

# Gopal Snacks Ltd

Crafting Tradition, Savoring Innovation



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Established in 1999, Gopal Snacks Limited operates as a leading FMCG company, specializing in both traditional and Western snack varieties, along with other consumer goods, distributed domestically in India and globally. The company boasts an extensive product range, encompassing ethnic delicacies like namkeen and gathiya, alongside Western favorites such as wafers, extruded snacks, and snack pellets. Additionally, they offer a diverse selection of fast-moving consumer goods including papad, spices, gram flour (besan), noodles, rusk, and soan papdi. By November 2023, Gopal Snacks Limited had amassed a total of 276 SKUs, featuring 84 distinct products across various categories, tailored to meet diverse consumer preferences.

As of September 2023, the company had successfully penetrated over 523 retail outlets spanning across 10 states and two Union Territories. By September 30, 2023, the robust sales and marketing division boasted a team of 741 employees, bolstered by an expansive distribution network comprising three depots and 617 distributors. To facilitate efficient distribution, the company maintained a fleet of 263 logistics vehicles.

With a strategic manufacturing infrastructure in place, Gopal Snacks Limited operates six production facilities, with three serving as primary manufacturing units and the remaining three functioning as ancillary units. These facilities are strategically located in Nagpur, Maharashtra; Rajkot, Gujarat; and Modasa, Gujarat. Furthermore, two ancillary units are situated in Rajkot, Gujarat, and one in Modasa, Gujarat.

The collective annual installed capacity of all six facilities as of September 30, 2023, amounted to 404,728.76 metric tons. Among these, the three primary facilities, including the papad-producing unit in Rajkot, Gujarat, contributed 303,668.76 metric tons, while the ancillary units contributed 101,060.00 metric tons (excluding papad production).

Notably, as of the same date, 69 distributors in Gujarat had been affiliated with the company for over a decade, accounting for 24.73% of the total distributor based in the region.

At the IPO price of INR 171(upper price band), Gopal Snacks Limited is valued at PE multiple of 44.5 times.

#### Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	PAT	EBITDA (%)	PAT (%)	Adj. EPS (Rs.)	Adj BVPS (Rs.)	RoE (%)	RoIC (%)	EV/EBITDA (X)	P/BV (X)	P/E (X)
FY22	1,128	60	21	5.4	1.9	1.7	10.9	15.6	13.5	85.0	36.8	236.6
FY23	1,351	95	42	7.0	3.1	3.3	14.3	23.4	18.7	54.4	28.1	120.3
FY24	1,394	196	112	14.1	8.1	9.0	23.3	38.6	43.1	25.9	17.2	44.5

Source: Ventura Research

Industry	FMCG
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#### Issue Details

Listing	BSE & NSE
Open Date	6 <sup>th</sup> Mar 2024
Close Date	11 <sup>th</sup> Mar 2024
Price Band	INR 381-401
Face Value	INR 1
Market Lot	37shares
Minimum Lot	1 Lot

#### Issue Structure

Offer for Sale (%)	100
Issue Size (INR cr)	INR 650.0
Issue Size (Shares)	1,62,09,476
QIB Share (%)	≤50%
Non-Inst Share (%)	≥ 15%
Retail Share (%)	≥ 35 %
Pre issue sh (nos)	12,46,04,370
Post issue sh (nos)	12,46,04,370
Post issue MCap (INR cr)	4996.6

Shareholding (%)	Pre (%)	Post (%)
Promoter	93.50	81.50
Public	6.50	18.50
<b>TOTAL</b>	<b>100</b>	<b>100</b>

## Key Growth Strategies

### Accelerate expansion in its focus markets

Their focus markets include Maharashtra, Rajasthan, Madhya Pradesh, and Uttar Pradesh. They have chosen these focus markets based on their geographical proximity to their existing manufacturing facilities and the potential for expanding their product portfolio in those regions. They plan to implement a variety of strategies to enhance their presence in their focus markets. These strategies encompass deploying sales and marketing personnel to gather feedback on the taste and preferences specific to each market, utilizing newspaper advertisements to attract potential distributors, conducting continuous product sampling and feedback solicitation, organizing brand awareness sessions, engaging in discussions with prospective distributors to gain insights into their growth objectives, introducing region-specific products, providing incentives to encourage distributor motivation, and prioritizing prompt resolution of any post-sales issues.

### Enhance its presence in the core market of Gujarat

The company aims to continue expanding their market share and solidifying their presence in Gujarat, their primary market. In Fiscal 2023, Gujarat accounted for approximately 10.5%, 12.3%, and 10.6% of the total markets for ethnic savories, western snacks, and papad, respectively, within India (Source: F&S Report). According to the same report, the estimated market size in Gujarat stands at ₹38,000 million to ₹40,000 million for ethnic savories, ₹48,000 million to ₹50,000 million for western snacks, and ₹8,500 million to ₹9,000 million for papad.

### Continue to launch new products and expand its customer base

They have meticulously crafted their product portfolio to cater to a wide range of consumer preferences and budget considerations, leveraging extensive market research and insights into consumer tastes and trends. Their approach involves evaluating new products against a set of criteria, encompassing their capacity to offer diverse choices, the competitive landscape, their readiness for market deployment, compatibility with existing backend infrastructure, category alignment, scalability, and projected profitability. In line with this strategy, they have introduced numerous new products in recent years.

### Continue to launch new products and expand its customer base

They aim to further augment the visibility of their products across urban, semi-urban, and rural markets in India. Their strategy involves bolstering their brand presence through intensified marketing and advertising endeavors. They plan to employ a variety of techniques to reach both wide-ranging and specific audience segments, thus enhancing their brand's resonance across diverse demographics.

## Key Risks & Concerns

- The company's revenue is heavily reliant on the sale of its core products, namely namkeen, gathiya, and snack pellets. These product categories collectively accounted for 88.96%, 85.25%, 81.66%, 83.24%, and 77.89% of the total revenue from operations in Fiscal 2021, 2022, 2023, and the six months ended September 30, 2022, and 2023, respectively. Any inability to anticipate and adapt to evolving consumer tastes, preferences, and demands, or to maintain product quality, may adversely impact the demand for the company's products, leading to reduced brand loyalty and potentially affecting its business, financial condition, and cash flows.
- The company's product sales are primarily concentrated in its core market of Gujarat. In Fiscal 2021, 2022, and 2023, as well as the six months ended September 30, 2022, and 2023, revenue from product sales in Gujarat constituted 74.31%, 76.27%, 79.08%, 79.06%, and 76.49% of the total revenue from operations, respectively. Any negative developments affecting operations in this region could potentially have an adverse impact on the company's business, financial condition, operational results, and cash flows.
- The company's operations are susceptible to a range of contamination-related risks, such as improper storage of products and raw materials, labeling errors, and failure to comply with quality control standards. With an average shelf life of products spanning three to six months, any instances of actual or alleged contamination could potentially result in legal liabilities, tarnished brand reputation, and adverse effects on business operations, financial performance, and cash flows.

## Issue Structure and Offer Details

The proposed issue of Gopal Snacks Ltd is entirely an offer for sale for 1,62,09,476 shares, aggregating to Rs 650 crores. The price band for the issue is in the range of INR 381-401 and the bid lot is 37 shares and multiples thereof.

Issue Structure	
Investor Category	Allocation
QIB	Not more than 50.00% of the Net offer
NIB	Not less than 15.00% of the Offer
Retail	Not less than 35.00% of the Offer

*Number of shares based on a higher price band of INR 401*

*Source: Company Reports*

## Details of the selling shareholders

<b>Promoter Selling shares</b>	<b>Amount offered</b>	<b>No of shares</b>
<b>Bipinbhai Vithalbhai Hadvani</b>	<b>INR 80 Cr</b>	<b>Not less than 19,95,013 shares</b>
<b>Gopal Agriproducts Private Limited</b>	<b>INR 520 Cr</b>	<b>Not less than 1,29,67,581 shares</b>
<b>Harsh Sureshkumar Shah</b>	<b>INR 50 Cr</b>	<b>Not less than 1,246,882 shares</b>

*The amount is based on a higher price band of INR 401*

*Source: Company Reports*

## **Financial summary**

Fig in INR Cr (unless specified)	FY21	FY22	FY23	Fig in INR Cr (unless specified)	FY21	FY22	FY23
<b>Income Statement</b>				<b>Per share data &amp; Yields</b>			
Revenue	1,127.7	1,350.9	1,394.3	Adjusted EPS (INR)	1.7	3.3	9.0
<b>YoY Growth (%)</b>		<b>19.8</b>	<b>3.2</b>	Adjusted Cash EPS (INR)	3.6	5.8	12.0
Raw Material Cost	924.2	1,073.5	998.8	Adjusted BVPS (INR)	10.9	14.3	23.3
<b>RM Cost to Sales (%)</b>	<b>82.0</b>	<b>79.5</b>	<b>71.6</b>	Adjusted CFO per share (INR)	1.8	4.7	9.8
Employee Cost	56.5	74.2	82.1	CFO Yield (%)	0.5	1.2	2.4
<b>Employee Cost to Sales (%)</b>	<b>5.0</b>	<b>5.5</b>	<b>5.9</b>	Adjusted FCF per share (INR)	(3.6)	(0.3)	8.4
Other Expenses	86.6	108.4	117.2	FCF Yield (%)	(0.9)	(0.1)	2.1
<b>Other Exp to Sales (%)</b>	<b>7.7</b>	<b>8.0</b>	<b>8.4</b>	<b>Solvency Ratio (X)</b>			
EBITDA	60.4	94.8	196.2	Total Debt to Equity	1.0	0.9	0.4
<b>Margin (%)</b>	<b>5.4</b>	<b>7.0</b>	<b>14.1</b>	Net Debt to Equity	1.0	0.9	0.3
<b>YoY Growth (%)</b>		<b>57.1</b>	<b>107.0</b>	Net Debt to EBITDA	2.2	1.7	0.4
Depreciation & Amortization	24.0	31.1	37.4	<b>Return Ratios (%)</b>			
EBIT	36.4	63.7	158.8	Return on Equity	15.6	23.4	38.6
<b>Margin (%)</b>	<b>3.2</b>	<b>4.7</b>	<b>11.4</b>	Return on Capital Employed	10.6	14.3	29.6
<b>YoY Growth (%)</b>		<b>74.9</b>	<b>149.4</b>	Return on Invested Capital	13.5	18.7	43.1
Other Income	1.0	4.3	3.9	<b>Working Capital Ratios</b>			
Bill discounting & other charges	10.9	13.9	10.8	Payable Days (Nos)	6	2	2
Fin Charges Coverage (X)	3.3	4.6	14.6	Inventory Days (Nos)	28	24	38
Exceptional Item	0.0	0.0	0.0	Receivable Days (Nos)	2	4	3
PBT	26.5	54.1	151.8	Net Working Capital Days (Nos)	25	25	38
<b>Margin (%)</b>	<b>2.3</b>	<b>4.0</b>	<b>10.9</b>	Net Working Capital to Sales (%)	6.8	7.0	10.5
<b>YoY Growth (%)</b>		<b>104.0</b>	<b>180.9</b>	<b>Valuation (X)</b>			
Tax Expense	5.4	12.5	39.5	P/E	236.6	120.3	44.5
<b>Tax Rate (%)</b>	<b>20.3</b>	<b>23.2</b>	<b>26.0</b>	P/BV	36.8	28.1	17.2
PAT	21.1	41.5	112.4	EV/EBITDA	85.0	54.4	25.9
<b>Margin (%)</b>	<b>1.9</b>	<b>3.1</b>	<b>8.1</b>	EV/Sales	4.5	3.8	3.6
<b>YoY Growth (%)</b>		<b>96.7</b>	<b>170.5</b>	<b>Cash Flow Statement</b>			
Min Int/Sh of Assoc	0.0	0.0	0.0	PBT	26.5	54.1	151.8
Net Profit	21.1	41.5	112.4	Adjustments	34.1	34.4	61.8
<b>Margin (%)</b>	<b>1.9</b>	<b>3.1</b>	<b>8.1</b>	Change in Working Capital	(32.3)	(17.3)	(52.6)
<b>YoY Growth (%)</b>		<b>96.7</b>	<b>170.5</b>	Less: Tax Paid	(5.8)	(12.5)	(39.5)
<b>Balance Sheet</b>				Cash Flow from Operations	22.5	58.6	121.5
Share Capital	1.1	1.1	12.5	Net Capital Expenditure	(75.9)	(73.0)	(25.3)
Total Reserves	134.6	176.5	278.4	Change in Investments	0.2	(1.0)	0.2
Shareholders Fund	135.7	177.6	290.9	Cash Flow from Investing	(75.7)	(74.0)	(25.1)
Long Term Borrowings	75.8	79.4	48.5	Change in Borrowings	68.4	25.7	(58.0)
Deferred Tax Assets / Liabilities	4.1	4.5	4.7	Less: Finance Cost	(10.9)	(13.9)	(10.8)
Other Long Term Liabilities	21.0	21.3	20.3	Proceeds from Equity	0.0	0.0	0.0
Long Term Trade Payables	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0
Long Term Provisions	0.0	0.0	0.0	Dividend Paid	0.0	0.0	0.0
Total Liabilities	135.7	282.8	364.4	Cash flow from Financing	57.5	11.8	(68.8)
Net Block	174.9	213.4	238.3	Net Cash Flow	4.4	(3.7)	27.6
Capital Work in Progress	43.4	45.1	9.8	Forex Effect	0.0	0.0	0.0
Intangible assets under development	0.0	1.7	0.1	Opening Balance of Cash	0.5	4.8	1.1
Non Current Investments	0.6	1.7	2.4	Closing Balance of Cash	4.8	1.1	28.6
Long Term Loans & Advances	2.4	4.0	4.3				
Other Non Current Assets	0.0	0.0	0.1				
Net Current Assets	(85.5)	16.7	109.3				
Total Assets	135.7	282.8	364.4				

Source: Ventura Research

#### Disclosures and Disclaimer

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