



# MSEARCH

## INITIAL PUBLIC OFFER (IPO)

06-03-2024

**GOPAL SNACKS LIMITED**

**06-03-2024 TO 11-03-2024**

**Industry: Packaged Goods**

**Recommendation: Subscribe for long term**

**Price Band: ₹381-401**

**Post Implied Market Cap: ₹4,747-4,997 Cr**

### Key Data

Issue Size (₹ Cr)	650
Fresh (₹)	0
OFS (₹)	650.00
No of shares offered	-
Face Value (₹ /share)	1
Bid Lot	37

### Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	12/3/2024
Refunds/Unblocking ASBA Fund	13/3/2024
Credit of equity shares to DP A/c	13/3/2024
Trading commences	14/3/2024

### Shareholding (No. of shares)

Pre-Issue	124,604,370
Post Issue (Lower price band)	124,604,370
Post Issue (Higher price band)	124,604,370

### Shareholding Pattern

<b>Promoters</b>	
Pre Issue	91.00%
Post Issue	78.99%

<b>Promoters Group</b>	
Pre Issue	2.50%
Post Issue	2.50%

<b>Public-Investor Selling S/h</b>	
Pre Issue	1.96%
Post Issue	0.96%

<b>Public - Others:</b>	
Pre Issue	4.54%
Post Issue	17.55%

### Issue Breakup

QIB	50%
NIB	15%
Retail	35%

### Other Details

**BRLMs:** Axis Capital, Intensive Fiscal, JM Financial

**Registrar:** Link Intime India Pvt. Ltd.

**Listing:** BSE & NSE

### Research Analyst

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### About the Company

Gopal Snacks is a prominent fast-moving consumer goods company in India, specializing in ethnic and western snacks. Operating in 10 states and 2 union territories, it offers a diverse range of savoury products under the brand 'Gopal'. As the second largest snack manufacturing company in Gujarat, Gopal Snacks boasts a portfolio of 276 SKUs, focusing on providing differentiated value to customers at affordable prices. Notably, it pioneered the launch of gram flour or besan in ₹10 SKUs, reflecting its commitment to innovation and accessibility. With 3 depots and 617 distributors, Gopal Snacks has rapidly expanded its presence and is recognized as one of the fastest-growing snack companies in India.

### Investment Rationales

- Position in the Indian snack food market as an ethnic savouries brand with a significant presence in Gujarat coupled with the focus on quality and various offerings:** Gopal Snacks, renowned for its "Gopal" brand, offers a diverse range of quality products tailored to the Indian palate. Their commitment to quality, affordability, and innovation has solidified their brand recognition and competitive edge in the market. With a focus on expanding market share, they aim to capitalize on the projected growth opportunities in the organized savoury snacks market, anticipated to grow at a CAGR of 11.7% from Fiscal 2023 to 2027.
- Diversified product portfolio capable of capturing growing Indian snacks market:** The company offers a diverse range of savoury snacks, catering to various regional tastes across Gujarat, Maharashtra, Rajasthan, and Madhya Pradesh. Their portfolio includes traditional ethnic snacks like Bhavnagari Gathiya and Ratlami Sev, alongside western snacks such as wafers and extruded snacks. With 84 products and 276 SKUs as of September 30, 2023, they address consumer preferences with 31 products in the namkeen category and 8 in the gathiya category, reflecting their commitment to meeting diverse consumer demands.
- Strategically located manufacturing facilities:** The company operates three primary manufacturing facilities in Nagpur, Rajkot, and Modasa, focusing on the production of finished products. As of September 30, 2023, these facilities have an aggregate annual installed capacity of 303,668.76 MT. Additionally, they run three ancillary manufacturing facilities in Rajkot and one in Modasa, with a combined installed capacity of 101,060 MT, excluding papad production. Moreover, the company collaborates with third-party manufacturers for products like chikki, nachos, noodles, rusk, soan papdi, and washing bar based on demand.
- Vertically integrated advanced business operations resulting in quality products and cost and operational Efficiencies:** The company's integrated manufacturing operations encompass key ingredient production, machine customization, customized container manufacturing for transportation, and in-house cold storage. This vertically integrated model, combined with advanced manufacturing capabilities, provides a competitive edge, enhancing market position and enabling control over production, inventory, logistics, ingredient quality, and packaging. Effective cost management and scalability are facilitated by this approach.

### Risk

- 1) Higher dependency on savoury products.
- 2) 100% OFS.

### MView

We believe Gopal Snacks Ltd gives investors an opportunity to invest in a prominent consumer goods company in India offering ethnic snacks, western snacks and other products under its own brand "GOPAL". We think the company offers a wide array of savoury snacks, catering to varied consumer tastes and preferences. From traditional ethnic savouries to western snacks the company's product portfolio comprises 84 products with 276 SKUs which addresses diverse consumer requirements across different regions of India. We also believe in the company's strategic manufacturing infrastructure with primary facilities located at Nagpur, Rajkot, and Modasa. Additionally, the company operates ancillary manufacturing facilities and engages third-party manufacturers as needed, enhancing production flexibility and scalability. We also think the company's vertically integrated business model coupled with advanced manufacturing processes, enables the company to maintain control over the production process, inventory management, logistics, and product quality, thereby enhancing cost-effectiveness and scalability. By looking at the financials the company has shown a flat growth in revenue from operations of 3% in FY 2023 compared to FY 2022 a strong growth of 20% seen, whereas its net profit saw a substantial increase of 97%/171% in FY 2022 & FY 2023 with significant improvement in EBITDA margin. Such business slowdown seen due to disruption in the company's front end team after promoter exited the business in 2022. We feel from here on improvement in performance would be seen by scaling up capacity utilization with new high margin products. On valuation parse at the upper band of ₹401/-, the issue is asking a Market cap of ₹4997/- cr. Based on annualized FY 2024 earnings, a fully diluted post-IPO paid-up capital, the company is asking a P/E of 45x which seems the offer reasonably priced by looking at the listed peers which are trading in the range of ~60x. Investors should also look at IPO offers which come with 100% OFS i.e ₹650/- cr issue which is an area of concern for new investors, but with a relentless focus on quality, affordability and consumer preferences, Gopal Snacks has successfully established its "Gopal" brand as a household name, resonating with consumers across diverse regional tastes. We believe leveraging its brand recognition and advanced manufacturing capabilities, the company is poised to capitalize on the burgeoning demand for savoury snacks in the organized market. Hence, considering all the limitations we recommend investors to "SUBSCRIBE" the Gopal Snacks Ltd IPO for Long term perspective.

## CONSOLIDATED FINANCIAL TABLES

### BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	As at Sept' 30		As at March' 31		
	2023 (06)	2022(06)	2023	2022	2021
Equity Share Capital	12.46	1.13	12.46	1.13	1.13
Reserve & Surplus	333.64	229.05	278.42	176.53	134.61
Net worth	346.10	230.18	290.88	177.66	135.74
Revenue from Operations	676.20	699.30	1,394.65	1,352.16	1,128.86
Revenue Growth	-3.3%	-	3.1%	19.8%	-
EBITDA	94.26	93.55	196.23	94.80	60.35
EBITDA Margin (%) as stated	13.94%	13.38%	14.07%	7.01%	5.35%
Profit before Tax	74.98	70.97	151.85	54.06	26.50
Net Profit for the year	55.57	51.96	112.37	41.54	21.12
Net Profit Margin	8.22%	7.43%	8.06%	3.07%	1.87%
EPS	4.46	4.17	9.02	3.33	1.70
RONW	16.05%	22.57%	38.63%	23.38%	15.56%
Net Asset Value (₹) as stated	27.78	18.47	23.34	14.26	10.89

Source: Company RHP

### COMPARISON WITH INDUSTRY LISTED PEERS ₹ (in Cr)

Companies	Consolidated/ Standalone	Mcap (in Cr)	FV	Total Revenue Fiscal 2023 (in Cr)	EPS	NAV (₹ per share)	P/B	P/E	RoNW
Gopal Snacks Limited	Restated	4997	1	1394.65	8.92	32.24	12.4	45	38.63%
Bikaji Foods International Limited	Consolidated	12,769	1	1,966.07	5.15	38.22	12.1	66.6	14.15%
Prataap Snacks Limited	Consolidated	2,428	5	1,652.93	8.51	288.33	3.52	119	3.10%

Date as on 31st March 2023, Cline Mcap, PE, PB calculated as on 06-03-2024

Gopal Snacks Ltd, EPS/PE, P/B, NAV calculated on annualised basis post money



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### Msearch's Recommendation (Absolute Performance)

**Buy: > 20% within the next 12 Months**

**Accumulate: 5% to 20% within the next 12 Months**

**Sell : < -20% within the next 12 Months**

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