Bikaji Foods International — BUY

Packaged Foods | Q3FY25 Result Update

CMP: Rs.658 | TP: Rs 811 | Upside 23%

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Performance impacted by higher inflation

- **Bikaji's Q3FY25 profitability came below our estimate. Revenue grew by 14.5% YoY to Rs. 7.1bn with 3.0% volume growth. Nonetheless, excluding the consumer offers of 10% extra on traditional snacks in the base quarter, volume growth was 7.9%. We believe that volume growth will be the primary driver of revenue growth in the near term.**
- **Due to inflationary pressure on RM, GM contracted by 260bps to 29.0%. To mitigate RM inflation, Bikaji implemented selective price increases. However, higher operating expenses led to a 430bps contraction in EBITDAM to 7.8%.**
- **We have downward revised our FY25/26/27E EPS estimates by 26.3/8.3/8.7% to Rs 8.3/12.2/14.7 to factor in Q3 performance and elevated commodity prices which are likely to impact next 3-4 months performance. However, we believe that the margins would normalize with price hikes and resurgence of volume growth. Given recent fall in the stock price (24% since our last report), we upgrade our rating to 'BUY' with revised TP of Rs 811 valuing at 55x FY27E.**

Revenue in line; Profitability missed estimates

Net sales increased 14.5% YoY to Rs 7.1bn, with 3% UVG in Q3FY25 (excluding consumer offer of 10% extra on traditional snacks in Q3, the volume grew by 7.9%). GM contracted by 260bps to 29.0% in Q3FY25. A 260/80/90bps increase in RM cost/emp cost/other exp, resulted in EBITDA margin contraction of 430bps to 7.8%. EBITDA de-grew by 26.0% to Rs 555mn in Q3FY25. APAT (after MI) de-grew by 38.7% YoY to Rs 286mn in Q3FY25. The company posted 11.2/10.5/9.6% growth in packaged sweets/ethnic snacks/papad resp. However, western snack sales were flat.

The expansion strategy is maintained

Bikaji commands market leadership in Rajasthan, Assam and Bihar; it currently contributes ~66.6% to overall revenues (vs 67.3% in Q3FY24). These states have reported 10.8% growth in Q3. Over the years, the company has gradually expanded its footprint across India, with operations across 25 states and 4 union territories. However, these states do not have sizable contributions. Currently, Bikaji is in the first phase and targets to increase its penetration in nearby states like Punjab, Delhi, Haryana, Uttar Pradesh, Karnataka and Chhattisgarh. An increase in penetration would help the company to achieve 16-18% revenue growth in the near term. During Q3, these focus states reported 14.7% growth, ahead of core states.

Key Data

Nifty	23,560
Equity / FV	Rs 250mn / Rs 1
Market Cap	Rs 165bn
	USD 1.9bn
52-Week High/Low	Rs 1,008/ 476
Avg. Volume (no)	3,58,783
Bloom Code	BIKAJI IN

	Current	Previous
Rating	BUY	Accumulate
Target Price	811	970

Change in Estimates

(Rs.bn)	Current		Chg (%)/bps	
	FY25E	FY26E	FY25E	FY26E
Revenue	27	31	0.0	0.3
EBITDA	3	5	(22.2)	(5.8)
EBITDA (%)	12.3	14.8	(350)	(95)
APAT	2	3	(26.3)	(8.3)
EPS (Rs)	8.3	12.2	(26.3)	(8.3)

Valuation (x)

	FY25E	FY26E	FY27E
P/E	78.9	53.8	44.6
EV/EBITDA	49.4	34.5	28.6
ROE (%)	15.8	19.5	19.4
RoACE (%)	14.4	17.9	18.1

Q3FY25 Result (Rs Mn)

Particulars	Q3FY25	YoY (%)	QoQ (%)
Revenue	7,149	14.5	(0.9)
Total Expense	6,594	20.1	7.3
EBITDA	555	(26.0)	(48.0)
Depreciation	205	30.5	10.5
EBIT	349	(41.0)	(60.4)
Other Income	79	35.8	(0.5)
Interest	43	50.7	43.4
EBT	385	(38.1)	(58.6)
Tax	107	(33.7)	(56.2)
RPAT	286	(38.7)	(58.7)
APAT	286	(38.7)	(58.7)
		(bps)	(bps)
Gross Margin	29.0	(257)	(442)
EBITDA (%)	7.8	(425)	(704)
NPM (%)	4.0	(347)	(559)
Tax Rate (%)	27.9	185	157
EBIT (%)	4.9	(460)	(734)

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Exhibit 1: Actual V/s Dolat Estimates

Particulars (Rs mn)	Actual	Estimates	Variance (%)	Comments
Revenue	7,149	7,110	0.5	
EBITDA	555	925	(40.0)	RM costs were significantly higher than estimate
EBITDA margin %	7.8	13.0	(530bps)	
APAT	286	590	(51.6)	Cascading effect of lower EBITDA

Source: Company, Dolat Capital

Exhibit 2: Change in estimates

Particulars (Rs mn)	FY25E			FY26E			FY27E		
	New	Old	Chg(%)	New	Old	Chg(%)	New	Old	Chg(%)
Revenue	26,722	26,722	-	31,453	31,371	0.3	37,111	36,891	0.6
EBIDTA	3,282	4,216	(22.2)	4,649	4,935	(5.8)	5,539	5,906	(6.2)
EBIDTA margin (%)	12.3	15.8	(350bps)	14.8	15.7	(100bps)	14.9	16.0	(110bps)
PAT	2,088	2,835	(26.3)	3,064	3,343	(8.3)	3,693	4,045	(8.7)
EPS (Rs)	8.3	11.3	(26.3)	12.2	13.4	(8.3)	14.7	16.2	(8.7)

Source: Company, Dolat Capital

We have maintained our revenue estimates for FY25/26/27E as Q3 performance was in line. However, we have downward revised our margin estimates to factor in elevated RM prices. In line with the revision in EBITDA, we have downward revised our APAT and EPS estimates too.

Exhibit 3: 9MFY25 performance

Particulars (Rs.mn)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Net Sales	7,149	6,241	14.5	7,212	(0.9)	20,082	17,149	17.1
Total Expenditure	6,594	5,492	20.1	6,144	7.3	17,545	14,864	18.0
RM Cost	5,079	4,274	18.8	4,805	5.7	13,664	11,597	17.8
Employee Exp	439	333	31.9	397	10.5	1,175	908	29.5
Other Exp	1,076	885	21.6	942	14.2	2,705	2,359	14.7
PBIDT (Excl OI)	555	750	(26.0)	1,067	(48.0)	2,538	2,285	11.1
Other Income	79	58	35.8	79	(0.5)	231	175	32.2
Depreciation	205	157	30.5	186	10.5	570	447	27.5
EBIT	428	651	(34.1)	961	(55.4)	2,199	2,012	9.3
Interest	43	29	50.7	30	43.4	102	80	27.0
PBT	385	622	(38.1)	931	(58.6)	2,097	1,932	8.5
Tax	107	162	(33.7)	245	(56.2)	553	460	20.1
Minority Interest	(8)	(6)	NA	(6)	NA	(19)	(19)	NA
APAT (after minority)	286	466	(38.7)	692	(58.7)	1,563	991	57.8
RPAT	286	466	(38.7)	692	(58.7)	1,563	1,495	4.6
EPS (Adj)	1.1	1.9	(38.8)	2.8	(58.7)	6.2	6.0	4.4
			bps		bps			bps
Gross Profit (%)	29.0	31.5	(260)	33.4	(440)	32.0	32.4	(40)
Employee Exp (%)	6.1	5.3	80	5.5	60	5.9	5.3	60
Other Exp (%)	15.1	14.2	90	13.1	200	13.5	13.8	(30)
EBITDA (%)	7.8	12.0	(430)	14.8	(700)	12.6	13.3	(70)
PAT (%)	4.0	7.5	(350)	9.6	(560)	7.8	5.8	200

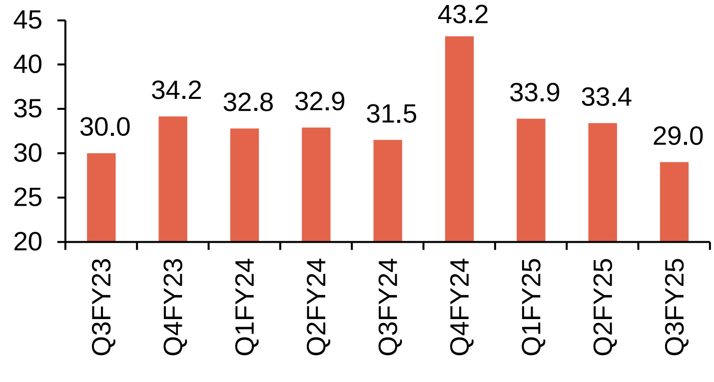
Source: Company, Dolat Capital

Earnings call KTAs

- Revenue grew by 14.5% YoY to Rs 7.1bn (exc. PLI of Rs 140mn revenue grew by 12.3% YoY) with 3.0% YoY volume growth due to subdued demand conditions. Nonetheless, excluding the consumer offers of 10% extra on traditional snacks in the base quarter, volume growth was at 7.9% in Q3FY25. The company is witnessing an upward trend in consumption in Jan'25. Going ahead, the company aspires to achieve 13-14% volume growth over the next three to four years. We believe that Bikaji will continue to report strong revenue growth led by volume growth, penetration opportunities, new product launches and brand building.
- Urban consumption has shown signs of moderation, while rural demand has picked up significantly. The company remains optimistic that urban demand will regain momentum and return to its normal pace in the near term.
- GM contracted by 260bps YoY to 29.0% due to inflationary pressures on key commodities such as edible oil, potato and besan. To mitigate rising costs, the company implemented selective price hikes in Q3 and reduced grammage in Rs 5-10 packs in the last week of Dec'24. In Q4FY25E, the company expects a further price hike of 1-1.5% in Feb or March'25. The company aspires to achieve 30%+ GM in Q4FY25E.
- The company expects more than 1.5% ASP growth in Q4FY25E, driven by price hikes, grammage cuts and reduction in promotions.
- During Q3, EBITDA margins (inc. PLI) stood at 7.8%, down 430bps, due to strong inflationary pressure, un-favourable raw material prices, and higher employee & other expenses.
- The plam oil prices increased from Rs 100 to Rs 140; it's currently hovering in the range of Rs 130 and is expected to remain at the same level for the next two quarters. However, with strong crop across all key commodities, the company anticipates positive pricing in Q4. The company has also secured favorable pricing agreements through long-term purchase orders, which are expected to bolster margins in ensuing quarters.
- Impulsive purchases (contribute ~35.4% of sales) grew by 12.9% YoY, while family packs (contribute ~61.5% of sales) grew by ~11.6% YoY. The growth in family packs was driven by consumer offer 'Bikaji Khao London Jao' launched in mid-August and ended in December'24.
- Bikaji has a direct coverage of 288K outlets. Further, the company is on track to reach 3.5 lakh outlets by FY26E. Going ahead, management aspires to add 50,000 outlets each year. In addition, the Q-com channel grew by 80% in Q3FY25 led by low base. We believe that the continuous focus on the expansion of the distribution network to achieve deeper penetration across core & focused markets will further improve revenue growth.
- Ethnic snacks/ Packaged sweets/Western snacks/Papad posted revenue growth of ~10.5/11.2/0.8/9.6% YoY. The contribution from Ethnic snacks/ Packaged sweets/ Western snacks/Papad stood at ~62.1/18.1/6.8/6.0% of overall revenue respectively.
- The company has taken a strategic decision to reduce the production of Western snacks in Q3 due to significant price increases in key ingredients like potato and oil. This led to a modest growth of ~0.8% in Western snacks sales. However, in Q4FY25, production of Western snacks is back on track, with fresh potato crops coming in.

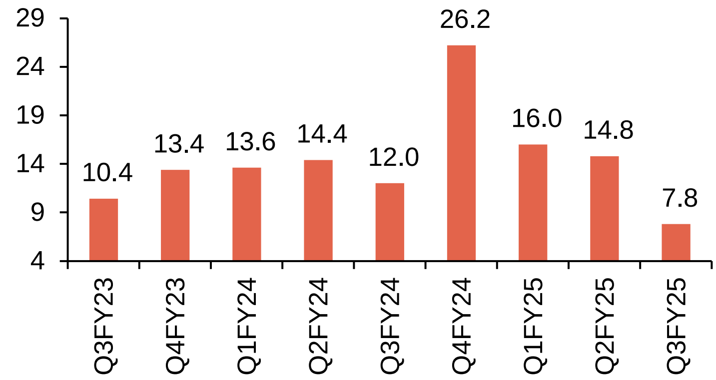
- The core/focus/other markets/exports delivered 10.8/14.7/8.7/32.6% growth in Q3. The contribution of core/focus/other/export markets to the overall revenue stood at 66.6/16.2/13.0/4.2%. Additionally, of the 4.2% exports business the frozen foods contribute ~25-30%.
- The Hazelnut Factory Food Products (THF) is expected to generate revenue of Rs 900-1000mn and incur a capex of Rs 400-500mn in FY26E.
- GT contributes 84-85%, while MT contributes ~8% to the business.

Exhibit 4: Trend in Gross Margin (%)



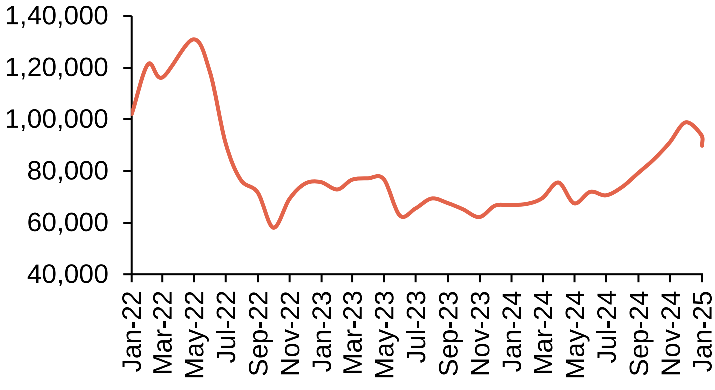
Source: Company, Dolat Capital

Exhibit 5: Trend in EBITDA Margins (%)



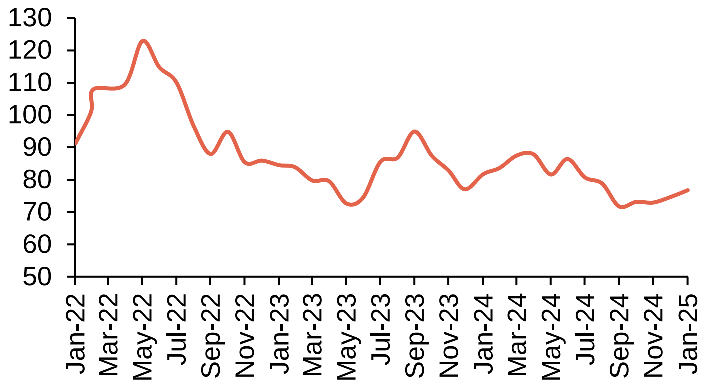
Source: Company, Dolat Capital

Exhibit 6: Trend of Palm oil (INR/MT)



Source: Company, Dolat Capital

Exhibit 7: Trend of Brent crude oil price (USD)



Source: Company, Dolat Capital

Exhibit 8: Product Mix

Source: Company, Dolat Capital

Source: Company, Dolat Capital

Financial Performance

Profit and Loss Account

(Rs Mn)	FY24A	FY25E	FY26E	FY27E
Revenue	**23,293**	**26,722**	**31,453**	**37,111**
Total Expense	**19,380**	**23,440**	**26,804**	**31,572**
COGS	15,085	18,892	21,477	25,057
Employees Cost	1,167	1,355	1,602	1,871
Other expenses	3,128	3,193	3,724	4,643
EBIDTA	**3,913**	**3,282**	**4,649**	**5,539**
Depreciation	601	658	692	715
EBIT	**3,313**	**2,624**	**3,957**	**4,824**
Interest	106	110	114	118
Other Income	273	287	301	316
Exc. / E.O. items	0	0	0	0
EBT	**3,479**	**2,801**	**4,144**	**5,022**
Tax	845	736	1,104	1,355
Minority Interest	**(22)**	**(23)**	**(24)**	**(25)**
Profit/Loss share of associates	0	0	0	0
RPAT	2,657	2,088	3,064	3,693
Adjustments	0	0	0	0
APAT	**2,657**	**2,088**	**3,064**	**3,693**

Balance Sheet

(Rs Mn)	FY24A	FY25E	FY26E	FY27E
Sources of Funds				
Equity Capital	250	250	250	250
Minority Interest	(22)	(45)	(69)	(95)
Reserves & Surplus	11,933	13,945	16,931	20,543
Net Worth	**12,183**	**14,195**	**17,181**	**20,794**
Total Debt	1,187	1,187	1,187	1,187
Net Deferred Tax Liability	766	766	766	766
Total Capital Employed	**14,114**	**16,103**	**19,065**	**22,651**
Applications of Funds				
Net Block	**8,117**	**8,959**	**9,767**	**10,552**
CWIP	123	123	123	123
Investments	313	313	313	313
Current Assets, Loans & Advances	**4,963**	**7,156**	**9,365**	**12,244**
Current Investments	0	0	0	0
Inventories	821	1,075	1,266	1,493
Receivables	1,035	1,000	1,177	1,389
Cash and Bank Balances	1,774	3,661	5,429	7,790
Loans and Advances	0	21	25	29
Other Current Assets	1,332	1,399	1,468	1,542
Less: Current Liabilities & Provisions	**(598)**	**449**	**504**	**581**
Payables	589	589	589	589
Other Current Liabilities	(1,187)	(140)	(85)	(8)
sub total				
Net Current Assets	5,560	6,707	8,861	11,663
Total Assets	**14,114**	**16,103**	**19,065**	**22,651**

E – Estimates

Important Ratios

Particulars	FY24A	FY25E	FY26E	FY27E
(A) Margins (%)				
Gross Profit Margin	35.2	29.3	31.7	32.5
EBIDTA Margin	16.8	12.3	14.8	14.9
EBIT Margin	14.2	9.8	12.6	13.0
Tax rate	24.3	26.3	26.6	27.0
Net Profit Margin	11.4	7.8	9.7	10.0
(B) As Percentage of Net Sales (%)				
COGS	64.8	70.7	68.3	67.5
Employee	5.0	5.1	5.1	5.0
Other	13.4	11.9	11.8	12.5
(C) Measure of Financial Status				
Gross Debt / Equity	0.1	0.1	0.1	0.1
Interest Coverage	31.2	23.8	34.7	40.9
Inventory days	13	15	15	15
Debtors days	16	14	14	14
Average Cost of Debt	8.1	9.3	9.6	9.9
Payable days	9	8	7	6
Working Capital days	87	92	103	115
FA T/O	2.9	3.0	3.2	3.5
(D) Measures of Investment				
AEPS (Rs)	10.6	8.3	12.2	14.7
CEPS (Rs)	13.0	11.0	15.0	17.6
DPS (Rs)	0.7	0.2	0.2	0.2
Dividend Payout (%)	7.0	2.5	1.8	1.5
BVPS (Rs)	48.7	56.7	68.6	83.0
RoANW (%)	24.4	15.8	19.5	19.4
RoACE (%)	21.4	14.4	17.9	18.1
RoAIC (%)	29.0	21.2	30.3	33.9
(E) Valuation Ratios				
CMP (Rs)	658	658	658	658
Mcap (Rs Mn)	1,64,750	1,64,750	1,64,750	1,64,750
EV	1,64,163	1,62,276	1,60,508	1,58,147
MCap/ Sales	7.1	6.2	5.2	4.4
EV/Sales	7.0	6.1	5.1	4.3
P/E	62.0	78.9	53.8	44.6
EV/EBITDA	42.0	49.4	34.5	28.6
P/BV	13.5	11.6	9.6	7.9
Dividend Yield (%)	0.1	0.0	0.0	0.0
(F) Growth Rate (%)				
Revenue	18.5	14.7	17.7	18.0
EBITDA	83.5	(16.1)	41.6	19.1
EBIT	101.1	(20.8)	50.8	21.9
PBT	96.7	(19.5)	47.9	21.2
APAT	93.7	(21.4)	46.8	20.5
EPS	93.7	(21.4)	46.8	20.5

E – Estimates

Cash Flow

Particulars	FY24A	FY25E	FY26E	FY27E
Profit before tax	**3,479**	**2,801**	**4,144**	**5,022**
Depreciation & w.o.	601	658	692	715
Net Interest Exp	106	110	114	118
Direct taxes paid	(757)	(736)	(1,104)	(1,355)
Change in Working Capital	(761)	740	(387)	(440)
Non Cash	(116)	(23)	(24)	(25)
(A) CF from Operating Activities	**2,553**	**3,550**	**3,436**	**4,034**
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(1,290)	(1,500)	(1,500)	(1,500)
Free Cash Flow	**1,263**	**2,050**	**1,936**	**2,534**
(Inc)./ Dec. in Investments	(616)	0	0	0
Other	0	0	0	0
(B) CF from Investing Activities	**(1,906)**	**(1,500)**	**(1,500)**	**(1,500)**
Issue of Equity/ Preference	0	0	0	0
Inc./(Dec.) in Debt	0	0	0	0
Interest exp net	(106)	(110)	(114)	(118)
Dividend Paid (Incl. Tax)	(187)	(53)	(54)	(55)
Other	813	0	0	0
(C) CF from Financing	**168**	**(163)**	**(168)**	**(173)**
Net Change in Cash	815	1,887	1,768	2,361
Opening Cash balances	**959**	**1,774**	**3,661**	**5,429**
Closing Cash balances	**1,774**	**3,661**	**5,429**	**7,790**

E – Estimates

Notes

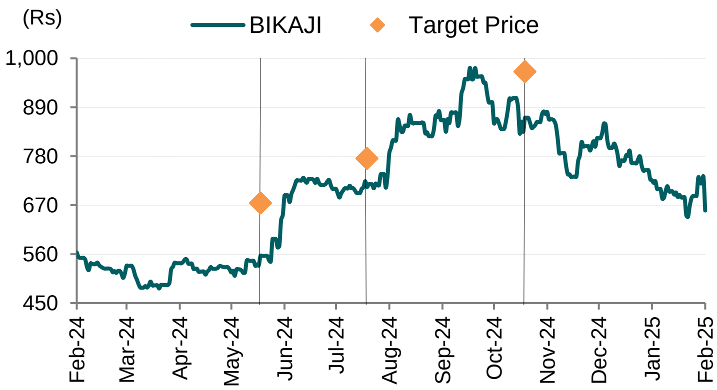
Stock Info and Rating History

Price Performance

Particulars	1M	3M	12M
Absolute (%)	(9)	(25)	17
Rel to NIFTY (%)	(9)	(23)	9

Shareholding Pattern

Particulars	Jun'24	Sep'24	Dec'24
Promoters	75.1	75.0	75.0
MF/Banks/FIs	13.3	12.8	12.0
FIIs	7.5	7.5	7.7
Public / Others	4.1	4.8	5.4



Month	Rating	TP (Rs.)	Price (Rs.)
May-24	BUY	675	556
Jul-24	Accumulate	775	711
Oct-24	Accumulate	970	866

*Price as on recommendation date

Notes

Dolat Rating Matrix

Total Return Expectation (12 Months)

Buy	**> 20%**
Accumulate	**10 to 20%**
Reduce	**0 to 10%**
Sell	**< 0%**

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I. Analyst(s) and Associate (S) holding in the Stock(s): (Nil)

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