

IPO NOTE

Issue Details

Price Band: ₹ 381 to ₹ 401
Employee Discount: ₹ 38/Share
Issue Opens on: March 6, 2024
Issue Closes on: March 11, 2024
Lot Size: 37 Shares & in Multiples thereafter

Issue Highlights

Issue Size:	₹ 650 Cr.
No of Shares:	16,209,476
Face Value:	₹ 1

Offer Structure

Issuance	₹ in Cr.
Fresh Issue	-
Offer for Sale	650.00
Total	650.00

Issue Breakup

Reservation for	% of Issue	₹ in Cr. (at upper band)
QIB	50	323.25
HNI	15	96.98
RETAIL	35	226.28
Employee	-	3.50
TOTAL	100	650.00

Listing

BSE & NSE

Lead Managers

- Axis Capital Ltd.
- Intensive Fiscal Services Pvt. Ltd.
- JM Financial Ltd.

Registrar

Link Intime India Pvt. Ltd.

ANALYST

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COMPANY OVERVIEW

Established as a partnership firm in 1999 and subsequently incorporated as a company in 2009, Gopal Snacks is a fast moving consumer goods company in India, offering ethnic snacks, western snacks and other products in 10 States and 2 Union Territories as of September 30, 2023. It offers a wide variety of savoury products under the brand 'Gopal', including ethnic snacks such as namkeen and gathiya, western snacks such as wafers, extruded snacks and snack pellets, along with fast-moving consumer goods that include papad, spices, gram flour or besan, noodles, rusk and soan papdi.

As of September 30, 2023, their product portfolio comprised 84 products with 276 SKUs across their various product categories with distribution network comprises of 3 depots and 617 distributors, complemented by the company's sales and marketing team comprising 741 employees. They also rely on channels such as ecommerce, modern trade and exports for sale of products. They operate six manufacturing facilities comprising three primary manufacturing facilities and three ancillary manufacturing facilities. In addition, they engage third party manufacturers on a need basis to produce products such as chikki, nachos, noodles, rusk, soan papdi and washing bar.

In Fiscal 2023, they were the 2nd largest organised ethnic namkeen manufacturer in Gujarat and the 4th largest packaged ethnic namkeen manufacturer in India, each in terms of sales revenue. Further, they are the 4th largest papad manufacture in terms of sales revenue in India in FY23.

HIGHLIGHTS

1. Their position in the Indian snack food market as an ethnic savouries brand with a significant presence in Gujarat
2. Diversified product portfolio
3. Position as a manufacturer of gathiya in India
4. Strategically located manufacturing facilities
5. Distribution network

OBJECTS OF THE ISSUE

1. To carry out the Offer for Sale of Equity Shares aggregating up-to ₹ 650 Cr.
2. Achieve the benefits of listing the Equity Shares on the Stock Exchanges.

The company will not receive any proceeds from the Offer.

OUR VIEW

Gopal Snacks Limited is an FMCG company offering a variety of snack products. The company operations are vertically integrated which include in-house manufacturing capabilities of certain key ingredients such as besan or gram flour, raw snack pellets, spices and seasoning, as well as the ability to tailor machines to specific needs. They intend to control and expand the existing market share in Gujarat. The focus markets also being Maharashtra, Rajasthan, Madhya Pradesh and Uttar Pradesh.

Substantial amount of sales revenue is concentrated from the gathiya and namkeen products. The revenue is also majorly concentrated in the state of Gujarat. Any change in the taste, preference and buying pattern of the consumers may have adverse impact on the operations. The company is subject to high levels of quality control and any kind of non-compliance may lead to adverse impacts. Contamination/adulteration of any of the products could subject to product liability claims, adverse publicity and government scrutiny, investigation. Multiple players in the snacks business pose sufficient amount of competition to the company.

The revenue CAGR for the period FY21-23 stood at about 11.15%. The company operated on an EBITDA margin of 14.07% and PAT margin of 8.06% for year ended FY23. The number was 13.94% and 8.22% respectively for H1FY24. Generating ROCE and ROE of 43.08% and 38.63% respectively for FY23. The debt to equity ratio has improved from 1.02x in FY21 to 0.37x in FY23 and further to 0.08 at H1FY24.

The issue is priced at a P/BV of 14.44 based on its NAV of Rs. 27.78 as of September 30, 2024 and is asking for a PE multiple of 44.46x on the upper end of the price band and using diluted EPS for FY23 (₹ 9.02) and a PE of 44.96x annualizing diluted EPS for H1FY24 (₹ 4.46). The industry average is 121.27x. The issue seems reasonably priced.

Looking at all the factors, risks, opportunities and valuation, investors may apply for the issue with medium to long-term view.

Brief Financials

PARTICULARS	As at September 30, 2023	₹ in Million		
		FY '23	FY '22	FY '21
Total Income	6,779.73	13,985.38	13,564.75	11,298.41
Total Expenditure	6,029.95	12,466.91	13,024.19	11,033.44
EBITDA	603.52	1,962.25	935.53	942.64
Profit before Tax	749.78	1,518.48	540.56	264.97
Profit after Tax	555.65	1,123.69	415.38	211.22
E.P.S. (Diluted)	4.46*	9.02	3.33	1.70
P/E (x) (Diluted)	-	44.46	-	-
RONW (%)	15.56*	38.63	22.65	16.05

* Not Annualised

PRICE CHART (@ ₹ 401) (Retail Category)

LOT SIZE	Amount
37	14,837
74	29,674
111	44,511
148	59,348
185	74,185
222	89,022
259	103,859
296	118,696
333	133,533
370	148,370
407	163,207
444	178,044
481	192,881

HNI Payment Chart

Category	No. of Shares	Minimum Bid Lot Amount (Rs.)
Small HNI	518	207,718
Big HNI	2,516	1,008,916

Indicative Time Table

Tentative Events	Indicative Dates
Finalisation of Basis of Allotment with the Designated Stock Exchange	12/03/2024
Initiation of refunds/unblocking ASBA Fund	13/03/2024
Credit of Equity Shares to demat accounts of Allottees	13/03/2024
Commencement of trading of the Equity Shares on the Stock Exchanges	14/03/2024

For more details, Please refer RHP,

(https://www.sebi.gov.in/filings/public-issues/feb-2024/gopal-snacks-limited-rhp_81842.html)

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