

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

*At Upper Price Band

Issue Break-Up	
Reservation for	% of Issue
QIB	50%
NIB	15%
Retail	35%
Total	100%
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	
Manager:	Intensive Fiscal Services, Axis Capital & JM Financial
Registrar:	Link Intime India

Onkar Kelji
 Research Analyst
onkark@indsec.co.in
 +91 22 61146103

Saral Seth
 VP—Institutional Equities
sarals@indsec.co.in
 +91 22 61146139

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
Ethnics Snacks	
Gathiya	31
Namkeen	8
Western Snacks	
Snack Pellets	12
Wafers	8
Extruded	5
Others	
Spices	6
Papad	4
Besan	1
Others	9
Total	84

No. of Products as per Type

Gopal Snacks Ltd

Key performance indicators

Product-wise revenue mix

Products	FY21	FY22	FY23	H1FY23	H1FY24
Ethnics Snacks					
Gathiya	32.1%	33.0%	30.4%	31.8%	27.6%
Namkeen	36.1%	31.7%	29.1%	30.1%	28.4%
Total Ethnic	68.2%	64.7%	59.5%	61.9%	56.1%
Western Snacks					
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%
Total Western	26.7%	26.4%	29.4%	28.4%	31.1%
Others					
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%
Total - Others	3.6%	5.4%	7.4%	6.2%	10.0%

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

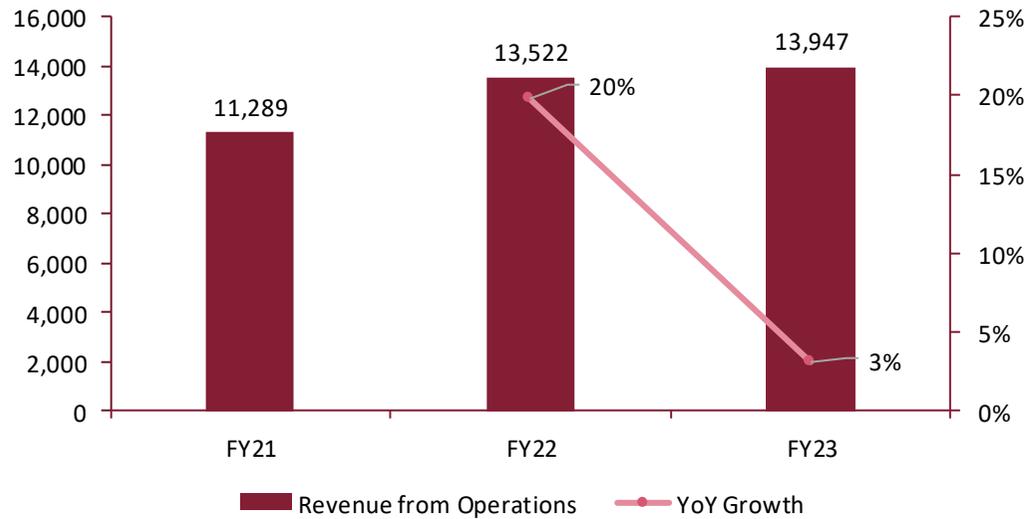
Gopal snacks intends to strengthen its brand through increased marketing and advertising activities. This is also reflective in the Ad spends as a % of sales numbers, which has increased from 0.05% in FY21 to 0.3% in FY23. Further the same has reached to 0.37% in H1FY24. Further, they intend to undertake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

Continue to leverage technology to further optimize operations

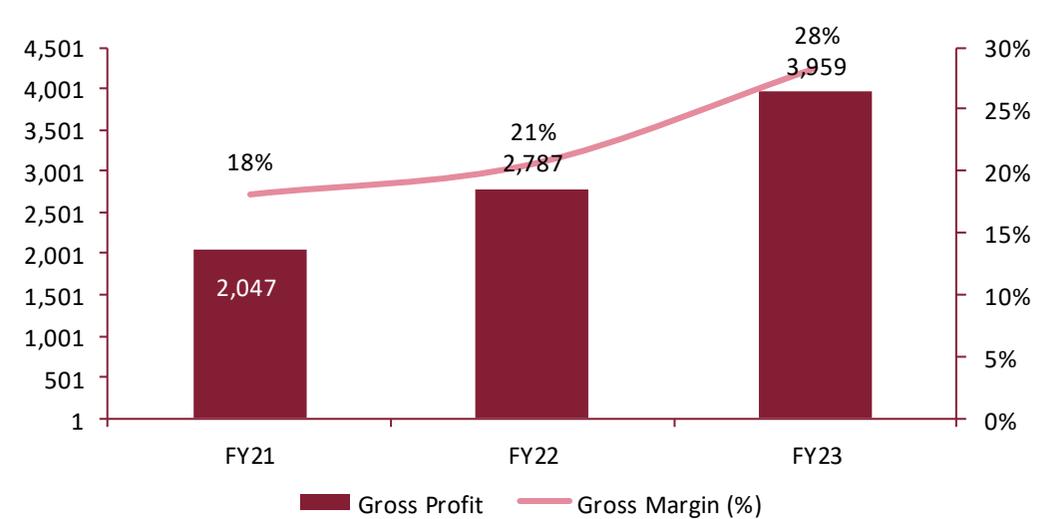
The company has already implemented Distribution Management System (DMS), through which their distributors are able to place order, provide data on sales and inventory levels as well share insights related to product acceptance. They now intend to develop solution to assist their sales team to successfully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

Gopal Snacks Ltd

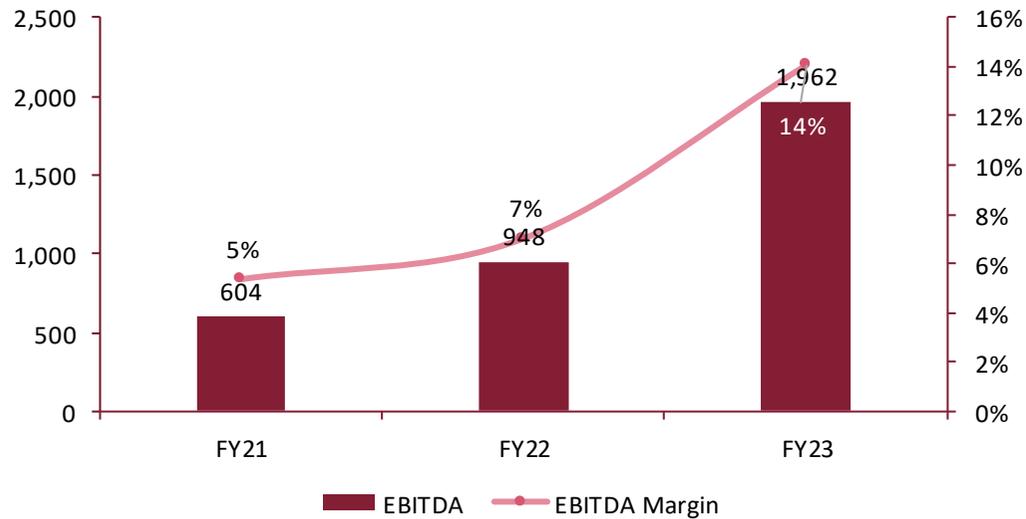
Revenue from operations (Rs. Mn)



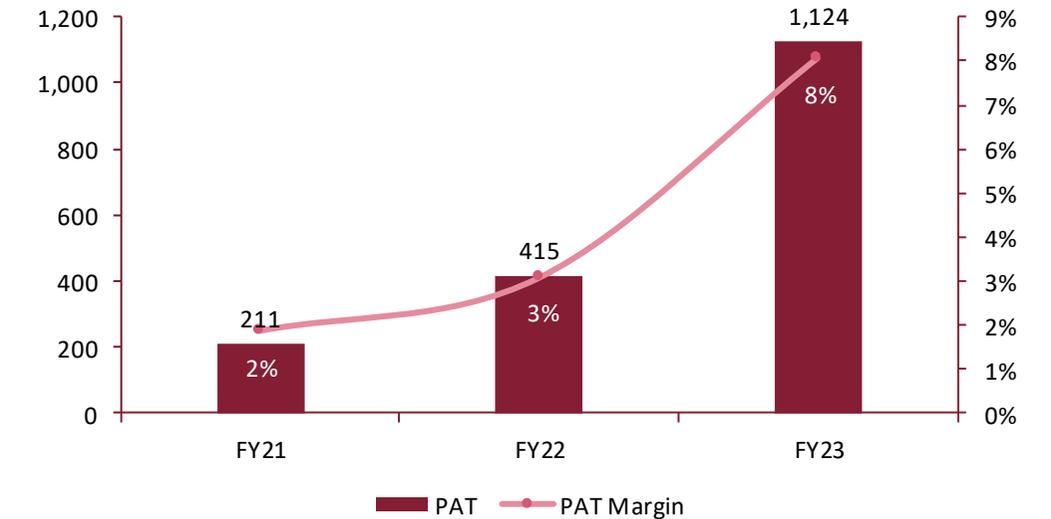
Gross Profit (Rs. Mn) and GM (%)



EBITDA (Rs. Mn) and OPM (%)

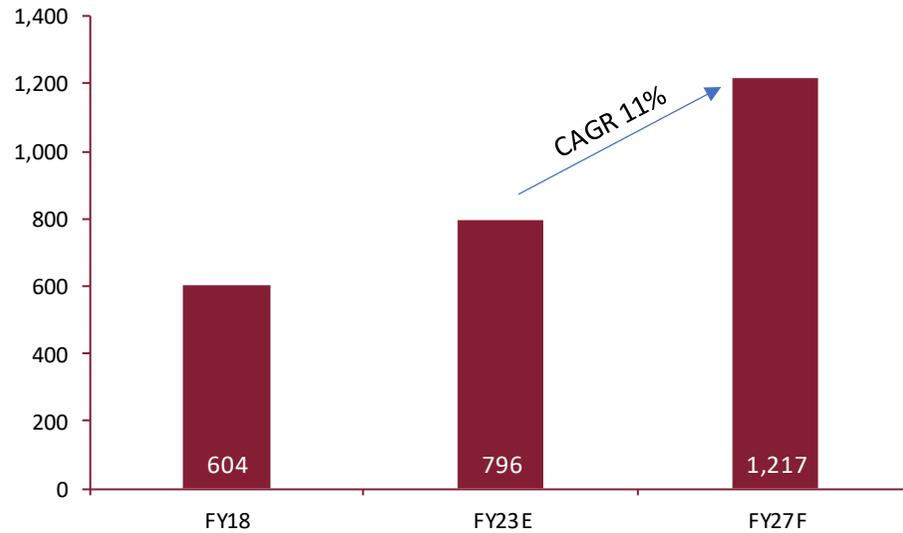


PAT (Rs. Mn) and PAT Margin (%)

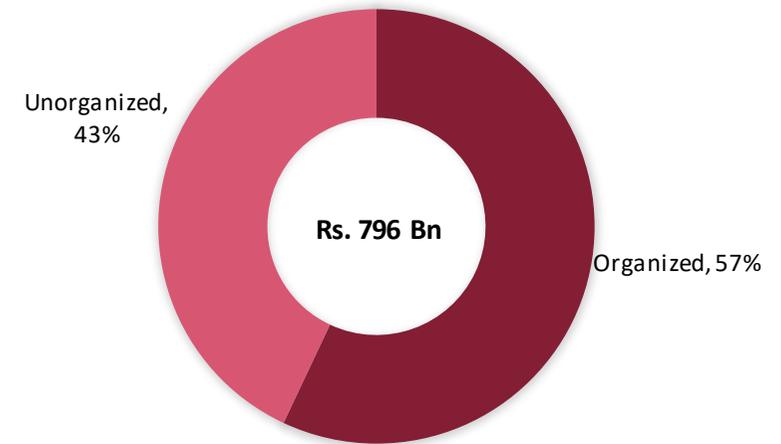


Industry Overview

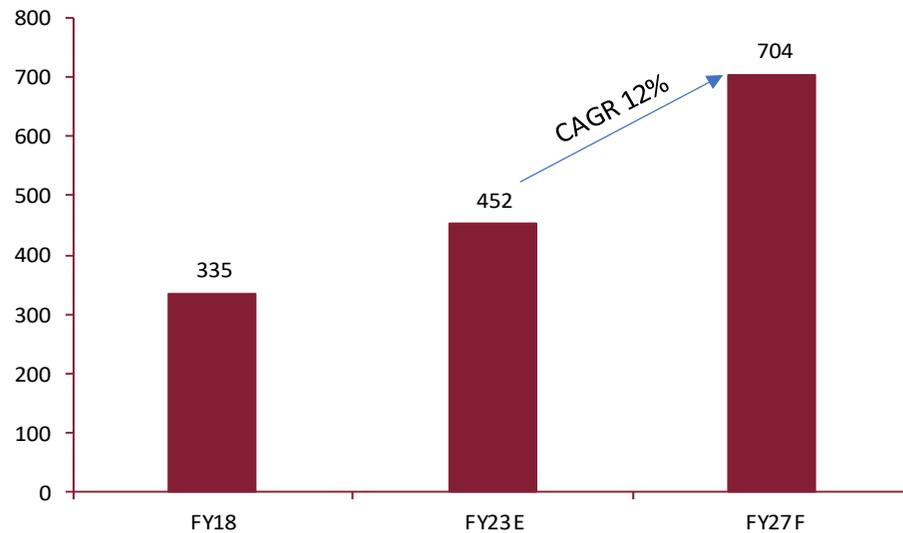
Indian Savoury Snacks Market (Rs. Bn)



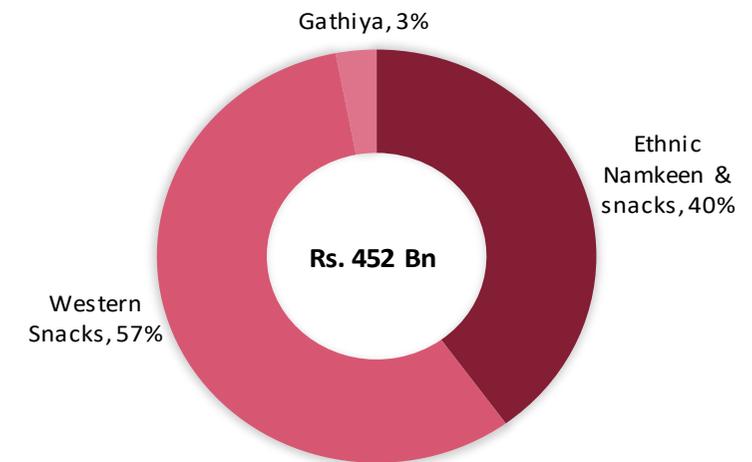
India Savoury Snack Market Share by Type, FY23E



Organized Indian Savoury Snacks Market (Rs. Bn)

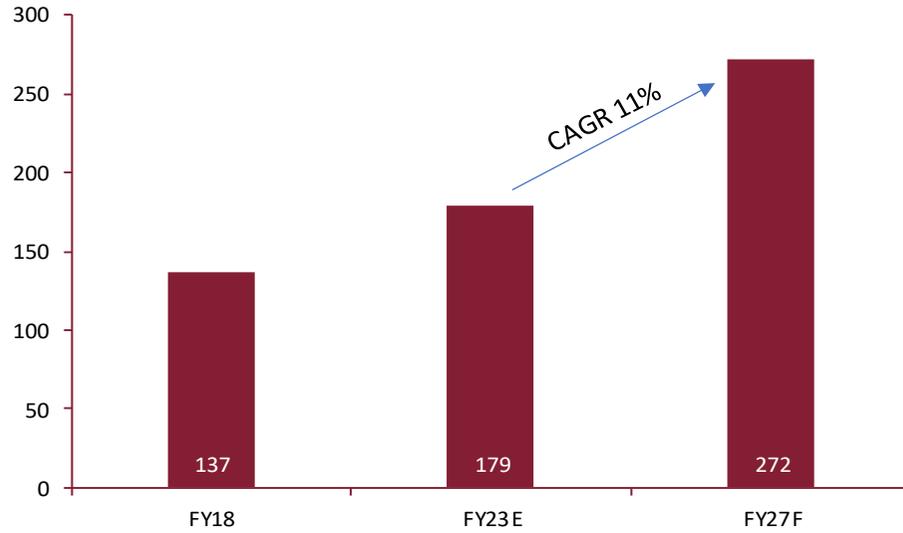


Organized Indian Snacks Market by Type, FY23E

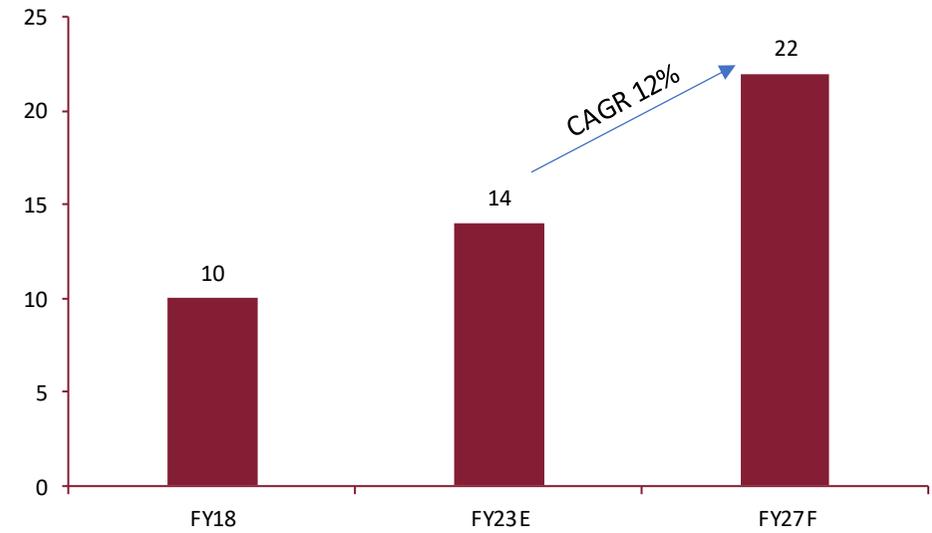


Industry Overview

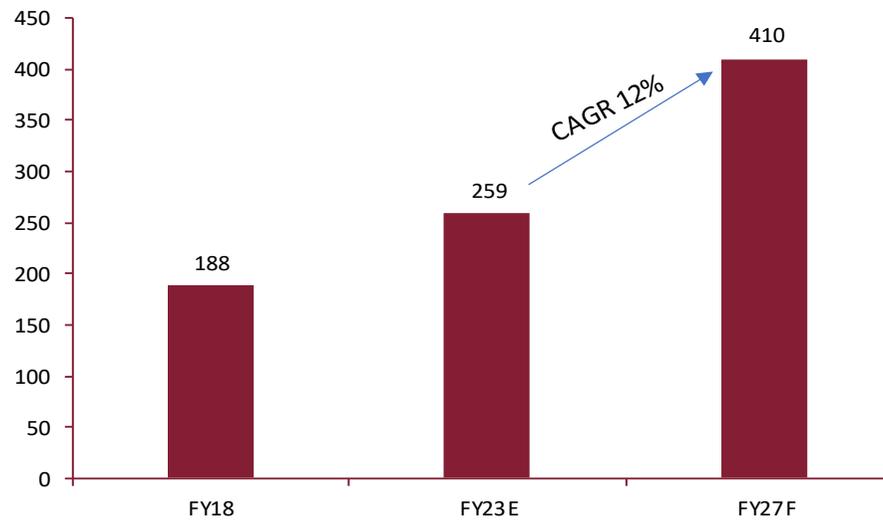
Organized Indian Ethnic Namkeen & Snacks Market (Rs. Bn)



Organized Indian Gathiya Market (Rs. Bn)



Organized Indian Western Snacks Market (Rs. Bn)



INDSEC Rating Distribution

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.

DISCLOSURE

DISCLOSURE

BUSINESS ACTIVITIES:

Indec Securities and Finance Limited (ISFL) is a corporate member of BSE (Equity, WDM segment), of NSEIL (Equity, WDM, Futures & Options and Currency Derivative segments) and has also secured membership of the MSEI Exchange (Currency Derivative Segment) vide registration No. INZ000236731. ISFL is an AMFI Registered Mutual Fund Advisor (MRMFA) vide Registration Number 9194. ISFL is also a Depository Participant of the National Securities Depository Limited (NSDL) and a SEBI registered Portfolio Manager. With this setup ISFL is in a position to offer all types of services in the securities industry.

Since inception company's focus has been on research. In view of its research capabilities ISFL focused mainly on institutional business and is today empaneled with most of the local financial institutions, insurance companies, banks and mutual funds. ISFL has grown from being a medium size broking outfit to become one of the largest capitalized Indian broking company offering the complete range of broking services.

ISFL was incorporated on 28th July 1993 and doesn't have any associates/ subsidiaries. ISFL is a registered Portfolio Manager under SEBI (Portfolio Managers) Regulations, 1993 vide registration No. INP000001892.

DISCIPLINARY HISTORY:

- No material penalties / directions have been issued by the SEBI under the securities laws, SEBI Act or Rules or Regulations made there under
- No penalties have been imposed for any economic offence by any authority.
- No material deficiencies in the systems and operations of the Company have been observed by any regulatory agency.
- There are no pending material litigations or legal proceedings, findings of inspections or investigations for which action has been taken or initiated by any regulatory authority against the Company or its Directors, principal officers or employees or any person directly or indirectly connected with the Company.

DECLARATION:

- ISFL/Research Analysts or their associates or their relatives do not have any financial interest in the subject company (ies);
- ISFL/Research Analysts or their associates or their relatives do not have actual or beneficial ownership of 1 % or more in the subject company (ies);
- Directors may have actual or beneficial ownership of 1 % or more in the subject company (ies);
- ISFL/Research Analysts or their associates or their relatives do not have any material conflict of interest in the subject company(ies) at the time of publication of this document;
- ISFL has not received any compensation from the subject company (ies) in the past twelve months;
- ISFL has not managed or co-managed public offering of securities for the subject company (ies) in the past twelve months;
- ISFL has not received any compensation for investment banking or merchant banking or brokerage services or any other service from the subject company (ies) in the past twelve months;
- ISFL has not received any compensation or other benefits from the subject company (ies) or third party in connection with this document;
- None of the research analysts have served as an officer, director or employee of the subject company (ies);
- ISFL has not been engaged in the market making activity for the subject company (ies);

DISCLOSURE

GENERAL TERMS AND CONDITION/ DISCLAIMERS:

This document has been issued by ISFL and is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of security.

This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. However, we do not guarantee its accuracy and the information may be incomplete and condensed. Note however that, we have taken meticulous care to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any other employee of our company is in any way responsible for its contents. The Company's research department has received assistance from the subject company (ies) referred to in this document including, but not limited to, discussions with management of the subject company (ies). All opinions, projections and estimates constitute the judgment of the author as of the date of this document and these, including any other information contained in this document, are subject to change without notice. Prices and availability of financial instruments also are subject to change without notice. While we would endeavor to update the information herein on reasonable basis, we are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent us from doing so.

Securities recommended in this document are subject to investment risks, including the possible loss of the principal amount invested. Any decision to purchase/sale securities mentioned in this document must take into account existing public information on such security or any registered prospectus. The appropriateness of a particular investment, decision or strategy will depend on an investor's individual circumstances and objectives. The securities, instruments, or strategies discussed in this document may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved).

This document is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject the company to any registration or licensing requirement within such jurisdiction. Further, this document is not directed or intended for distribution to the US taxpayers covered under US Foreign Account Tax Compliance Act (FATCA) provisions. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction

This is just a suggestion and the company will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Any comments or statements made herein are those of the analyst and do not necessarily reflect those of the company. No matter contained in this document may be reproduced or copied without the consent of the company. Any unauthorized use, duplication, redistribution or disclosure is prohibited by law and will result in prosecution. The information contained in this document is intended solely for the recipient and may not be further distributed by the recipient. The Company accepts no liability whatsoever for the actions of third parties.

The research analyst(s) of this document certifies that all of the views expressed in this document accurately reflect their personal views about those issuer(s) or securities. **Analyst's holding in the stocks mentioned in the Report:-NIL**