

# IPO Report

Choice

## “Subscribe with Caution” to Gopal Snacks Ltd.

Fully priced issue



Salient features of the IPO:

- Rajkot based **Gopal Snacks Ltd.** (GSL), also known as Gopal Namkeen is coming up with an IPO to raise Rs. 650cr, which opens on 6<sup>th</sup> Mar. and closes on 11<sup>th</sup> Mar. 2024. The price band is Rs. 381 - 401 per share.
- The IPO only consists of OFS portion. Thus, the company will not receive any proceeds from the issue.
- During Oct. 2023, one of the promoter & promoter group (P&PG) entities and an individual selling shareholder through secondary market transactions offloaded 0.554cr shares at Rs. 321 per share to Ashoka India Equity Investment Trust Plc, Axis Growth Avenues AIF and 360 ONE Special Opportunities Fund. Consequently, P&PG had 93.5% stake, while public had 6.5% stake in GSL (public shareholding mainly included Ashoka India Equity Investment Trust Plc, Axis Growth Avenues AIF and 360 ONE Special Opportunities Fund; each with 1.48% stake in the company).
- Further, now couple of P&PG entities are participating in the IPO and offloading 1.496cr (considering the higher price band). A selling investor is also participating in the OFS issue and partially offloading its stake. Post-IPO, P&PG will have 81.49% stake in the company, while public shareholding will be 18.51%.
- At the higher price band of the IPO, GSL is demanding a premium of 20% to the last transaction executed in Oct. 2023.

Key competitive strengths:

- An ethnic savouries brand with a significant presence in Gujarat coupled
- Diversified product portfolio, capable of capturing growing Indian snacks market
- An established manufacturer of gathiya in India, benefiting from the improving popularity of gathiya as a snack
- Strategically located manufacturing facilities
- Vertically integrated advanced business operations resulting in quality products and cost & operational efficiencies
- Distribution network
- Track record of profitable financial performance
- Experienced promoter and management team

Risk and concerns:

- General slowdown in the global economic activities
- Unfavorable government policies & regulations
- Unfavorable movements in the raw material prices
- Unfavorable sales-mix
- Difficulty in maintaining the profitability
- Competition

Below are the key highlights of the company:

- In FY23, the Indian savoury snacks market, comprising of western snacks and ethnic savouries (including gathiya) was estimated to around Rs. 79,600cr. Further, the western snacks and ethnic savouries contribute 51% and 49% to the domestic savoury snacks market, respectively, in FY23. Over FY23-27E, the Indian savoury snacks market is projected to grow by 11% CAGR to a size of Rs. 1.2lakh cr by FY27 (Source: RHP).
- GSL is the fast-moving consumer goods company in India with a major presence in Gujarat, offering a wide variety of savoury products under the brand “Gopal”, including ethnic snacks such as namkeen and gathiya; western snacks such as wafers, snack pellets and extruder snacks; and other fast-moving consumer goods such as papad, spices, besan, noodles, rusk and soan papdi. Apart from Gujarat, GSL also has a scattered presence in other nine states (including Maharashtra, Uttar Pradesh, Madhya Pradesh, Rajasthan, etc.) and two Union Territories. As of 30<sup>th</sup> Sept. 2023, its product portfolio comprised of 84 products with 276 SKUs across various product categories, thereby addressing wide variety of consumer tastes and preferences.

Issue details		
Price band	Rs. 381 - 401 per share	
Face value	Rs. 1	
Shares for fresh issue	Nil	
Shares for OFS	1.621 - 1.706cr shares	
Fresh issue size	N/a	
OFS issue size	Rs. 650cr	
Total issue size	1.621 - 1.706cr shares (Rs. 650cr)	
Employee reservation	0.009cr shares (Rs. 3.5cr)	
Net issue size	1.612 - 1.697cr shares (Rs. 646.5cr)	
Bidding date	6 <sup>th</sup> Mar. - 11 <sup>th</sup> Mar. 2024	
Implied MCAP at higher price band	Rs. 4,997cr	
Implied enterprise value at higher price band	Rs. 5,110cr	
Book running lead manager	Intensive Fiscal Services Pvt. Ltd., Axis Capital Ltd. and JM Financial Ltd.	
Registrar	Link Intime India Pvt. Ltd.	
Sector	Packaged Foods	
Promoters	Mr. Bipinbhai Vithalbhai Hadvani, Mrs. Dakshaben Bipinbhai Hadvani and Gopal Agriproducts Pvt. Ltd.	
Issue break-up		
Category	Percent of issue (%)	Number of shares
QIB portion	50%	0.806 - 0.848cr shares
Non institutional portion (Big)	10%	0.161 - 0.170cr shares
Non institutional portion (Small)	5%	0.081 - 0.085cr shares
Retail portion	35%	0.564 - 0.594cr shares
Indicative IPO process time line		
Finalization of basis of allotment	12 <sup>th</sup> Mar. 2024	
Unblocking of ASBA account	13 <sup>th</sup> Mar. 2024	
Credit to demat accounts	13 <sup>th</sup> Mar. 2024	
Commencement of trading	14 <sup>th</sup> Feb. 2024	
Pre and post - issue shareholding pattern		
	Pre-issue	Post-issue
Promoter & promoter group	93.50%	81.49%
Public	6.50%	18.51%
Non-promoter & Non-public	0.00%	0.00%
Total	100.00%	100.00%
Retail application money at higher cut-off price per lot		
Number of shares per lot	37	
Employee discount	Rs. 38 per share	
Application money	Rs. 14,837 per lot	

## Key highlights of the company (Contd...):

Company name	Face value (Rs.)	CMP (Rs.)	MCAP (Rs. cr)	EV (Rs. cr)	Stock return				TTM total operating revenue (Rs. cr)	TTM EBITDA (Rs. cr)	TTM PAT (Rs. cr)	TTM gross margin	TTM EBITDA margin	TTM PAT margin
					1 M	3 M	6 M	1 Y						
Gopal Snacks Ltd.	1	401	4,997	5,110					1,372	197	116	29.9%	14.4%	8.5%
Bikaji Foods International Ltd.	1	522	13,063	13,081	-10.6%	-4.2%	8.6%	46.4%	2,061	270	181	32.5%	13.1%	8.8%
Prataap Snacks Ltd.	5	1,073	2,559	2,533	-15.0%	10.3%	14.4%	34.2%	1,635	113	57	32.0%	6.9%	3.5%
Average												32.2%	10.0%	6.1%

Company name	3Y revenue growth (CAGR)	3Y EBITDA growth (CAGR)	3Y PAT growth (CAGR)	3Y average EBITDA margin	3Y average PAT margin	3Y capital employed growth (CAGR)	3Y CFO growth (CAGR)	3Y average working capital cycle (Days)	3Y average CFO / EBITDA	3Y average CFO / Capital employed	3Y average fixed asset turnover	3Y average total asset turnover (x)	3Y average RoE	3Y average RoIC
Gopal Snacks Ltd.	11.2%	80.3%	130.7%	8.8%	4.3%	19.3%	132.7%	24.5	53.6%	20.4%	5.3	3.2	25.9%	19.3%
Bikaji Foods International Ltd.	22.5%	21.5%	19.4%	10.2%	6.1%	30.4%	20.2%	18.5	69.1%	13.9%	2.8	1.4	12.6%	13.2%
Prataap Snacks Ltd.	18.8%	-0.6%	19.6%	4.4%	0.9%	4.1%	1.5%	18.0	109.6%	9.0%	2.4	1.5	1.9%	0.4%
Average	20.6%	10.5%	19.5%	7.3%	3.5%	17.3%	10.9%	18.2	89.4%	11.5%	2.6	1.4	7.3%	6.8%

Company name	TTM EPS (Rs.)	BVPS (Rs.)	DPS (Rs.)	Debt equity ratio (x)	TTM fixed asset turnover ratio (x)	TTM total asset turnover ratio (x)	TTM RoE	TTM RoCE	TTM P / E (x)	P / B (x)	EV / TTM sales (x)	EV / TTM EBITDA (x)	MCAP / TTM sales (x)	TTM earning yield
Gopal Snacks Ltd.	9.3	23.3	0.0	0.5	5.5	3.0	39.9%	44.4%	43.1	17.2	3.7	25.9	3.6	2.3%
Bikaji Foods International Ltd.	7.2	38.1	0.1	0.1	2.8	1.4	19.0%	20.0%	72.1	13.7	6.3	48.4	6.3	1.4%
Prataap Snacks Ltd.	23.8	283.4	0.5	0.0	2.7	1.7	8.4%	6.6%	45.1	3.8	1.5	22.4	1.6	2.2%
Average			0.3	0.1	2.8	1.6	13.7%	13.3%	58.6	8.7	3.9	35.4	4.0	1.8%

Note: Financials for the period during FY21-23 and for TTM ending Sept. 2023; Source: Choice Broking Research

- In FY23, the company was the 4<sup>th</sup> largest brand in the organized ethnic savouries market (including gathiya) and the largest manufacturer of gathiya (in terms of production volume and sales revenue) and snack pellets (in terms of production volume) in India. It had around 30% share in the domestic organized gathiya market in FY23. Further, in terms of revenue, the company was the 4<sup>th</sup> largest papad manufacture in India.
- GSL was also the 2<sup>nd</sup> largest organized ethnic namkeen manufacturer in Gujarat. During FY23, it generated around 80% of the total operating revenue from the state of Gujarat. As per the RHP, GSL enjoyed around 20% market share in the ethnic savouries, 8% in western snacks and approximately 6% in the papad market in Gujarat (including organized and unorganized market).
- As of 30<sup>th</sup> Sept. 2023, the company's products are sold over 523 locations across 10 states and two Union Territories. Its distribution network comprised three depots and 617 distributors, of which around 45% of the distributors are located in the state of Gujarat. GSL has implemented a distribution management system, which helps in coordinating with its distributors and provides visibility on the inventory levels and distributor sales, thereby enabling it in optimizing the distribution network efficiently. Additionally, the company owned a fleet of 263 logistics vehicles to support its distribution network.
- GSL operated six vertically integrated manufacturing facilities comprising of three primary manufacturing facilities (two in Gujarat and one in Maharashtra) and three ancillary manufacturing facilities (all located in Gujarat). The primary manufacturing facilities mostly focused on the manufacturing of finished products. While the ancillary manufacturing facilities mainly focused on producing besan, raw snack pellets, seasoning and spices which are primarily used for captive consumption in the manufacturing of finished products such as gathiya, namkeen and snack pellets. As of 30<sup>th</sup> Sept. 2023, the aggregate annual installed capacity at these six manufacturing facilities stood at 0.4mn tonnes. During FY23, its primary manufacturing facilities operated at utilization levels of around 30%.
- Additionally, GSL engages with 3<sup>rd</sup> party manufacturers on a need basis to produce products like chikki, nachos, noodles, rusk, soan papdi and washing bar. The company's vertically integrated manufacturing operations helps in controlling the production quality, process & costs; and improving operational efficiency.
- In terms of sales-mix, GSL generated 59.5% of operating revenue from the sales of ethnic snacks products (comprising of gathiya (with 30.4% revenue contribution) and namkeen (with 29.1% contribution)). Another 29.4% of the revenue was generated from the sales of western snacks (comprising of snack pellets (22.2% revenue contribution), wafers (6.1% contribution) and extruded snacks (with 1.2% contribution)).
- Its products are sold across various affordable price points, which help it in driving higher sales volume and revenue. GSL generated 93.1% of the operating revenue from the sales of SKUs below Rs. 5 price point and 5.4% from the sales of SKUs at Rs. 10 price point. Around 1.5% of the revenue is generated from the sales of SKUs available at above Rs. 10 price point.

## Key highlights of the company (Contd...):

- Over the years of operations, GSL has developed a deep understanding of diverse preferences of Indian consumers and strengthened its position in the Indian snacks market by offering high-value proposition to consumers in terms of taste, quality and price. Considering the regional palates, the company has continuously introduced new products, for example, it has developed traditional snacks such as Bhavnagari Gathiya, Papdi Gathiya and Vanela Gathiya for consumers in Gujarat; Masala Ponga, Champakali Gathiya, Nadiyadi Mixture and Tikha Mitha Mixture for consumers in Maharashtra; and Fulvadi Gathiya, Ratlami Sev, Bikaneri Bhujia for consumers in Rajasthan and Madhya Pradesh. Further, the company has recently forayed into products such as noodles, tortilla chips and cheese balls.
- The P&PG entities are planning to raise around Rs. 600cr by offloading 1.496cr shares via an OFS route. Net proceeds from the OFS sales will be utilized to pre-pay the debt availed by the P&PG entities, which in-turn was acquired for purchasing 26% stake of the company from an individual erstwhile promoter (resulting from family split).
- Primarily aided by higher blended realization in FY23, GSL reported a strong business growth during FY21-23. Decline in prices of key raw materials like palmolein oil and packing materials led to a robust expansion in the profitable margins and return ratios during the period. The company reported a top-line growth of 11.2% to Rs. 1,394.7cr in FY23. The growth was aided by 20.4% rise in blended realization, however, sales volume during the period declined by 7.7% CAGR. According to the management, lower sales volume was mainly due to the family dispute. With decline in cost of production in FY23, the company reported around 10ppts expansion in the gross margin. However, relatively higher employee and other expenses led to a 872bps expansion in EBITDA margin, which stood at 14.1% in FY23. In absolute terms, EBITDA increased by 80.3% CAGR to Rs. 196.2cr in FY23. With increase in asset base, depreciation increased by 25% CAGR, while lower financial liabilities led to a 0.1% CAGR fall in finance cost. Further, with relatively higher other income, reported PAT increased by 130.7% CAGR to Rs. 112.4cr in FY23. PAT margin expanded from 1.9% in FY21 to 8.1% in FY23.
- GSL reported positive operating cash flows during the period, which increased by 132.7% CAGR. Average operating cash flow stood at Rs. 67.5cr. Total consolidated financial liabilities declined by 9.2% CAGR, with debt-to-equity ratio of 0.5x in FY23, compared to 1.3x in FY21. Pre-issue average RoIC and RoE stood at 19.3% and 25.9%, respectively, during the period.
- During H1 FY24, family dispute continued to impact the company's sales volume of key products during the period. Additionally, lower raw material price led to 7.9% Y-o-Y fall in blended realization. As a result, GSL reported a 3.3% Y-o-Y lower operating revenue, which stood at Rs. 676.2cr in H1 FY24. Lower cost of revenue, mainly led to a 56bps and 79bps expansion in EBITDA and PAT margins, respectively. On TTM basis, top-line stood at Rs. 1,371.5cr with EBITDA and PAT margin of 14.4% and 8.5%, respectively, compared to 14.1% and 8.1% in FY23.
- Based on our conservative assumptions, we are forecasting a 6.4% CAGR increase in sales volume, while 3.6% CAGR fall in blended realization over FY23-25E. Consequently, top-line is estimated to expand by 2.8% CAGR to Rs. 1,473.2cr in FY25E. Anticipating higher operating expenditure (mainly arising from geographical expansion of business), EBITDA and PAT margins are expected to contract by 187bps and 129bps, respectively, to 12.2% and 6.8%, in FY25E. RoIC and RoE are estimated to be at 16.8% and 19.9%, respectively, in FY25E, compared to 30.7% and 38.6% in FY23.

**Peer comparison and valuation:** At higher price band, GSL is demanding an EV/TTM sales multiple of 3.7x, which is in-line to the peer average of 3.9x. Thus the issue is fully priced.

Considering the above observations, we are assigning a **"Subscribe with Caution"** rating for the issue.

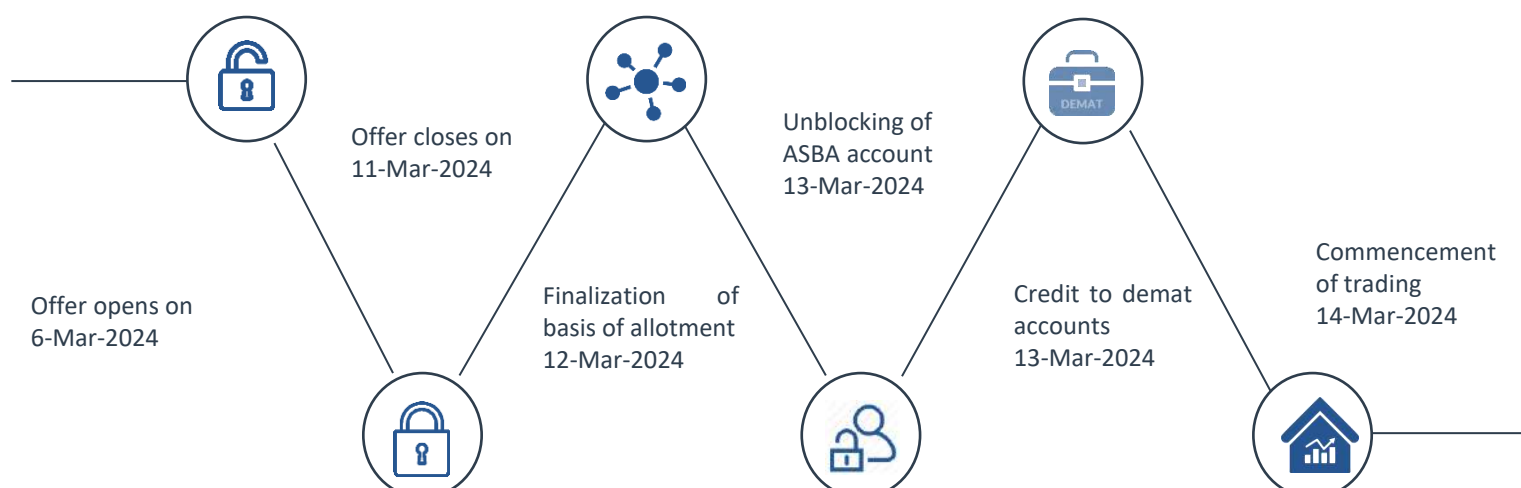
## About the issue:

- GSL is coming up with an IPO with 1.621 - 1.706cr shares (fresh issue: nil; OFS shares: 1.621 - 1.706cr shares) in offering. This offer represents 13.01 - 13.69% of the post-issue paid-up equity shares of the company. Total IPO size is Rs. 650cr.
- The issue is through book building process with a price band of Rs. 381 - 401 per share.
- Lot size comprises of 37 equity shares and in-multiple of 37 shares thereafter.
- The issue will open on 6<sup>th</sup> Mar. 2024 and close on 11<sup>th</sup> Mar. 2024.
- The IPO only consists of OFS portion. Thus, the company will not receive any proceeds from the IPO.
- During Oct. 2023, one of the P&PG entities and an individual selling shareholder through secondary market transactions offloaded 0.554cr shares at Rs. 321 per share to Ashoka India Equity Investment Trust Plc, Axis Growth Avenues AIF and 360 ONE Special Opportunities Fund. Consequently, P&PG had 93.5% stake, while public had 6.5% stake in GSL (public shareholding mainly included Ashoka India Equity Investment Trust Plc, Axis Growth Avenues AIF and 360 ONE Special Opportunities Fund; each with 1.48% stake in the company).
- Further, couple of P&PG entities are participating in the IPO and offloading 1.496cr (considering the higher price band). A selling investor is also participating in the OFS issue and partially offloading its stake. Post-IPO, P&PG will have 81.49% stake in the company, while public shareholding will be 18.51%.
- 50% of the net issue is reserved for qualified institutional buyers, while 15% and 35% of the net issue is reserved for non-institutional bidders and retail investors, respectively.

Pre and post-issue shareholding pattern (%)		
	Pre-issue	Post-issue (at higher price band)
Promoter & promoter group	93.50%	81.49%
Public	6.50%	18.51%
Non-promoter & Non-public	0.00%	0.00%

Source: Choice Equity Broking

## Indicative IPO process time line:



## Pre-issue financial performance:

**Performance over FY21-23:** Primarily aided by higher blended realization in FY23, GSL reported a strong business growth during FY21-23. Decline in prices of key raw materials like palmolein oil and packing materials led to a robust expansion in the profitable margins and return ratios during the period.

The company reported a top-line growth of 11.2% to Rs. 1,394.7cr in FY23. The growth was aided by 20.4% rise in blended realization, however, sales volume during the period declined by 7.7% CAGR. According to the management, lower sales volume was mainly due to the family dispute.

With decline in cost of production in FY23, the company reported around 10ppts expansion in the gross margin. However, relatively higher employee and other expenses led to a 872bps expansion in EBITDA margin, which stood at 14.1% in FY23. In absolute terms, EBITDA increased by 80.3% CAGR to Rs. 196.2cr in FY23.

With increase in asset base, depreciation increased by 25% CAGR, while lower financial liabilities led to a 0.1% CAGR fall in finance cost. Further, with relatively higher other income, reported PAT increased by 130.7% CAGR to Rs. 112.4cr in FY23. PAT margin expanded from 1.9% in FY21 to 8.1% in FY23.

GSL reported positive operating cash flows during the period, which increased by 132.7% CAGR. Average operating cash flow stood at Rs. 67.5cr. Total consolidated financial liabilities declined by 9.2% CAGR, with debt-to-equity ratio of 0.5x in FY23, compared to 1.3x in FY21. Pre-issue average RoIC and RoE stood at 19.3% and 25.9%, respectively, during the period.

**Performance during H1 FY24:** Family dispute continued to impact the company's sales volume of key products during the period. Additionally, lower raw material price led to 7.9% fall in blended realization. As a result, GSL reported a 3.3% Y-o-Y lower operating revenue, which stood at Rs. 676.2cr in H1 FY24. Lower cost of revenue, mainly led to a 56bps and 79bps expansion in EBITDA and PAT margins, respectively.

On TTM basis, top-line stood at Rs. 1,371.5cr with EBITDA and PAT margin of 14.4% and 8.5%, respectively, compared to 14.1% and 8.1% in FY23.

Pre-issue financial snapshot (Rs. cr)	FY21	FY22	FY23	H1 FY23	H1 FY24	TTM	CAGR over FY21-23	Y-o-Y (FY23 annual)	Y-o-Y (half yearly)
Ethnic snacks	770.1	874.7	829.5	432.7	379.2	776.0	3.8%	-5.2%	-12.4%
Western snacks	301.4	356.9	410.3	198.7	210.4	422.1	16.7%	15.0%	5.9%
Other products	40.7	73.4	103.6	43.2	67.9	128.3	59.6%	41.1%	57.1%
Others	16.7	47.1	51.3	24.7	18.6	45.3	75.0%	8.8%	-24.4%
Revenue from operations	1,128.9	1,352.2	1,394.7	699.3	676.2	1,371.5	11.2%	3.1%	-3.3%
Gross profit	204.7	278.7	395.9	188.9	202.7	409.7	39.1%	42.1%	7.3%
EBITDA	60.4	94.8	196.2	93.6	94.3	196.9	80.3%	107.0%	0.8%
Reported PAT	21.1	41.5	112.4	52.0	55.6	116.0	130.7%	170.5%	6.9%
Restated reported EPS	1.7	3.3	9.0	4.2	4.5	9.3	130.7%	170.5%	6.9%
Cash flow from operating activities	22.4	58.6	121.5	57.5	67.6	131.6	132.7%	107.4%	17.4%
NOPLAT	29.0	48.9	117.5	55.5	57.3	119.2	101.3%	140.2%	3.1%
FCF	(33.4)	(6.7)	43.5		8.9	119.5			
RoIC (%)	11.4%	15.8%	30.7%	16.1%	14.8%	30.7%	1,935 bps	1,486 bps	(133) bps
Revenue growth rate	27.4%	19.8%	3.1%		-3.3%	-1.7%			
Gross profit growth rate	5.6%	36.1%	42.1%		7.3%	3.5%			
Gross profit margin	18.1%	20.6%	28.4%	27.0%	30.0%	29.9%	1,025 bps	777 bps	297 bps
EBITDA growth rate	-29.7%	57.1%	107.0%		0.8%	0.4%			
EBITDA margin	5.3%	7.0%	14.1%	13.4%	13.9%	14.4%	872 bps	706 bps	56 bps
EBIT growth rate	-43.8%	74.9%	149.4%		1.9%	0.9%			
EBIT margin	3.2%	4.7%	11.4%	10.8%	11.4%	11.7%	816 bps	668 bps	58 bps
Restated reported PAT growth rate	-52.1%	96.7%	170.5%		6.9%	3.2%			
Restated reported PAT margin	1.9%	3.1%	8.1%	7.4%	8.2%	8.5%	619 bps	499 bps	79 bps
Inventories days	24.6	23.5	30.4	21.7	38.5	38.5	11.1%	29.3%	78.0%
Trade receivables days	1.8	2.9	3.3	4.4	4.1	4.1	36.3%	14.3%	-6.9%
Trade payables days	(7.4)	(3.3)	(2.1)	(4.7)	(2.3)	(2.3)	-46.2%	-35.0%	-50.4%
Cash conversion cycle	19.0	23.1	31.5	21.3	40.3	40.3	29.0%	36.6%	88.8%
Fixed asset turnover ratio	5.2	5.2	5.6	2.8	2.8	5.6	4.2%	8.2%	1.0%
Total asset turnover ratio	3.3	3.4	3.0	1.6	1.6	3.2	-4.3%	-10.6%	-1.1%
Current ratio	1.4	1.6	2.9	2.0	4.6	4.6	41.1%	83.3%	132.6%
Quick ratio	0.4	0.5	0.9	1.1	1.0	1.0	45.4%	56.8%	-6.7%
Total debt	172.2	197.5	142.0	166.6	57.6	57.6	-9.2%	-28.1%	-65.4%
Net debt	167.5	196.4	113.4	156.5	56.4	56.4	-17.7%	-42.3%	-64.0%
Debt to equity	1.3	1.1	0.5	0.7	0.2	0.2	-38.0%	-56.1%	-77.0%
Net debt to EBITDA	2.8	2.1	0.6	1.7	0.6	0.3	-54.4%	-72.1%	-64.2%
RoE	15.6%	23.4%	38.6%	22.6%	16.1%	33.5%	2,307 bps	1,525 bps	(652) bps
RoA	6.2%	10.4%	24.4%	11.7%	12.8%	26.7%	0.1818	1,397 bps	110 bps
RoCE	14.4%	20.3%	44.0%	22.2%	19.6%	40.7%	0.2965	2,369 bps	(254) bps

Note: Pre-IPO financials; Source: Choice Equity Broking



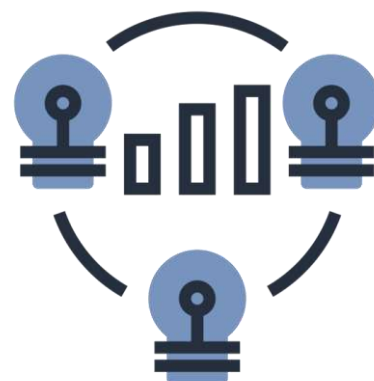


### Competitive strengths:

- An ethnic savouries brand with a significant presence in Gujarat coupled
- Diversified product portfolio, capable of capturing growing Indian snacks market
- An established manufacturer of gathiya in India, benefiting from the improving popularity of gathiya as a snack
- Strategically located manufacturing facilities
- Vertically integrated advanced business operations resulting in quality products and cost & operational efficiencies
- Distribution network
- Track record of profitable financial performance
- Experienced promoter and management team

### Business strategy:

- Further enhance presence in the core market of Gujarat
- Accelerate expansion in the focus markets
- Continue to launch new products, expand wallet share with consumers and grow the consumer base
- Enhance brand awareness
- Continue to leverage technology to further optimize the operations
- Utilize and further expand the manufacturing capacity at the existing facilities and set-up an additional strategically located facilities



### Risk and concerns:

- General slowdown in the global economic activities
- Unfavorable government policies & regulations
- Unfavorable movements in the raw material prices
- Unfavorable sales-mix
- Difficulty in maintaining the profitability
- Competition

## Financial statements:

Profit and loss statement (Rs. cr)								
	FY21	FY22	FY23	H1 FY23	H1 FY24	TTM	CAGR over FY21-23	Annual growth over FY22
Revenue from operations	1,128.9	1,352.2	1,394.7	699.3	676.2	1,371.5	11.2%	3.1%
Cost of material consumed	(918.8)	(1,051.8)	(990.1)	(517.6)	(463.1)	(935.7)	3.8%	-5.9%
Purchase of stock-in-trade	(4.2)	(24.0)	(19.4)	(7.9)	(13.8)	(25.2)	114.4%	-19.3%
Changes in inventories of finished goods, work-in-progress and stock-in-trade	(1.2)	2.3	10.7	15.1	3.4	(1.0)		369.1%
<b>Gross profit</b>	<b>204.7</b>	<b>278.7</b>	<b>395.9</b>	<b>188.9</b>	<b>202.7</b>	<b>409.7</b>	<b>39.1%</b>	<b>42.1%</b>
Employee benefits expenses	(59.0)	(77.2)	(87.3)	(42.8)	(48.4)	(92.9)	21.6%	13.0%
Other expenses	(85.3)	(106.6)	(112.4)	(52.6)	(60.1)	(119.9)	14.8%	5.4%
<b>EBITDA</b>	<b>60.4</b>	<b>94.8</b>	<b>196.2</b>	<b>93.6</b>	<b>94.3</b>	<b>196.9</b>	<b>80.3%</b>	<b>107.0%</b>
Depreciation and amortization expenses	(24.0)	(31.1)	(37.4)	(17.7)	(17.0)	(36.7)	25.0%	20.2%
<b>EBIT</b>	<b>36.4</b>	<b>63.7</b>	<b>158.8</b>	<b>75.9</b>	<b>77.3</b>	<b>160.2</b>	<b>108.9%</b>	<b>149.4%</b>
Finance costs	(10.9)	(13.9)	(10.8)	(6.2)	(4.1)	(8.7)	-0.1%	-22.1%
Other income	1.0	4.3	3.9	1.3	1.8	4.4	99.1%	-9.9%
<b>PBT</b>	<b>26.5</b>	<b>54.1</b>	<b>151.8</b>	<b>71.0</b>	<b>75.0</b>	<b>155.9</b>	<b>139.4%</b>	<b>180.9%</b>
Tax expenses	(5.4)	(12.5)	(39.5)	(19.0)	(19.4)	(39.9)	171.0%	215.4%
<b>Reported PAT</b>	<b>21.1</b>	<b>41.5</b>	<b>112.4</b>	<b>52.0</b>	<b>55.6</b>	<b>116.0</b>	<b>130.7%</b>	<b>170.5%</b>

Balance sheet statement (Rs. cr)								
	FY21	FY22	FY23	H1 FY23	H1 FY24	TTM	CAGR over FY21-23	Annual growth over FY22
Equity share capital	1.1	1.1	12.5	1.1	12.5	12.5	231.6%	999.7%
Other equity	134.6	176.5	278.4	229.1	333.6	333.6	43.8%	57.7%
Non-current borrowings	97.6	111.1	73.7	92.4	18.7	18.7	-13.1%	-33.7%
Non-current lease liabilities	1.7	1.4	0.9	1.3	0.0	0.0	-27.1%	-35.4%
Other non-current financial liabilities	19.3	19.9	19.4	18.5	19.6	19.6	0.2%	-2.4%
Net deferred tax liabilities	4.1	4.5	4.7	9.6	10.1	10.1	7.8%	4.9%
Trade payables	17.5	7.0	9.4	18.3	8.8	8.8	-26.6%	34.2%
Current borrowings	41.4	53.1	32.7	41.5	7.4	7.4	-11.1%	-38.3%
Current lease liabilities	0.5	0.6	0.6	0.5		0.0	8.3%	5.0%
Other current financial liabilities	11.7	11.5	14.7	12.3	11.9	11.9	12.2%	28.2%
Current provisions	1.2	1.1	2.1	3.5	3.3	3.3	33.0%	83.1%
Net current tax liabilities		0.3		6.6		0.0		
Other current liabilities	11.2	11.7	12.2	9.8	8.7	8.7	4.2%	4.2%
<b>Total liabilities</b>	<b>341.9</b>	<b>399.7</b>	<b>461.3</b>	<b>444.6</b>	<b>434.5</b>	<b>434.5</b>	<b>16.2%</b>	<b>15.4%</b>
Property, plant & equipments	157.9	196.9	220.3	221.3	218.9	218.9	18.1%	11.9%
Intangible assets	0.1	0.2	2.3	2.2	2.2	2.2	329.0%	1226.7%
Capital work-in-progress	43.4	45.1	9.8	14.3	7.4	7.4	-52.4%	-78.3%
Intangible assets under development		1.7	0.1		0.1	0.1		-92.6%
Right-of-use assets	16.9	16.4	15.7	16.0	14.3	14.3	-3.6%	-4.2%
Non-current investments	0.6	1.7	2.4	2.5	2.5	2.5	108.1%	44.5%
Other non-current financial assets	2.4	4.0	4.3	4.2	3.8	3.8	34.4%	7.0%
Other non-current assets	0.0	0.0	0.1	0.1	0.3	0.3	182.8%	700.0%
Inventories	86.9	87.2	144.9	84.1	144.8	144.8	29.1%	66.1%
Trade receivables	7.5	14.0	11.4	17.1	15.4	15.4	23.0%	-18.6%
Cash & cash equivalents	4.8	1.1	28.6	10.1	1.2	1.2	145.3%	2578.5%
Other current financial assets	0.8	3.0	5.8	6.1	3.8	3.8	176.3%	90.5%
Net current tax assets	3.1		1.4		0.1	0.1	-33.0%	
Other current assets	17.7	28.3	14.1	66.6	19.7	19.7	-10.5%	-50.1%
<b>Total assets</b>	<b>341.9</b>	<b>399.7</b>	<b>461.3</b>	<b>444.6</b>	<b>434.5</b>	<b>434.5</b>	<b>16.2%</b>	<b>15.4%</b>

Source: Choice Equity Broking



## Financial statements (Contd...):

Cash flow statement (Rs. cr)								
	FY21	FY22	FY23	H1 FY23	H1 FY24	TTM	CAGR over FY21-23	Annual growth over FY22
Cash flow before working capital changes	60.6	98.5	199.0	95.2	95.5	199.4	81.3%	102.2%
Working capital changes	(32.2)	(31.0)	(36.3)	(29.9)	(15.3)	(21.8)	6.2%	17.2%
<b>Cash flow from operating activities</b>	<b>22.4</b>	<b>58.6</b>	<b>121.5</b>	<b>57.5</b>	<b>67.6</b>	<b>131.6</b>	<b>132.7%</b>	<b>107.4%</b>
Purchase of fixed assets and CWIP	(76.5)	(75.4)	(25.4)	(11.2)	(11.7)	(25.9)	-42.3%	-66.3%
<b>Cash flow from investing activities</b>	<b>(75.7)</b>	<b>(74.0)</b>	<b>(25.1)</b>	<b>(12.0)</b>	<b>(11.3)</b>	<b>(24.4)</b>	<b>-42.4%</b>	<b>-66.1%</b>
<b>Cash flow from financing activities</b>	<b>57.5</b>	<b>11.8</b>	<b>(68.8)</b>	<b>(36.5)</b>	<b>(83.8)</b>	<b>(116.1)</b>		
<b>Net cash flow</b>	<b>4.3</b>	<b>(3.7)</b>	<b>27.6</b>	<b>9.0</b>	<b>(27.5)</b>	<b>(8.9)</b>		
Opening balance of cash	0.5	4.8	1.1	1.1	28.6	10.1	46.8%	-77.5%
<b>Closing balance of cash</b>	<b>4.8</b>	<b>1.1</b>	<b>28.6</b>	<b>10.1</b>	<b>1.2</b>	<b>1.2</b>	<b>145.3%</b>	<b>2577.9%</b>

Financial ratios						
Particulars	FY21	FY22	FY23	H1 FY23	H1 FY24	TTM
Profitability ratios						
Revenue growth rate	27.4%	19.8%	3.1%		-3.3%	-1.7%
Gross profit growth rate	5.6%	36.1%	42.1%		7.3%	3.5%
Gross profit margin	18.1%	20.6%	28.4%	27.0%	30.0%	29.9%
EBITDA growth rate	-29.7%	57.1%	107.0%		0.8%	0.4%
EBITDA margin	5.3%	7.0%	14.1%	13.4%	13.9%	14.4%
EBIT growth rate	-43.8%	74.9%	149.4%		1.9%	0.9%
EBIT margin	3.2%	4.7%	11.4%	10.8%	11.4%	11.7%
Restated reported PAT growth rate	-52.1%	96.7%	170.5%		6.9%	3.2%
Restated reported PAT margin	1.9%	3.1%	8.1%	7.4%	8.2%	8.5%
Turnover ratios						
Inventory receivable turnover ratio	14.8	15.5	12.0	8.3	4.7	9.5
Trade receivable turnover ratio	203.7	125.3	109.6	40.9	43.9	89.0
Accounts payable turnover ratio	49.1	110.4	169.8	38.2	76.9	156.1
Fixed asset turnover ratio	5.2	5.2	5.6	2.8	2.8	5.6
Total asset turnover ratio	3.3	3.4	3.0	1.6	1.6	3.2
Return ratios						
RoIC (%)	11.4%	15.8%	30.7%	16.1%	14.8%	30.7%
RoE (%)	15.6%	23.4%	38.6%	22.6%	16.1%	33.5%
RoA (%)	6.2%	10.4%	24.4%	11.7%	12.8%	26.7%
RoCE (%)	14.4%	20.3%	44.0%	22.2%	19.6%	40.7%
Per share data						
Restated adjusted EPS (Rs.)	1.7	3.3	9.0	4.2	4.5	9.3
DPS (Rs.)	0.0	0.0	0.0	0.0	0.0	0.0
BVPS (Rs.)	10.9	14.3	23.3	18.5	27.8	27.8
Operating cash flow per share (Rs.)	1.8	4.7	9.8	4.6	5.4	10.6
Free cash flow per share (Rs.)	(2.7)	(0.5)	3.5		0.7	9.6
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Choice Equity Broking

## IPO rating rationale

**Subscribe:** An IPO with strong growth prospects and valuation comfort.

**Subscribe with Caution:** Relatively better growth prospects but with valuation discomfort.

**Avoid:** Concerns on both fundamentals and demanded valuation.

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