

We maintain our BUY rating ([refer note](#)) with Sep-25E TP of Rs600/sh on 40x P/E. With the key growth pillars in place, we see 15% revenue CAGR over FY24-27E. Q2FY25 sales growth of 12.6% is a gradual expansion in momentum, which should sustain as the company enhances execution in core and seeks to aggressively expand in focus (29% Q2 growth; 25% of sales) and other states (4% of sales). Gross margin stood firm QoQ at 29% in Q2 (+25bps YoY); the management sees stability ahead as custom duty increase in edible oil has been passed. OPM stood steady QoQ at 11.6% in Q2, but contracted by 110bps YoY given increase in A&P spends. On a low 2HFY24 base, we see healthy earnings ahead. Overall, we maintain 29% EPS CAGR over FY24-27E. The management aspires for Rs20-22bn revenue by FY27 and OPM at 14-14.5%.

Gopal Snacks: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	13,947	14,026	15,837	18,472	21,412
EBITDA	1,962	1,685	1,857	2,330	2,899
Adj. PAT	1,124	997	1,173	1,638	2,118
Adj. EPS (Rs)	9.0	8.0	9.4	13.1	17.0
EBITDA margin (%)	14.1	12.0	11.7	12.6	13.5
EBITDA growth (%)	107.0	(14.1)	10.2	25.5	24.4
Adj. EPS growth (%)	(97.5)	(11.3)	17.7	39.6	29.3
RoE (%)	48.0	29.3	26.8	30.0	31.1
RoIC (%)	35.7	25.6	28.4	38.6	46.4
P/E (x)	49.3	55.6	47.2	33.8	26.2
EV/EBITDA (x)	28.6	33.1	29.3	22.9	18.0
P/B (x)	19.0	14.2	11.4	9.1	7.3
FCFF yield (%)	1.7	0.7	3.0	2.7	3.6

Source: Company, Emkay Research

Improving growth (12% in Q2) momentum positive; core market grew 6%

Q2FY25 revenue growth at 12.1% YoY is a gradual improvement in growth trend. The focused approach to gain share in the Wafers segment (11% of sales; ARR of Rs2bn) reflects in the strong 47% growth in Q2. Other snack products (12% of sales) grew 20%, wherein we see healthy growth for besan, which has been a penetration driver in new markets. It now has distributor reach of 828 vs 667 distributors as of Mar-24. The company aspires for ~1,100 distributors by Mar-25 and looks to add one distributor per day in FY26. Growth in Gujarat at 6% YoY in Q2FY25 suggests easing of business pressure; we expect improvement and build double-digit growth for 2H. Focus on Alternate channel to intensify, where revenue run rate should expand to ~Rs30mn/month by year-end from Rs2.6mn/month currently. Export is an opportunity, which should be in focus in FY26.

Higher A&P drive OPM compression in Q2; H2FY25 to see healthy expansion

In an inflationary setting, and on the back of a positive sales mix, the company delivered a 30bps improvement in gross margin to 29% in Q2, which stood flat QoQ. The raw material basket saw inflation in double digits (with Channa inflation at 20% YoY), except for the easing in laminate prices. EBITDA margin contracted by 110bps YoY to 11.6% (up 10 bps QoQ), which is a factor of higher A&P spending (Rs55mn in Q2FY25 vs Rs20mn in Q2FY24). EBITDA grew 2.7% YoY, while earnings grew 6.2% aided by lower interest costs (-60%) and D&A (-3%). For FY25, we are building in 30bps OPM compression to 11.7%. Management has guided for 12% OPM in Q3 – an expansion of 240bps YoY.

Valuation re-rating likely with improving earnings

With better execution, we see sales/earnings CAGR at 15%/29% for FY24-27E. At 34x P/E in FY26E, the risk-reward remains favorable. Given Gopal's appealing financial ratios, we see business growth returning, thus helping drive a valuation re-rating. To address capacity needs in newer markets the company is evaluating M&A opportunity in eastern and southern part of India.

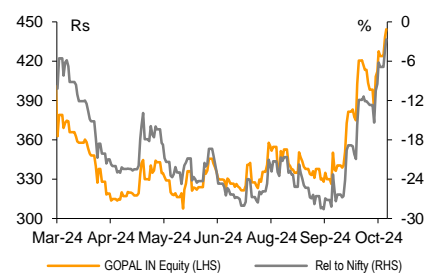
Target Price – 12M	Sep-25
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	35.0
CMP (15-Oct-24) (Rs)	444.6

Stock Data	GOPAL
52-week High (Rs)	450
52-week Low (Rs)	301
Shares outstanding (mn)	124.6
Market-cap (Rs bn)	55
Market-cap (USD mn)	659
Net-debt, FY25E (Rs mn)	-987
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	204.4
ADTV-3M (USD mn)	2.4
Free float (%)	49.5
Nifty-50	25,057
INR/USD	84.0
Shareholding, Sep-24	
Promoters (%)	81.5
FPIs/MFs (%)	2.3/5.7

Price Performance

(%)	1M	3M	12M
Absolute	30.6	36.8	-
Rel. to Nifty	32.1	33.7	-

1-Year share price trend (Rs)



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Quarterly performance

Exhibit 1: Quarterly performance

(Rs mn)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Revenue from operations	3,558	3,676	3,510	3,495	3,989
Growth		1.2%	6.6%	9.7%	12.1%
Other operating income	19	0	78	48	38
Sales	3,577	3,676	3,587	3,543	4,026
Growth		1.2%	8.0%	11.2%	12.6%
COGS	2,550	2,711	2,581	2,515	2,860
Growth		6.9%	9.9%	15.1%	12.2%
% to sales	71.3%	73.7%	71.9%	71.0%	71.0%
Gross profit	1,027	965	1,007	1,028	1,166
Gross margin	28.7%	26.3%	28.1%	29.0%	29.0%
bps change		-395bps	-122bps	-239bps	25bps
Staff costs	248	263	276	295	283
Growth		23.2%	18.9%	24.8%	14.4%
% to sales	6.9%	7.1%	7.7%	8.3%	7.0%
bps change		128bps	70bps	91bps	11bps
Other expenses	324	349	343	324	415
Growth		15.8%	15.4%	17.3%	28.0%
% to sales	9.1%	9.5%	9.6%	9.1%	10.3%
bps change		120bps	61bps	47bps	124bps
EBITDA	455	353	388	409	468
Growth		-39.4%	-12.5%	-16.1%	2.7%
EBITDA margin	12.7%	9.6%	10.8%	11.5%	11.6%
bps change		-642bps	-253bps	-376bps	-111bps
Depreciation	86	93	94	81	83
Interest	20	7	5	16	8
Other income	13	12	14	18	12
PBT	362	265	303	330	388
Growth		-44.4%	-8.5%	-14.9%	7.2%
Tax	90	87	42	88	99
Effective tax rate	24.9%	32.6%	13.7%	26.5%	25.6%
PAT	272	179	261	242	289
Growth			-4.1%	-14.5%	6.2%
Net profit margin	7.6%	4.9%	7.3%	6.8%	7.2%
EPS (Rs)	2.2	1.4	2.1	1.9	2.3

Source: Company, Emkay Research

Exhibit 2: Segment revenue and growth

(Rs mn)	Q4FY24	Q1FY25	Q2FY25
Gathiya			
- Revenue	992	1,008	1,076
- Revenue growth	5.0%	9.6%	13.5%
- Packs sold	252.0	259.0	276.0
- Packs sold growth	11.0%	17.7%	15.5%
- Realization/pack	3.9	3.9	3.9
- Growth	-5.4%	-6.9%	-1.7%
Namkeen			
- Revenue	945	948	1,086
- Revenue growth	1.4%	4.2%	7.3%
- Packs sold	212.0	213.0	243.0
- Packs sold growth	3.9%	6.5%	8.5%
- Realization/pack	4.5	4.5	4.5
- Growth	-2.4%	-2.2%	-1.1%
Wafers			
- Revenue	296	369	453
- Revenue growth	40.3%	51.2%	46.8%
- Packs sold	58.0	76.0	87.0
- Packs sold growth	31.8%	52.0%	39.6%
- Realization/pack	5.1	4.9	5.2
- Growth	6.4%	-0.5%	4.6%
Pellets and Extruded Snacks			
- Revenue	699.0	684.0	761.0
- Revenue growth	-11.7%	-7.6%	-6.3%
- Packs sold	188.0	185.0	206.0
- Packs sold growth	-12.6%	-7.5%	-4.6%
- Realization/pack	3.7	3.7	3.7
- Growth	0.9%	-0.1%	-1.7%
Others			
- Revenue	423	376	461
- Revenue growth	36.0%	29.7%	20.1%
- Packs sold	32.0	32.0	41.0
- Packs sold growth	39.1%	60.0%	36.7%
- Realization/pack	13.2	11.8	11.2
- Growth	-2.2%	-19.0%	-12.2%

Source: Company, Emkay Research

Exhibit 3: Market-wise revenue and growth trend

(Rs mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Core state						
- Revenue	2,472	2,700	2,762	2,581	2,535	2,856
- Revenue growth	-3.7%	-9.2%	-4.3%	-0.8%	2.6%	5.8%
- Contribution	77.5%	75.7%	74.8%	71.9%	71.6%	70.9%
Focus state						
- Revenue	630	769	832	856	852	994
- Revenue growth				37.0%	35.2%	29.3%
- Contribution	19.8%	21.6%	22.5%	23.9%	24.0%	24.7%
Other state						
- Revenue	80	96	100	143	143	169
- Revenue growth				95.9%	78.8%	76.0%
- Contribution	2.5%	2.7%	2.7%	4.0%	4.0%	4.2%

Source: Company, Emkay Research

Exhibit 4: Distributor count across states

(Numbers)	Q4FY24	Q1FY25	Q2FY25
Distributors	667.0	753.0	828.0
- Gujarat	281.0	291.0	298.0
- Maharashtra	152.0	175.0	196.0
- Uttar Pradesh	74.0	97.0	107.0
- Madhya Pradesh	53.0	62.0	69.0
- Rajasthan	30.0	42.0	59.0
- Jharkhand	34.0	37.0	35.0
- Chhattisgarh	18.0	16.0	28.0
- Karnataka	7.0	12.0	10.0
- West Bengal	5.0	5.0	7.0
- Telangana	10.0	9.0	7.0
- Uttarakhand	1.0	4.0	5.0
- Odisha			4.0
- Goa	1.0	2.0	1.0
- Delhi NCR	1.0	1.0	1.0
- Daman and Diu			1.0

Source: Company, Emkay Research

Exhibit 5: Raw material price trend

	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Palmolein oil (Rs/kg)	129.0	115.0	106.0	102.0	93.0	82.0	81.0	85.0	90.2	91.1
YoY change					-28%	-29%	-24%	-17%	-3%	11%
Chana (Rs/kg)	47.0	45.0	45.0	48.0	50.0	51.0	56.0	57.0	58.5	61.0
YoY change					6%	13%	24%	19%	17%	20%
Potato LR (Rs/kg)	11.0	11.0	19.0	12.0	13.0	13.0	13.0	12.0	14.7	14.7
YoY change					18%	18%	-32%	0%	13%	13%
Maida unbranded (Rs/kg)	26.0	28.0	30.0	31.0	26.0	28.0	29.0	28.0	26.8	29.4
YoY change					0%	0%	-3%	-10%	3%	5%
Udad Mogar (Rs/kg)	93.0	97.0	93.0	91.0	95.0	104.0	118.0	119.0	117.8	118.8
YoY change					2%	7%	27%	31%	24%	14%
Laminate (Rs/kg)	248.0	229.0	205.0	200.0	197.0	201.0	200.0	184.0	175.3	183.2
YoY change					-21%	-12%	-2%	-8%	-11%	-9%

Source: Company, Emkay Research

Gopal Snacks: Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	13,947	14,026	15,837	18,472	21,412
Revenue growth (%)	3.1	0.6	12.9	16.6	15.9
EBITDA	1,962	1,685	1,857	2,330	2,899
EBITDA growth (%)	107.0	(14.1)	10.2	25.5	24.4
Depreciation & Amortization	374	358	342	341	366
EBIT	1,588	1,328	1,515	1,989	2,533
EBIT growth (%)	149.4	(16.4)	14.1	31.3	27.4
Other operating income	0	0	0	0	0
Other income	39	44	100	250	350
Financial expense	108	53	40	40	40
PBT	1,518	1,319	1,574	2,198	2,843
Extraordinary items	0	0	0	0	0
Taxes	395	322	401	561	725
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	1,124	997	1,173	1,638	2,118
PAT growth (%)	170.5	(11.3)	17.7	39.6	29.3
Adjusted PAT	1,124	997	1,173	1,638	2,118
Diluted EPS (Rs)	9.0	8.0	9.4	13.1	17.0
Diluted EPS growth (%)	(97.5)	(11.3)	17.7	39.6	29.3
DPS (Rs)	0.0	0.0	1.9	3.3	5.1
Dividend payout (%)	0.0	0.0	20.0	25.0	30.0
EBITDA margin (%)	14.1	12.0	11.7	12.6	13.5
EBIT margin (%)	11.4	9.5	9.6	10.8	11.8
Effective tax rate (%)	26.0	24.4	25.5	25.5	25.5
NOPLAT (pre-IndAS)	1,175	1,003	1,128	1,481	1,887
Shares outstanding (mn)	124.6	124.6	124.6	124.6	124.6

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	1,518	1,319	1,574	2,198	2,843
Others (non-cash items)	98	46	0	0	0
Taxes paid	(412)	(321)	(401)	(561)	(725)
Change in NWC	(363)	(715)	446	(222)	(242)
Operating cash flow	1,215	683	1,961	1,757	2,241
Capital expenditure	(253)	(303)	(308)	(335)	(360)
Acquisition of business	0	0	0	0	0
Interest & dividend income	0	0	0	0	0
Investing cash flow	(502)	(42)	(308)	(335)	(360)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(577)	(392)	0	0	0
Payment of lease liabilities	0	0	0	0	0
Interest paid	(106)	(44)	0	0	0
Dividend paid (incl tax)	0	0	(235)	(409)	(635)
Others	(5)	0	0	0	0
Financing cash flow	(688)	(436)	(235)	(409)	(635)
Net chg in Cash	25	205	1,418	1,013	1,246
OCF	1,215	683	1,961	1,757	2,241
Adj. OCF (w/o NWC chg.)	1,578	1,398	1,515	1,979	2,483
FCFF	962	380	1,653	1,422	1,881
FCFE	854	328	1,612	1,382	1,841
OCF/EBITDA (%)	61.9	40.5	105.6	75.4	77.3
FCFE/PAT (%)	76.0	32.9	137.5	84.4	86.9
FCFF/NOPLAT (%)	81.9	37.9	146.5	96.0	99.7

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	125	125	125	125	125
Reserves & Surplus	2,784	3,779	4,717	5,946	7,428
Net worth	2,909	3,904	4,842	6,070	7,553
Minority interests	0	0	0	0	0
Deferred tax liability (net)	47	44	30	40	40
Total debt	1,064	672	672	672	672
Total liabilities & equity	4,020	4,620	5,544	6,782	8,265
Net tangible fixed assets	2,383	2,286	2,244	2,233	2,227
Net intangible assets	0	0	0	0	0
Net ROU assets	0	0	0	0	0
Capital WIP	99	132	140	145	145
Goodwill	0	0	0	0	0
Investments [JV/Associates]	24	19	19	19	19
Cash & equivalents	286	241	1,659	2,672	3,918
Current assets (ex-cash)	1,820	2,707	2,440	2,801	3,204
Current Liab. & Prov.	593	766	959	1,088	1,248
NWC (ex-cash)	1,227	1,941	1,481	1,713	1,955
Total assets	4,020	4,620	5,544	6,782	8,265
Net debt	777	431	(987)	(2,000)	(3,246)
Capital employed	4,020	4,620	5,544	6,782	8,265
Invested capital	3,610	4,227	3,725	3,946	4,182
BVPS (Rs)	23.3	31.3	38.9	48.7	60.6
Net Debt/Equity (x)	0.3	0.1	(0.2)	(0.3)	(0.4)
Net Debt/EBITDA (x)	0.4	0.3	(0.5)	(0.9)	(1.1)
Interest coverage (x)	0.1	0.0	0.0	0.0	0.0
RoCE (%)	43.5	31.8	31.8	36.3	38.3

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	49.3	55.6	47.2	33.8	26.2
P/CE(x)	37.0	40.9	36.6	28.0	22.3
P/B (x)	19.0	14.2	11.4	9.1	7.3
EV/Sales (x)	4.0	4.0	3.4	2.9	2.4
EV/EBITDA (x)	28.6	33.1	29.3	22.9	18.0
EV/EBIT(x)	35.4	42.1	35.9	26.9	20.6
EV/IC (x)	15.6	13.2	14.6	13.5	12.5
FCFF yield (%)	1.7	0.7	3.0	2.7	3.6
FCFE yield (%)	1.5	0.6	2.9	2.5	3.3
Dividend yield (%)	0.0	0.0	0.4	0.7	1.1
DuPont-RoE split					
Net profit margin (%)	8.1	7.1	7.4	8.9	9.9
Total asset turnover (x)	3.7	3.2	3.1	3.0	2.8
Assets/Equity (x)	1.6	1.3	1.2	1.1	1.1
RoE (%)	48.0	29.3	26.8	30.0	31.1
DuPont-RoIC					
NOPLAT margin (%)	8.4	7.2	7.1	8.0	8.8
IC turnover (x)	4.2	3.6	4.0	4.8	5.3
RoIC (%)	35.7	25.6	28.4	38.6	46.4
Operating metrics					
Core NWC days	14.7	21.5	20.6	17.6	17.8
Total NWC days	32.1	50.5	34.1	33.9	33.3
Fixed asset turnover	3.6	3.3	3.5	3.8	4.1
Opex-to-revenue (%)	14.3	16.5	16.8	16.1	15.5

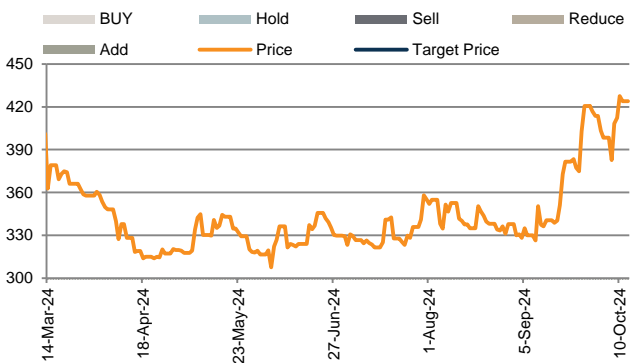
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
14-Oct-24	439	600	Buy	Nitin Gupta

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

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