

Bikaji Foods International Ltd | BUY



Margin delivery surprises positively

Bikaji's 2QFY24 earnings print was ahead of our estimate, especially on the operating front, primarily on account of positive surprise on gross margin (+82bps vs our est). Revenue growth, although better than our forecast, has seen deceleration (+5.6% vs 15% in 1Q) - due to challenging demand scenario, lower realisation in salty snacks (grammage increase to pass on RM benefit to consumers) and seasonality led impact on Packaged sweets (shift in festive season) & Papad (adverse monsoons). Having said that, ethnic snacks (+10%) growth was resilient in current market context & overall sales performance was better vs peers (Prataap Snacks sales declined by 5%). Management remains optimistic about improvement in revenue trajectory with onset of festive period & the pace of volume recovery in H2 will be key, in our view. Benign RM costs & operational efficiencies, we believe, should help achieve EBITDA margin (ex-PLI benefit) of c.13%+ for FY24. Improved profitability, along with receding capex intensity, should help enhance cash generation & return ratios over FY23-26E. Premium valuations could sustain given superior execution. BUY.

- Revenue growth led by salty snacks, partially offset by muted performance in Packaged sweets & Papad:** Bikaji's consolidated sales, EBITDA and reported PAT grew by 5.6%, 36.6% and 47.3% to INR6.1bn, INR877mn and INR612mn respectively. Revenue growth was tad better than our estimate, which, along with higher gross margin and lower growth in overhead costs, resulted in c.11% beat vs our EBITDA estimate. Revenues were primarily driven by volumes (+5.1%), as realisation per tonne was flattish owing to grammage increases to pass on some benefit of the input costs moderation. In terms of segmental performance, Ethnic snacks (Bhujia & Namkeen) sales grew by 10% while Western snacks grew by 9%. Combined volume growth in these two segments was strong (c.17%) - function of share gains, distribution expansion & 10% grammage increase implemented in certain SKUs during the quarter. Packaged sweet sales, although better than our est, declined by 12.6% due to shift in festive season. Papad sales declined by 6% due to adverse monsoon in Rajasthan. In terms of key markets, core markets grew by 6.3% while focus market growth was relatively higher at 11.2%. Sales from North region grew by 9.6% while East performance was muted at 1.3%. No PLI incentive was booked during the quarter (other op income was down 30% yoy).
- Gross margin surprised positively thereby driving overall earnings beat:** Despite weaker mix (lower salience of ethnic snacks/family packs), GPM improved by 550bps yoy (flat qoq) to 32.8%, which was c.82bps higher vs our estimate. This is largely due to benign RM scenario (edible oils and packaging material). Staff costs increased by 14.6%, while other expenses grew 21.5% yoy (at a slower pace vs our estimate and also compared to trend seen in past 2 quarters). However, overall scale deleverage led to lower flow-through to EBITDA margins (+328 bps yoy); EBITDA still grew 36.6% to INR877mn - c.11% better than our expectation. With input cost environment remaining benign, we believe current gross margin should sustain; which, along with focus on operational efficiencies & expected PLI benefit in 4Q, should aid overall profitability in 2HFY24E.

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	565
Upside/(Downside)	13.2%
Previous Price Target	575
Change	-1.7%

Key Data – BIKAJI IN

Current Market Price	INR499
Market cap (bn)	INR124.8/US\$1.5
Free Float	24%
Shares in issue (mn)	249.5
Diluted share (mn)	249.9
3-mon avg daily val (mn)	INR301.7/US\$3.6
52-week range	533/303
Sensex/Nifty	64,959/19,412
INR/US\$	83.2

Price Performance

%	1M	6M	12M
Absolute	6.1	34.1	0.0
Relative*	7.8	26.0	0.0

* To the BSE Sensex

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Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Financial Summary					(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	16,081	19,634	22,432	26,292	30,838
Sales Growth (%)	22.9%	22.1%	14.2%	17.2%	17.3%
EBITDA	1,395	2,136	3,211	3,754	4,443
EBITDA Margin (%)	8.7%	10.9%	14.3%	14.3%	14.4%
Adjusted Net Profit	780	1,297	2,072	2,521	3,114
Diluted EPS (INR)	3.1	5.2	8.3	10.1	12.5
Diluted EPS Growth (%)	-15.8%	66.4%	59.5%	21.7%	23.5%
ROIC (%)	12.2%	15.1%	22.4%	25.8%	31.1%
ROE (%)	10.9%	14.6%	17.4%	18.4%	19.3%
P/E (x)	NA	96.0	60.2	49.5	40.0
P/B (x)	15.2	13.1	10.9	9.1	7.6
EV/EBITDA (x)	88.1	57.8	38.1	32.0	26.4
Dividend Yield (%)	0.0%	0.0%	0.2%	0.2%	0.2%

Source: Company data, JM Financial. Note: Valuations as of 06/Nov/2023

Exhibit 1. 2Q & 1HFY24 consolidated result snapshot: Revenue growth broadly in-line, gross margin expansion higher-than-expected (INR mn)

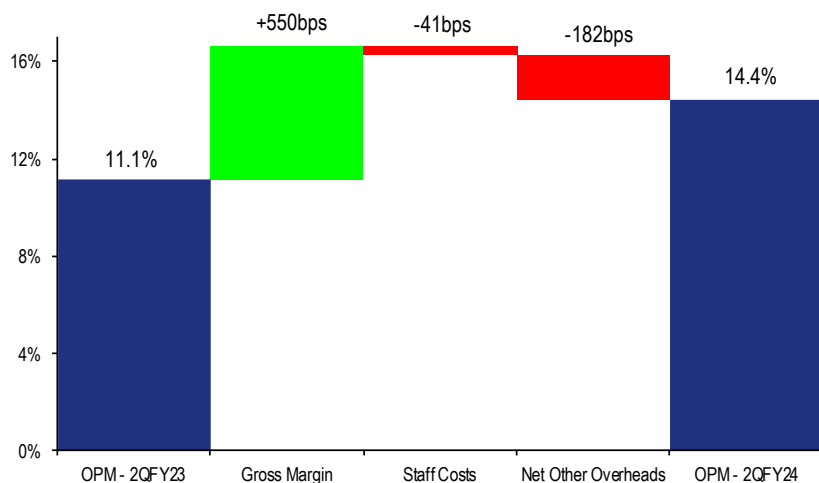
	2QFY24	2QFY23	YoY chg	2QFY24E	% Var	1HFY24	1HFY23	YoY chg
Net Sales	6,080	5,760	5.6%	5,997	1.4%	10,897	9,945	9.6%
Other Operating Income	7	10	-29.9%	7	-1.5%	11	16	-35.1%
Total Revenue	6,087	5,770	5.5%	6,004	1.4%	10,907	9,961	9.5%
Gross Profit	1,996	1,574	26.8%	1,919	4.0%	3,574	2,589	38.0%
Gross Profit Margin %	32.8%	27.3%	550 bps	32.0%	82 bps	32.8%	26.0%	676 bps
Staff Cost	311	272	14.6%	312	-0.1%	575	509	12.9%
Other Expenses	814	670	21.5%	822	-0.9%	1,474	1,145	28.7%
EBITDA	877	642	36.6%	793	10.7%	1,535	950	61.6%
EBITDA margin %	14.4%	11.1%	328 bps	13.2%	121 bps	14.1%	9.6%	453 bps
Depreciation	156	114	37.2%	120	30.0%	290	224	29.2%
EBIT	721	529	36.5%	673	7.2%	1,245	726	71.6%
Interest Expense	29	27	7.2%	22	32.7%	51	53	-3.4%
Financial Other Income	60	57	4.9%	50	19.5%	116	104	12.4%
PBT	752	558	34.7%	701	7.3%	1,310	776	68.8%
Taxes	154	149	3.3%	177	-12.8%	321	210	52.9%
Minority Interest	-14	-6	NM	0	NM	-16	-11	NM
Reported Net Profit	612	415	47.3%	524	16.8%	1,006	578	74.1%
Adjusted Net Profit	589	415	41.8%	524	12.4%	1,006	578	74.1%

Source: Company, JM Financial

Exhibit 2. 2Q & 1HFY24 costs breakdown

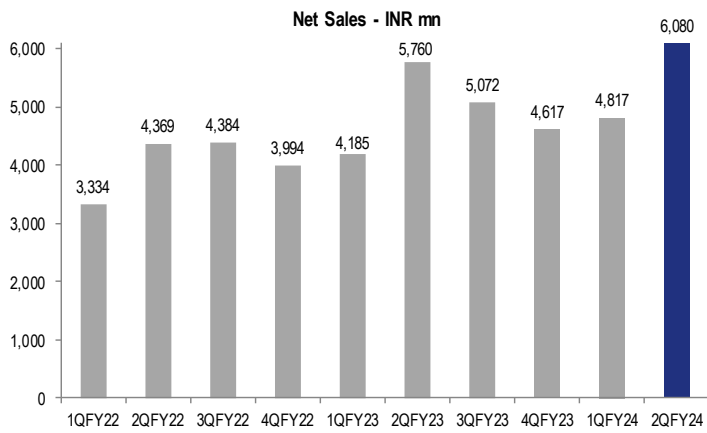
% of revenue	2QFY24	2QFY23	2QFY24E	1HFY24	1HFY23
Cost of Goods Sold	67.2%	72.7%	68.0%	67.2%	74.0%
Staff Cost	5.1%	4.7%	5.2%	5.3%	5.1%
Other Expenses	13.4%	11.6%	13.7%	13.5%	11.5%
Depreciation	2.6%	2.0%	2.0%	2.7%	2.3%

Source: Company, JM Financial

Exhibit 3. Operating margin expansion of 328bps yoy was driven by strong GPM expansion which was partially offset by higher other expenses

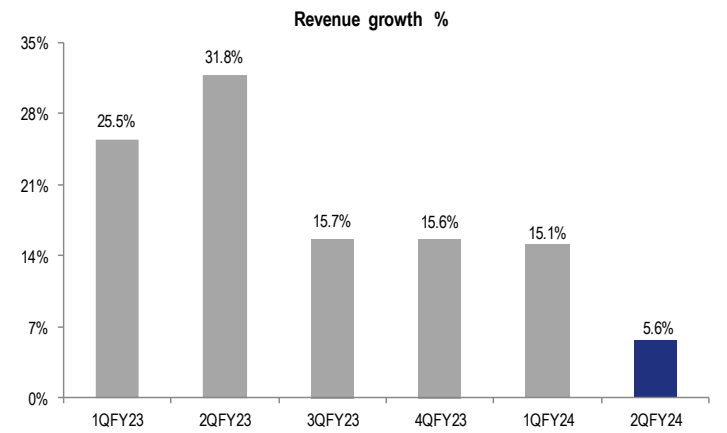
Source: Company, JM Financial

Exhibit 4. Net sales were 1-2% above our expectations



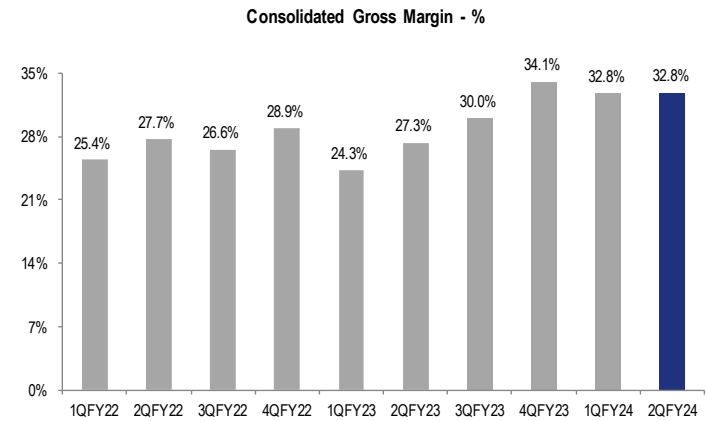
Source: Company, JM Financial

Exhibit 5. Revenue growth of 5.6% was primarily driven by volumes



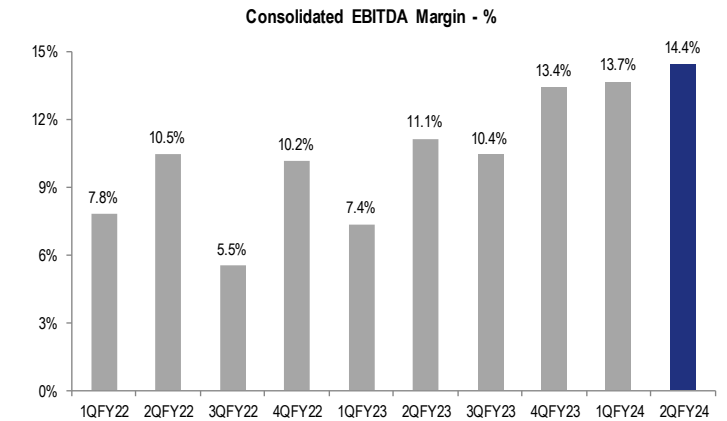
Source: Company, JM Financial

Exhibit 6. Consolidated gross margin expanded by 550bps yoy but was flattish qoq (+6bps) due to benign RM



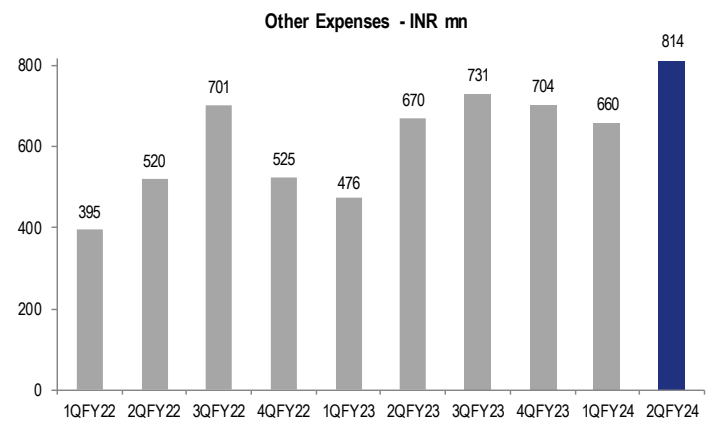
Source: Company, JM Financial

Exhibit 7. Consolidated EBITDA margin expanded by 328bps yoy and 77bps qoq



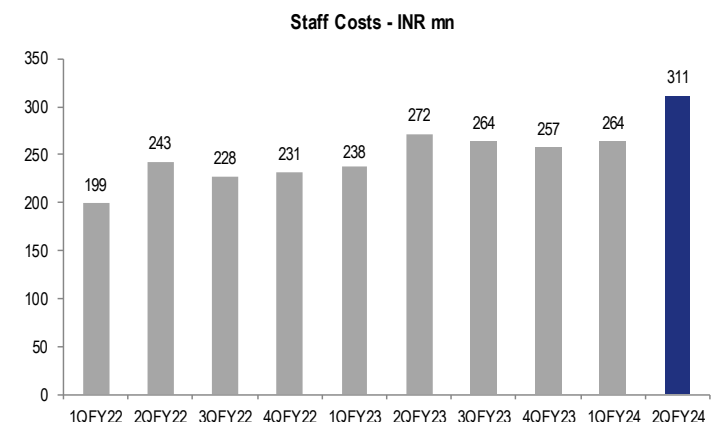
Source: Company, JM Financial

Exhibit 8. Other expenses grew by 21.5% yoy



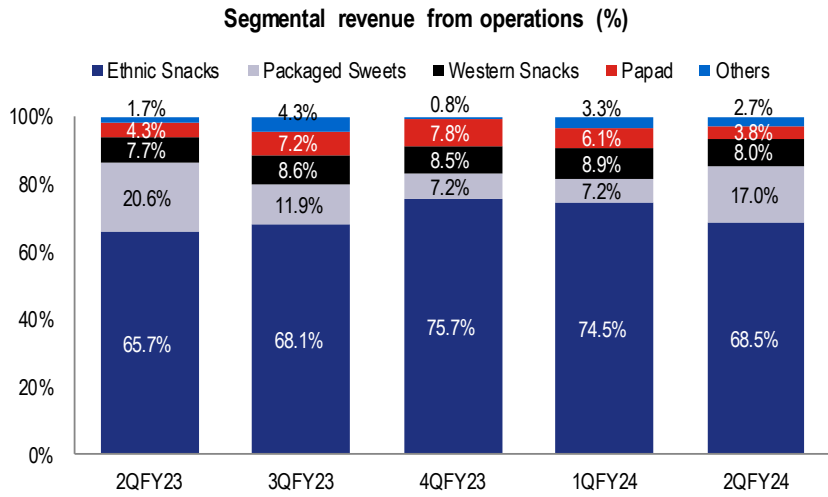
Source: Company, JM Financial

Exhibit 9. Staff costs grew 14.6% yoy



Source: Company, JM Financial

Exhibit 10. Segment-wise revenue from operations



Source: Company, JM Financial

Financial Tables (Consolidated)

Profit & Loss Statement						(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Sales	16,081	19,634	22,432	26,292	30,838	
Sales Growth	22.9%	22.1%	14.2%	17.2%	17.3%	
Other Operating Income	29	26	228	349	481	
Total Revenue	16,110	19,661	22,660	26,642	31,318	
Cost of Goods Sold/Op. Exp.	11,703	13,952	15,074	17,879	21,031	
Personnel cost	901	1,030	1,166	1,354	1,573	
Other expenses	2,111	2,542	3,208	3,655	4,271	
EBITDA	1,395	2,136	3,211	3,754	4,443	
EBITDA (%)	8.7%	10.9%	14.3%	14.3%	14.4%	
EBITDA Growth (%)	-3.6%	53.1%	50.3%	16.9%	18.4%	
Depn & Amort	383	471	584	621	647	
EBIT	1,012	1,665	2,627	3,133	3,797	
Other Income	105	147	214	292	419	
Finance Cost	67	106	99	72	60	
PBT before Excep & Forex	1,050	1,706	2,743	3,354	4,155	
Excep & forex Inc/Loss(-)	0	0	0	0	0	
PBT	1,050	1,706	2,743	3,354	4,155	
Taxes	290	440	691	845	1,047	
Extraordinary Inc/Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	19	19	21	13	6	
Reported Net profit	780	1,285	2,072	2,521	3,114	
Adjusted Net Profit	780	1,297	2,072	2,521	3,114	
Net Margin (%)	4.8%	6.6%	9.2%	9.6%	10.1%	
Diluted share capital (mn)	250	250	250	250	250	
Diluted EPS (Rs)	3.1	5.2	8.3	10.1	12.5	
Diluted EPS Growth	-15.8%	66.4%	59.5%	21.7%	23.5%	
Total Dividend + Tax	50	25	207	252	311	
Dividend Per Share (Rs)	0.2	0.1	0.8	1.0	1.2	

Source: Company, JM Financial

Balance Sheet						(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Shareholders' Fund	8,208	9,536	11,402	13,671	16,474	
Share capital	250	250	250	250	250	
Reserves & Surplus	7,958	9,287	11,152	13,421	16,224	
Preference Share Capital	0	0	0	0	0	
Minority Interest	-1	-14	-14	-14	-14	
Total Loans	1,412	1,435	1,005	653	588	
Def. Tax Liab / Assets (-)	327	287	287	287	287	
Total - Equity & Liab	9,947	11,245	12,679	14,597	17,334	
Net Fixed Assets	5,417	7,045	7,208	6,933	6,693	
Gross Fixed Assets	6,594	8,204	9,004	9,404	9,867	
Intangible Assets						
Less: Depn. & Amort.	1,756	2,137	2,721	3,342	3,988	
Capital WIP & Net lease asset	579	978	925	871	815	
Investments	1,263	203	350	350	350	
Current Assets	4,156	5,196	6,310	8,713	11,937	
Inventories	729	784	922	1,081	1,267	
Sundry Debtors	733	792	922	1,081	1,183	
Cash & Bank Balances	1,679	2,208	3,120	4,975	7,791	
Loans & Advances	513	471	449	526	617	
Other Current Assets	501	941	897	1,052	1,079	
Current Liab. & Prov.	890	1,200	1,189	1,400	1,646	
Current Liabilities	861	1,150	1,119	1,317	1,546	
Provisions & Others	29	50	70	83	100	
Net Current Assets	3,266	3,996	5,121	7,314	10,291	
Application of Funds	9,947	11,245	12,679	14,597	17,334	

Source: Company, JM Financial

Cash Flow statement						(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Profit before Tax	1,050	1,706	2,743	3,354	4,155	
Depn. & Amort.	383	471	584	621	647	
Net Interest Exp. / Inc. (-)	-38	-41	-115	-220	-359	
Inc (-)/Dec in WCap.	-498	-33	-231	-345	-172	
Others	89	125	0	0	0	
Taxes Paid	-411	-466	-673	-837	-1,037	
Operating Cash Flow	575	1,762	2,308	2,571	3,235	
Capex	-1,078	-821	-800	-400	-463	
Free Cash Flow	-504	941	1,508	2,171	2,772	
-Inc/dec in investments	-1,157	-348	-147	0	0	
Other current assets	-81	-113	214	292	419	
Investing Cash Flow	-2,316	-1,281	-733	-108	-44	
Inc/(dec) in capital	1,499	0	0	0	0	
Dividend+Tax Thereon	-50	-25	-207	-252	-311	
Inc/dec in loans	479	141	-431	-352	-65	
Other assets	-240	-165	-25	-5	2	
Financing Cash Flow	1,688	-49	-662	-609	-375	
Inc / Dec (-) in Cash	-53	432	913	1,855	2,816	
Opening cash balance	1,733	1,776	2,208	3,120	4,975	
Closing cash balance	1,679	2,208	3,120	4,975	7,791	

Source: Company, JM Financial

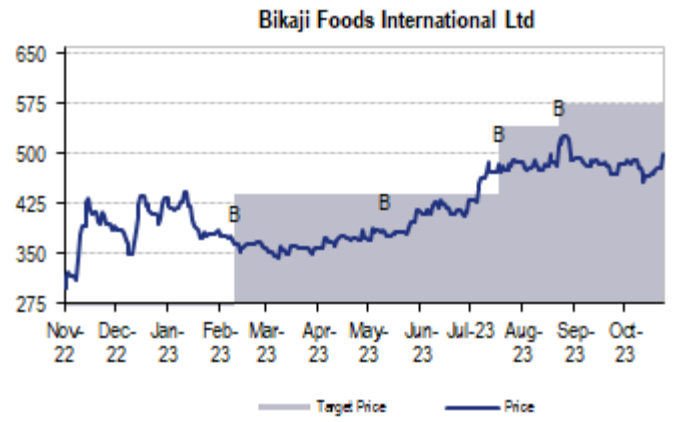
Dupont Analysis					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Margin	4.8%	6.6%	9.2%	9.6%	10.1%
Asset Turnover (x)	1.9	1.9	1.9	1.9	1.9
Leverage Factor (x)	1.2	1.2	1.1	1.1	1.1
RoE	10.9%	14.6%	19.8%	20.1%	20.7%
Key Ratios					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
BV/Share (Rs)	32.9	38.2	45.6	54.7	65.9
ROIC (%)	12.2%	15.1%	22.4%	25.8%	31.1%
ROCE (%)	9.3%	12.4%	17.4%	18.4%	19.3%
ROE (%)	10.9%	14.6%	19.8%	20.1%	20.7%
Net Debt-equity ratio (x)	0.0	-0.1	-0.2	-0.3	-0.4
PER	NA	96.0	60.2	49.5	40.0
PBV	15.2	13.1	10.9	9.1	7.6
EV/EBITDA	88.1	57.8	38.1	32.0	26.4
EV/Net Sales	7.6	6.3	5.4	4.6	3.8
Debtor days	17	15	15	15	14
Inventory days	17	15	15	15	15
Creditor days	13	14	13	13	13

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
24-Feb-23	Buy	440	
24-May-23	Buy	440	0.0
1-Aug-23	Buy	540	22.7
6-Sep-23	Buy	575	6.5

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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