

### The Issue

Type of Issue	Issue size Rs. Mn
Fresh Issue	-
Offer for Sale	6,500
<b>Total</b>	<b>6,500</b>
<b>Post issue mkt cap (Rs. bn)*</b>	<b>49.9</b>
<b>Lot size</b>	<b>37</b>

\*At Upper Price Band

### Issue Break-Up

Reservation for	% of Issue
QIB	50%
NIB	15%
Retail	35%
<b>Total</b>	<b>100%</b>

Indicative Offer Timeline	Indicative Date
Bid/Offer Opening Date	Mar 06, 2024
Bid/Offer Closing Date	Mar 11, 2024
Finalization of the Basis of Allotment	Mar 12, 2024
Initiation of refunds	Mar 13, 2024
Credit of shares	Mar 13, 2024
Listing Date	Mar 14, 2024

### Use of Proceeds

Complete issue is OFS

<b>Manager:</b>	Intensive Fiscal Services, Axis Capital & JM Financial
<b>Registrar:</b>	Link Intime India

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## Leader in ethnic snack market

- **Gopal Snacks Ltd** is in the business of offering savoury products including ethnic snacks and western snacks under their brand “Gopal”. Ethnic snacks include namkeen and gathiya, while western snack includes wafers, extruded snacks and snack pellets. It also offers papad, spices, gram flour or besan, noodles, rusk and soan papdi.
- As of September 30, 2023, their product portfolio comprises of 84 products with 276 SKUs across various product categories. These products are distributed through its three depots and across 617 distributors Pan India.
- The company is the largest manufacturer of gathiya and snack pellet with a market share of 31% in India. They enjoy a dominant market share of ethnic snack in Gujarat, which is the largest state for high consumption of snacks in India.
- Production is conducted through 6 manufacturing facilities, of which 3 are primary facilities focused on manufacturing finished products and 3 are ancillary facilities which produces ingredients like besan, raw snack pellets, seasoning and spices required for final products.
- The aggregate installed capacity is 404,729 MT with primary facility running at a capacity utilization of 27-28% and ancillary operating at 50-52%. They also have a cold storage capacity of 40,000 MT required for storage of short shelf-life raw materials.
- Their engineering and fabrication unit in Rajkot, Gujarat is engaged in the manufacturing of customized containers, which are mounted on its owned 263 vehicles for transportation of products to distributors.
- Over the years, they have developed understanding of consumer tastes and preferences region-wise and have accordingly launched new products 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.

**Valuation and Outlook:** At CMP of Rs 401, the IPO is priced at PE of 43x on TTM EPS basis vs one of its listed peers which is valued at 70x on TTM EPS basis. Gopal Snacks has delivered a Rev/EBITDA/PAT CAGR of 11%/80%/130% respectively over FY21-23. Margin improved on account of softening of input prices. Growth drivers for the company are **(1)** deepening penetration its core and focus market to diversify source of state-wise revenue (50:50 in Gujarat vs other states in next 5 years), **(2)** enhancing brand building and marketing initiative to improve brand awareness among consumers and **(3)** achieving sustainable operating margin (13-14%) through better product mix and backward integrated manufacturing. We believe, brand building and scaling up product reach to focus market (other than Gujarat) would be long term in nature. **We thus assign a Subscribe for Long Term rating to the IPO.**

## Gopal Snacks Ltd

### Key financial summary

Financial summary (Rs. Mn)	FY21	FY22	FY23	H1FY23	H1FY24
Revenue	11,289	13,522	13,947	6,993	6,762
EBITDA	604	948	1,962	936	943
EBITDA margin (%)	5.3%	7.0%	14.1%	13.4%	13.9%
Adj. PAT	211	415	1,124	520	556
Adj. PAT margin (%)	1.9%	3.1%	8.1%	7.4%	8.2%
PE (Adj for issue)	236.6	120.3	44.5	48.1*	45.0*

\* Annualized P/E

### Key Risks:

**Concentrated in Gujarat:** The company derives over 75% of its revenue from Gujarat state. Any adversity there could hamper their business, financial conditions, results of operations and cash flows.

**History of adulteration:** The company have been served 8 times notices from statutory and regulatory authorities pertaining to substandard practices and adulteration of food.

**Competitive intensity:** The company operates in highly competitive market subjecting it to pricing and margin pressures.

**High input cost:** Raw material cost accounts for 80-85% of company's revenue. Key raw materials include pulses, flours, sugar, palmolein oil, spices, seasonings and packaging materials. Any price fluctuations in inputs could materially impact profitability and margins.

### Pre-issue and post-issue holding structure

Shareholding pattern	Pre-issue	Post-issue*
	Holding (%)	Holding (%)
Promoter & Promoter Group	93.5	81.5
Public	6.5	18.5
Total	100.0	100.0

\* At upper price band

### Selling Shareholders

Selling Shareholders	Type	% of OFS	% of Pre-issue Size
Bipinbhai Hadvani	Promoter	12.3%	1.6%
Gopal Agriproducts Pvt Ltd	Promoter	80.0%	10.4%
Harsh SureshKumar Shah	Other Shareholder	7.7%	1.0%
Total		100.0%	-

Category Type	No. of Products
<b>Ethnics Snacks</b>	
Gathiya	31
Namkeen	8
<b>Western Snacks</b>	
Snack Pellets	12
Wafers	8
Extruded	5
<b>Others</b>	
Spices	6
Papad	4
Besan	1
Others	9
<b>Total</b>	<b>84</b>

### No. of Products as per Type

## Gopal Snacks Ltd

### Key performance indicators

#### Product-wise revenue mix

Products	FY21	FY22	FY23	H1FY23	H1FY24
<b>Ethnics Snacks</b>					
Gathiya	32.1%	33.0%	30.4%	31.8%	27.6%
Namkeen	36.1%	31.7%	29.1%	30.1%	28.4%
<b>Total Ethnic</b>	<b>68.2%</b>	<b>64.7%</b>	<b>59.5%</b>	<b>61.9%</b>	<b>56.1%</b>
<b>Western Snacks</b>					
Snack Pellets	20.7%	20.6%	22.2%	21.4%	21.8%
Wafers	4.7%	4.4%	6.1%	5.9%	8.2%
Extruded	1.3%	1.5%	1.2%	1.2%	1.1%
<b>Total Western</b>	<b>26.7%</b>	<b>26.4%</b>	<b>29.4%</b>	<b>28.4%</b>	<b>31.1%</b>
<b>Others</b>					
Papad	3.1%	3.5%	3.8%	3.3%	3.6%
Besan	0.4%	1.9%	3.0%	2.6%	4.9%
Spices	0.1%	0.1%	0.4%	0.2%	0.6%
Others	0.0%	0.0%	0.3%	0.1%	0.9%
<b>Total - Others</b>	<b>3.6%</b>	<b>5.4%</b>	<b>7.4%</b>	<b>6.2%</b>	<b>10.0%</b>

#### Revenue mix based on Price range SKUs

Particulars	FY21	FY22	FY23	H1FY23	H1FY24
Rs.5 SKUs	82.7%	80.7%	75.5%	77.3%	70.4%
Rs.10 SKUs	4.1%	4.5%	8.2%	7.4%	11.6%
Above Rs.10 SKUs	11.7%	11.3%	12.6%	11.7%	15.3%

#### Revenue contribution—Distribution

Particulars	FY21	FY22	FY23	H1FY23	H1FY24
General Trade	98.9%	99.9%	99.9%	99.9%	99.7%
Exports	1.1%	0.1%	0.1%	0.1%	0.3%

#### Capacity Utilization

Particulars	FY21	FY22	FY23	H1FY23	H1FY24
Primary Facilities	40.1%	32.4%	27.6%	28.4%	28.6%
Ancillary Facilities	62.3%	58.9%	52.4%	55.0%	51.1%

#### State-Wise revenue mix

Particulars	FY21	FY22	FY23	H1FY23	H1FY24
Gujarat	73.0%	73.3%	76.1%	76.3%	74.8%
Maharashtra	12.3%	11.3%	9.5%	9.8%	10.7%
Uttar Pradesh	5.6%	5.5%	3.8%	4.1%	3.7%
Madhya Pradesh	2.1%	2.3%	2.6%	2.3%	3.1%
Rajasthan	3.0%	2.3%	1.9%	1.9%	2.0%

## Gopal Snacks Ltd

### Business Strategies:

#### Further enhance presence in Gujarat

The company intends to further solidify its position in Gujarat with a focus on increasing market share in western snacks market. Now within western snacks the focus would be on wafers category as it dominates the western snack category in Gujarat. The management aims to achieve this by leveraging its distribution network there. At present, they have 279 distributors (45% of its total distributors) in Gujarat.

#### Accelerate expansion in its focus markets

Apart from Gujarat, the company intends to deepen penetration in its focus markets of Maharashtra, Rajasthan, Madhya Pradesh and Uttar Pradesh. These markets are in close proximity to its existing manufacturing unit as well as offers significant growth opportunities on account of high consumption of savoury products. They also have in place distribution network there with 143, 67, 47 and 31 distributors present in Maharashtra, Uttar Pradesh, Madhya Pradesh and Rajasthan respectively.

#### Enhance Brand awareness

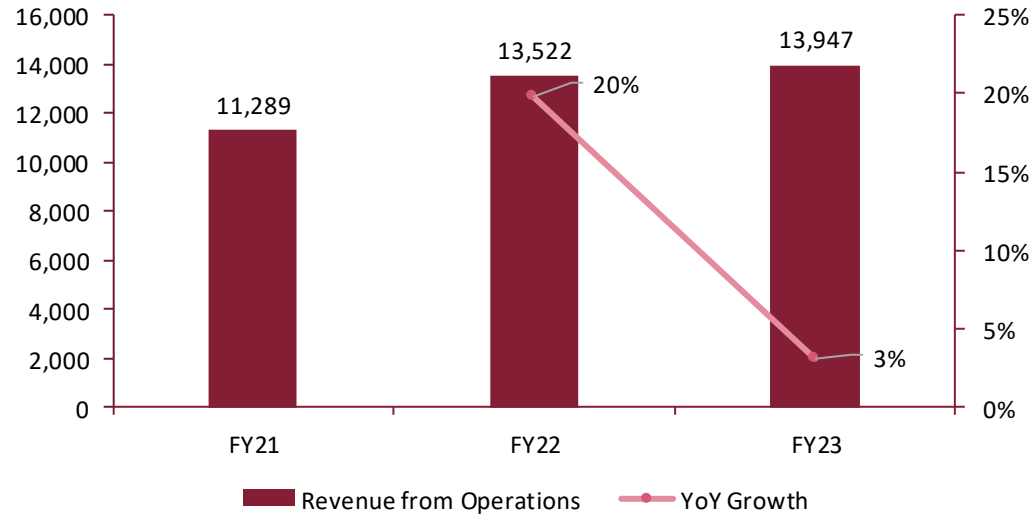
Gopal snacks intends to strengthen its brand through increased marketing and advertising activities. This is also reflective in the Ad spends as a % of sales numbers, which has increased from 0.05% in FY21 to 0.3% in FY23. Further the same has reached to 0.37% in H1FY24. Further, they intend to undertake targeted marketing initiatives, including celebrity endorsements, advertisements on different mediums like TV, radio, and social media.

#### Continue to leverage technology to further optimize operations

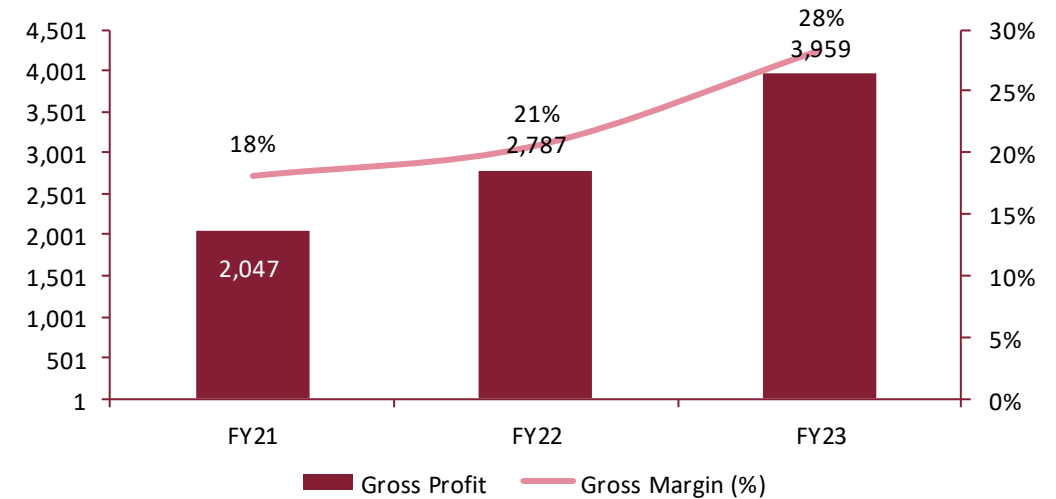
The company has already implemented Distribution Management System (DMS), through which their distributors are able to place order, provide data on sales and inventory levels as well share insights related to product acceptance. They now intend to develop solution to assist their sales team to successfully convert lead into sales. This is expected to enhance sales potential for the company.

## Gopal Snacks Ltd

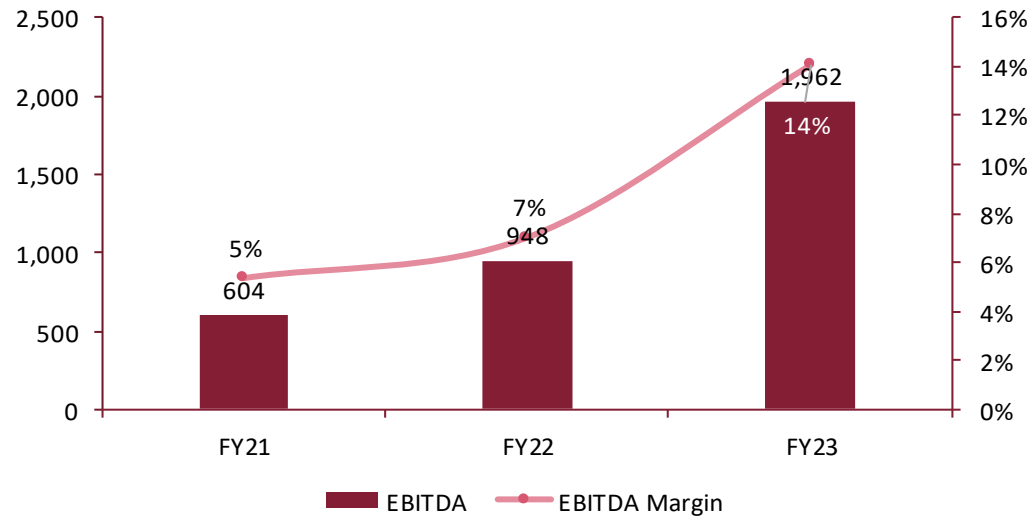
Revenue from operations (Rs. Mn)



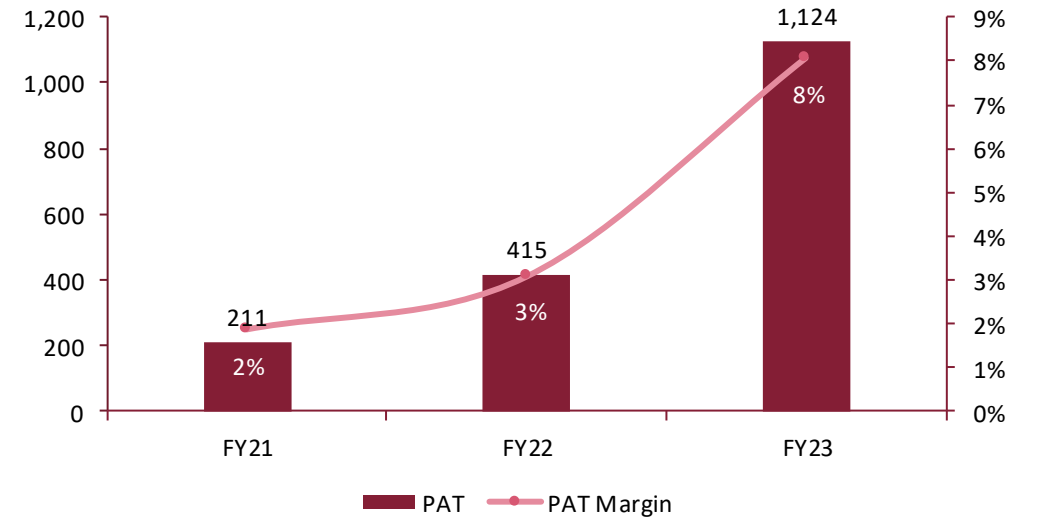
Gross Profit (Rs. Mn) and GM (%)



EBITDA (Rs. Mn) and OPM (%)

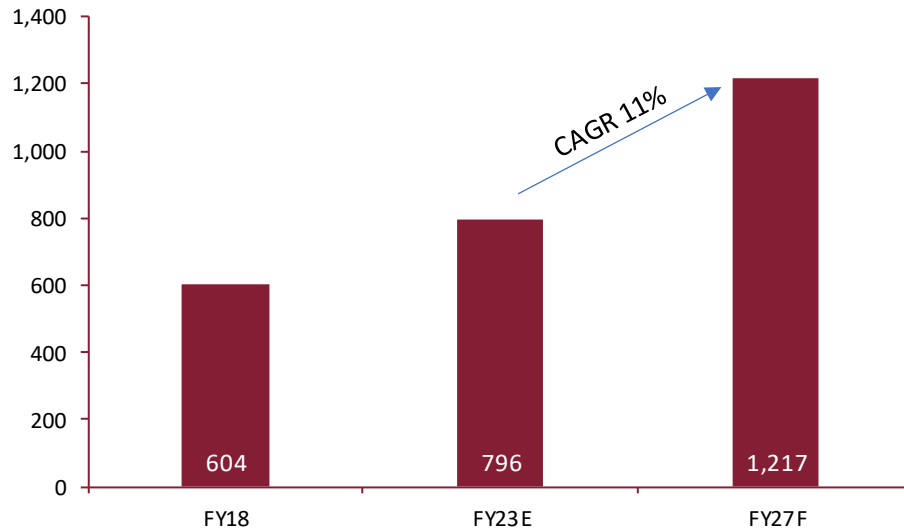


PAT (Rs. Mn) and PAT Margin (%)

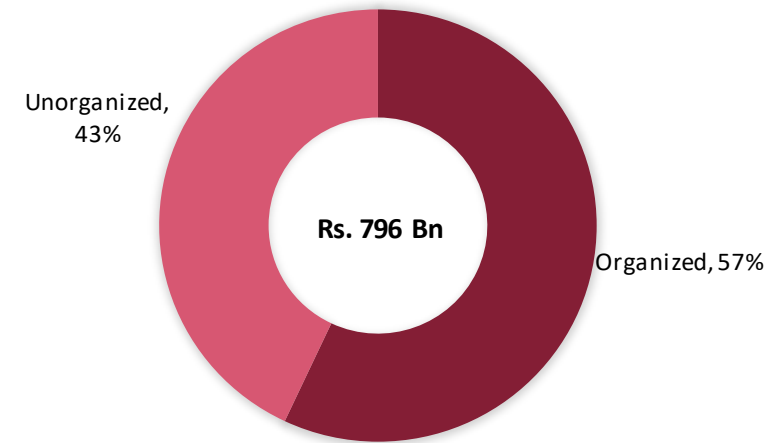


## Industry Overview

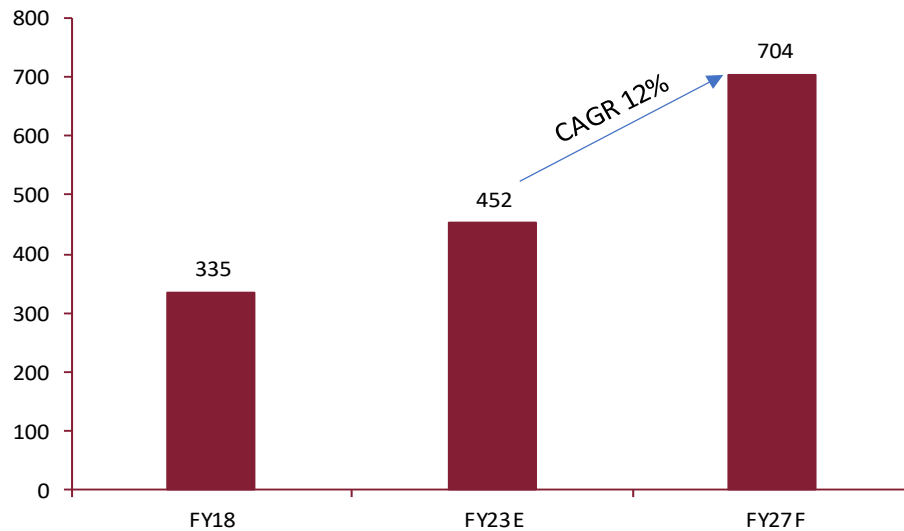
**Indian Savoury Snacks Market (Rs. Bn)**



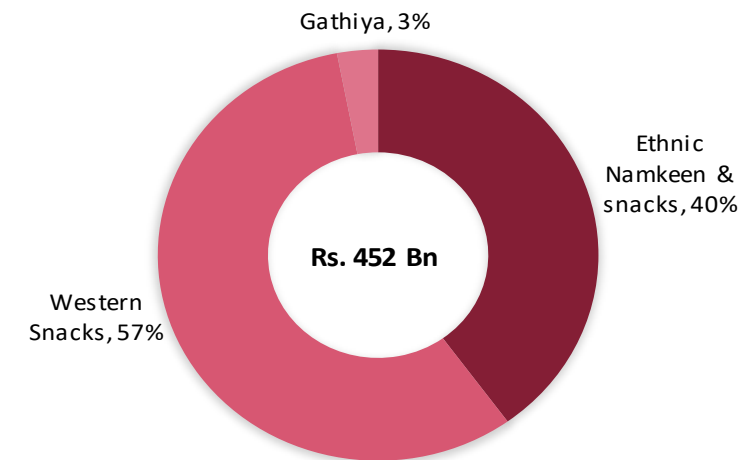
**India Savoury Snack Market Share by Type, FY23E**



**Organized Indian Savoury Snacks Market (Rs. Bn)**

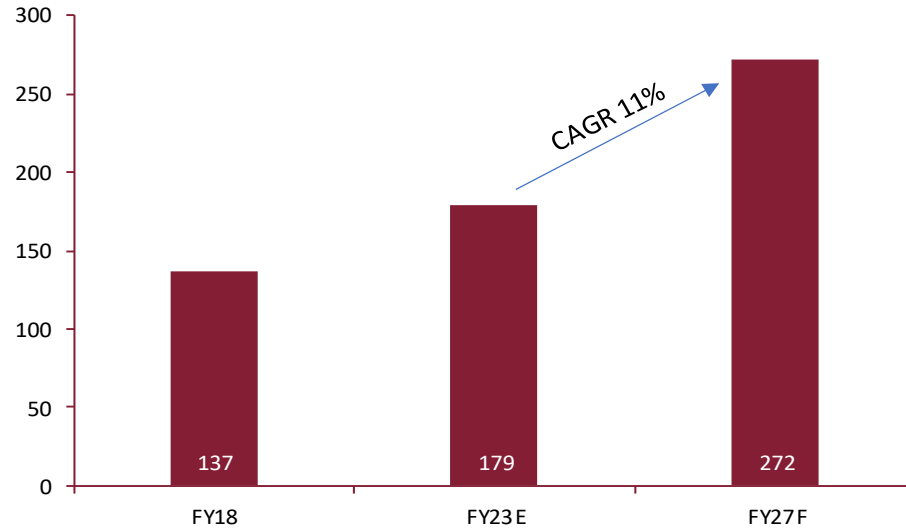


**Organized Indian Snacks Market by Type, FY23E**

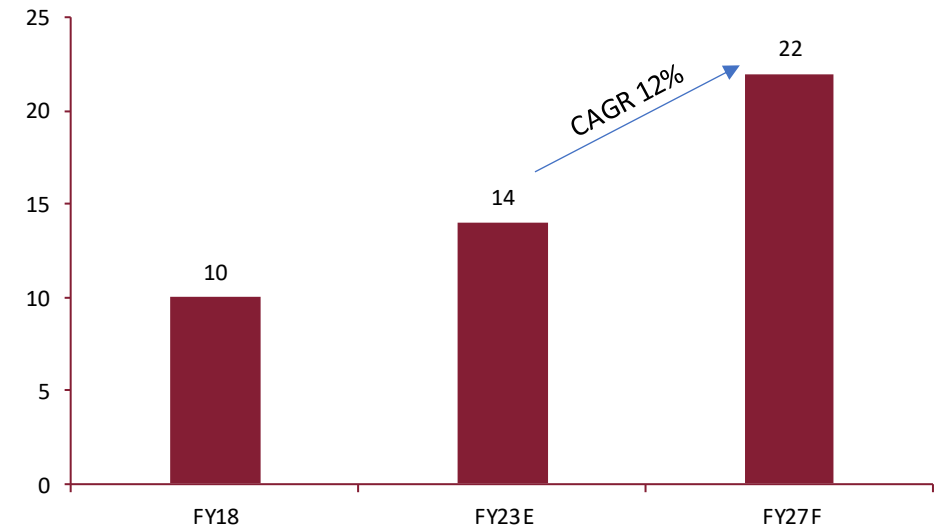


## Industry Overview

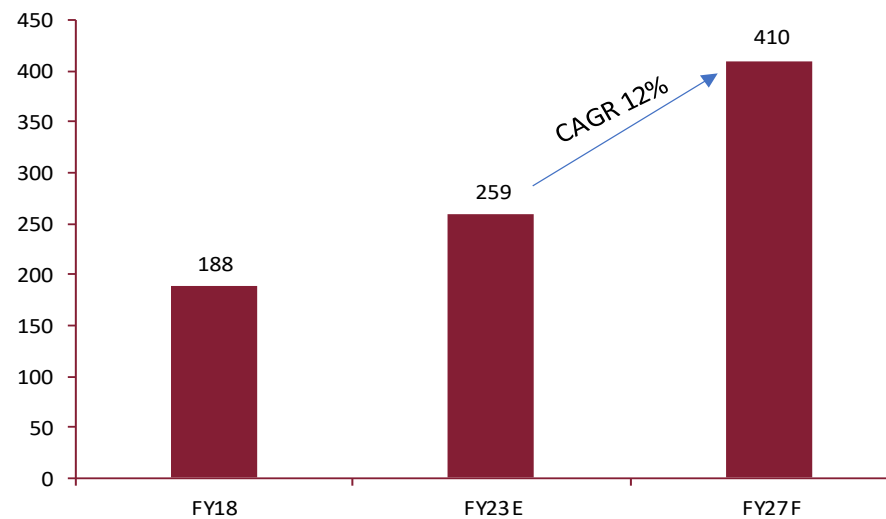
**Organized Indian Ethnic Namkeen & Snacks Market (Rs. Bn)**



**Organized Indian Gathiya Market (Rs. Bn)**



**Organized Indian Western Snacks Market (Rs. Bn)**



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**BUY** : Expected total return of over 15% within the next 12-18 months.

**HOLD** : Expected total return between 0% to 15% within the next 12-18 months.

**SELL** : Expected total return is negative within the next 12-18 months.

**NEUTRAL**: No investment opinion, stock under review.

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