

FMCG | India

IPO | 05 March 2024

The Gathiya King

Gopal Snacks Limited

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About the Company

Gopal Snacks Limited (GSL) is fourth largest brand in the organized sector of ethnic savouries (including gathiya) in terms of market share in India, largest manufacturer of gathiya (in terms of production volume and sales revenue) and snack pellets (in terms of production volume) and 2nd largest in Gujarat based out at Rajkot. GSL has 6 vertically integrated manufacturing facilities setup with captive capabilities for key raw materials such as besan, raw pellets and spices, in-house cold storage with 40,000 M.T. capacity and network of 263 company owned transport vehicles for an extensive distribution spread across 10 states and 2 union territories.

New products and new markets enhancing the brand

GSL is leveraging its experience of Gujarat market and replicating its success story in other focus markets with efficient marketing initiatives to create brand awareness and incentivize distributors to join and market 'Gopal' brand enhancing brand visibility, awareness and recall for its various products. GSL is taking strategic initiatives to further fortify its position in the Gujarat market with a focus on capturing market share in the wafers / chips category which dominates Western snacks market. Its in-house cold storage facility and its ability to procure potatoes directly from farmers will reduce its cost of production; boost capturing the market share by incentivizing the retailers with higher margins.

Leveraging unutilized capacity and technology to optimize operations

GSL has strong headroom for growth given its existing capacity utilization levels at lower levels in range of 12%-35% at its plants and has huge real estate adjacent to it building further capacities to meet the growing demand of the savouries market across India for the next few years. GSL has implemented a distribution management system in house to adjust operations based on consumer product demand, provides visibility on sales and inventory at distributor level which allow distributors to track shipments, receive real-time updates on schemes, assess their ROI and gain visibility on their product sales across the regions.

Financials in Brief

On the financial front, GSL has reported a turnover of Rs1128.9 Crs, Rs.1352.3 Crs and Rs1394.5 Crs for FY21, FY22 and FY23 respectively. The company reported profit of Rs21.1 Crs, Rs41.5 Crs and Rs112.4 Crs for the respective periods. It has recorded a healthy Revenue, EBITDA and PAT CAGR of 11%, 80% and 130% respectively over FY21-23. GSL has reduced his debt and improved his net fixed asset turnover with improved ROCE over the last three years and is consistently improving its financial parameters compared to peers.

Our View

GSL has gained leadership position in its local savory snacks and chartered its national move over the last 5 years aiming to achieve higher sales growth in its key products and increase its shift in western snacks to further diversify its product range, expand wallet share with consumers and grow consumer base with an focused market for its differentiated offerings and product fitment to achieve scale and profitability of products. A first generation entrepreneur with strong understanding of the savouries markets, vertical manufacturing, backward integration of logistics and strong industry growth rates in existing and new markets will add multifold revenues and profitability in the coming years. **Hence, we recommend an "SUBSCRIBE" to the issue.**

IPO Details

Price Band (Rs)	381-401
Face Value (Rs)	1
Issue Open/Closing Date	06-Mar-24/11-Mar-24
Fresh Issues (Crs)	-
OFS (Crs)	650.0
Total Issue (Crs)	650.0
Minimum Bid Qty. (Nos)	37
QIB / HNI / Retail	50%/15%/35%
Implied Market Cap (Rs Crs)*	4,997

*At higher band

Object of the Issue

- ▶ Achieve the benefits of listing the equity shares.
- ▶ General Corporate purposes.

Strengths

- ▶ Fourth largest ethnic savouries brand in India and the second largest ethnic namkeen manufacturer in Gujarat.
- ▶ Diversified product portfolio capable of capturing growing Indian snacks market.
- ▶ Vertically integrated advanced business operations and distribution network.
- ▶ Extensive distribution network with deep penetration.

Key Risks

- ▶ Higher input agro prices can dent margins.
- ▶ Decrease in demand for SKU of Rs.5 packet as large sales account for.

Key Financials

(Rs Crs)	FY22(12)	FY23(12)	9MFY24
Revenue	1,352.1	1,394.5	676.1
EBITDA	94.7	196.2	94.2
EBITDA Margin (%)	7.0	14.1	13.9
PAT	41.5	112.3	55.6
PAT Margin (%)	3.1	8.1	8.2
EPS (Rs)	3.33	9.1	2.3*
RocE (%)	18.7	43.1	20.8*
RoE (%)	23.4	38.6	16.1*
D/E	0.9	0.4	0.08*
Net Worth	177.6	290.1	346.1
Total Borrowings	164.1	106.4	26.1

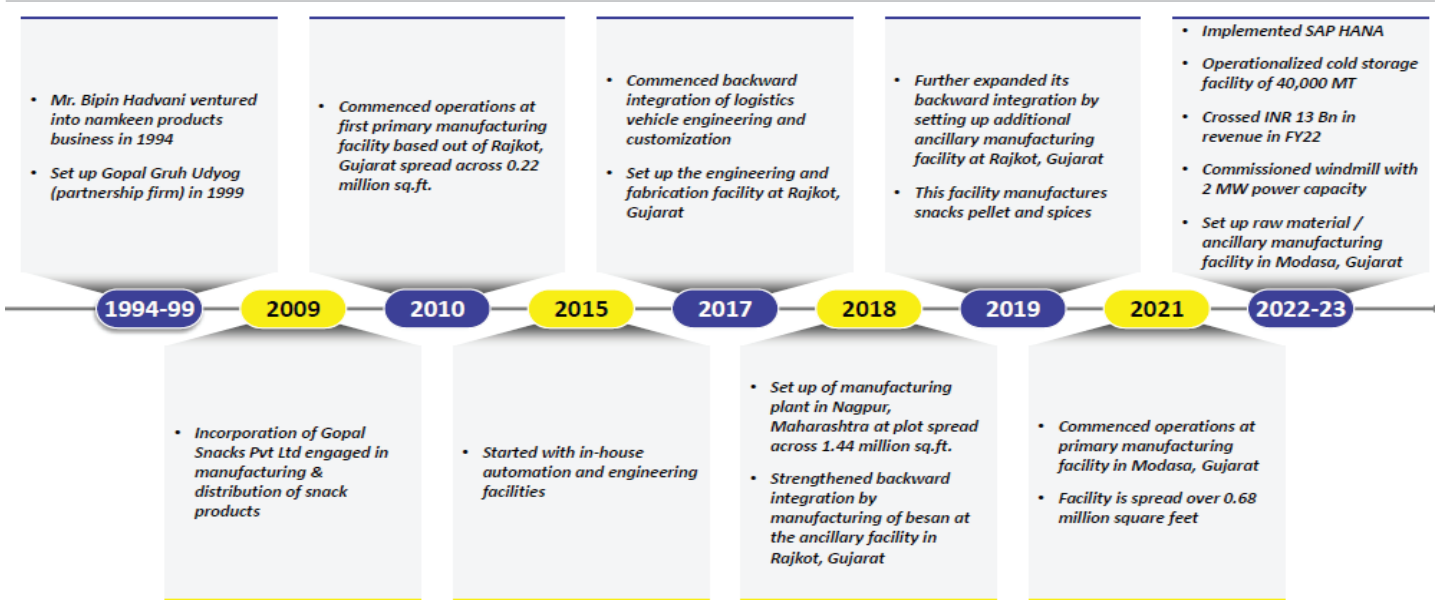
Source: RHP, Note: *9M Not annualised

Senior Research Analyst:

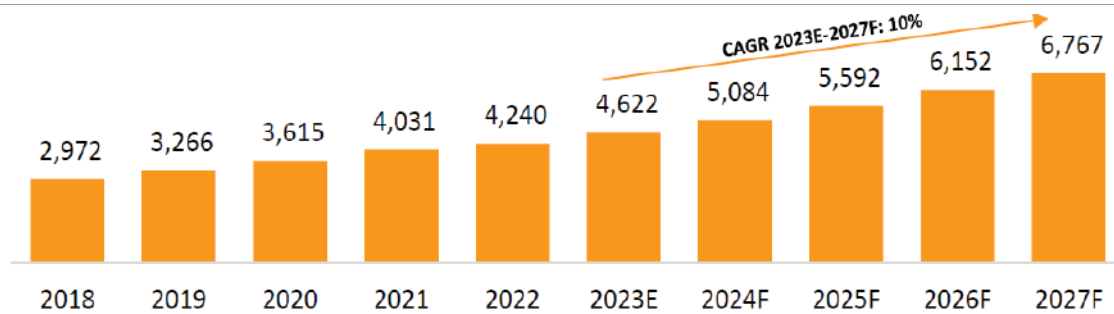
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Exhibit 1: Evolution over the years


Source: RHP, Frost & Sullivan Analysis

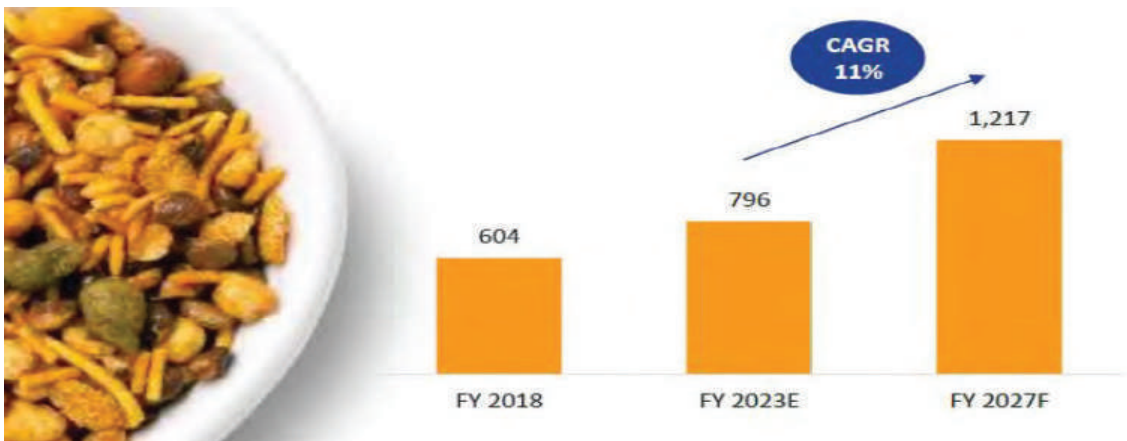
Exhibit 2: Packaged Food Market, India, Rs Billion (Fiscal 2018 - Fiscal 2027F)


Source: RHP, Retailers association, Frost & Sullivan Analysis

Exhibit 3: Per capita spend of packaged food, India, Rs, Fiscal 2018 - Fiscal 2027F

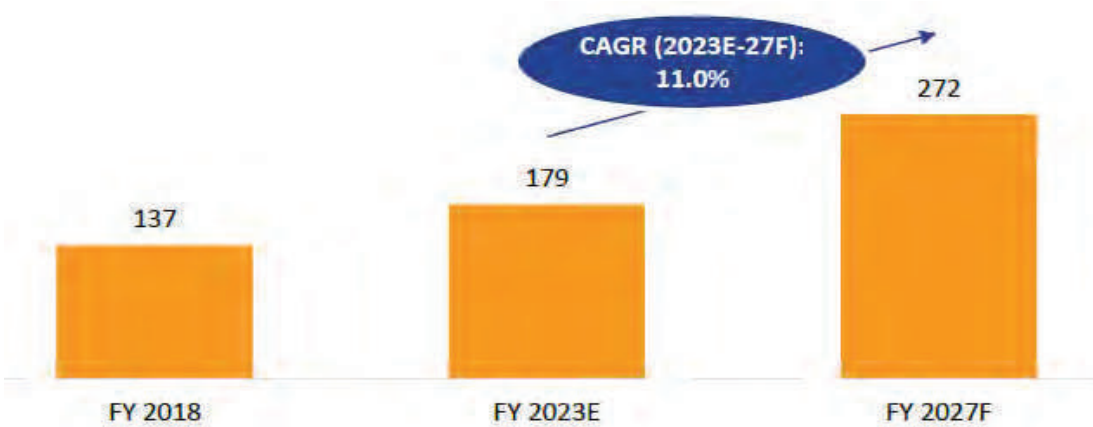

Source: RHP, Frost & Sullivan Analysis

Exhibit 4: Indian Savory Snack Market, Fiscal 2018, Fiscal 2023E & Fiscal 2027F, Rs Billion



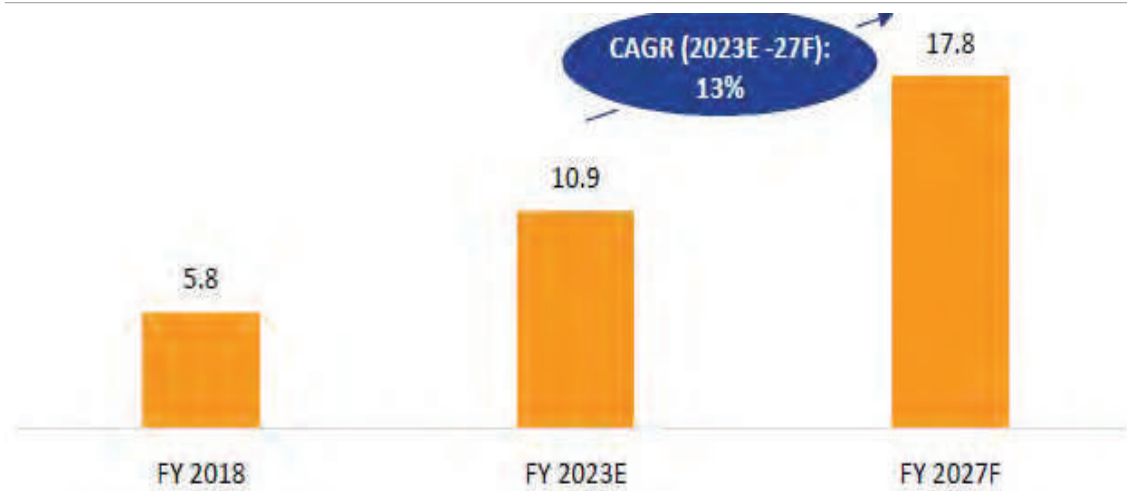
Source: RHP, Frost & Sullivan Analysis

Exhibit 5: Organized Indian Ethnic Namkeen & Snacks Market- Market growth, Rs Billion



Source: RHP, Frost & Sullivan Analysis

Exhibit 6: Indian Spice Market, By Volume (Million Tons)



Source: RHP, Spices Board of India

Exhibit 7: Diversified Products portfolio under Gopal Brand



Source: RHP

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