

One Stop Investment Avenue



GEPL
CAPITAL

IPO Note

GOPAL SNACK LIMITED

March 06, 2024





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Details of the Issue

Price Band	₹ 381 to ₹ 401
Issue Size	₹ 650 Cr
Face Value	₹ 1
Bid Lot	37
Listing on	BSE, NSE
Post Issue Mcap	₹ 4,996.64Cr
Investment Range	₹ 14,097 - ₹ 14,837

Important Indicative Dates (2024)

Opening	06 - Mar
Closing	11 - Mar
Basis of Allotment	12 - Mar
Refund Initiation	13 - Mar
Credit to Demat	13 - Mar
Listing Date	14 - Mar

Lead Manager

Intensive financial services Ltd
Axis Capital Ltd
JM Financial Ltd

Offer Details

Offer Size	₹ 650 Cr
Fresh Issue	-
OFS	₹ 650 Cr

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	325	8.10	8.53	50
NIB	97.5	2.43	2.56	15
Retail	227.5	5.67	5.97	35
Em- ploy.	-	-	-	-
Total	650	16.21	17.06	100

Invest Now**Company Profile**

Established in 1999, Gopal Snacks Limited is a prominent FMCG company specializing in a diverse range of snacks, both ethnic and Western, along with other products in India and globally. With 276 SKUs and 84 products spanning various categories, the company boasts an extensive portfolio, featuring traditional delights like namkeen and gathiya, as well as popular Western snacks such as wafers, extruded snacks, and snack pellets. Additionally, they offer fast-moving consumer goods like papad, spices, gram flour, noodles, rusk, and soan papdi. As of November 2023, Gopal Snacks Limited has successfully penetrated 523 locations across 10 states and two Union Territories, showcasing a robust presence in the market. The sales and marketing team, consisting of 741 dedicated professionals as of September 30, 2023, collaborates seamlessly with a vast distribution network comprising three depots and 617 distributors. The company's fleet of 263 logistics vehicles further facilitates efficient product distribution.

Operating from six manufacturing units, including primary facilities in Nagpur, Maharashtra; Rajkot, Gujarat; and Modasa, Gujarat, as well as ancillary units in Rajkot and Modasa, Gopal Snacks Limited boasts a total annual installed capacity of 404,728.76 MT as of September 30, 2023. Notably, the company maintains strong ties with 69 distributors in Gujarat for over a decade, constituting 24.73% of total distributors in the state.

Business Highlights & Services

Gopal is a prominent fast-moving consumer goods (FMCG) entity in India. Operating across ten states and two Union Territories as of September 30, 2023, it specializes in offering a diverse range of snacks under the brand 'Gopal,' encompassing ethnic snacks like namkeen and gathiya, as well as western snacks including wafers, extruded snacks, and snack pellets. Their product line extends to various FMCG items such as papad, spices, gram flour, noodles, rusk, and soan papdi.

Drawing on their extensive experience and consumer insights, they have developed a robust product portfolio consisting of 84 products with 276 SKUs across various categories, effectively catering to diverse tastes and preferences. As of September 30, 2023, their products are available at 523 locations through a well-established distribution network comprising three depots, 617 distributors, and a dedicated sales and marketing team of 741 employees. Embracing modern channels such as e-commerce, modern trade, and exports, they have implemented a sophisticated distribution management system to optimize inventory levels and enhance distributor coordination, strengthening their position in the Indian snacks industry.

As of September 30, 2023, Gopal has grown their presence to 523 locations across ten States and two Union Territories in India. Their distribution network includes three depots, 617 distributors, and a sales and marketing team of 741 employees. Utilizing channels like e-commerce and modern trade, they have expanded the product reach. Company distribution management system enhances coordination with distributors, providing visibility into inventory and sales. This system also offers real-time insights into product demand, enabling data-driven decisions and effective operational planning. Additionally, they own a fleet of 263 logistics vehicles to support their distribution network.

Gopal manufacturing operations are vertically integrated, encompassing in-house production of key ingredients like besan, raw snack pellets, and spices. With a 40,000 MT cold storage in Modasa, Gujarat, with control over the production process ensures cost management, operational efficiency, and ingredient quality. Through impactful marketing initiatives, Gopal achieved positive brand recall and loyalty. In Fiscal 2023, it ranked as the fourth largest brand in organized ethnic savories, holding a 31% market share in the gathiya segment.



Additionally, it has secured substantial market shares in ethnic savories, western snacks, and papads in Gujarat. Gopal achieved remarkable growth, with revenue rising from ₹11.29 billion in Fiscal 2021 to ₹13.95 billion in Fiscal 2023 at a CAGR of 11.15%. EBITDA surged from ₹603.52 million in 2021 to ₹1.96 billion in 2023, showing an impressive CAGR of 80.31%. The company's profit after tax soared from ₹211.22 million in 2021 to ₹1.12 billion in 2023, marking a remarkable CAGR of 130.65%.

Product Portfolio

Gopal offer a diversified portfolio of savoury snacks, including ethnic savouries such as namkeen and gathiya and western snacks such as wafers, extruded snacks and snack pellets, that cater to varied consumer tastes and preferences. It also offer fast-moving consumer products that include papad, spices, besan or gram flour, chikki, nachos, noodles, rusk, soan papdi and washing bar As of September 30, 2023, the product portfolio comprised 84 products with 276 SKUs across their product categories, including 31 and 8 products in the namkeen and gathiya categories, respectively to address consumer requirements. Over the years, it have established their position across certain product offerings in the organized snacks market in India.



Category	Fiscal 2021		Fiscal 2022		Fiscal 2023		Six months ended September 30, 2022		Six months ended September 30, 2023	
	Amount (₹ million)	Percentage of Revenue from Operations	Amount (₹ million)	Percentage of Revenue from Operations	Amount (₹ million)	Percentage of Revenue from Operations	Amount (₹ million)	Percentage of Revenue from Operations	Amount (₹ million)	Percentage of Revenue from Operations
Ethnic Snacks										
Gathiya	3,623.09	32.10%	4,463.78	33.01%	4,238.73	30.39%	2,223.43	31.80%	1,869.25	27.64%
Namkeen	4,077.79	36.12%	4,283.48	31.68%	4,055.90	29.08%	2,103.92	30.09%	1,923.05	28.44%
Total (A)	7,700.87	68.22%	8,747.26	64.69%	8,294.63	59.47%	4,327.35	61.88%	3,792.30	56.08%
Western Snacks										
Snack Pellets	2,341.64	20.74%	2,780.21	20.56%	3,094.63	22.19%	1,493.65	21.36%	1,474.98	21.81%
Wafers	524.62	4.65%	590.90	4.37%	843.53	6.05%	411.87	5.89%	552.53	8.17%
Extruded Snacks	147.46	1.31%	197.81	1.46%	165.27	1.18%	81.39	1.16%	76.73	1.13%
Total (B)	3,013.72	26.70%	3,568.92	26.39%	4,103.42	29.42%	1,986.91	28.41%	2,104.24	31.12%
Other Products										
Papad	348.94	3.09%	465.83	3.45%	529.47	3.80%	231.02	3.30%	244.99	3.62%
Besan	48.23	0.43%	253.84	1.88%	414.92	2.98%	182.56	2.61%	331.05	4.90%
Spices	9.38	0.08%	11.63	0.09%	50.27	0.36%	11.31	0.16%	41.03	0.61%
Others ⁽¹⁾	0.00	0.00%	2.97	0.02%	41.07	0.29%	7.19	0.10%	61.85	0.91%
Total (C)	406.55	3.60%	734.28	5.43%	1,035.73	7.43%	432.08	6.18%	678.92	10.04%
Others⁽²⁾ (D)	167.47	1.48%	471.15	3.48%	512.75	3.68%	246.67	3.53%	186.49	2.76%
Total (A + B + C + D)	11,288.61	100.00%	13,521.61	100.00%	13,946.53	100.00%	6,993.01	100.00%	6,761.95	100.00%

Price Range	Fiscal 2021			Fiscal 2022			Fiscal 2023		
	Number of Packets Sold (million)	Amount (₹ million)	Percentage of Revenue from Operations	Number of Packets Sold (million)	Amount (₹ million)	Percentage of Revenue from Operations	Number of Packets Sold (million)	Amount (₹ million)	Percentage of Revenue from Operations
SKUs available at ₹ 5	2,617.65	9,333.41	82.68%	3,048.56	10,917.39	80.74%	2,843.96	10,526.81	75.48%
SKUs available at ₹ 10	61.26	464.36	4.11%	87.47	607.24	4.49%	164.05	1,147.14	8.23%
SKUs available at above ₹ 10	39.19	1323.37	11.72%	40.69	1,525.83	11.28%	45.67	1,759.83	12.62%
Others*	0.00	167.47	1.48%	0.00	471.15	3.48%	0.00	512.75	3.68%
Total	2,718.10	11,288.61	100.00%	3,176.72	13,521.61	100.00%	3,053.68	13,946.53	100.00%



Manufacturing Capacity

Gopal Snacks Limited operates six manufacturing facilities, with three primary ones located in Nagpur, Maharashtra; Rajkot, Gujarat; and Modasa, Gujarat, focusing on finished product manufacturing. The other three ancillary facilities, two in Rajkot and one in Modasa, Gujarat, primarily produce besan, raw snack pellets, seasoning, and spices for in-house consumption. As of September 30, 2023, the total annual installed capacity across all facilities was 404,728.76 MT, with the primary facilities contributing 303,668.76 MT and the ancillary facilities (excluding papad production) contributing 101,060.00 MT.

Particulars		Fiscal 2021	Fiscal 2022	Fiscal 2023	Six months ended September 30, 2022	Six months ended September 30, 2023
Capacity Utilisation						
Primary Facilities	Manufacturing	40.08%	32.36%	27.56%	28.39%	28.64%
Ancillary Facilities	Manufacturing	62.33%	58.91%	52.39%	55.03%	51.10%

Industry Outlook

As per the F&S Report, the Indian market for savoury snacks which includes western snacks and ethnic savouries or traditional snacks (including gathiya), is estimated to be valued at ₹ 796 billion in Fiscal 2023, of which western snacks and ethnic savouries (including gathiya) were estimated to be valued at ₹ 409 billion and ₹ 388 billion, contributing 51% and 49% of the overall Indian savoury snacks market, respectively (Source: F&S Report). The Indian market for savoury snacks is projected to grow at a CAGR of approximately 11% reaching ₹ 1,217 billion by Fiscal 2027. Further, the organized market is estimated to hold a market share of approximately 57% in Fiscal 2023 in the Indian market for savoury snacks and is forecasted to grow at a CAGR of 11.7% during Fiscal 2023 to 2027, accounting for a market share of approximately 58% by Fiscal 2027.



Peers Comparison

Name of the company	Face Value (₹)	Total Income (₹ Cr)	EPS	NAV (₹)	P/E	RoNW(%)
Gopal Snacks Ltd	1	1,395	9.02	63	NA	38.63%
Peers Group						
Bikaji Foods International Ltd	1	1,966	5.14	86	104.67	14.15%
Prataap Snacks Ltd	5	1,653	8.51	93.14	137.87	3.10%



Companies Competitive Strength :

- Company position in the Indian snack food market as an ethnic savories brand with a significant presence in Gujarat coupled with focus on quality and various offerings have helped to create a brand recognition.
- Diversified product portfolio capable of capturing growing Indian snacks market.
- Company position as a manufacturer of gathiya in India coupled with the growing popularity of gathiya as a snack, present opportunities for them to expand in the gathiya segment.
- Strategically located manufacturing facilities.
- Vertically integrated advanced business operations resulting in quality products and cost and operational efficiencies.
- Distribution network.
- Experienced Promoter and management team.
- Track record of profitable financial performance.

Key Strategies Implemented by Company

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

Particulars (INR Cr)	6MFY24	FY23	FY22	FY21
Equity Share Capital	12.5	12.5	1.1	1.1
Reserves	333.6	278.4	176.5	134.6
Net Worth as Stated	346.0	290.9	177.7	135.7
Revenue From Operations	676.2	1,394.7	1,352.2	1,128.9
Revenue Growth%		3%	20%	
EBITDA	76.6	160.6	86.6	56.0
EBITDA Margins%	11%	12%	6%	5%
Net Profit/Loss for the Period	55.6	112.3	41.5	21.1
Net Profit/Loss %	8%	8%	3%	2%
EPS (Rs)	1.78	7.03	4.33	0.69
ROCE%	15%	54%	46%	14%
ROE%	16%	39%	23%	16%

Valuations and Recommendation:

- Based on annualized FY24 earnings to post-IPO paid-up equity capital of the company, The issue is priced at a P/E of 45x times earnings. Thus the issue appears fairly priced compared to peers.
- The company boasts a vertically integrated manufacturing setup, producing key ingredients like besan, raw snack pellets, spices, and seasonings in-house. This control over the production process ensures cost management, operational efficiency, and quality control. With a diverse product portfolio of 84 items and 276 SKUs, including 31 namkeen and eight gathiya products, the company is positioned to tap into the expanding Indian snacks market. Demonstrating robust financial performance, its revenue has grown from Rs 1128.86 crore in FY2021 to Rs 1394.65 crore in FY2023, with a CAGR of 11.15%. Leveraging strategic manufacturing locations, the company achieved the lowest transportation cost as a percentage of revenue in FY2023 within the snacks sector. With the Indian savory snacks market projected to grow at a CAGR of approximately 11%, reaching ₹1,217 billion by Fiscal 2027, the company is well-positioned to capitalize on this anticipated growth. Hence, We recommend “Subscribe” rating to the issue.



Notes

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