

RETAIL EQUITY RESEARCH

Gopal Snacks Ltd.

FMCG –Packaged Foods

SENSEX: 73,677

NIFTY: 22,356

SUBSCRIBE

Price Range Rs.381- Rs.401

A prominent Gujarat based snack manufacturer...

Gopal Snacks Ltd (GSL), established in 2009, is a rapidly expanding FMCG company in India. It offers a diverse range of 'ready to eat' packaged snacks, including ethnic namkeen, gathiya, wafers, snack pellets, and other products like extruder items, noodles, spices, and flour. GSL operates under brands such as "Gopal," "Cristos," "Shot Go," and "Cornigo," boasting a product portfolio of 84 items across 276 SKUs (Stock keeping units). With distribution through 617 distributors, GSL reaches customers in 523 locations across ten states and two union territories. The company operates manufacturing plants in Rajkot, Nagpur, and Modasa. In FY23, GSL held ~20% market share in ethnic savouries, 8% in western snacks, and 6% in the papad industry in Gujarat, encompassing both organized and unorganized sectors.

- The Indian market for savoury snacks is valued at Rs.796bn in FY23 and is expected to grow at a CAGR of 11% to Rs.1,217bn by FY27E owing to surge in demand for high-value, pre-packed 'on-the-go' and 'ready-to-eat' products.
- GSL is the largest manufacturer of Gathiya in terms of production volume and sales revenue in India and holds a market share of ~31% for FY23 in the organized gathiya market.
- Topline grew at ~11% CAGR (FY21-23) to Rs.1,395cr and EBITDA grew ~80% CAGR (FY21-23) to Rs.196cr in FY23 led by higher sales volume, favourable product mix and economical consumer packs.
- GSL produces its key ingredients like besan, raw snack pellets, spices, and seasoning in-house, enabling cost control, enhanced operational efficiency, and quality management.
- PAT grew at ~131% CAGR (FY21-23) to Rs.112cr in FY23 led by better operating performance.
- GSL boasts a strong balance sheet, witnessing a significant decline in its net debt/equity ratio from 1.0x in FY21 to 0.1x in H1FY24.
- The return ratios RoE and RoCE are robust at ~26% and ~24% (3 Year Average) over FY21-23.
- At the upper price band of Rs.401, GSL is available at a P/E of 45x (FY23 EPS), which appears to be fully priced. Considering its strong topline and bottom line growth, emphasis on improving market presence, vertically integrated manufacturing facilities, lean balance sheet, healthy return ratios and promising industry outlook, we assign a "Subscribe" rating on a medium to long term basis.

Purpose of IPO

The IPO comprises only Offer for Sale (OFS) of Rs. 650 crore, with selling shareholders including Mr. Bipinbhai Vithalbhair Hadvani (Rs. 80 crore), Gopal Agriproducts Pvt Ltd (Rs. 520 crore), and Harsh Sureshkumar Shah (Rs. 50 crore). The objective of the offer is to achieve the benefits of listing the equity shares on the stock exchanges.

Key Risks

- Regional concentration: ~77% of revenue is derived from Gujarat in H1FY24. However, the company intends to expand to their focus markets like Maharashtra, Rajasthan, Madhya Pradesh, and Uttar Pradesh.
- Seasonal business: Revenue may dip during non-festive periods and school summer breaks due to lower customer activity.

Peer Valuation

Company	MCap(₹ cr)	Sales (₹ cr)	EBITDA(%)	PAT (%)	EPS(₹)	RoE (%)	Mcap/Sales (x)	P/E(x)	EV/EBITDA(x)	CMP
Gopal Snacks Ltd	4,997	1,395	14.1	8.1	9.0	38.6	3.6	44.5	26.0	401
Bikaji Foods	12,967	1,963	10.9	6.5	5.1	14.5	6.6	101.9	42.6	518
Prataap Snacks	2,659	1,642	3.8	1.2	9.6	3.1	1.6	115.7	26.4	1,114

Source: Geojit Research, Bloomberg; Valuations of GSL are based on upper end of the price band (post issue), Financials as per FY23 consolidated.

Issue Details	
Date of opening	March 06, 2024
Date of closing	March 11, 2024
Total No. of shares offered (cr.)	1.62
Post Issue No. of shares (cr)	12.5
Price Band	₹381- ₹401
Face Value	₹1
Bid Lot	37 Shares
Minimum application for retail (upper price band for 1 lot)	₹ 14,837
Maximum application for retail (upper price band for 13 lot)	₹ 1,92,881
Listing	BSE,NSE
Lead Managers	Intensive Fiscal Services Pvt. Ltd, Axis Capital Ltd, JM Financial Ltd
Registrar	Link Intime India Pvt. Ltd
Issue size (upper price)	Rs.cr
Fresh Issue	-
OFS	650
Total Issue	650

Shareholding (%)	Pre-Issue	Post Issue
Promoter & Promo. Group.	93.5	81.5
Public & Others	6.5	18.5
Total	100.0	100.0

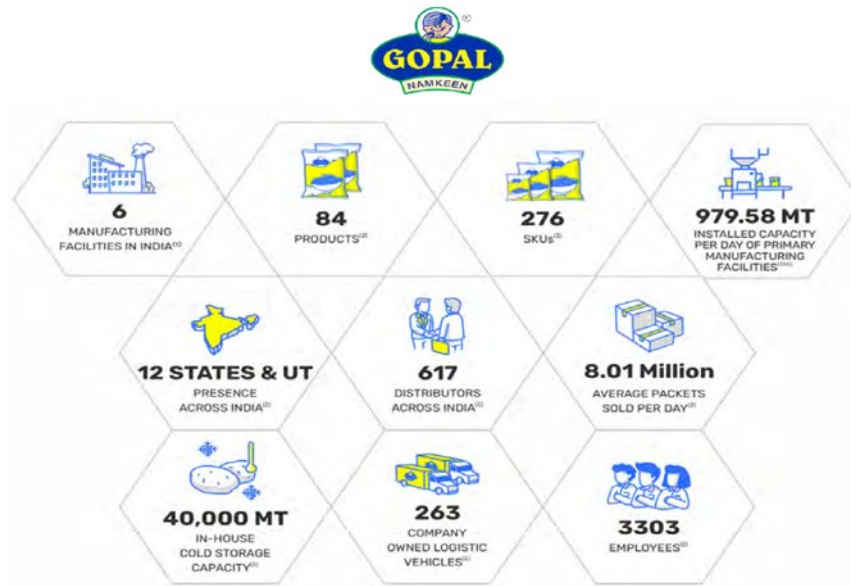
Issue structure	Allocation (%)	Size Rs.cr
Retail	35	325
Non-Institutional	15	97.5
QIB	50	227.5
	-	
Total	100	650.0

Y.E March (Rs cr) Consol.	FY22	FY23	H1FY24
Sales	1,352.2	1,394.7	676.2
<i>Growth (%)</i>	<i>19.8</i>	<i>3.1</i>	<i>-</i>
EBITDA	94.8	196.2	94.3
<i>Margin(%)</i>	<i>7</i>	<i>14.1</i>	<i>14</i>
PAT Adj.	41.5	112.4	55.6
<i>Growth (%)</i>	<i>96.7</i>	<i>170.5</i>	<i>-</i>
EPS	3.3	9.0	4.5
P/E(x)	120.3	44.5	45*
EV/Sales (x)	3.8	3.7	7.4
RoE (%)	23.4	38.6	16.1

*Annualised

Business Description:

Established as a partnership firm in 1999 and subsequently incorporated as a company in 2009, we are a fastmoving consumer goods company in India, offering ethnic snacks, western snacks, and other products in ten States and two Union Territories as of September 30, 2023.



Source: RHP, Geojit Research

As of September 30, 2023, the product portfolio comprised 84 products with 276 SKUs across various product categories, thereby addressing a wide variety of tastes and preferences. The SKUs in terms of pricing include ₹ 5 per pack to ₹ 30 per pack, and in terms of quantity include 200 grams per pack to 500 grams per pack, to even 20 kilograms to 50 kilograms in case of gram flour.

Product Portfolio



Source: RHP, Geojit Research

Operates six manufacturing facilities comprising three primary manufacturing facilities and three ancillary manufacturing facilities. Three primary manufacturing facilities are located at Nagpur, Maharashtra; Rajkot, Gujarat; and Modasa, Gujarat and these facilities primarily focus on the manufacturing of finished products.

Three ancillary manufacturing facilities primarily focus on producing besan or gram flour, 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. In addition, Gopal snacks engage third party manufacturers on a need basis to produce products such as chikki, nachos, noodles, rusk, soan papdi and washing bar.

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%

Source: RHP, Geojit Research

Gopal Snacks also has a cold storage within primary manufacturing facility at Modasa, Gujarat, with a capacity of 40,000 MT as of September 30, 2023.

Key strength:

- Diversified product portfolio capable of capturing growing Indian snacks market.
- Strategically located manufacturing facilities.
- Vertically integrated advanced business operations resulting in quality products and cost and operational efficiencies.
- Extensive distribution network with deep penetration.

Key strategies

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

Industry outlook

The Indian packaged food industry was valued at ₹ 2,972 billion in 2018 and stood at ₹ 4,622 billion in 2023 and would reach a market value of ₹ 6,767 billion by 2027 (Source: F&S Report). Indian market for savoury snacks including western snacks and ethnic savouries (including gathiya) was estimated to be valued at ₹ 796 billion in Fiscal 2023 and is projected to grow at an approximately 11% CAGR reaching ₹ 1,217 billion by Fiscal 2027. Western snacks and ethnic savouries (including gathiya) were estimated to be contributing 51% and 49% of the Indian savoury snacks market, respectively. The organized market holds a market share of approximately 57% in Fiscal 2023 in the Indian savoury snacks industry and is forecasted to grow at a 11.7% CAGR during Fiscal 2023 to 2027 (Source: F&S Report).



(Source: F&S Report)

Source: RHP, Geojit Research

Promoter and promoter group

The Promoters of the company are Bipinbhai Vithalbhai Hadvani, Dakshaben Bipinbhai Hadvani and Gopal Agriproducts Private Limited.

As on the date of this Red Herring Prospectus, the Promoters collectively hold 113,390,017 equity shares, representing 91% of the pre-offer issued, subscribed, and paid-up share capital of the company.

As on the date of this RHP, the Board comprises of eight Directors, comprising of three Executive Directors and five Non-executive Directors, out of which four are Independent Directors, including one-woman Independent Director.

Brief Biographies of directors

- ◆ **Bipinbhai Vithalbhai Hadvani** is one of the Promoters of the company and is currently the Chairman and Managing Director of the Company.
- ◆ **Dakshaben Bipinbhai Hadvani** is one of the Promoters of the company and is currently the Executive Director of the Company.
- ◆ **Raj Bipinbhai Hadvani** is the Whole-time Director and Chief Executive Officer of the company. He has experience in the field of marketing.
- ◆ **Harsh Sureshkumar Shah** is a Non-executive Director of the company.
- ◆ **Rajnikant Chimanlal Diwan** is an Independent Director of the company.
- ◆ **Natwarlal Meghjibhai Patel** is an Independent Director of the company.
- ◆ **Vijayalakshmi Shalil Suvarna** is an Independent Director of the company.
- ◆ **Babubhai Harjibhai Ghodasara** is an Independent Director of the company.

CONSOLIDATED FINANCIALS

PROFIT & LOSS

Y.E March (Rs cr)	FY22	FY23	H1FY24
Sales	1,352.2	1,394.7	676.2
% change	19.8	3.1	-
EBITDA	94.8	196.2	94.3
% change	57	107	-
Depreciation	31.1	37.4	17.0
EBIT	63.7	158.8	77.3
Interest	13.9	10.8	4.1
Other Income	4.3	3.9	1.8
Exceptional items	-	-	-
PBT	54.1	151.8	75.0
% change	104	181	-
Tax	12.5	39.5	19.4
Tax Rate (%)	23	26	26
Reported PAT	41.5	112.4	55.6
Adj	-	-	-
Adj. PAT	41.5	112.4	55.6
% change	96.7	170.5	-
Post issue No. of shares (cr)	12.5	12.5	12.5
Adj EPS (Rs)	3.3	9.0	4.5
% change	96.7	170.5	-

BALANCE SHEET

Y.E March (Rs cr)	FY22	FY23	9MFY24
Cash	1.1	28.6	1.2
Accounts Receivable	14.0	11.4	15.4
Inventories	87.2	144.9	144.8
Other Cur. Assets	28.3	15.5	19.9
Investments	8.8	12.6	10.1
Deff. Tax Assets	-	-	-
Net Fixed Assets	213.3	236.0	233.2
CWIP	45.1	9.8	7.4
Intangible Assets	1.9	2.4	2.3
Other Assets	0.0	0.1	0.3
Total Assets	400	461	435
Current Liabilities	19.3	22.2	17.4
Provisions	26.9	27.1	33.0
Debt Funds	164.1	106.4	26.0
Other Fin. Liabilities	11.5	14.7	11.9
Deferred Tax liability	0.3	-	-
Equity Capital	1.1	12.5	12.5
Reserves & Surplus	176.5	278.4	333.6
Shareholder's Fund	177.7	290.9	346.1
Total Liabilities	400	461	435
BVPS (Rs)	14.3	23.3	27.8

CASH FLOW

Y.E March (Rs cr)	FY22	FY23	9MFY24
PBT Adj.	54.1	151.8	75.0
Non-operating & non cash adj.	44.4	47.2	20.5
Changes in W.C	-39.9	-77.5	-28.0
C.F.Operating	58.6	121.5	67.5
Capital expenditure	-73.0	-25.3	-12.0
Change in investment	-1.1	-0.7	-0.02
Sale of investment	-	-	-
Other invest.CF	0.1	0.9	0.3
C.F - investing	-74.0	-25.1	-11.3
Issue of equity	-	-	-
Issue/repay debt	11.8	-68.8	-84
Dividends paid	-	-	-
Other finance.CF	-	-	-
C.F - Financing	11.8	-68.8	-83.8
Change. in cash	-3.7	27.6	-27.5
Opening Cash	4.8	1.1	28.6
Closing cash	1.1	28.7	1.1

RATIOS

Y.E March	FY22	FY23	9MFY24
Profitab. & Return			
EBITDA margin (%)	7.0	14.1	13.9
EBIT margin (%)	4.7	11.4	11.4
Net profit mgn.(%)	3.1	8.1	8.2
ROE (%)	23.4	38.6	16.1
ROCE (%)	16.9	32.6	15.9
W.C & Liquidity			
Receivables (days)	3	3	4
Inventory (days)	30	42	44
Payables (days)	2	2	2
Current ratio (x)	3.0	4.3	3.8
Quick ratio (x)	0.8	1.8	1.0
Turnover &Levg.			
Net asset T.O (x)	7.0	6.2	2.9
Total asset T.O (x)	3.6	3.2	1.5
Int. covge. ratio (x)	4.6	14.6	19.0
Adj. debt/equity (x)	0.9	0.4	0.1
Valuation ratios			
EV/Sales (x)	3.8	3.7	7.4
EV/EBITDA (x)	54.4	26.0	53.3
P/E (x)	120.3	44.5	45*
P/BV (x)	28.1	17.2	14.4

*Annualised

DISCLAIMER & DISCLOSURES

Certification

I, Sheen G, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

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Geojit confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein.

It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein.

Further, the Analyst confirms that:

(i) He, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company.

(ii) He, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered.

2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

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4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I, Sheen G, Research Analyst (s) of Geojit have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

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