



IPO Report

05th Mar'24

Snapshot

Established as a partnership firm in 1999 and subsequently incorporated as a company in 2009, company is 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. Company offer a wide variety of savoury products under its 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.

VALUATION

Company is bringing the issue at price band of Rs 342-360 per share at p/e multiple of 44x on annualized 6 months FY24 PAT basis.

Company's position in the Indian snack food market as an ethnic savouries brand with a significant presence in Gujarat coupled have helped create a brand recognition. Company has diversified product portfolio capable of capturing growing Indian snacks market. Also company's position as a manufacturer of gathiya in India coupled with the growing popularity of gathiya as a snack, present opportunities for company to expand in the gathiya segment. Company has strategically located manufacturing facilities along with Vertically integrated advanced business operations resulting in quality products and cost and operational efficiencies. Company has experienced promoter and management team with a track record of profitable financial performance. Hence, looking after all above we recommend "Long Term Subscribe" on issue

Price Band (Rs./Share)	381-401
Opening date of the issue	06th Mar '2024
Closing Date of the issue	11th Mar '2024
No of shares pre issue	124604370 Eq Shares
Issue Size	Rs 650 Cr
Offer For Sale	Rs 650 Cr
Employee Reservation	Rs 3.5 Cr
Face Value (Rs/ share)	Rs 1/share
Bid Lot	37

BIDDING DETAILS

QIBs (Including Anchor)	50% of the offer (Approx 8061096 Eq Shares)
Non-Institutional	15% of the offer (Approx 2418330 Eq Shares)
Retail	35 % of the offer (Approx 5642768 Eq Shares)
Lead managers	Axis Capital, Intensive Fiscal, JM Financial
Registrar to the issue	Link Intime India Pvt Ltd

WHAT WE LIKE

Company's position in the Indian snack food market as an ethnic savouries brand with a significant presence in Gujarat coupled with company's focus on quality and various offerings have helped it create a brand recognition

Company offer a diverse selection of quality products that strive to capture the Indian taste under the "Gopal" brand. Company's focus on quality, various offerings and affordability has helped it create a brand recognition that resonates with consumers, allowing company to stand out in a competitive market as evident from company's market position. In Fiscal 2023, the organized market for savoury snacks is estimated to have dominated the Indian market accounting for a market share of approximately 57% valued at ₹ 452 billion and is projected to grow at a CAGR of 11.7% between Fiscal 2023 to Fiscal 2027.

Track record of profitable financial performance

Company have established a track record of consistent revenue growth and profitability. Company's revenue from operations increased by 23.55% from Fiscal 2021 to Fiscal 2023 while company's profit after tax increased by 432.00% from Fiscal 2021 to Fiscal 2023. Company's continued focus on efficiency and productivity improvements and cost rationalization have enabled it to deliver better financial performance. Company's EBITDA has increased by 80.31% CAGR from Fiscal 2021 to Fiscal 2023 while its EBITDA Margin increased from 5.35% in Fiscal 2021 to 14.07% in Fiscal 2023.

Distribution network

As of September 30, 2023, company had three depots and 617 distributors, who helped it reach retailers located across ten States and two Union Territories in India, including Gujarat, Maharashtra and Uttar Pradesh. As of September 30, 2023, company had 263 logistics vehicles which facilitate timely delivery of company's products to its distributors.



COMPANY BACKGROUND

Over the years, company have leveraged its experience and understanding of the preferences and tastes of company's consumers, and target markets to develop a wide range of products, which has enabled company to strengthen its foothold in the Indian snacks industry. As of September 30, 2023, company's product portfolio comprised 84 products with 276 SKUs across its various product categories, thereby addressing a wide variety of tastes and preferences.

Company have expanded its footprint across India, with its products being sold over 523 locations in ten States and two Union Territories as of September 30, 2023. Company's distribution network comprised three depots and 617 distributors, complemented by company's sales and marketing team comprising 741 employees, as of September 30, 2023. Company also rely on channels such as ecommerce, modern trade and exports for sale of company's products. Company have implemented a distribution management system that helps it coordinate with its distributors and provides visibility on company's inventory levels and distributor sales, enabling company to optimise its distribution network. It also offers real-time insights on demand for company's products, allowing company to make data-driven decisions, plan its operations and meet demands of company's consumers in a timely and effective manner.

In addition, as of September 30, 2023, company owned a fleet of 263 logistics vehicles to support its distribution network. As of the date of this Red Herring Prospectus, company operate six manufacturing facilities comprising three primary manufacturing facilities and three ancillary manufacturing facilities. Company's three primary manufacturing facilities are located at Nagpur, Maharashtra; Rajkot, Gujarat; and Modasa, Gujarat and these facilities primarily focus on the manufacturing of company's finished products. Company's 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. Of the three ancillary manufacturing facilities, two ancillary manufacturing facilities are located at Rajkot, Gujarat and one ancillary manufacturing facility is located at Modasa, Gujarat. As of September 30, 2023, the aggregate annual installed capacity of company's six manufacturing facilities was 404,728.76 MT, of which the aggregate annual installed capacity of company's three primary manufacturing facilities (including the annual installed capacity for papad which is manufactured at one of company's ancillary manufacturing facilities located in Rajkot, Gujarat) was 303,668.76 MT and the aggregate annual installed capacity of company's three ancillary manufacturing facilities (excluding the annual installed capacity for papad) was 101,060.00 MT.

In addition, company engage third party manufacturers on a need basis to produce company's products such as chikki, nachos, noodles, rusk, soan papdi and washing bar.

Company's manufacturing 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 company's specific needs for manufacturing of company's product portfolio. Furthermore, company have an engineering and fabrication facility at Rajkot, Gujarat to manufacture customised containers which are mounted on vehicles for transportation of company's products to distributors. Company also have a cold storage within company's primary manufacturing facility at Modasa, Gujarat, with a capacity of 40,000 MT as of September 30, 2023. Company's vertically integrated manufacturing operations allow it to control the production process enabling company to manage costs, achieve increased operational efficiency and exercise better control over the quality and source of company's ingredients.

Over the years, company's efforts towards building company's brand through marketing and brand building initiatives, have resulted in a positive brand recall among company's target audience, which has helped it to establish a loyal customer base. To increase the visibility of company's brand, company invest in marketing and brand building initiatives which include advertisements in radio, print, social media, digital and outdoor promotional campaigns, and sponsorship of sports events in India. For instance, company was one of the sponsors of the Gujarat Giants team which participates in the Women's Cricket Premier League. In addition, in the past, to enhance company's brand equity, company advertised its products with slogans such as "Sab Bhoomi Gopal Ki", "Pure Quality, Total Faith" and "Get. Set. Crunch".



INVESTMENT RATIONALE

<p><i>Diversified product portfolio capable of capturing growing Indian snacks market</i></p>	<p>Company 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. Company also offer fast-moving consumer products that include papad, spices, besan or gram flour, chikki, nachos, noodles, rusk, soan papdi and washing bar. During the past few years, the organized segment has been consolidating its position in the market for savoury snacks through the introduction of new products and product innovations that primarily target urban as well as rural consumers. As of September 30, 2023, company’s product portfolio comprised 84 products with 276 SKUs across company’s product categories, including 31 and 8 products in the namkeen and gathiya categories, respectively to address consumer requirements. Over the years, company have established its position across certain product offerings in the organized snacks market in India..</p>
<p><i>Company’s position as a manufacturer of gathiya in India coupled with the growing popularity of gathiya as a snack, present opportunities for company to expand in the gathiya segment</i></p>	<p>Company’s sale of gathiya was increased by 16.99% from ₹ 3,623.09 million in Fiscal 2021 to ₹ 4,238.73 million in Fiscal 2023. Further, in Fiscal 2021, 2022, 2023 and the six months ended September 30, 2022 and 2023, company’s sale of gathiya accounted for 32.10%, 33.01%, 30.39%, 31.80% and 27.64% of company’s revenue from operations, respectively. In Fiscal 2023, the organized market for gathiya accounted for 3% of the total organised Indian savoury snacks market and was estimated to be valued at ₹ 14 billion. Gathiya market is forecasted to grow at a CAGR of 11.7% during Fiscal 2023 to 2027 . Further, as per the F&S Report, gathiya as a snack holds prominence in the state of Gujarat and is gradually gaining popularity in other states as well, particularly in Uttar Pradesh, Maharashtra, Rajasthan and Madhya Pradesh.As of September 30, 2023, company manufactured 8 varieties of gathiya including vanela gathiya, fulvadi gathiya, tikha gathiya, papdi gathiya, tikha papdi gathiya, bhavnagari gathiya, champakali gathiya and nylon gathiya. In addition, company’s capability to produce besan or gram flour which is a key ingredient for gathiya products enables company to maintain consistent taste, texture and quality of company’s gathiya products.</p>
<p><i>Strategically located manufacturing facilities</i></p>	<p>Company operate six manufacturing facilities comprising three primary manufacturing facilities and three ancillary manufacturing facilities. Company’s three primary manufacturing facilities are located at Nagpur, Maharashtra; Rajkot, Gujarat; and Modasa, Gujarat and these facilities primarily focus on the manufacturing of company’s finished products. As of September 30, 2023, the aggregate annual installed capacity of these primary operated manufacturing facilities (including the annual installed capacity for papad which is manufactured at one of company’s ancillary facilities at Rajkot, Gujarat) was 303,668.76 MT. In addition, company operate three ancillary manufacturing facilities, of which two ancillary manufacturing facilities are located at Rajkot, Gujarat and one ancillary manufacturing facility is located at Modasa, Gujarat. These ancillary manufacturing facilities primarily focus on producing besan or gram flour, raw snack pellets, seasoning and spices which are primarily utilised for company’s internal use in the manufacturing of finished products such as gathiya, namkeen and snack pellets. As of September 30, 2023, the aggregate annual installed capacity of these ancillary manufacturing facilities (excluding the annual installed capacity for papad) was 1,01,060.00 MT. For more information on the capacity of company’s manufacturing facilities. In addition, company engage third party manufacturers on a need basis for the production of company’s products such as chikki, nachos, noodles, rusk, soan papdi, and washing bar. Company is focused on quality standards over the entire production process, from procurement of raw materials, to processing, manufacturing and packaging of company’s products.</p>



OBJECTS OF OFFER

The objects of the Offer are to (i) to carry out the Offer for Sale aggregating up to ₹6,500 million by the Selling Shareholders; and (ii) achieve the benefits of listing the Equity Shares on the Stock Exchanges.

RISKS

Company is significantly dependent on the sale of its products namely, namkeen, gathiya and snack pellets. Company's aggregate revenue from sale of namkeen, gathiya and snack pellets accounted for 88.96%, 85.25%, 81.66%, 83.24% and 77.89% of company's revenue from operations in Fiscal 2021, 2022, 2023 and the six months ended September 30, 2022 and 2023, respectively. An inability to anticipate and adapt to evolving consumer tastes, preferences and demand for particular products, or ensure product quality may adversely impact demand for company's products, brand loyalty and consequently company's business, results of operations, financial condition and cash flows.

Source:RHP

INDUSTRY OVERVIEW

OVERVIEW OF INDIAN SAVOURY SNACK MARKET

Indian Savoury Snack Market Indian Savory Snack Market, Fiscal 2018, Fiscal 2023E & Fiscal 2027F, ₹ Billion Source: Frost & Sullivan Analysis The Indian market for savoury snacks is estimated to be worth ₹ 796 billion in Fiscal 2023E and is projected to grow at a CAGR of 11% reaching ₹ 1,217 billion by 2027F. The major segments constituting Indian Savoury Snack include Western Snacks and Ethnic Savouries or Traditional Snacks. Western snacks dominate the Indian savoury snack market and is valued at ₹ 409 billion holding a market share of 51%. The western snack industry comprises of chips, extruded snacks, snack pellets and other western snacks varieties including bridges and nachos among others. On the contrary, the market valuation for ethnic savouries (including gathiya) is estimated at ₹ 388 billion, where it contributes 49% to the overall Indian savoury snacks market. The popular types of traditional snack marketed in India include namkeen, bhujija sev, snack mixtures, gathiya along with other ethnic savoury snack varieties such as mathari, chakali, dry samosa, kachori among others.

Global Savoury Snack Market

Global sales of savoury snacks are valued at US\$ 113 billion in 2023E, with Asia Pacific leading the market and is valued at US\$ 46 billion. Together, the markets in North America and Europe make up about 49% of the global industry. By 2027F, it is anticipated that the market for savoury snacks will be worth US\$ 149 billion. The market for savoury snacks is anticipated to grow at a substantially higher CAGR of approximately 10% in Asia Pacific region by 2027F. In 2027F, the region is expected to be worth US\$ 69 billion. The Indian market is expected to expand at a CAGR of 11% through 2027F, making it the second-largest contributor after China.

The shifts in post-pandemic consumption patterns are one of the key trends fuelling growth in the worldwide market for savoury snacks. Snack sales increased as a result of a shift in customer preferences towards ready-to-eat and ready-to-cook products during the COVID-19 pandemic. The market for wholesome snacks was also favourably impacted by the trend, with sales increasing regionally. The diversity of products provided in both ethnic and western snack options, as well as the abundance of flavours offered in the product portfolio, have similarly shaped the Indian snack business. The demand for low-calorie and low-sugar snacks has increased both internationally and in India. The COVID-19 lockdown increased consumer demand for packaged snacks with health advantages. Innovations in snack flavours and variety of offerings is seen as a potential opportunity for players in the snack industry to attract the consumers and generate higher revenues

The Indian savoury snacks market worth ₹ 796 billion was traditionally dominated by the unorganized players that used to cater to the region-specific demands of the local consumers. In the snacks industry, snacks sold in local kirana shops and convenience stores continue to compete with well-known Indian brands even today. However, it is noteworthy that, despite catering to regional needs, traditional shops primarily offer mostly ethnic or traditional snacks which pushed the organized players into gaining higher market share than the unorganized players in the current scenario. In Fiscal 2023E, the organized market for savoury snacks dominated the Indian market accounting for a market share of approximately 57% with a valuation of ₹ 452 billion. The growth of organized sector in India is highly supported by the economic growth that has increased the sales via modern retail including supermarket and hypermarkets. The major contribution comes from leading established players in snack industry such as PepsiCo, which owns Lays and Kurkure, Haldiram's, ITC's Bingo chips and Balaji Wafers among others. These entities are frequently differentiated based on their broad product portfolio covering several product categories, aggressive marketing, and promotions, along with ongoing R&D activities.

During the past few years, the organized segment has been consolidating its position in the market for savoury snacks through the introduction of new products and product innovations that primarily target urban as well as rural consumers. The organized sector contributed to ₹ 335 billion in Fiscal 2018 and reached a market value of ₹ 452 billion in Fiscal 2023E. Organized sector is anticipated to further register a CAGR of 11.7% during 2023E-2027F. One of the major contributors to the growth of the organized sector is the significant advertisements and promotions through celebrity endorsements along with push from the ecommerce channels. Additionally, rise in demand for packaged food products due to hygiene concerns among consumers has been supporting the growth of organized sector majorly post COVID-19 pandemic.



Consolidated Financials

(Rs in Mn)

Financials	FY21	FY22	FY23	H1FY24
Total Revenue (A)	11288.61	13521.61	13946.53	6761.95
Total Expenditure (B)	10685.09	12573.64	11984.29	5819.31
EBIDTA	603.52	947.97	1962.24	942.64
EBIDTA Margin	5.35	7.01	14.07	13.94
Other Income	9.80	43.14	38.85	17.78
Depreciation	239.59	311.31	374.18	169.95
EBIT	373.73	679.80	1626.91	790.47
Interest	108.76	139.24	108.44	40.69
PBT	264.97	540.56	1518.47	749.78
Exceptional	0.00	0.00	0.00	-18.02
PBT	264.97	540.56	1518.47	731.76
Tax	53.75	125.18	394.79	194.13
PAT	211.22	415.38	1123.68	537.63
NPM	1.87	3.07	8.06	7.95
ROE%	15.56	23.38	38.63	16.05
EPS	1.70	3.33	9.02	4.46
Eq Cap	11.33	11.33	124.60	124.60
Net Worth	1,357.38	1,776.61	2,908.78	3,460.96

(Source: RHP)

Peer Comparison

Company Name	Face value	P/E	Revenue from operations (Rs in Mn)	EPS	NAV	ROE %
<i>Gopal Snacks Limited</i>	<i>1</i>		<i>13946.53</i>	<i>9.02</i>	<i>23.34</i>	<i>38.63</i>
Peers						
Bikaji Foods International Limited	1	104.67	19660.72	5.14	38.22	14.15
Prataap Snacks Limited	5	137.87	16529.32	8.51	288.33	3.10

(Source: RHP)



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