

Gopal Snacks

'Gathiya King' eyeing national presence

Consumer Goods ▶ IPO Note ▶ February 25, 2024

Gopal Snacks, a Rajkot-based savory snacks player with dominance in *gathiya* snack, targets national presence, with enhanced thrust on the Indian savory snacks portfolio (market size: Rs796bn, as of FY23), which is likely to see 11% FY23-27 CAGR (per a Frost & Sullivan report). But the recent business slow-down is a concern – attributed to disruption in the company's front-end team after a promoter exited the business in 2022. The company rebuilding its sales team, along with healthy margins, ahead-of-time capacity, backward production integration, logistics capability, and healthy returns profile, would enable it to see better financial outcome in growth recovery.

To evade any business ties with the exiting promoter, the current promoter had to acquire 26% holding in Gopal Snacks (under promoter company Gopal Agriproducts) via debt of Rs5.4bn. With the IPO, Gopal Agriproducts is looking to raise Rs5.4bn, which will enable it to repay the entire debt. This will also facilitate the promoter share pledge to reduce to nil from 51%. The upcoming IPO is largely an OFS of Rs6.5bn by the promoter group. While the IPO valuation is awaited, based on the last share transaction in Oct-23, it is pegged at Rs40bn.

Financial Snapshot

(Rs mn)	H1FY24	FY23	FY22	FY21
Revenue from operations	6,762	13,947	13,522	11,289
Revenue growth	-3.3%	3.1%	19.8%	NA
Gross profit margin	30.0%	28.4%	20.6%	18.1%
EBITDA	918	1,962	948	604
EBITDA margin	13.6%	14.1%	7.0%	5.3%
Re-stated PAT	531	1,124	415	211
Net worth	3,461	2,909	1,777	1,357
Capital employed	3,710	3,686	3,407	2,700
Return on equity	16.1%	38.6%	23.4%	15.6%
Return on capital employed	20.8%	43.1%	18.7%	13.5%

Source: Gopal Snacks IPO Document

Strong back-end an edge, but restoring front-end key for growth

Gopal Snacks was founded in 1999. Since then, the company has been focusing on Gujarat as its core market (~76% of revenue for 1HFY24), where it has gained leadership position in local savory snacks, especially *gathiya* (31% market share in the organized category). The company charted its national move 6-7 years ago (identified Maharashtra, Madhya Pradesh, Rajasthan, and Uttar Pradesh as its focus markets), wherein it expanded its focus on a wider range of savory snacks. Impulse packs (Rs5/Rs10) remain its major SKUs (~82%) that are driving new-state penetration. What differentiates Gopal Snacks from peers is its strong backward integration, which not only helps in reducing cost, but also in improving product quality. Additionally, the company's fleet of logistics vehicles (263, as of Sep-23) and cold storage capacity (40K mt) strengthen its back-end and aid product freshness. What has emerged as a worry, though, for Gopal Snacks is its front-end, which weakened with one of the promoters exiting the business in 2022.

Sustenance of scaled-up margin vital; balance sheet in a healthy state

Gopal Snacks saw sharp gross margin (28% for FY23, up 780bps YoY) and EBITDA margin (14.1% for FY23, up 710bps YoY) expansion in FY23 which largely sustained in 1HFY24. Ahead, margin retention would be key, as Company will see shift in mix towards low-margin western snacks and commodity offerings (like *besan*), expansion in logistics costs (given regional plant's concentration), and the need for higher A&P spends, while operating leverage will be a margin enabler. From the balance sheet perspective, its returns profile (ROE of 39% and ROCE of 43% for FY23) is the industry's best; so are its gross block turns at 3.3x for FY23, asset turn on property, and plant & equipment at 6.8x for FY23. From a WC perspective, given the high thrust on backward integration, its inventory days are a tad higher, while receivable and payable days offset each other.

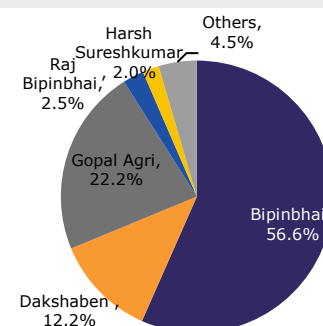
Objects of the issue:

- Offer for sale worth Rs6.5bn

Selling shareholders (Promoters)

- Bipinbhai Vithalbhair Hadvani: Rs1bn
- Gopal Agriproducts: Rs5.4bn
- Harsh Sureshkumar Shah: Rs100mn

Shareholding pattern (%) pre IPO



Nitin Gupta

nitin.gupta@emkayglobal.com
+91 22 6612 1257

Soham Samanta

soham.samanta@emkayglobal.com
+91 22 6612 1262

IPO valuation at Rs40bn will lead to 16% dilution in promoter stake

Key charts

Exhibit 1: Selling shareholder

(Rs mn)	OFS size
Bipinbhai Vithalbhai Hadvani	1,000
Gopal Agriproducts	5,400
Harsh Sureshkumar Shah	100
Total	6,500

Source: IPO Document

Exhibit 2: Promoter stake dilution in different valuation scenarios

	No of shares	Pre-IPO	Raise (Rs mn)	Dilution	Post-IPO (@Rs35bn Mcap)	Dilution	Post-IPO (@Rs40bn Mcap)	Dilution	Post-IPO (@Rs50bn Mcap)	Dilution	Post-IPO (@Rs60bn Mcap)
Promoter	116.51	93.5%	6,400	18.3%	75.2%	16.0%	77.5%	12.8%	80.7%	10.7%	82.8%
Public	8.10	6.5%	100	0.3%	6.2%	0.3%	6.3%	0.2%	6.3%	0.2%	6.3%
New Holders		0.0%			18.6%		16.3%		13.0%		10.8%
Total	124.60	100.0%	6,500	18.6%	100.0%	16.3%	100.0%	13.0%	100.0%	10.8%	100.0%

Source: IPO Document, Emkay Research

Exhibit 3: IPO valuations under different scenarios

	FY23	FY26E		
(Rs mn)		5% CAGR	10% CAGR	15% CAGR
Sales	13,947	16,145	18,563	21,211
OPM	14%	14%	14%	14%
EBITDA	1,962	2,260	2,599	2,970
D&A	374	374	374	374
Tax rate	26%	25.50%	25.50%	25.50%
PAT	1,124	1,405	1,657	1,934
Valuations at Rs35bn				
EV/Sales (x)		2.2	1.9	1.7
EV/EBITDA (x)		15.5	13.5	11.8
PE (x)		24.9	21.1	18.1
Valuations at Rs40bn				
EV/Sales (x)		2.5	2.2	1.9
EV/EBITDA (x)		17.7	15.4	13.5
P/E (x)		28.5	24.1	20.7
Valuations at Rs50bn				
EV/Sales (x)		3.1	2.7	2.1
EV/EBITDA (x)		22.1	19.2	16.8
P/E (x)		35.6	30.2	25.9
Valuations at Rs60bn				
EV/Sales (x)		3.7	3.2	2.8
EV/EBITDA (x)		26.5	23.1	20.2
P/E (x)		42.7	36.2	31.0

Source: IPO Document, Emkay Research

Exhibit 4: Company valuation pegged at Rs40bn, as per pre-IPO placement

Investors	Seller	No. of shares (mn)	Price/ share (Rs)	Value (Rs mn)	Holding (%)	Valuation (Rs mn)
Axis Growth Avenues AIF – I	Gopal Agri	1.85	321	593	1.48%	39,998
Ashoka India Equity Investment Trust PLC	Gopal Agri	1.85	321	593	1.48%	39,998
360 ONE Special Opportunities Fund – Series 9	Gopal Agri	0.65	321	207	0.52%	39,998
360 ONE Special Opportunities Fund – Series 10	Gopal Agri	0.65	321	207	0.52%	39,998
360 ONE Special Opportunities Fund – Series 9	Harsh Sureshkumar Shah	0.28	321	89	0.22%	39,998
360 ONE Special Opportunities Fund – Series 10	Harsh Sureshkumar Shah	0.28	321	89	0.22%	39,998

Source: IPO Document; Note: ^Transactions executed over 11-13 October 2023

Exhibit 5: Related party transactions

(Rs mn)	FY21	FY22	FY23	1H FY23	1H FY24
Overall related party transactions	44	49	2,250	416	912
Raw-material purchase from the promoter group	3	2	2,139	393	871
As a % of COGS	0%	0%	21%	8%	18%
Girivarya NonWoven Fabrics	3	2	1	0	0
Gopal Agriproducts			1,701	205	508
Gopal Agri-Bedi			437	187	363

Source: IPO Document

Exhibit 6: Gopal Snacks' production capacity and utilization

	Available Capacity (mt)			Production (mt)			Utilization		
	FY21	FY22	FY23	FY21	FY22	FY23	FY21	FY22	FY23
Rajkot, Gujarat	177,581	174,114	175,137	81,307	70,915	64,500	45.8%	40.7%	36.8%
Nagpur, Maharashtra	74,721	99,628	99,628	19,859	16,437	11,488	26.6%	16.5%	11.5%
Modasa, Gujarat	-	7,615	21,068	-	5,324	5,755			
Bhiwadi, Rajasthan	176	6,820	1,324	31	80	162	17.6%	1.2%	12.2%
Manufacturing Primary facility	252,478	288,177	297,157	101,197	92,756	81,905	40.1%	32.2%	27.6%
Rajkot, Gujarat	29,481	36,804	36,270	15,401	15,614	14,581	52.2%	42.4%	40.2%
Rajkot, Gujarat	42,780	42,780	42,780	29,636	31,266	28,948	69.3%	73.1%	67.7%
Modasa, Gujarat	-	-	8,577	-	-	2,377			27.7%
Ancillary Manufacturing Facilities	72,261	79,584	87,627	45,037	46,880	45,906	62.3%	58.9%	52.4%

Source: IPO Document

Exhibit 7: Gopal Snacks' capacity and utilization

(MT)	Installed Capacity					Capacity utilization				
	FY21	FY22	FY23	1H FY23	1H FY24	FY21	FY22	FY23	1H FY23	1H FY24
Gathiya	92,411	92,411	92,411	92,411	92,411	46.3%	35.7%	28.5%	30.1%	29.4%
Namkeen	109,665	111,200	114,610	114,610	114,610	39.9%	29.4%	25.4%	26.1%	27.3%
Ethnic Snacks	202,076	203,611	207,021	207,021	207,021	42.6%	32.3%	26.8%	27.9%	28.3%
Snack Pellets	68,882	68,882	68,882	68,882	68,882	33.5%	32.4%	30.0%	30.2%	28.4%
Wafers	4,546	6,820	11,367	11,367	11,367	58.6%	45.4%	36.3%	36.4%	49.8%
Extruded snacks	5,115	6,479	6,479	6,479	6,479	26.3%	22.2%	15.9%	16.5%	13.7%
Western Snacks	78,543	82,181	86,728	86,728	86,728	34.6%	32.8%	29.8%	30.0%	30.1%
Papad	10,385	9,920	9,920	9,920	9,920	25.3%	31.1%	35.5%	31.8%	31.4%
Besan / Gram Flour	42,780	42,780	42,780	42,780	42,780	69.3%	73.1%	67.7%	68.3%	76.9%
Spices	837	9,207	9,207	9,207	9,207	97.1%	13.5%	11.4%	9.5%	13.4%
Other Products	54,002	61,907	61,907	61,907	61,907	61.8%	59.2%	54.2%	53.7%	60.2%

Source: IPO Document

This report is intended for namit.arora@indgrowth.com use and downloaded at 03/01/2024 08:43 PM

Emkay Research is also available on www.emkayglobal.com and Bloomberg EMKAY<GO>. Please refer to the last page of the report on Restrictions on Distribution. In Singapore, this research report or research analyses may only be distributed to Institutional Investors, Expert Investors or Accredited Investors as defined in the Securities and Futures Act, Chapter 289 of Singapore.

Faster scale up of western snacks and adjacent portfolio help reduce concentration in ethnic snacks



The facility caters to a range of states, such as Jharkhand, Chhattisgarh, Uttar Pradesh, Bihar, Telangana, Andhra Pradesh, Madhya Pradesh, and the Vidarbha region of Maharashtra

Exhibit 8: Gopal Snacks' revenue streams – Reviving growth in core is crucial

(Rs mn)	FY21	FY22	FY23	1HFY23	1HFY24
Gathiya	3,623	4,464	4,239	2,223	1,869
Growth		23%	-5%		-16%
Contribution	32%	33%	30%	32%	28%
Namkeen	4,078	4,283	4,056	2,104	1,923
Growth		5%	-5%		-9%
Contribution	36%	32%	29%	30%	28%
Ethnic snacks	7,701	8,747	8,295	4,327	3,792
Growth		14%	-5%		-12%
Contribution	68%	65%	59%	62%	56%
Snack Pellets	2,342	2,780	3,095	1,494	1,475
Growth		19%	11%		-1%
Contribution	21%	21%	22%	21%	22%
Wafers	525	591	844	412	553
Growth		13%	43%		34%
Contribution	5%	4%	6%	6%	8%
Corn products	147	198	165	81	77
Growth		35%	-17%		-6%
Contribution	1%	1%	1%	1%	1%
Western snacks	3,014	3,569	4,104	1,987	2,104
Growth		18%	15%		6%
Contribution	27%	26%	29%	28%	31%
Papad	349	466	529	231	245
Growth		34%	14%		6%
Contribution	3%	3%	4%	3%	4%
Besan	48	254	415	183	331
Spices	9	12	50	11	41
Others^	167	474	554	254	248
Others	573	1,206	1,548	679	865
Growth		110%	28%		28%
Contribution	5%	9%	11%	10%	13%
Total revenue	11,288	13,522	13,947	6,993	6,762
Growth		20%	3%		-3%

Source: IPO Document, Emkay Research

Note: ^Others include sale of chikki, noodles, rusk, soan papdi, and washing bar. It also includes sale of by-products, raw materials and wastage, and other operating income comprising of subsidy income and export scheme incentive

Exhibit 9: Gopal Snacks' production capacities

	Rajkot, Gujarat	Modasa, Gujarat	Nagpur, Maharashtra
Space (mn sqft)	0.22	0.68	1.44
Year commenced	2010	2021	2018
Capacity (MT)^	1,75,138	25,802	96,219
Focus categories	Gathiya Namkeen Snack pellets	Namkeen Snack pellets Wafers	Gathiya Namkeen Snack pellets Extruded snacks Papad
Backward integration	Two ancillary manufacturing facilities (spread over 0.1mn sqft) are engaged in the production of besan/gram flour, raw snack pellets, seasoning, and spices, all of which are primarily used for captive consumption	One ancillary manufacturing (spread over 0.22mn sqft) is engaged in the production of raw snack pellets	

Source: IPO Document; Note: ^As of 30-Sep-23

Exhibit 10: Category production concentration across plants

Manufacturing Facility	Core segments						Key raw-material ingredients			
	Gathiya	Namkeen	Snack Pellets	Wafers	Extruded Snacks	Papad	Besan	Spices	Raw Pellets	Seasoning
Rajkot, Gujarat (Primary Facility)	✓	✓	✓		✓					
Modasa, Gujarat (Primary Facility)		✓	✓	✓						
Nagpur, Maharashtra (Primary Facility)	✓	✓	✓		✓	✓				
Rajkot, Gujarat (Ancillary Facility I)						✓		✓	✓	✓
Rajkot, Gujarat (Ancillary Facility II)							✓			
Modasa, Gujarat (Ancillary Facility III)									✓	

Source: IPO Document

Exhibit 11: Gopal Snacks' core and focus markets thrust represents half of the Indian savories market

% of India	Gujarat	Maharashtra	Rajasthan	Madhya Pradesh	Uttar Pradesh	Total
Ethnic savories	10.5%	12.9%	9.1%	8.1%	14.0%	54.6%
Western snacks	12.3%	12.1%	5.8%	6.0%	8.2%	44.4%
Papad	10.6%	8.0%	11.4%	8.6%	4.6%	43.2%

Source: IPO Document; Note: Based on data for FY23

Exhibit 12: Gopal Snacks' pan-India distributor base

	Gujarat	Maharashtra	Rajasthan	Madhya Pradesh	Uttar Pradesh	Total
Gopal's distributors	279	143	31	47	67	567
As a % of total	45%	23%	5%	8%	11%	92%

Source: IPO Document

Exhibit 13: Gopal Snacks' SKU mix – Saliency of the Rs5 SKU is on the decline, with focus on a wider savory snacks

	No. of packets sold			Revenue (Rs mn)			% of Revenue			Rs/pack		
	FY21	FY22	FY23	FY21	FY22	FY23	FY21	FY22	FY23	FY21	FY22	FY23
Rs5 SKU	2,618	3,049	2,844	9,333	10,917	10,527	82.6%	80.7%	75.5%	3.56	3.58	3.70
Rs10 SKU	61	87	164	464	607	1,147	4.1%	4.4%	8.2%	7.61	6.98	6.99
>Rs10 SKU	39	41	46	1,323	1,526	1,760	11.7%	11.3%	12.6%	33.92	37.22	38.26
Others	-	-	-	167	471	513	1.5%	3.5%	3.7%			
Total	2,718	3,177	3,054	11,288	13,521	13,947				4.15	4.26	4.57

Source: IPO Document

Exhibit 14: Peer analysis

	FY20	FY21	FY22	FY23
Revenue (Rs mn)				
Bikaji Foods International	10,730	13,110	16,110	19,660
Haldiram (Nagpur +Delhi)	64,910	71,520	87,450	-
Bikanervala Foods	10,630	9,860	11,920	-
Prataap Snacks	13,940	11,710	13,970	16,530
Balaji Wafers	23,360	29,390	40,030	49,250
PepsiCo India	54,350	52,510	63,860	82,030
DFM Foods	5,080	5,240	5,540	-
Gopal Snacks	8,860	11,290	13,520	13,950
Revenue growth				
Bikaji Foods International	19.1%	22.2%	22.9%	22.0%
Haldiram (Nagpur +Delhi)	16.5%	10.2%	22.3%	
Bikanervala Foods	11.9%	-7.2%	20.9%	
Prataap Snacks	19.0%	-16.0%	19.3%	18.3%
Balaji Wafers	18.5%	25.8%	36.2%	23.0%
PepsiCo India	-13.1%	-3.4%	21.6%	28.5%
DFM Foods	5.0%	3.1%	5.7%	
Gopal Snacks	8.6%	27.4%	19.8%	3.2%
EBITDA (Rs mn)				
Bikaji Foods International	930	1,450	1,400	2,140
Haldiram (Nagpur +Delhi)	10,290	11,880	11,330	-
Bikanervala Foods	750	1,010	960	-
Prataap Snacks	940	630	580	620
Balaji Wafers	2,400	1,480	1,540	6,490
PepsiCo India	3,840	3,310	2,860	6,670
DFM Foods	420	560	-170	-
Gopal Snacks	810	600	950	1,960
EBITDA growth				
Bikaji Foods International	1.1%	55.9%	-3.4%	52.9%
Haldiram (Nagpur +Delhi)	-7.8%	15.5%	-4.6%	
Bikanervala Foods	-20.2%	34.7%	-5.0%	
Prataap Snacks	13.3%	-33.0%	-7.9%	6.9%
Balaji Wafers	-4.4%	-38.3%	4.1%	321.4%
PepsiCo India	18.5%	-13.8%	-13.6%	133.2%
DFM Foods	-35.4%	33.3%	-130.4%	
Gopal Snacks	47.3%	-25.9%	58.3%	106.3%
EBITDA Margin				
Bikaji Foods International	8.7%	11.1%	8.7%	10.9%
Haldiram (Nagpur +Delhi)	15.9%	16.6%	13.0%	
Bikanervala Foods	7.1%	10.2%	8.1%	
Prataap Snacks	7.3%	6.1%	4.2%	4.2%
Balaji Wafers	10.3%	5.0%	3.8%	13.2%
PepsiCo India	7.1%	6.3%	4.5%	8.1%
DFM Foods	8.3%	10.7%	-3.1%	
Gopal Snacks	9.1%	5.3%	7.0%	14.1%
Net profit (Rs mn)				
Bikaji Foods International	560	900	760	1,270
Haldiram (Nagpur +Delhi)	6,560	7,560	6,970	-
Bikanervala Foods	310	350	280	-
Prataap Snacks	470	140	30	200
Balaji Wafers	1,320	250	60	4,090
PepsiCo India	4,350	1,750	420	2,680
DFM Foods	240	290	-250	-
Gopal Snacks	350	210	420	1,120

Source: IPO Document

Exhibit 15: Peer analysis

	FY20	FY21	FY22	FY23
ROCE				
Bikaji Foods International	12.7%	18.4%	11.6%	16.7%
Haldiram (Nagpur +Delhi)	19.8%	18.8%	14.6%	-
Bikanervala Foods	9.9%	12.4%	9.9%	-
Prataap Snacks	3.5%	1.4%	0.4%	0.6%
Balaji Wafers	9.8%	1.0%	-0.1%	25.5%
PepsiCo India	9.4%	4.5%	1.0%	13.8%
DFM Foods	15.6%	25.1%	-17.8%	-
Gopal Snacks	32.1%	13.5%	18.7%	43.1%
ROE				
Bikaji Foods International	10.7%	14.9%	9.3%	13.3%
Haldiram (Nagpur +Delhi)	17.8%	16.3%	12.4%	-
Bikanervala Foods	11.1%	11.2%	8.3%	-
Prataap Snacks	8.0%	2.3%	2.7%	3.1%
Balaji Wafers	9.5%	1.8%	0.4%	22.5%
PepsiCo India	12.2%	5.6%	1.3%	7.7%
DFM Foods	16.8%	16.1%	-16.2%	-
Gopal Snacks	30.8%	15.6%	23.4%	38.6%
Fixed assets turns (x)				
Bikaji Foods International	2.7	3.2	3.4	3.3
Haldiram (Nagpur +Delhi)	2.9	2.5	2.6	-
Bikanervala Foods	3.8	2.8	2.5	-
Prataap Snacks	2.4	2.1	2.5	2.9
Balaji Wafers	3.6	3.6	4.4	4.8
PepsiCo India	2.7	2.3	2.3	2.6
DFM Foods	3.0	3.2	3.4	-
Gopal Snacks	6.3	7.1	6.9	6.3

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 & cash equivalents);

Fixed Asset Turnover Ratio = Revenue from Operations/ (Property, plant and equipment + Intangible Assets)

IPO size pegged at Rs6.5bn; largely an OFS

The promoter group controls a 95.5% stake in the company, where 22.23% stake is with the promoter company called Gopal Agriproducts.

Exhibit 16: Pre-IPO shareholding of Gopal Snacks

Shareholder	No. of shares	Stake
Bipinbhai Vithalbhai Hadvani	70,550,480	56.62%
Dakshaben Bipinbhai Hadvani	15,135,890	12.15%
Gopal Agriproducts	27,703,647	22.23%
Raj Bipinbhai Hadvani	3,115,109	2.50%
Harsh Sureshkumar Shah	2,441,941	1.96%
Promoters, Promoter Group, and Selling Shareholder	118,947,067	95.46%
Others	5,657,303	4.54%
- Axis Growth Avenues AIF – I	1,846,626	1.48%
- Ashoka India Equity Investment Trust PLC	1,846,626	1.48%
- 360 ONE Special Opportunities Fund – Series 9	923,314	0.74%
- 360 ONE Special Opportunities Fund – Series 10	923,314	0.74%
Total	124,604,370	100.00%

Source: IPO Document

Promoter pledge: To facilitate the exit of the estranged brother from the business, Gopal Agriproducts (Corporate Promoter) has availed a term loan of Rs5.4bn from JM Financial Products Limited, JM Financial Credit Solutions Limited, the affiliates of JM Financial, following the facility agreements dated 14-Nov-22 and 10-Mar-23. As per the terms of the facility agreements, the promoters had pledged their entire shareholding in Gopal Snacks, representing 95% of the share capital. Ahead of the IPO, as per the OFS agreement, pledging to the extent of 44% is now released (to comply with SEBI ICDR Regulations). The pledge position now stands at ~51%. Post the IPO, as the promoter group repays debt, the pledge position will reduce to nil.

IPO is largely an OFS with no primary infusion needed

With a strong balance sheet and low capacity utilization, there is no need for primary fund infusion in the company. The IPO is largely an offer for sale (OFS) from the promoter group.

Exhibit 17: Selling shareholder

(Rs mn)	OFS size
Bipinbhai Vithalbhai Hadvani	1,000
Gopal Agriproducts	5,400
Harsh Sureshkumar Shah	100
Total	6,500

Source: IPO Document

In the table below, we have highlighted the need for the dilution of the promoter's stake with an IPO, depending on the valuations ask. In case the valuation remains at Rs40bn, the OFS will lead to 16% dilution in the promoters' stake.

The Gopal Snacks IPO is largely an OFS of Rs6.5bn

Promoter pledge now at ~51%

IPO valuation at Rs40bn will lead to 16% dilution in promoter stake

Exhibit 18: Promoter stake dilution in different valuation scenarios

	No of shares	Pre-IPO	Raise (Rs mn)	Dilution	Post-IPO (@Rs35bn Mcap)	Dilution	Post-IPO (@Rs40bn Mcap)	Dilution	Post-IPO (@Rs50bn Mcap)	Dilution	Post-IPO (@Rs60bn Mcap)
Promoter	116.51	93.5%	6,400	18.3%	75.2%	16.0%	77.5%	12.8%	80.7%	10.7%	82.8%
Public	8.10	6.5%	100	0.3%	6.2%	0.3%	6.3%	0.2%	6.3%	0.2%	6.3%
New Holders		0.0%			18.6%		16.3%		13.0%		10.8%
Total	124.60	100.0%	6,500	18.6%	100.0%	16.3%	100.0%	13.0%	100.0%	10.8%	100.0%

Source: IPO Document, Emkay Research

While the company has got SEBI's approval for the IPO, the valuation is likely to be arrived post RHP filings. In the absence of IPO valuations, we worked on scenarios to arrive at valuation multiples.

- In our scenario analysis, we assumed three different sales CAGR of 5% (front-end issues hurting growth in FY24, followed by recovery in growth to high single digits over FY25-26), 10% and 15% (similar feat registered in the last four years).
- In all the three scenarios, we have assumed EBITDA margin to be flat at ~14%. In case of a high-growth scenario, we see operating leverage benefit will offset the need for higher A&P spends and increased freight costs.
- To arrive at PAT, we have assumed similar depreciation, given no major capex needs in the business over the medium term and corporate tax rate at 25.5% for FY26.

Exhibit 19: IPO valuations under different scenarios

	FY23	FY26E		
(Rs mn)		5% CAGR	10% CAGR	15% CAGR
Sales	13,947	16,145	18,563	21,211
OPM	14%	14%	14%	14%
EBITDA	1,962	2,260	2,599	2,970
D&A	374	374	374	374
Tax rate	26%	25.50%	25.50%	25.50%
PAT	1,124	1,405	1,657	1,934
Valuations at Rs35bn				
EV/Sales (x)		2.2	1.9	1.7
EV/EBITDA (x)		15.5	13.5	11.8
P/E (x)		24.9	21.1	18.1
Valuations at Rs40bn				
EV/Sales (x)		2.5	2.2	1.9
EV/EBITDA (x)		17.7	15.4	13.5
P/E (x)		28.5	24.1	20.7
Valuations at Rs50bn				
EV/Sales (x)		3.1	2.7	2.1
EV/EBITDA (x)		22.1	19.2	16.8
P/E (x)		35.6	30.2	25.9
Valuations at Rs60bn				
EV/Sales (x)		3.7	3.2	2.8
EV/EBITDA (x)		26.5	23.1	20.2
P/E (x)		42.7	36.2	31.0

Source: IPO Document, Emkay Research

Reviving the topline would be key for the company. Overall profit and loss (margins), balance sheet, and cash flow are in a healthy state, which will support growth ahead. The IPO looks attractive if the deal's valuation remains same as was transacted last in Mar-23 at Rs40bn. The valuation still remains attractive on higher valuation of Rs60bn, if the company revives growth in the business with stable EBITDA margin.

Valuation to be seen in conjunction with the growth outlook

The promoter developed estranged relations with his brother, Prafulchandra Vitthal Hadvani, who was in-charge of front-end operations

Promoter company Gopal Agriproducts acquired 26.23% stake from the erstwhile shareholder

Erstwhile shareholder ventured into a similar business as Gopal Snacks

Estranged relationship with brother affected business

The current promoter of Gopal Snacks, Bipinbhai Vitthalbhai Hadvani, has developed an estranged relationship with his brother, Prafulchandra Vitthal Hadvani (erstwhile shareholder), who was looking after the sales and distribution of Gopal Snacks.

MoU in place to effect business separation from the estranged brother

As per the memorandum of understanding (MoU) dated 15-Jan-22, the promoter group entered into an arrangement of separation with the erstwhile shareholder. This MoU relinquishes all the rights, interests, and title of the erstwhile shareholders in the company and an undertaking for non-solicitation of distributors, dealers, and employees of Gopal Snacks. The erstwhile shareholder agreed not to solicit any distributors, dealers or employees of Gopal Snacks. The erstwhile shareholder also agreed not to use any brands or trademarks of Gopal Snacks, including *Gopal*.

Promoter group acquired a 26.23% stake from the erstwhile shareholder

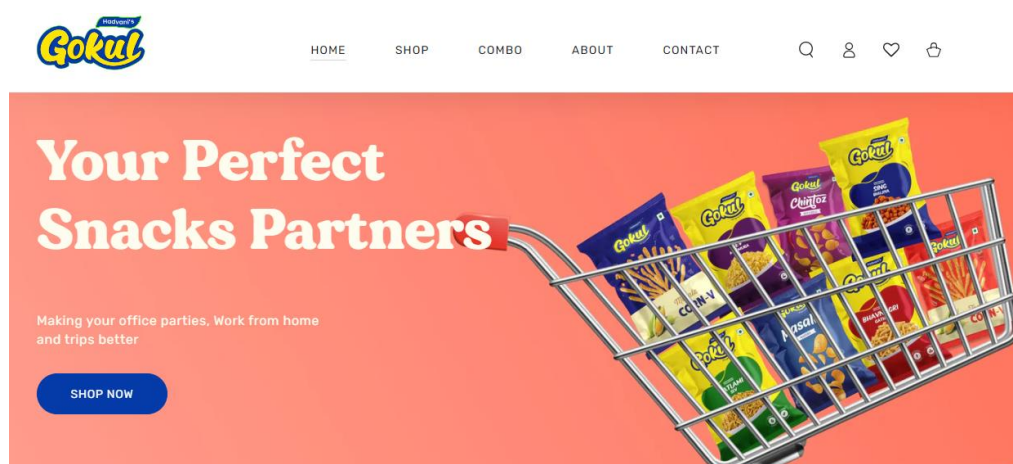
The share purchase agreement and initial separation agreement was executed between the erstwhile shareholder, the company and promoters (under Gopal Agriproducts) on 9-Nov-22. The erstwhile shareholder sold and transferred his entire shareholding aggregating to 297,162 equity shares of face value of Rs10 each, constituting 26.23% of the paid-up share capital of Gopal Snacks to Gopal Agriproducts for an aggregate consideration of approximately Rs5.17bn.

Gokul Snacks disrupting Gopal Snacks' revenue

Given the brothers' strained relations, Prafulchandra Vitthal Hadvani and his family members incorporated a separate competing entity, Gokul Snacks, which is engaged in business activities and manufacturing of products under the brand name *Gokul Snacks*, which are similar to the products manufactured by Gopal Snacks. Gokul Snacks has a manufacturing plant for namkeen, snacks, wafers, and bakery items at Saurashtra, Gujarat, with a capacity of 3,600 MT/Month.

Gokul Snacks seems to have adopted a strategy that's similar to Gopal Snacks. While Gopal Snacks has decadal heritage in the core market, it is yet to establish itself in the focus markets. Competition of a similar stature and strategy could have a bearing on Gopal Snacks' long-term fundamentals in newer markets.

Exhibit 20: Gokul Snacks (<https://gokulsnacks.com/>)



Source: Company

Promoter group raised Rs5.4bn to acquire stake

The promoter company, Gopal Agriproducts acquired a stake from erstwhile shareholder by raising debt of Rs5.4bn from JM Financials (JM Financial Products Limited, JM Financial Credit Solutions Limited, the affiliates of JM Financial) via an OFS agreement dated 14-Nov-22.

Subsequently, a portion of the aggregate amount (Rs1.8bn) sanctioned by JM Financial Products Limited was assigned to Aditya Birla Finance Limited, Standard Chartered Capital Limited, and Tata Capital Financial Services Limited and an aggregate of Rs900mn was subsequently repaid on 16-Oct-23.

- Aditya Birla Finance Limited under a novation cum assignment notice dated 29-Mar-23
- Standard Chartered Capital Limited subject to a novation cum assignment notice dated 15-May-23
- Tata Capital Financial Services Limited according to a novation cum assignment notice dated 29-Mar-23

Pre-IPO placement of 4.44% with investors

Gopal Agriproducts' stake in the company has reduced to 22.23% from 26.23%, as it offloaded a part of the stake to new investors in the company in Oct-23 at a business valuation of Rs40bn. Harsh Sureshkumar Shah, an individual promoter, has offloaded 0.44% stake in the company to investors in Oct-23, at similar valuations.

Exhibit 21: Company valuation pegged at Rs40bn, as per pre-IPO placement

Investors	Seller	No. of shares (mn)	Price/ share (Rs)	Value (Rs mn)	Holding (%)	Valuation (Rs mn)
Axis Growth Avenues AIF – I	Gopal Agri	1.85	321	593	1.48%	39,998
Ashoka India Equity Investment Trust PLC	Gopal Agri	1.85	321	593	1.48%	39,998
360 ONE Special Opportunities Fund – Series 9	Gopal Agri	0.65	321	207	0.52%	39,998
360 ONE Special Opportunities Fund – Series 10	Gopal Agri	0.65	321	207	0.52%	39,998
360 ONE Special Opportunities Fund – Series 9	Harsh Sureshkumar Shah	0.28	321	89	0.22%	39,998
360 ONE Special Opportunities Fund – Series 10	Harsh Sureshkumar Shah	0.28	321	89	0.22%	39,998

Source: IPO Document

^Transactions executed over 11-13 Oct. 2023

Related party transaction largely in RM sourcing

The company does not have any material related party transactions, except for a surge in the sourcing of raw material from Gopal Agriproducts.

Transaction with Gopal Agriproducts: Gopal Agriproducts is engaged in the business of trading of agricultural commodities, where Bipinbhai Vithalbhai Hadvani and Dakshaben Bipinbhai Hadvani hold an equal stake. As Gopal Agriproducts has a mandi license, the company started raw-material sourcing (like chickpea, cumin, sesame seeds, coriander, moong, and garlic) from the promoter entity, as per our ground checks. Gopal Agriproducts and Gopal Snacks have entered into a non-compete agreement dated 12-Sep-23, following which Gopal Agriproducts will not undertake business, which directly or indirectly in any manner competes with Gopal Snacks' business. With this IPO, Gopal Agriproducts is looking to raise Rs5.4bn. Its current holding in Gopal Snacks is at ~22.23%.

Promoter group raised Rs5.4bn to fund stake purchase

Gopal Agriproducts, the promoter company, diluted its holding by 4.44%, ahead of the IPO

Gopal Agriproducts is one of the raw-material suppliers for Gopal Snacks

Exhibit 22: Related party transactions

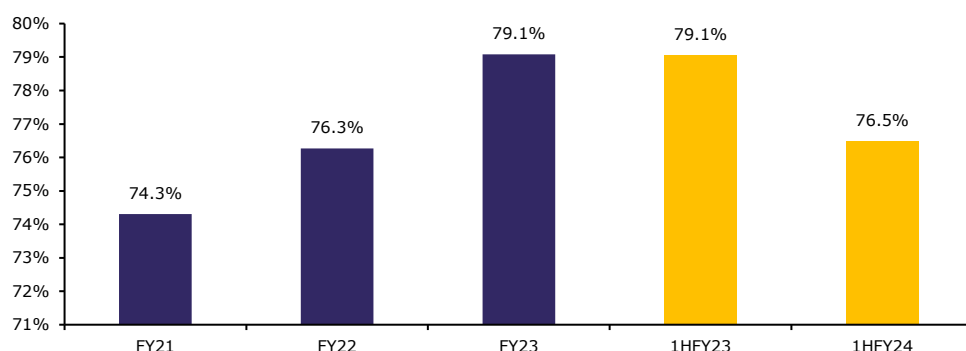
(Rs mn)	FY21	FY22	FY23	1HFY23	1HFY24
Overall related party transactions	44	49	2,250	416	912
Raw-material purchase from the promoter group	3	2	2,139	393	871
As a % of COGS	0%	0%	21%	8%	18%
Girivarya NonWoven Fabrics	3	2	1	0	0
Gopal Agriproducts			1,701	205	508
Gopal Agri-Bedi			437	187	363

Source: IPO Document

Key risks to the business

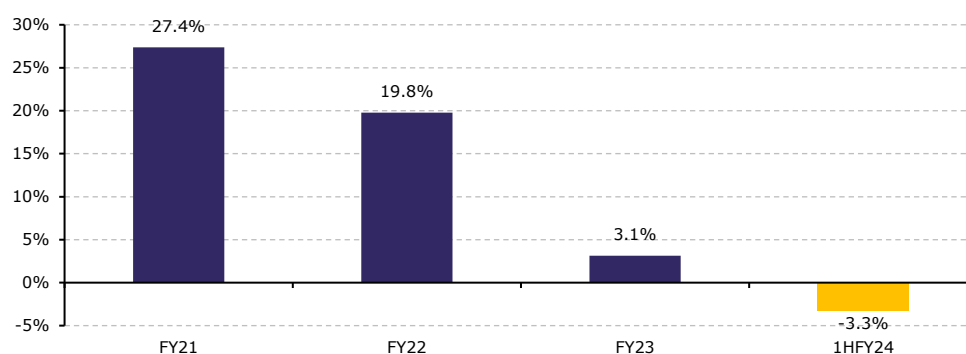
The primary risk for Gopal Snacks would be difficulty in building a front-end team, its inability to succeed in non-Gujarat markets (~25% of sales), high salience of impulse packs (consumer loyalty is low), regional concentration of production facilities (in West India), surge in competitive intensity hurting its margin profile, and IPO failure to have repercussion on promoter pledge position.

- **Revenue concentration:** The company has ~79% of revenue concentrated in Gujarat (for FY23), its core market, which has expanded ~500bps in the last couple of years. Any adverse development in the core market will have a bearing on the company's fundamentals. The company has identified four focus states and five other states.

Exhibit 23: Revenue concentration in Gujarat

Source: IPO Document

- **Front-end disruption affected growth in FY23 and 1HFY24:** The estranged relationship between the promoters led to the exit of one of the promoters, who was heading sales/front-end operations of the company. His departure led to business disruption, which reflected in slow growth in FY23 (+3.1%) and 1HFY24 (-3.3%). The company has an immediate task to rebuild its sales vertical. The company's inability to revive the sales team will have a bearing on growth ahead.

Exhibit 24: Revenue growth (YoY)

Source: IPO Document

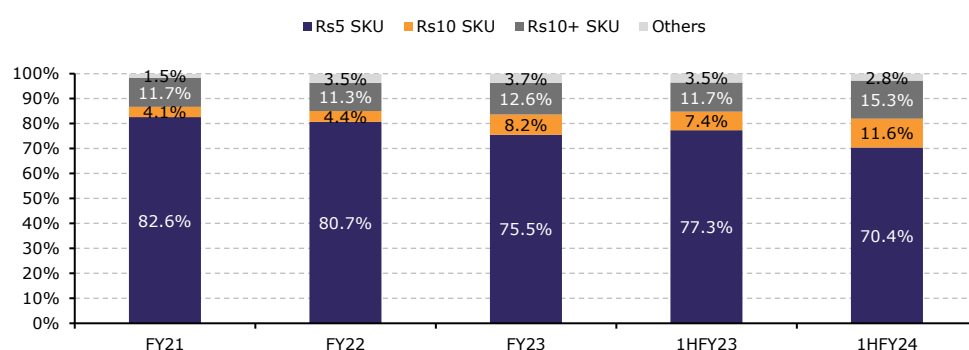
Gujarat represents ~79% of Gopal Snacks' revenue for FY23

Revenue growth slowed to 3% in FY23 and declined 3% in 1HFY24

Estranged brother of the promoter started a similar line of business under new brand 'Gokul Snacks'

- **Competition with the estranged brother:** One of the promoters left the company and ventured into a competing business under a new brand – Gokul – that deals in similar segments. It is important to note, Gopal Snacks continues to have an edge in its backward integration, which will be difficult to replicate for Gokul, given its expertise in front-end compared to back-end operations.
- **High salience of impulse pack with limited A&P spends:** The company has a high dependence on low-unit packs priced at Rs5 and Rs10. While the share has sustained a healthy decline, the concentration leads the company to a competitive risk, where consumer loyalty is not very high. Additionally, relatively low A&P spends have a bearing on brand recall in newer markets. As the company scales, we see the need for higher A&P spending, which is now concentrated at the local level. National advertising does help trade to push products better in retail.

Exhibit 25: SKU mix for Gopal Snacks



Source: IPO Document

- **Regional concentration of production facilities:** The company has its production concentrated in the western part of India, where it has ancillary units adjacent to the main plants, which helps in backward support. We see any adverse development in this region could have a negative impact on sales. Also, regional concentration of production does not gel with its pan-India presence, as logistics costs will have a bearing on its margin profile.
- **Surge in competitive intensity:** Savory snacks is a fast-growing segment where the market is largely fragmented. The company has differentiated on quality and extra volume per pack in the past. Going ahead, management's intent is to get the basics to industry levels. We see any competitive action with higher volume packs at same price points could have a bearing on Gopal Snacks' business.
- **Pledge position of the promoter:** To provide exit to one of the promoters, the current promoters have raised Rs5.4bn to acquire a 26% stake held by former shareholders. To this end, the promoter group had to pledge the entire holding at 95%. Ahead of the IPO, to comply with SEBI's regulation, the pledge position reduced to 51%. If the IPO fails and lenders exercise encumbrance, the promoter holding will dilute, affecting business fundamentals.

Impulse pack concentration at ~82% for 1HFY24

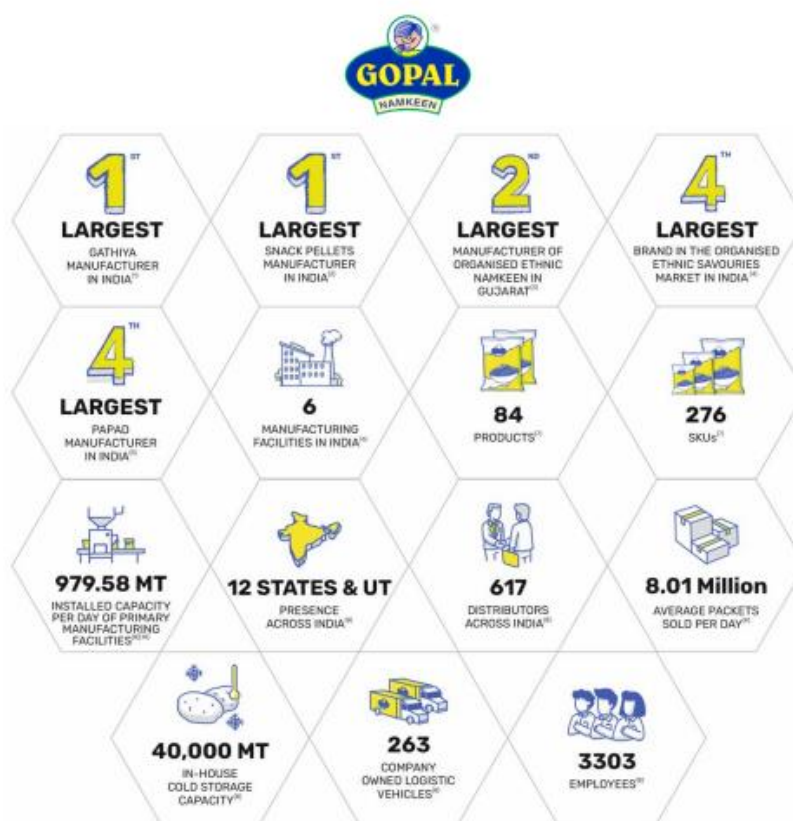
Strong backend an edge; restoring frontend key

Started in 1999, Gopal Snacks has always focused on Gujarat as its core market, where it has gained a leadership position in local savory snack – *Gathiya*. Bipinbhai Vithalbhai Hadvani, the founder of Gopal Snacks based in Rajkot, Gujarat, began his entrepreneurial journey in 1994 with an initial capital of just Rs4,000. The company charted its national march 6-7 years back and expanded its focus on wider savory snacks segments.

It is the largest manufacturer of *gathiya* and the second largest ethnic packer in Gujarat. As part of its strategy to gain scale, the company has ventured outside the Gujarat market and has expanded its focus to other savory snacks segments. Backward integration helps Gopal Snacks deliver quality and fresh products, where its capabilities in cold storage, infra, and logistics backend help it to reach a wider consumer market with quality products.

Gopal Snacks is the largest manufacturer of gathiya and the second largest ethnic packer in Gujarat

Exhibit 26: Gopal Snacks overview – Biggest *gathiya* player in India



Source: IPO Document

Exhibit 27: Gopal Snacks' product portfolio – Focusing on pan-India play with a wider assortment



Source: IPO Document

Over the years, management has leveraged its experience and developed a wide range of products, which has enabled the company to strengthen its foothold in the Indian snacks industry. Currently, Gopal Snacks has 84 products with 276 SKUs across its various product categories, thereby addressing a wide variety of tastes and preferences. The company has a higher contribution from *gathiya* and *namkeen*, which contribute 68% to the topline. The company is the largest manufacturer of *gathiya* and the second largest ethnic packer in Gujarat.

Gopal Snacks has 84 products with 276 SKUs across its various product categories

Faster scale up of western snacks and adjacent portfolio help reduce concentration in ethnic snacks

Exhibit 28: Gopal Snacks' revenue streams – Reviving growth in core is crucial

(Rs mn)	FY21	FY22	FY23	1HFY23	1HFY24
Gathiya	3,623	4,464	4,239	2,223	1,869
Growth		23%	-5%		-16%
Contribution	32%	33%	30%	32%	28%
Namkeen	4,078	4,283	4,056	2,104	1,923
Growth		5%	-5%		-9%
Contribution	36%	32%	29%	30%	28%
Ethnic snacks	7,701	8,747	8,295	4,327	3,792
Growth		14%	-5%		-12%
Contribution	68%	65%	59%	62%	56%
Snack Pellets	2,342	2,780	3,095	1,494	1,475
Growth		19%	11%		-1%
Contribution	21%	21%	22%	21%	22%
Wafers	525	591	844	412	553
Growth		13%	43%		34%
Contribution	5%	4%	6%	6%	8%
Corn products	147	198	165	81	77
Growth		35%	-17%		-6%
Contribution	1%	1%	1%	1%	1%
Western snacks	3,014	3,569	4,104	1,987	2,104
Growth		18%	15%		6%
Contribution	27%	26%	29%	28%	31%
Papad	349	466	529	231	245
Growth		34%	14%		6%
Contribution	3%	3%	4%	3%	4%
Besan	48	254	415	183	331
Spices	9	12	50	11	41
Others^	167	474	554	254	248
Others	573	1,206	1,548	679	865
Growth		110%	28%		28%
Contribution	5%	9%	11%	10%	13%
Total revenue	11,288	13,522	13,947	6,993	6,762
Growth		20%	3%		-3%

Source: IPO Document, Emkay Research

Note: ^Others include sale of chikki, noodles, rusk, soan papdi, and washing bar. It also includes sale of by-products, raw materials and wastage, and other operating income comprising subsidy income and export scheme incentive

Key product differentiation: Gopal Snacks scaled revenue with quality offerings with higher volume per pack. Post the inflationary cycle, the company has revised its pack volume to industry level, which helps it scale gross margin to industry level. In select markets outside Gujarat, we still see volume per pack is higher vs. competition. We believe this will be bridged as the company gains ground in the market.

Exhibit 29: Gopal Snacks' capacity

(MT)	Installed Capacity					Available capacity				
	FY21	FY22	FY23	1HFY23	1HFY24	FY21	FY22	FY23	1HFY23	1HFY24
Gathiya	92,411	92,411	92,411	92,411	92,411	76,045	92,411	92,411	46,206	46,206
Namkeen	109,665	111,200	114,610	114,610	114,610	100,288	111,200	114,610	57,305	57,305
Ethnic Snacks	202,076	203,611	207,021	207,021	207,021	176,333	203,611	207,021	103,511	103,511
Snack Pellets	68,882	68,882	68,882	68,882	68,882	65,560	68,882	68,882	34,441	34,441
Wafers	4,546	6,820	11,367	11,367	11,367	4,546	6,820	11,367	5,683	5,683
Extruded snacks	5,115	6,479	6,479	6,479	6,479	5,115	5,456	6,479	3,240	3,240
Western Snacks	78,543	82,181	86,728	86,728	86,728	75,221	81,158	86,728	43,364	43,364
Papad	10,385	9,920	9,920	9,920	9,920	9,603	10,165	9,920	4,960	4,960
Besan / Gram Flour	42,780	42,780	42,780	42,780	42,780	42,780	42,780	42,780	21,390	21,390
Spices	837	9,207	9,207	9,207	9,207	837	6,766	9,207	4,604	4,604
Other Products	54,002	61,907	61,907	61,907	61,907	53,220	59,711	61,907	30,954	30,954

Source: IPO Document

Exhibit 30: Gopal Snacks' production and capacity utilization

	Actual production (MT)					Capacity utilization				
	FY21	FY22	FY23	1HFY23	1HFY24	FY21	FY22	FY23	1HFY23	1HFY24
Gathiya	35,190	33,007	26,375	13,915	13,581	46.3%	35.7%	28.5%	30.1%	29.4%
Namkeen	40,015	32,697	29,078	14,971	15,670	39.9%	29.4%	25.4%	26.1%	27.3%
Ethnic Snacks	75,205	65,704	55,453	28,887	29,251	42.6%	32.3%	26.8%	27.9%	28.3%
Snack Pellets	21,984	22,328	20,649	10,395	9,791	33.5%	32.4%	30.0%	30.2%	28.4%
Wafers	2,662	3,095	4,125	2,070	2,830	58.6%	45.4%	36.3%	36.4%	49.8%
Extruded snacks	1,345	1,211	1,030	535	443	26.3%	22.2%	15.9%	16.5%	13.7%
Western Snacks	25,991	26,634	25,804	13,000	13,063	34.6%	32.8%	29.8%	30.0%	30.1%
Papad	2,429	3,164	3,526	1,577	1,559	25.3%	31.1%	35.5%	31.8%	31.4%
Besan or Gram Flour	29,636	31,267	28,948	14,618	16,446	69.3%	73.1%	67.7%	68.3%	76.9%
Spices	813	915	1,052	436	619	97.1%	13.5%	11.4%	9.5%	13.4%
Other Products	32,878	35,346	33,526	16,632	18,624	61.8%	59.2%	54.2%	53.7%	60.2%

Source: IPO Document

Local cuisine getting national attention: A closer look at the strategy of the savory player suggests backing for regional products at a national level. This trend is similar to what happened with western cuisines in India, like Pizza, pasta, and oats. Consumers are open to experimentation, where large players are cashing in with regional offerings and innovation needs are limited. Our ground checks suggest savory players have ventured into new markets with hero products, like *gathiya* for Gopal Snacks and *bhujia* for Bikaji. This paved way to expand a wider category coverage. For Gopal Snacks, our ground checks suggest an initial traction in Uttar Pradesh and Bihar is via *gathiya* products, while in Rajasthan it is snacks pellet.

Gathiya products remain at the core, likely to help pan-India thrust

Gopal Snacks was the largest manufacturer of *gathiya* in India as of FY23 in terms of production volume as well as sales revenue and had a market share of ~31% of the organized *gathiya* market in terms of sales revenue. In FY23, the organized market for *gathiya* accounted for 3% of the total organized Indian savory snacks market and was estimated to be sized at Rs14bn. It is expected to report an 11.7% CAGR during FY23 to FY27, as per Frost & Sullivan Report. *Gathiya* as a snack holds prominence in Gujarat and is gradually gaining popularity in other states as well, particularly in Uttar Pradesh, Maharashtra, Rajasthan, and Madhya Pradesh.

Our ground checks suggest the company has been able to drive the appeal of *gathiya* across markets. In Uttar Pradesh, one of the key markets for savory snacks, Gopal Snacks has been able to drive category penetration. On account of growing consumer acceptance, the share of revenue from *gathiya* has expanded to 33% from 25% in the last five years.

Gopal Snacks has a market share of ~31% of the organized *gathiya* market in terms of sales revenue

Exhibit 31: Eight SKUs in *gathiya* help drive ~30% of the company's revenue

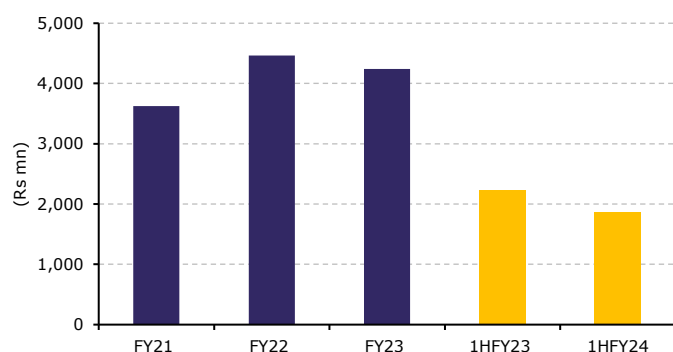
Source: IPO Document

Exhibit 32: *Gathiya* volume recovery is key for the overall recovery

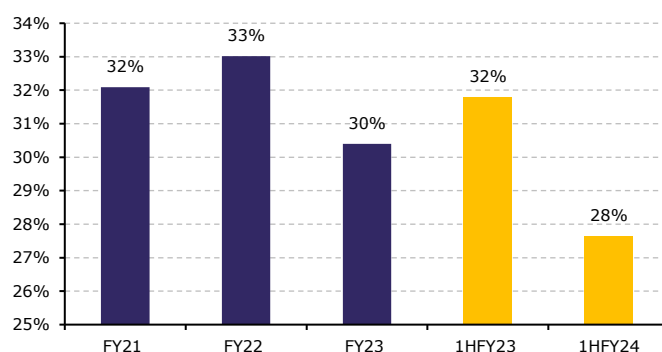
	FY21	FY22	FY23	1HFY23	1HFY24
Available capacity (mt)	76,045	92,411	92,411	46,206	46,206
Production (mt)	35,190	33,007	26,375	13,915	13,581
Utilization	46%	36%	29%	30%	29%
Revenue (Rs mn)	3,623	4,464	4,239	2,223	1,869
Growth		23%	-5%		-16%
Contribution	32%	33%	30%	32%	28%
Volume (mt)	35,182	32,976	25,511	13,326	13,363
Growth		-6%	-23%		0%
Realization/kg (Rs)	103	135	166	167	140
Growth		31%	23%		-16%

Source: IPO Document

Revenue has declined in the last 18 months, over FY23-1HFY24

Exhibit 33: *Gathiya* revenue base moderates in recent years

Source: IPO Document

Exhibit 34: Revenue share from *gathiya* wanes in the last few years

Source: IPO Document

Namkeen: High-growth opportunity, where being competitive would be key

Gopal Snacks has a diversified selection of namkeen products, including bhujia, sev, murmura, chivda, dal moth, moong dal, and peanuts. Currently, Gopal Snacks has 31 snacks classified under the namkeen category. In FY23, the organized market for namkeen products accounted for 40% of the total organized Indian savory snacks market. The company has three distinct categories like besan-based, mixture, and pulses-based products. Each category is crafted using a combination of ingredients and production methods, resulting in a diverse selection of flavors and textures.

Gopal Snacks has 31 snacks classified under the namkeen category

Gopal Snacks has been leveraging its backward linkages to drive quality and make fresh products. With fast formalization opportunities, the segment's growth is expected to be healthy; however, countering regional competition would be the real challenge.

Exhibit 35: A wider array of over 31 SKUs in the *namkeen* category help drive another 30% of revenue



Source: IPO Document

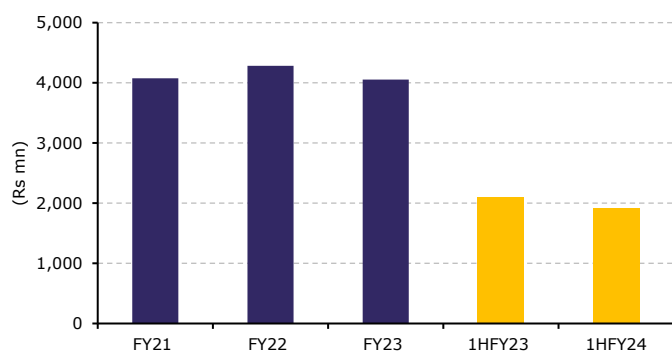
Exhibit 36: *Namkeen* volume continues to be under pressure

	FY21	FY22	FY23	1HFY23	1HFY24
Available capacity (mt)	100,288	111,200	114,610	57,305	57,305
Production (mt)	40,015	32,697	29,078	14,971	15,670
Utilization	40%	29%	25%	26%	27%
Revenue (Rs mn)	4,078	4,283	4,056	2,104	1,923
Growth		5%	-5%		-9%
Contribution	36%	32%	29%	30%	28%
Volume (mt)	40,118	32,655	27,630	14,312	14,450
Growth		-19%	-15%		1%
Realization/kg (Rs)	102	131	147	147	133
Growth		29%	12%		-9%

Source: IPO Document

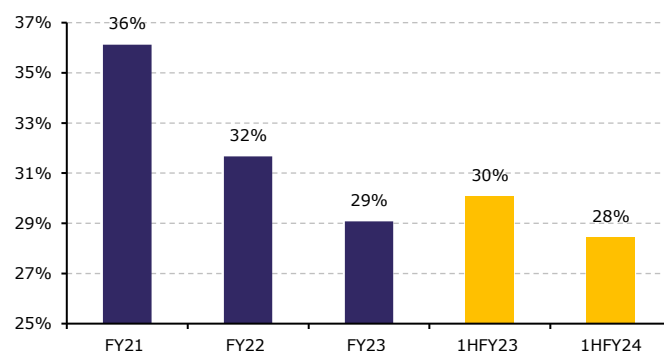
Note: ^Excludes two namkeen products, namely Bhakharvadi and Kachori, as they are prepared primarily through manual processes

Exhibit 37: *Namkeen* revenue base moderated in recent years



Source: IPO Document

Exhibit 38: Revenue share from *Namkeen* has been waning since a few years



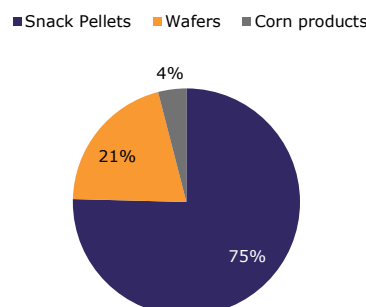
Source: IPO Document

Western snacks driving overall growth; defying national player is key

Gopal Snacks' presence in the western snack category primarily consists of snack pellets, wafers, and extruded snacks. Currently, it has 12, 8, and 5 products classified under snack pellets, wafers, and extruded snacks, respectively.

In the total organized Indian savory snacks market, western snacks contribute ~57%, while the contribution of Gopal Snacks is limited at ~25% of sales. The company has been driving faster growth in the portfolio, which helps in reducing dependence on traditional ethnic savory segments.

Exhibit 39: Concentration of western snacks in a snack pellet



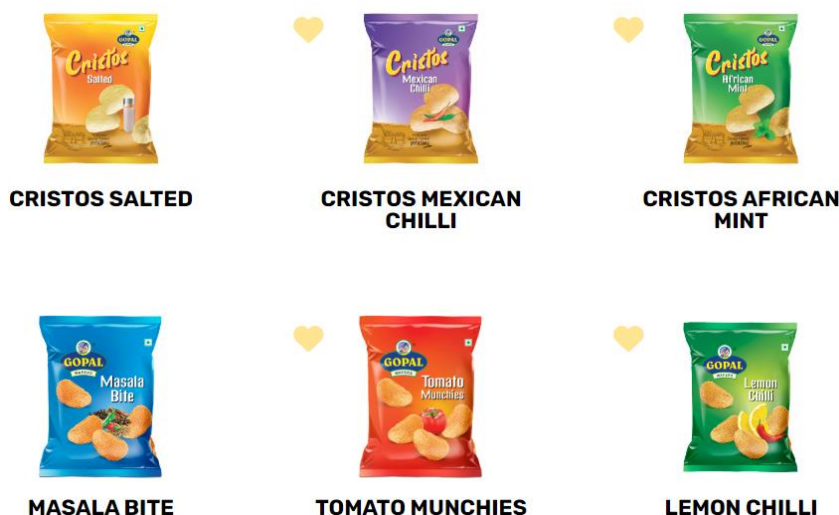
Source: IPO Document

Exhibit 40: Western snacks – Healthy growth in wafer driving overall topline growth

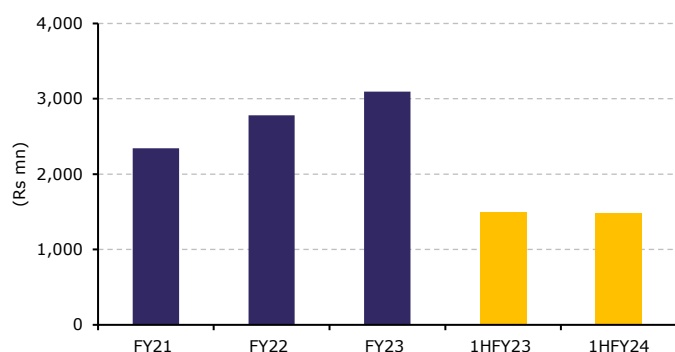
(Rs mn)	FY21	FY22	FY23	1HFY23	1HFY24
Snack Pellets	2,342	2,780	3,095	1,494	1,475
Growth		19%	11%		-1%
Contribution	21%	21%	22%	21%	22%
Volume (mt)	21,977	22,325	21,018	10,366	9,694
Growth		19%	11%		-6%
Realization/kg (Rs)	107	125	147	144	152
Growth		17%	18%		6%
Wafers	525	591	844	412	553
Growth		13%	43%		34%
Contribution	5%	4%	6%	6%	8%
Volume (mt)	2,661	3,048	4,179	1,992	2,779
Growth		19%	11%		40%
Realization/kg (Rs)	197	194	202	207	199
Growth		-2%	4%		-4%
Corn products	147	198	165	81	77
Growth		35%	-17%		-6%
Contribution	1%	1%	1%	1%	1%
Volume (mt)	1,343	1,533	1,197	612	502
Growth		19%	11%		-18%
Realization/kg (Rs)	109	129	138	133	153
Growth		18%	7%		15%
Western snacks	3,014	3,569	4,104	1,987	2,104
Growth		18%	15%		6%
Contribution	27%	26%	29%	28%	31%
Volume (mt)	25,981	26,906	26,394	12,970	12,975
Growth		19%	11%		0%
Realization/kg (Rs)	116	133	155	153	162
Growth		14%	17%		6%
Available capacity (mt)	75,222	81,158	86,728	43,364	43,364
Production (mt)	25,993	26,634	25,804	13,000	13,063
Utilization	35%	33%	30%	30%	30%

Source: IPO Document

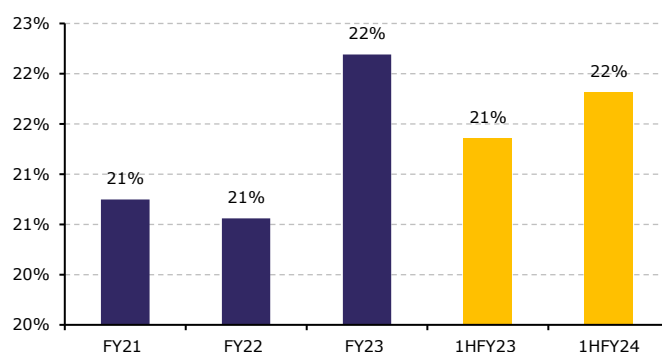
Gopal Snacks has 12, 8, and 5 products classified under snack pellets, wafers, and extruded snacks, respectively

Exhibit 41: Western snack offerings now represent ~30% of the company's revenue

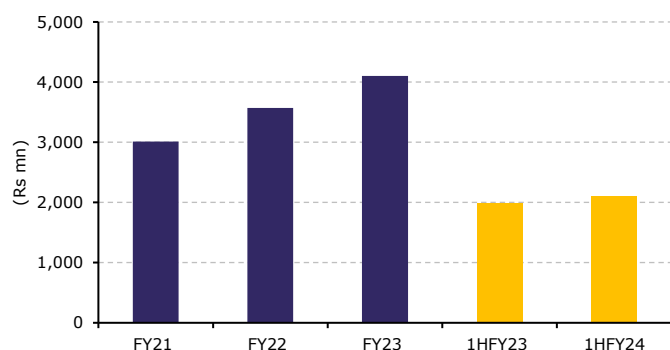
Source: IPO Document

Exhibit 42: Snacks pellets revenue seeing better growth

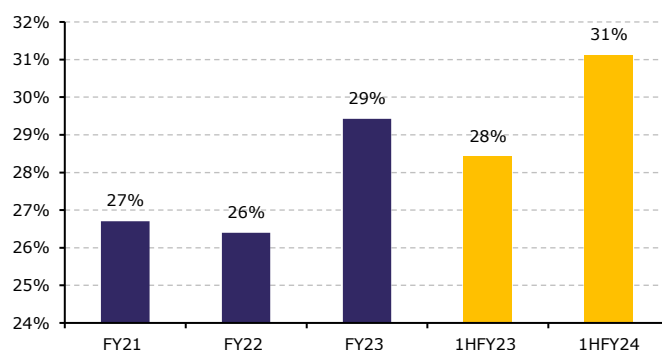
Source: IPO Document

Exhibit 43: Revenue share from snacks pellets helps sustain expansion

Source: IPO Document

Exhibit 44: Western snacks (including snacks pellets, wafer, and extruded offerings) revenue seeing faster growth

Source: IPO Document

Exhibit 45: Revenue share from western snack products witnessed sustained expansion

Source: IPO Document

Exhibit 46: Assessing western snacks revenue with the share of new launches

(Rs mn)	Launch	FY21	FY22	FY23	1H FY23	1H FY24
New product launches						
Plain Ponga and Masala Ponga	May-19 and Feb-20	289	419	522	235	272
Punjabi Tadka	Aug-21		30	38	19	17
Cristos Salted	Mar-22		1	87	39	52
Cristos Mexican Chili	Mar-22		1	80	34	54
Western snacks		3,014	3,569	4,104	1,987	2,104
Growth			18%	15%		6%
Base business		2,725	3,118	3,376	1,659	1,709
Growth			14%	8%		3%
Segment share		90%	87%	82%	84%	81%
New launches (Rs mn)		289	451	728	327	396
Growth			56%	61%		21%
Segment share		10%	13%	18%	16%	19%

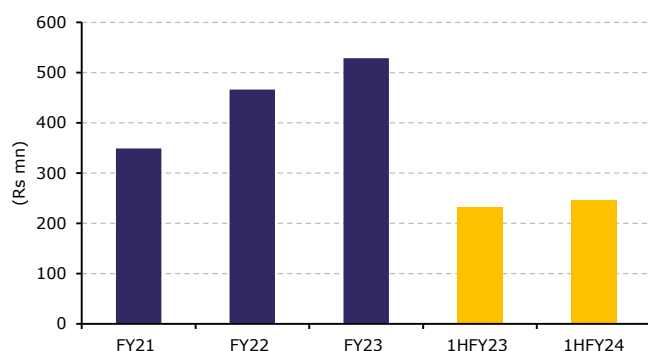
Source: IPO Document

Papad – Better growth aids in revenue contribution

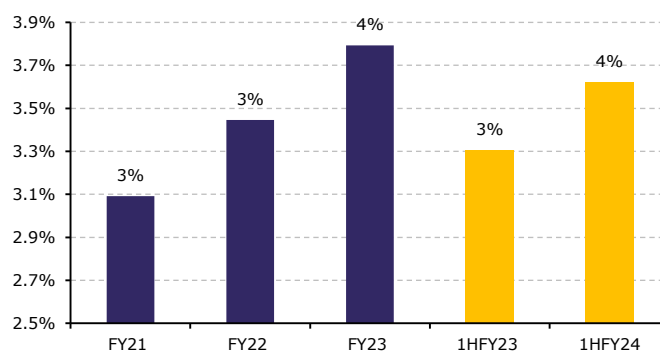
Gopal Snacks is the fourth largest handmade *papad* company in India (fifth overall) and offers four different kinds of papad, and its papad varieties include moong papad, coin papad, Punjabi papad, and udad papad. *Papad* is gradually becoming a part of every meal with improving availability. The category is sized at Rs83bn, where the share of organized is at ~34%. Gopal Snacks holds 3% market share in the organized papad market.

Exhibit 47: Gopal Snacks papad offerings**MOONG PAPAD - 7 INCHES****PUNJABI PAPAD - 7 INCHES****UDAD PAPAD - 5 INCHES**

Source: IPO Document

Exhibit 48: Papad revenue seeing sustained expansion

Source: IPO Document

Exhibit 49: Papad revenue contribution expanded

Source: IPO Document

Exhibit 50: Papad – Portfolio performance

(Rs mn)	FY21	FY22	FY23	1HFY23	1HFY24
Available capacity (mt)	9,604	10,165	9,920	4,960	4,960
Production (mt)	2,430	3,164	3,526	1,577	1,559
Utilization	25%	31%	36%	32%	31%
Revenue (Rs mn)	349	466	529	231	245
Growth		34%	14%		6%
Contribution	3%	3%	4%	3%	4%
Volume (mt)	2,356	3,156	3,327	1,491	1,439
Growth		34%	5%		-4%
Realization/kg (Rs)	148	148	159	155	170
Growth		0%	8%		10%

Source: IPO Document

Other major products

The company has other product categories that primarily consist of besan, spices, chikki, nachos, noodles, rusk, soan papdi, and washing bar. As of FY23, Gopal Snacks had nine products classified under other products. The company has engaged third-party manufacturers on a need basis to produce some other products such as chikki, nachos, noodles, rusk, soan papdi, and washing bar.

Exhibit 51: Besan offtake has seen healthy improvement

	FY21	FY22	FY23	1HFY23	1HFY24
Available capacity (mt)	42,780	42,780	42,780	21,390	21,390
Production (mt)	29,637	31,267	28,948	14,618	16,446
Utilization	69%	73%	68%	68%	77%
Captive consumption (mt)	28,934	27,771	23,090	12,102	11,940
% of production	98%	89%	80%	83%	73%
Revenue (Rs mn)	48	254	415	183	331
Growth		429%	63%		81%
Contribution	0%	2%	3%	3%	5%
Volume (mt)	702	3,496	5,858	2,516	4,506
Growth		398%	68%		79%
Realization/kg (Rs)	68	73	71	73	73
Growth		6%	-3%		1%

Source: IPO Document

Exhibit 52: Spices offtake has seen robust enhancement

(Rs mn)	FY21	FY22	FY23	1HFY23	1HFY24
Available capacity (mt)	837	6,766	9,207	4,604	4,604
Production (mt)	813	915	1,052	436	619
Utilization	97%	14%	11%	9%	13%
Captive consumption (mt)	777	868	839	388	454
% of production	96%	95%	80%	89%	73%
Revenue (Rs mn)	9	12	50	11	41
Growth		33%	317%		263%
Contribution	0%	0%	0%	0%	1%
Volume (mt)	35	47	213	48	165
Growth		32%	357%		240%
Realization (Rs/MT)	255	258	235	233	249
Growth		1%	-9%		7%

Source: IPO Document

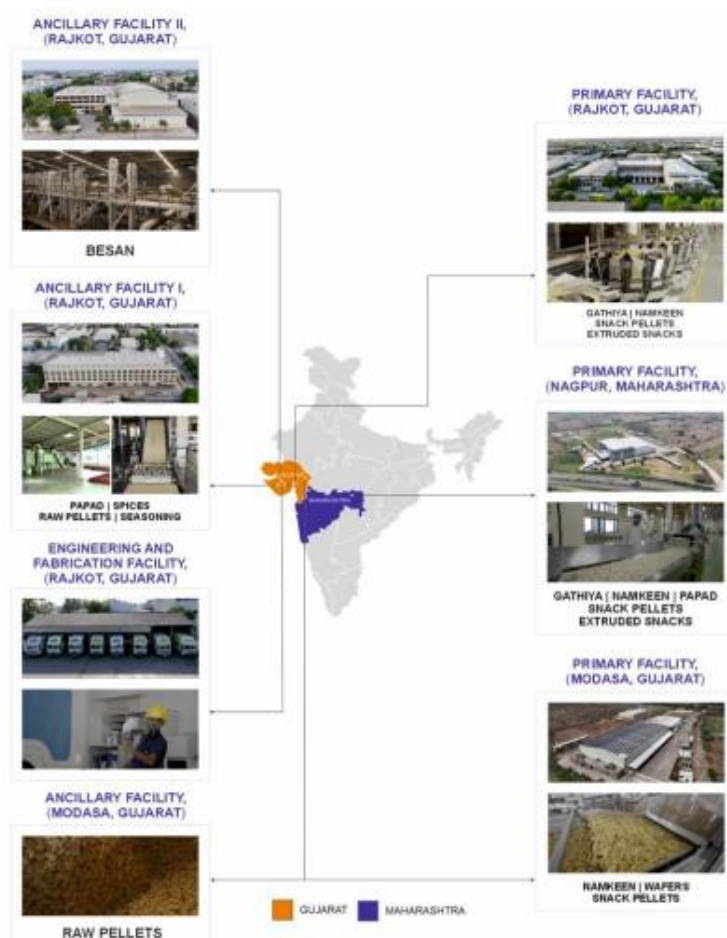
The company has expanded adjacent offerings like besan, spices, chikki, nachos, noodles, rusk, soan papdi, and washing bar

Production capacities with backward integration

The company has a manufacturing base near its core market in the western region with facilities comprising three primary manufacturing facilities and three ancillary manufacturing facilities. The three ancillary manufacturing facilities primarily focus on producing besan or gram flour, raw snack pellets, seasoning, and spices, all of which are primarily used for captive consumption in the manufacturing of finished products such as *gathiya*, *namkeen*, and snack pellets.

Exhibit 53: Production facilities concentrated in western India

Gopal Snacks has three primary manufacturing facilities and three ancillary manufacturing facilities, based in western India



Source: IPO Document

As of Sep-23, the annual installed capacity of its six manufacturing facilities was 404,729 MT, of which the installed capacity of three primary manufacturing facilities (including the annual installed capacity for *papad*, which is manufactured at one of its ancillary manufacturing facilities located in Rajkot, Gujarat) was 303,669 MT and the aggregate annual installed capacity of its three ancillary manufacturing facilities (excluding the annual installed capacity for *papad*) was 101,060 MT.

Exhibit 54: Gopal Snacks' capacity and utilization

	Available Capacity (MT)			Production (MT)			Utilization		
	FY21	FY22	FY23	FY21	FY22	FY23	FY21	FY22	FY23
Rajkot, Gujarat	177,581	174,114	175,137	81,307	70,915	64,500	45.8%	40.7%	36.8%
Nagpur, Maharashtra	74,721	99,628	99,628	19,859	16,437	11,488	26.6%	16.5%	11.5%
Modasa, Gujarat	-	7,615	21,068	-	5,324	5,755			
Bhiwadi, Rajasthan	176	6,820	1,324	31	80	162	17.6%	1.2%	12.2%
Manufacturing Primary facility	252,478	288,177	297,157	101,197	92,756	81,905	40.1%	32.2%	27.6%
Rajkot, Gujarat	29,481	36,804	36,270	15,401	15,614	14,581	52.2%	42.4%	40.2%
Rajkot, Gujarat	42,780	42,780	42,780	29,636	31,266	28,948	69.3%	73.1%	67.7%
Modasa, Gujarat	-	-	8,577	-	-	2,377			27.7%
Ancillary Manufacturing Facilities	72,261	79,584	87,627	45,037	46,880	45,906	62.3%	58.9%	52.4%

Source: IPO Document

This report is intended for namit.arora@indgrowth.com use and downloaded at 03/01/2024 08:43 PM

Emkay Research is also available on www.emkayglobal.com and Bloomberg EMKAY<GO>. Please refer to the last page of the report on Restrictions on Distribution. In Singapore, this research report or research analyses may only be distributed to Institutional Investors, Expert Investors or Accredited Investors as defined in the Securities and Futures Act, Chapter 289 of Singapore.

Automation and smart placement of machinery drive production efficiency

Machine customization aids in production efficiency

Gopal Snacks has customized machinery set-ups such as fryers, machines for manufacturing raw pellets, mixing machines, blending machines, ingredient controllers, and weight controllers. This enables the company to manufacture products with consistent temperature, shapes, textures, and taste. The company has also customized its product identification mechanisms, automated warehouse, and conveyor roller belts, which facilitate its post-manufacturing processes.

The company uses a gravity-driven material movement process where raw materials flow from the top, are converted into finished products, and immediately transported downwards into cartons for delivery. These arrangements are placed to drive efficiency in the processes.

Regional concentrated capacity has backward linkages

Gopal Snacks' **three primary manufacturing facilities** are located at Nagpur, Maharashtra; Rajkot, Gujarat; and Modasa, Gujarat; and these facilities primarily focus on the manufacturing of finished products.

- At its Rajkot, Gujarat, facility, the company manufactures *gathiya*, *namkeen*, snack pellets, and extruded snacks, where capacity utilization is at 36.83%.
- At Modasa, Gujarat, facility, the company manufactures *namkeen*, snack pellets, and wafers, where its capacity utilization is at 27.32%

Of the **three ancillary manufacturing facilities**, two ancillary manufacturing facilities are located at Rajkot, Gujarat, and one ancillary manufacturing facility is located at Modasa, Gujarat. The company's three ancillary manufacturing facilities primarily focus on producing besan or gram flour, raw snack pellets, seasoning, and spices, all of which are primarily used for captive consumption in the manufacturing of finished products such as *gathiya*, *namkeen*, and snack pellets.

Exhibit 55: Gopal Snacks' production capacities

	Rajkot, Gujarat	Modasa, Gujarat	Nagpur, Maharashtra
Space (mn sqft)	0.22	0.68	1.44
Year commenced	2010	2021	2018
Capacity (MT)^	1,75,138	25,802	96,219
Focus categories	Gathiya Namkeen Snack pellets	Namkeen Snack pellets Wafers	Gathiya Namkeen Snack pellets Extruded snacks Papad
Backward integration	Two ancillary manufacturing facilities (spread over 0.1mn sqft) are engaged in the production of besan/gram flour, raw snack pellets, seasoning, and spices, all of which are primarily used for captive consumption	One ancillary manufacturing (spread over 0.22 mn sqft) is engaged in the production of raw snack pellets	

Source: IPO Document; Note: ^As of 30-Sep-23

Production concentration: The company's production is concentrated in the western part of India. This can be a deterrent to its pan-India expansion. The company established a facility in Nagpur in 2018, which focused on addressing neighboring states, where the catchment saw expansion. The Nagpur unit addresses demand in Maharashtra, Madhya Pradesh, Jharkhand, and Rajasthan.

In addition, the company engages **third-party manufacturers** on a need basis to produce products such as chikki, nachos, noodles, rusk, soan papdi, and washing bar.

The facility caters to a range of states, such as Jharkhand, Chhattisgarh, Uttar Pradesh, Bihar, Telangana, Andhra Pradesh, Madhya Pradesh, and the Vidarbha region of Maharashtra

Exhibit 56: Category production concentration across plants

Manufacturing Facility	Core segments						Key raw-material ingredients			
	Gathiya	Namkeen	Snack Pellets	Wafers	Extruded Snacks	Papad	Besan	Spices	Raw Pellets	Seasoning
Rajkot, Gujarat (Primary Facility)	✓	✓	✓		✓					
Modasa, Gujarat (Primary Facility)		✓	✓	✓						
Nagpur, Maharashtra (Primary Facility)	✓	✓	✓		✓	✓				
Rajkot, Gujarat (Ancillary Facility I)						✓		✓	✓	✓
Rajkot, Gujarat (Ancillary Facility II)							✓			
Modasa, Gujarat (Ancillary Facility III)									✓	

Source: IPO Document

Backward integration helps maintain quality

As highlighted above, under ancillary units, the company manufactures besan or gram flour and spices such as chili powder, cumin powder, coriander powder, and turmeric powder, which are key ingredients to produce various types of *namkeen* and *gathiya* products. The company also manufactures raw snack pellets to produce snack pellets.

Controlling the production of these ingredients allows Gopal Snacks to maintain consistent taste, texture, and quality of products, and reduce dependence on external suppliers, thereby lowering the overall production cost.

Thrust in place for core, focus, and other states

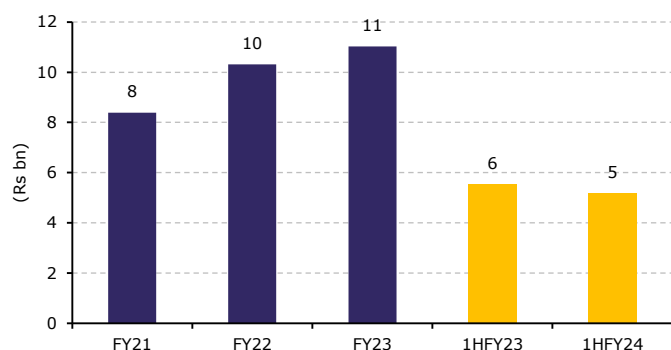
In its core Gujarat market, management's thrust is on market share gains and strengthening its leadership position. In Gujarat, Frost & Sullivan Report estimates the ethnic savories segment to be sized at Rs38-40bn, western savories segment at Rs48-50bn, and *papad* at Rs8.5-9bn. For Gopal Snacks, Gujarat represents ~79% of its revenue (For FY23), where its revenue CAGR from operations stood at 15% over FY21-FY23. As per the Frost & Sullivan Report, in FY23, Gopal Snacks had ~20% market share in ethnic savories, ~8% in western snacks, and ~6% in the *papad* industry in Gujarat (including organized and unorganized sectors). As of 9MFY24, the company had 279 distributors across Gujarat, representing 45% of the total distributors in India.

Core market: Gujarat**Focus market: Maharashtra, Rajasthan, Uttar Pradesh, and Madhya Pradesh****Other markets: Uttarakhand, Jharkhand, Chhattisgarh, Telangana, and Karnataka****Exhibit 57: Core – Gujarat market opportunity (overall^) for Gopal Snacks**

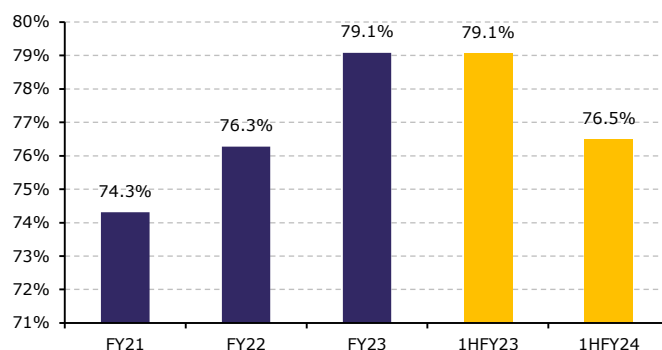
	Category# share of Gujarat in India	Category# market size in Gujarat (Rs bn)	Gopal's market share
Ethnic savories	10.5%	38-40	20%
Western snacks	12.3%	48-50	8%
Papad	10.6%	8.5-9	6%

Source: IPO Document; Note: ^ Include organized and unorganized; # Comprises ethnic savouries, western snacks, and papad

Beyond its core market, the company has identified its neighboring states as its focus markets. Given its regional capacity concentration, the company has identified other states to focus beyond core and focus markets. We see that pan-India thrust would require the company to expand its manufacturing capacities.

Exhibit 58: Revenue from the core Gujarat market

Source: IPO Document

Exhibit 59: Gujarat revenue concentration remained high

Source: IPO Document

Exhibit 60: Management has extended market focus beyond its core market

Source: IPO Document

Management has intended to deepen its penetration in Gujarat with a focus on increasing its market share in the western snacks market by leveraging its distribution network and a wide array of products, including products in the western snacks category.

Management has chosen its focus markets based on their geographical proximity to the current production facilities and the possibility of increasing its product line in those regions, which include Maharashtra, Rajasthan, Madhya Pradesh, and Uttar Pradesh. We feel the focus market has a considerable scope within the snack category, and management has planned for expansion.

Core and focus markets represent 43-55% of the respective categories

Exhibit 61: Gopal Snacks' core and focus markets focus represents half of the Indian savories market

% of India	Gujarat	Maharashtra	Rajasthan	Madhya Pradesh	Uttar Pradesh	Total
Ethnic savories	10.5%	12.9%	9.1%	8.1%	14.0%	54.6%
Western snacks	12.3%	12.1%	5.8%	6.0%	8.2%	44.4%
Papad	10.6%	8.0%	11.4%	8.6%	4.6%	43.2%

Source: IPO Document; Note: Based on data for FY23

Exhibit 62: Gopal Snacks' pan-India distributor base

	Gujarat	Maharashtra	Rajasthan	Madhya Pradesh	Uttar Pradesh	Total
Gopal distributors	279	143	31	47	67	567
As a % of total	45%	23%	5%	8%	11%	92%

Source: IPO Document

Management has intended to increase its presence in focus markets. Further, management believes the market size of these states offers opportunities to expand market share. Management intends to deepen penetration in these markets by leveraging experience and success in Gujarat, enhancing brand awareness, and strengthening its distribution network by growing the number of distributors in districts within such markets. Further, management intends to develop other markets such as Jharkhand, Chhattisgarh, Odisha, Telangana, and Karnataka to expand sales and enhance brand recognition.

Distribution and branding crucial for national aspiration

Gopal Snacks' market coverage is managed with three depots and 617 distributors. The company's supply chain is being managed by ~740 sales and marketing team members. The company has a long-standing relationship with 69 distributors (~25% of its overall distributors) in Gujarat, who have been associated with the company for over a decade and generated ~26.6% of revenue in FY23. In 2017, the company implemented distribution management systems (DMS) to improve the efficiency of the supply chain, which helps distributors place orders with the company. Like FMCG peers, the company utilizes live GPS tracking of logistics vehicles to further enhance supply chain operations. This allows Gopal Snacks to monitor logistics vehicles in transit to ensure its products reach distributors on time.

Gopal Snacks' distribution: The company generates ~99% of its revenue via the general trade channel. Unlike most other peers, Gopal Snacks does not have a super stockists' layer in the supply chain. We see this as a factor of large revenue concentration in the Gujarat market (~77% of the revenue for 1HFY24). Manufactured products are supplied to retailers via distributors. The company saves margin at the current scale. However, in the long run, as the company expands its horizon, there will be a need for an extra layer in the supply chain to make the process efficient.

LUP remains the bulk of the business

As per Frost & Sullivan Report, the Rs5 SKUs in the snacks industry are largely preferred by consumers as they offer an affordable price point to every consumer category and help market players drive increased sales and generate higher revenue. Further, a similar trend has been seen for Rs10 SKUs majorly in the western snacks segment (Source: Frost & Sullivan Report). Gopal Snacks generated ~70% of sales from Rs5 SKUs and ~12% from Rs10 SKUs during 1HFY24.

Gopal Snacks has a high share of LUP; the company generates a bulk of business (@99%) from general trade outlets

Exhibit 63: Gopal Snacks' SKU mix – Salience of the Rs5 SKU is on the decline, with focus on a wider savory snacks

	No. of packets sold			Revenue (Rs mn)			% of Revenue			Rs/pack		
	FY21	FY22	FY23	FY21	FY22	FY23	FY21	FY22	FY23	FY21	FY22	FY23
Rs5 SKU	2,618	3,049	2,844	9,333	10,917	10,527	82.6%	80.7%	75.5%	3.56	3.58	3.70
Rs10 SKU	61	87	164	464	607	1,147	4.1%	4.4%	8.2%	7.61	6.98	6.99
Rs10+ SKU	39	41	46	1,323	1,526	1,760	11.7%	11.3%	12.6%	33.92	37.22	38.26
Others	-	-	-	167	471	513	1.5%	3.5%	3.7%			
Total	2,718	3,177	3,054	11,288	13,521	13,947				4.15	4.26	4.57

Source: IPO Document

Logistics support with in-house capabilities

The company owned and operated 263 logistics vehicles as of 30-Sep-23. The company has an engineering and fabrication facility located at Rajkot, Gujarat, to manufacture customized containers, which are mounted on its vehicles to transport products. The company believes its capability to manufacture containers allows it to ensure the strength of the metal body of containers, ensuring products are protected from heat, rain, and humidity. Owning a fleet of customized logistics vehicles helps it avoid undue delays in the delivery of products, wastage threat of in-transit pilferage, and avoidance of demurrage due to incidental delays. Further having an own vehicle also aids in brand building.

The intent of keeping fixed costs low: As a strategy, the company has its fleet, which distributes products nationally. This helps in reaching wider customers faster, which is not possible in rented trucks. Reaching a wider market with production concentration will hurt costs, where efficiency benefits would be key. It looks like the company wants to avoid having a unit in each state, which entails high fixed costs.

Exhibit 64: Engineering and fabrication facility



Source: IPO Document

In-house cold storage

The company has a cold storage facility located within its primary manufacturing facility in Modasa, Gujarat. As of 30-Sep-23, the facility had an annual installed capacity of 40,000 MT. This allows Gopal Snacks to control storage conditions and provides flexibility in terms of storage schedule. As per the Frost & Sullivan Report, Gopal Snacks has the largest cold storage facility in the Indian snacks industry, as of 30-Sep-23

Limited branding spends; quality remains a key proposition for demand-pull

The company largely relies on product quality as a testament to building brand equity. The company's A&P spends are relatively low in the category, where spending is mostly deployed towards local market initiatives. In the past, the company has advertised its products with slogans such as *Sab Bhoomi Gopal Ki*, *Pure Quality*, *Total Faith*, and *Get. Set. Crunch*.

The company's historical marketing and brand-building initiatives include advertisements in radio, print, social media, digital, and outdoor promotional campaigns, participation in exhibitions in India, sponsorship of sports events in India, and conducting product samplings. As part of its brand visibility arrangement, the company has sponsored Gujarat Giants team, which participates in the Women's Cricket Premier League; and in FY23, the company participated in certain exhibitions as well.

Exhibit 65: Leveraging the 'Women IPL' for brand visibility



Source: IPO Document

The company's distribution is backed by its fleet of 263 vehicles

The company has a cold storage facility with a capacity of 40,000MT

Exhibit 66: Branding approach by the company

Advertisement on our logistics vehicle



Packaging with our slogans



Mascots used for advertisement



Source: IPO Document

Exhibit 67: Outdoor activities

Advertisement on public transport



Participation in exhibition

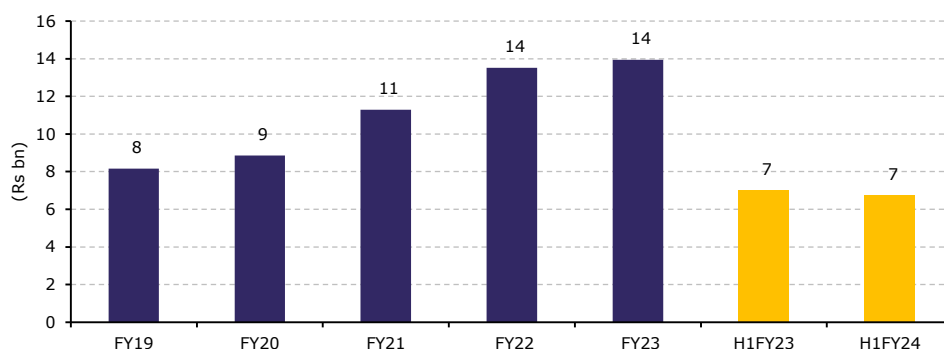


Source: IPO Document

Healthy margin and ROE; growth recoup is key

Gopal Snacks has sustained a healthy growth trajectory with ~14% revenue CAGR in the last four years. However, in recent years, its growth has slowed down, which is a factor of disruption in its sales team, as per our checks.

Exhibit 68: Gopal Snacks' revenue trajectory



Source: IPO Document

Growth slowdown: The promoter had developed a strained relationship with his brother, who was looking after the company's sales. Ahead of the IPO, the promoter has acquired his brother's stake in the business. As per our ground checks, the company has re-established connections with the supply chain, where the focus is to drive business.

Exhibit 69: Revenue growth

	FY20	FY21	FY22	FY23
Haldiram North	20.7%	10.6%	22.8%	
Balaji	18.4%	25.8%	36.2%	23.0%
Haldiram Nagpur	-0.9%	3.3%	15.3%	
Bikaji	19.2%	22.0%	22.9%	22.0%
Prataap Snacks	19.1%	-16.0%	19.3%	18.4%
Gopal Snacks	8.6%	27.4%	19.8%	3.1%
DFM Foods	5.0%	3.2%	5.8%	5.7%
Haldiram Prabhuji	-6.2%	-18.3%	25.0%	

Source: IPO Document

Exhibit 70: Key revenue streams for listed peers

	Gopal Snacks	Bikaji	Prataap snacks
FY23 revenue (Rs mn)	13,947	19,661	16,529
Gathiya	30.4%		
Bhujia		33.4%	
Namkeen	29.1%	36.1%	16.0%
Western Snacks	29.4%	8.2%	81.0%
Papad	3.8%	6.2%	
Packaged sweets / Sweet snacks		12.1%	3.0%
Others	7.3%	4.0%	0.0%

Source: IPO Document, Emkay Research

Gross margin saw a sharp shift in FY23

Historically, Gopal Snacks had lower gross margins which, our checks suggest, was a factor of higher grammage offering in the packs. The company's gross margin recovered sharply to approximately 28% in FY23, and this trend has continued into 1H FY24. The company continues to offer higher grammage per pack in markets beyond Gujarat; but in Gujarat, its pack volume is similar to the competition. Also, for Gopal Snacks, production is largely in-house, unlike the competition, where part of COGS is recognized in other expenses, as job work charges. The company does not have a formal hedging policy and does not undertake hedging on any commodity futures platform.

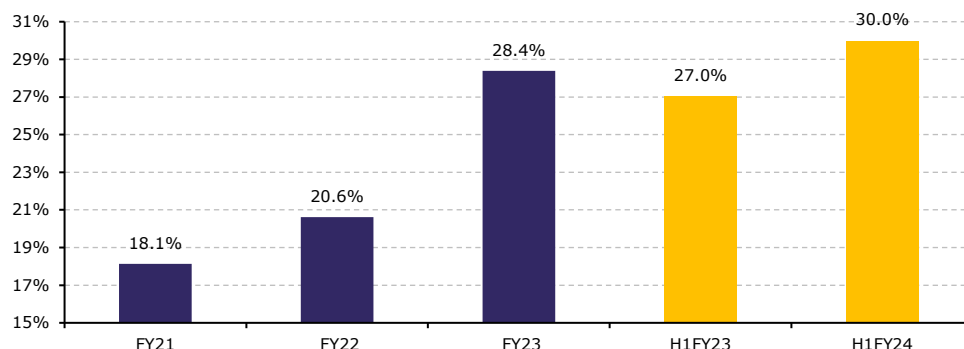
Gopal Snacks saw revenue CAGR of 14% over FY19-23

In the last 18 months, Gopal Snacks has underperformed sales growth

Namkeen and western snacks remain the most competitive segments, where most savory players have presence

Backward integration – A long-term moat: Unlike its peers, the company has set up ancillary units near its facilities, which not only procure raw material (bulk purchase helps in pricing) but also help in product quality. The company procured chickpea from more than 4,200 farmers associated either directly or through APMC. The company also directly procured potatoes from more than 1,300 farmers in FY23. The company has also seen a strengthening in its relationship with farmers, which is likely to be a bigger moat in the long term.

Exhibit 71: Gross margin profile enhanced in FY23; trend sustained in FY24



Source: IPO Document

Exhibit 72: Gross Profit Margin

	FY20	FY21	FY22	FY23
Haldiram North	36.0%	34.0%	29.6%	
Balaji	21.0%	14.8%	12.7%	20.2%
Haldiram Nagpur	34.0%	32.4%	27.8%	
Bikaji	30.7%	28.5%	27.4%	29.0%
Prataap Snacks	29.1%	28.5%	25.8%	28.2%
Gopal Snacks	21.9%	18.1%	20.6%	28.4%
DFM Foods	39.3%	40.3%	36.1%	39.2%
Haldiram Prabhuji	44.3%	32.4%	32.7%	

Source: IPO Document

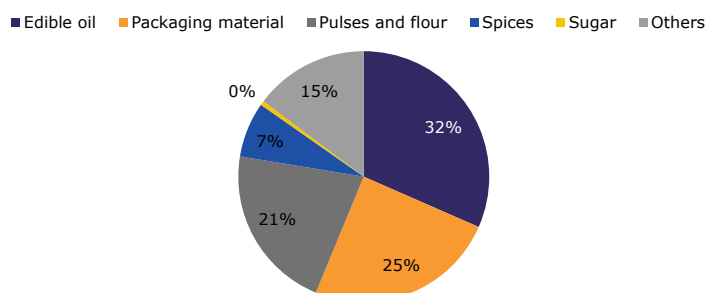
Negligible dependence on contract partners: Gopal Snacks relies on in-house products with strong backward integration. Unlike competition, the company does not want to drive sales with contract manufacturing arrangements, as it may dilute quality and product freshness. The company engages with contract manufacturers for select new initiatives, which are small in size like chikki (seasonal offering) and noodles, where with scale, it would look to shift to in-house production.

Exhibit 73: Job Work Cost-to-Revenue

	FY21	FY22	FY23
Bikaji	0.9%	0.9%	1.1%
Prataap Snacks	4.7%	4.4%	6.2%
Gopal Snacks	0.0%	0.0%	0.0%

Source: IPO Document, Emkay Research

Exhibit 74: Raw-material mix for FY23



Source: IPO Document

Gross margin saw a sharp expansion in FY23, which further expanded in 1H FY24

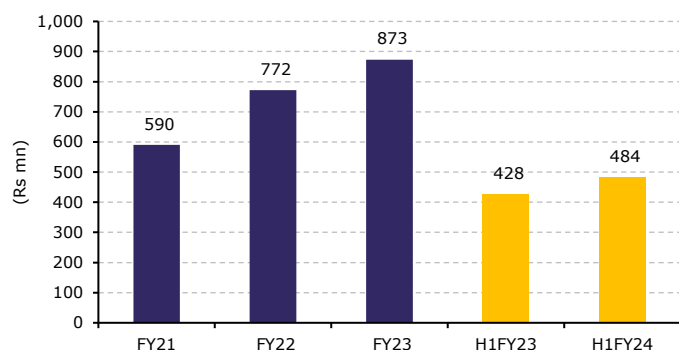
Contract manufacturing is limited for Gopal Snacks, unlike peers

Higher employee spends; lower A&P and freight costs

Upon a thorough analysis of the operational cost headings compared to its listed competitors, we find that Gopal Snacks has relatively high labor expenses, which we believe is a result of its strong backend capabilities. The company's A&P expenses and transportation expenses are also relatively low.

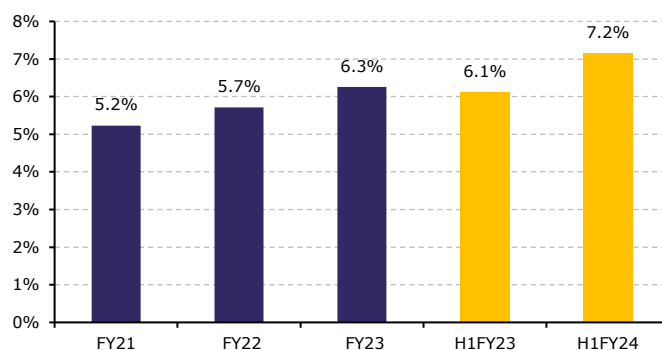
Employee spends relatively high: Gopal Snacks' relatively high employee spends in FY23 could be a factor in the recruitment of professionals in the business, post departure of the sales team. The company adopted an ESOP scheme called Gopal Snacks Limited – Employee Stock Option Scheme, in 2023, which is yet to take effect.

Exhibit 75: Employee spends



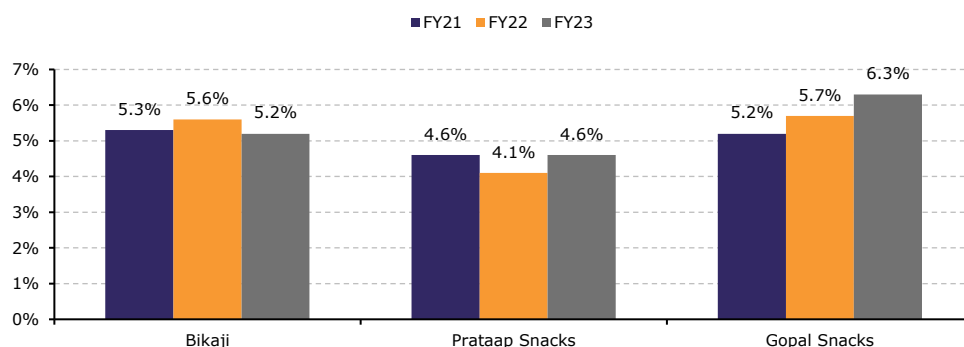
Source: IPO Document

Exhibit 76: Employee spending as a % of revenue



Source: IPO Document

Exhibit 77: Employee spends as a % of revenue for listed savory snacks peers



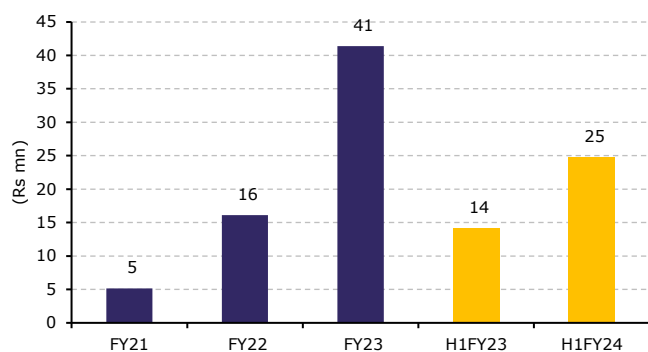
Source: IPO Document

A&P spending for Gopal Snacks is relatively low: Given limited market presence, national advertisement for Gopal Snacks does not make sense; as such, spends have been relatively low vs. peers. For brand visibility, the company adopted local promotion via hoardings, vehicle advertisements, and product sampling. The company also attends exhibitions and is associated with the Women IPL League. Additionally, it leverages the festive period with local branding. We see the need for higher spends, as the company gains scale beyond its core markets.

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

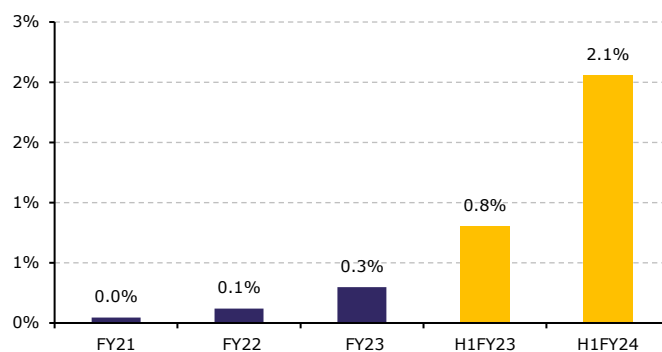
Gopal Snacks' employee spends are relatively high

Exhibit 78: A&P spends



Source: IPO Document

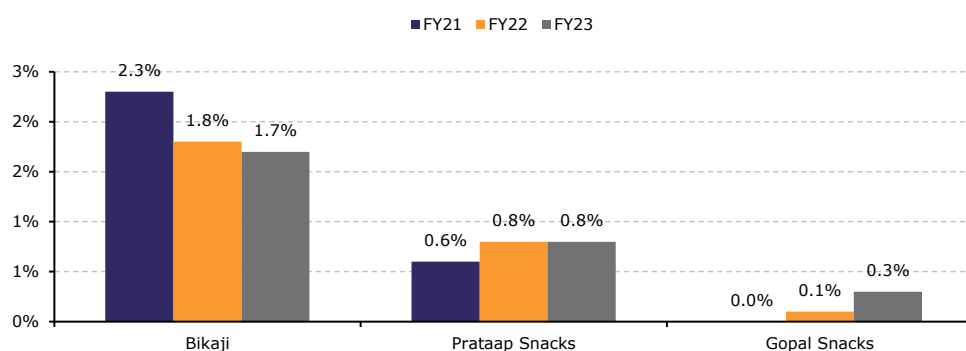
Exhibit 79: A&P spend as a % of revenue



Source: IPO Document

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

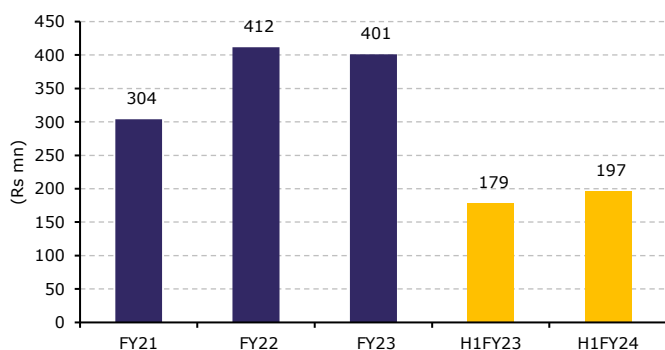
Exhibit 80: A&P spend as a % of revenue for listed savory snacks peers



Source: IPO Document, Emkay Research

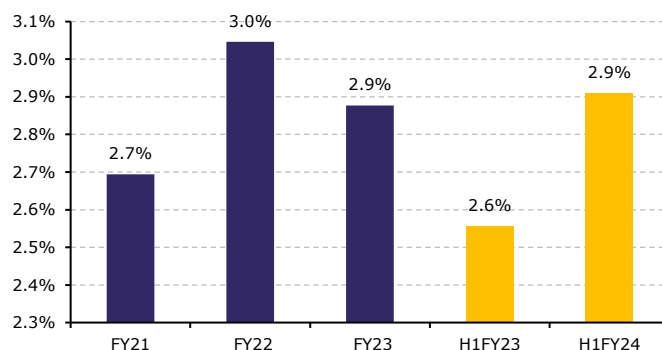
Efficient transportation costs: The company has been leveraging its plant automation to quickly load products in its own fleet of vehicles (263 vehicles as of Sep-23). The company's customized containers help it transport more products and allow it to cover a wider customer base. Going ahead, with capacity concentration, we see increased spending as the company looks to widen coverage. Here, the backend strategy will help the company to drive efficiency.

Exhibit 81: Transportation costs

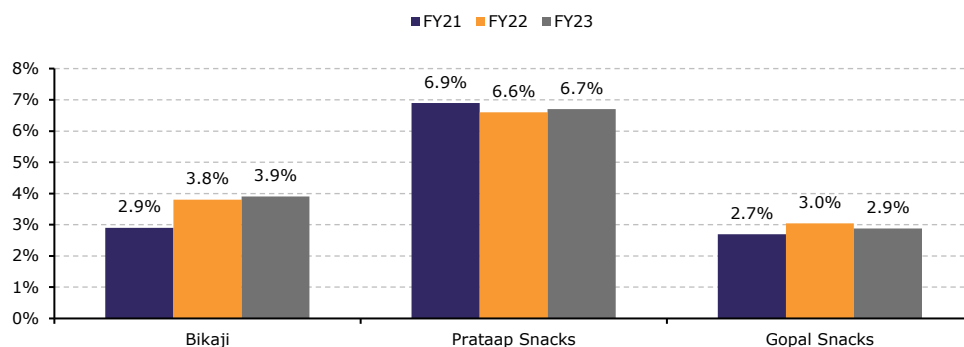


Source: IPO Document

Exhibit 82: Transportation spend as a % of revenue

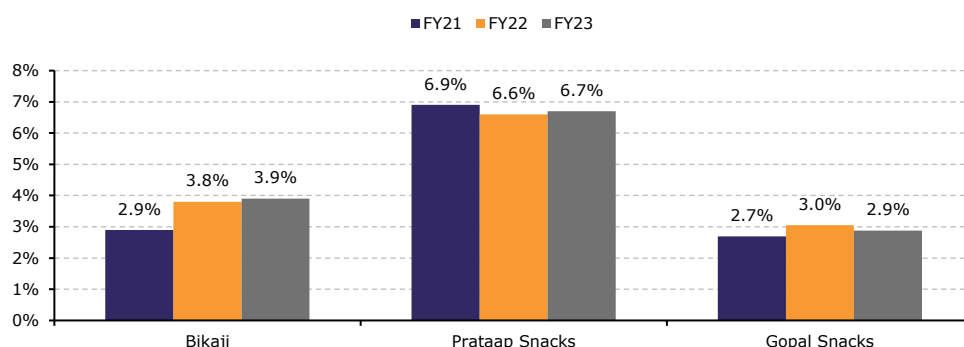


Source: IPO Document

Exhibit 83: Transportation costs as a % of revenue for listed savory peers

Source: IPO Document, Emkay Research

Power and fuel spends at optimum levels: The company's power and fuel expenses have been under control and account for ~3% of sales. With scale and through customization of machines, the company is placed well to drive efficiency benefit.

Exhibit 84: Power and fuel spends as a % of revenue for listed savory peers

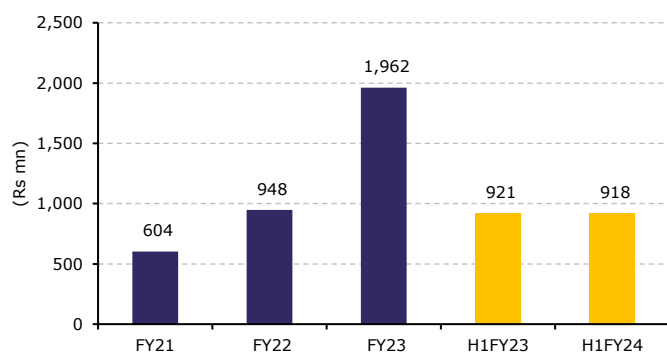
Source: IPO Document, Emkay Research

EBITDA margin scaled to a decent level; sustenance key

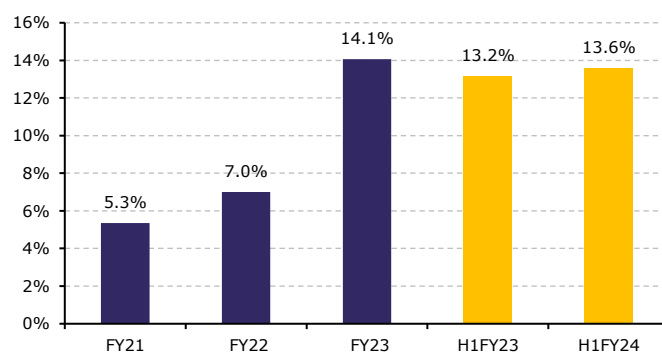
EBITDA margin delivery enhanced with recovery in gross margin. For FY23, we do not have data for large unlisted peers; however, based on the company's data, we see Gopal Snacks is at a pole position with ~14% EBITDA margin, which was largely sustained in 1HFY24.

Going ahead, as the company expands beyond core markets, its A&P and transportation costs are likely to go up. This is likely to have a bearing on EBITDA margin delivery. However, in case the company scales fast with a focus on newer markets, operating leverage benefit is likely to be handy.

Sharp expansion in gross margin flow led to healthy EBITDA margin expansion in FY23, which was largely sustained in 1HFY24

Exhibit 85: Sharp margin delivery aided EBITDA

Source: IPO Document

Exhibit 86: EBITDA margin looks healthy

Source: IPO Document

Exhibit 87: EBITDA Margin

	FY19	FY20	FY21	FY22	FY23
Bikaji Foods International	10.2%	8.7%	11.1%	8.7%	10.9%
Haldiram (Nagpur +Delhi)	20.0%	15.9%	16.6%	13.0%	
Bikanervala Foods	9.9%	7.1%	10.2%	8.1%	
Prataap Snacks	8.0%	7.3%	6.1%	4.2%	4.2%
Balaji Wafers	12.7%	10.3%	5.0%	3.8%	13.2%
PepsiCo India	5.2%	7.1%	6.3%	4.5%	8.1%
DFM Foods	13.4%	8.3%	10.7%	-3.1%	
Gopal Snacks	6.7%	9.1%	5.3%	7.0%	14.1%
Bikaji Foods International	10.2%	8.7%	11.1%	8.7%	10.9%

Source: IPO Document

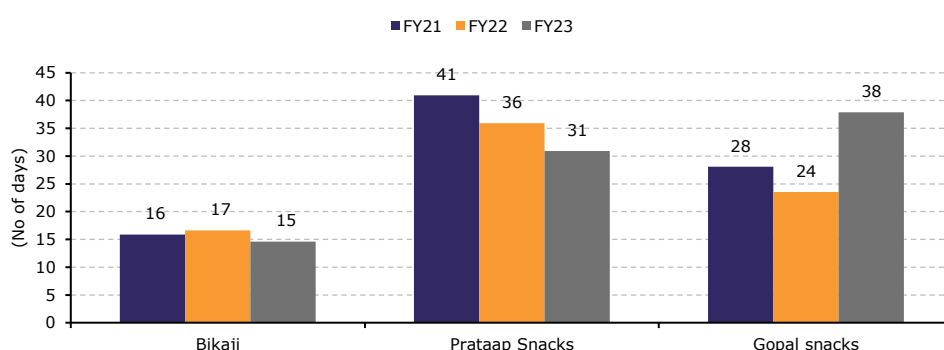
Raw-material inventory drives working capital higher

For Gopal Snacks, given high backward integration, there is a need for seasonal product procurement. Moreover, as the company procures in bulk, it has a rate advantage. The company has a cold storage located within its primary manufacturing facility in Modasa, Gujarat. The facility had an annual installed capacity of 40,000 MT, which is the largest in the Indian snacking industry. The company's procurement generally is concentrated in February and March; as such, inventory days as of March 31 are generally at peak levels. Over the years, its inventory requirement has come down. We see the need for higher inventory in case of poor production or increased competitive setting.

Exhibit 88: Inventory split

	Mar-23	Share	Sep-24	Share
Raw materials	1,100	76%	723	83%
Finished goods	158	11%	35	4%
Stock-in-trade	7	0%	0	0%
Stores and spares	61	4%	29	3%
Packing materials	123	8%	82	9%
Total	1,449	100%	869	100%

Source: IPO Document

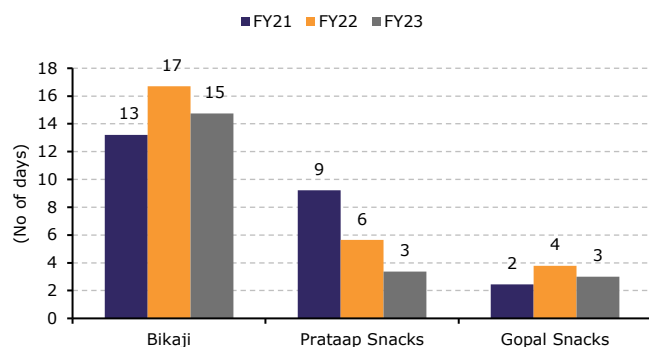
Exhibit 89: Inventory days for peers

Source: IPO Document, Emkay Research

Gopal Snacks' transactions with its customers are with advance payment or with limited credit. Moreover, given 99% of sales are being routed through general trade, its credit days are relatively low. At the same time, its payable days are also low, where it does not block money for creditors, unlike FMCG peers.

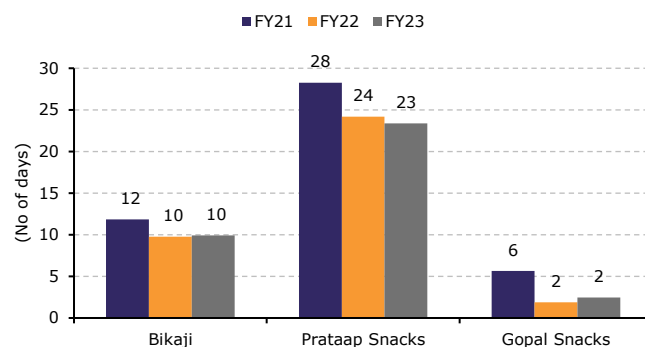
Generally, the company's procurement is concentrated in February and March; as such, inventory days as of 31-March are generally at peak levels

Exhibit 90: Receivable days for peers



Source: IPO Document, Emkay Research

Exhibit 91: Payable days for peers



Source: IPO Document, Emkay Research

Exhibit 92: Revenue by trade channel

	Sales by trade channel (Rs mn)					As a % of revenue				
	FY21	FY22	FY23	H1FY23	H1FY24	FY21	FY22	FY23	H1FY23	H1FY24
General Trade	11,167	13,504	13,928	6,984	6,739	98.9%	99.9%	99.9%	99.9%	99.7%
Others	122	17	18	9	22	1.1%	0.1%	0.1%	0.1%	0.3%
Total	11,289	13,522	13,947	6,993	6,761	100.0%	100.0%	100.0%	100.0%	100.0%

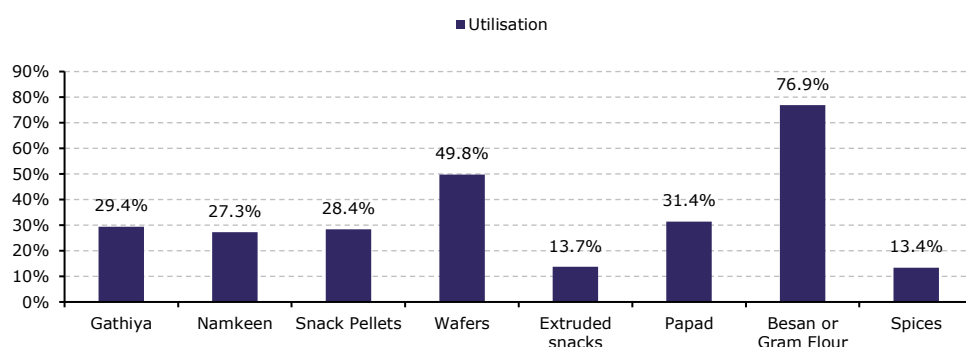
Source: IPO Document

Gopal Snacks has better turns at ~3.3x for FY23, despite 99% in-house production

Improvement in asset turns

Foods and beverages as a category is known for its capital-intensive nature and low profitability. Companies that rely on contract manufacturers enjoy healthy gross block turns vs. capital-intensive businesses. Amid listed savory snacks peers, Bikaji and Prataap Snacks broadly have similar gross block turns at ~2%. Gopal Snacks has better turns at ~3.3x for FY23, despite 99% in-house production.

Exhibit 93: Capacity utilization across segments for Gopal Snacks



Source: IPO Document

Capex needs to be limited: With its utilization under 50%, the company can easily double its revenue from its existing production facilities. However, its reluctance to partner with contract manufacturers may need capex spending in the long term, as the company looks to expand its market coverage. A closer look at the savory snacks player strategy suggests the need for a must-have plant in Uttar Pradesh or Bihar in North and Guwahati in the northeast region.

Gopal Snacks' assets turns are better despite near 99% in-house production

Exhibit 94: Fixed asset turn for savory snacks players

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

Source: IPO Document, Emkay Research

Note: Gross block includes all tangible and intangible fixed assets

Exhibit 95: Plant and machinery gross block turns for savory snacks players

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

Source: IPO Document, Emkay Research

Exhibit 96: Fixed asset turns for savory snacks peers

(x)	FY19	FY20	FY21	FY22	FY23
Bikaji Foods	2.3	2.7	3.2	3.4	3.3
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: IPO Document

Note: (PPE + Intangibles / Revenue from operations)

Better asset turns and margins aiding return ratio

Gopal Snacks has a relatively strong return profile because of an efficient balance sheet. As highlighted in the sections above, improvement in the company's margin profile with healthy asset turns reflects in return profile expansion.

Exhibit 97: Return profile of listed peers

	FY21	FY22	FY23
Capital employed (Rs mn)			
Gopal Snacks	2,700	3,407	3,686
Bikaji	6,949	9,804	11,218
Prataap Snacks	7,634	8,321	9,147
RoCE			
Gopal Snacks	13.5%	18.7%	43.1%
Bikaji	18.4%	11.6%	16.7%
Prataap Snacks	1.4%	0.4%	0.6%
Net worth (Rs mn)			
Gopal Snacks	1,357	1,777	2,909
Bikaji	6,057	8,208	9,536
Prataap Snacks	7,254	7,940	8,767
RoE			
Gopal Snacks	15.6%	23.4%	38.6%
Bikaji	14.9%	9.3%	13.3%
Prataap Snacks	2.3%	2.7%	3.1%

Source: IPO Document, Emkay Research

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

Exhibit 98: Return profile of savory snacks peers

	Return on equity					Return on capital employed				
	FY19	FY20	FY21	FY22	FY23	FY19	FY20	FY21	FY22	FY23
Bikaji Foods International	10.9%	10.7%	14.9%	9.3%	13.3%	16.4%	12.7%	18.4%	11.6%	16.7%
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	8.3%	8.0%	2.3%	2.7%	3.1%	5.1%	3.5%	1.4%	0.4%	0.6%
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 capex needs, to keep free cash healthy

With improvement in profitability and limited capex needs, the company has seen a healthy recovery in free cash generation in the business.

Exhibit 99: Free cash flow generation

(Rs mn)	FY21	FY22	FY23	1HFY23	1HFY24
Net profit	205	452	1,107	617	598
D&A	240	311	374	177	170
Working capital	-322	-310	-363	-299	-153
Other non-cash and non-operating items	101	133	98	66	36
Operating cash flow	224	586	1,215	561	651
Capex	-759	-730	-253	-112	-116
Free cash flow	-534	-144	962	449	535

Source: IPO Document, Emkay Research

Exhibit 100: Income statement

(Rs mn)	FY21	FY22	FY23	H1FY23	H1FY24
Revenue from operations	11,289	13,522	13,947	6,993	6,762
Growth	27.4%	19.8%	3.1%		-3.3%
COGS	9,242	10,735	9,988	5,104	4,735
Growth		16.2%	-7.0%		-7.2%
% to sales	81.9%	79.4%	71.6%	73.0%	70.0%
Gross profit	2,047	2,787	3,959	1,889	2,027
Gross margin	18.1%	20.6%	28.4%	27.0%	30.0%
Staff costs	590	772	873	428	484
Growth		30.8%	13.0%		13.2%
% to sales	5.2%	5.7%	6.3%	6.1%	7.2%
Advertising and Promotional Expenses	5	16	41	14	25
Growth		213.0%	157.2%		75.3%
% to sales	0.0%	0.1%	0.3%	0.8%	2.1%
Other expenses	848	1,050	1,082	526	601
Growth		23.9%	3.0%		14.3%
% to sales	7.5%	7.8%	7.8%	87.2%	79.8%
EBITDA	604	948	1,962	921	918
Growth	44.7%	57.1%	107.0%		-0.4%
EBITDA margin	5.3%	7.0%	14.1%	13.2%	13.6%
Depreciation	240	311	374	177	170
Interest	109	139	108	62	41
Other income	10	43	39	13	18
Exceptional					
Profit before tax	265	541	1,518	696	725
Growth		104.0%	180.9%		4.2%
Tax	54	125	395	190	194
Effective tax rate	20.3%	23.2%	26.0%	27.3%	26.8%
PAT	211	415	1,124	505	531
Growth		96.7%	170.5%		5.0%
Net profit margin	1.9%	3.1%	8.1%	7.2%	7.9%
EPS (Rs)	186.5	366.7	9.0	4.0	4.2
No. of shares	1	1	125	125	125

Source: IPO Document

Exhibit 101: Balance sheet

(Rs mn)	FY21	FY22	FY23	H1FY23	H1FY24
Gross Block	2,870	3,549	4,170	3,986	4,275
Acc depreciation	1,121	1,414	1,787	1,591	1,940
Net Block	1,749	2,134	2,383	2,395	2,355
CWIP	434	469	99	143	74
Investments	6	17	24	68	65
Total Non-Current Assets	2,188	2,620	2,507	2,606	2,495
Inventories	869	872	1,449	841	1,448
Days of sales	28	24	38	44	78
Investments	0	0	0	0	0
Receivables	75	140	114	171	154
Days of sales	2	4	3	9	8
Cash and cash equivalents	32	10	36	101	11
Other Bank Balance	16	1	250	0	1
Other non-current assets	62	71	115	61	38
Other current assets	177	284	142	666	199
Total Current Assets	1,231	1,378	2,106	1,840	1,851
Total Assets	3,419	3,997	4,613	4,446	4,345
Share Cap	11	11	125	11	125
Other equity	1,346	1,765	2,784	2,291	3,336
Total Equity	1,357	1,777	2,909	2,302	3,461
D/E (x)	1.0	0.9	0.4	0.6	0.1
Borrowings	758	794	485	310	99
Deferred tax liability	41	45	47	96	101
Other non-current liabilities	210	213	203	198	196
Non-current liabilities	1,009	1,051	735	604	396
Borrowings	632	848	579	1,030	162
Lease liability	5	6	6	5	0
Trade payables	175	70	94	183	88
Days of sales	6	2	2	10	5
Other financial liabilities	117	115	147	123	119
Other current liabilities	112	117	122	98	87
Provision	12	11	21	35	33
Current tax liabilities	0	3	0	66	0
Current liabilities	1,053	1,169	969	1,540	489
Total Liabilities	3,419	3,997	4,613	4,446	4,345

Source: IPO Document

Exhibit 102: Cash flow statement

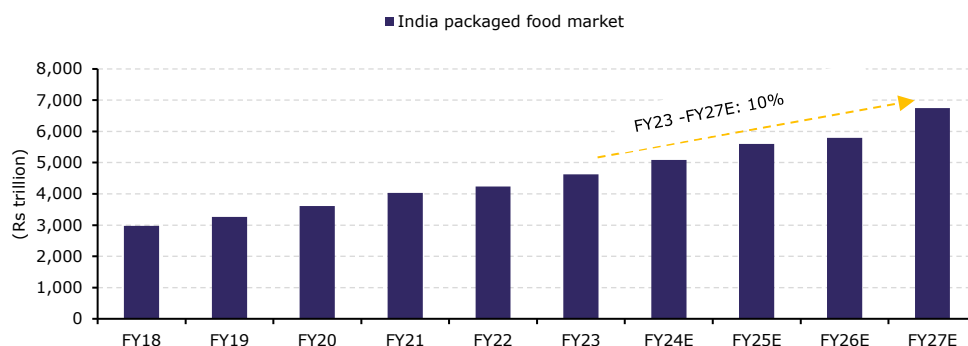
(Rs mn)	FY21	FY22	FY23	H1FY23	H1FY24
Profit before tax	265	541	1,518	696	725
Depreciation	240	311	374	177	170
Other non-cash and non-operating items	101	133	98	66	36
Operating cash before WC and tax	606	985	1,990	938	931
Working capital changes	-322	-310	-363	-299	-153
Operating cash before tax	284	675	1,627	639	778
Taxes	-59	-89	-412	-78	-127
Cash from operating activities	224	586	1,215	561	651
Capex	-759	-730	-253	-112	-116
Free cash flow	-534	-144	962	449	535
Investments	1	-11	-7	-8	-0
Others	1	1	9	0	3
Cash from investing activities	-757	-740	-251	-120	-113
Finance costs	-103	-131	-106	-62	-34
Borrowings	679	251	-577	-302	-803
Payment of lease liabilities (principal)	-1	-2	-5	-2	-
Cash from financing activities	575	118	-688	-365	-838
Net change in cash	43	-37	276	75	-300

Source: IPO Document

Appendix 1: Industry outlook

With a surge in the in-between meal snacking trend, there is a strong increase in savory snacks categories. Given divergent preferences for the snacks category's consumption, the market is fairly fragmented with limited national players. However, post the implementation of GST, as the formalization in the category accelerated, regional players have shifted their focus nationally. With access to a wider assortment, consumption in the overall savory category has increased.

Exhibit 103: The Indian Packaged Food Market

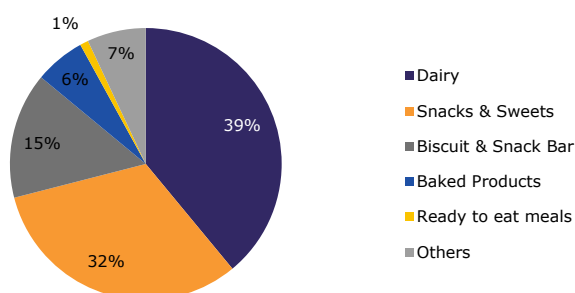


Source: IPO Document

Packaged foods industry to see 10% CAGR

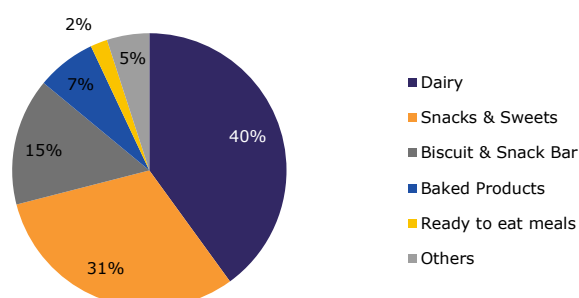
The Indian packaged foods industry, sized at Rs4.62trn in FY23, expanded at a CAGR of 9% over FY18-FY23. Frost and Sullivan projects the market to expand at a 10% CAGR to Rs6.75trn in FY27. Sustained growth can be attributed to the escalating demand for convenient, high-value, pre-packaged, on-the-go, and ready-to-eat products. Factors fueling this trend include increasing disposable income, an expanding urban middle-class population, and a rising number of working women throughout the country.

Exhibit 104: Category-wise packaged food market (FY23)



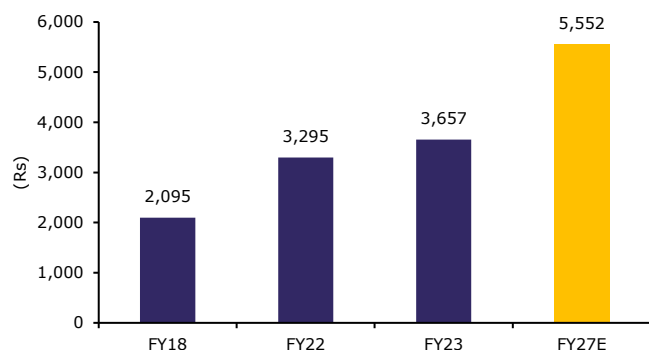
Source: IPO Document

Exhibit 105: Category-wise packaged food market (FY27)

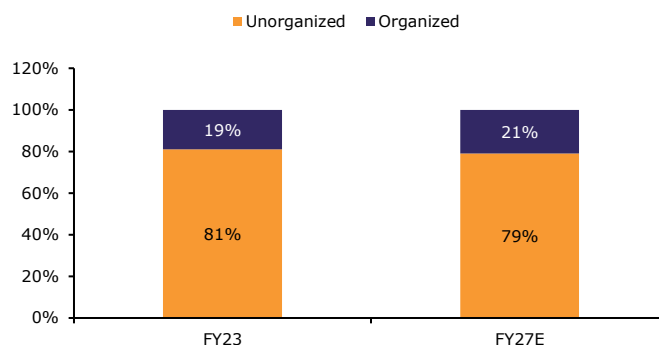


Source: IPO Document

Dairy products, snacks, and sweets collectively constitute approximately 71% of the overall packaged food segment, with biscuits and snack bars holding around 15% of the market share. The snack industry specifically commands a significant portion (second highest), accounting for about 32% of the Indian packaged food products market in FY23, according to Frost & Sullivan analysis. This sector is deemed to have substantial untapped potential, especially given the strong preference of Indian consumers for savory snacks.

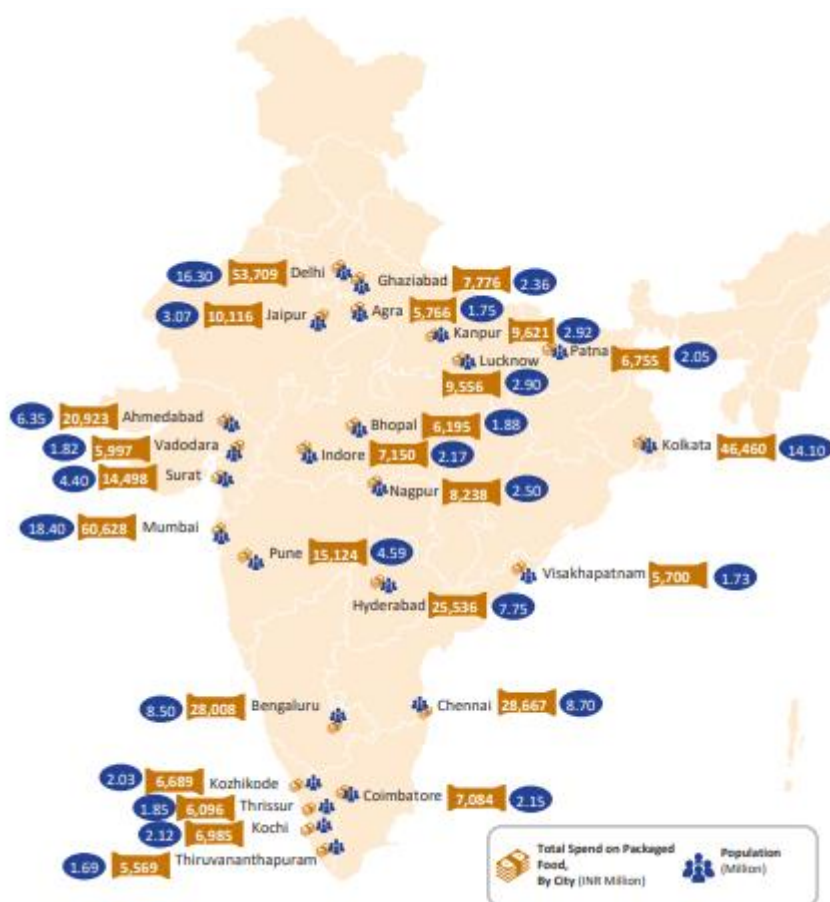
Exhibit 106: Per capita spend of packaged foods

Source: IPO Document

Exhibit 107: Organized players have a long way to go

Source: IPO Document

The dominance of unorganized players is a notable characteristic of the Indian packaged food industry, with the unorganized sector holding a substantial market share of approximately 81% in FY2023. The per capita spend has increased to Rs3,657 in 2023 from Rs2,095 in 2018, and it is expected to exhibit a CAGR of 11% during the forecast period from FY23 to FY27. The surge in demand for ready-to-eat and on-the-go products in India is propelled by factors such as increasing disposable income and a growing population of women in the workforce.

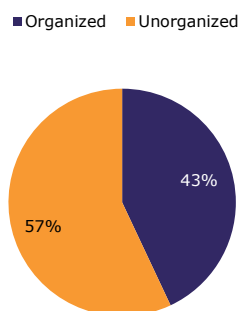
Exhibit 108: Contribution of the top-25 cities to packaged food revenue

Source: IPO Document

Savory snacks seeing faster formalization

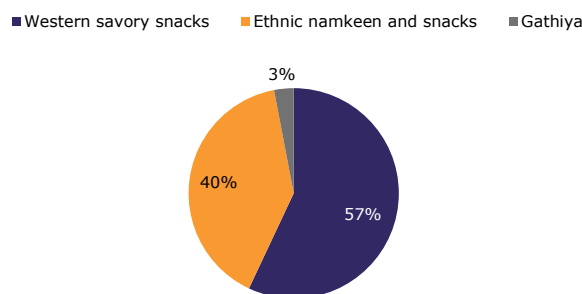
The Indian savory snacks category is sized at Rs796bn, as per Frost and Sullivan, which is poised to register an 11% CAGR over FY23-27E. Post GST implementation, its share in the formal market has been expanding fast and is now at ~43% of the market. Savory snacks is segmented into western savory, ethnic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

Exhibit 109: Indian savory snacks market size of Rs796bn for FY23



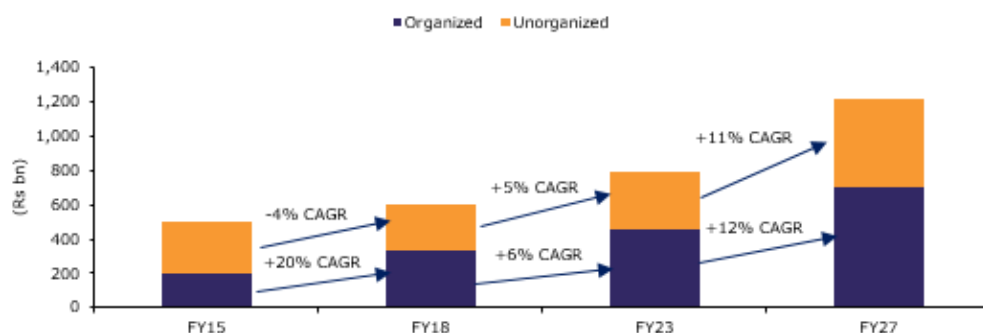
Source: IPO Document

Exhibit 110: Key offerings under the organized savory snacks market



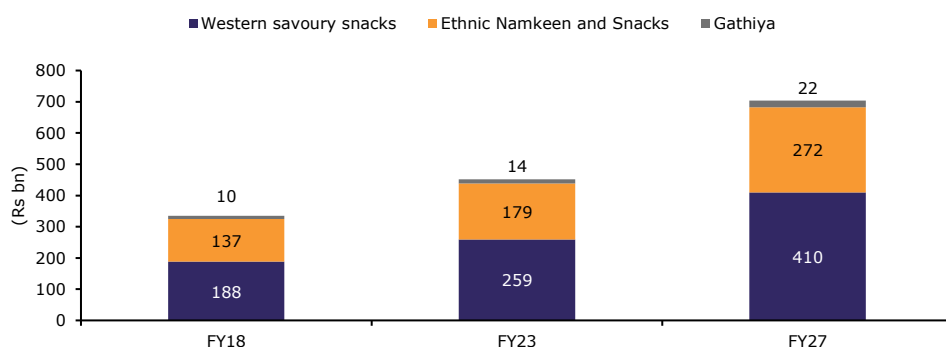
Source: IPO Document

Exhibit 111: Indian savory snacks poised for healthy growth ahead



Source: IPO Document

Exhibit 112: Organized savory snacks categories to have similar evolution

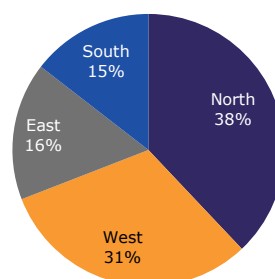


Source: IPO Document

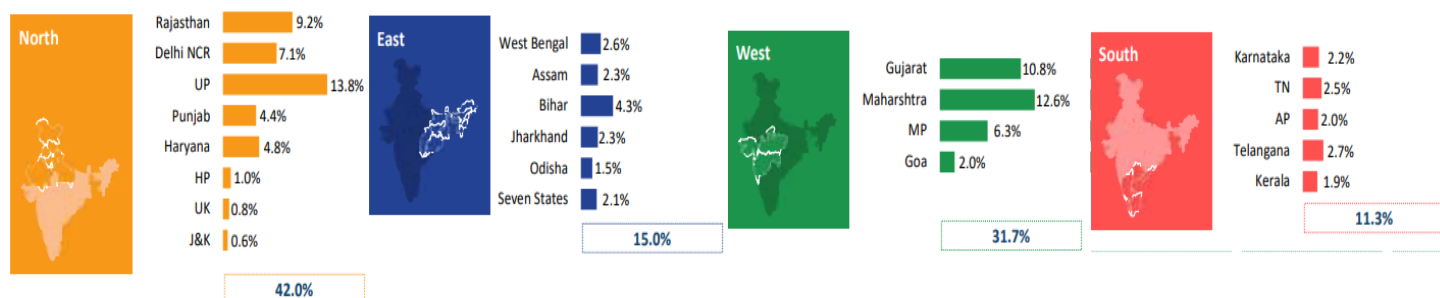
Demand for savory snacks is high in North India, followed by West India. These regions are the major consumers of *namkeen*, especially in Rajasthan and Gujarat, where *namkeen* forms an integral part of food habits. Hence, a majority of the *namkeen* varieties originates from these regions. Further,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

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

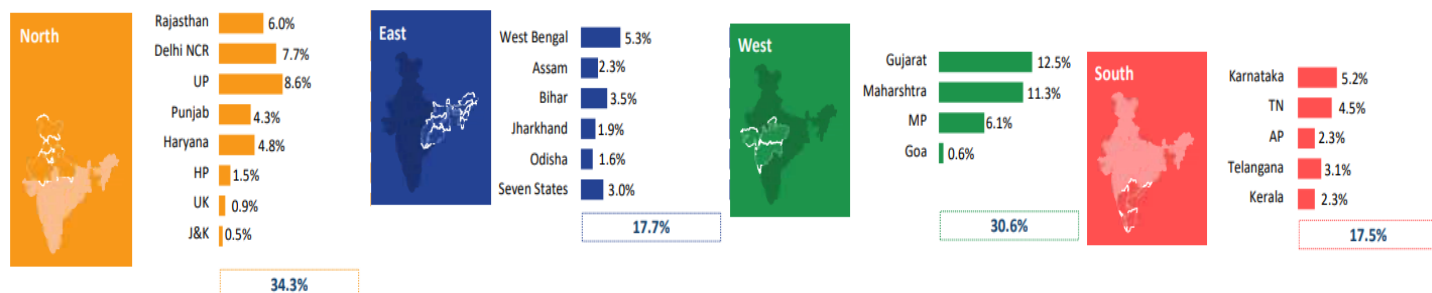
Western savory snacks are the biggest category in the savory snacks segment, where the contribution of chips is ~53%, followed by 22% contribution of extruded snacks

Exhibit 113: North and West India remain the main markets for savory snacks

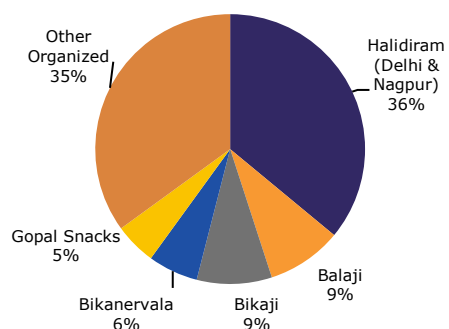
Source: IPO Document

Exhibit 114: Region-wise split of ethnic savouries

Source: IPO Document

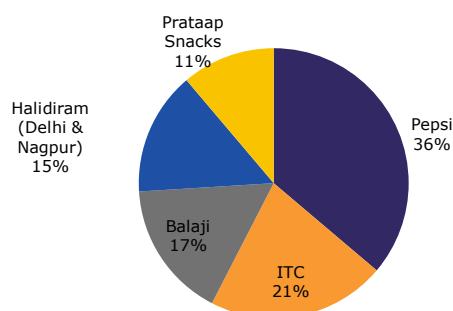
Exhibit 115: Region-wise split of western snacks

Source: IPO Document

Exhibit 116: Organized ethnic snacks^ market share for FY23

Source: IPO Document

Note: ^Includes namkeen, chaklis, a variety of masala or fried nuts, etc. and are very region-specific even within India

Exhibit 117: Organized western snacks^ market share for FY23

Source: IPO Document

Note: ^Includes chips (52%), extruders (33%), and bridges (15%)

Exhibit 118: Key tailwinds aiding formalization of savory snacks

Small players are struggling to operate under GST, as raw materials with GST limit overall 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

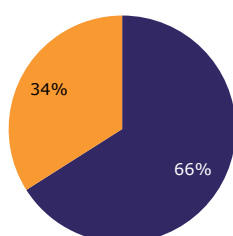
Given industry-wide food adulteration, consumer preference for branded players, who have launched offerings at affordable price points (Rs5/10), has enhanced

Source: Emkay Research

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

Exhibit 119: Indian *papad* market (sized at Rs83bn as of FY23)

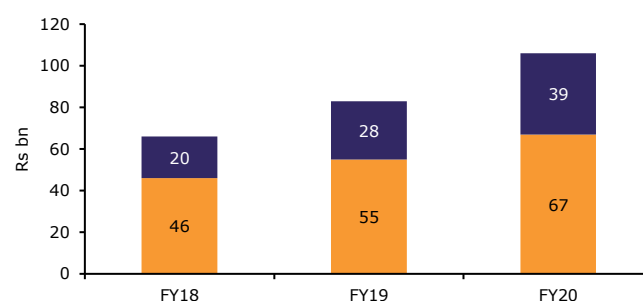
■ Organized ■ Unorganized



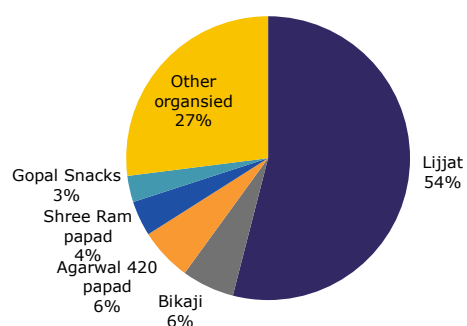
Source: IPO Document

Exhibit 120: *Papad* market to see faster formalization

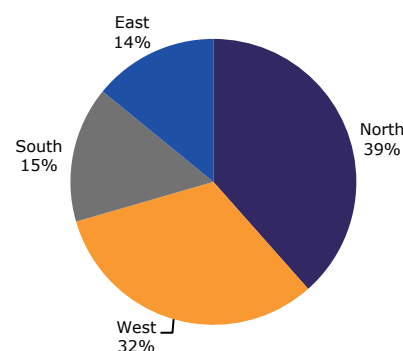
■ Unorganized ■ Organized



Source: IPO Document

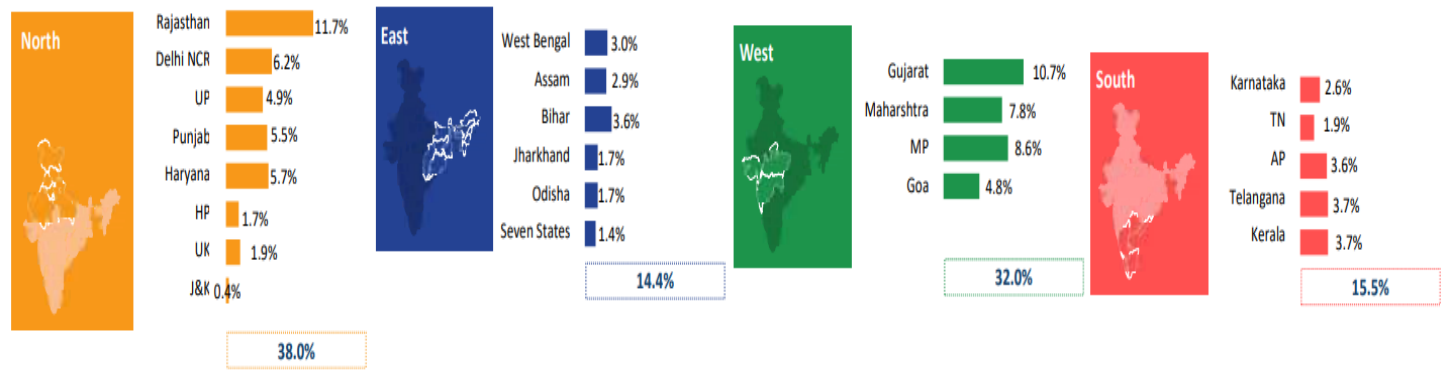
Exhibit 121: *Papad* category market share for FY23

Source: IPO Document

Exhibit 122: *Papad* market to see faster formalization

Source: IPO Document

Exhibit 123: Region-wise split of papad



Source: IPO Document

Appendix 2: Company History

Exhibit 124: Company History

Year	History
1999	Incorporation of partnership firm, Gopal Gruh Udyog
2009	Incorporation of Gopal Snacks Limited
2010	Commenced operations in its Rajkot, Gujarat facility, which is spread over 0.22mn sqft
2015	The company started in-house automation and engineering
2017	Started backward integration of logistics vehicle engineering at Rajkot, Gujarat
2018	Commenced operations in its Nagpur facility, which is spread across 1.44mn sqft Strengthened backward integration by manufacturing besan at the ancillary facility in Rajkot
2019	Further expanded backward integration by manufacturing raw snack pellets and spices
2021	Started operations at its Modasa, Gujarat facility, which is spread over 0.68mn sqft
2022/23	Revenue from operations crossed Rs13bn in FY23 Set up an ancillary manufacturing facility in Modasa, Gujarat, to manufacture raw snack pellets

Source: IPO Document

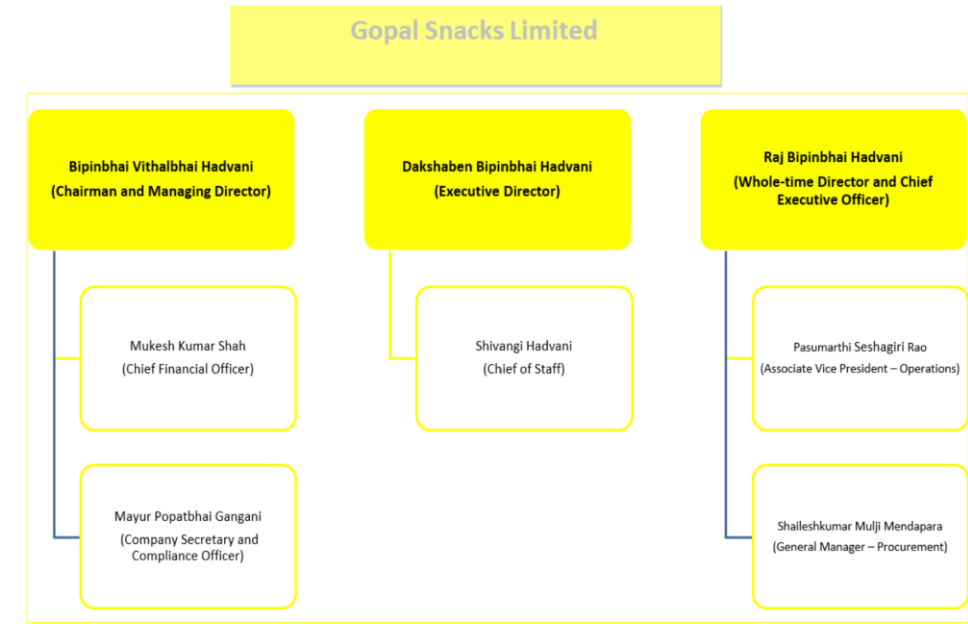
Appendix 3: Board of Directors

Exhibit 125: Board of Directors

Name	Comment	Tenure
Bipinbhai Vithalbhai Hadvani	Promoter of Gopal Snacks and is currently the Chairman and Managing Director	
Dakshaben Bipinbhai Hadvani (Spouse of Bipinbhai)	Promoter of Gopal Snacks and is currently the Executive Director of the company	Associated with the company since 18-Nov-2015
Raj Bipinbhai Hadvani (Son of Bipinbhai)	Whole-time Director and Chief Executive Officer	Joined the company on 1-Apr-2017
Harsh Sureshkumar Shah	Non-Executive Director	Associated with the company since 1-Mar-2018
Rajnikant Chimanlal Diwan	Independent Director	Associated with the company since 5-May-2023
Natwarlal Meghjiibhai Patel	Independent Director	Associated with the company since 5-May-2023
Vijayalakshmi Shalil Suvarna	Independent Director	Associated with the company since 5-May-2023
Babubhai Harjibhai Ghodasara	Independent Director	Associated with the company since 5-May-2023

Source: IPO Document

Exhibit 126: Management team



Source: IPO Document

GENERAL DISCLOSURE/DISCLAIMER BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Emkay Global Financial Services Limited (CIN-L67120MH1995PLC084899) and its affiliates are a full-service, brokerage, investment banking, investment management and financing group. Emkay Global Financial Services Limited (EGFSL) along with its affiliates are participants in virtually all securities trading markets in India. EGFSL was established in 1995 and is one of India's leading brokerage and distribution house. EGFSL is a corporate trading member of BSE Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX), Multi Commodity Exchange of India Ltd (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) (hereinafter referred to be as "Stock Exchange(s)"). EGFSL along with its [affiliates] offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.emkayglobal.com.

EGFSL is registered as Research Analyst with the Securities and Exchange Board of India ("SEBI") bearing registration Number INH000000354 as per SEBI (Research Analysts) Regulations, 2014. EGFSL hereby declares that it has not defaulted with any Stock Exchange nor its activities were suspended by any Stock Exchange with whom it is registered in last five years. However, SEBI and Stock Exchanges had conducted their routine inspection and based on their observations have issued advice letters or levied minor penalty on EGFSL for certain operational deviations in ordinary/routine course of business. EGFSL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

EGFSL offers research services to its existing clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the clients simultaneously, not all clients may receive this report at the same time. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient.

EGFSL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. EGFSL may have issued or may issue other reports (on technical or fundamental analysis basis) of the same subject company that are inconsistent with and reach different conclusion from the information, recommendations or information presented in this report or are contrary to those contained in this report. Users of this report may visit www.emkayglobal.com to view all Research Reports of EGFSL. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the research published by any other analyst or by associate entities of EGFSL; our proprietary trading, investment businesses or other associate entities may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. All material presented in this report, unless specifically indicated otherwise, is under copyright to Emkay. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of EGFSL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of EGFSL or its affiliates. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

This report has not been reviewed or authorized by any regulatory authority. There is no planned schedule or frequency for updating research report relating to any issuer/subject company.

Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets.

Disclaimer for U.S. persons only: Research report is a product of Emkay Global Financial Services Ltd., under Marco Polo Securities 15a6 chaperone service, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of Financial Institutions Regulatory Authority (FINRA) or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors. Emkay Global Financial Services Ltd. has entered into a chaperoning agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

RESTRICTIONS ON DISTRIBUTION

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. Except otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom.

ANALYST CERTIFICATION BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL)

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible of the content of this research report, in part or in whole, certifies that he or his associated persons¹ may have served as an officer, director or employee of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant). The research analyst(s) primarily responsible for the content of this research report or his associate may have Financial Interests² in relation to an issuer or a new listing applicant that the analyst reviews. EGFSL has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the EGFSL and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of EGFSL compensation to any specific investment banking function of the EGFSL.

¹ An associated person is defined as (i) who reports directly or indirectly to such a research analyst in connection with the preparation of the reports; or (ii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

² Financial Interest is defined as interest that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at the arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

COMPANY-SPECIFIC / REGULATORY DISCLOSURES BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

- EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her associate/relative's may have Financial Interest/proprietary positions in the securities recommended in this report as of February 26, 2024
- EGFSL, and/or Research Analyst does not market make in equity securities of the issuer(s) or company(ies) mentioned in this Report
Disclosure of previous investment recommendation produced:
- EGFSL may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by EGFSL in the preceding 12 months.
- EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's may have material conflict of interest in the securities recommended in this report as of February 26, 2024
- EGFSL, its affiliates and Research Analyst or his/her associate/relative's may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the February 26, 2024
- EGFSL or its associates may have managed or co-managed public offering of securities for the subject company in the past twelve months.
- EGFSL, its affiliates and Research Analyst or his/her associate may have received compensation in whatever form including compensation for investment banking or merchant banking or brokerage services or for products or services other than investment banking or merchant banking or brokerage services from securities recommended in this report (subject company) in the past 12 months.
- EGFSL, its affiliates and/or and Research Analyst or his/her associate may have received any compensation or other benefits from the subject company or third party in connection with this research report.

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	>15% upside
ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India
Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

OTHER DISCLAIMERS AND DISCLOSURES:**Other disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) :-**

EGFSL or its associates may have financial interest in the subject company.

Research Analyst or his/her associate/relative's may have financial interest in the subject company.

EGFSL or its associates and Research Analyst or his/her associate/ relative's may have material conflict of interest in the subject company. The research Analyst or research entity (EGFSL) have not been engaged in market making activity for the subject company.

EGFSL or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of public appearance or publication of Research Report.

Research Analyst or his/her associate/relatives may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of public appearance or publication of Research Report.

Research Analyst may have served as an officer, director or employee of the subject company.

EGFSL or its affiliates may have received any compensation including for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. . Emkay may have issued or may issue other reports that are inconsistent with and reach different conclusion from the information, recommendations or information presented in this report or are contrary to those contained in this report. Emkay Investors may visit www.emkayglobal.com to view all Research Reports. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the research published by any other analyst or by associate entities of Emkay; our proprietary trading, investment businesses or other associate entities may make investment decisions that are inconsistent with the recommendations expressed herein. EGFSL or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. EGFSL or its associates may have received any compensation or other benefits from the Subject Company or third party in connection with the research report. EGFSL or its associates may have received compensation from the subject company in the past twelve months. Subject Company may have been client of EGFSL or its affiliates during twelve months preceding the date of distribution of the research report and EGFSL or its affiliates may have co-managed public offering of securities for the subject company in the past twelve months.