57,600mt	50,520mt	2,400mt	4,800mt	24,000mt	9,600mt
- Bichhwal I, Bikaner, Rajasthan			10,200mt		36,480mt	
- Bichhwal II, Bikaner, Rajasthan		24,000mt		6,000mt		
- Kamrup, Assam (Commenced production FY22)		12,000mt		6,000mt		
- Muzaffarpur, Bihar (Commenced production FY22)^		3,000mt		1,800mt		
- Bikaner, Rajasthan#		3,600mt		4,500mt		
<b>Subsidiary capacities</b>						
- Tumakuru (Tumkur), Karnataka @		6,000mt		6,000mt		
<b>3P facilities</b>						
- Kolkata, West Bengal				*		
- Kanpur, Uttar Pradesh (Exclusive 3P)		6,000mt		4,800mt		
- Patna, Bihar		6,000mt		3,000mt		
- Durg, Chhattisgarh (WIP)		6,000mt		4,800mt		
<b>Total</b>	<b>57,600mt</b>	<b>117,120mt</b>	<b>12,600mt</b>	<b>41,700mt</b>	<b>60,480mt</b>	<b>9,600mt</b>
In-house	100%	85%	100%	70%	100%	100%

Source: Company, Emkay Research

^ Vindhya wasini Sales Private became Bikaji’s wholly-owned subsidiary with effect from 1-Apr-22

# Hanuman Agrofood Private became Bikaji’s subsidiary with effect from 1-Jan-23 and a wholly-owned subsidiary from 25-Jan-23

@ Petunt Food Processors Private, in which Bikaji has 51.22% stake; also undertakes manufacturing for 3Ps

\*Kolkata third-party unit is not exclusive to the company, as such capacity has not been highlighted

**Exhibit 30: Bikaji’s manufacturing facility**

**The company operates with four subsidiaries, of which three entail production and the fourth looks after the US market**



Source: Company

## Meeting with Deepak Agarwal, Managing Director

We met Deepak Agarwal, Managing Director at Bikaji Foods International, to gauge the company's aspirations as well as his vision of the savory snacks category. Deepak Agarwal is looking to transform Bikaji into a total foods company in the long run.

### Aspiration to become a total foods company

The company has a fair presence in savory snacks and packaged sweets. The next attempt for the company is to commission a frozen snacks facility, which will widen its product offerings. As the company gets its frozen-snacks recipe right, it will explore opportunities in the Indian QSR segment, where traditional incumbents are seeing decent scale-up. Though the company has no plans to explore the beverages space yet, we see it entering Indian beverages in the long run (just as peer Haldiram is active in dairy-based and Indian beverages like *aam panna*). We do not expect Bikaji to enter the large biscuits segment, given the stiff competitive intensity there.

### Indian consumption habits transforming; offer opportunity for savory snacks

Savory snacks have not replaced other food products, rather they are like incremental consumption for a consumer. Savory snacks complement breakfast dishes better, e.g. French fries go well with burgers and wafers complement sandwiches. Out-of-home consumption has accelerated, wherein consumers look for munching options and not for appetite appeasement.

### Frozen snacks seeing greater consumer acceptance

Consumer convenience has become more of a trend, wherein frozen snack products have seen greater acceptance than in the past. Large players like ITC and Nestlé India have also ventured into the space. Bikaji is in the process of commissioning frozen capacity, which will address demand in the domestic as well as export markets.

### Savory snacks formalization

Mr. Agarwal considers that like the transformation in the biscuits category in 2005 with increased formalization, it is now time for the savory snacks category to tread a similar path. Given GST implementation and the recent volatility in raw-material prices, the unorganized sector has been under stress. Select regional players have enhanced presence pan-India, to further leverage the India opportunity, wherein consumer acceptance is heartening.

### Innovation ahead would be crucial

Mr. Agarwal has been instrumental in Bikaji's innovation, given his ancestral expertise in the snacks category. He is exploring new-to-market innovative products, that give a boost to snacking habits as the product format changes (like offering Bhujia in a snack-bar or wafer format). The company has recently launched a Rs5 *soan papdi* pack called *Patisa*, which has seen good acceptance by consumers. Going ahead, Company is looking to give competition to the protein bar with its Indian sweet product, which will have peanut butter as one of its ingredients. The company generates ~3% of revenue from new product launches.

### Bikaji identifies its long-term strategy

Unlike multiple product offerings emerging in the Indian snacking category, Bikaji is focusing on segments in which it has built capabilities. It is not looking to enter a segment just for growth. Case in point would be the popcorn segment, where procurement of corn is crucial. Similarly, foxnut has healthy realizations, but sourcing is concentrated in Bihar; also A&P needs are high to gain scale.

### M&A is part of its strategy, where it sees no organic fit

The company may look to track the inorganic route, where it does not see capability and is crucial for its total foods company aspiration. Most of its product offerings are positioned for the masses, where we see some M&A possibility in the super premium-end (roasted or baked offerings) vertical.

**Looking to meet its aspiration of becoming a total foods company by expanding its portfolio from savory snacks & sweets to frozen foods**

**Out-of-home consumption for savories has seen acceleration, wherein consumers look for munching options, not to appease their appetite**

**Savories are expected to follow a similar path as biscuits, which have seen steady formalization since 2005**

**Company thrust would be on innovation, aimed at launching base products in different consumption formats as well as leveraging new opportunities**

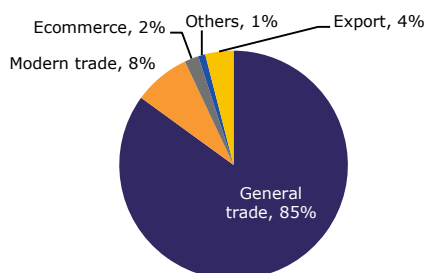
**In the last couple of years, the company has built capacity with own and contract manufacturers, to address demand better and aid logistics cost efficiency**

**Exhibit 31: Recent capacity build-up to address a wider market demand**

Location	Commissioning date	Comments
Tumkur, Karnataka	Feb-21	Petunt Food Processing Private (Subsidiary)
Guwahati, Assam	14-Jan-22	Own facility
Muzaffarpur, Bihar	31-Mar-22	Vindhyawasini Sales Private (became a subsidiary from 1-Apr-22)
Kolkata, West Bengal	In operations	Contract manufacturing arrangement, non-exclusive
Kanpur, Uttar Pradesh	13-Sep-22	Contract manufacturing arrangement with Hanuman Agrofood
Bikaner, Rajasthan	16-Aug-22	Contract manufacturing arrangement
Patna, Bihar	Aug-23	Contract manufacturing arrangement with Dadiji Snacks Private, on exclusive basis
Durg, Chhattisgarh	WIP	To be commissioned by FY24-end

Source: Company, Emkay Research

**Exhibit 32: Bikaji's revenue split**

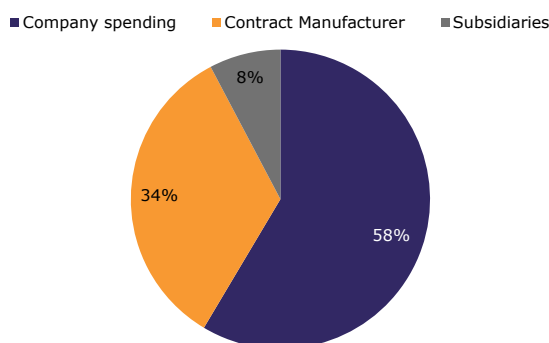


Source: Company, Emkay Research

### PLI is an enabler for Bikaji

Bikaji's manufacturing units have qualified under the 'Production Linked Incentive (PLI) Scheme – Category-I, Segment-Ready to Cook/Ready to Eat, where it has committed to spending a total of Rs4.4bn over FY21-24 in eligible capital assets up to 31-Mar-24 directly and through contract manufacturing units and subsidiaries (benefit will accrue to the company as capex is dedicated towards brand *Bikaji*). This will include Rs2.9bn to be spent by Bikaji (Rs2.6bn) and its subsidiaries (Rs339mn) over FY21-24 along with the contract manufacturer (spending of Rs1.5bn). The company has been sanctioned an incentive of ~Rs2.6bn to be received over five years (FY22-27).

**Exhibit 33: PLI-related capex investments (Rs4.4bn)**



Source: Company, Emkay Research

Bikaji has also received approval for PLI from the government pertaining to branding and marketing abroad from FY22 through FY26. Under this, it would commit to spending Rs465mn towards promoting the brand abroad until FY26 – with a maximum incentive of ~Rs230mn under this incentive head. For the last three years, the company is likely to have logged cumulative income of Rs950mn (in Q4FY24).

**PLI-related capex commitment is Rs4.4bn, which will enable an incentive of Rs2.6bn over FY21-27**

**With the international business, the company also benefits from reimbursement of branding and marketing spends, under the PLI**



## Strategy in place for its core and focus markets

Bikaji has a pan-India distribution network across 25 states and four union territories, but its products are available only in 1mn outlets, amid pan-India universe of 8.6mn outlets (outlets who address demand for savory snacks). The company is aiming for an overall outlet reach of 1.2-1.25mn outlets (from 1mn outlet reach now) in the next couple of years with direct outlet coverage at 0.35-0.40mn outlets (from 0.23mn outlets now).

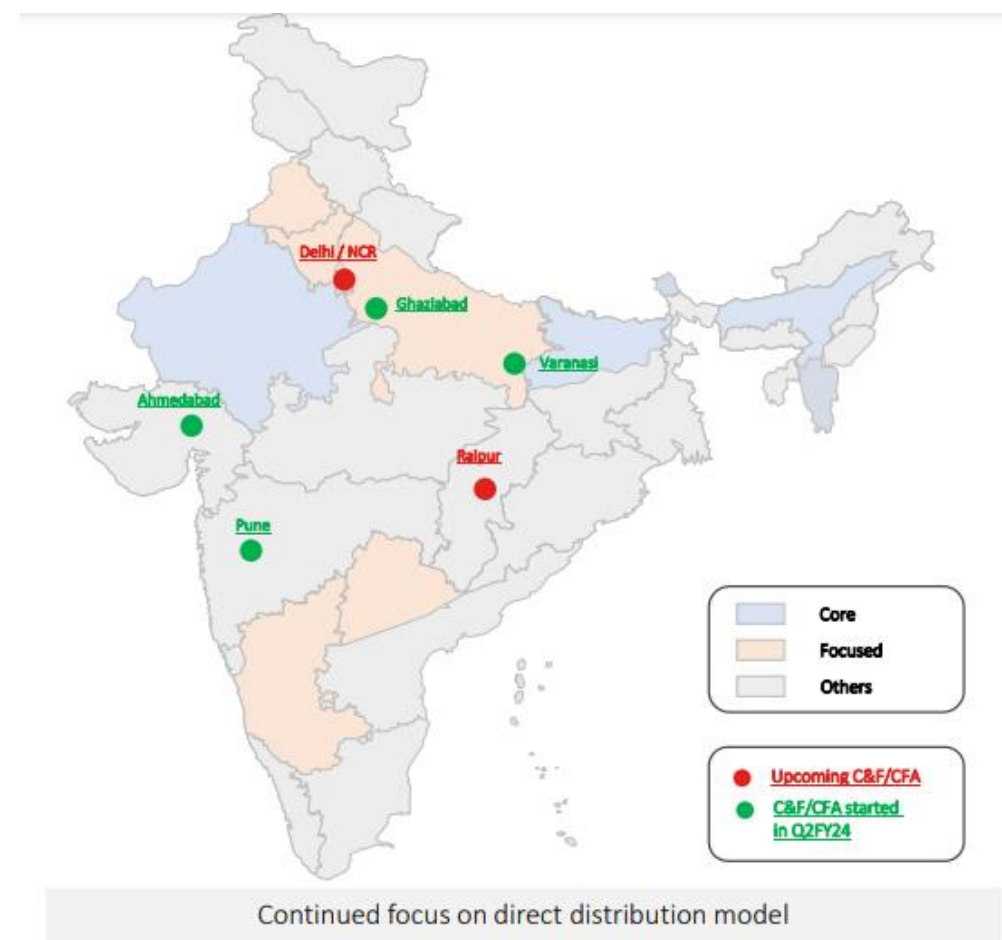
The company has been expanding its depots to better service its distributors and drive throughput per outlet. In Uttar Pradesh, post distributor realignment, the company has two depots in Ghaziabad (12.5K sq. ft.) and Varanasi. It is in the process of adding new depots in Raipur, Chhattisgarh, and Delhi. These depots are aiding product freshness. In the non-focused market, the company has added a depot in Ahmedabad (Gujarat) and Pune (Maharashtra).

**Exhibit 34: Bikaji's presence**

(no. of)	FY21	FY22	FY23
In States	22	23	25
In Union Territories	3	4	4
In Depots	5	6	3
With Super Stockists	43	38	37
With Distributors	2,082	2,372	1,917

Source: Company, Emkay Research

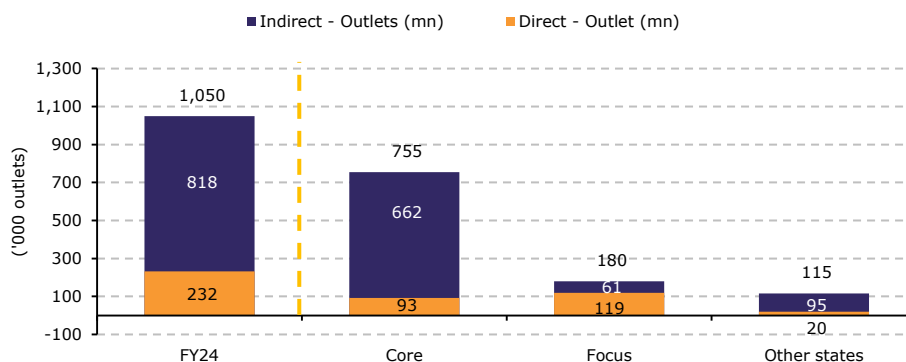
**Exhibit 35: Bikaji's geographical focus**



Source: Company

**In the overall outlet universe of 8.6mn, the company has a reach of 1mn outlets, 23% of which are being addressed directly by the company**

**Of its 231K outlet reach, the company has a direct outlet reach to 93K outlets in core markets and 119K in focus markets, while the balance market has a direct outlet reach to 20K outlets**

**Exhibit 36: Bikaji's outlet coverage across markets and key states**

Source: Emkay Research

### Core markets' thrust on expanding throughput and direct reach

The company's core markets are Rajasthan, Assam, and Bihar, where it enjoys a strong market share in the organized Indian ethnic snack category with 47–48% in Rajasthan, 57% in Assam, and 26% in Bihar. Of the overall ~1.05mn outlet reach, the company has an outlet reach to ~755K outlets in core markets. From the direct outlet reach perspective, of the ~232K outlets, it has a reach to ~93K outlets in core markets.

- Rajasthan, base market, continues to grow:** Of the core market sales, we estimate 70% of the revenue would be from Rajasthan. As the other core markets have seen faster growth, the salience of Rajasthan has seen moderation. In Rajasthan, the outlet universe stands at ~457K, of which ~306K is being reached by Bikaji. Its direct reach is up to 90K outlets. The company addresses 90% of the orders in Rajasthan within 24 hours.
- Bihar's growth journey to accelerate with direct distribution thrust:** In 1990s, some of Bikaji's distributors moved to the eastern part of India in the quest for a larger business. They have helped Bikaji build a strong market, with 26% share. We estimate ~75K outlet reach for the company, where only ~2K outlets are being covered directly.
- Assam has seen faster growth, capacity addition to boost growth:** The company added capacity in Guwahati in FY22. We estimate an outlet coverage of 265K, of the total universe of 350K outlets. Given the terrain, establishing direct distribution is expensive, as such its direct outlet reach is limited to 2K outlets. We see healthy growth to sustain with expansion in direct reach and fresh product access from indigenous plants.

### Focus market to see distribution-led growth

The company has identified its focus markets (addressable market 2x of the core market), where it has identified four states – Haryana, Delhi, Punjab, and Uttar Pradesh, in north India and Karnataka and Telangana, in South India. The focus states now have ~15% sales contribution. In the focus market, the company is aiming for 1.5x growth over the core markets. The focus market is likely to see healthy distribution expansion (direct reach at ~119K), which along with capacities near the market will enable Bikaji to rapidly drive revenue from the focus market going ahead.

- Uttar Pradesh soon to be the core market:** Amid focused markets, we see Uttar Pradesh holds the potential to become the company's core market. The company has less than 1.5% share in the market, where trade sees the potential to double its share in the next three years (turnover to double in the next three years). In the market, the relevant outlet universe stands at 1.83mn, of which only 90K outlets are being covered by Bikaji. The company is looking to expand its outlet coverage to 200K outlets. Bikaji now has direct distribution in the market vs. operations through wholesale (still 50% of sales) and super stockists in the past. Now it has two C&Fs (carry and forward agents) for the market based in Varanasi and Ghaziabad. The company has indirect trade mapping (ITM), where it now tracks product availability in retail outlets.

**Classification of the core market is based on consumer base, market share, and brand pull. Here, the focus is on the offering/selling range in outlets which aids better throughput**

**In its core markets of Rajasthan, Assam, and Bihar, the company now has deep penetration, with market share of 47-48%, 57%, and 26%, respectively**

**Exhibit 37: Assessing throughput per outlet across core and focus markets (on net sales)**

	FY24	Core	Focus	Other states
<b>General trade revenue (Rs mn)</b>	<b>18,992</b>	<b>13,484</b>	<b>3,039</b>	<b>2,469</b>
% of Bikaji	100%	71%	16%	13%
Universe – Outlets (mn)	8.61	1.37	2.96	4.28
<b>Overall reach - Outlets (mn)</b>	<b>1.05</b>	<b>0.76</b>	<b>0.18</b>	<b>0.12</b>
% of universe	12%	55%	6%	3%
% of Bikaji	100%	72%	17%	11%
Throughput per outlet per month (Rs)	1,507	1,488	1,407	1,789
<b>Direct - Outlets (mn)</b>	<b>0.23</b>	<b>0.09</b>	<b>0.12</b>	<b>0.02</b>
% of Bikaji	100%	39%	52%	9%
% of overall reach	22%	12%	66%	17%
Revenue from direct outlets (Rs mn)	4,748	3,371	2,279	617
As a % of revenue	25%	25%	75%	25%
Throughput per outlet per month (Rs)	1,707	3,019	1,595	2,612
Multiple of overall throughput (x)	1.1	2.0	1.1	1.5
<b>Indirect – Outlets (mn)</b>	<b>0.82</b>	<b>0.66</b>	<b>0.06</b>	<b>0.10</b>
% of Bikaji	100%	80%	7%	12%
% of overall reach	78%	87%	33%	83%
Indirect/Direct (x)	3.5	7.1	0.5	4.8
Revenue from indirect outlets (Rs mn)	14,244	10,113	760	1,852
Throughput per outlet per month (Rs)	1,451	1,273	1,039	1,619

Source: Emkay Research

**Strategic thrust on gaining share in half of India**

A detailed analysis of the state-wise TAM segmentation suggests that Bikaji is still focusing on half of the Indian market. While the company is present across 25 states and 4 union territories, its presence in the high penetrated western region (~30% of the industry) is limited to ~6% of sales. The company has a high revenue concentration in North India (at ~57% of sales), which represents ~37% of the industry, where Bikaji has a high thrust in 75% of the market.

**Exhibit 38: Bikaji's category market focus – Category size for FY22**

(Rs bn)	Ethnic Savories	Sweets	Western Snacks	Papad	Total
Rajasthan	34	42	23	9	108
Bihar	16	42	13	3	74
Assam	8	22	9	2	41
<b>Core market</b>	<b>58</b>	<b>106</b>	<b>45</b>	<b>14</b>	<b>223</b>
As a % of India	16%	18%	12%	19%	16%
Delhi NCR	26	58	30	5	119
Uttar Pradesh	51	46	33	4	134
Punjab	16	31	17	4	68
Haryana	18	21	18	4	61
Karnataka	8	16	20	2	46
Telangana	10	19	12	3	44
<b>Focus market</b>	<b>129</b>	<b>191</b>	<b>130</b>	<b>22</b>	<b>472</b>
As a % of India	35%	32%	34%	29%	33%
<b>Indian market coverage</b>	<b>51%</b>	<b>50%</b>	<b>46%</b>	<b>48%</b>	<b>49%</b>

Source: Company, Emkay Research

**Key insights – West India:** The company has stayed away from the western part of India, despite high 30% contribution to demand with increased per capita consumption in Gujarat and Maharashtra. The company had focused evaluation of states, where two key metrics – a) its ability and b) right to win – are helping it decide on its focus and other markets. The western region is highly competitive with strong regional brands. Additionally, realization has been low in the market, given the stiff competition. For Bikaji, the immediate focus is to move promising markets. The company is present in the west but is not part of the focused market.

**Given the competitive intensity (due to strong regional players) in the western region, the company is not aggressive in this market**

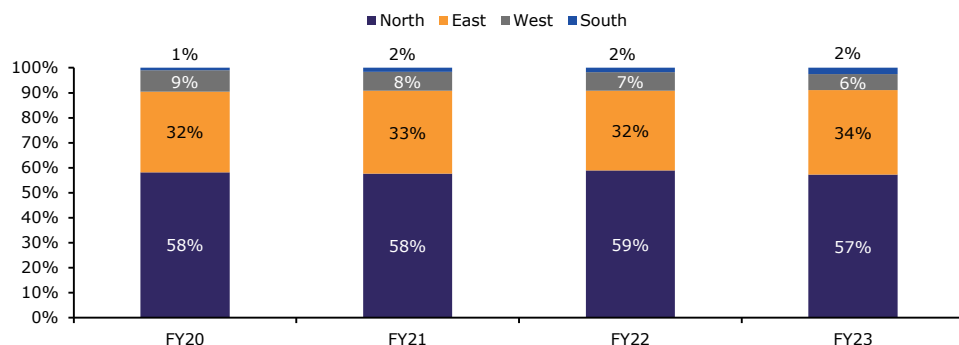
From a category perspective, in India, there is an outlet universe of 8.6mn outlets, of which the company has access to 1mn outlets. Its direct outlet reach stands at 231K outlets. In the core state, the company generates Rs10bn in revenue from Rajasthan, where it distributes products to 306K outlets (75% reach); its direct reach stands at 90K outlets. In the focus market, Uttar Pradesh, the company reaches 90K outlets, which helps generate ~Rs1bn in revenue.

**Exhibit 39: Assessing throughput per outlet for companies under our coverage for FY23**

	FY23 sales (Rs bn)	Domestic sales (Rs bn)	Trade margin + Tax	GMV sales (Rs mn)	General trade share (%)	Overall outlet reach (mn)	Throughput per store – Overall (Rs/ month/ outlet)	Direct retail sales (%)	Direct reach (mn outlets)	Throughput per store – Direct (Rs/ outlet)
HUL	582	570	30%	814	75%	9.0	5,654	45%	3.00	7,633
ITC	191	191	30%	273	74%	7.0	2,401	41%	2.50	2,757
Nestlé India	168	161	30%	230	82%	5.2	3,022	55%	1.60	5,402
Britannia	160	151	30%	216	85%	6.3	2,424	52%	2.60	3,055
GCPL	132	75	30%	108	82%	6.0	1,225	50%	1.00	3,676
Dabur	114	82	30%	116	74%	7.9	909	45%	1.40	2,308
Marico	97	74	30%	105	85%	6.5	1,144	50%	1.70	2,188
Colgate	52	49	30%	70	63%	5.6	661	36%	1.00	1,332
Emami	34	28	30%	40	74%	4.9	502	43%	0.90	1,176
Honasa (GT sales)	14	14	50%	29	21%	0.2	3,240	41%	0.04	5,000
Bikaji	20	20	35%	30	85%	1.0	2,138	30%	0.23	2,789

Source: Emkay Research

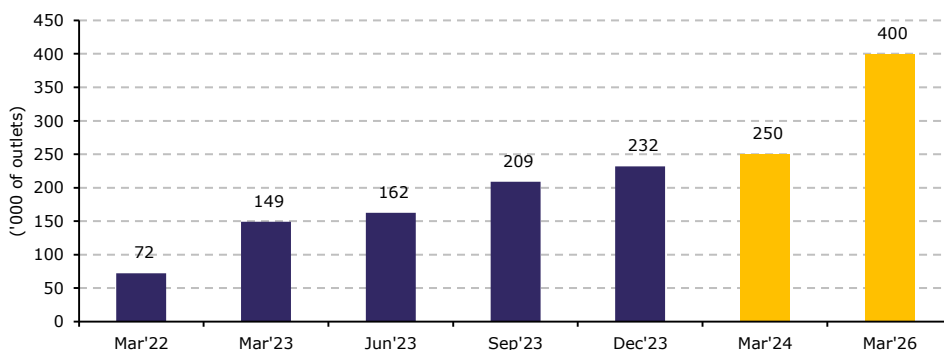
**Exhibit 40: Bikaji – Regional revenue concentration**



Source: Company, Emkay Research

The company has been strengthening its direct outlet reach to have better control of its revenue base. The company’s reach as of Dec-23 stands at 231K outlets, which is on course to expand to a target of 250K outlets by Mar-24. Over the next couple of years, management is looking to further add 100K direct reach outlets. By FY26E, the company aims to reach 400K direct outlets, of which ~150K outlets are likely to be in focus markets. To address fulfilment, the company has added C&F agents in Ghaziabad and Varanasi and is looking to add two new C&Fs in Delhi and Raipur.

**Exhibit 41: Direct outlet reach thrust to continue aiding growth**

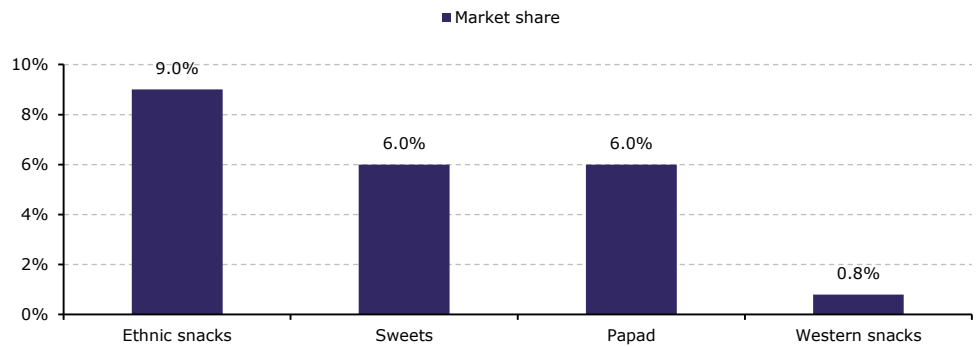


Source: Company, Emkay Research

**The southern market, largely driven by sweets offerings, contributes the least to Bikaji’s revenue**

**The company aims for an overall outlet reach of 1.2-1.25mn outlets in the next couple of years**

Exhibit 42: Bikaji has limited market share in focus categories



Source: Company, Emkay Research

**Bikaji is the largest Bhujia player in the organized market**

Exhibit 43: D2C initiative in place



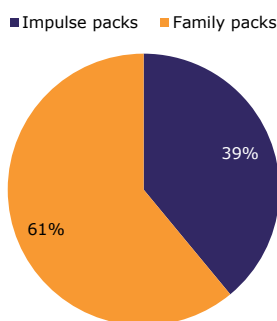
Source: Company

**High salience of family pack helps protect margins**

For Bikaji, family pack salience is at ~61%, which is a factor of family pack SKUs in sweets (100%) and papad and gift packs (together ~20% of revenue). *Bhujia* and *Namkeen* have an equal share of family packs and impulse packs. Moreover, from a trade perspective, the company generates 8% of sales from modern trade and 2% from ecommerce, where salience of family pack is high. Incremental focus is to drive distribution, which is likely to expand the salience of impulse packs priced at Rs5-10.

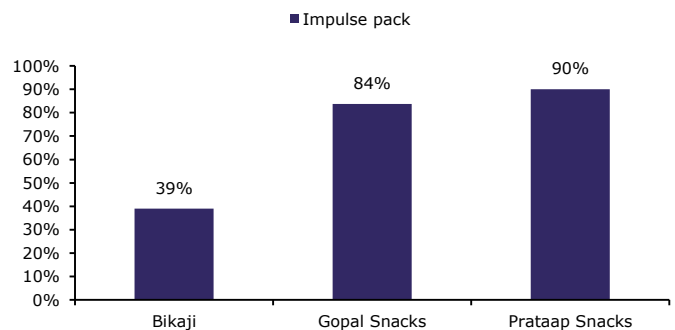
**A relatively high share of family packs shields from business volatility in the volatile raw-material setting**

Exhibit 44: Pack salience for FY23



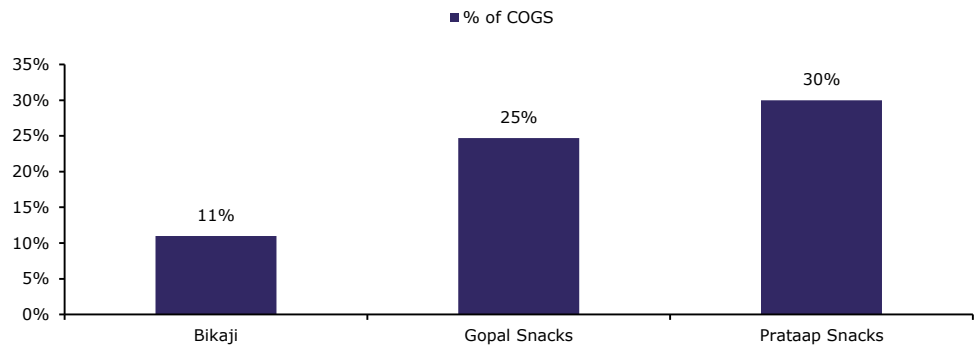
Source: Company, Emkay Research

Exhibit 45: Bikaji has a relatively low salience of impulse packs (priced at Rs5 and Rs10)



Source: Company, Emkay Research; Note: Bikaji and Gopal Snacks: based on FY23 data; Prataap Snacks: based on FY22

**Exhibit 46: Packaging costs as a % of COGS are the lowest for Bikaji, among peers**



Source: Company, Emkay Research

**The Rs5 SKU represents ~50% of the organized snacks industry**

**While the company has pan-India distribution, its core markets are Rajasthan, Assam, and Bihar. The company has also identified its focus markets in North and South India**

**Bhujialalji aimed to counter regional competition**

Bikaji Foods International has acquired a 49% stake (acquiring 9,608 equity shares) and 396 Compulsorily Convertible Debentures (CCDs) in Bhujialalji Pvt (not related party) for Rs51mn in Jul-23. CCD conversion will give a majority stake in the next five years, but it will be contingent on the company’s performance. Bhujialalji was incorporated in May-21 with an annual turnover of Rs180.8mn for FY23 (deal valued at EV/Sales of 0.58x), with a high share of modern trade and e-commerce. The business operates with a mix of own and 3P capacities. Bikaji aims to expand its business to ~Rs1bn in the next four years (~53% CAGR).

The brand currently has an ARR of Rs250mn, where it is reporting a low single-digit margin. At this scale, most brands incur double-digit negative margins. Bhujialalji also has a factory in Bikaner.

**Bhujialalji’s acquisition in Jul-23 is aimed at addressing local competition in North India and is placed as a flanker brand of Bikaji’s**

**Exhibit 47: Bhujialalji’s product offerings**



Source: Company

The company considers this as a strategic acquisition, where the new brand is being targeted from the very start. This is going to be a flanker brand that will be used to counter competition. The brand is present largely in North India in markets like Punjab, Haryana, Delhi, and Uttar Pradesh. Moreover, the company is looking to target ecommerce and regional presence expansion. The company is unlikely to push the brand in its core markets, as it may lead to cannibalization.

**Insights on the three key subsidiaries supporting production:**

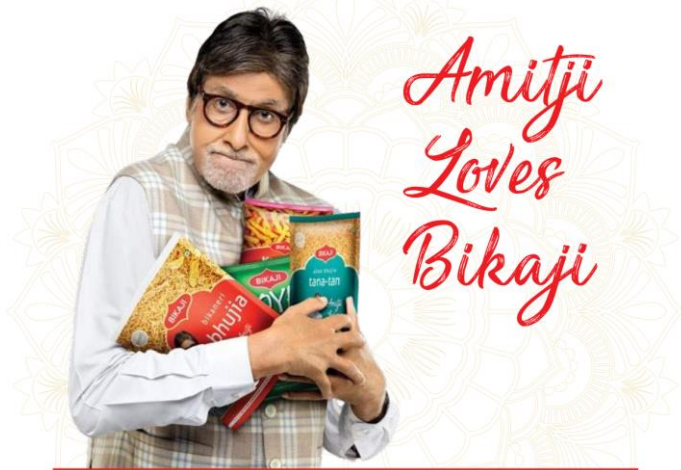
- In the quest to address demand in Karnataka and Telangana (focus markets), the company acquired a 51.2% stake in **Petunt Food Processors Private** in 2020. The western snacks market is fairly large in South India, where ITC is the no. 1 player. Given the high logistics costs for Western snacks, the company has acquired a controlling stake in the entity. This facility is highly automated, where the need for any specialization is limited. At the current scale of Bikaji, this plant is also addressing other category incumbents, where in turn subsidiaries recognize job work fees as revenue. As the company gains scale, this subsidiary will use capacity for Bikaji’s needs.
- The company has operations in Bihar under its subsidiary, **Vindhyawasini Sales Private**, which helped the company establish business in the state.
- **Hanuman Agrofood Private**, which became its subsidiary with effect from 1-Jan-23, and wholly owned subsidiary from 25-Jan-23, had a plant adjacent to Bikaji’s plant in Bikaner. The company acquired the plant, but as per local rules (Rajasthan Industrial Corridor), the business merger was not allowed till the commencement of operations.

**Leveraging brand power to the fullest**

Bikaji caught the right attention, roping Bollywood celebrity, Amitabh Bachchan, in 2019, with the rhyming jingle – *Amit ji loves Bikaji*. With multiple large players active and a host of regional players aggressive in the category, Bikaji’s ahead-of-time brand build-up is reaping strong benefits. The benefit is visible in its high salience of family packs, where consumers look to stock up on branded products. The company has recently extended its relationship with the renewal of terms for the next couple of years. The company has shot 12 TVCs and is looking to enhance brand communication.

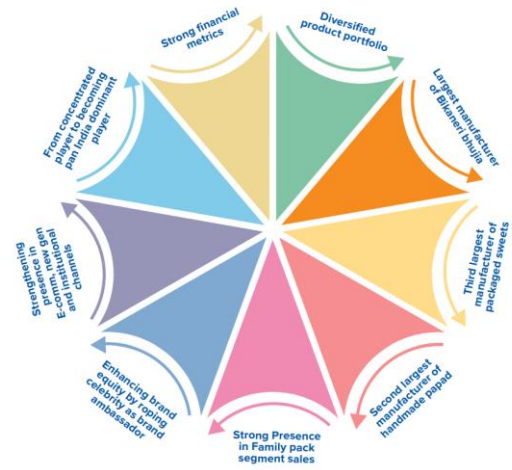
**Following its association with Bollywood celebrity Amitabh Bachchan in 2019, the company has seen improved visibility and recall, which has aided growth and its focus market strategy**

Exhibit 48: Bikaji’s brand ambassador



Source: Company

Exhibit 49: Strong brand positioning



Source: Company

**The company is geared well to leverage the jingle further**

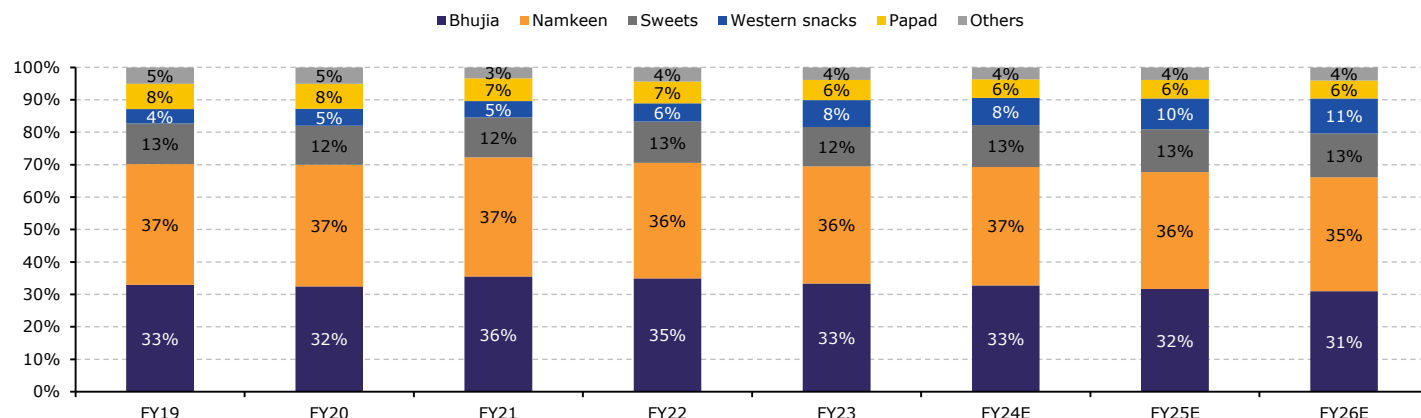
The company is looking to leverage the famous jingle – *Amit ji loves Bikaji* – to family members. With the association of jingles with family members, the company can further drive consumption across family members. Some of the jingles would be read as *Babuji (father) loves Bikaji*, *Dadaji (grandfather) loves Bikaji*, and *Bhaiya (Elder brother) loves Bikaji* etc.

**Bikaji's TAM size is Rs1.4trn, which is expected to see 11% CAGR over FY22-26E, while the organized market is likely to see a faster CAGR at ~15%**

## Business is poised for healthy growth

With healthy capacities in place across markets, management's thrust on expanding distribution is likely to help Bikaji with healthy mid-teen topline growth over the medium term (vs. ~20% CAGR in the last five years). The company's TAM was sized at Rs1.4trn in FY22, which is expected to report FY22-26E CAGR of 11%, where the organized market (sized at Rs508bn for FY22) is likely to expand at FY22-26E CAGR of 15%, as per Frost and Sullivan.

Exhibit 50: Bikaji – Key revenue streams



Source: Company, Emkay Research

**Key insights – Sales mix:** The company generates 70% of its revenue in the core Rajasthan market from traditional snacks, which are *Bhujia* and *Namkeen*. The same for other core markets like *Bihar* and *Guwahati* is at 60-65%.

Exhibit 51: Assessing Bikaji's total addressable market and growth expectations

(Rs mn)	Overall category size and growth					Organized category size			Bikaji's sales		
	FY22	Organized share	FY26E	Organized share	CAGR	FY22	FY26E	CAGR	FY23	FY26E	CAGR
<b>Savory snacks</b>	<b>751</b>	<b>56%</b>	<b>1,227</b>	<b>60%</b>	<b>13%</b>	<b>423</b>	<b>739</b>	<b>15%</b>	<b>78%</b>	<b>77%</b>	<b>13%</b>
Bhujia						67	119	15%	33%	31%	13%
Namkeen						114	204	16%	36%	35%	15%
Western snacks						242	416	15%	8%	11%	27%
<b>Papad</b>	<b>78</b>	<b>33%</b>	<b>103</b>	<b>36%</b>	<b>7%</b>	<b>26</b>	<b>37</b>	<b>9%</b>	<b>6%</b>	<b>6%</b>	<b>12%</b>
<b>Sweets</b>	<b>593</b>	<b>10%</b>	<b>846</b>	<b>12%</b>	<b>9%</b>	<b>59</b>	<b>101</b>	<b>15%</b>	<b>12%</b>	<b>13%</b>	<b>20%</b>
<b>Frozen foods</b>									<b>1%</b>	<b>2%</b>	<b>29%</b>
<b>Others (Cookies, restaurant sales)</b>									<b>3%</b>	<b>2%</b>	
<b>Total addressable market</b>	<b>1,422</b>	<b>36%</b>	<b>2,176</b>	<b>40%</b>	<b>11%</b>	<b>508</b>	<b>877</b>	<b>15%</b>	<b>100%</b>	<b>100%</b>	<b>16%</b>

Source: Company, Emkay Research

With distribution thrust, we see Bikaji to register a faster 16% CAGR over FY23-26E. Of the segments, we expect faster growth for Western snacks. Additionally, scale-up of frozen snacks will enable Bikaji with higher growth.

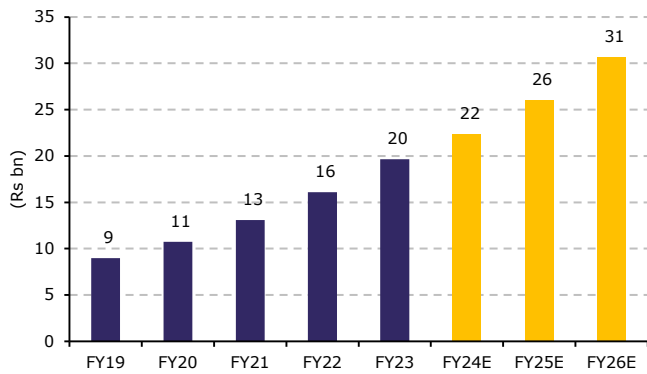
We see three key enablers of growth:

- Gradual formalization of categories
- Expanding geographic coverage with distribution expansion
- Expanding product portfolio with entry into new food categories

Enhanced thrust on national brand marketing has enabled distributors' reach to a wider population base

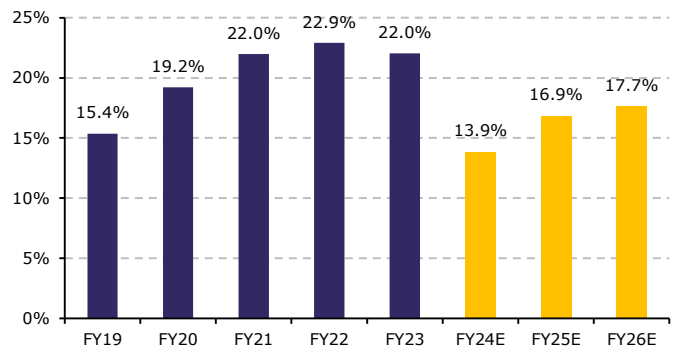


Exhibit 52: Bikaji’s revenue from operations



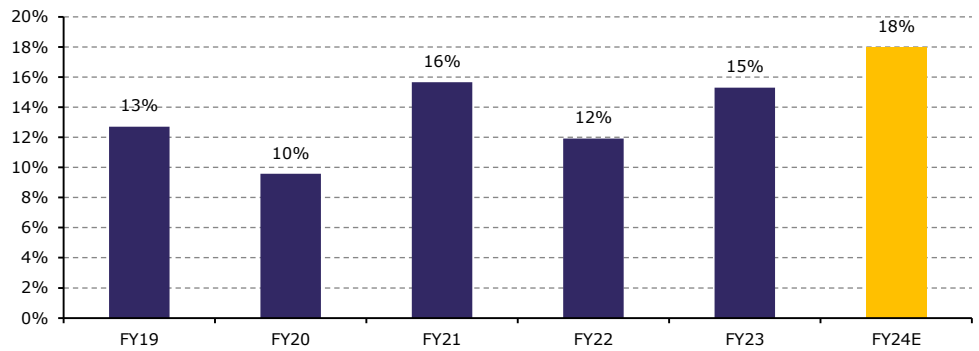
Source: Company, Emkay Research

Exhibit 53: Bikaji’s revenue from growth in operations (ex. PLI benefits)



Source: Company, Emkay Research

Exhibit 54: Bikaji’s volume growth trend



Source: Company, Emkay Research

**Bikaji has seen a volume CAGR of 20% in the last decade**

Exhibit 55: Bikaji’s journey

Key Milestones

# A LEGACY OF CRISPY DELIGHTS

Join us as we rewind the clock to the 1980s when Bikaji took its initial strides in the vibrant city of Bikaner. From modest origins, we embarked on an ambitious mission to grow and strengthen our business, leading us to a groundbreaking milestone in 2022 when we took the momentous leap of going public. Glimpse into the captivating chapters that have shaped our remarkable journey so far.

- 1980**: Our founder, Mr. Shiv Ratan Agarwal conceptualised the idea of bringing Bikaneri Bhujia to the masses.
- 1986**: A co-partnership business was established to give wings to this dream.
- 1993**: The brand, 'Bikaji', was born. Over the years, Bikaji started initiating exports.
- 2006**: Four group companies, i.e. Bikaji Foods Private Limited, Shivdeep Food Products Private Limited, Bikaji Marketing Limited, and Dipu's Foods Private Limited.
- 2008**: Bikaji opened its first restaurant 'Bikaji Food Junxon' in Mumbai.
- 2014**: Raised funds from Lighthouse Advisors (India 2020 Maharaaj Limited).
- 2016**: Commissioned new facility at Karni Industrial Area, Bikaner
- 2019**: The megastar of Bollywood, Mr. Amitabh Bachchan became our brand ambassador.
- 2021**: We acquired Petunt Food Processors Private Limited and raised funds through private equity through an investment from Lighthouse India Fund III Limited.
- 2022**: We acquired Vindhyawasini Sales Private Limited, Hanuman Agrofood Private Limited and also incorporated a new Company named Bikaji Maa Vindhyawasini Sales Private Limited. Bikaji realised its IPO dream with a successful listing on November 16, 2022.

Source: Company

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## Bhujia continues to leverage the Bikaneri edge

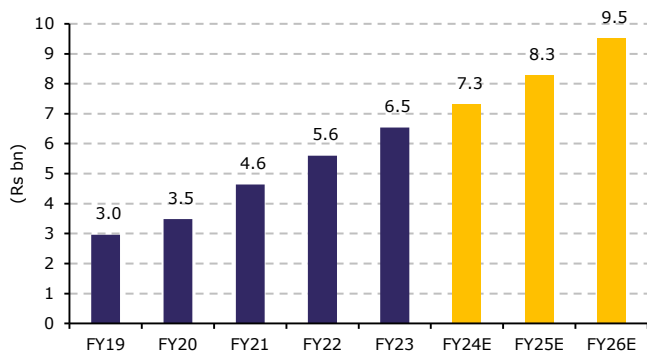


We expect growth to remain healthy, as the company is leveraging the Bikaneri heritage. The company manufactures 70-80% of its bhujia in Bikaner and distributes pan-India. For non-core bhujia products like Aloo Bhujia, Paneer Bhujia, and Tana Tan, it has production across plants. Given the higher weight, logistics costs are not high, like in case of Western snacks. Additionally, the company looks to cover costs with higher distributor landing pricing for distant locations. Recently, the company has launched the innovative *Paneer Bhujia*, which has seen strong traction. With its strong product basket and better mix, the company does not see any major rise in costs with concentrated production and pan-India supplies. There is a loyal set of consumers who look for Bikaneri bhujia, where Bikaji has an edge.

### Business insights

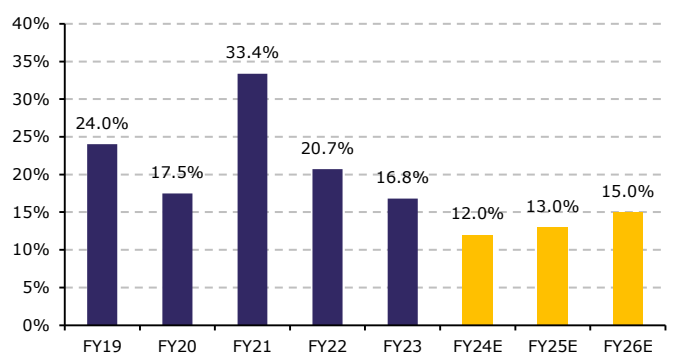
Bikaji manufactures Bikaneri bhujia, a traditional crispy snack made using dew bean (moth dal), gram flour (besan), edible oil, salt, and various spices, and is light yellow in color. It is famously known to have been first prepared in Bikaner and enjoys geographical indication tagging (since 2010) and has grown over the years from being a cottage industry product to being manufactured in a large scale in state-of-the-art manufacturing units. The company has 14 different kinds of Bhujia products to cater to various regional and international tastes.

Exhibit 56: Bhujia – Revenue trend



Source: Company, Emkay Research

Exhibit 57: Bhujia – Revenue growth to remain healthy



Source: Company, Emkay Research

Exhibit 58: Bhujia – Product offerings

<p><b>PANEER BHUJIA</b> Make your lips more delicious and enjoyable with the mouth-watering flavours ₹58.00</p>	<p><b>BIKANERI BHUJIA</b> Savory spiced dew bean &amp; gram flour noodle snacks ₹320.00</p>	<p><b>TANA TAN ALOO BHUJIA</b> Spicy potato noodle snack ₹320.00</p>	<p><b>BATLAMI CHATRATA SEV BHUJIA</b> Savory dew bean &amp; gram flour noodle snack ₹100.00</p>
<p><b>SIDHA SADHA BHUJIA</b> Mildly savory dew bean kump, gram flour noodle snack ₹100.00</p>	<p><b>MAKHAN MALAI BHUJIA</b> Savory gram flour noodle snacks ₹115.00</p>	<p><b>BOONDI BHUJIA</b> Savory dew bean &amp; gram flour noodle snacks ₹100.00</p>	<p><b>BIKANERI BHUJIA NO 3</b> Savory spiced dew bean &amp; gram flour noodle snacks ₹115.00</p>
<p><b>KROREPATI KHOKHA BHUJIA</b> Savory spiced dew bean &amp; gram flour thick noodle snack ₹100.00</p>	<p><b>MEL JOL</b> ₹35.00</p>	<p><b>DANKOLI</b> Dew Bean Flour Salty Sticks ₹115.00</p>	<p><b>SPECIAL MARWARI SEV</b> Savory spiced gram flour noodle snacks ₹100.00</p>

Source: Company

## Namkeen, a pan-India play with regional capacities

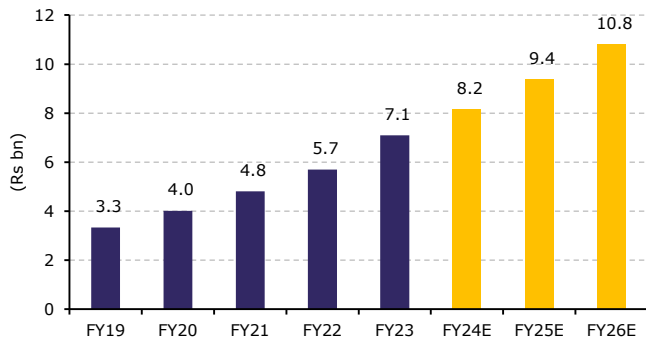
### National capacities to help control logistics costs

Along with category growth, the company is likely to benefit from steady distribution expansion. We see mid-teen growth ahead. As the company shifts its market supplies from regional plants vs. Bikaner plant concentration in the past, margin profile of the segment is likely to improve from reduced logistics costs. We see mid-teen growth in the business.

### Business insights

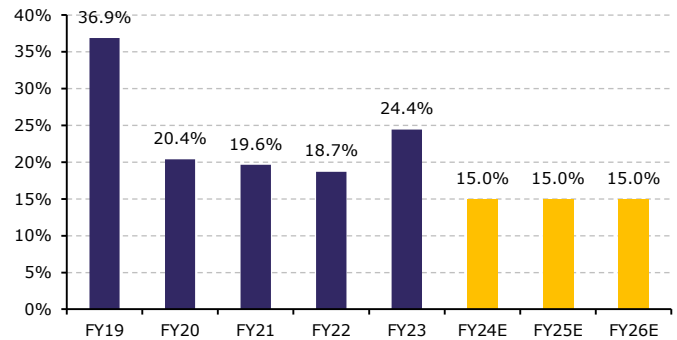
The company has diversified its *namkeen* portfolio, with products like *kuch kuch*, *moong dal*, *soya stick*, *nut cracker*, *sab kuch*, and *panchratna* – these are the best-selling products across India. As of Dec-23, the company had 66 snacks classified under the *namkeen* category. Its SKU range varies from weighing 14 gram to 1,000 kg.

Exhibit 59: Namkeen – Revenue trend



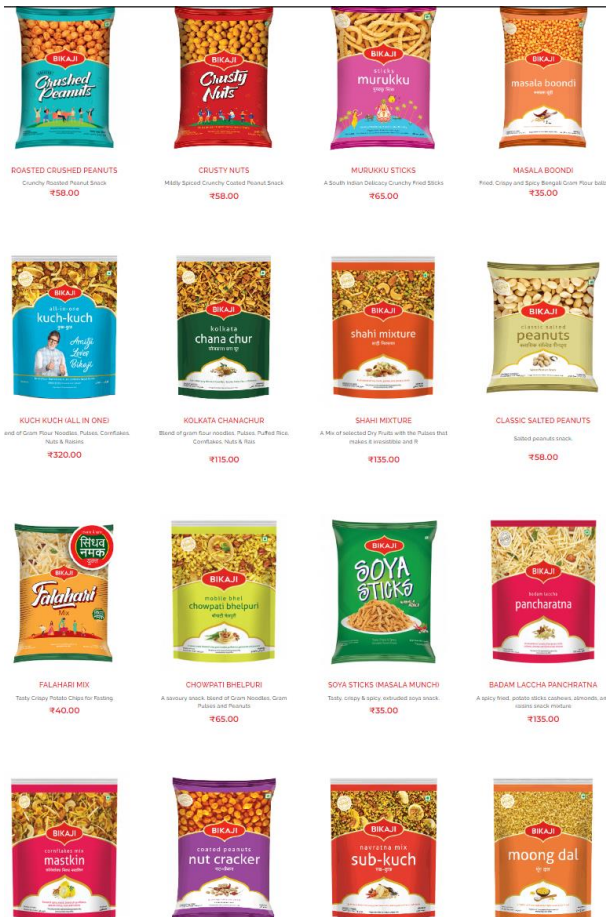
Source: Company, Emkay Research

Exhibit 60: Namkeen – Revenue growth



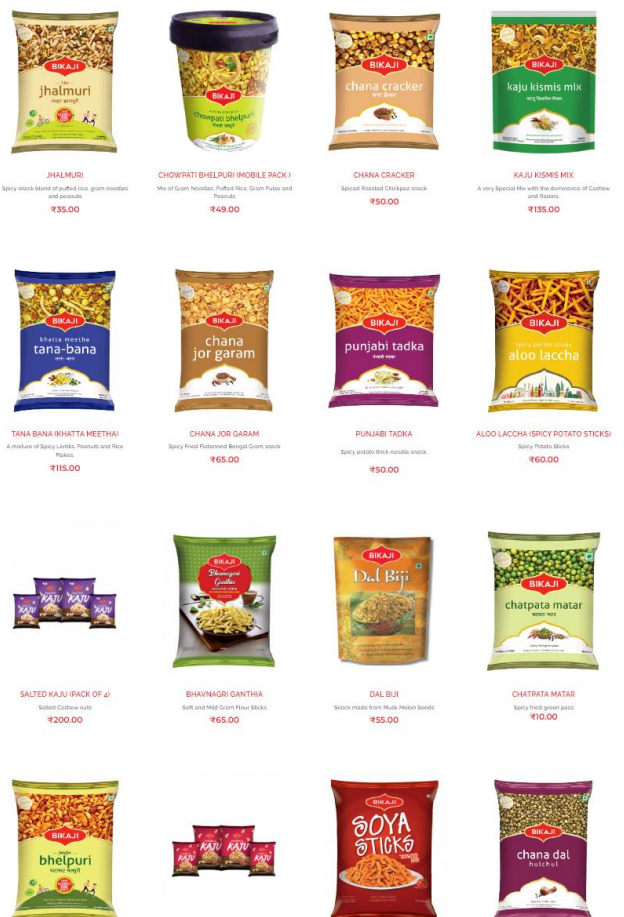
Source: Company, Emkay Research

Exhibit 61: Namkeen – Product offerings...



Source: Company

Exhibit 62: ... (contd.) Namkeen – Product offerings



Source: Company

## Western snacks: Fastest-growing savory snack segment

The Western snack category primarily consists of chips (>50% share in the segment), extruded products, and pellets, where the company has an equal contribution. The company has 32 product offerings in this category and is targeting 11% revenue contribution from this segment over 4-5 years, from ~8% contribution in FY23. We believe that with decent distribution and focused capacity endeavor, the company would achieve its aspiration of 11% revenue contribution by FY25E.

### Fast-growing Western snacks offer growth opportunity

Unlike other listed peers – Prataap Snacks and DFM, Bikaji has been less focused on Western snacks, in the past. But with enhanced capacities in place, Bikaji is geared to leverage high-growth opportunities in the sub-category. The company has recently rebranded to base *Bikaji* brands vs. its attempt in the category under *Café* and *Fun Keen* brands. We see healthy growth in the segment, where management is geared to support distribution with the required manufacturing set-up.

### High competitive intensity, where Bikaji brand will help

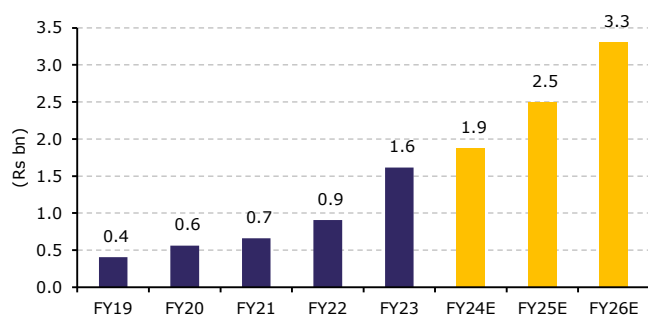
The company is aiming to have a pan-India presence with capacities across regions. The segment has lower margin, given high salience of Rs5-10 packs. Overall, the gross margin range is 26-28%, while EBITDA margin is 200-300bps lower to the company's average. Here the company is likely to face competitive heat. The company will have to manage margin better as growth is likely to be faster here, which will affect the product mix.

### Faster growth to hurt sales mix, addressing demand from local production key

For FY24, amid the relaunch of offerings, the growth rate stood lower at ~16%, but on a small base, business is likely to grow by >30% over FY25-26E. Given a lower margin profile, faster growth may have a bearing on its mix, which will hurt the margin trajectory. To address this issue, the company has arranged for local capacities across markets to keep logistics low. With no specialization, its automated plants are capable of driving efficiency.

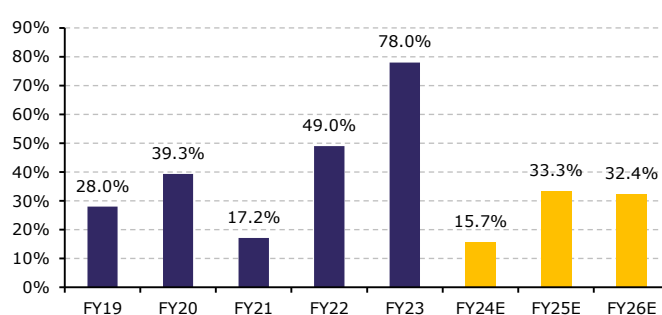
**In Assam, western snacks account for 60-65% of the market, while in Bihar/Rajasthan the share of western snacks is 45-50%**

Exhibit 63: Western snacks – Revenue trend



Source: Company, Emkay Research

Exhibit 64: Western snacks – Revenue growth



Source: Company, Emkay Research

Exhibit 65: Western snacks – Transport entails higher costs for the company

	Western snacks	Bhujia
No. of packs	3,500	600
SKU	Rs5	Rs60 (200gm)
MRP value (Rs)	17,500	36,000
Freight costs (Rs/kg)	1,440	1,440
As a % of MRP value	8.2%	4.0%

Source: Emkay Research

## Packaged sweets to gain traction with migrants

We see mid-teen growth in the business, where sweets will continue to see benefit over confectionaries as gifting options. Amid inflationary cocoa prices, FMCG companies have reduced the pack sizes for high-selling gift packs, which made consumers shift to traditional offerings like packaged sweets. With focus on quality and long shelf life, we see packaged sweets to continue gaining traction ahead.

While the bulk of its revenue is concentrated in the core markets of Bihar and Guwahati, going ahead its other markets are likely to drive scale. Sweets packs have high concentration in modern trade channels, which are part of other states. Sweets have better margins with family pack concentration and lower logistics costs. We see a healthy 20% revenue CAGR over FY24-26E.

**Packaged sweets represent ~12% of Company revenue, with the bulk of revenue from Guwahati and Bihar**














### Business insights

Bikaji is one of the largest manufacturers of packaged *rasgullas* with the annual capacity of 24,000 MT. Moreover, it is one of the largest manufacturers of *soan papdi* and *gulab jamun* with annual capacity of 23,040 MT and 12,000 MT, respectively. The company has 43 different products under this category. Bikaji manufactures more than 30 varieties of dry and wet sweets.
















Bikaji's dry sweets include *soan papdi*, *dry fruit barfi*, and *ladoo*, while wet sweets include *rasgulla*, *rajbhog*, and *gulab jamun*. Some of its popular sweet brands are Gol-Matol (*rasgulla*), Manbhavan (*soan papdi*), Sadabahar (*soan papdi*), Gol-M-Gol (*gulab jamun*), and Rajbhog.

Exhibit 66: Packaged sweets offerings...

Exhibit 67: ...(contd.) Packaged sweets offerings

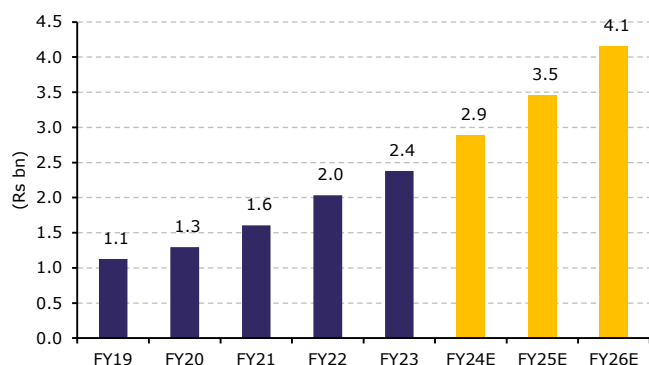
			
<b>KAJU SOAN PAPDI</b> Ethnic faky sweet with Cashew Nut & pistachio ₹135.00	<b>BESAN LADOO (PANCHRATNI)</b> Gram Flour sweet balls ₹340.00	<b>PATISA</b> Ethnic Sweet with Almonds ₹135.00	<b>DRY PETHA</b> Aji Gourd Sweetness in Sugar Soft Sugary Sweet ₹110.00
			
<b>GUJYA</b> Flour & Dry Fruits Duppings ₹240.00	<b>PEANUT CHIKKI</b> Peanut Brittle Chikki ₹150.00	<b>SESAME CHIKKI</b> Brittle Chikki ₹300.00	<b>MIX BITE</b> Enjoy an assortment of condensed milk sweets ₹350.00
			
<b>BADAM KATLI</b> An Almonds Sweet ₹290.00	<b>STRAWBERRY DRY FRUIT BURFEE</b> Pure Strawberry Gullu Free Delight with added Dry Fruits ₹350.00	<b>KHAJLOOR DRY FRUIT BURFEE</b> Pure Khajoor gullu Free Delight with added Dry Fruits ₹350.00	<b>MANGO DRYFRUIT CHIKKI</b> Mango and dry fruit sweet ₹100.00
			

Source: Company

			
<b>COCONUT SOANPAPDI</b> Ethnic Faky Sweet with Coconut, Pistachio & Almonds ₹135.00	<b>KAJU KATLI</b> A Cashew Nut sweet ₹285.00	<b>RAJBHOG</b> Chena Sweet Dumplings with DryFruit Stuffing Dipped in Kesar Syrup ₹265.00	<b>CHAM CHAM</b> Sweet Chena Ball Dumplings Dipped in Sugar Syrup ₹250.00
			
<b>RASGULLA GOL MATOL</b> Spongy, Ajiyo, Soft Chena Sweet Dumplings in Rose Water Sugar Syrup ₹250.00	<b>GOL M GOL GULAB JAMUN</b> Khoya Sweet, Sealed in Cardamom Flavoured Sugar Syrup ₹275.00	<b>MANGO CHOCOLATE BURFEE</b> Mango and Chocolate sweet ₹260.00	<b>ANJEER DRY FRUIT BURFEE</b> Pure Anjeer gullu Free Delight with added Dry Fruits ₹700.00
			
<b>SOANPAPDI MANBHAVAN</b> Ethnic Faky sweet with Pistachio & Almonds ₹250.00	<b>DESI GHEE SOAN PAPDI SADABAHAR</b> Ethnic Faky sweet with pistachio & almonds made in pure desi ghee. ₹375.00	<b>KESAR BATI</b> Soft & Fluffy Chena Sweet Potty Dipped in Saffron Sugar Syrup ₹265.00	<b>KAJU SANGAM</b> A Cashew Nut sweet ₹250.00
			

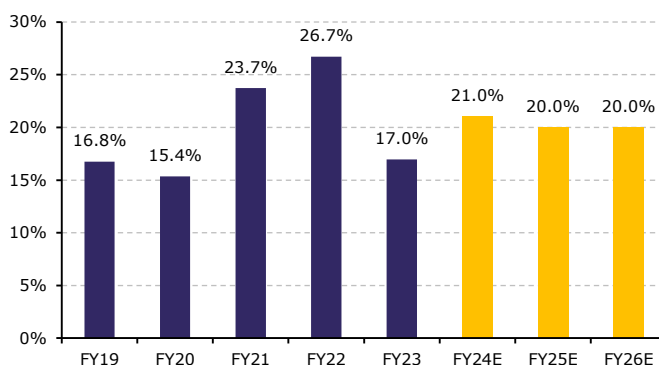
Source: Company

Exhibit 68: Packaged sweets – Revenue trend



Source: Company, Emkay Research

Exhibit 69: Packaged sweets – Revenue growth



Source: Company, Emkay Research

### Papad segment’s thrust, with the popular *Bikaji* brand









Given the family-size SKU concentration, *Papad* margin is relatively (150-200bps) high vs. the company’s margin. In FY24, the company is expected to see slow growth of 5%, in our view, given extended rains affecting production and sales. However, with expectations of normal season in FY25-26, we expect the *Papad* business to see mid-teen growth.

***Bikaji is the second-largest producer of handmade papads in India***

#### Business insights

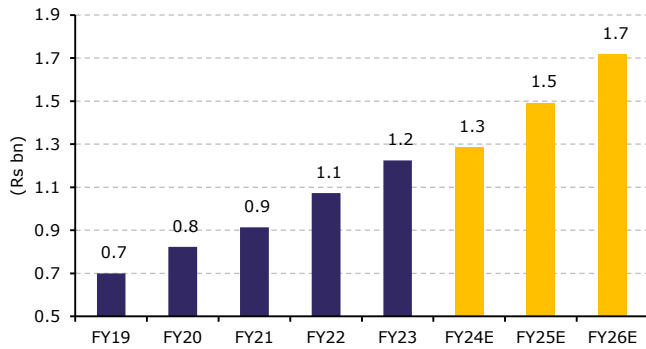
The company is the second largest manufacturer of handmade *papad* with an annual production capacity of 10,200 MT. It also has 2,400 MT automated capacity at its Karni facility. The company produces a diverse range of papads ranging in size from small disco papads of 1.5 inch to big 9-inch papads and popular variants. Its popular variants include *Dil Khush Papad*, *Baat Cheet Papad*, *Premium Papad*, *Aas Paas Papad*, *Chana Papad*, *Super Papad*, and *Chote Chote Mini Papad*.

Exhibit 70: *Papad* product offerings

 <p><b>DIL KHUSH PAPAD</b> Crispy handmade pappadums. ₹135.00</p>	 <p><b>BAAT CHEET PAPAD</b> Crispy handmade pappadums. ₹310.00</p>	 <p><b>PREMIUM PAPAD</b> Crispy &amp; Hygienic Pappadums ₹115.00</p>	 <p><b>AAS PAAS PAPAD</b> Crispy handmade pappadums. ₹125.00</p>
 <p><b>CHANA PAPAD</b> Handmade Chana Dal Papad ₹120.00</p>	 <p><b>CHOTE CHOTE DISCO PAPAD</b> Crispy Bite Sized Pappadums ₹100.00</p>	 <p><b>SUPER PAPAD</b> Crispy Automade, Hygienic Pappadums ₹100.00</p>	 <p><b>CHOTE CHOTE MINI PAPAD</b> Mini Moong Dal Papad ₹25.00</p>

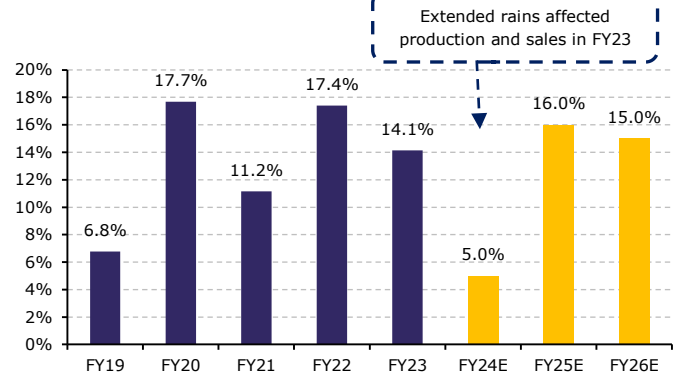
Source: Company

Exhibit 71: Papad – Revenue trend



Source: Company, Emkay Research

Exhibit 72: Papad – Revenue growth



Source: Company, Emkay Research

**Captive frozen food capacity commissioning to aid the company’s export demand (shift from 3P sourcing) and help achieve its QSR ambitions**

### Frozen foods to drive export revenue and QSR aspiration

The company has just commissioned its frozen foods capacity in Karni, Bikaner, which is likely to focus on export to address demand from the Indian diaspora. The company earlier used to address demand from contract manufacturers, where it used to face capacity constraint in the season. Here, having own capacity will help Bikaji address seasonal demand.

Over the medium term, we project a 40% revenue CAGR; but in the long run, this revenue growth is expected to see further expansion, as the company looks to fulfill its QSR aspirations. Of its international sales, ~40% is driven by frozen foods.

### Exports remains a large opportunity

Of the exported revenue, frozen products contribute ~40%. Here, the company targets 25 countries with the Indian diaspora, prominent one being the U.S., Canada, and U.K.. The company has secured all the permissions and approvals for export. The company has two models of operation a) trading (where one vendor procures and sells products) and b) semi-C&F agent with its own distribution network). Bikaji is looking to gain share rather than develop a market. From the portfolio’s perspective, it is pretty wide with no products having >10% concentration.

Exhibit 73: Dedicated offerings for the export markets

OVERSEAS SPECIAL

These products are not available in India/ or for Online Purchase and Delivery.

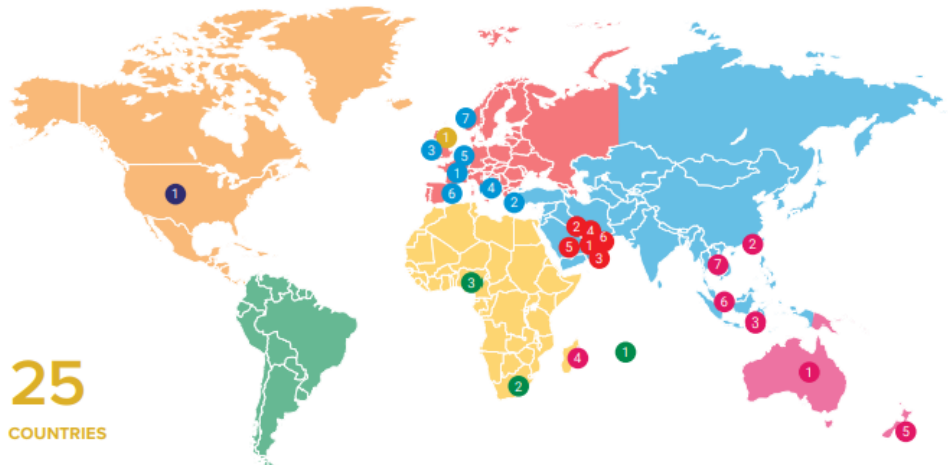
FROZEN SWEETS				
FROZEN SNACKS				
FROZEN CURRIES				
FROZEN BREADS				
SOUTH INDIAN				
KATHI ROLL				

Source: Company

**Exhibit 74: Bikaji’s international thrust**

**Global Reach**

We are scaling up our global presence through strategic partnerships with global distributors and also directly through reputed retail chains.



Note: Map not to scale

**1. USA**

- 1. United Kingdom

**Asia Pacific**

- 1. Australia
- 2. Hong Kong
- 3. Indonesia
- 4. Madagascar
- 5. New Zealand
- 6. Singapore
- 7. Thailand

**Middle East**

- 1. Bahrain
- 2. Kuwait
- 3. Oman
- 4. Qatar
- 5. Saudi Arabia
- 6. UAE

**Europe**

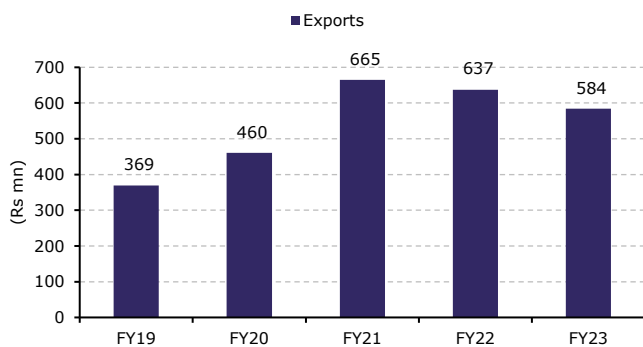
- 1. France
- 2. Greece
- 3. Ireland
- 4. Italy
- 5. Netherlands
- 6. Spain
- 7. Norway

**Africa**

- 1. Mauritius
- 2. South Africa
- 3. Nigeria

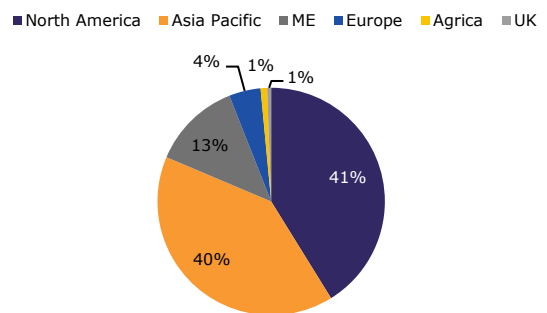
Source: Company

**Exhibit 75: Bikaji – Export revenue**



Source: Company, Emkay Research

**Exhibit 76: Bikaji – Revenue from the international market in FY22**



Source: Company, Emkay Research

**QSR aspiration hinges on frozen food facility**

The company has a QSR pilot running in Malad, Mumbai, where it clocks Rs200mn in revenue. We estimate ~50% of sales to be from fresh products – 35% constitutes consumer products and 15% comprises gift packs. Here EBITDA margin, in our view, would be in line with the company’s margin. In QSR, getting taste and quality right is the key to success. Frozen products’ scale-up would provide an opportunity for Bikaji to meet its QSR aspirations. In the sector, Haldiram and Bikanervala have seen decent scale-up with multiple outlets active across markets.



## Healthy earnings to aid return profile

As noted in the section above, Bikaji is placed well to ride on the snacking consumption opportunity, where it has a low single-digit market share. With capacity near the consumption center and thrust on distribution, the company is placed well for mid-teen revenue growth over FY23-26E. In the last five years, Bikaji has seen a faster 20% CAGR, next to Haldiram North at 26% and Balaji at 22%, but better compared to most snacking players.

### Exhibit 77: Peer analysis – Revenue and growth trends

(Rs mn)	FY18	FY19	FY20	FY21	FY22	FY23
<b>Revenue</b>						
Haldiram North	26,219	30,730	37,086	41,004	50,354	63,746
Balaji	18,400	19,723	23,360	29,386	40,029	49,249
Haldiram Nagpur	20,476	24,803	26,892	29,185	35,492	41,052
<b>Bikaji</b>	<b>7,813</b>	<b>9,014</b>	<b>10,746</b>	<b>13,107</b>	<b>16,110</b>	<b>19,661</b>
Prataap Snacks	10,174	11,706	13,938	11,711	13,966	16,529
Gopal Snacks	6,891	8,160	8,862	11,289	13,522	13,947
Bikanervala Foods	7,755	9,350	10,919	9,814	10,073	12,093
DFM Foods	4,253	4,836	5,079	5,241	5,545	5,861
Haldiram Prabhuji	3,305	3,943	3,699	3,023	3,778	4,709

<b>Revenue growth</b>						
Haldiram North	NA	17.2%	20.7%	10.6%	22.8%	26.6%
Balaji	30.1%	7.2%	18.4%	25.8%	36.2%	23.0%
Haldiram Nagpur	28.7%	21.1%	8.4%	8.5%	21.6%	15.7%
<b>Bikaji</b>	<b>28.5%</b>	<b>15.4%</b>	<b>19.2%</b>	<b>22.0%</b>	<b>22.9%</b>	<b>22.0%</b>
Prataap Snacks	13.8%	15.1%	19.1%	-16.0%	19.3%	18.4%
Gopal Snacks	10.1%	18.4%	8.6%	27.4%	19.8%	3.1%
Bikanervala Foods	NA	20.6%	16.8%	-10.1%	2.6%	20.1%
DFM Foods	24.4%	13.7%	5.0%	3.2%	5.8%	5.7%
Haldiram Prabhuji	2.6%	19.3%	-6.2%	-18.3%	25.0%	24.7%

Source: Gopal Snacks IPO Document

## Expanded margins look sustainable

### Gross margin stability with a better sales mix

Bikaji has a relatively stable margin profile in its peer set. Over FY21-23, its margin profile had a bearing of inflationary pressures, but in FY24, with easing raw-material prices, the company was able to enhance its margin profile. The company is looking to hedge its position with seasonal procurement of its key raw materials. *Daal*, which recently saw price volatility, is being booked with millers. For *moth dal*, whose price drops seasonally, the company engages with the miller for freezing its stock for six months. Going ahead, we project margins to remain stable or see moderate improvement (expect gross margin to expand to 32.9% by FY26E from 32.3% in FY24).

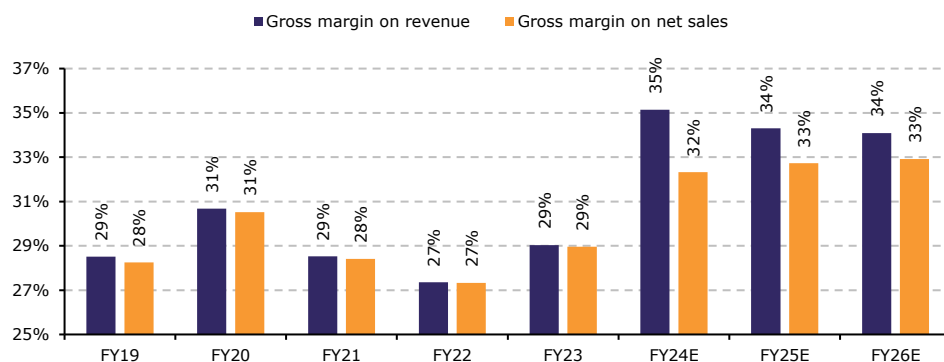
Volatility in raw material may have a bearing on its margin in the short term, where we see the company is capable to effect price actions via price hikes in bulk packs and volume reduction in low unit packs. On a long-term basis, we see margins to remain steady. Based on its current mix, the company can expand its gross margin to ~35%, which will help Bikaji expand its adjusted EBITDA margin (ex-PLI) to ~16%. In the long run, management aspires to take margin to 18%.

**Bikaji is one of the fastest-growing savory snacks companies**

**Based on its current mix, the company can expand its gross margin to ~35% in the next 3-4 years which will help Bikaji expand its adjusted EBITDA margin (ex-PLI) to ~16%**

**Bikaji has recouped its pre-Covid margin; and with a better sales mix, it is likely to sustain its trajectory**

**Exhibit 78: Bikaji – Gross margin trends**



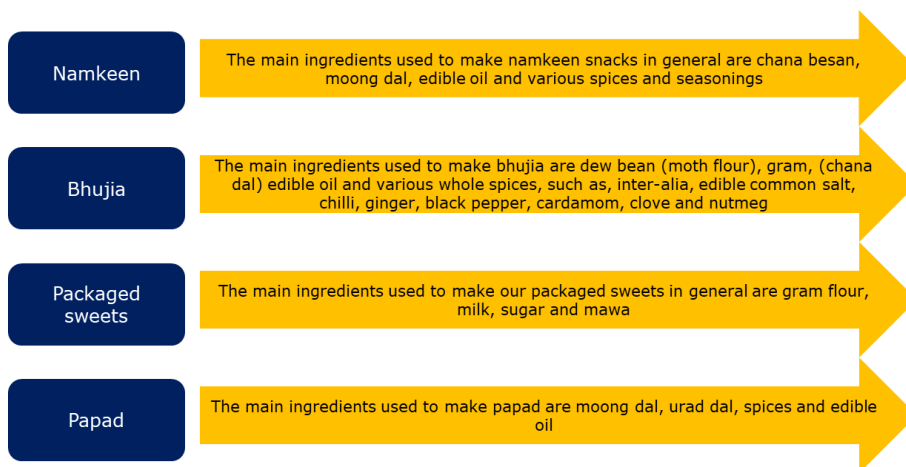
Source: Company, Emkay Research

**Exhibit 79: Peer Analysis – Gross margin**

	FY18	FY19	FY20	FY21	FY22	FY23
Haldiram North	39.8%	37.6%	36.0%	34.0%	29.6%	34.1%
Balaji	26.7%	22.2%	21.0%	14.8%	12.7%	20.2%
Haldiram Nagpur	36.1%	35.5%	34.7%	33.4%	28.5%	29.0%
<b>Bikaji</b>	<b>28.5%</b>	<b>28.5%</b>	<b>30.7%</b>	<b>28.5%</b>	<b>27.4%</b>	<b>29.0%</b>
Prataap Snacks	32.4%	29.9%	28.9%	27.7%	25.1%	27.4%
Gopal Snacks	15.6%	17.5%	21.9%	18.1%	20.6%	28.4%
DFM Foods	39.8%	41.3%	39.3%	40.3%	36.1%	39.2%
Haldiram Prabhuji	27.7%	32.0%	44.3%	32.4%	32.7%	33.0%

Source: Gopal Snacks IPO Document

**Exhibit 80: Key ingredients across segments**



Source: Company

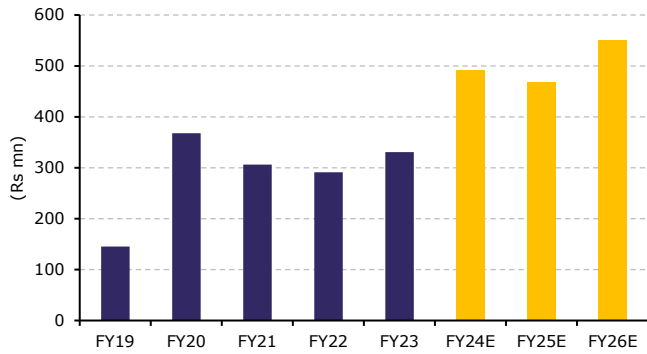
**Healthy advertisement spends offer a competitive edge**

Bikaji sustained its A&P thrust even during Covid and an inflationary setting, which in our view has helped the company generate brand recall with consumers. Going ahead, with the renewal of the contract with Amitabh Bachchan for the next couple of years, we see continued aggression from the company to support its distribution thrust. In the long run, we expect A&P optimization, but in the near term, we see spending to see expansion.

**Leveraging celebrity power to create a brand in the industry:** In the snacks market, large players like PepsiCo and ITC have been leveraging celebrities for product promotions. Prataap Snacks has also tried Salman Khan as its ambassador in the past, but the association discontinued a few years back. Similarly, Haldiram Prabhuji had roped in Shahrukh Khan. Balaji Wafers have tied up with Ayushman Khurana. With an aspiration to go national, Bikaji has roped in Amitabh Bachchan in 2019; this association has created a strong recall in the mind of consumers with the jingle – *Amit ji Loves Bikaji*.

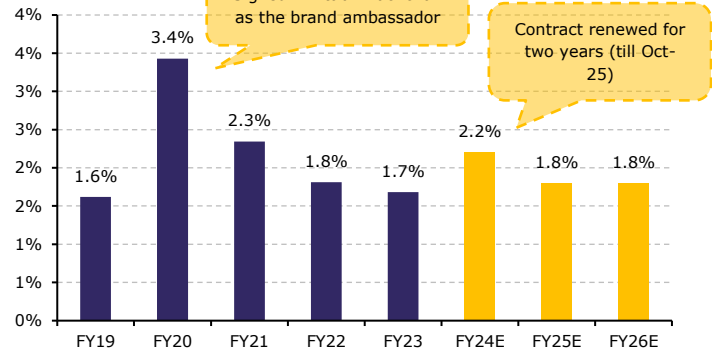
**Enhanced A&P spending aided Company’s national expansion plans**

**Exhibit 81: Bikaji – Absolute A&P spends**



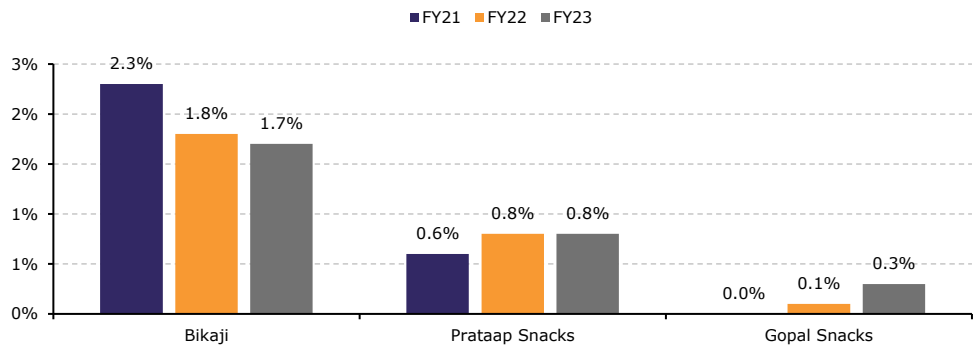
Source: Company, Emkay Research

**Exhibit 82: Bikaji – A&P spends as a % of sales**



Source: Company, Emkay Research

**Exhibit 83: A&P spend as a % of revenue for listed savory-snack peers**



Source: Company, Emkay Research

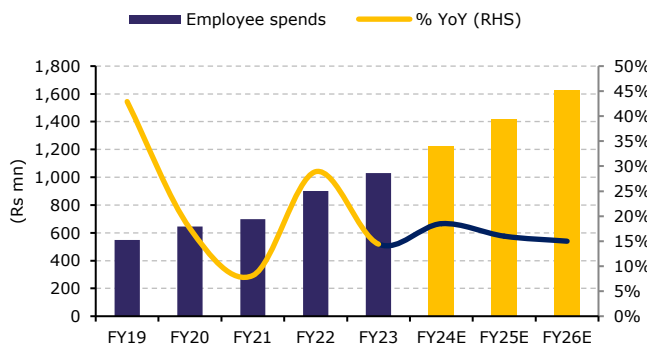
**A&P spends are relatively low for Gopal Snacks, given its regional concentration**

**Employee spends to have operating leverage**

The company is likely to see healthy expansion in employee spends, where business expansion will require support. But as a percentage of sales, spends are likely to witness a correction ahead. The company has approved two ESOP schemes in 2021, where retaining talent has been key, given its growth aspirations.

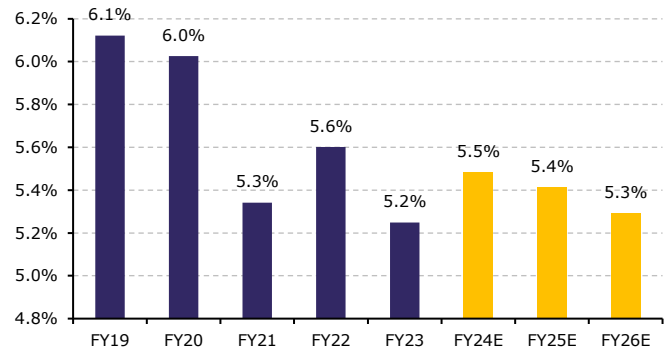
**Growth businesses require healthy employee spends**

**Exhibit 84: Bikaji – Employee costs and YoY change**



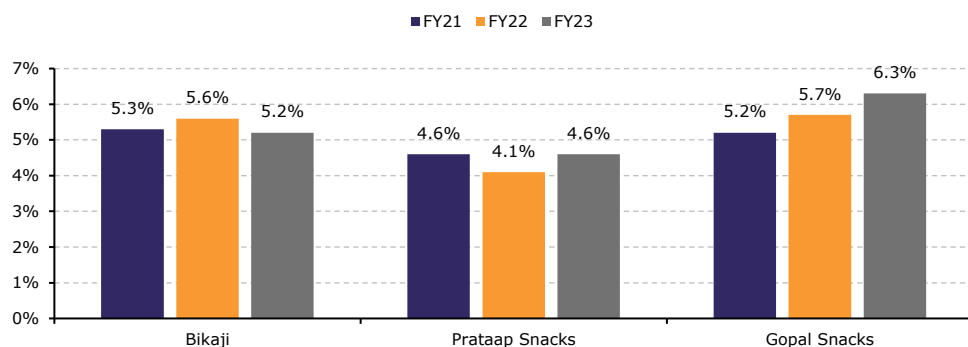
Source: Company, Emkay Research

**Exhibit 85: Bikaji – Employee spends as a % of sales**



Source: Company, Emkay Research

**Exhibit 86: Employee spends as a % of revenue for listed savory-snack peers**



**Bikaji's employee spends stable at 5-6% of revenue**

Source: Company, Emkay Research

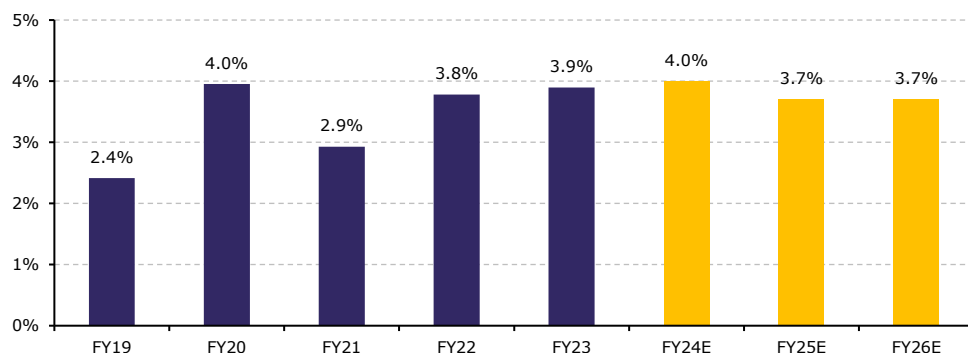
**Transportation costs key for wider footprint**

Bikaji's quest to gain pan-India presence is well supported with its own and 3P capacity across India. For Bikaji, we project transportation costs to settle at ~4%. Only in case of *Bhujia*, whose production is focused in Rajasthan, will a quick growth in scale hurt margins (as transport costs will increase, etc). Here, higher salience of family packs is a comfort.

For a snacks company, a radius of 300km is optimum for transportation costs. As the radius expands, transportation costs shoot up and start eroding EBITDA margin.

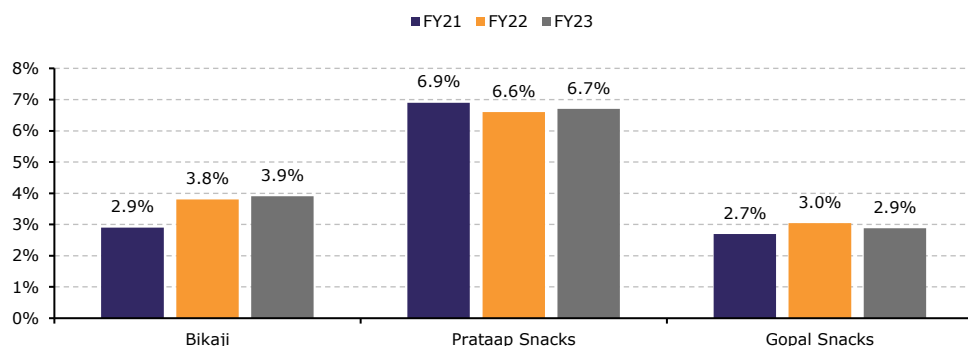
**A higher share of family packs is likely to help the company drive efficiency in its logistics costs**

**Exhibit 87: Bikaji – Freight and forwarding costs**



Source: Company, Emkay Research

**Exhibit 88: Transportation cost as a % of revenue for listed savory-snack peers**



Source: Company, Emkay Research

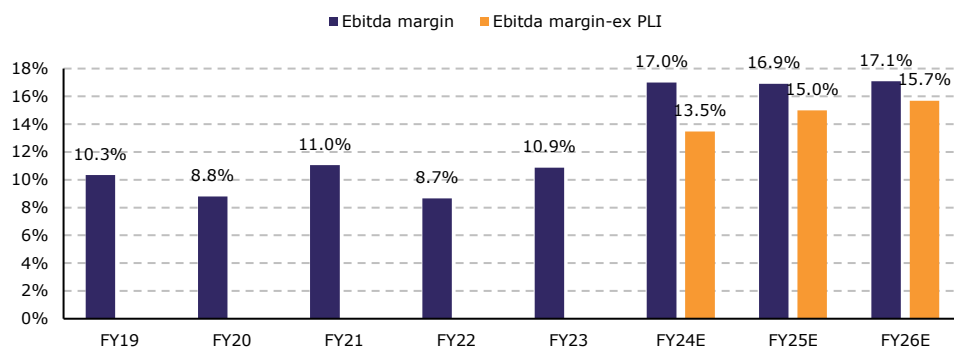
**EBITDA margin to have operating leverage benefits**

The company has enhanced its EBITDA margin from touching double digits in the past to ~13.5% in FY24, which we expect would see gradual expansion to ~15.6% by FY26E. Operating leverage benefit is likely to help the company drive EBITDA margin improvement. On a relative basis, the margin profile is relatively low vs. large national players, but it is better compared to smaller players. As the company gains scale at a national level, Bikaji is likely to see margin benefits.

**As the company scales its operations with focus on regional production, its logistics costs expand**

**We see EBITDA margin to see steady expansion, from 10.9% in FY23 to 15.6% in FY26E**

**Exhibit 89: Bikaji – EBITDA margin trend**



Source: Company, Emkay Research

**Cost-saving initiatives to help build further margin:** With a stable mix and raw-material setting, we see gross margin to expand to 35% in the next 3-4 years, which will help the company achieve a 16% EBITDA margin. Cost efficiencies would provide extra support to margins like –

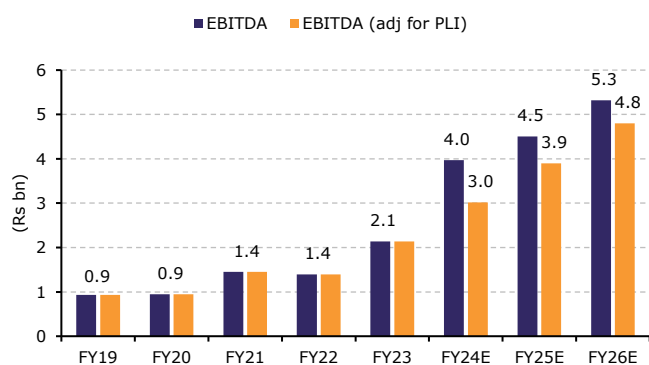
- Increasing production shifts (over the next three years, utilization is expected to see expansion from ~47% now to 75%) to help save on fuel costs and salary optimization
- Capex is focused on driving opex to lower levels
- All department heads have cost optimization in their annual operating plans (AOP)
- Utility costs to come down with increased volumes
- Packaging costs to see optimization

**Exhibit 90: Peer Analysis – EBITDA margin**

	FY18	FY19	FY20	FY21	FY22	FY23
Haldiram North	18.8%	16.2%	15.5%	15.1%	10.7%	15.1%
Balaji	17.6%	12.7%	10.1%	4.6%	3.7%	13.1%
Haldiram Nagpur	18.3%	19.5%	16.9%	18.5%	14.0%	14.6%
<b>Bikaji</b>	<b>12.8%</b>	<b>10.3%</b>	<b>8.8%</b>	<b>11.0%</b>	<b>8.7%</b>	<b>10.9%</b>
Prataap Snacks	8.3%	7.1%	7.0%	5.1%	2.6%	3.3%
Gopal Snacks	2.1%	1.8%	4.7%	5.3%	7.0%	14.1%
Bikanervala Foods	0.0%	9.9%	7.1%	10.2%	8.1%	NA
DFM Foods	11.9%	13.1%	7.6%	10.4%	-4.0%	-7.1%
Haldiram Prabhuji	4.8%	5.7%	17.7%	12.4%	12.2%	6.6%

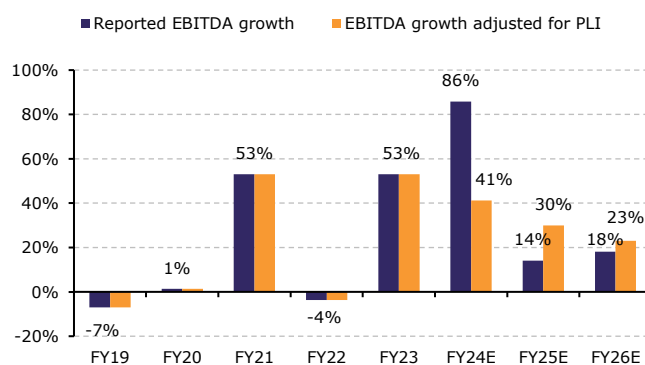
Source: Company, Emkay Research

**Exhibit 91: Bikaji – Annual EBITDA trend**



Source: Company, Emkay Research

**Exhibit 92: Bikaji – EBITDA growth**



Source: Company, Emkay Research

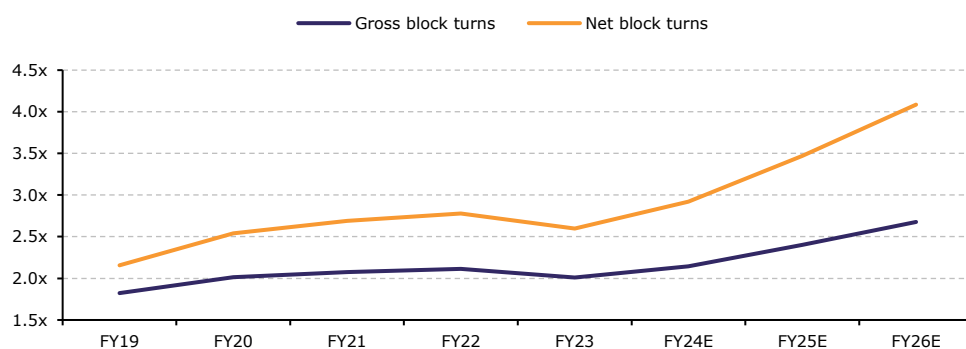
**Exhibit 93: Product mix with margin across savory-snack peers**

	Product mix						Gross	EBITDA
	Ethnic Snacks	Western Snacks	Packaged Sweets	Papad	Extruded Snacks	Others	margin	margin
Gopal Snacks	59%	29%		4%		8%	28%	14%
Bikaji	71%	8%	12%	6%		2%	29%	11%
Prataap Snacks	16%	23%			58%	3%	27%	3%

Source: Company, Emkay Research

**Balance sheet continues to strengthen****Assets turns to see healthy expansion**

As noted in the sections above, Bikaji has built capacity ahead of time, which can support 2x its base revenue. Going ahead, the company is looking to expand its share of *Namkeen* and Western snacks, where it can leverage its brand equity by associating with contract manufacturers. This along with the scale-up of its capacity utilization is likely to help expand asset turns.

**Exhibit 94: Bikaji – Assets turn to witness gradual expansion ahead**

Source: Company, Emkay Research

**Exhibit 95: Fixed asset turn for savory-snack players**

	FY21	FY22	FY23
<b>Gross block (Rs mn)</b>			
Gopal Snacks	2,870	3,549	4,170
<b>Bikaji</b>	<b>6,294</b>	<b>7,582</b>	<b>9,765</b>
Prataap Snacks	7,052	7,232	7,914
<b>Gross block turns (x)</b>			
Gopal Snacks	3.9	3.8	3.3
<b>Bikaji</b>	<b>2.1</b>	<b>2.1</b>	<b>2.0</b>
Prataap Snacks	1.7	1.9	2.1

Source: Company, Emkay Research

Note: Gross block includes all tangible and intangible fixed assets

**Bikaji's asset turns at 2x are likely to see steady expansion, with no expansionary capex needs**

**Exhibit 96: Plant and machinery (gross block) turns for savory-snack players**

	FY21	FY22	FY23
<b>Plant and machinery (Rs mn)</b>			
Gopal Snacks	1,272	1,712	2,036
<b>Bikaji</b>	<b>3,458</b>	<b>4,161</b>	<b>4,404</b>
Prataap Snacks	2,888	2,971	3,337
<b>Asset turns (x)</b>			
Gopal Snacks	8.9	7.9	6.8
<b>Bikaji</b>	<b>3.8</b>	<b>3.9</b>	<b>4.5</b>
Prataap Snacks	4.1	4.7	5.0

Source: Company, Emkay Research

**Exhibit 97: Fixed asset turns for savory-snack peers**

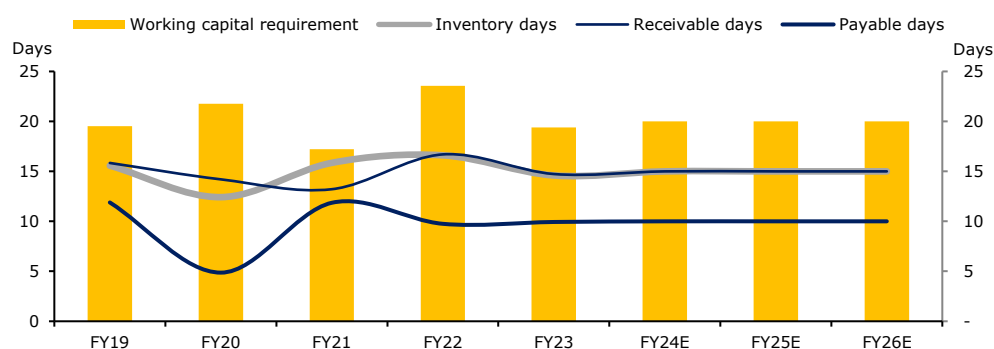
(x)	FY19	FY20	FY21	FY22	FY23
<b>Bikaji Foods</b>	<b>2.3</b>	<b>2.7</b>	<b>3.2</b>	<b>3.4</b>	<b>3.3</b>
Haldiram (Nagpur +Delhi)	3.1	2.9	2.5	2.6	-
Bikanervala	4.5	3.8	2.8	2.5	-
Prataap Snacks	2.2	2.4	2.1	2.5	2.9
Balaji Wafers	3.6	3.6	3.6	4.4	4.8
PepsiCo India	3.5	2.7	2.3	2.3	2.6
DFM Foods	2.9	3.0	3.2	3.4	-
Gopal Snacks	6.5	6.3	7.1	6.9	6.3

Source: Gopal Snacks IPO Document

Note: (PPE + Intangibles/Revenue from operations)

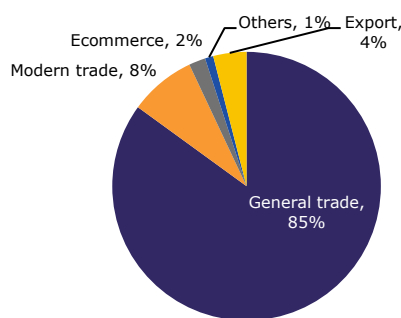
**Working capital requirements to be steady**

The company has tight control over inventory and receivable days, which have been in a band and are likely to remain steady at ~15 days. Here, the supply chain salience is likely to have a major role, where its dependence on the modern retail format has been limited to ~8%. Payable days are likely to remain around 10 days.

**Exhibit 98: Working capital requirement steady at ~20 days**

Source: Company, Emkay Research

**Exhibit 99: Bikaji’s revenue split**

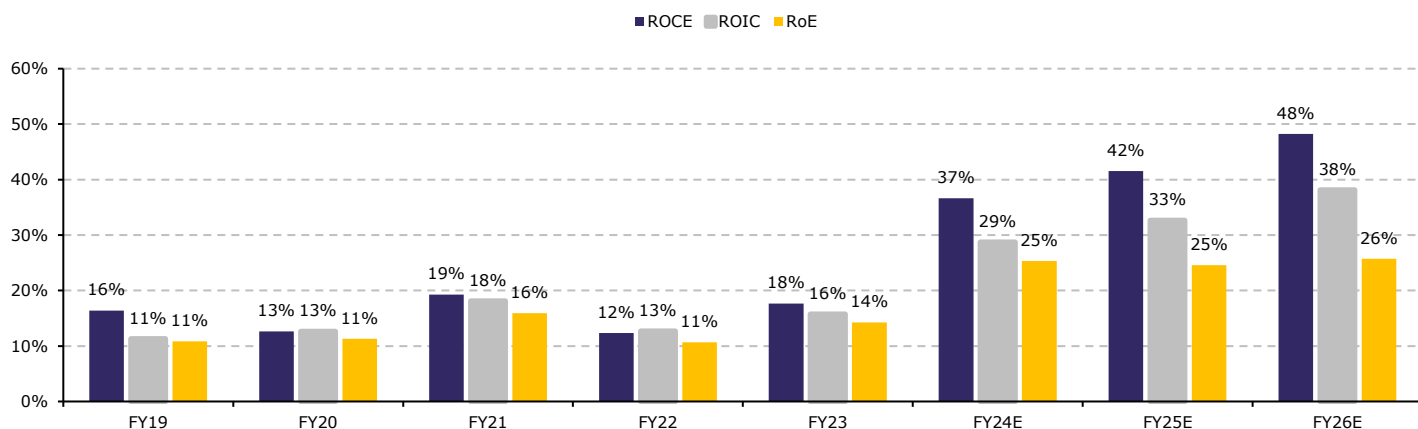


Source: Company, Emkay Research

**Improving margin with better utilization to aid return**

Bikaji’s return profile is likely to see healthy expansion, driven by improving margins, expanding asset turns, and reducing assets to equity. Adjusted for enhanced liquidity position, ROIC is likely to reflect better returns at 30%+ over FY25-26E.

**Exhibit 100: Bikaji – Return profile to see steady expansion**



Source: Company, Emkay Research

**Exhibit 101: DuPont analysis**

	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net margin (%)	6%	5%	7%	5%	6%	11%	10%	12%
Asset turn (x)	1.54	1.78	1.94	1.85	1.81	1.88	1.88	1.94
Leverage (x)	1.24	1.21	1.19	1.22	1.22	1.18	1.14	1.11
<b>Calculated ROE</b>	<b>11%</b>	<b>11%</b>	<b>16%</b>	<b>11%</b>	<b>14%</b>	<b>25%</b>	<b>25%</b>	<b>26%</b>

Source: Company, Emkay Research



**Exhibit 102: Return profile of listed peers**

	FY21	FY22	FY23
<b>Capital employed (Rs mn)</b>			
Gopal Snacks	2,700	3,407	3,686
Bikaji	6,949	9,804	11,218
Prataap Snacks	6,803	7,041	7,360
<b>RoCE</b>			
Gopal Snacks	13.5%	18.7%	43.1%
Bikaji	18.4%	11.6%	16.7%
Prataap Snacks	1.4%	0.7%	0.0%
<b>Net worth (Rs mn)</b>			
Gopal Snacks	1,357	1,777	2,909
Bikaji	6,057	8,208	9,536
Prataap Snacks	6,231	6,242	6,762
<b>RoE</b>			
Gopal Snacks	15.6%	23.4%	38.6%
Bikaji	14.9%	9.3%	13.3%
Prataap Snacks	2.3%	0.5%	3.0%

Source: IPO Document, Emkay Research

Note: ROE = Net profit / Net worth; ROCE = EBIT (1-Tax)/Capital employed

**Exhibit 103: Return profile of savory-snack peers**

	Return on equity					Return on capital employed				
	FY19	FY20	FY21	FY22	FY23	FY19	FY20	FY21	FY22	FY23
<b>Bikaji Foods International</b>	<b>10.9%</b>	<b>10.7%</b>	<b>14.9%</b>	<b>9.3%</b>	<b>13.3%</b>	<b>16.4%</b>	<b>12.7%</b>	<b>18.4%</b>	<b>11.6%</b>	<b>16.7%</b>
Haldiram (Nagpur + Delhi)	21.8%	17.8%	16.3%	12.4%	-	27.8%	19.8%	18.8%	14.6%	-
Bikanervala Foods	18.3%	11.1%	11.2%	8.3%	-	21.1%	9.9%	12.4%	9.9%	-
Prataap Snacks	8.0%	7.7%	2.3%	0.5%	3.0%	9.4%	5.6%	1.4%	0.7%	0.0%
Balaji Wafers	10.2%	9.5%	1.8%	0.4%	22.5%	13.3%	9.8%	1.0%	-0.1%	25.5%
PepsiCo India Holdings	0.4%	12.2%	5.6%	1.3%	7.7%	0.4%	9.4%	4.5%	1.0%	13.8%
DFM Foods	25.3%	16.8%	16.1%	16.2%	-	30.3%	15.6%	25.1%	-17.8%	-
Gopal Snacks	29.7%	30.8%	15.6%	23.4%	38.6%	25.6%	32.1%	13.5%	18.7%	43.1%

Source: IPO Document; Note: ROE (%) = Profit after Tax/Total Equity; ROCE (%) = (EBITDA - Depreciation and amortization expense) / (Total Equity + Short-term borrowings + Long-term borrowings - Cash and cash equivalents)

**Limited capital needs for healthy cash generation**

With 46-48% capacity utilization, we see incremental capex needs to be limited in the medium term. With scale and improvement in profitability, we see a healthy ~40% earnings CAGR. We see earnings to operating cash to remain at or above 100% ahead. Free cash conversion would also look decent with >80% of earnings and >55% of EBITDA.

**Exhibit 104: Bikaji – Summary of Cash flow**

(Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>EBITDA</b>	<b>933</b>	<b>946</b>	<b>1,448</b>	<b>1,395</b>	<b>2,136</b>	<b>3,967</b>	<b>4,525</b>	<b>5,345</b>
PBT	759	636	1,201	1,050	1,706	3,486	4,112	4,997
Tax	(214)	(117)	(173)	(411)	(466)	(819)	(1,028)	(1,249)
<b>PAT</b>	<b>545</b>	<b>520</b>	<b>1,029</b>	<b>639</b>	<b>1,240</b>	<b>2,667</b>	<b>3,084</b>	<b>3,748</b>
Non-cash and non-operating items	213	348	282	434	554	481	413	348
Changes in working capital	(70)	(321)	(90)	(498)	(33)	56	(304)	(372)
<b>Operating cash flow</b>	<b>687</b>	<b>547</b>	<b>1,220</b>	<b>575</b>	<b>1,762</b>	<b>3,204</b>	<b>3,193</b>	<b>3,724</b>
As a % of PAT	126%	105%	119%	90%	142%	120%	104%	99%
As a % of EBITDA	74%	58%	84%	41%	82%	81%	71%	70%
Capex	(733)	(405)	(737)	(1,078)	(806)	(467)	(535)	(626)
<b>Free cash flow</b>	<b>(46)</b>	<b>141</b>	<b>482</b>	<b>(504)</b>	<b>955</b>	<b>2,737</b>	<b>2,658</b>	<b>3,098</b>
As a % of PAT	-8%	27%	47%	-79%	77%	103%	86%	83%
As a % of EBITDA	-5%	15%	33%	-36%	45%	69%	59%	58%

Source: Company, Emkay Research

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## Appendix 1: Impulse food options gaining scale

There is a strong rise in savory snacks categories with the surge in the in-between meal snacking trend. Given divergent preferences for snack consumption, the market is fairly fragmented with limited national players. However, post GST implementation, as the formalization in the category accelerated, regional players shifted their focus to the national level. With access to a wider assortment, overall savory category consumption has heightened.

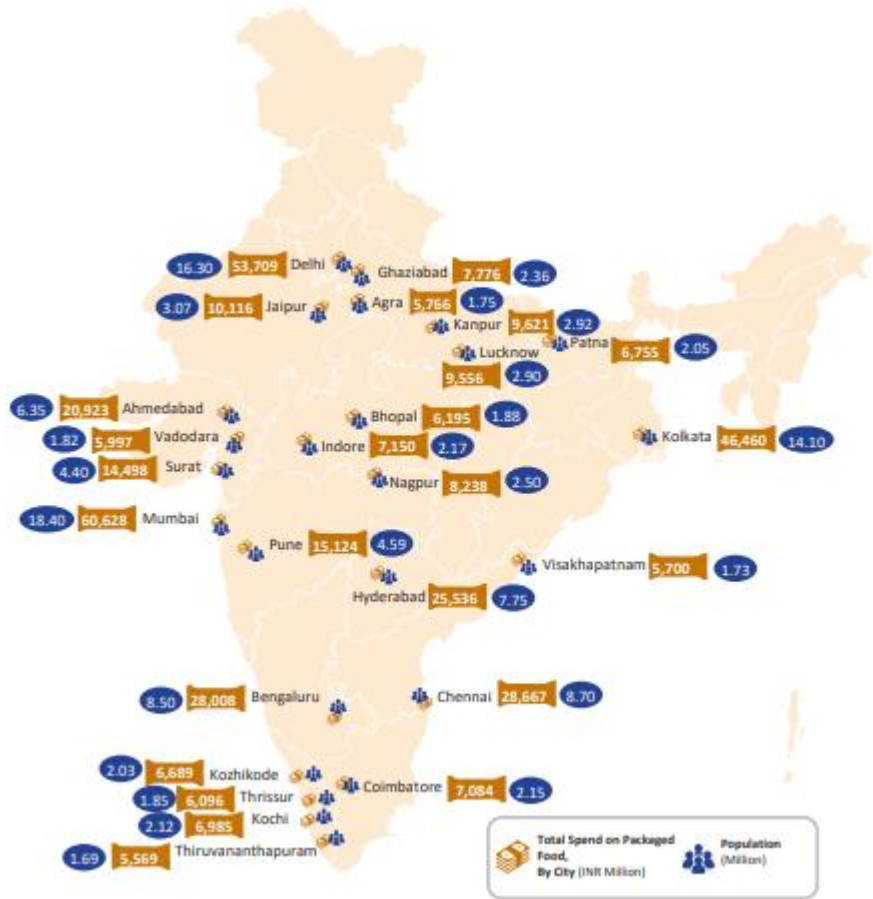
**Exhibit 105: Indian foods and beverages – Market opportunity**

	Market size (Rs bn)	Penetration (%)	Organized share (%)	GST rate (%)
Pouch Milk	7,200	99	15	5
Ghee	2,500	99	25	12
Edible Oil	1,700	99	51	5
Atta	1,208	99	12	5
Savory snacks	796	85	57	12
Sugar	777	99	25	5
Biscuits	692	99	65	18
Spices	675	99	36	5
Packaged sweets	593	85	10	5
Carbonated beverages	500	40	75	40
Tea	400	99	50	5
Confectionaries	260	40	60	18
Bottled water	200	40	50	12
Dry fruits	200	60	5	5
Ice cream	182	70	70	18
Chocolate	150	40	60	18
Bread	135	40	50	0
Instant noodle	135	75	70	18
Coffee	135	70	60	5
Health food drinks	110	10	90	18
Papad	80	60	33	0
Juice	70	40	75	12
Salt	70	99	72	5
Baby Food	65	30	80	18
Cake	55	30	65	18
Cheese	50	25	80	12
Breakfast cereals	40	10	90	5
Ketchup	40	20	60	12
Pasta	35	20	30	5
Honey	30	40	55	0
Chyawanprash	25	30	60	12
Soya chunks	20	15	50	12
Soup	20	5	50	18
Wafers	7.5	5	70	18
<b>Total addressable market (INR)</b>	<b>19,505</b>	<b>91</b>	<b>31</b>	<b>8</b>
<b>In USD *</b>	<b>235</b>			

Source: Emkay Research; Note: \*1 USD = Rs83.1

Frost and Sullivan estimate the packaged food market at Rs4.62trn for FY23, registering an expected 10% CAGR to Rs6.8trn by FY27. In the packaged food market, snacking categories contribute ~32%. While the unorganized segment remains a dominant part of the packaged food market, there has been accelerated formalization since GST implementation. The share of organized has expanded to 19% in FY23 from 13% in FY18. Based on industry sizing, per capita spending on packaged foods now stands at Rs3,657, expanding at a CAGR of 12% over FY18-23, and is poised well to register an 11% CAGR over FY23-27. India's top-25 cities contribute about 10% of the revenue of the packaged food industry.

Exhibit 106: Contribution of the top-25 cities to packaged food revenue

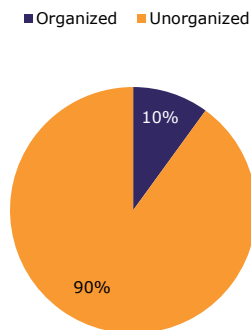


Source: Company

### Savory snacks seeing faster formalization

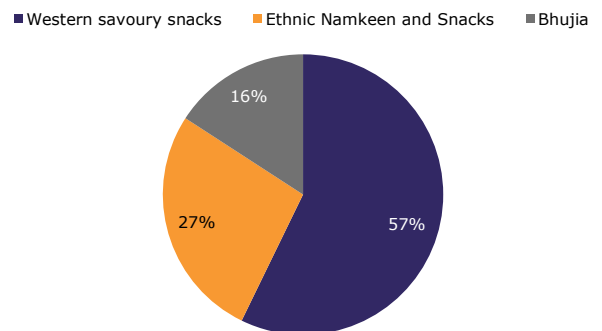
The Indian savory snacks category is sized at Rs796bn, as per Frost and Sullivan, which is poised to register a CAGR of 11% over FY23-27E. Post GST implementation, the share of the formal market has been expanding fast and is now at ~43% of the market. Savory snacks are segmented into western savory, ethnic namkeen, and ethnic bhujia.

Exhibit 107: Indian savory-snack market size is Rs796bn



Source: Company, Emkay Research

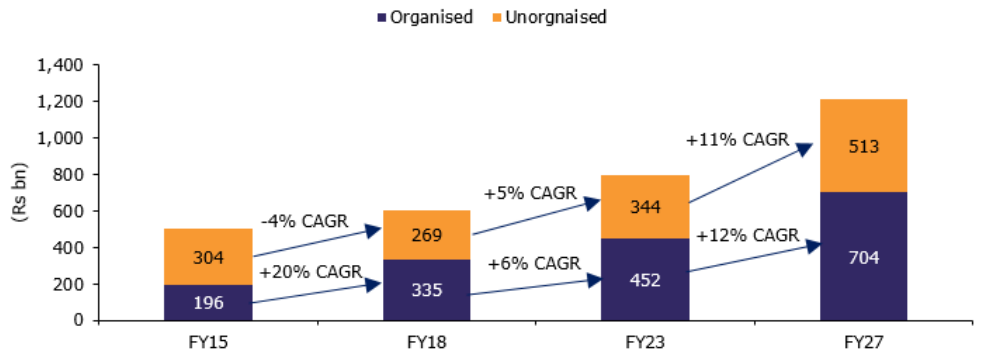
Exhibit 108: Key offerings under the organized savory-snack market



Source: Company, Emkay Research

**The Indian savory snacks segment is characterized by a large number of unorganized players across the product segments, given the divergence in snacking habits regionally. As offerings expanded to new markets, the segment saw a simultaneous resurgence in demand**

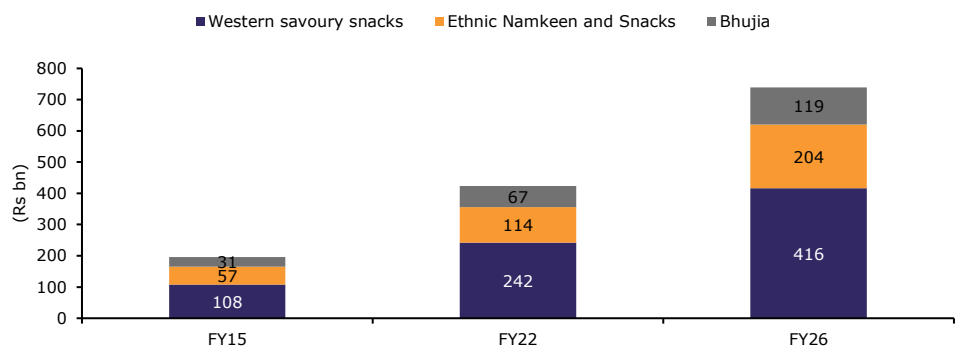
**Exhibit 109: Indian savory snacks poised for healthy growth ahead**



Source: Company, Emkay Research

**Western savory snacks is the biggest category in the savory-snack segment, wherein contribution of chips is ~53%, followed by the 22% contribution from extruded snacks**

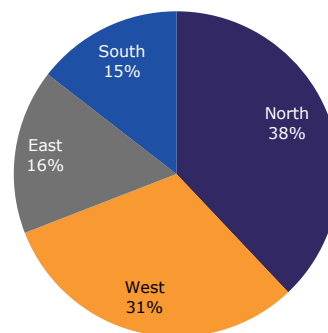
**Exhibit 110: Organized savory-snack categories to note a similar evolution**



Source: Company, Emkay Research

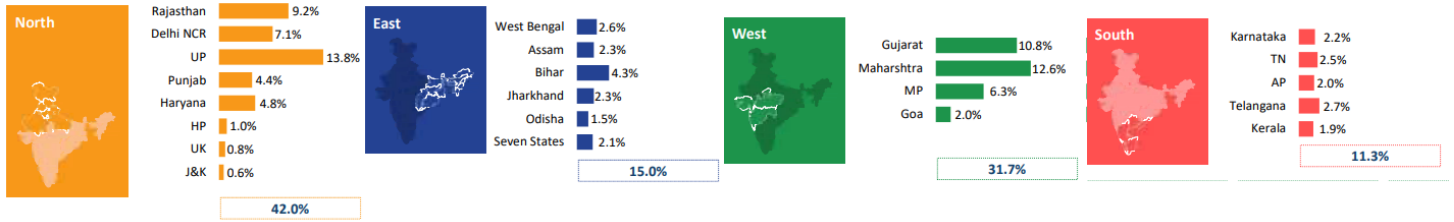
Demand for savory snacks is high in North India, followed by West India. These regions are the major consumers of *namkeen*, especially Rajasthan and Gujarat, where *namkeen* forms an integral part of food habits. Hence, a majority of the *namkeen* varieties originate from these regions. Further, the increasing popularity and availability of numerous options in ethnic *namkeen* and *bhujia* segments are driving growth across regions for this segment. Consumption of savory snacks is considerable in East India along with street food in between meals, travels, etc. The trend shows that consumption of ethnic savories is about to increase gradually as companies such as Bikaji and Haldiram look to penetrate the market with their wide product offerings.

**Exhibit 111: South and West India are the main markets for savory snacks**



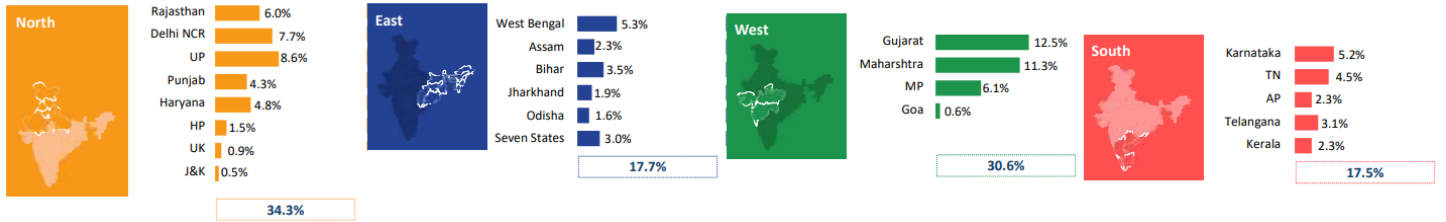
Source: Company, Emkay Research

**Exhibit 112: Region-wise split of ethnic savories**



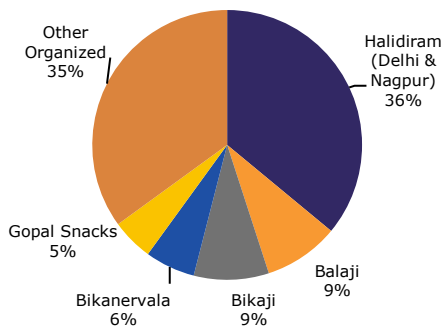
Source: Company

**Exhibit 113: Region-wise split of western snacks**



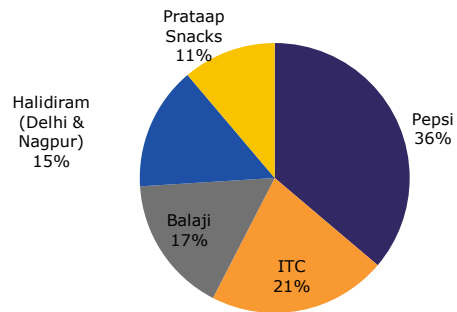
Source: Company

**Exhibit 114: Organized ethnic snacks^ market share for FY23**



Source: Company, Emkay Research  
 ^Includes namkeen, chaklis, a variety of masala or fried nuts, etc, and they are region-specific even within India

**Exhibit 115: Organized western snacks^ market share for FY23**



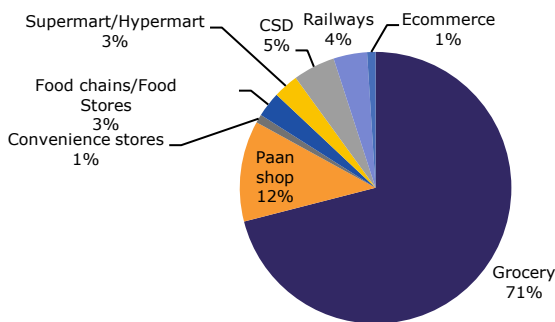
Source: Company, Emkay Research  
 ^Includes chips (52%), extruders (33%), and bridges (15%)

**Exhibit 116: Key tailwinds aiding the formalization of savory snacks**

- Small players are struggling to operate under GST, as raw material with GST limits profitability
- Continued contraction of the wholesale channel affected the supply chain of small players
- Consistency in supply and product quality key for the supply chain to continue distribution
- Given industry-wide food adulteration, consumer preference for branded players, who were able to launch offerings at affordable price points (Rs5/10), has increased

Source: Emkay Research

**Exhibit 117: Organized ethnic savory snacks market – Channel split**

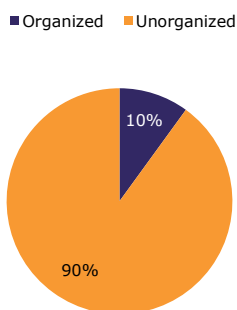


Source: Company, Emkay Research

### Packaged sweets adoption to heighten due to hygiene-related preference

The Indian packaged sweets market is sized at Rs593bn, where the share of organized is quite small at ~10%. With the emergence of large players, who are helping expand regional formats, there is an accelerated formalization in the segment. Hygiene with enhanced shelf life helps consumers remain loyal to the traditional way of gifting, particularly during festivals. Additionally, with migration, consumers can meet their impulse needs in packaged formats.

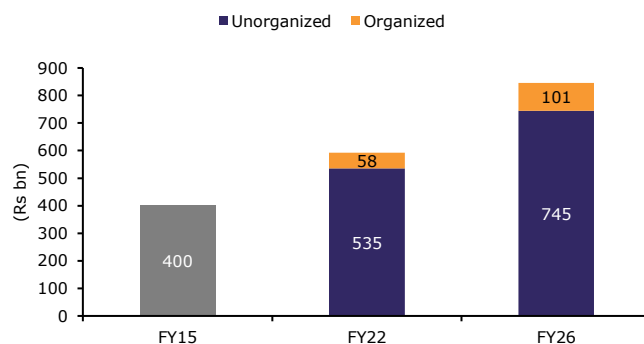
**Exhibit 118: Indian packaged sweets market (size: Rs593bn, as of FY22)**



Source: Company, Emkay Research

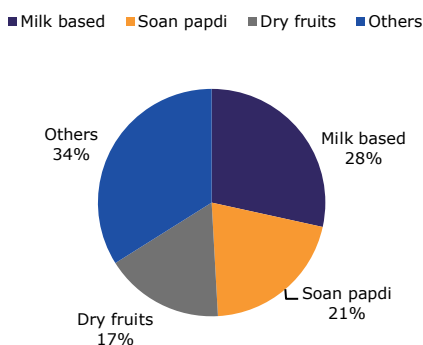
Note: Unorganized represents standalone mithai shops

**Exhibit 119: Indian packaged sweets market to see faster formalization**



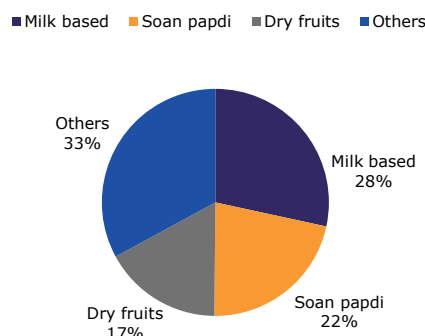
Source: Company, Emkay Research

**Exhibit 120: Indian packaged sweets market split for FY22**



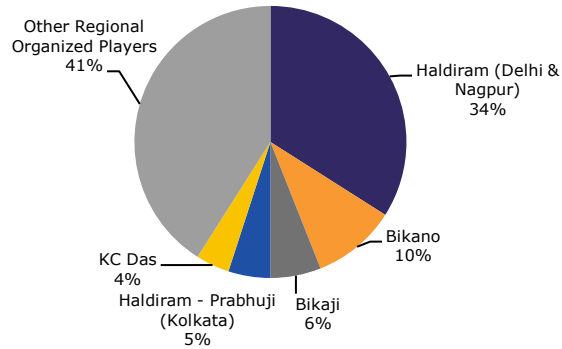
Source: Company, Emkay Research

**Exhibit 121: Indian packaged sweets – Expected mkt split for FY26E**



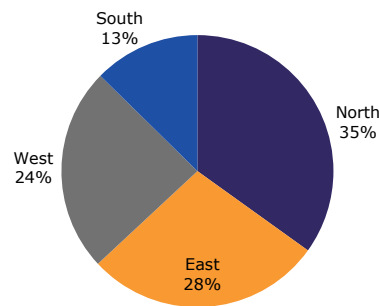
Source: Company, Emkay Research

Exhibit 122: Indian organized packaged sweets – Market share (as of FY22)



Source: Company, Emkay Research

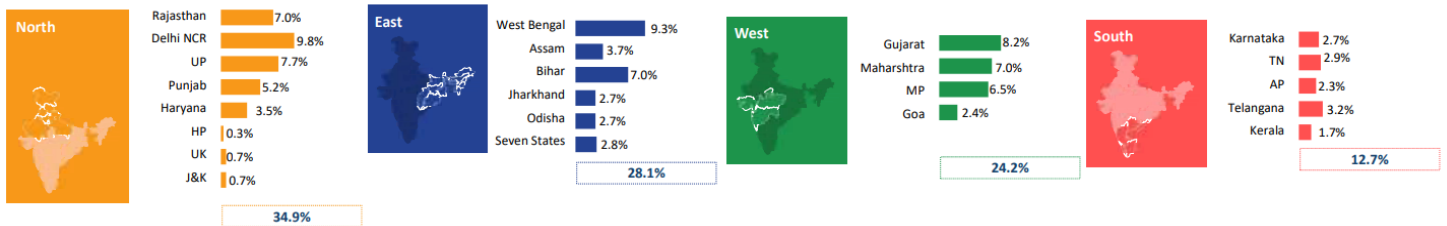
Exhibit 123: Regional concentration of packaged sweets



Source: Company, Emkay Research

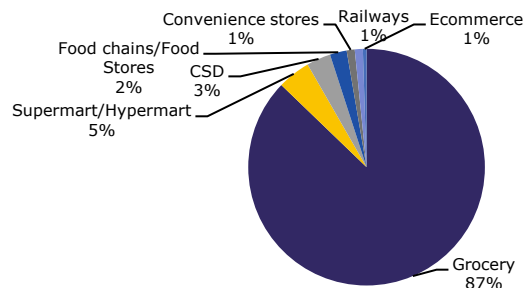
The sweets market is driven by North India with 35% share, with contribution from UP, Delhi NCR, Punjab, and Haryana. This is followed by eastern India, with Bengali mithais dominating the market. The West and South contribute ~24% and ~13%, respectively, to the sweets industry

Exhibit 124: Region-wise split of sweets



Source: Company

Exhibit 125: India’s organized papad snacks market – Supply-chain split

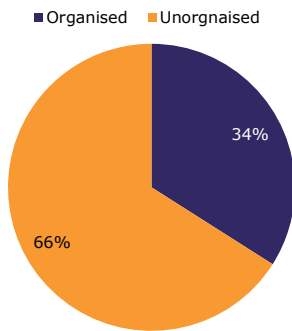


Source: Company, Emkay Research

### Papad category seeing penetration

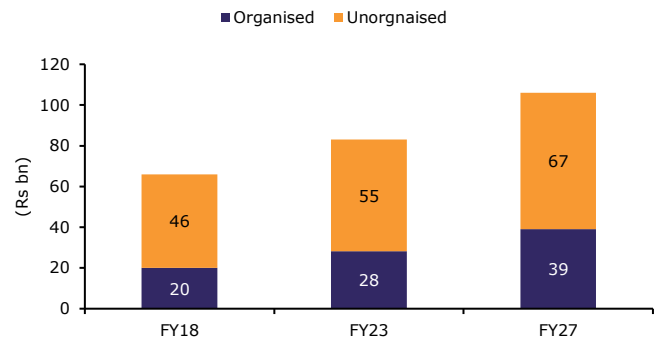
Papad has gradually become a part of every meal with improved availability. The category size is Rs83bn, 34% of which is the share of the organized category. *Lijjat* remains a dominant player in the segment, with pan-India availability.

Exhibit 126: Indian papad market (Rs83bn, as of FY23)



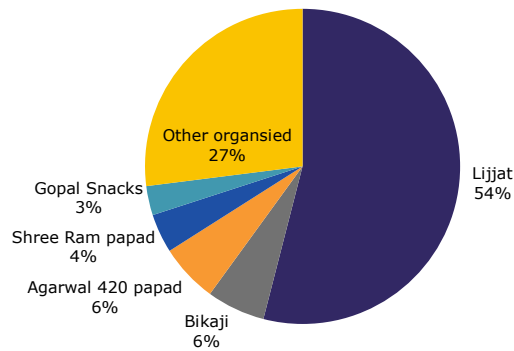
Source: Company, Emkay Research

Exhibit 127: Papad market to see faster formalization



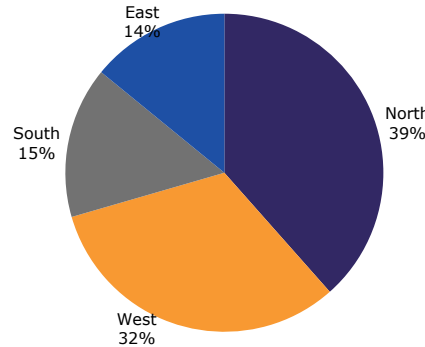
Source: Company, Emkay Research

Exhibit 128: Papad category's market share as of FY23



Source: Company, Emkay Research

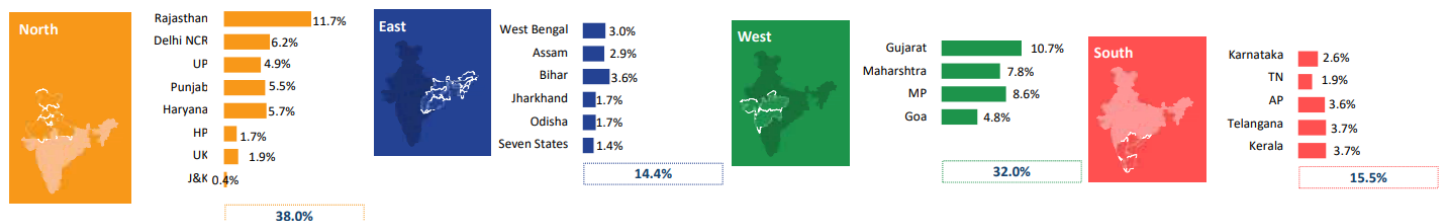
Exhibit 129: Papad market split by region



Source: Company, Emkay Research

**Papad is eaten with every meal and as a snack in the states of Rajasthan, Gujarat, and Madhya Pradesh. The North contributes ~38%, followed by West and South India at 30% and 15%, respectively**

Exhibit 130: Region-wise split of papad



Source: Company



## Appendix 2: Company Financials

**Exhibit 131: Profit and loss statement**

(Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Revenue from operations</b>	<b>9,014</b>	<b>10,746</b>	<b>13,107</b>	<b>16,110</b>	<b>19,661</b>	<b>23,339</b>	<b>26,765</b>	<b>31,296</b>
- Growth	15.4%	19.2%	22.0%	22.9%	22.0%	18.7%	14.7%	16.9%
Raw Material	6,443	7,449	9,369	11,703	13,952	15,138	17,585	20,627
- As a % of revenue	71.5%	69.3%	71.5%	72.6%	71.0%	64.9%	65.7%	65.9%
- YoY chg		15.6%	25.8%	24.9%	19.2%	8.5%	16.2%	17.3%
- As a % of Net sales	71.7%	69.5%	71.6%	72.8%	71.1%	67.7%	67.3%	67.1%
<b>Gross profit</b>	<b>2,570</b>	<b>3,296</b>	<b>3,739</b>	<b>4,407</b>	<b>5,709</b>	<b>8,201</b>	<b>9,180</b>	<b>10,669</b>
- YoY chg	15.5%	28.2%	13.4%	17.9%	29.5%	43.7%	11.9%	16.2%
Gross Margin - With PLI	28.5%	30.7%	28.5%	27.4%	29.0%	35.1%	34.3%	34.1%
Gross Margin - Without PLI	28.3%	30.5%	28.4%	27.3%	29.0%	32.3%	32.7%	32.9%
Employee costs	550	646	699	901	1,030	1,226	1,410	1,622
- YoY chg	42.9%	17.5%	8.1%	28.9%	14.4%	19.0%	15.0%	15.0%
- As a % of sales	6.1%	6.0%	5.3%	5.6%	5.2%	5.5%	5.4%	5.3%
Ad-spends	145	368	306	291	330	492	470	553
- YoY chg		153.0%	-16.7%	-4.9%	13.4%	48.9%	-4.4%	17.7%
- As a % of sales	1.6%	3.4%	2.3%	1.8%	1.7%	2.2%	1.8%	1.8%
Other expenses	942	1,336	1,286	1,819	2,212	2,516	2,774	3,149
- YoY chg		41.8%	-3.8%	41.5%	21.6%	13.7%	10.3%	13.5%
- As a % of sales	10.5%	12.5%	9.8%	11.3%	11.3%	11.3%	10.6%	10.2%
<b>Ebitda</b>	<b>933</b>	<b>946</b>	<b>1,448</b>	<b>1,395</b>	<b>2,136</b>	<b>3,967</b>	<b>4,525</b>	<b>5,345</b>
- Ebitda margin	10.3%	8.8%	11.0%	8.7%	10.9%	17.0%	16.9%	17.1%
- YoY chg	-7.0%	1.4%	53.0%	-3.6%	53.1%	85.7%	14.1%	18.1%
- Ebitda margin-ex PLI	10.3%	8.8%	11.0%	8.7%	10.9%	13.5%	15.0%	15.7%
- YoY chg - Ex PLI	-7.0%	1.4%	53.0%	-3.6%	53.1%	41.3%	30.0%	23.1%
Depreciation	228	342	331	383	471	590	598	609
- growth		50.3%	-3.1%	15.7%	22.8%	25.4%	1.5%	1.8%
- As a % of revenue	2.5%	3.2%	2.5%	2.4%	2.4%	2.5%	2.2%	1.9%
- As a % of gross block		6.7%	5.7%	5.5%	5.4%	5.9%	5.7%	5.5%
Other income	93	84	115	105	147	221	276	345
- growth		-10.1%	37.3%	-8.5%	40.2%	50.0%	25.0%	25.0%
- As a % of cash and cash equivalents		7.7%	10.4%	7.6%	8.6%	7.9%	6.0%	5.6%
Finance costs	39	51	30	67	106	112	91	84
- As a % of borrowings		8.0%	4.2%	5.4%	6.4%	7.0%	6.5%	7.0%
<b>PBT</b>	<b>759</b>	<b>636</b>	<b>1,201</b>	<b>1,050</b>	<b>1,706</b>	<b>3,486</b>	<b>4,112</b>	<b>4,997</b>
- margin	8.4%	5.9%	9.2%	6.5%	8.7%	14.9%	15.4%	16.0%
- YoY chg	-24.4%	-16.1%	88.7%	-12.6%	62.5%	104.3%	17.9%	21.5%
- YoY chg - Ex PLI		-16.1%	88.7%	-12.6%	62.5%	48.6%	38.3%	27.6%
<b>Tax</b>	<b>(249)</b>	<b>(73)</b>	<b>(298)</b>	<b>(290)</b>	<b>(440)</b>	<b>(819)</b>	<b>(1,028)</b>	<b>(1,249)</b>
Tax rate	32.9%	11.4%	24.8%	27.6%	25.8%	23.5%	25.0%	25.0%
<b>Reported PAT</b>	<b>509</b>	<b>564</b>	<b>903</b>	<b>760</b>	<b>1,266</b>	<b>2,667</b>	<b>3,084</b>	<b>3,748</b>
- margin	5.7%	5.2%	6.9%	4.7%	6.4%	11.4%	11.5%	12.0%
- YoY chg	-49.2%	10.7%	60.3%	-15.8%	66.5%	110.7%	15.6%	21.5%
<b>Adj. PAT</b>	<b>509</b>	<b>564</b>	<b>903</b>	<b>760</b>	<b>1,266</b>	<b>2,667</b>	<b>3,084</b>	<b>3,748</b>
- margin	5.7%	5.2%	6.9%	4.7%	6.4%	11.4%	11.5%	12.0%
- YoY chg	-49.2%	10.7%	60.3%	-15.8%	66.5%	110.7%	15.6%	21.5%
- YoY chg- Ex PLI		10.7%	60.3%	-15.8%	66.5%	53.3%	35.6%	27.6%
EPS (Rs)	2.09	2.32	3.72	3.05	5.07	10.69	12.36	15.02
- growth	-49.2%	10.7%	60.3%	-18.0%	66.5%	110.7%	15.6%	21.5%
<b>PLI Adj. EPS (Rs)</b>	<b>2.1</b>	<b>2.3</b>	<b>3.7</b>	<b>3.0</b>	<b>5.1</b>	<b>7.8</b>	<b>10.5</b>	<b>13.5</b>
- growth		10.7%	60.3%	-18.0%	66.5%	53.3%	35.6%	27.6%

Source: Company, Emkay Research

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## Exhibit 132: Balance Sheet

(Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Gross assets + CWIP	4,927	5,321	6,294	7,582	9,765	10,232	10,767	11,393
Capex		394	973	1,288	2,183	467	535	626
% of sales		4.4%	9.1%	9.8%	13.6%	2.0%	2.0%	2.0%
Gross block turns	1.8	2.0	2.1	2.1	2.0	2.2	2.4	2.7
Cumulative Depreciation	(762)	(1,100)	(1,433)	(1,811)	(2,213)	(2,802)	(3,401)	(4,010)
<b>Net block</b>	<b>4,165</b>	<b>4,221</b>	<b>4,861</b>	<b>5,771</b>	<b>7,553</b>	<b>7,429</b>	<b>7,366</b>	<b>7,383</b>
Net block turns	2.2	2.5	2.7	2.8	2.6	3.0	3.5	4.2
Investments	30	365	688	1,263	203	203	203	203
Other long-term assets	84	118	125	329	119	119	119	119
Cash & cash equivalents	1,127	1,053	1,156	1,622	1,800	3,795	5,375	6,865
Inventories	383	365	568	729	784	918	1,073	1,262
days of sales	16	12	16	17	15	15	15	15
Receivables	390	417	473	733	792	918	1,073	1,262
days of sales	16	14	13	17	15	15	15	15
Other current assets	131	227	301	574	1,465	1,224	1,431	1,683
days of sales	5	8	8	13	27	20	20	20
% change		74%	32%	91%	155%	-16%	17%	18%
<b>Current assets</b>	<b>1,648</b>	<b>1,698</b>	<b>1,930</b>	<b>2,929</b>	<b>4,057</b>	<b>5,937</b>	<b>7,879</b>	<b>9,811</b>
Creditors	293	143	425	428	534	612	715	842
days of sales	12	5	12	10	10	10	10	10
Other current liabilities	160	389	444	418	621	612	715	842
days of sales	7	13	12	10	12	10	10	10
% change		143%	14%	-6%	48%	-1%	17%	18%
Current provisions	16	27	29	27	32	38	43	50
days of sales	1	1	1	1	1	1	1	1
% change		76%	6%	-5%	15%	19%	15%	17%
<b>Current liabilities</b>	<b>468</b>	<b>560</b>	<b>897</b>	<b>874</b>	<b>1,187</b>	<b>1,262</b>	<b>1,474</b>	<b>1,734</b>
<b>Net current assets</b>	<b>1,531</b>	<b>1,972</b>	<b>1,978</b>	<b>2,947</b>	<b>4,176</b>	<b>5,975</b>	<b>7,922</b>	<b>9,861</b>
<b>Total assets</b>	<b>5,841</b>	<b>6,207</b>	<b>7,274</b>	<b>10,147</b>	<b>11,530</b>	<b>13,345</b>	<b>15,166</b>	<b>17,045</b>
Borrowings	735	540	874	1,597	1,695	1,495	1,295	1,095
Addition		(196)	335	723	98	(200)	(200)	(200)
Other long-term liabilities	408	375	325	343	312	327	344	361
% YoY		-7.9%	-13.4%	5.5%	-9.1%	5.0%	5.0%	5.0%
% of sales	4.5%	3.5%	2.5%	2.1%	1.6%	1.4%	1.3%	1.2%
Deferred grant income	-	-	13	14	11			
Equity share capital	243	243	243	250	250	250	250	250
Other equity	4,455	5,049	5,814	7,958	9,287	11,287	13,292	15,353
Minority interest	-	-	18	(1)	(14)	(14)	(14)	(14)
<b>Total Liabilities</b>	<b>5,841</b>	<b>6,207</b>	<b>7,274</b>	<b>10,147</b>	<b>11,530</b>	<b>13,345</b>	<b>15,166</b>	<b>17,045</b>

Source: Company, Emkay Research

## Exhibit 133: Cash Flow

(Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
PBT	759	636	1,201	1,050	1,706	3,486	4,112	4,997
Adjustments for								
Depreciation	228	342	331	383	471	590	598	609
FX	(10)	(7)	(1)	0	(4)	-	-	-
Gain on lease modification	-	-	(0)	0	(0)	-	-	-
Interest income	(63)	(75)	(69)	(68)	(108)	(221)	(276)	(345)
Finance costs	39	51	30	67	102	112	91	84
Others	19	36	(9)	52	93	-	-	-
<b>Operating profit before working capital</b>	<b>971</b>	<b>984</b>	<b>1,483</b>	<b>1,484</b>	<b>2,261</b>	<b>3,967</b>	<b>4,525</b>	<b>5,345</b>
Decrease in trade receivables	(56)	(24)	(52)	(269)	73	(126)	(155)	(189)
Decrease in loans	18	(60)	48	0	0	-	-	-
Decrease in other current financial assets	(18)	(80)	11	(98)	61	-	-	-
Decrease in other current assets	(28)	(23)	(101)	(27)	(291)	241	(206)	(253)
Decrease in inventories	(69)	17	(213)	(159)	(17)	(134)	(155)	(189)
Decrease in non-current financial assets	(8)	35	(20)	(3)	(2)	-	-	-
Decrease in other non-current assets	(4)	(81)	(27)	(12)	36	-	-	-
Increase in trade payables	74	(150)	267	7	(158)	78	103	126
Increase in other current financial liabilities	(68)	(20)	39	17	(9)	-	-	-
Increase in other current liabilities	(9)	54	(16)	42	275	(9)	103	126
Increase in provisions	97	10	(27)	3	1	6	6	7
<b>Cash generated from operations</b>	<b>901</b>	<b>663</b>	<b>1,392</b>	<b>986</b>	<b>2,228</b>	<b>4,023</b>	<b>4,221</b>	<b>4,974</b>
Tax paid	(214)	(117)	(173)	(411)	(466)	(819)	(1,028)	(1,249)
<b>Net Cash generated from operations</b>	<b>687</b>	<b>547</b>	<b>1,220</b>	<b>575</b>	<b>1,762</b>	<b>3,204</b>	<b>3,193</b>	<b>3,724</b>
Net capex	(733)	(405)	(737)	(1,078)	(806)	(467)	(535)	(626)
Net investments	(246)	(245)	(535)	(1,296)	(594)	-	-	-
Interest received	63	75	83	58	119	221	276	345
<b>Net Cash generated in investing</b>	<b>(915)</b>	<b>(575)</b>	<b>(1,189)</b>	<b>(2,316)</b>	<b>(1,281)</b>	<b>(246)</b>	<b>(259)</b>	<b>(281)</b>
Proceeds from share issuance	1,220	-	-	1,348	-	-	-	-
Issue expense paid	(38)	-	-	(1)	-	-	-	-
Proceeds from borrowings	263	9	49	480	261	-	-	-
Repayment of borrowings	(768)	(152)	(235)	(118)	(201)	(200)	(200)	(200)
Net change in cash credit	(178)	(57)	184	117	81	-	-	-
Grant received	-	-	20	-	-	-	-	-
Dividend paid	(59)	(59)	(49)	(50)	(25)	(667)	(1,079)	(1,686)
Principal paid on lease liabilities	(5)	(4)	(30)	(10)	(49)	-	-	-
Interest paid	(37)	(49)	(29)	(65)	(101)	(112)	(91)	(84)
Interest paid on lease liabilities	(1)	(2)	(2)	(13)	(15)	-	-	-
<b>Net Cash generated in financing</b>	<b>398</b>	<b>(315)</b>	<b>(91)</b>	<b>1,688</b>	<b>(49)</b>	<b>(978)</b>	<b>(1,370)</b>	<b>(1,970)</b>
<b>Net cash change</b>	<b>170</b>	<b>(343)</b>	<b>(59)</b>	<b>(53)</b>	<b>432</b>	<b>1,980</b>	<b>1,564</b>	<b>1,473</b>
Opening cash	3	172	(171)	(229)	(283)	149	2,129	3,692
Closing cash	172	(171)	(229)	(283)	149	2,129	3,692	5,165
FCF	(46)	141	482	(504)	955	2,737	2,658	3,098

Source: Company, Emkay Research

## Bikaji Foods International: Consolidated Financials and Valuations

Profit and Loss					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
<b>Revenue</b>	<b>16,110</b>	<b>19,661</b>	<b>23,339</b>	<b>26,765</b>	<b>31,296</b>
Revenue growth (%)	22.9	22.0	18.7	14.7	16.9
<b>EBITDA</b>	<b>1,395</b>	<b>2,136</b>	<b>3,967</b>	<b>4,525</b>	<b>5,345</b>
EBITDA growth (%)	(3.6)	53.1	85.7	14.1	18.1
Depreciation & Amortization	383	471	590	598	609
<b>EBIT</b>	<b>1,012</b>	<b>1,665</b>	<b>3,378</b>	<b>3,927</b>	<b>4,736</b>
EBIT growth (%)	(9.3)	64.5	102.8	16.3	20.6
Other operating income	29	26	979	636	555
Other income	105	147	221	276	345
Financial expense	67	106	112	91	84
<b>PBT</b>	<b>1,050</b>	<b>1,706</b>	<b>3,486</b>	<b>4,112</b>	<b>4,997</b>
Extraordinary items	0	0	0	0	0
Taxes	290	440	819	1,028	1,249
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
<b>Reported PAT</b>	<b>760</b>	<b>1,266</b>	<b>2,667</b>	<b>3,084</b>	<b>3,748</b>
PAT growth (%)	(15.8)	66.5	110.7	15.6	21.5
<b>Adjusted PAT</b>	<b>760</b>	<b>1,266</b>	<b>2,667</b>	<b>3,084</b>	<b>3,748</b>
<b>Diluted EPS (Rs)</b>	<b>3.0</b>	<b>5.1</b>	<b>10.7</b>	<b>12.4</b>	<b>15.0</b>
Diluted EPS growth (%)	(18.0)	66.5	110.7	15.6	21.5
<b>DPS (Rs)</b>	<b>0.8</b>	<b>0.8</b>	<b>2.7</b>	<b>4.3</b>	<b>6.8</b>
<b>Dividend payout (%)</b>	<b>25.0</b>	<b>14.8</b>	<b>25.0</b>	<b>35.0</b>	<b>45.0</b>
EBITDA margin (%)	8.7	10.9	17.0	16.9	17.1
EBIT margin (%)	6.3	8.5	14.5	14.7	15.1
Effective tax rate (%)	27.6	25.8	23.5	25.0	25.0
<b>NOPLAT (pre-IndAS)</b>	<b>733</b>	<b>1,236</b>	<b>2,584</b>	<b>2,945</b>	<b>3,552</b>
Shares outstanding (mn)	249.5	249.5	249.5	249.5	249.5

Source: Company, Emkay Research

Cash Flows					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	1,050	1,706	3,486	4,112	4,997
Others (non-cash items)	(16)	(19)	(221)	(276)	(345)
Taxes paid	0	0	0	0	0
Change in NWC	(498)	(33)	56	(304)	(372)
<b>Operating cash flow</b>	<b>986</b>	<b>2,228</b>	<b>4,023</b>	<b>4,221</b>	<b>4,974</b>
Capital expenditure	(1,078)	(806)	(467)	(535)	(626)
Acquisition of business	0	0	0	0	0
Interest & dividend income	0	0	0	0	0
<b>Investing cash flow</b>	<b>(2,316)</b>	<b>(1,281)</b>	<b>(246)</b>	<b>(259)</b>	<b>(281)</b>
Equity raised/(repaid)	1,347	0	0	0	0
Debt raised/(repaid)	362	60	(200)	(200)	(200)
Payment of lease liabilities	0	0	0	0	0
Interest paid	(78)	(116)	(112)	(91)	(84)
Dividend paid (incl tax)	(50)	(25)	(667)	(1,079)	(1,686)
Others	107	32	0	0	0
<b>Financing cash flow</b>	<b>1,688</b>	<b>(49)</b>	<b>(978)</b>	<b>(1,370)</b>	<b>(1,970)</b>
Net chg in Cash	358	898	2,799	2,592	2,722
OCF	986	2,228	4,023	4,221	4,974
Adj. OCF (w/o NWC chg.)	1,484	2,261	3,967	4,525	5,345
FCFF	(92)	1,422	3,557	3,686	4,348
FCFE	(159)	1,316	3,445	3,595	4,264
OCF/EBITDA (%)	70.7	104.3	101.4	93.3	93.0
FCFE/PAT (%)	(20.9)	103.9	129.2	116.6	113.8
<b>FCFF/NOPLAT (%)</b>	<b>(12.6)</b>	<b>115.1</b>	<b>137.7</b>	<b>125.2</b>	<b>122.4</b>

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	250	250	250	250	250
Reserves & Surplus	7,958	9,287	11,287	13,292	15,353
<b>Net worth</b>	<b>8,208</b>	<b>9,536</b>	<b>11,537</b>	<b>13,541</b>	<b>15,603</b>
Minority interests	(1)	(14)	(14)	(14)	(14)
Deferred tax liability (net)	0	0	0	0	0
<b>Total debt</b>	<b>1,940</b>	<b>2,007</b>	<b>1,822</b>	<b>1,639</b>	<b>1,456</b>
<b>Total liabilities &amp; equity</b>	<b>10,147</b>	<b>11,530</b>	<b>13,345</b>	<b>15,166</b>	<b>17,045</b>
Net tangible fixed assets	5,771	7,553	7,429	7,366	7,383
Net intangible assets	0	0	0	0	0
Net ROU assets	0	0	0	0	0
Capital WIP	0	0	0	0	0
Goodwill	0	0	0	0	0
Investments [JV/Associates]	1,593	322	322	322	322
<b>Cash &amp; equivalents</b>	<b>1,622</b>	<b>1,800</b>	<b>3,795</b>	<b>5,375</b>	<b>6,865</b>
Current assets (ex-cash)	2,036	3,042	3,061	3,577	4,208
Current Liab. & Prov.	874	1,187	1,262	1,474	1,734
<b>NWC (ex-cash)</b>	<b>1,162</b>	<b>1,855</b>	<b>1,799</b>	<b>2,103</b>	<b>2,475</b>
<b>Total assets</b>	<b>10,147</b>	<b>11,530</b>	<b>13,345</b>	<b>15,166</b>	<b>17,045</b>
Net debt	318	207	(1,972)	(3,736)	(5,409)
Capital employed	10,147	11,530	13,345	15,166	17,045
<b>Invested capital</b>	<b>6,932</b>	<b>9,408</b>	<b>9,228</b>	<b>9,469</b>	<b>9,857</b>
BVPS (Rs)	32.9	38.2	46.2	54.3	62.5
Net Debt/Equity (x)	0.0	0.0	(0.2)	(0.3)	(0.3)
Net Debt/EBITDA (x)	0.2	0.1	(0.5)	(0.8)	(1.0)
Interest coverage (x)	0.1	0.1	0.0	0.0	0.0
<b>RoCE (%)</b>	<b>12.8</b>	<b>16.7</b>	<b>28.9</b>	<b>29.5</b>	<b>31.5</b>

Source: Company, Emkay Research

Valuations and Key Ratios					
Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	170.7	102.5	48.6	42.1	34.6
P/CE(x)	115.6	76.1	40.6	35.9	30.4
P/B (x)	15.8	13.6	11.2	9.6	8.3
EV/Sales (x)	8.1	6.6	5.7	4.8	4.0
EV/EBITDA (x)	93.2	60.8	32.2	27.8	23.3
EV/EBIT(x)	131.0	79.5	38.6	32.7	26.8
EV/IC (x)	19.1	14.1	14.1	13.6	12.9
FCFF yield (%)	(0.1)	1.1	2.7	2.9	3.4
FCFE yield (%)	(0.1)	1.0	2.6	2.7	3.2
Dividend yield (%)	0.1	0.1	0.5	0.8	1.3
<b>DuPont-RoE split</b>					
Net profit margin (%)	4.7	6.4	11.4	11.5	12.0
Total asset turnover (x)	1.8	1.8	1.9	1.9	1.9
Assets/Equity (x)	1.2	1.2	1.2	1.1	1.1
<b>RoE (%)</b>	<b>10.7</b>	<b>14.3</b>	<b>25.3</b>	<b>24.6</b>	<b>25.7</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	4.5	6.3	11.1	11.0	11.3
IC turnover (x)	2.6	2.4	2.5	2.9	3.2
<b>RoIC (%)</b>	<b>12.0</b>	<b>15.1</b>	<b>27.7</b>	<b>31.5</b>	<b>36.8</b>
<b>Operating metrics</b>					
Core NWC days	4.5	5.2	4.4	4.5	4.5
<b>Total NWC days</b>	<b>26.3</b>	<b>34.4</b>	<b>28.1</b>	<b>28.7</b>	<b>28.9</b>
Fixed asset turnover	2.3	2.3	2.3	2.5	2.8
Opex-to-revenue (%)	18.7	18.2	18.1	17.4	17.0

Source: Company, Emkay Research

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