

Bikaji's growth narrative continues to swiftly improve under its professional management, which has a dual focus—strengthening core operations and enhancing fundamentals through strategic M&A initiatives. Notably, Ariba Foods is expected to drive Bikaji's aspirations in the frozen snacks category and bolster its branded outlet network, while The Hazelnut Factory positions the company in the upmarket segment with a focus on QSR. With organic business growth recovering to the low teens, a mid-single-digit revenue contribution from M&A initiatives and with margin improvement on the horizon, we anticipate a robust ~35% earnings growth over FY25–27E. We maintain BUY with Mar-26E target price of Rs775, based on 60x P/E.

Thrust on sustaining mid-teen organic business growth

With capacities (utilization: ~47-48%) in place for coming 3 years and thrust on distribution, we see low teen growth in the organic business, along with low double-digit volume growth and ~2% price growth. As the formal sector is sustaining low double-digit growth, we see management aspiration of mid-teen growth as reasonable. A sudden dip in OPM to 6% in Q3FY25 would be recouped in coming couple of quarters. Amid inflation seen in Q3FY25, most commodities have seen a correction to the base level in Q4, while palm oil prices remain elevated. The expected correction in palm oil prices to a mid-single digit and a ~2% fresh price hike are likely to restore 13% OPM by Q2FY26E. On a low FY25 base, we see EBITDA CAGR at ~32% in FY25-27E for Bikaji's organic business.

M&As to boost growth outlook

The company has accelerated efforts in the export opportunity and QSR space, with acquisition of stakes in Ariba Foods and The Hazelnut Factory (THF). Acquisition of Ariba Foods is focused on centralized capacity for frozen snacks (largely B2B business) and is being seen as a backend for Bikaji's brand outlet (QSR) aspirations. With 33% utilization, Ariba's gross margin is above 50%, though its EBITDA is closer to breakeven levels. As Bikaji is looking to enhance utilization, Ariba is likely to log profitability from FY26E. Acquisition of THF is a premiumization strategy, with the company focusing on outlet expansion given healthy unit economics. THF is accretive on gross margin, but EBITDA margin is dilutive now; however, with scale up of the franchise, it is likely to turn EBITDA-margin accretive in the long run. With relatively faster growth for M&As, we see revenue contributions at ~6-7% for FY26E and FY27E. As regards profitability, at this stage, both entities are margin dilutive but hold promise to be accretive in long term, with scale.

Fundamentals firm; execution aligned with capability; maintain BUY

We believe the worst of the inflationary impact is in the base, wherein easing in inflation is likely to help Bikaji recoup margins faster. With the low teen organic business growth, addition of inorganic initiatives, and recovery in the FY26 margin profile, we see 34% earnings CAGR over FY25-27E. We maintain BUY with Mar-26E TP of Rs775, on 60x P/E.

Target Price – 12M	Mar-26
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	13.6

Stock Data	BIKAJI IN
52-week High (Rs)	1,008
52-week Low (Rs)	505
Shares outstanding (mn)	250.6
Market-cap (Rs bn)	171
Market-cap (USD mn)	2,000
Net-debt, FY25E (Rs mn)	(4.6)
ADTV-3M (mn shares)	0
ADTV-3M (Rs mn)	334.2
ADTV-3M (USD mn)	3.9
Free float (%)	25.0
Nifty-50	23,250.1
INR/USD	85.4

Shareholding, Dec-24

Promoters (%)	75.0
FPIs/MFs (%)	7.7/11.9

Price Performance

(%)	1M	3M	12M
Absolute	4.2	(8.9)	28.3
Rel. to Nifty	(0.9)	(5.9)	23.8

1-Year share price trend (Rs)



Bikaji Foods International: Financial Snapshot (Consolidated)

Y/E March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	19,661	23,293	26,273	30,900	35,711
EBITDA	2,136	3,913	3,228	4,295	5,279
Adj. PAT	1,266	2,657	1,980	2,797	3,562
Adj. EPS (Rs)	5.1	10.6	7.9	11.2	14.2
EBITDA margin (%)	10.9	16.8	12.3	13.9	14.8
EBITDA growth (%)	53.1	83.2	(17.5)	33.1	22.9
Adj. EPS growth (%)	66.5	109.2	(25.5)	41.2	27.4
RoE (%)	14.3	24.5	15.3	19.0	21.0
RoIC (%)	16.3	26.5	17.1	23.5	29.9
P/E (x)	134.4	64.2	86.2	61.0	47.9
EV/EBITDA (x)	79.7	43.7	53.0	39.8	32.4
P/B (x)	17.8	14.0	12.5	10.8	9.4
FCFF yield (%)	(0.2)	0.5	0.7	1.4	1.9

Source: Company, Emkay Research

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Thrust on sustaining mid teen organic growth

Organic business to regain growth and margin in FY26

Bikaji's organic business was disrupted in Q3FY25, impacted by a) volume growth of 3% YoY vs a higher base, given the company's 10% extra volume in the family pack SKU (effected over 2HFY24); b) amid sharp inflation in potato prices, the company deliberately cut down market supplies for chips (reflects in the muted 1% growth for western snacks); c) sweets sales partly shifted to Q2, given the early *Diwali* this year; d) sharp inflation in Q3, with the margin hit being absorbed. Organic business growth halves to ~8% in Q3FY26.

In Q4, amid the inflationary setting, the higher volume base sustaining, and a surge in competition, we expect a rebound in growth to low double digits. We expect mid-teen growth in the business to resume from Q1FY26. Similarly for margin, we see easing in palm oil prices to help restore the operating margin of 13% by Q2FY26E.

Sharp inflation in RM caused business pressure in Q3FY26; recovery is expected in the next couple of quarters

Exhibit 1: Extra volume promotion in 2HFY24



Additional Grammmages in two pack size of five products

Source: Company, Emkay Research

Exhibit 2: London trip promotion in 2HFY25



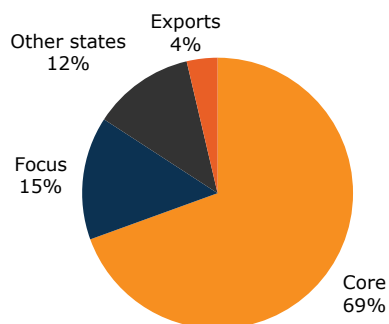
Source: Company, Emkay Research

FY26E likely to see 12% volume growth, 2% price growth

We believe Bikaji will log a normative ~14% overall sales growth in the organic business in FY26E, while the management endeavors for 14-16% growth. With industry growth in low double digits, we see distribution expansion (direct reach to see addition of 50k dealers to ~350k dealers by Mar-26E) and efforts toward direct sales in core and indirect sales in focus states. With a dedicated strategy across the core and focus markets, the company is enhancing its market share. Select states are facing hiccups in implementing the strategy toward gaining share, though state share is either sustained or being expanded.

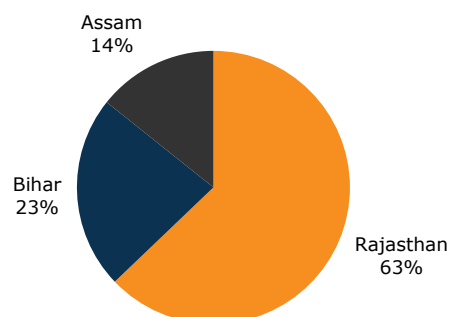
We see Bikaji posting a normative ~14% growth in the organic business

Exhibit 3: Estimated revenue split for FY25E



Source: Company, Emkay Research

Exhibit 4: Revenue split for the core states



Source: Company, Emkay Research

Exhibit 5: Organic business performance (ex PLI)

(Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue	9,014	10,746	13,107	16,110	19,661	22,363	25,163	28,665	32,668
growth		19.2%	22.0%	22.9%	22.0%	13.7%	12.5%	13.9%	14.0%
Gross profit	2,570	3,296	3,739	4,407	5,709	7,278	7,492	9,066	10,514
Gross margin	28.5%	30.7%	28.5%	27.4%	29.0%	32.5%	29.8%	31.6%	32.2%
Employee spends	550	646	699	901	1,030	1,167	1,443	1,592	1,765
YoY		17.5%	8.1%	28.9%	14.4%	13.3%	23.6%	10.3%	10.8%
as a % of sales	6.1%	6.0%	5.3%	5.6%	5.2%	5.2%	5.7%	5.6%	5.4%
Other Operating costs	1,088	1,704	1,592	2,111	2,542	3,128	3,475	3,753	4,169
YoY		56.7%	-6.6%	32.6%	20.4%	23.0%	11.1%	8.0%	11.1%
as a % of sales	12.1%	15.9%	12.1%	13.1%	12.9%	14.0%	13.8%	13.1%	12.8%
EBITDA margin	933	946	1,448	1,395	2,136	2,983	2,574	3,721	4,581
YoY		1.4%	53.0%	-3.6%	53.1%	39.6%	-13.7%	44.6%	23.1%
OPM	10.3%	8.8%	11.0%	8.7%	10.9%	13.3%	10.2%	13.0%	14.0%

Source: Company, Emkay Research

Inflation in Q3 was sudden and concentrated in the festive period, wherein the management refrained from any major price changes given focus on festive sales uptick

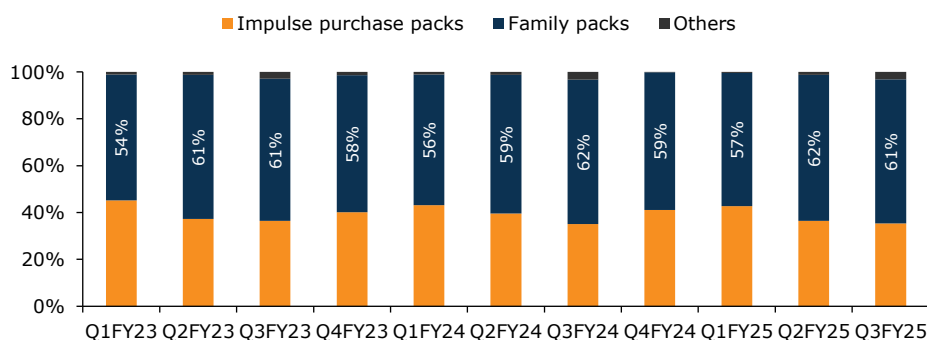
Any price action takes 45-60 days to be effective

Margin recoup likely by Q2FY26E, with mix of price hikes and some easing in palm oil prices (from elevated levels)

Loading for festive period delays price hikes

The company, with better salience of family packs, has relatively better pricing power in the sector. Inflation in Q3 was sudden and concentrated in the festive period, wherein the management refrained from any major price changes given focus on festive sales uptick.

Post-festive in mid-November, the company effected a 1.7% price hike. Amid persistent inflation, the company had grammage reductions for select packs which fetched another 50bps of price hike. The management believes that easing in prices in Q4 of *moth daal, besan*, and potatoes, has cooled inflation by 1.5%.

Exhibit 6: Family pack salience remains dominant for Bikaji

Source: Company, Emkay Research

Easing in palm oil prices to arrest price-hike needs; if needed, company will effect price hikes

Easing in palm oil prices is expected ahead (to around a mid-single digit) which if effected will help the company recover EBITDA margin by Q2FY26E. Else, the company is planning for ~2% price hikes in the portfolio.

Exhibit 7: Crude palm oil prices at Kandla Port

Source: NCDEX, Emkay Research

Exhibit 8: Crude palm oil spot prices in Malaysia

Source: Bloomberg, Emkay Research

Exhibit 9: Crude palm oil future prices in Malaysia

Source: Bloomberg, Emkay Research

Strategy of enhancing direct reach in core and indirect in focus

Bikaji has a pan-India distribution network across 25 states and four union territories, where its products are available in 1.15mn outlets (as of Dec-24), amid a pan-India universe of 8.6mn outlets (outlets that address the demand for savory snacks). Bikaji has a direct outlet reach of ~290k (as of Dec-24), of which ~110k is in core states, ~135k in focus states, with the remaining in other states.

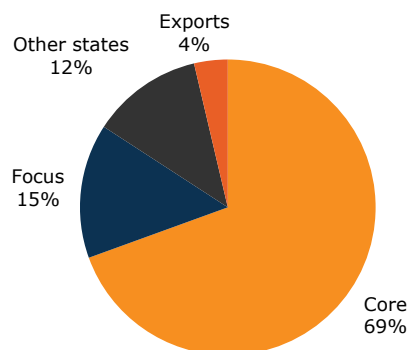
Exhibit 10: Bikaji's outlet presence

	Outlet universe (mn)	Bikaji's outlet reach (mn)	Penetration	Bikaji's direct reach (mn)
Outlet universe	8.61	1.15	13%	0.29
Core states (Rajasthan, Bihar, and Assam)	1.37	0.80	58%	0.11
Focus states (Uttar Pradesh, Delhi NCR, Karnataka, Punjab, Haryana, Chhattisgarh)	2.96	0.20	7%	0.14
Others states	4.28	0.15	4%	0.05

Source: Company, Emkay Research

The company targets an overall outlet reach of 1.25-1.30mn (from 1.15mn outlet reach now) in the next couple of years. In terms of direct outlet reach, it is likely to end FY25 with ~300k outlets; here, it aims to see annual additions of ~50k outlets for the next couple of years.

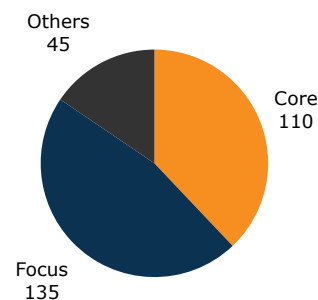
Bikaji covers 1.15mn outlets, of which ~290k are being reached directly

Exhibit 11: Revenue contribution for FY25E

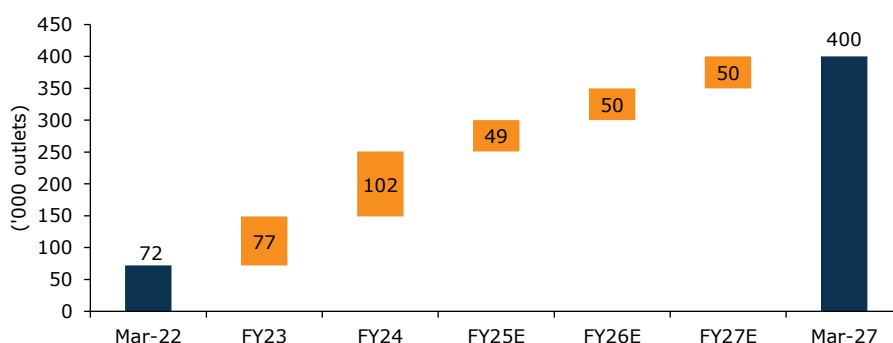
Source: Company, Emkay Research

Exhibit 12: Direct outlet presence across core, focus and other states

Direct outlet split ('000 outlets)



Source: Company, Emkay Research

Exhibit 13: Direct outlet reach thrust to continue aiding growth

Source: Company, Emkay Research

We see that revenue in core states are largely indirect, with direct sales of ~35-40%. Management endeavor ahead should be on enhancing direct reach in the core states, which will help with enhanced throughput. In focus states, given the bulk of the business is direct, Bikaji should tap indirect sales to leverage faster growth opportunity, where strong brand recall will aid.

Exhibit 14: Revenue trend in core states and expectations

(Rs mn)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Core revenue	7,781	9,337	11,453	14,311	15,929	17,840	20,517	23,389
growth		20%	23%	25%	11%	12%	15%	14%
Focus + Others revenue	2,941	3,732	4,570	5,308	6,398	7,724	9,724	11,342
growth		27%	22%	16%	21%	21%	26%	17%

Source: Company, Emkay Research

Capex needs to be limited; focus on enhancing utilization

The company's organic business capacity utilization at 47-48% provides sufficient runway for growth without material capex needs in the business. Management endeavor is to scale up utilization to ~70%, before any new capacity incubation needs.

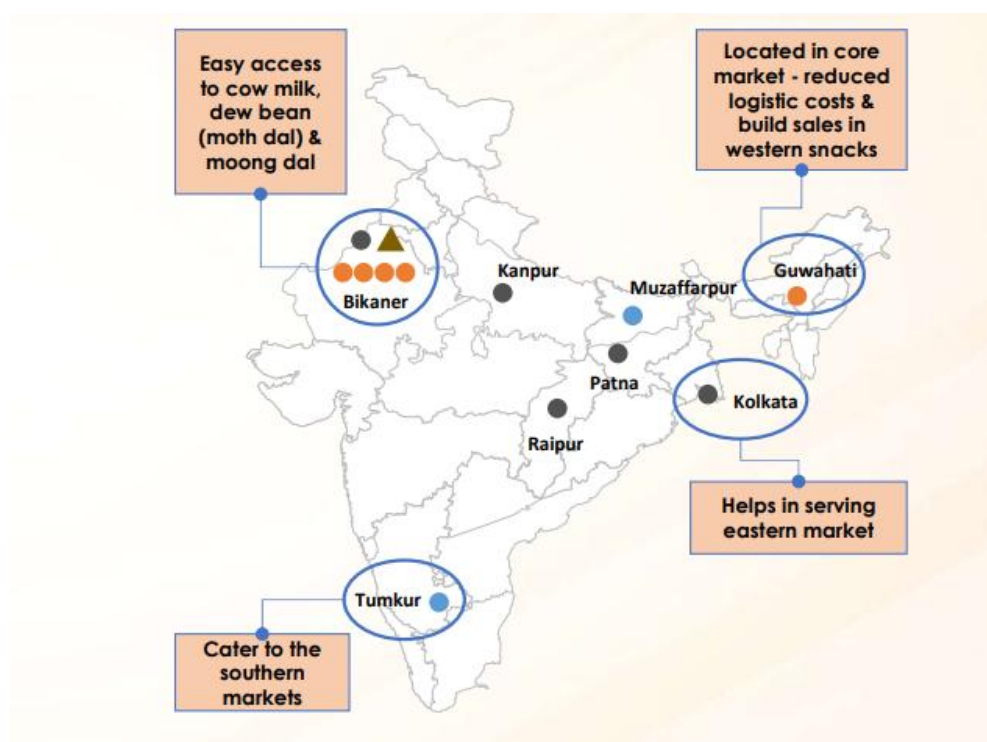
Exhibit 15: Annual segment-wise capacity and expansion YoY

(mt)	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Bhujia	45,600	45,600	52,373	57,600	57,600	57,600	57,600
Namkeen	64,825	67,938	71,134	77,446	105,120	106,440	141,540
Papad	1,200	1,200	1,897	2,400	2,400	17,700	11,400
Western snacks	8,255	10,800	10,800	12,263	33,900	46,800	39,300
Packaged sweets	23,943	38,173	47,573	56,735	60,480	62,280	62,280
Others						10,800	13,200
Total	143,824	163,712	183,776	206,444	269,700	299,820	325,320
Change (YoY)		14%	12%	12%	31%	11%	9%

Source: Company, Emkay Research

Given the sufficient 3P capacity available, the company is looking to add capacity associated with 3P, for optimizing logistic costs and addressing product freshness needs.

Exhibit 16: Bikaji's manufacturing capacities



Source: Company, Emkay Research; Note: The orange circle in the table represents Bikaji's own facilities, the grey circle denotes contract manufacturing units, the blue circle denotes subsidiary units, and the triangle marker represents owned upcoming unit

M&As to help enhance growth outlook

We view the acquisition of Ariba and The Hazelnut Factory (THF) as accretive to Bikaji's business, with growth likely to be healthy. Though near-term margin dilution is expected from M&As, but with scale, both M&As are likely to help enhance EBITDA margin profile for the company. For the base business, we see revenue CAGR of ~14% over FY25-27E, ex-PLI. M&As will help accelerate sales (ex-PLI) growth to ~17% over FY25-27E.

Exhibit 17: Bikaji Foods – Assessing the revenue

(Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Sale of food products	8,981	10,722	13,069	16,023	19,619	22,327	25,565	30,365	35,168
Sales of services			12	58	15	17	19	20	23
Other operating revenue	33	24	26	29	26	949	690	515	521
Revenue from operations	9,014	10,746	13,107	16,110	19,661	23,293	26,273	30,900	35,711
YoY		19.2%	22.0%	22.9%	22.0%	18.5%	12.8%	17.6%	15.6%
- Revenue (ex-PLI)	9,014	10,746	13,107	16,110	19,661	22,363	25,633	30,440	35,251
YoY		19.2%	22.0%	22.9%	22.0%	13.7%	14.6%	18.8%	15.8%
- Organic	9,014	10,746	13,107	16,110	19,661	23,293	25,803	29,125	33,128
YoY		19.2%	22.0%	22.9%	22.0%	18.5%	10.8%	12.9%	13.7%
- Organic (ex-PLI)	9,014	10,746	13,107	16,110	19,661	22,363	25,163	28,665	32,668
YoY		19.2%	22.0%	22.9%	22.0%	13.7%	12.5%	13.9%	14.0%
- Inorganic - Ariba							508	703	903
YoY								38.3%	28.5%
- Inorganic - THF							648	1,072	1,680
YoY								65.4%	56.7%

Source: Company, Emkay Research

^ Data for full year, revenue recognition for part period

From the gross margin perspective, we see the company margin expanding with a positive mix, as M&As are typically accompanied with better margins. For the base business, we expect a recovery in margin to 32% in FY26E, which will see further expansion to ~33% levels in FY27E. On the back of its M&As, Bikaji's gross margin (ex-PLI) is likely to be ~33% for FY26E and ~34% for FY27E.

Exhibit 18: Bikaji Foods – Assessing the gross margin profile

(Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Gross profit	2,570	3,296	3,739	4,407	5,709	8,209	8,391	10,542	12,485
Gross margin	28.6%	30.7%	28.6%	27.4%	29.1%	36.7%	32.8%	34.7%	35.5%
- Gross profit ex-PLI	2,570	3,296	3,739	4,407	5,709	7,278	7,751	10,082	12,025
- - Gross margin	28.6%	30.7%	28.6%	27.4%	29.1%	32.6%	30.3%	33.2%	34.2%
- Organic	2,570	3,296	3,739	4,407	5,709	8,209	8,132	9,526	10,974
- - Gross margin	28.5%	30.7%	28.5%	27.4%	29.0%	35.2%	31.5%	32.7%	33.1%
- Organic ex-PLI	2,570	3,296	3,739	4,407	5,709	7,278	7,492	9,066	10,514
- - Gross margin	28.5%	30.7%	28.5%	27.4%	29.0%	34.0%	30.6%	32.1%	32.6%
- Inorganic - Ariba							259^	362	470
- - Gross margin							51.0%	51.5%	52.0%
- Inorganic - THF							389^	654	1,041
- - Gross margin							60.0%	61.0%	62.0%

Source: Company, Emkay Research

^ Data for full year, financial recognition for part period

For the organic business, we build in ~13% and 14% margin for FY26E and FY27E, respectively. M&As are likely to drive 30-40bps EBITDA margin dilution over FY26E-FY27E. Ariba is likely to see margin build-up with scale, while THF margin is likely to remain in high single digits given thrust on accelerated store expansion. As the new store would take time to reach potential, we expect near-term margin from THF to be weak. For a mature store, we see store EBITDA margin at ~25%, while for company margin it is expected to be in high teens.

Exhibit 19: Assessing EBITDA margin profile of Bikaji Foods

	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
EBITDA	933	946	1,448	1,395	2,136	3,913	3,228	4,295	5,279
YoY		1.4%	53.0%	-3.6%	53.1%	83.2%	-17.5%	33.1%	22.9%
EBITDA margin	10.3%	8.8%	11.0%	8.7%	10.9%	16.8%	12.3%	13.9%	14.8%
- EBITDA ex-PLI	933	946	1,448	1,395	2,136	2,983	2,588	3,835	4,819
- YoY		1.4%	53.0%	-3.6%	53.1%	39.6%	-13.2%	48.2%	25.6%
- EBITDA margin	10.4%	8.8%	11.1%	8.7%	10.9%	13.3%	10.1%	12.6%	13.7%
- Organic	933	946	1,448	1,395	2,136	3,913	3,214	4,181	5,041
- YoY		1.4%	53.0%	-3.6%	53.1%	83.2%	-17.9%	30.1%	20.6%
- EBITDA margin	10.3%	8.8%	11.0%	8.7%	10.9%	16.8%	12.5%	14.4%	15.2%
- Organic ex-PLI	933	946	1,448	1,395	2,136	2,983	2,574	3,721	4,581
- YoY		1.4%	53.0%	-3.6%	53.1%	83.2%	-13.7%	44.6%	23.1%
- EBITDA margin	10.3%	8.8%	11.0%	8.7%	10.9%	13.3%	10.2%	13.0%	14.0%
- Inorganic - Ariba							-11	30	83
- EBITDA margin							-2.1%	4.2%	9.2%
- Inorganic - THF							58	84	155
- EBITDA margin							9.0%	7.9%	9.2%

Source: Company, Emkay Research

Ariba acquisition key for exports and QSR backend

Bikaji has acquired 55% stake in Ariba Foods for a cash consideration of Rs604.9mn on 4-Sep-24. The company specializes in B2B supplies of snacks and frozen foods, including *samosas, naans, parathas*, and sweets. The entity also has B2C revenue under brand *InDine*, which contributes 6-7% of revenue.

Exhibit 20: Ariba's frozen food offerings

Source: Company, Emkay Research

Ariba Foods has a state-of-the-art manufacturing facility at Ujjain, Madhya Pradesh, spread across total constructed area of ~80,000sqft, which is expandable to 100,000sqft. Total plant capacity ~7,000mpa.

Bikaji sees this investment as a structural driver for its aspirations in frozen snacks and QSR foray

Frozen snacks to be concentrated in Ariba

Bikaji sees this investment as a structural driver for its aspirations in frozen snacks and QSR foray. The company is gradually moving frozen snacks from Bikaner to Ariba. Also, the 3P sourcing by Bikaji for exports will largely reduce with this acquisition (likely to end by Q1FY26). Bikaji will use its frozen facility for frozen sweets production in Bikaner.

Fully-utilized capacity can fetch revenue of Rs1.2-1.3bn

33% of utilization provides 3x scale up in the business

Located in Central India, with 33% utilization, the company also aspires to operate this unit as a commissary for its QSR initiative. For the next three years, management thrust would be on fully utilizing capacity (can fetch revenue of ~Rs1.2-1.3bn). Q2 is seasonally hugely beneficial for the business, given loading for the festive period which starts from Raksha Bandhan. Products have 1-1.5 years of shelf-life.

With scale, profitability to see improvement

Ariba has a healthy ~35% revenue concentration in Q2, when the primary loading happens for the festive period. From a secondary perspective, Q3 is important for the company. Given that the plant is under-utilized, its operating expenses are on the higher side. This is the key reason for EBITDA losses despite the healthy >50% gross margin profile.

Organic export sales to see healthy growth ahead

The company is strategically looking to enhance its focus on export markets, where its current revenue is ~Rs250mn, which it aims to double in the next 2-3 years. For exports, the company has opened a depot in the US and appointed a senior official there, to cover the North America market.

Centralized commissary for the QSR initiative

While the company has slowed progress in its Bikaji branded QSR stores, it is looking to keep Ariba as a commissary for the QSR initiative, given Ariba's central location. Relative to Bikaner, sourcing vegetables is better in Madhya Pradesh.

Brand outlet extension to be limited in the near term

As the core business returns to normative growth and margins, we expect the company to double down on the QSR initiative. There is a possibility of the company having a store-count of 100 in the next 5-6 years, which can offer revenue of Rs10bn.

The management sees only 30% of the sales being for fresh foods in branded QSR stores. Bulk of the sales will be in the form of gifting and packaged foods. It aims to focus on fresh food for driving footfall in stores.

Ariba's other income includes capex subsidy from the government for setting up capacity in the state

Exhibit 21: Operating profit and loss account for Ariba Foods, and expectations

(Rs mn)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	32	69	102	181	193	206	247	383	414	460	650	845
growth		112%	49%	77%	7%	7%	20%	55%	8%	11%	41%	30%
Other Income	0	5	2	7	7	8	5	19	46	48	53	58
Total Income	33	74	104	188	200	214	253	402	460	508	703	903
growth		126%	41%	80%	7%	7%	18%	59%	14%	10%	38%	28%
Gross profit	26	31	77	98	101	122	123	196	236	259	362	470
Gross margin	80%	42%	74%	52%	51%	57%	49%	49%	51%	51%	52%	52%
Employee Benefit Expense	12	17	29	43	47	41	46	73	106	122	140	161
growth		41%	69%	52%	8%	-13%	14%	58%	45%	15%	15%	15%
as a % of revenue	37%	23%	27%	23%	23%	19%	18%	18%	23%	24%	20%	18%
Power and Fuel	2	3	5	6	7	7	8	17	35	38	49	54
growth		55%	32%	26%	28%	-4%	20%	95%	113%	8%	29%	10%
as a % of revenue	7%	5%	4%	3%	4%	3%	3%	4%	8%	8%	7%	6%
Other Expenses	13	14	29	37	42	57	58	77	103	110	143	172
growth		14%	99%	31%	14%	34%	2%	32%	34%	7%	30%	20%
as a % of revenue	39%	19%	27%	20%	21%	27%	23%	19%	22%	22%	20%	19%
EBITDA	-1	-4	16	11	5	17	10	30	-8	-11	30	83
EBITDA margin	-2%	-5%	15%	6%	2%	8%	4%	7%	-2%	-2%	4%	9%

Source: Capital Line, Emkay Research

QSR thrust now on *The Hazelnut Factory*

THF co-founders – Ankit Sahni (Left) and Badal Sahni (Right)



Bikaji has come to an agreement for acquiring 53.02% stake in The Hazelnut Factory (THF) for a cash consideration of Rs1,310.1mn. The deal is structured in two tranches—the first tranche comprises of 40.4% stake, for which Bikaji has paid Rs610mn on 26-Oct-24. Balance 12.6% stake will be acquired after two years post first tranche for balance Rs700mn (on pre-agreed and pre-money valuations). With this acquisition, Bikaji is looking to expand its product portfolio into the premium bakery and patisserie segment, while also incorporating various café offerings to meet evolving consumer preferences.

- THF is a company engaged in the business of manufacturing, distribution, and sale of a diverse range of food products and beverage items like Bakery and Patisserie items, artisanry sweets, dessert, bread, savories and snacks, etc., through its cafés located in the Uttar Pradesh and Delhi, as well as via its website and various food aggregator platforms.
- THF has retail presence in 11 stores—with 7 stores in Lucknow, 2 in Delhi NCR, and 1 each in Kanpur and Prayagraj. The brand offers specialty coffee, artisanal sweets, bakery & patisserie items, along with a wide-ranging café menu.

Exhibit 22: THF – Gomti Nagar Outlet, Lucknow



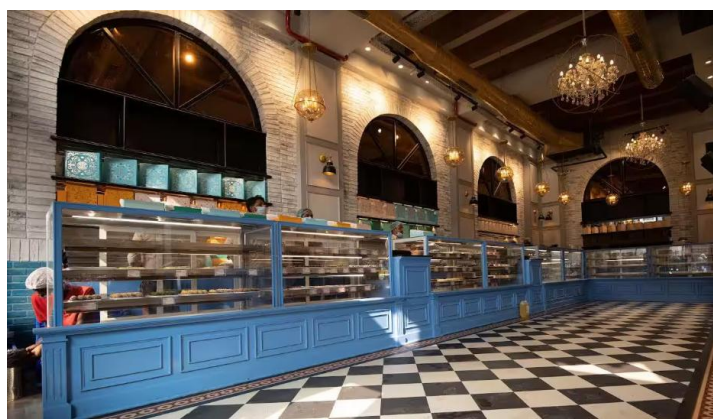
Source: Company, Emkay Research

Exhibit 23: THF – Nirla Nagar Outlet, Lucknow



Source: Company, Emkay Research

Exhibit 24: THF – Hazratganj Outlet, Lucknow



Source: Company, Emkay Research

Exhibit 25: THF Cafe – Lulumall, Lucknow



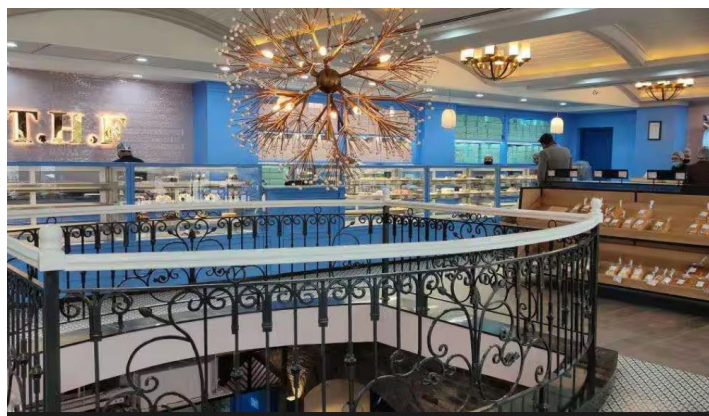
Source: Company, Emkay Research

Exhibit 26: THF – Aliganj Outlet, Lucknow



Source: Company, Emkay Research

Exhibit 27: THF Cafe – Alambagh outlet, Lucknow



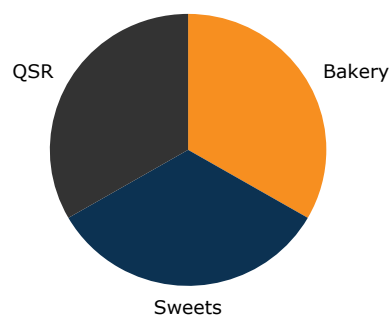
Source: Company, Emkay Research

Exhibit 28: 11th Store launched in Aerocity, New Delhi



Source: Company, Emkay Research

Exhibit 29: Estimated revenue mix for The Hazelnut Factory



Source: Company, Emkay Research

THF helps Bikaji in becoming a premium play

Bikaji sees merit in THF from the premiumization perspective. Bikaji's sales of its sweets offerings are on a per-kg basis (prices at <Rs300/kg), while that for THF are on a per-piece basis with price ranging at Rs90-300/piece. Premium sweets is an evolving segment, with high preference during family visits, in festive periods, and weddings. We believe THF is to Bikaji what Nexa is to Maruti or Hush Puppies to Bata.

Exhibit 30: Sweets offering from THF



ASSORTED BAKLAVA - 25 PCS



ASSORTED BAKLAVA - 36 PCS

Source: Company, Emkay Research

Exhibit 31: Cookie offering from THF



KAJU PISTA COOKIES

Rs. 225.00



CHOCOCHIPS COOKIES

Rs. 175.00



CLASSIC FRENCH HEART

Rs. 125.00

Source: Company, Emkay Research

Exhibit 32: Gift box offering from THF



PREMIUM WOODEN BOX

Rs. 3,950.00



FILE BOX

Rs. 2,350.00



SUMPTUOUS BOX

Rs. 5,100.00

Source: Company, Emkay Research

Exhibit 33: Savory and namkeen offering from THF

NAMAK PARA
Rs. 145.00



KASOORI METHI MATHRI
Rs. 245.00



NAMKEEN KAJU MIXTURE
Rs. 375.00



MINI SAMOSA
Rs. 275.00



DRYFRUIT KACHORI
Rs. 245.00



DIET MIXTURE
Rs. 195.00

Source: Company, Emkay Research

Unit economics better vs QSR chains

A THF store needs a capex of Rs20mn; a store typically generates annual revenue of Rs60-80mn (asset turns at 3-4x, vs QSR operating at ~3x). Store-level EBITDA margin is ~25%, which is healthy compared with QSR chains operating with store-level EBITDA margin in the high teens. A new store takes 6-8 months to reach revenue potential. Given the accelerated store expansion, the margin profile is likely to be in low double digits. With scale up in the store base, franchise is likely to clock 18-19% EBITDA margin after couple of years. Management thrust is on store addition and maintenance of gross margin. Driving EBITDA margin to expected levels can be achieved easily with scale.

THF focus to be in North India over the medium term

The company, over the medium term, sees potential for the brand in North India, where it is looking to expand store-count to 35 in the next two years. Given that there is no agreement with the current promoter for acquiring balance stake in the entity, the company in the distant future will take a call on fund-raise for expanding its network in other parts of India. Promoters are continuously managing operations. Bikaji, after gaining majority stake, will look to rebrand the store as 'The Hazelnut Factory by Bikaji'. Following this, Bikaji will list its product offerings in the outlet.

A THF store needs capex of Rs20mn; a store typically generates annual revenue of Rs60-80mn

Given festive concentration, Q3 is a bigger quarter for the franchise, with ~35% revenue concentration

Insights from THF store visit in Delhi

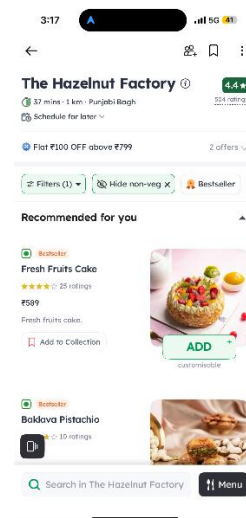
- The store has daily revenue of Rs300k per day, which has expanded by 20% YoY. Sales during the festive period surge to Rs750k per day.
- This store is the 8th store for the company and has an area of 2,000sqft including the kitchen backend (menu options, in-store dine in and delivery) and basement storage (for cakes).
- The store generates ~30% of revenue from café kitchen sales, ~60% from bakery segments comprising of cakes and pastries and sweets, and the balance 10% from savories (~4-5% for the franchise). Savories as a % of sales generally register in a mid-single digit, but in this store, the sales salience is high. Further, this store sells ~80 cakes per day. Around 40-50% of sales are via delivery platforms.

Exhibit 34: Bikaji's eighth store in Delhi



Source: Company, Emkay Research

Exhibit 35: Bikaji – 4.4-star rating on Zomato



Source: Company, Emkay Research

Exhibit 36: Sweets offerings from the house of The Hazelnut factory



Source: Company, Emkay Research

Exhibit 37: Savory offerings (~4-5% of sales)



Source: Company, Emkay Research

- Fresh food options in the kitchen include pizza, pasta, toasties, waffles, salads, soup, appetizers, and frozen croissants.

Exhibit 38: Store menu snippet



Source: Company, Emkay Research

Exhibit 39: Store menu snippet



Source: Company, Emkay Research

- Packed products are received from Lucknow. For QSR, the franchise has started supplies from the Lucknow commissary. With start of commissary supplies, the store has seen head-count reduction of 4-5. Overall, there are 45 store staff in place, to cover all shifts.
- Barring festive- and wedding-related sales, regular walk-ins are largely youth-driven. Evening footfall surge is seen from 5pm. The store services consumers till midnight, and desserts and coffee are the key selling items then.

Exhibit 40: Left side view of The Hazelnut factory's Delhi outlet



Source: Company, Emkay Research

Exhibit 41: Right side view of The Hazelnut factory's Delhi outlet



Source: Company, Emkay Research

Exhibit 42: Operating profit and loss account for The Hazelnut Factory

(Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Store - Closing				6	11	23	35
Net Sales	58	273	393	448	647	1,071	1,679
Change YoY		368%	44%	14%	44%	65%	57%
Other Income	-	-	0	1	1	1	1
Total Income	58	273	393	449	648	1,072	1,680
Change YoY		368%	44%	14%	44%	65%	57%
COGS	24	105	145	172	259	418	638
Gross profit	34	168	249	278	389	654	1,041
Gross margin	59%	62%	63%	62%	60%	61%	62%
Employee Benefit Expense	10	41	66	77	116	196	314
Change YoY		296%	60%	17%	50%	70%	60%
as a % of sales	18%	15%	17%	17%	18%	18%	19%
Managerial Remuneration		4	7	7	8	9	10
Staff costs	10	45	73	84	123	205	324
Change YoY		330%	63%	15%	47%	66%	58%
as a % of revenue	18%	16%	19%	19%	19.0%	19.1%	19.3%
Other Expenses	17	100	146	135	207	365	563
Change YoY		492%	46%	-7%	53%	76%	54%
as a % of revenue	29%	37%	37%	30%	32.0%	34.0%	33.5%
EBITDA	7	23	29	58	58	84	155
Change YoY		241%	25%	98%	0%	45%	84%
OPM	12%	9%	7%	13%	9.0%	7.9%	9.2%

Source: Capital Line, Emkay Research

We maintain BUY with Mar-26E TP of Rs775

Exhibit 43: Bikaji – One year forward P/E



Source: Bloomberg, Emkay Research

Exhibit 44: Key assumptions

	FY23	FY24	FY25E	FY26E	FY27E
Income statement					
Revenue growth	22.0%	18.5%	12.8%	17.6%	15.6%
Revenue growth (adj for PLI)	22.0%	13.7%	14.6%	18.8%	15.8%
EBITDA growth	53.1%	83.2%	-17.5%	33.1%	22.9%
EBITDA growth (adj for PLI)	53.1%	39.6%	-13.2%	48.2%	25.6%
EBIT growth	64.5%	98.9%	-26.2%	41.3%	27.5%
PBT growth	62.5%	103.9%	-23.1%	40.3%	27.4%
Adjusted PAT growth	66.5%	109.9%	-25.5%	41.2%	27.4%
Adjusted PAT growth (adj for PLI)	66.5%	54.2%	-22.8%	62.9%	31.2%
Gross margin	29.0%	35.2%	31.9%	34.1%	35.0%
Gross margin (adj for PLI)	29.0%	32.5%	30.3%	33.2%	34.2%
EBITDA margin	10.9%	16.8%	12.3%	13.9%	14.8%
EBITDA margin (adj for PLI)	10.9%	13.3%	10.1%	12.6%	13.7%
Balance sheet					
Inventory days	15	13	15	15	15
Receivable days	15	17	15	15	15
Payable days	10	10	10	10	10
Fixed Assets Turnover Ratio (x)	2	2	2	2	3
Avg ROE (%)	14.3%	24.5%	15.3%	19.0%	21.0%
Avg ROCE (%)	11.4%	19.4%	12.1%	15.5%	17.6%
Avg ROIC (%)	17.0%	27.7%	18.0%	24.7%	31.5%

Source: Company, Emkay Research

Bikaji Foods International: Consolidated Financials and Valuations

Profit & Loss					
Y/E March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	19,661	23,293	26,273	30,900	35,711
Revenue growth (%)	22.0	18.5	12.8	17.6	15.6
EBITDA	2,136	3,913	3,228	4,295	5,279
EBITDA growth (%)	53.1	83.2	(17.5)	33.1	22.9
Depreciation & Amortization	471	601	782	841	874
EBIT	1,665	3,313	2,446	3,454	4,405
EBIT growth (%)	64.5	98.9	(26.2)	41.3	27.5
Other operating income	26	949	690	515	521
Other income	147	273	355	408	470
Financial expense	106	107	125	109	93
PBT	1,706	3,479	2,676	3,754	4,782
Extraordinary items	0	0	0	0	0
Taxes	440	845	696	957	1,219
Minority interest	0	22	0	0	0
Income from JV/Associates	-	-	-	-	-
Reported PAT	1,266	2,657	1,980	2,797	3,562
PAT growth (%)	66.5	109.9	(25.5)	41.2	27.4
Adjusted PAT	1,266	2,657	1,980	2,797	3,562
Diluted EPS (Rs)	5.1	10.6	7.9	11.2	14.2
Diluted EPS growth (%)	66.5	109.2	(25.5)	41.2	27.4
DPS (Rs)	0.8	1.0	2.0	2.8	5.0
Dividend payout (%)	14.8	9.4	25.0	25.0	35.0
EBITDA margin (%)	10.9	16.8	12.3	13.9	14.8
EBIT margin (%)	8.5	14.2	9.3	11.2	12.3
Effective tax rate (%)	25.8	24.3	26.0	25.5	25.5
NOPLAT (pre-IndAS)	1,236	2,508	1,810	2,574	3,282
Shares outstanding (mn)	250	250	250	250	250

Source: Company, Emkay Research

Balance Sheet					
Y/E March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	250	250	250	250	250
Reserves & Surplus	9,287	11,933	13,418	15,516	17,831
Net worth	9,536	12,184	13,669	15,766	18,082
Minority interests	(14)	(22)	(22)	(22)	(22)
Non-current liab. & prov.	0	0	0	0	0
Total debt	2,007	2,144	1,968	1,793	1,620
Total liabilities & equity	11,530	14,305	15,614	17,537	19,679
Net tangible fixed assets	6,856	8,058	8,891	8,550	8,176
Net intangible assets	-	-	-	-	-
Net ROU assets	-	-	-	-	-
Capital WIP	697	123	23	23	23
Goodwill	-	-	-	-	-
Investments [JV/Associates]	203	1,065	1,565	3,065	5,065
Cash & equivalents	1,800	1,774	1,973	2,353	2,485
Current assets (ex-cash)	3,042	3,189	3,502	4,160	4,817
Current Liab. & Prov.	1,187	1,030	1,465	1,739	2,014
NWC (ex-cash)	1,855	2,159	2,037	2,420	2,803
Total assets	11,530	14,305	15,614	17,537	19,679
Net debt	207	370	(5)	(559)	(865)
Capital employed	11,530	14,305	15,614	17,537	19,679
Invested capital	8,710	10,217	10,928	10,970	10,980
BVPS (Rs)	38.2	48.7	54.6	63.0	72.2
Net Debt/Equity (x)	-	-	-	-	-
Net Debt/EBITDA (x)	0.1	0.1	-	(0.1)	(0.2)
Interest coverage (x)	17.1	33.7	22.4	35.4	52.4
RoCE (%)	16.7	27.8	18.7	23.3	26.2

Source: Company, Emkay Research

Cash flows					
Y/E March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT (ex-other income)	1,559	3,206	2,321	3,345	4,312
Others (non-cash items)	-	-	-	-	-
Taxes paid	(466)	(757)	(696)	(957)	(1,219)
Change in NWC	(693)	(304)	122	(383)	(383)
Operating cash flow	1,848	2,145	2,654	2,955	3,676
Capital expenditure	(2,253)	(1,229)	(1,515)	(500)	(500)
Acquisition of business	1,060	(861)	(500)	(1,500)	(2,000)
Interest & dividend income	-	-	-	-	-
Investing cash flow	(1,281)	(1,988)	(1,660)	(1,592)	(2,030)
Equity raised/(repaid)	0	128	0	0	0
Debt raised/(repaid)	92	(351)	(176)	(175)	(174)
Payment of lease liabilities	0	0	0	0	0
Interest paid	(101)	(97)	(125)	(109)	(93)
Dividend paid (incl tax)	(25)	(187)	(495)	(699)	(1,247)
Others	(15)	(32)	0	0	0
Financing cash flow	(49)	(539)	(796)	(983)	(1,513)
Net chg in Cash	518	(383)	199	380	133
OCF	1,848	2,145	2,654	2,955	3,676
Adj. OCF (w/o NWC chg.)	2,541	2,449	2,532	3,338	4,059
FCFF	(405)	915	1,140	2,455	3,176
FCFE	(511)	809	1,015	2,346	3,083
OCF/EBITDA (%)	86.5	54.8	82.2	68.8	69.6
FCFE/PAT (%)	(40.4)	30.4	51.2	83.9	86.6
FCFF/NOPLAT (%)	(32.8)	36.5	63.0	95.4	96.8

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E March	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	134.4	64.2	86.2	61.0	47.9
P/CE(x)	98.0	52.4	61.8	46.9	38.5
P/B (x)	17.8	14.0	12.5	10.8	9.4
EV/Sales (x)	8.7	7.7	6.7	5.6	4.9
EV/EBITDA (x)	79.7	43.7	53.0	39.8	32.4
EV/EBIT(x)	102.3	51.6	69.9	49.5	38.8
EV/IC (x)	19.6	16.7	15.7	15.6	15.6
FCFF yield (%)	(0.2)	0.5	0.7	1.4	1.9
FCFE yield (%)	(0.3)	0.5	0.6	1.4	1.8
Dividend yield (%)	0.1	0.1	0.3	0.4	0.7
DuPont-RoE split					
Net profit margin (%)	6.4	11.4	7.5	9.1	10.0
Total asset turnover (x)	1.8	1.8	1.8	1.9	1.9
Assets/Equity (x)	1.2	1.2	1.2	1.1	1.1
RoE (%)	14.3	24.5	15.3	19.0	21.0
DuPont-RoIC					
NOPLAT margin (%)	6.3	10.8	6.9	8.3	9.2
IC turnover (x)	2.6	2.5	2.5	2.8	3.3
RoIC (%)	16.3	26.5	17.1	23.5	29.9
Operating metrics					
Core NWC days	34.4	33.8	28.3	28.6	28.7
Total NWC days	34.4	33.8	28.3	28.6	28.7
Fixed asset turnover	2.4	2.3	2.2	2.4	2.7
Opex-to-revenue (%)	18.2	18.4	19.6	20.2	20.2

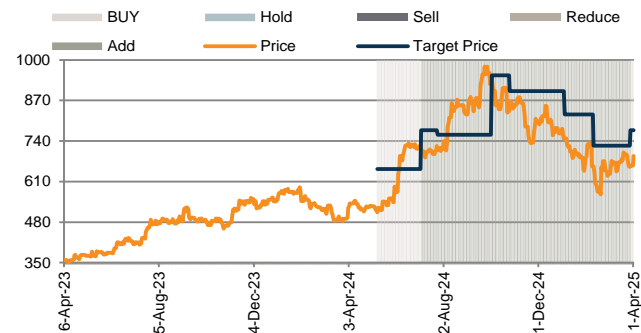
Source: Company, Emkay Research

RECOMMENDATION HISTORY – DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
28-Mar-25	661	775	Buy	Nitin Gupta
21-Mar-25	697	725	Add	Nitin Gupta
17-Mar-25	683	725	Add	Nitin Gupta
26-Feb-25	642	725	Add	Nitin Gupta
18-Feb-25	569	725	Add	Nitin Gupta
09-Feb-25	659	725	Add	Nitin Gupta
02-Feb-25	727	825	Add	Nitin Gupta
03-Jan-25	748	825	Add	Nitin Gupta
25-Oct-24	866	900	Add	Nitin Gupta
02-Oct-24	945	950	Add	Nitin Gupta
25-Jul-24	711	760	Add	Nitin Gupta
24-Jul-24	724	775	Add	Nitin Gupta
04-Jul-24	715	775	Add	Nitin Gupta
26-Jun-24	729	650	Buy	Nitin Gupta
04-Jun-24	579	650	Buy	Nitin Gupta
24-May-24	556	650	Buy	Nitin Gupta
09-May-24	511	650	Buy	Nitin Gupta

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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