

## India

## Consumer Staples - Overall

## Gopal Snacks: A bird's eye view

- This note is on our visit to Gopal Snacks or GSL's facilities at Rajkot on 25 Feb 2024, channel check on its competitors and highlights from the DRHP.
- GSL has a strong foothold in its core market, but intense competition from its regional peers may stunt near-term growth and sustenance of margins.
- The IPO price band is yet to be announced. Based on the last transaction in Oct 2023, GSL was valued at Rs40bn. The IPO is a complete OFS for Rs6.5bn.

**India's largest gathiya manufacturer targets pan-India operations**

Gopal Snacks (GSL) is India's largest manufacturer of 'gathiya' (a snack made from chickpea flour) as of FY23-end in terms of production volume and revenue, with a market share of 31% in the organized market (pegged at Rs14bn), which is 3% of the total organized savoury snack market in India. GSL offers more than eight varieties of gathiya currently, which is higher than its competitors' offerings. The company manufactures ready-to-eat packaged snacks which include a wide range of products like ethnic namkeen, gathiya, wafers, snack pellets and other FMCG products including extruded products, noodles, spices and flour under its brands 'Gopal' (namkeen, gathiya, snack pellets, flour, spices), 'Cristos' (wafers), 'Shot Go' (noodles) & 'Cornigo' (extruded snacks) and aims to become a pan-India player.

**Strong foothold in core markets; new local peer is a key monitorable**

GSL has a strong foothold in Gujarat, its core market, which accounted for c.20%/8%/6% market share in India in the ethnic savouries/western snacks/papad segments, respectively, in FY23. GSL's revenue mix from Gujarat stood at 79%/76% in FY23/1HFY24, respectively. Gujarat is one of the most lucrative markets in the ethnic snacks industry and hence, there is fierce competition from both local and established brands.

**Company's capabilities are on a strong footing**

GSL has almost completely backward-integrated its operations across raw material sourcing (done via a group-owned entity), carton/packaging manufacturing (commenced operations in Feb 2024), logistics (fabrication of containers done in-house) & manufacturing (all equipment designed and manufactured in-house). GSL has the capacity to make 10m packs per day from its Rajkot facility. To increase the offtake across stock-keeping units or SKUs (barring its bestsellers), GSL is splitting its sales force, with one set focusing on selling core products and the other focusing on selling other SKUs.

**We await final valuation; promoter pledge to reduce post-IPO**

In 2022, the promoter's brother exited the company due to differences in opinion on how to grow the business, for a sum of Rs5.4bn, which was funded via a term loan on the books of Gopal Agriproducts, a promoter entity, with the current promoter's pledge at 51%. The initial public offer or IPO comprises a full offer for sale or OFS of shares amounting to Rs6.5bn, which will be utilized to repay debt, after which the pledge will stand reduced to 0%. Based on the last fund raising (in Oct 2023), GSL is valued at Rs40bn.

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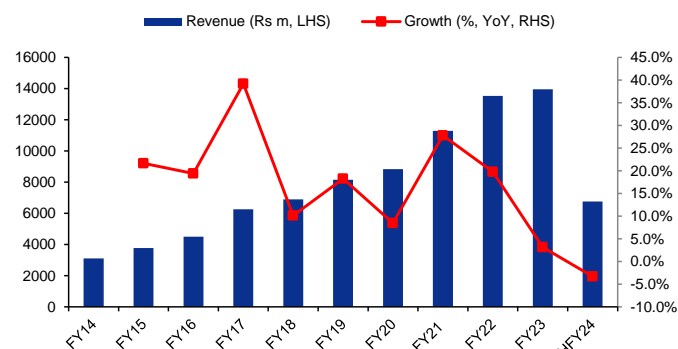
**Figure 1: Shareholding pattern – pre IPO**

Shareholding pattern (%) - pre IPO	No. of shares	Stake (%)
Bipinbhai Vithalbhair Hadvani	7,05,50,480	56.6%
Dakshaben Bipinbhai Hadvani	1,51,35,890	12.2%
Gopal Agriproducts	2,77,03,647	22.2%
Raj Bipinbhai Hadvani	31,15,109	2.5%
Harsh SureshKumar Shah	24,41,941	2.0%
Others	55,39,880	4.5%
<b>Total</b>	<b>12,44,86,947</b>	<b>100.0%</b>

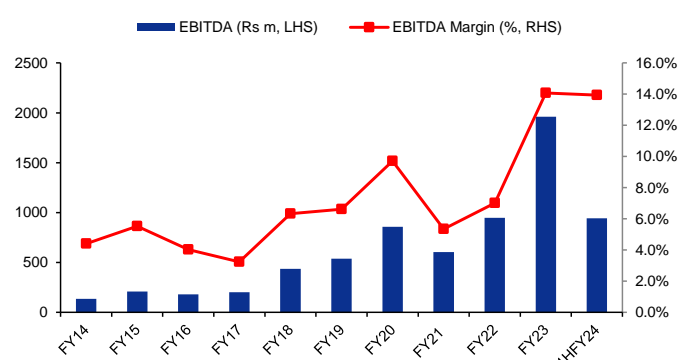
SOURCE: INCRED RESEARCH, DRHP

## KEY CHARTS

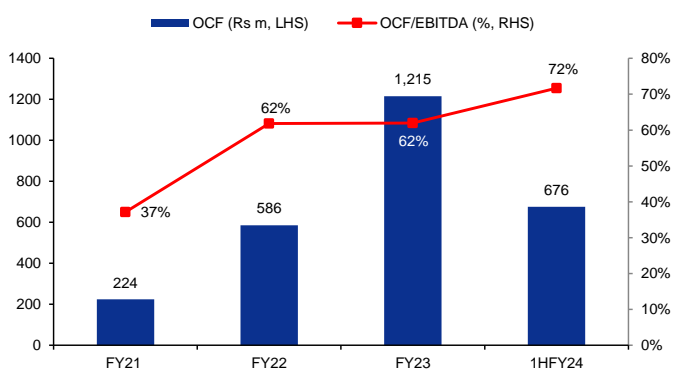
Revenue growth has slowed post FY21, largely due to lower volume growth. Higher competitive intensity from regional players like Gokul Snacks can stunt sales growth in the near term, as visible in 1HFY24 (decline of 3.3% yoy).



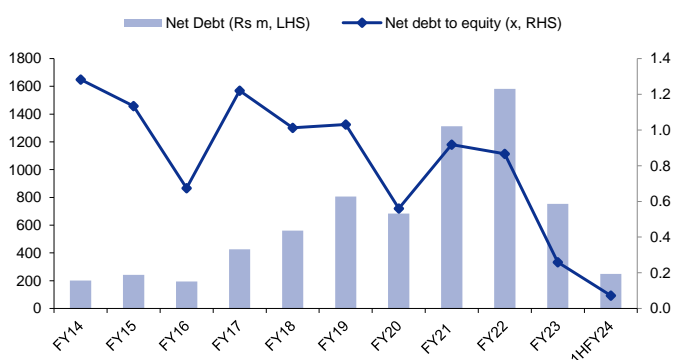
The EBITDA margin improvement since FY18 was largely driven by grammage reduction. Ability to maintain/reduce grammage in the near term will be a key monitorable, as competitor Gokul Snacks is likely to continue offering a higher grammage in the near term.



Operating cash flow (OCF) improved sharply from Rs224m in FY21 to Rs1.21bn in FY23 while OCF/EBITDA improved from 37% to 62%. By 1HFY24, OCF stood at Rs676m while OCF/EBITDA increased to 72%.



The net debt-to-equity ratio declined sharply from 1.3x in FY14 to 0.3x in FY23, aided by a sharp increase in gross cash from Rs66.8m in FY22 to Rs310.6m in FY23. In 1HFY24 it stood at 0.1x.



SOURCE: INCRED RESEARCH, DRHP

## Gopal Snacks Limited

### Plant visit and management interaction highlights

We visited the company's manufacturing facility at Rajkot in Gujarat on 25 Feb 2024 and interacted with its management and promoter Mr. Bipinbhai Hadvani and got a detailed perspective on its history and operational strengths. The following are the highlights of our interaction:

- **Backward integration is a long-term strength:** GSL has almost completely backward-integrated its operations across raw material sourcing (done via a group-owned entity), carton/packaging manufacturing (commenced operations in Feb 2024), logistics (fabrication of containers done in-house) and manufacturing (all equipment designed and manufactured in-house). The company even operates two petrol pumps for its own logistic fleet (c.263 vehicles). Given the high consumption of palm oil for its products, the company also ventured into soaps recently by utilizing waste/residue after its manufacturing operations (done via a third party). These efforts give it a 2-4% benefit in terms of cost savings.
- **In terms of production:** GSL currently has the capacity to produce 10m packs per day from its Rajkot facility. The company sources its raw materials directly from agriculture produce market committees or APMCs and then processes them in its in-house facility for captive consumption (categories like spices are also sold under its brand in retail channels).
- **In terms of technology:** GSL is equipped with ARS (automated replenishment system) and ASRS (automated storage and retrieval system), which were created in-house and is also SAP ERP equipped to get real time data from its distributors.
- **Model for distributors:** GSL has two models for its distributors: 1) An upfront deposit of Rs500,000 is taken and these distributors get some credit from GSL. 2) An upfront deposit of Rs100,000 is taken, but these distributors must pay in advance. One distributor, on average, services c.800-1000 retailers. GSL currently has 617 distributors pan-India (of which 279 are in Gujarat).
- **Margin structure for its trade channels:** GSL offers 7-7.5% margins to its distributors and 10-20% to its retailers, depending on the product categories. GSL typically adds 20-30 distributors each month across markets.
- **Capex outlook:** Capex is expected to be lower in the next two years as GSL has already invested in higher capacities across categories.
- **Our take:** Volume growth has been lower in the last few years but GSL will continue to focus on increasing its pack sales, despite higher competitive intensity. In terms of its expansion strategy, in new markets, GSL's focus will be on scaling sales in smaller markets and then focus on urban markets (where it will focus more on increasing the sales mix of gathiya and western snacks). Operating margin improved sharply from 5.3% in FY21 to 14.1% in FY23 (13.9% in 1HFY24), largely driven by grammage reduction, supported by moderation in palm oil prices. We believe the higher competitive intensity from regional players, whose focus is on offering higher grammage to gain market share, and swift expansion of the distribution network in both Gujarat and newer markets will impact GSL's sales growth and margins in the near term. To increase the offtake across SKUs (barring its bestsellers), GSL is splitting its sales force, with one set focusing on servicing its core products and the other set concentrating on selling its other SKUs.

## Key highlights from our channel check

- Gokul Snacks, promoted by GSL's promoter's estranged brother, is expected to close FY24F with Rs2.5-2.7bn in sales, with its operations currently limited to Gujarat.
- Gokul Snacks' manufacturing capacity in FY24F was c.120-140mtpd from which generates sales worth c.Rs220-280m per month. There is full capacity utilization.
- Gokul Snacks' new manufacturing facility is expected to come on stream in Apr 2024F, after which it will triple the capacity to c.450mtpd from which c.Rs700-750m per month in sales is possible.
- With the new capacity, Gokul Snacks is targeting c.Rs8-10bn in sales in FY25F and has started appointing distributors/dealers in new markets like Rajasthan, Madhya Pradesh, Uttar Pradesh, etc.
- Gokul Snacks is expected to offer higher grammage to garner market share in the near term and currently can operate in a lower PAT margin band (c.0-2%).

## Key highlights from the Draft Red Herring Prospectus (DRHP)

### Company background

*Gopal Snacks is the largest manufacturer of gathiya in India as of FY23-end.*

Mr. Bipin Hadvani, the promoter, had started Gopal Gruh Udyog in 1994, which was later converted into a private limited company in 2009 – Gopal Snacks Pvt Ltd. The company is based in Gujarat and offers a diverse range of products under the 'Gopal' brand such as namkeen, western snacks, extruded snacks, spices, papad and other products.

Gopal Snacks is the largest manufacturer of gathiya in India as of FY23-end, in terms of production volume and revenue, with a market share of 31% in the organized market (pegged at Rs14bn), which is 3% of the total organized savoury snack market in India. Gopal Snacks offers more than eight varieties of gathiya currently, which is higher than its competitors' offerings.

**Figure 2: Major events and milestones for the company**

Year	Event
2009	Company was converted from a partnership firm to 'Gopal Snacks'.
2010	Commenced operations at its first facility in Rajkot, Gujarat, spread over 0.22m sq. ft.
2015	Commenced in-house automation and engineering activities.
2017	Commenced backward integration of logistics vehicles, engineering and customization by setting up the engineering and fabrication facility in Rajkot, Gujarat.
2018	Commenced operations in the Nagpur facility, spread over 1.44m sq ft.
	Commenced in-house manufacturing of besan at the ancillary facility in Rajkot.
2019	Commenced in-house manufacturing of raw snacks, pellets and spices at another facility in Rajkot, Gujarat.
2021	Commenced operations at the primary facility in Modasa, Gujarat, spread over 0.68m sq. ft.
2022	Promoter's brother Mr. Prafulbhai Hadvani exited the company.
2023	Operations topped Rs13,000m in FY23 and the company set up an ancillary facility in Modasa for snack pellets.

SOURCE: INCRED RESEARCH, DRHP

## Strong focus on building own capabilities – a long-term moat

### In-house end-to-end primary manufacturing ➤

GSL operates six manufacturing facilities in India, of which three are primary manufacturing facilities which produce finished goods and the other three are ancillary facilities that cater to captive requirements. Its primary manufacturing facilities are in Nagpur, Rajkot and Modasa, with an aggregate capacity of 303,668 mtpa as of 1HFY24-end. Two of its ancillary units are in Rajkot and one is in Modasa. These units produce besan (gram flour), raw snack pellets, seasonings and spices which are primarily for internal use in the manufacturing of finished products. As of 1HFY24-end, the aggregate capacity of these units stood at 101,060mtpa.

- **Rajkot (Gujarat):** This facility, spread across 0.22m sqft, commenced operations in 2010. As of 1HFY24-end, it had an installed capacity of 175,137 mtpa and primarily produces gathiya, namkeen and snack pellets. In addition, there are two ancillary facilities which manufacture besan, raw snack pellets, seasonings and spices. One of these facilities also manufactures papad. This facility is located strategically to provide ease of access to key raw materials like edible oils, gram, puffed rice, peanuts and seasonings.
- **Modasa (Gujarat):** Spread over 0.68m sq.ft., this facility commenced operations in 2021. As of 1HFY24-end, it has an installed capacity of 25,802 mtpa and manufactures namkeens, snack pellets and wafers. The facility's location provides convenient access to raw materials like potatoes. It is located closer to Rajasthan, where namkeens and western snack pellets have healthy demand. One ancillary facility is housed here, which produces raw snack pellets.
- **Nagpur (Maharashtra):** The facility, spread over 1.44m sq. ft., commenced operations in 2018. As of 1HFY24-end, its installed capacity stood at 92,218 mtpa and primarily manufactures gathiya, namkeen, snack pellets, extruded snacks and papad. Located in central India, this facility caters to states like Jharkhand, Chhattisgarh, Uttar Pradesh, Bihar, Telangana, Andhra Pradesh, Madhya Pradesh and the Vidarbha region of Maharashtra.
- **Packaging:** Gopal Snacks has packaging capabilities in all its facilities with an aggregate installed capacity of 217,261mtpa as of 1HFY24-end. Its automated machines can pack products into different sizes in an efficient manner. Corrugated boxes are used for secondary packaging for added protection during shipping and distribution. Its primary packaging material is plastic laminate, which gives its products a shelf life of three-to-six months.

**Figure 3: Capacity and utilization levels across product categories**

Product Categories	Capacity Installed (in mt)					Utilization %				
	FY21	FY22	FY23	1HFY23	1HFY24	FY21	FY22	FY23	1HFY23	1HFY24
<b>Ethnic Snacks</b>										
Gathiya	76,046	92,411	92,411	46,206	46,206	46.3%	35.7%	28.5%	30.1%	29.4%
Namkeen	1,00,288	1,11,200	1,14,610	57,305	57,305	39.9%	29.4%	25.4%	26.1%	27.3%
<b>Total</b>	<b>1,76,334</b>	<b>2,03,611</b>	<b>2,07,021</b>	<b>1,03,511</b>	<b>1,03,511</b>	<b>42.6%</b>	<b>32.3%</b>	<b>26.8%</b>	<b>27.9%</b>	<b>28.3%</b>
<b>Western Snacks</b>										
Snack pellets	65,560	68,882	68,882	34,441	34,441	33.5%	32.4%	30.0%	30.2%	28.4%
Wafers	4,547	6,820	11,367	5,683	5,683	58.6%	45.4%	36.3%	36.4%	49.8%
Extruded snacks	5,115	5,456	6,479	3,240	3,240	26.3%	22.2%	15.9%	16.5%	13.7%
<b>Total</b>	<b>75,222</b>	<b>81,158</b>	<b>86,728</b>	<b>43,364</b>	<b>43,364</b>	<b>34.6%</b>	<b>32.8%</b>	<b>29.8%</b>	<b>30.0%</b>	<b>30.1%</b>
<b>Other Products</b>										
Papad	9,604	10,165	9,920	4,960	4,960	25.3%	31.1%	35.5%	31.8%	31.4%
Besan or gram flour	42,780	42,780	42,780	21,390	21,390	69.3%	73.1%	67.7%	68.3%	76.9%
Spices	837	6,766	9,207	4,604	4,604	97.1%	13.5%	11.4%	9.5%	13.4%
<b>Total</b>	<b>53,221</b>	<b>59,711</b>	<b>61,907</b>	<b>30,954</b>	<b>30,954</b>	<b>61.8%</b>	<b>59.2%</b>	<b>54.2%</b>	<b>53.7%</b>	<b>60.2%</b>

SOURCE: INCRED RESEARCH, DRHP

**Figure 4: Primary & ancillary manufacturing capacity and utilization**

Plant	Available capacity (in mt)					Utilization %				
	FY21	FY22	FY23	1HFY23	1HFY24	FY21	FY22	FY23	1HFY23	1HFY24
Rajkot, Gujarat	1,77,581	1,74,115	1,75,138	87,569	87,569	45.8%	40.7%	36.8%	37.8%	37.1%
Nagpur, Maharashtra	74,722	98,066	99,629	49,814	48,394	26.6%	16.8%	11.5%	12.3%	11.9%
Modasa, Gujarat	NA	7,616	21,068	9,872	12,617	0.0%	69.9%	27.3%	28.2%	34.1%
Bhiwadi, Rajasthan	176	6,820	1,324	1,324	NA	17.9%	1.2%	12.2%	12.2%	NA
<b>Total Primary Facilities</b>	<b>2,52,479</b>	<b>2,86,616</b>	<b>2,97,159</b>	<b>1,48,579</b>	<b>1,48,579</b>	<b>40.1%</b>	<b>32.4%</b>	<b>27.6%</b>	<b>28.4%</b>	<b>28.6%</b>
Rajkot, Gujarat (Facility-1)	29,481	36,805	36,270	18,910	17,360	52.2%	42.4%	40.2%	44.5%	29.9%
Rajkot, Gujarat (Facility-2)	42,780	42,780	42,780	21,390	21,390	69.3%	73.1%	67.7%	68.3%	76.9%
Modasa, Gujarat	NA	NA	8,577	1,550	11,780	NA	NA	27.7%	NA	35.5%
<b>Total ancillary facilities</b>	<b>72,261</b>	<b>79,585</b>	<b>87,627</b>	<b>41,850</b>	<b>50,530</b>	<b>62.3%</b>	<b>58.9%</b>	<b>52.4%</b>	<b>55.0%</b>	<b>51.1%</b>

SOURCE: INCRED RESEARCH, DRHP

### In-house ancillary capabilities ➤

- **Processing of key raw materials:** The company, through its ancillary facilities, manufactures key raw materials which are used for internal consumption like besan (gram flour), spices (like chilli powder, cumin powder, coriander powder and turmeric powder) as well as snack pellets.

- **Own fabrication:** GSL has an engineering and fabrication facility in Rajkot, which manufactures customized containers that are mounted on the company's own vehicle fleet (263 vehicles), which aid in minimizing the delay in deliveries, wastage from in-transit pilferage and demurrage due to incidental delay.
- **In-house cold storage:** The company has a cold storage located within the primary facility in Modasa, which, as of 1HFY24-end, had an installed capacity of 40,000mtpa, that allows Gopal Snacks to control storage conditions and provides flexibility in terms of storage schedule.

## Distribution network

The company had 3 depots and 617 distributors as of 1HFY24-end, which covers retailers located across 10 states and 2 Union Territories. As of 1HFY24-end, 69 distributors in Gujarat have been associated with Gopal Snacks for more than 10 years, representing 24.7% of the total distributors in Gujarat, who contributed 26.6%/25.9% to sales in FY23/1HFY24, respectively. Its products are distributed across 7,00,000 retail touchpoints across India.

- The distributors have established sales channels across conventional grocery retailers, supermarkets, hypermarkets and span across urban, semi-urban and rural areas.
- Gopal Snacks' products started gaining recognition in the international market, with products sold to certain markets like Australia, Kuwait, Saudi Arabia, UAE and USA through both direct exports and merchant exporters.
- Most of its products are sold through what the company calls general trade channels, which include conventional grocery retailers, supermarkets and hypermarkets. In FY21/FY22/FY23/1HFY23, general trade contributed 98.92%/99.87%/99.87% to sales, respectively.

The company implemented its distributor management systems (DMS) in 2017 to improve efficiency in the supply chain. It can generate real-time insights as well as track its logistics vehicles via GPS on a real-time basis.

**Figure 5: Distribution network across geographies**

Geography	Distributors
Gujarat	279
Maharashtra	143
Uttar Pradesh	67
Madhya Pradesh	47
Rajasthan	31
Jharkhand	24
Chhattisgarh	13
Karnataka	8
Telangana	2
Delhi NCR	1
Dadra and Nagar Haveli and Daman and Diu	1
Uttarakhand	1
<b>Total</b>	<b>617</b>

SOURCE: INCRED RESEARCH, DRHP

## Other information

### Intellectual property

- **Trademarks in India:** The company has 16 registered trademarks in India. In addition, 73 more trademarks are under the application stage in India.
- **Trademarks in International markets:** The company has 18 trademarks in other jurisdictions like the USA, New Zealand, Canada & Australia. Two additional applications are underway in the USA and Africa.
- **Some limitations:** Gopan Snacks' application for registration of its logo 'Gopal' under the Trademark Act was opposed by the Rajkot District Co-operative Milk Producers' Union. Pursuant to mediation, both parties entered into an agreement where Gopal Snacks has undertaken not to adopt, use or apply for registration of the 'Gopal' trademark in the categories such as milk and milk preparations, butter milk, pure ghee, cheese, skimmed milk powder, sweets, edible oils and oilseeds, bakery products, ready-to-cook, ready-to-eat

and ready-to-serve food eatables. However, this restriction does not extend to all types of namkeens, cereal-based snack foods, rice-based snack foods, wafers, spices, sauces and flour preparations from cereals.

## Strategy going ahead

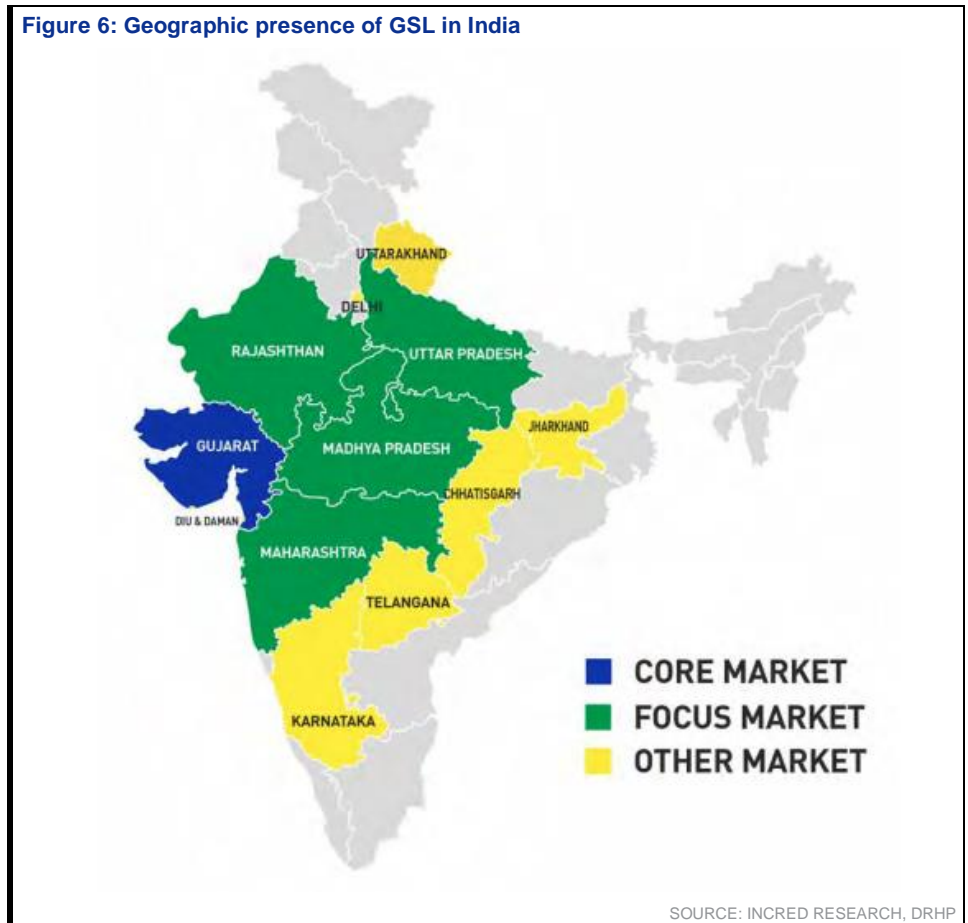
### Strengthen market share in core markets ➤

The company aims to expand its market share in Gujarat, which is its core market. In FY21/FY22/FY23, Gujarat contributed 74%/76%/79% to Gopal Snacks' overall revenue, respectively. In FY23, Gujarat contributed c.10.5%/12.3%/10.6% to the overall ethnic savouries/western snacks/papad segments' sales in India, respectively.

- Gopal Snacks had a 20% market share in ethnic savouries, 8% in western snacks and 6% in papads in Gujarat (including both organized and unorganized sectors).
- The company has a considerable amount of unutilized capacity at its primary manufacturing facilities in Gujarat, which will be enough to cater to growing demand. In FY23, the Rajkot/Modasa facilities had capacity utilization of 36.8%/27.3%, respectively.

The company also aims to expand its market share in Gujarat in the wafer category. As per industry reports, chips/wafers dominate the western snack category, with an estimated market size of Rs30-35bn in Gujarat. The cold storage facility in Gujarat, situated within the Modasa facility, coupled with its ability to source potatoes directly from the farmers, should aid in the category's growth.

**Figure 6: Geographic presence of GSL in India**



**Figure 7: Product sales mix by price points**

% Mix	FY21	FY22	FY23
SKU at Rs5	82.7%	80.7%	75.5%
SKU at Rs10	4.1%	4.5%	8.2%
SKU >Rs10	11.7%	11.3%	12.6%
Others	1.5%	3.5%	3.7%

SOURCE: INCRED RESEARCH, DRHP

## Expanding presence in focus markets ➤

Gopal Snacks will focus its efforts to increase distribution touchpoints in its focus markets of Maharashtra, Rajasthan, Madhya Pradesh and Uttar Pradesh. These markets are within the range of its existing manufacturing facilities, giving the company the capability to launch new products as well in these markets. Gopal Snacks has sales and marketing personnel in these regions who take feedback on tastes and preferences in each market, position advertisements in newspapers to attract potential distributors as well as launch region-specific products.

- The company also aims to expand its presence in the markets it entered more recently like Jharkhand, Chhattisgarh, Odisha, Telangana and Karnataka.

**Figure 8: GSL's market share across focus markets**

States/ Union Territory	Market Share in Ethnic Savouries in Fiscal 2023	Market Share in Western Snacks in Fiscal 2023	Market Share in Papad in Fiscal 2023
Maharashtra	12.9%	12.1%	8.0%
Rajasthan	9.1%	5.8%	11.4%
Madhya Pradesh	8.1%	6.0%	8.6%
Uttar Pradesh	14.0%	8.2%	4.6%
<b>Total</b>	<b>44.1%</b>	<b>32.1%</b>	<b>32.6%</b>

SOURCE: INCRED RESEARCH, DRHP

## Innovation will remain a strong focus area ➤

Gopal Snacks' recent innovations have been picking up steam gradually. It launched Ponga (or fryums) under the pellet category and Punjabi tadka under the namkeen category, and also launched some new SKUs under the brand Cristos. The ability to launch products based on region-specific tastes and preferences will aid the company in driving its growth going ahead.

- The Ponga category has grown to 4.03% of sales by 1HFY24 from 2.56% of sales in FY21.
- Punjabi tadka has remained stagnant between 0.22%-0.25% of sales between FY21 to 1HFY24.
- Cristos Salted and Cristos Mexican Chilli variants were launched in Mar 2022. Their contribution to sales was in the range of 0.5%-0.8% between FY21 and 1HFY24.
- In the past, it has launched products like katak-matak, vanilla balls, papad chivda and ratlami sev.

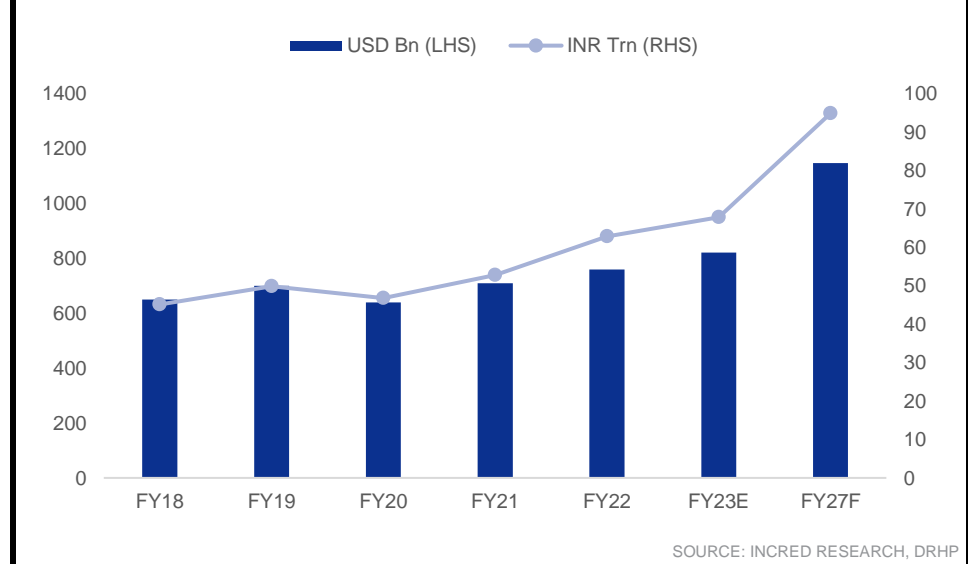
## Annexure

### Industry background

#### Retail market in India ➤

The retail market in India is estimated at Rs67.9tr in 2023 and is expected to touch approximately Rs94.9tr by 2027F at a CAGR of 8.7% during 2023-27F. The retail sector contributes approximately 10% to the gross domestic product or GDP in India.

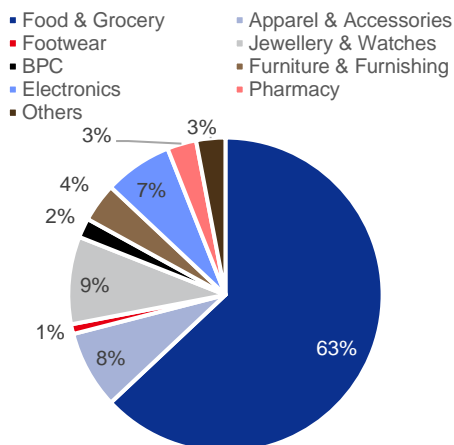
**Figure 9: India's retail market is expected to grow at an 8.5% CAGR over 2023-27F**



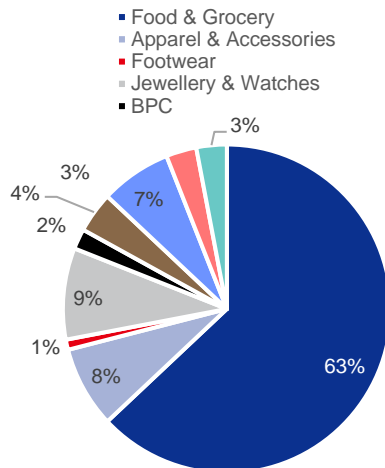
#### Mix of various sectors in India's retail market ➤

Food and grocery accounts for majority of the market share in the Indian retail industry. The segment contributed 63% in fiscal 2023 towards the overall Indian retail and is expected to retain its dominance. The food & grocery sector is expected to register a CAGR of 8.5% during the forecast period FY2023-2027F. India's developing economy is the top contributor for the significant share of the food & grocery segment in the retail industry. After an unprecedented decline in the sales of electronics and consumer durables, including mobile phones, during the Covid-19 pandemic in 2020, the segment witnessed high growth and is likely to exhibit the highest CAGR of 12.7% during the forecast period followed by the footwear segment along with the apparel & accessories segment to witness a high CAGR of 10.3% and 10.1%, respectively.

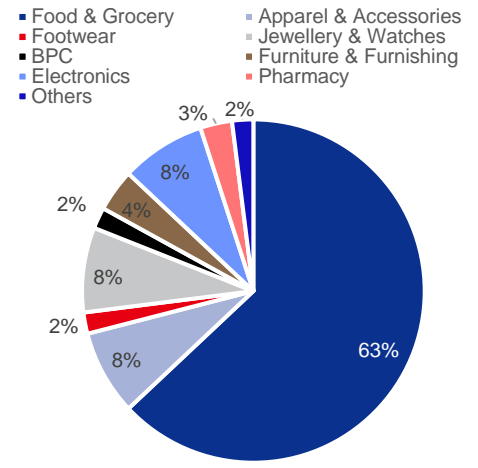
**Figure 10: Share of various sectors in India's retail market in FY22**



**Figure 11: Share of various sectors in India's retail market in FY23**



**Figure 12: Share of various sectors in India's retail market in FY27F**

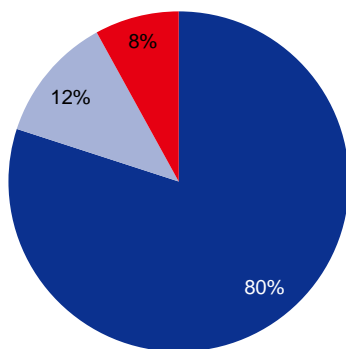


### Contribution of various channels to the retail sector ►

In 2023, traditional retail contributed approximately 80% to the Indian retail sector, followed by the organized retail market contributing approximately 12%, and online sales channels approximately 8%. While the traditional retail channel would still dominate (approximately 76%) the Indian retail market by 2027F, sales via e-commerce would experience the highest CAGR of approximately 17% during 2023-2027F, accounting for an expanding share of 10% in 2027F as compared to approximately 8% in 2023. During the Covid-19 pandemic, sales via modern/organized and traditional retail segments witnessed a major downfall, whereas sales via e-commerce, sustained its growth momentum. The trend is anticipated to continue during the forecast period as well.

**Figure 13: Contribution of traditional, modern and e-commerce sectors to the retail market in FY23**

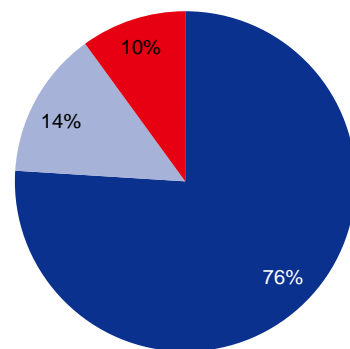
■ Traditional Retail ■ Modern Retail ■ E-commerce



SOURCE: INCRED RESEARCH, DRHP

**Figure 14: Contribution of traditional, modern and e-commerce sectors to the retail market in FY27F**

■ Traditional Retail ■ Modern Retail ■ E-commerce

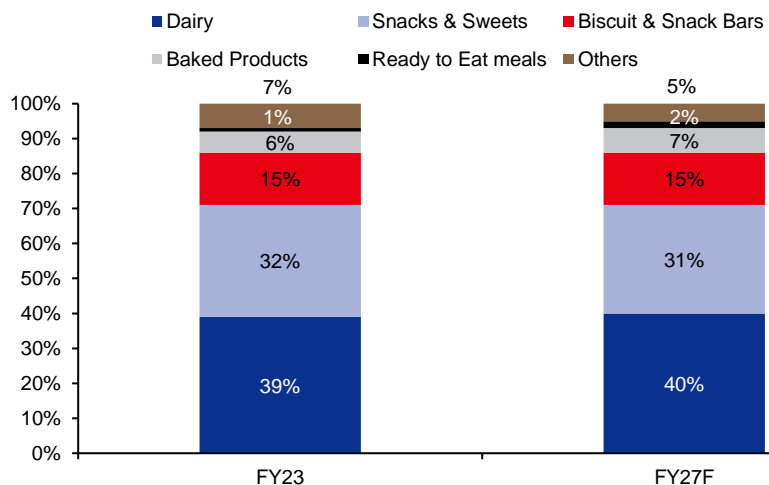


SOURCE: INCRED RESEARCH, DRHP

### Packaged food market in India ►

The Indian packaged food industry was valued at Rs2,972bn in 2018 and stood at Rs4,622bn in 2023. The segment is evaluated to register a CAGR of 10% over 2023 to 2027F and would reach a market value of Rs6,767bn by 2027F. Surging demand for high-value, pre-packed 'on-the-go' and 'ready-to-eat' products is supported by increasing disposable income, rising population of urban middle-class consumers, and the rising population of working women across the country.

**Figure 15: Category-wise packaged food retail market in India**



SOURCE: INCRED RESEARCH, DRHP

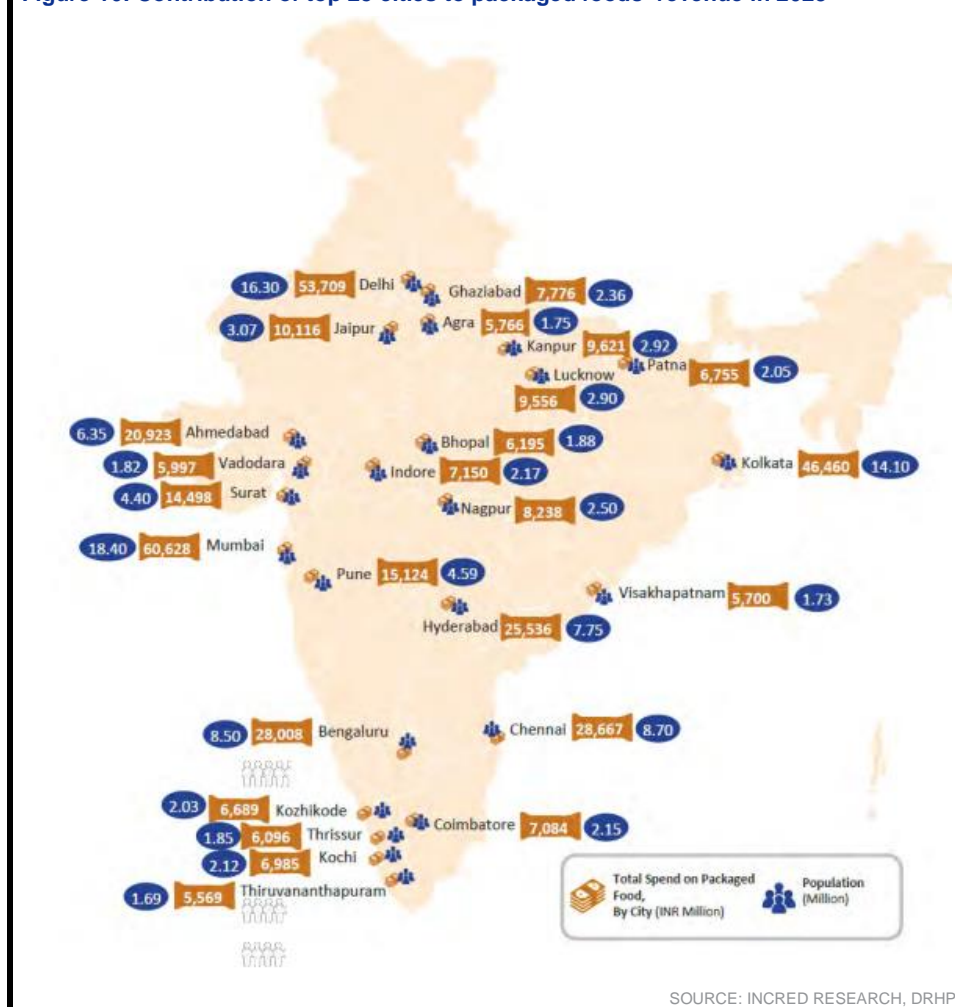
- In FY23, the packaged food industry was valued at Rs4.6tr. Dairy products along with snacks and sweets together contribute approximately 71% to the overall packaged food segment followed by biscuits and snack bar holding approximately 15% of the overall market share.
- Among the various categories of packaged food products, ready-to-eat meals and baked products are evaluated to register the highest CAGR of approximately 15% and approximately 13% (2023-2027F), respectively, owing to the rising health concerns among the consumers.
- Additionally, the snack industry holds a substantial share in the Indian packaged food products market i.e., approximately 32% in 2023. The sector is considered to have a high untapped potential as Indian consumers have a high inclination towards savoury snacks. The emphasis on healthy foods and rising demand for convenience foods together pushes the snack segment towards holding an overall higher market share in the packaged food industry.
- The packaged food industry in India is estimated at Rs4,622bn in FY23 and has a growth potential of approximately 10% during FY23-FY27F.
- The Indian packaged food industry is dominated by unorganized players. The unorganized segment dominates the industry, accounting for a market share of approximately 81% in FY23. It is estimated that the unorganized segment would continue to occupy a significant market share of approximately 79% in FY27F and post a CAGR of 9% during FY23-FY27F.
- However, the organized segment is projected to exhibit a higher CAGR of 13% over FY23-FY27F, supported by a major transition that took place during the Covid-19 pandemic, which influenced the retailers in the country to adopt technology to support their businesses. The trend is expected to continue, where the organized segment is likely to account for a market share of 21% by FY27F in India's packaged food industry.

### **Per capita spending on packaged foods in India ►**

Per capita spending on packaged foods in 2018 stood at Rs2,095 and grew to Rs3,657 in 2023. The per capita spending is expected to witness a CAGR of 11% over FY23-FY27F. Rising disposable income, along with a rising population of women workforce, is driving the demand for ready-to-eat, 'on-the-go' products in India. Additionally, rising demand for 'better-for-you' ingredients is expected to support the growth of healthier and premium products such as baked snacks in the Indian market.

- Ahmedabad (Gujarat) stands among the top 10 cities with the highest total spending on packaged foods in 2023. Farsan (ethnic snack), including fried savouries, gathiya and sweets, are the major packaged snacks purchased by local consumers.
- India's top 25 cities contribute around 10% to the revenue of the packaged food industry. Indian consumers' spending on packaged foods (per capita) is estimated to grow to Rs5,552 by FY27F. India's fast-growing economy is a major influencer of the growth of the packaged food sector in the country.

**Figure 16: Contribution of top 25 cities to packaged foods' revenue in 2023**



### Overview of India's savoury snack market ►

The Indian market for savoury snacks is estimated to be worth Rs796bn in FY23 and is projected to grow at a CAGR of 11%, touching Rs1,217bn by FY27F.

- The major segments constituting Indian savoury snacks include western snacks and ethnic savouries or traditional snacks. Western snacks dominate the Indian savoury snacks market and are valued at Rs409bn, holding a market share of 51%.
- The western snack segment comprises chips, extruded snacks, snack pellets and other varieties including bridges and nachos among others.
- On the contrary, the market valuation of ethnic savouries (including gathiya) is estimated at Rs388bn, contributing 49% to the overall Indian savoury snacks market.
- The popular types of traditional snacks marketed in India include namkeen, bhujia sev, snack mixture, gathiya along with other ethnic savoury snack varieties such as mathari, chakali, dry samosa, kachori among others.

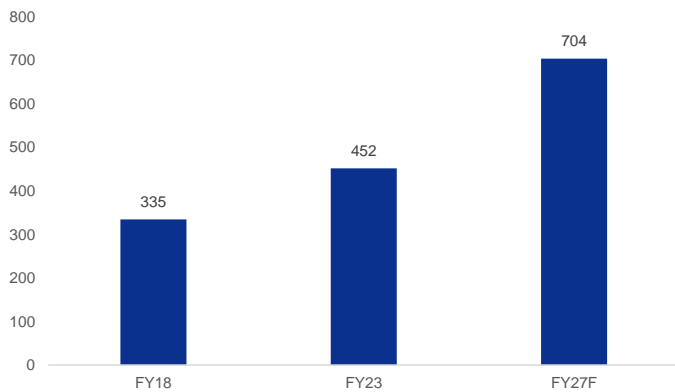
### Organized market for savoury snacks in India ►

India's savoury snacks market worth Rs796bn was traditionally dominated by unorganized players who used to cater to the region-specific demands of local consumers. In the snack industry, snacks sold in local kirana shops and convenience stores continue to compete with well-known Indian brands even today.

- In FY23, the organized market for savoury snacks dominated the Indian market, accounting for a market share of approximately 57% with a valuation of Rs452bn.

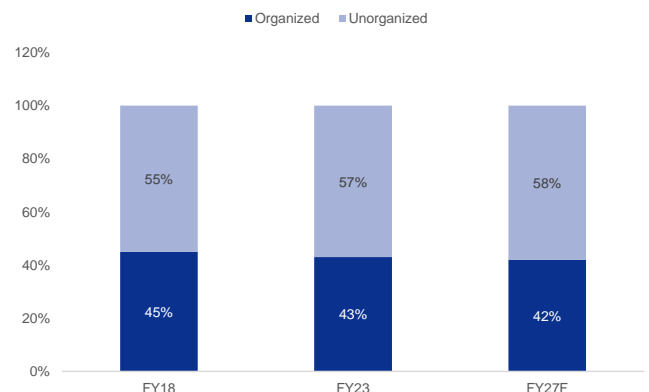
- The growth of the organized segment in India is highly supported by the economic growth that has increased the sales via modern retail including supermarket and hypermarkets.
- The major contribution comes from leading established players in the snack industry such as PepsiCo, which owns Lays and Kurkure brands, Haldiram, ITC with its Bingo chips and Balaji Wafers among others.

**Figure 17: India's organized savoury snack market is expected to touch Rs704bn by FY27F**



SOURCE: INCRED RESEARCH, DRHP

**Figure 18: The share of organized players is expected to increase to 58% by FY27F**

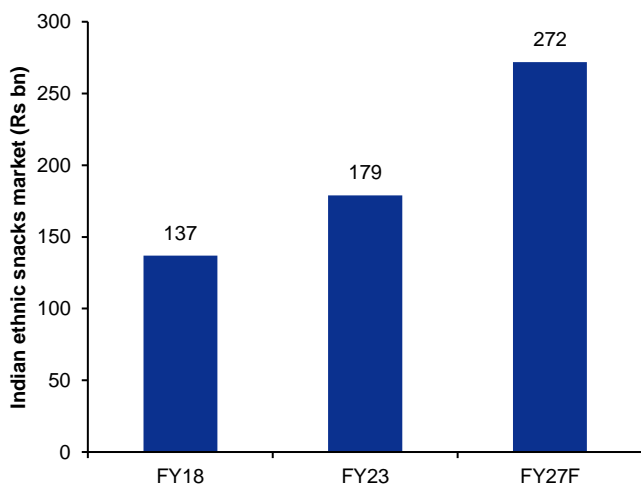


SOURCE: INCRED RESEARCH, DRHP

### India's organized savoury snack market by product type ➤

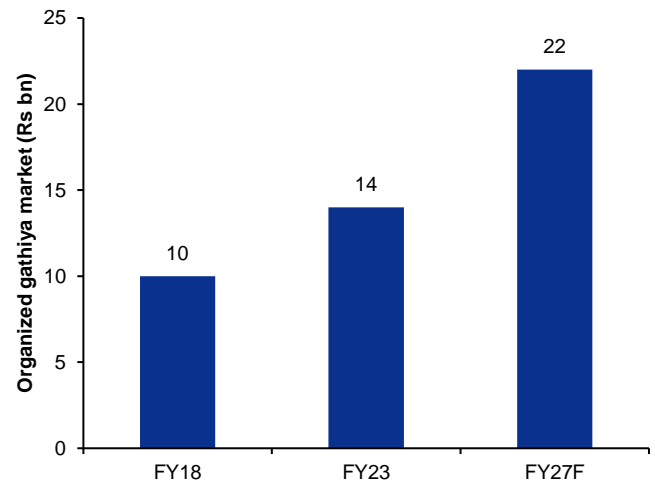
In FY23, western snacks dominated the organized market and held a major market share of 57% in India's savoury snack segment. On the other hand, ethnic namkeen and snacks together contributed approximately 40% to the organized savoury market.

**Figure 19: India's organized ethnic namkeen & snack market (Rs bn)**



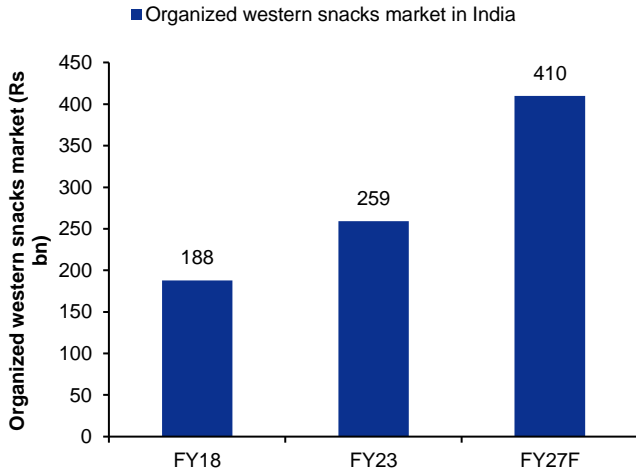
SOURCE: INCRED RESEARCH, DRHP

**Figure 20: Organized gathiya market's growth (Rs bn)**



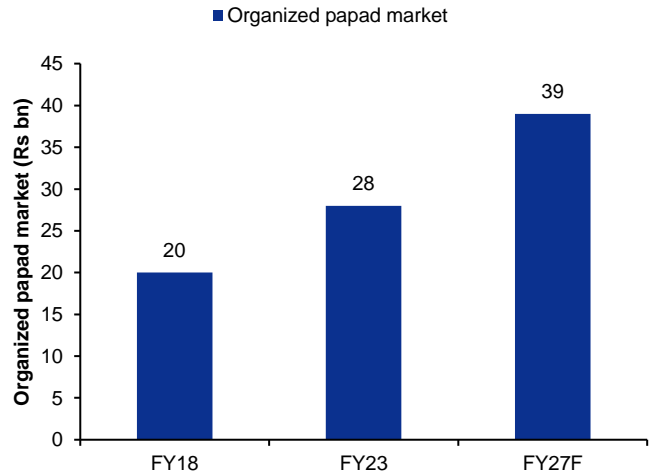
SOURCE: INCRED RESEARCH, DRHP

**Figure 21: Organized western snack market in India- market growth (Rs bn)**



SOURCE: INCRED RESEARCH, DRHP

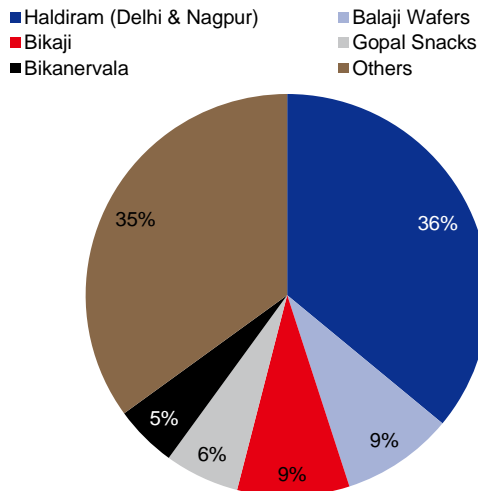
**Figure 22: Papad market in India - market growth (Rs bn)**



SOURCE: INCRED RESEARCH, DRHP

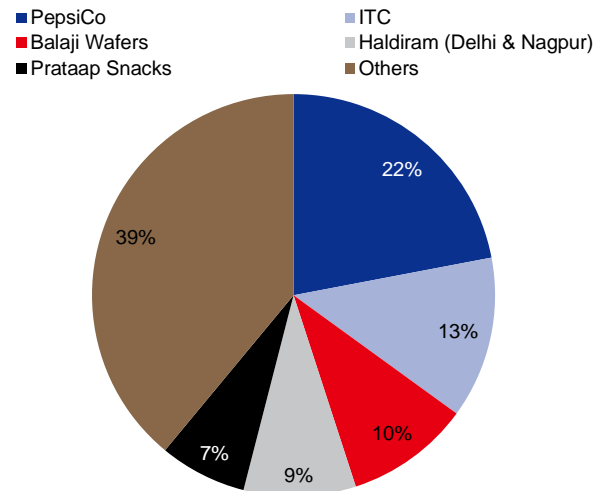
- **India's ethnic namkeen and snack market:** In FY23, the organized Indian ethnic namkeen and snack market was valued at Rs179bn. Increased hygiene issue among the consumers post Covid-19 pandemic supported the growth of branded and packaged namkeen in the last few years.
- **Gathiya market:** In FY23, the organized market for gathiya stood at Rs14bn, accounting for 3% of the total organized Indian savoury snack market and is expected to post a CAGR of 11.7% over FY23 and fiscal FY27F.
- **Western snacks:** In FY23, the organized western snack market in India was valued at Rs259bn and is projected to register a CAGR of 12.1% till FY27F. Chips accounted for the largest market share of approximately 53%, followed by extruded snacks and puffs (approximately 22%) in FY23.
- **Papad market:** In FY23, the Indian papad market was valued at Rs83bn and is projected to touch Rs106bn by FY27F, posting a CAGR of 6.3%.
- **Gujarat is among the most lucrative markets in India's snack industry:** In FY23, the estimated market value in Gujarat was approximately Rs38-40bn, approximately Rs48-50bn and approximately Rs8.5-9.0bn in the overall ethnic savouries, western snack and papad segments, respectively.

**Figure 23: Market share in ethnic savouries (incl. gathiya)**



SOURCE: INCRED RESEARCH, DRHP

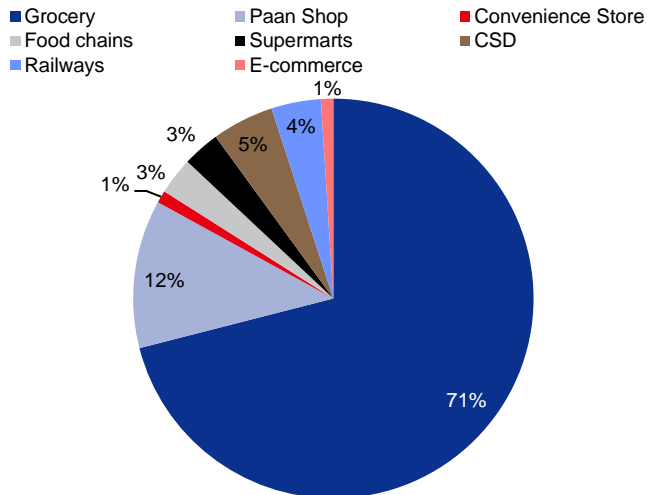
**Figure 24: Market share in western snacks**



SOURCE: INCRED RESEARCH, DRHP

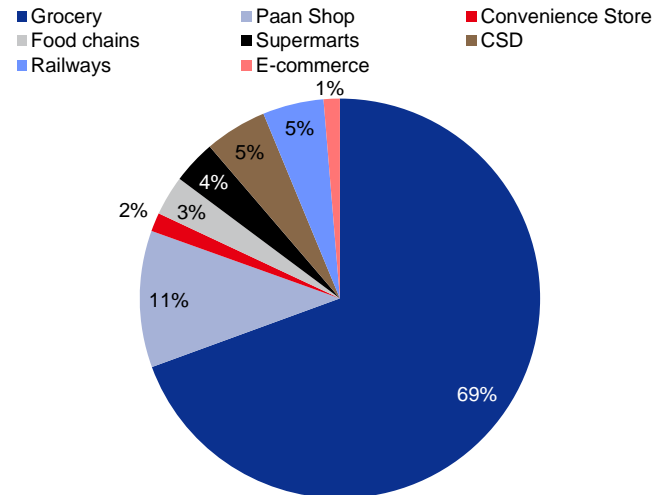
## India's savouries market split by sales channels ➤

**Figure 25: India's organized ethnic savoury snack market by sales channel – FY23**



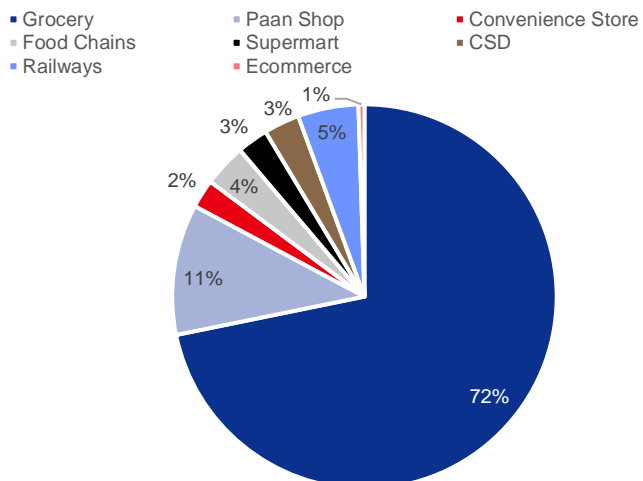
SOURCE: INCRED RESEARCH, DRHP

**Figure 26: India's organized ethnic savoury snack market by sales channel – FY27F**



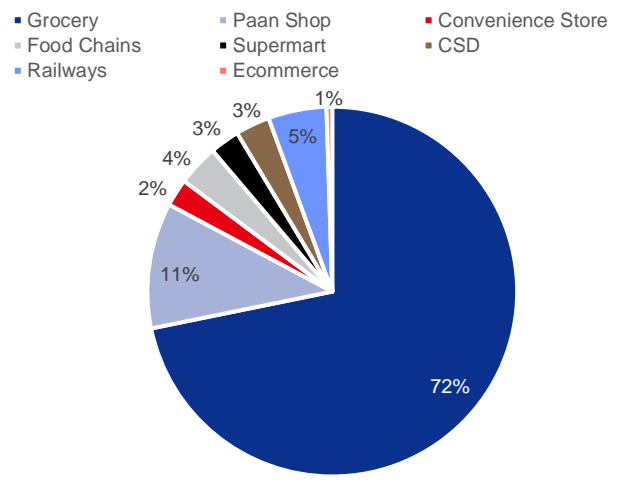
SOURCE: INCRED RESEARCH, DRHP

**Figure 27: India's organized western snack market by sales channel – FY23**



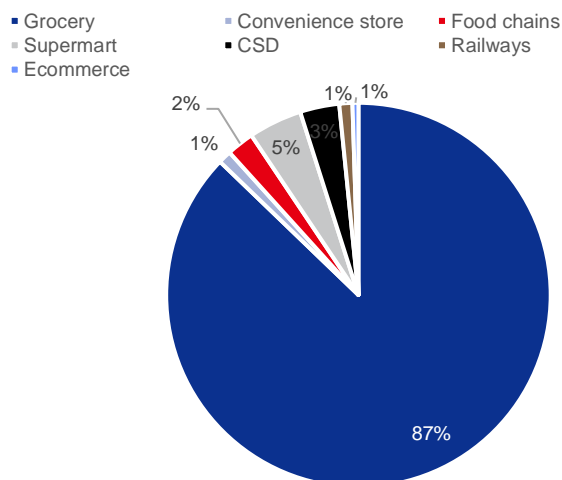
SOURCE: INCRED RESEARCH, DRHP

**Figure 28: India organized western snack market by sales channel – FY27F**



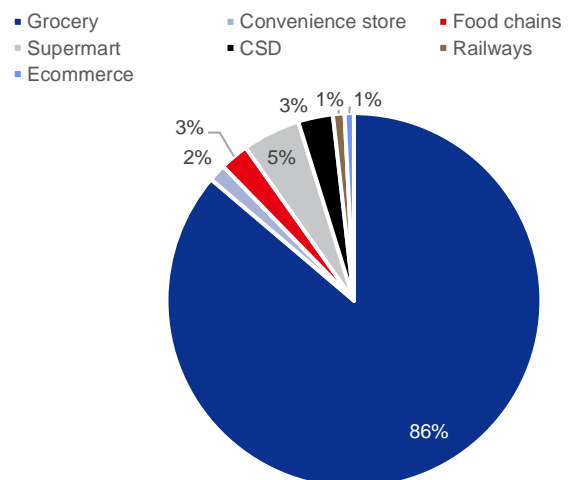
SOURCE: INCRED RESEARCH, DRHP

**Figure 29: India's organized papad market by sales channel in FY23**



SOURCE: INCRED RESEARCH, DRHP

**Figure 30: India's organized papad market by sales channel in FY27F**



SOURCE: INCRED RESEARCH, DRHP

## Opportunities for India's export segment ➤

- According to the data published by the Directorate General of Commercial Intelligence and Statistics (DGCI&S), the exports of agricultural and processed food products are evaluated to have increased by approximately 13% in 9MFY23 vs 9MFY22.
- The export of ready-to-eat (RTE) category including ready-to-cook (RTC), and ready-to-serve (RTS) segments is expected to register a CAGR of approximately 11% over FY23-FY27F. USA is a major importer (approximately 20% in fiscal 2021) of Indian packaged food products including RTE snacks among others.
- The Agricultural and Processed Food Products Export Development Authority (APEDA) is taking several initiatives to increase the exports of agricultural and processed food products from India and has been engaged in organizing B2B exhibitions in various countries to explore new potential markets through product-specific and general marketing campaigns. These initiatives involve active involvement of Indian embassies.
- In 2022, the central government announced a production-linked incentive or PLI scheme for the food processing industry worth Rs109.8bn. The goal is to increase India's overall food processing capacity and improve the capacity further to meet the demand for food products on a global scale.
- The evolving demand for processed foods including packaged baked goods, snacks and ready-to-eat products, must be considered as a potential opportunity for Indian players in the domestic and international markets. The packaged food sector is being pushed to become a significant part of India's GDP and economic development based on the rising demand for processed food products backed by supportive government policies and initiatives.
- India's processed food industry, including packaged food, is among the major contributors towards economic growth, contributing more than 30% to the overall exports of the country.
- Exports of packaged and processed food products have been rising on a year-on-year basis, which could be seen as an advantage for India's exporters. Additionally, the overall growth in the processed food sector of India would support accelerated growth of small- and medium-sized businesses, leading to economic development and employment generation.

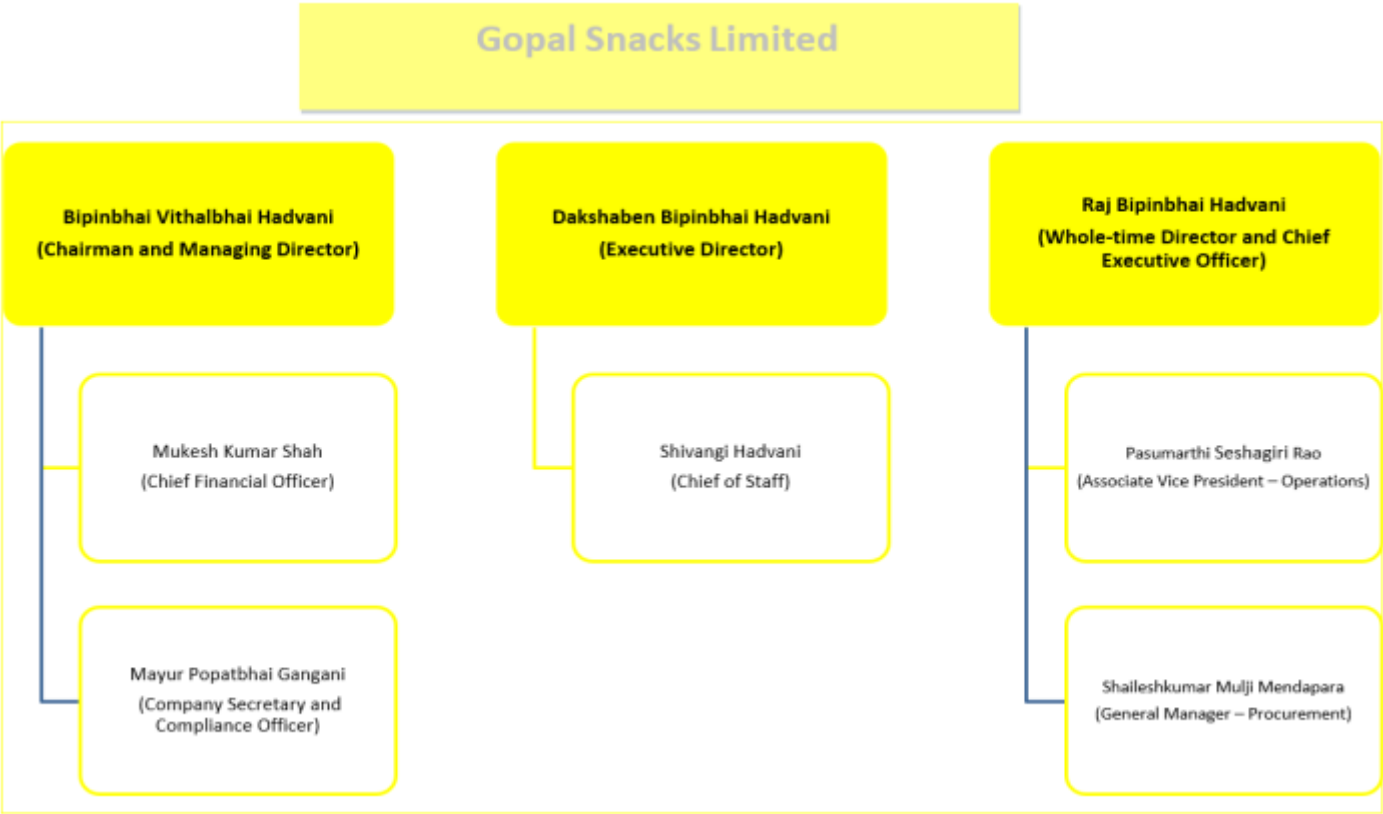
## Board of directors

**Figure 31: Board of directors**

Name	Role	Associated since
Bipinbhai Vithalbhai Hadvani	Promoter of the company and is also a director	Inception
Dakshaben Bipinbhai Hadvani	Promoter of the company and is also the executive director	18-Nov-15
Raj Bipinbhai Hadvani	Whole-time director and CEO	01-Apr-17
Harsh Sureshkumar Shah	Non-executive director	01-Mar-18
Rajnikant Chimanlal Diwan	Independent director	05-May-23
Natwarlaal Meghijibhai Patel	Independent director	05-May-23
Vijayalakshmi Shalil Suvarna	Independent director	05-May-23
Babubhai Harjibhai Ghodasara	Independent director	05-May-23

SOURCE: INCRED RESEARCH, DRHP

Figure 32: Organizational hierarchy



SOURCE: INCRED RESEARCH, DRHP

## BY THE NUMBERS

### Profit & Loss

(Rs mn)	Mar-21A	Mar-22A	Mar-23A	1HFY23	1HFY24
<b>Total Net Revenues</b>	<b>11,289</b>	<b>13,522</b>	<b>13,947</b>	<b>6,993</b>	<b>6,762</b>
<b>Gross Profit</b>	<b>2,047</b>	<b>2,787</b>	<b>3,959</b>	<b>1,889</b>	<b>2,027</b>
<b>Operating EBITDA</b>	<b>604</b>	<b>948</b>	<b>1,962</b>	<b>936</b>	<b>943</b>
Depreciation And Amortisation	240	311	374	177	170
<b>Operating EBIT</b>	<b>364</b>	<b>637</b>	<b>1,588</b>	<b>759</b>	<b>773</b>
Financial Income/(Expense)	(99)	(96)	(70)	(49)	(23)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
<b>Profit Before Tax (pre-EI)</b>	<b>265</b>	<b>541</b>	<b>1,518</b>	<b>710</b>	<b>750</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>265</b>	<b>541</b>	<b>1,518</b>	<b>710</b>	<b>750</b>
Taxation	54	125	395	190	194
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>211</b>	<b>415</b>	<b>1,124</b>	<b>520</b>	<b>556</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>211</b>	<b>415</b>	<b>1,124</b>	<b>520</b>	<b>556</b>
Recurring Net Profit	211	415	1,124	520	556
<b>Fully Diluted Recurring Net Profit</b>	<b>211</b>	<b>415</b>	<b>1,124</b>	<b>520</b>	<b>556</b>

### Cash Flow

(Rs mn)	Mar-21A	Mar-22A	Mar-23A	1HFY23	1HFY24
<b>EBITDA</b>	<b>604</b>	<b>948</b>	<b>1,962</b>	<b>936</b>	<b>943</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(743)	(267)	(382)	(1,234)	(279)
(Incr)/Decr in Total Provisions	12	(0)	9	35	(2)
Other Non-Cash (Income)/Expense	46	(14)	(21)	35	20
Other Operating Cashflow	10	43	39	13	18
Net Interest (Paid)/Received	(109)	(139)	(108)	(62)	(41)
Tax Paid	(54)	(125)	(395)	(190)	(194)
<b>Cashflow From Operations</b>	<b>(235)</b>	<b>445</b>	<b>1,105</b>	<b>(467)</b>	<b>465</b>
Capex	(2,252)	(139)	(108)	(62)	(41)
Disposals Of FAs/subsidiaries	(1)	(18)	(5)	(22)	(1)
Acq. Of Subsidiaries/investments		445	1,105	(467)	465
Other Investing Cashflow					
<b>Cash Flow From Investing</b>	<b>(2,253)</b>	<b>(737)</b>	<b>(260)</b>	<b>(2,555)</b>	<b>(78)</b>
Debt Raised/(repaid)		251	(577)	1,340	(1,079)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	1,146	4	8	1,782	603
<b>Cash Flow From Financing</b>	<b>1,146</b>	<b>255</b>	<b>(569)</b>	<b>3,122</b>	<b>(476)</b>
Total Cash Generated	604	948	1,962	936	943
<b>Free Cashflow To Equity</b>					
<b>Free Cashflow To Firm</b>	<b>(743)</b>	<b>(267)</b>	<b>(382)</b>	<b>(1,234)</b>	<b>(279)</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS...cont'd

### Balance Sheet

(Rs mn)	Mar-21A	Mar-22A	Mar-23A	1HFY23	1HFY24
Total Cash And Equivalents	48	11	286	101	12
Total Debtors	75	140	114	171	154
Inventories	869	872	1,449	841	1,448
Total Other Current Assets	215	314	213	727	237
<b>Total Current Assets</b>	<b>1,207</b>	<b>1,337</b>	<b>2,062</b>	<b>1,840</b>	<b>1,851</b>
Fixed Assets	2,182	2,584	2,458	2,517	2,406
Total Investments	6	17	24	25	25
Intangible Assets	1	19	24	22	23
Total Other Non-Current Assets	24	41	44	43	41
<b>Total Non-current Assets</b>	<b>2,212</b>	<b>2,660</b>	<b>2,551</b>	<b>2,606</b>	<b>2,495</b>
Short-term Debt					
Current Portion of Long-Term Debt	632	848	579	1,030	162
Total Creditors	175	70	94	183	88
Other Current Liabilities	229	234	269	287	206
<b>Total Current Liabilities</b>	<b>1,036</b>	<b>1,152</b>	<b>942</b>	<b>1,500</b>	<b>455</b>
Total Long-term Debt	758	794	485	310	99
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	256	264	257	299	297
<b>Total Non-current Liabilities</b>	<b>1,014</b>	<b>1,057</b>	<b>742</b>	<b>609</b>	<b>396</b>
Total Provisions	12	11	21	35	33
<b>Total Liabilities</b>	<b>2,062</b>	<b>2,221</b>	<b>1,704</b>	<b>2,144</b>	<b>884</b>
Shareholders Equity	1,357	1,777	2,909	2,302	3,461
Minority Interests					
<b>Total Equity</b>	<b>1,357</b>	<b>1,777</b>	<b>2,909</b>	<b>2,302</b>	<b>3,461</b>

### Key Ratios

	Mar-21A	Mar-22A	Mar-23A	1HFY23	1HFY24
Revenue Growth	27.8%	19.8%	3.1%	NA	(3.3%)
Operating EBITDA Growth	(29.7%)	57.1%	107.0%	NA	0.8%
Operating EBITDA Margin	5.3%	7.0%	14.1%	13.4%	13.9%
Net Cash Per Share (Rs)	10.77	13.09	6.24	9.94	2.00
BVPS (Rs)	10.89	14.26	23.34	18.47	27.78
Gross Interest Cover	3.35	4.57	14.64	12.27	18.99
Effective Tax Rate	20.3%	23.2%	26.0%	26.8%	25.9%
Net Dividend Payout Ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts Receivables Days	2.44	2.91	3.33	4.45	4.15
Inventory Days	28.08	23.49	30.37	43.92	78.16
Accounts Payables Days	5.65	3.31	2.15	9.57	4.74
ROIC (%)	7.7%	12.2%	28.3%	14.3%	14.9%
ROCE (%)	13.2%	20.7%	43.0%	20.8%	20.8%
Return On Average Assets	27.8%	19.8%	3.1%	NA	(3.3%)

### Key Drivers

	Mar-21A	Mar-22A	Mar-23A	1HFY23	1HFY24
Revenue growth (%)	27.8%	19.8%	3.1%	NA	-3.3%
EBITDA Growth (%)	-29.7%	57.1%	107.0%	NA	0.8%
PAT Growth (%)	-52.1%	96.7%	170.5%	NA	-45.9%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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