

February 23, 2023

Bikaji Foods International Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term – Fund based limits- Cash Credit	50.00	80.00	[ICRA]AA- (Stable); reaffirmed
Long term – Fund based - Term Loans	21.50	43.18	[ICRA]AA- (Stable); reaffirmed
Short term –Fund based limits – WCDL	25.00	0.00	-
Long term/Short term – Unallocated Limits	50.82	24.14	[ICRA]AA- (Stable)/ [ICRA]A1+; reaffirmed
Total	147.32	147.32	

*Instrument details are provided in Annexure-1

Rationale

The ratings reaffirmation factors in Bikaji Foods International Limited's (BFIL) sustained healthy operational and financial risk profiles, supported by the extensive experience of its promoters in the packaged food industry, its well-entrenched distribution network and deepening market reach across northern India. The ratings note its strong market position on the back of the established Bikaji brand and the company's double-digit revenue growth over the recent years (3-year CAGR of ~27% over FY2019-FY2022), while maintaining healthy profitability. Together with low working capital intensity, it continues to report healthy cash flow from operations, with strong liquidity and credit metrics.

The ratings, however, are constrained by the stiff competition from the branded packaged food players (both large multinationals and large-to-medium-sized domestic players) as well as local sweet/savoury snack manufacturers. As BFIL aims to expand its presence in regions outside its core markets of Rajasthan, Bihar and Assam, it is susceptible to market risks given the difference in tastes and consumer preferences across geographies. These apart, the margins remain vulnerable to adverse movements in raw materials, although a strong brand provides some hedge. Adherence to quality standards remains crucial for the company as it operates in the food industry.

The Stable outlook on the [ICRA]AA- rating reflects ICRA's expectation that a continued growth in BFIL's scale and rangebound profitability, together with moderate debt-funded capital expenditure plans, will help it maintain healthy debt coverage metrics.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters and strong brand recognition – The promoters of the Bikaji Group have over three decades of experience in the preparation and sales of traditional Indian namkeens. It enjoys strong brand presence and customer acceptance in Rajasthan and some other states of India, including Bihar and Assam. Its wide product offerings and established name in traditional bhujia and namkeen give it a competitive advantage in these markets. ICRA notes that BFIL has also ventured into other product segments like sweets, papad, western snacks and healthy snacks to diversify its product portfolio.

Wide distribution network but high reliance in the Rajasthan sub-market – BFIL is reasonably well positioned in the domestic market, driven by its brand recognition and widespread distribution network, which enable the company to increase its market penetration. BFIL sells its products through a network of over 2,000 direct and indirect distributors as well as carrying and

forwarding (C&F) agents spread across western and northern India. Together with regular capacity additions and deepening market reach, this has enabled the company to clock a double-digit revenue growth over the recent years (3-year CAGR of ~27% over FY2019-FY2022). However, ICRA notes the concentration of revenues in Rajasthan (41.5% in H1 FY2023 and 42.7% in FY2022). BFIL has been venturing into tie-ups and opening of manufacturing units in other states. The ramp-up of operations, and market share gains in the new states will be a key credit monitorable.

Strong financial and operational profile – BFIL has diversified manufacturing capabilities across varied locations in India spread over seven owned manufacturing units and three contract manufacturing units. ICRA notes that BFIL targets to increase its market share in its focus states (Punjab, Haryana, Delhi, Uttar Pradesh, Karnataka and Telangana), for which it has made expansion at the plant level in these geographies. However, these are yet to become significant revenue generators. Besides, given the track record of healthy cash accruals and accumulation of sizeable net worth over the years, BFIL's dependence on debt has remained low. As a result, the company's capital structure continues to be strong, as reflected in a gearing (Total Debt/ Tangible Net Worth) of 0.19 times as on March 31, 2022 and 0.24 times as on September 30, 2022. Further, low debt levels and healthy profitability translate into robust coverage metrics, as reflected by an interest coverage debt of 19.8 times and 19.9 times as well as DSCR of 8.8 times and 5.7 times times as on March 31, 2022 and September 30, 2022 respectively. Going forward, ICRA expects debt metrics and coverage metrics to continue to remain at strong levels.

Credit challenges

Exposure to intense competition in the fragmented foods industry – BFIL operates in a fragmented and unorganised food industry, facing competition from local manufacturers (unorganised) as well as established participants (organised) such as Haldiram, Pepsi Co. India, ITC Limited, Balaji Wafers Private Limited, Prataap Snacks Private Limited etc. This necessitates high selling expenses to maintain market presence. This apart, BFIL's focus on expanding its presence outside its core market of Rajasthan exposes the company to market risks, given the difference in tastes and consumer preferences across geographies.

Exposure to raw material price risk – Agricultural products like pulses are BFIL's key raw materials and prices of these products are highly volatile in nature. This exposes the company's margins to adverse movements in raw material prices. However, BFIL's ability to partially pass on the price hike to its customers due to its reputed brand name and low inventory turnover period mitigate this risk to an extent.

Exposure to quality risks –Quality and reputation risks remain high for the company as it belongs to the foods industry.

Liquidity position: Strong

BFIL's liquidity profile remains strong on the back of availability of sizeable free cash and fixed deposit balances (in excess of Rs. 100 crore) as on February 14, 2023. It would be incurring a sizeable capex for expansion, including investments in subsidiaries, along with regular maintenance capex in the near-to-medium term. However, ICRA expects the company's cash flow from operations to remain adequate to fund the proposed investments, margin money for the proposed capex as well as scheduled debt repayments.

Rating sensitivities

Positive factors – The ratings could be upgraded if BFIL can diversify its product profile/ geographical reach besides recording a consistent growth in its operating income and maintaining healthy profit margins.

Negative factors – Pressure on the ratings could arise if there is a material decline in the operating income or the profit margin, or if a sizeable debt-funded capex or funding support extended to other entities, impacts its liquidity position and credit metrics. Moreover, TD/OPBITDA above 1.8 times, on a consistent basis, may trigger ratings downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the company's consolidated financial profile.

About the company

BFIL (previously Shivdeep Industries Limited) was established in 1986 as a partnership concern and was converted into a limited company in October 1995. The company's manufacturing facilities are located in Bikaner, Rajasthan. It manufactures bhujia, papad, different types of namkeens, sweets, western snack etc. The erstwhile firm used to sell its products under the brand name, Haldiram's. In 1993, a new brand, Bikaji, was developed for its products, which gained a good market reputation in the Indian packaged food market.

Key financial indicators

	FY2021	FY2022
Operating Income (Rs. crore)	1,310.7	1,611.0
PAT (Rs. crore)	90.3	76.0
OPBDIT/OI (%)	11.2%	8.9%
PAT/OI (%)	6.9%	4.7%
Total Outside Liabilities/Tangible Net Worth (times)	0.3	0.3
Total Debt/OPBDIT (times)	0.6	1.1
Interest Coverage (times)	43.9	19.8

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Source: BFIL

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Dec 31, 2022 (Rs. crore)	Date & Rating in	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					Feb 23, 2023			
1	Fund based limits-Cash Credit	Long Term	80.00	-	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]A+(Positive)
2	Term Loans	Long Term	43.18	43.18	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]A+(Positive)
3	Non-fund-based Limits	Short Term	0.00	-	—	—	[ICRA]A1+	[ICRA]A1+
4	Short-term loans (WCDL)	Short Term	0.00	-	—	[ICRA]A1+	—	—
5	Unallocated Limits	Long Term/Short Term	24.14	-	[ICRA]AA-(Stable)/[ICRA]A1+	[ICRA]AA-(Stable)/[ICRA]A1+	[ICRA]AA-(Stable)/[ICRA]A1+	[ICRA]A+(Positive)/[ICRA]A1+

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long Term – Fund based limits- Cash Credit	Simple
Long term – Fund based - Term Loans	Simple
Long term/Short term – Unallocated Limits	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long Term – Fund based limits- Cash Credit	NA	NA	NA	80.00	[ICRA]AA- (Stable)
NA	Long term – Fund based - Term Loans	FY2017	NA	FY2026	43.18	[ICRA]AA- (Stable)
NA	Long term/Short term – Unallocated Limits	NA	NA	NA	24.14	[ICRA]AA- (Stable)/ [ICRA]A1+

Source: BFIL

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Petunt Food Processors Private Limited	51.22%	Line to line consolidation

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