

GOPAL SNACKS LIMITED

(Formerly known as Gopal Snacks Private Limited)

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Ref: **GSL/CS/Q1/2024-25**

Date: **13.05.2024**

BSE Limited

Department of Corporate Services,
Pheroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400001

National Stock Exchange Limited

Exchange Plaza, 5th Floor,
Plot No. C/1, G Block,
Bandra-Kurla Complex, Mumbai – 400051

Script code: **544140**

Symbol: **GOPAL**

Sub: Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Transcript of Earning Conference Call – Q4 FY2024

Dear Sir / Madam,

In continuation of our letter dated 8th May 2024 for Analyst / Investor Earning Conference Call and in pursuant to Regulation 30 and 46 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, enclosed herewith the transcript of the Earning Conference Call with the Investors and Analysts held on Saturday 11th May 2024 at 12.00 PM (IST) to discuss the operations and financial performance for the quarter and year ended on 31st March 2024.

The transcript of the Earning Conference Call will be available on the website of the Company at: www.gopalnamkeen.com

Kindly acknowledge and take on your record. Thanking You.

Yours Faithfully,
For, **GOPAL SNACKS LIMITED**

CS Mayur Gangani
Company Secretary and Compliance officer
Membership No. FCS 9980

Encls: a/a

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“Gopal Snacks Limited
Q4 FY '24 Earnings Conference Call”

May 11, 2024



**MANAGEMENT: MR. RAJ HADVANI – CHIEF EXECUTIVE OFFICER –
GOPAL SNACKS LIMITED
MR. MUKESH KUMAR SHAH – CHIEF FINANCIAL
OFFICER – GOPAL SNACKS LIMITED**



Moderator:

Ladies and gentlemen, good day and welcome to Gopal Snacks Limited Q4 and FY '24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

We have with us today senior management team of Gopal Snacks Limited, Mr. Raj Hadvani, Chief Executive Officer, and Mr. Mukesh Kumar Shah, Chief Financial Officer, who will represent the company on the call today. The management will be sharing the key operating and financial highlights for the quarter-ended and full-year 31st March 2024, followed by a question and answer session.

Please note that some of the statements made in today's discussion may be forward-looking in nature and may involve risks and uncertainties. Gopal Snacks Limited will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements. Documents relating to the company's financial performance are available on the website of Stock Exchange and the company's investor section, trust, you have been able to go through the same.

I now hand the conference over to Mr. Raj Hadvani. Thank you and over to you, sir.

Raj Hadvani:

Good afternoon and thank you for joining us for the earning call. We hope you all got a chance to go through our investor presentation uploaded on the Stock Exchange. We will share our key operating and financial highlights for the quarter and full-year-ended March 31st 2024.

We are happy to report that in the quarter and year gone by Gopal Snacks has continued its leadership position, while ensuring that the building blocks are in place to grow in the focus areas that we have set for ourselves. Our leadership position as India's largest Gathiya manufacturer continues to remain strong and growing in line with the market. Additionally, we are making strong strides in the wafers segment both on volume, as well as revenue.

Our focus markets such as Rajasthan, Maharashtra, Madhya Pradesh and Uttar Pradesh have shown strong revenue growth of almost 37% year-on-year in the last quarter. We have also been focusing on improving our product mix and our efforts of increasing the INR10 pack are also yielding good results with almost 42% Y-o-Y growth in the number of packets sold in Q4 FY '24.

In terms of product launches, our team continues to innovate and we had three launches in the past three months, underscoring our commitment to deepen our product offerings. As you are aware, one of the key drivers of the growth in our business is our distribution strength. In line with that, we are consistently expanding our distribution network to 667 distributors now and increased our retail touchpoint to over 5.50 lakh as on FY '24.

Looking forward, we will continue to enhance presence in core market of Gujarat by focusing on capturing market share in wafers category, accelerate our penetration in the focus market such as; Maharashtra, Rajasthan, MP and UP and push our expansion into newer markets such



as Jharkhand, Chhattisgarh, Telangana and Karnataka. We are excited about the opportunities that lie ahead and are confident in our ability to deliver value to our customers, partners and shareholders.

I will now request Mr. Mukesh to provide his thoughts on quarter gone by.

Mukesh Shah:

Yes, thanks Raj Bhai. Good afternoon, everyone. So, let me begin with sharing key financials and operational highlights for the quarter ended March 31st, 2024. So, as we reflect on the performance of past quarter, it was a great pleasure that I share our achievements and outline our strategic business for the future.

Our quarterly results have indeed surpassed expectations with operational revenue making an impressive 8% growth compared to the same period of previous year. In terms of profitability, gross margin remained stable at almost 28% at an absolute amount of INR101 crores. EBITDA margin stood at 11% in Q4 versus 13% last year.

The reason for drop in EBITDA is mainly contributed by inflationary impact which has come from our employee cost where we have added new headcounts and the annual increment which has come in year FY '24 and there has been an increase in marketing cost in FY '24 and Q4 '24 versus previous year. During Q4 of FY '24, we have seen almost a reduction of 16% in our palm oil prices compared to last year Q4 of FY '23 and 20% increase in Chana prices versus Q4 of FY '23.

So, the benefit of net reduction in the raw material prices which approximately amounts to INR 5 crores, we have passed this benefit to customers in terms of grammage increase on couple of our INR 5 SKU from 20 grammage to 25 grammage and also increase the retailer margin from INR 50 paisa to INR 75 paisa in Q2 of this financial year.

Now, I'll begin with highlighting our 12-month performance which is FY '24 and compare it with previous year FY '23. Our revenue remained flat at INR1,400 crores and gross margin remained stable at 28.5% and EBITDA margin was at 12% compared to 14% of the previous year while gross profit margin remained stable at 28% but EBITDA dropped by 2%. The reason being which I have explained in our Q4 analysis.

Similarly, for the year also, there has been increase in overhead cost while revenue remained flat. The increase has happened in salary cost and marketing cost which was close to INR32 crores and that is the reason why the EBITDA has come down. Overall, just to give a key highlight of our Q4 performance, I would say within ethnic segment which is our key segment, our revenue from Gathiya has grown.

Revenue from Gathiya product has increased by 5% year-on-year in Q4 versus the previous year. In western Snacks, our wafer which is our profit selling product has increased by 40% year-on-year versus the previous year. Coming to state-wise performance, our focus market which includes Maharashtra, MP, Rajasthan, UP has shown a tremendous growth, almost 37% increase in revenue in Q4 of this year.



Our product mix which is INR10 SKU and INR5 SKU while INR5 SKU continues to contribute to a maximum portion of our revenue but we have seen a growth in INR10 SKU as well. It grew by 36% year-on-year. So, these are the key highlights which has come in Q4 compared to previous year.

Coming to the balance sheet analysis, we have healthy and the best of the balance sheet in the industry. Our ROCE stand at 31%, our ROE stands at 26% and asset turnover ratio is 6.6x which is at the current capacity utilization of 35%. We have a potential to leverage this capacity.

Our revenue can climb to 2x without any major capex. So, that's the healthy balance sheet we are talking about. From a borrowing perspective, we are judiciously utilizing our cash. We have lowered our debt during the year from INR107 crores in March '23 to INR67 crores in March '24. So, maximum of our cash which we have generated from operation was utilized towards the repayment of borrowing and some part of capex which we have incurred during the year.

So, with this, I would like to conclude my remarks and reiterate that we are poised to grow to our leadership position in the Indian savory market. With the host of backward integration facilities we have and well-accepted product range and strong distribution network. We look forward to an exciting year ahead and we are open to question and answer. Thank you everyone.

Moderator: Thank you very much. We will now begin with the question-and-answer session. First question is from the line of Nishant Bagrecha from InCred Equities. Please go ahead.

Nishant Bagrecha: Thank you for the opportunity. Sir, I have a few questions. So, firstly, on your margins. So, again, our margins have declined this quarter and on a YOY basis and also in FY '24 by almost more than 200 bps so due to various sectors which you have highlighted. So, again, sir, what is your outlook in terms of margin in the current financial year, that is FY '25?

Mukesh Shah: So, thanks. So, as you know, what we anticipate is our, the inflation is going to be stable less than 3% to 5% is what is our estimate. And going forward, we also see a good monsoon in the year ahead which will help us in kind of maintaining a stability at a raw material price and we don't see much of raw material prices going up. Hence, our estimate is that gross profit margin will be maintaining at a range of 27% to 28% going forward. From an EBITDA perspective, our target to maintain EBITDA is in the range of 12% to 13%.

Nishant Bagrecha: Okay. So, basically, for FY '24, your gross margin stood at around 28.5% and you are expecting 27% to 28% with a sustainable basis and your EBITDA margin would be around 12% to 13%. Right?

Mukesh Shah: Yes, yes.

Nishant Bagrecha: Okay. So, I have one more question. So, as you said, your marketing expenses have increased during the quarter and in FY '24 as well. So, can you just quantify the number of advisement costs during the quarter and in FY '24?

Mukesh Shah: Yes. As we move forward, we plan to increase our marketing expenditures. We have planned to increase approximately 2% of revenue, which is currently less than 1%. The increase in



marketing spend will be offset by the operating leverage from fixed overheads which we have already incurred in our Nagpur and Modasa plant.

We will also be benefited by saving from various initiatives such as our renewable energy installation like solar, windmill and boilers and host of backward integration facilities which we have. So, we will get a good amount of savings coming from these facilities which will offset the increase in our marketing and branding cost.

Nishant Bagrecha: Okay. So, what was your advertisement cost during the quarter so it was 1% of the revenue?

Mukesh Shah: So, during the quarter it was close to INR4 crores. On an overall yearly basis it was less than INR10 crores in FY '24.

Nishant Bagrecha: And just wanted your sense on the competitive intensity you are facing in your core market, as we heard that some of the regional players are becoming very aggressive in terms of adding capacity you can say. So, are you facing any heat there in terms of competition in your core market in Gujarat?

Mukesh Shah: So, we have a dominance of 30 years in Gujarat market and currently we are penetrated 75% only. And our focus is to do a deep penetration both from a product perspective where we have at least 25% of retail outlet where we are not present. So, we will increase the retail outlet we will do a deep penetration of our product at the existing retail outlets.

Also, a couple of places in South Gujarat we have vacant places where we have plan to appoint new dealers. Hence, the target is to focus on deeper penetration in the core market. Well, there continues to be a competition coming from local players etc. But we have strong dominance and our brand is very strong in Gujarat. And we have consistently grown year-on-year in Gujarat market and we don't see any challenges coming from competition in this market.

Nishant Bagrecha: And that's the last one the book keeping question. So, what constitutes the other operating income again the line item this quarter? So, definitely in DRHP it was given that the export benefit and the state incentives or you can say benefit which you receive while again our export haven't grown much.

So, is it like we are getting some additional benefit from the new state or is it some seasonal stuff? So, if you see your other operating income which stood around INR7 crores during the quarter?

Mukesh Shah: So, we have accounted for subsidy which is in the nature of PSI scheme. The benefit is available in our Nagpur facility which is subject to generational employment as prescribed by the scheme. And we have got this benefit in the year which we have accounted in FY '24. Similar benefit and even for the Modasa facility the subsidy benefit will start coming in FY '25. This will be in the range of INR10 crores to INR12 crores year-on-year going forward.

Nishant Bagrecha: Thank you so much for your answer.



- Moderator:** Thank you. Next question is from the line of Pallavi Deshpande from Sameeksha Capital. Please go ahead.
- Pallavi Deshpande:** Yes, sir. Thank you for taking my question. So, I just wanted to understand marketing spend as a percentage of sales what do you target that to be for the next 2 years to 3 years?
- Mukesh Shah:** So, I explained in my earlier question that our marketing spend which was less than 1% of revenue in FY '24 we plan to increase the marketing spend which will be close to 2% of our revenue. However, the increased spend will not be impacted in margin because we have already spent an overhead amount in our Modasa and Nagpur facility which is less than 30%, 40% utilized currently. So, we'll leverage on the operating expenditure coming from Modasa and Nagpur facility.
- And there are a couple of other initiatives where we have invested in capex like solar, windmill, etcetera where we are going to get power and fuel saving coming in this year. So, the EBITDA margin will be in the range of 12% to 13%, and the marketing spend will be close to 2% of our revenue.
- Pallavi Deshpande:** Yes, sir. Second question would be what would be the volume and the value growth separately for the traditional and chips, wafer segment separately?
- Mukesh Shah:** So, our wafer segment is something where we are, so just let me put a perspective to our wafer segment. As per the industry report this wafer market is close to more than INR15,000 crores estimated by industry report in FY '23.
- And our market share is very negligible in wafer segment. We have state-of-the-art facility at Modasa and the largest cold storage facility in India which gives us an edge in terms of quality as well as our cost of production is lower compared to any other player in this industry. And this wafer product is very profitable for us compared to other Gathiya and Namkeen products.
- So, we plan to grow in big way this wafer in FY '25 and going ahead. So, that is one of the wafer thing. Gathiya and Namkeen we have grown in Q4. Gathiya has grown by 11% compared to Q4 of previous year from a packet perspective and will continue to grow in double digit in ethnic and much higher for a wafer category.
- Pallavi Deshpande:** And sir just last question. So, in terms of the margin for the dealer from INR 50 paisa you increased to INR 75 paisa does that continue to be like that or you reduce that back?
- Raj Hadvani:** Our current margin was regarding retailer not distributor. We had 7.5% distributor margin whereas the retailer margin we have to keep with our key national players. So, as of now, it will be same the INR 75 paisa.
- Pallavi Deshpande:** So, this is higher than the competition, right I think it's INR 50 paisa for them, is that right?
- Mukesh Shah:** No, it is similar in Gujarat and for other places also it varies, but more or less it is similar. INR 75 paisa for INR5 SKUs is what is there in the industry.



Pallavi Deshpande: And sir lastly, what could be the capex cost for us per ton of capacity or for 10,000 tons any number on a Greenfield basis or both Greenfield and Brownfield for a Gathiya manufacturing and wafer capex cost?

Mukesh Shah: So, capex cost it is not calculated basis per ton, etcetera. So overall if I have to give my investment in plant and machinery etcetera we have INR 200 crores of capex spent in all our three facility put together where we have capacity of 4 lakh plus metric ton in a year. And this investment is made in couple of years in last 10 years or so. And this capacity utilization currently if you see it is 35% to 36%. And we don't see in future the capex coming in, coming in till the time the capacity utilization reaches to 75% to 80%.

Pallavi Deshpande: Thank you sir.

Moderator: Thank you. Next question is from the line of Bhavesh from Mosaic. Please go ahead.

Bhavesh: Good afternoon, sir. So, my question is on the growth outlook for the coming year. Do you have any broad guidance that you can share with us that what kind of growth you are internally targeting for FY '25?

Mukesh Shah: So, we are targeting growth in double digit both in our rural market and urban market. In core market as I said we are 75% penetrated in terms of retail outlet. And there are couple of places where we will appoint dealer. We, our strategy in core market is to reach make our product available at retail outlet and increase the retail outlet heads also.

So, there we are expecting double digit growth both in volume and value. Focused state is something where we are penetrated to the extent of 15% only. We have facility at Nagpur, which is utilized to the extent of less than 20%. The entire place is available for us to increase our distribution. In last 100 days we have added 80 dealers in our focus markets and we will continue to expand by increasing our distributorship network in focus market. And we plan to grow close to 20% plus in focus market in terms of volume and value.

Bhavesh: And how big is the focus market as a proportion of total sales?

Mukesh Shah: So our market share will be less than 1% only. It is very, because if you see MP, Maharashtra, Rajasthan, UP which overall if you put together the market share will be close to 40% of the India market share. And our share is less than 2% there. So, we have huge opportunity in terms of expanding our network and we have already facility available in Maharashtra which will cater to the requirement of all these four states because it is economically viable for us to do distribution of goods in all these four states at a lower cost.

Bhavesh: And sir, somewhere in your previous comments, you mentioned that you expect commodity inflation or raw material inflation in the range of 3% to 5% for the current year. So, do you plan to take price hike for this or how do you plan to mitigate this COGS inflation?

Mukesh Shah: So, I said that the outlook what is coming out is that the future inflation is going to be in the range of 3% to 5%. And we would to, commodity prices going up in case there is a significant increase in the price of raw material. And if it is hitting us in terms of gross profit, margin,



etcetera we will definitely look at a grammage change and will align to the industry practices also.

Bhavesh: Okay. And sir, as your share of wafers in the overall mix it will increase over the next 3 years, 4 years your revenue will also increase at a higher pace or your margin will increase at a higher pace, can you just clarify on that?

Mukesh Shah: So, both revenue and margin will increase. We have a delta of 4% of margin, higher margin for our wafer product compared to other Namkeen and Gathiya and other products. So, with the increase in revenue, as we capture more market, our revenue from wafers will increase and gross margin contribution of gross margin coming from wafers at a higher profit margin will also increase the gross margin percentage in total also.

Bhavesh: And sir you also mentioned that your current capacity utilization is at approximately 36%, 35%, 36%. So, assuming you grow say high single-digit volume growth, I will say double digit volume growth you will take some more time to arrive around 75%, 80% before you start your new capex cycle. So, do you have any thoughts? How do you see the fresh capex cycle? When will it come after three years, after four years? If you can share any thoughts?

Mukesh Shah: So, while there will be some small capex putting some packing unit or some prior, but it will be very negligible. Once, after two years, when we'll reach to a capacity of 80%-85%, while our ordering will start on capex in the second year going forward, but our peak is 75%-80%, and then we will - you will see capex investment in the business.

Bhavesh: Okay. And just from a final accounts perspective, what's your net debt in the balance sheet now after the IPO and all? I think you also paid on it.

Mukesh Shah: Net debt is basically INR 65 crores as of March 2024. This is a temporary CC credit, which we have taken for purchase of commodity raw material in the month of March. However, if you see our balance sheet as of December, our net debt was almost, we were cash surplus. In the month of January to March, we have commodity like chana, potato, etcetera, where the crop comes once in a year in Q4. And the normal practice is that we do a stocking of all our raw material to take the benefit of prices and even the quality, etcetera. So, we have a borrowing of INR 65 crores, which was utilized towards purchase of raw material.

Bhavesh: Okay. So, then working capital, you know, for FY '24, I see it has inched up a bit. I think it was nearly 14%-15% as a percentage of revenues. So, do you have any outlook on working capital?

Mukesh Shah: So, working capital has increased because you can see there has been a decrease in EBITDA to the close of INR20 crores-INR25 crores, and the cash generation from operation has come down to that extent. Otherwise, the investment in inventory is only, which is a temporary one. Otherwise, the working capital remains intact. In our business, we do selling to our dealer on advance basis and our payment to vendors, etcetera, is also on immediate payment terms. So, whatever working capital we have, it is all towards inventory procurement. And the inventory - as and when this inventory gets consumed in subsequent months, the level of inventory comes down and working capital level improves.



- Bhavesh:** Okay. So, is that the reason because you have higher proportion of chana in your overall raw material mix, your inventory has actually gone up in FY '24? Is that the right understanding?
- Mukesh Shah:** You are correct. We had a good amount of procurement in March '24 from chana products.
- Bhavesh:** Okay. Fantastic, sir. So, my last question, you know, your capacity utilization is still around 35%-36%. Still, your ROEs are very high at nearly 25%-26%. So, as your capacity utilization increases to 55%-60%, can we expect your return ratio also to improve?
- Mukesh Shah:** Yes, you are very correct. Our ROE, ROCE is going to increase because we don't see any capex investment in coming one or two years. And with the increase in the profitability, this ROCE, ROE and asset turnover, etcetera, will substantially jump.
- Bhavesh:** Fantastic. So, my last question on the dividend payout, I think there is some resolution which is being passed. So, have you announced anything around that on the dividend payout or what are your thoughts on dividend policy?
- Mukesh Shah:** Yes, we have announced dividend. The outcome is there in the board meeting minutes, which was published. It is 25%, INR 25 paise on INR1 per share.
- Bhavesh:** Okay. And is this the policy now going forward or this is more you have given at the first year after listing?
- Mukesh Shah:** No, it is going to be - so, it all depends on the performance, but we intend to have a good amount of dividend distribution also.
- Bhavesh:** Perfect. Thank you very much and wish you all the best.
- Moderator:** Thank you. Next question is from the line of Saurabh Jain from HDFC Life Insurance Company Limited. Please proceed.
- Saurabh Jain:** Hello, good afternoon, Rajbhai and Mukeshbhai.
- Mukesh Shah:** Good afternoon, Saurabh.
- Saurabh Jain:** Good afternoon. So, sir, I just want to understand what was the volume growth for this quarter?
- Mukesh Shah:** So, volume growth, so 8% revenue growth. Volume growth has come from various segments. So, wafer segment, there is a 33% increase in packets sold. In Gathiya, there has been 11% increase in the Gathiya packets sold. Overall focus market has grown in terms of volume 18%, while core market volume is more or less similar. INR10 SKU, there has been 42% increase in the volume in terms of packet.
- Saurabh Jain:** Okay. So, you said that for core state, volume growth is kind of flat, right?
- Mukesh Shah:** The core market, it ends up flat, right. So, overall at core market, it ends up flat, right, in terms of volume. 4% is there. So, when you are saying about core market, it ends up flat, 18% in focus state and there are a couple of other states where there has been 83% increase in the volume also.



This is only because we have entered into new state during the year and there was no sale in FY '23.

Saurabh Jain:

Okay. The reason I am asking on core state because you had increased the grammage. So, for INR5 SKU also you said that you had increased the grammage from 20-25. So, when the packets sold are broadly flat, then ideally the working growth should have been there, right?

Mukesh Shah:

So, when you say volume growth in terms of volume, it has grown, but in terms of packet, it is more or less similar. That is what I am trying to say. Yes, in the core market, we have not grown. There are places where because of competition and unhealthy way of doing business, we have not grown, but if you see our Q4 performance, our revenue in Gathiya has grown in terms of volume. Also, close to 11%, we have grown in Gathiya itself, which is our core product. And in Namkeen also, we have grown by 4%, which is in Q4.

But overall, for the year, we have not grown. Quarter-on-quarter, we have done an improvement. So, Q4 is better than Q3 in terms of volume, year-on-year comparison. Q3 is better than Q2. So, if you go and see our Q2 performance versus previous year of Q2, our revenue in core market was down by 9%, which came down to 4% in Q3. And now in Q4, it is 1% versus previous years.

Saurabh Jain:

Okay, understood. So, just like on the way forward, the competition that we are seeing in our core state of Gujarat, is it broadly like we have everything in the base now and now should see the growth from here on? How do you see that going forward in FY '25?

Mukesh Shah:

So, as you see, quarter on quarter, we are improving. The growth, the degrowth has subdued from 9% to 1%. And definitely, we have now sales team in place, the complete, the ASM, RSM, national sales said everyone is in place. And we are, we have a target to grow both in core market and focus market by double digit, both in terms of value and volume.

Saurabh Jain:

Got it. So, I think to an earlier question from one of the queries, you said that you aspire to grow in double digit in core markets and about 20% from other focus states. So, this 10% growth from Gujarat state, this will be driven by like market share gain in your existing, you can say, geographies within Gujarat or this will be driven by the distribution expansion that you are doing in south of Gujarat?

Mukesh Shah:

So, as I said that 75% of our Gujarat market is penetrated. Wafers is something where we will be targeting big way because it is highly profitable for us. Wafers, as I said, it is 1% of our overall industry market, revenue market in Wafers. So, we plan to grow bigger and at a larger pace in Wafers while other ethnic market, etcetera, will continue to support in terms of growth. But majority of the growth will come from Wafers product.

Saurabh Jain:

Okay. And on the employee expenses, so this year we ended at about INR102 crores. So, in terms of like adding people on the, sorry, yes, INR102 crores on the FY '24 levels. So, I'm saying that the work that we had done in FY '24 in terms of improving our sales and distribution networks and like hiring the more senior people at that for expanding distribution, is that broadly done? And how should we look at the employee expenses going forward that will increase at like in terms of increments only?



- Mukesh Shah:** So, in terms of head count, it is already done. We may optimize in some area where there are excess manpower. But this INR102 crores definitely will have incremental impact, increment, the annual increment, which we give to our employee in FY '25, not in terms of head count, but the inflationary impact, which is normally there for each and every, for every organization.
- Saurabh Jain:** Got it. So, this increase from year on only will be annual increment. There won't be any significant increase.
- Mukesh Shah:** And we also plan to optimize on head count wherever there are excess manpower.
- Saurabh Jain:** Okay. And, sir, on the A&P side, you said that target is to increase it to about 2% of sales in FY '25. So, that will be like, more back-ended in Q3, Q4, because I think Q3 is festive and that is so, or it will be like uniform entirely across the four quarters?
- Mukesh Shah:** We have plan in place, maybe in Q2, couple of campaign, etcetera. will come on air. Then Q3 also. So, we are working on strategy, the line of communication to the customers to, and the various mode of communication, etcetera. Mostly it will be uniform across months, but during festive season, we may see some spike in advertisement cost.
- Saurabh Jain:** Okay. And in terms of other operating income, which was about INR8 crores in Q4, so you said that this will be at a run rate of over INR10 crores for like each year going forward? Is that correct?
- Mukesh Shah:** Yes, you are correct. So, we have invested capex in both our Nagpur and Modasa facility, and there are a couple of subsidy where we are entitled to enjoy. And this will be in the range of for INR12 crores going forward for next four, five years.
- Saurabh Jain:** Okay. For next four, five years. And, sir, last question on the dividend. So, basically you made an EPS of about INR8 in FY '24, but the dividend distribution was just INR 25 paise. So, how should we look at it going forward? It will increase, or how should we look at it?
- Mukesh Shah:** So, we don't want to comment right now, but we have intention to have a good amount of distribution of dividend to our shareholders.
- Saurabh Jain:** Okay, sir. Thanks a lot, sir. Thank you. And best of luck.
- Mukesh Shah:** Thank you, sir.
- Moderator:** Thank you. Next question is from the line of Binay Shukla from Phillip Capital. Please proceed.
- Binay Shukla:** Hi, sir. My question is on wafer side. Since you mentioned that your 4% gross margin is higher than the other category, and your current mix is around 8%. So, what should we look at in next two to three years in terms of mix in the total sales? Second question is, what is your urban versus rural mix? And the third question is mainly on your focus market since you mentioned that you wanted to grow in double digit in terms of value and volume. So, is it mainly driven by the distribution expansion or what will drive the growth in this focus market? And since your 46% of total distribution network in focus market.



Mukesh Shah:

Yes, so I'll come one by one. So, on the wafer market, last year we have grown by close to 40% wafer product and we continue to grow at the similar pace. While other products like Gathiya Namkeen will be in the range of 10% to 12% growth. So, you can understand this 8% of overall revenue, the mix will change to 12%, 13%. And going forward, it is going to increase substantially.

Your second question was more on the focus market strategy. So, focus market strategy will have two factors. One is increasing the distributor network. As I said, in last 100 days, we have added 80 dealer in focus state and will continue to increase the distributor network because our facility is located at the center of India, which is at Nagpur and almost less than 20% is utilized. So, we will capitalize and leverage that by increasing the distribution across Maharashtra, MP, Rajasthan and UP as well. So, that is one.

And also, we are focusing big way in modern outlet, e-commerce, etcetera, in the urban segment, where the growth will come from there also. So, we are planning to grow focus market by more than 20% in FY '25.

Binay Shukla:

What is the mix of urban versus rural?

Mukesh Shah:

Rural is currently 75% of our. So, it is based on the population, Tier-1, Tier-2 and Tier 3. Tier-1 is 20%-25% of our sale. 75% comes from Tier-2 and Tier-3 market currently.

Binay Shukla:

Perfect. So, who are your biggest competitors in your focus market? Because you mentioned that distribution expansion is, how is it easy to expand this market given the competition? So, who are your biggest competitors in this focus market? Any sense?

Raj Hadvani:

So, there are multiple competitors in multiple areas. For an example, in Rajasthan, there are Bikaji, Balaji. In MP, there are Yellow Diamond, Akash and Balaji, somewhat Haldiram. And in Maharashtra, it's Haldiram and Balaji. Where we move towards east, there are Prabhuji and other brands. So, there are players which are strong in some part of the area. And different part of the area, there will be different competitors and they have different strength and different products.

Mukesh Shah:

While there are players who have dominance in different state, but we have a product mix, 87 product and then close to 250 plus SKUs, which caters to the taste and preferences of each customer type at various states. So, we have an easy entry into various markets. Because we have INR5 SKU and then the product like Namkeen, Wafers etcetera, which is our hero product and which helps us in entry in any market.

Binay Shukla:

Okay. And last question in the product launches. So, you mentioned that you have launched 3 products. So, what is your game plan to introduce new more launches going forward? And what would be the current mix of new launches over total sales?

Mukesh Shah:

So, at present, we have 87 products, which I said ranging close to 320 plus SKUs, which caters to the different taste and preferences of the customers of different states. We'll also continue to launch new products according to the taste and preference of the customer in regional part based on the demand coming from the market. We have recently launched new product, as I said in



our presentation, Kolapuri Bhadang is a regional Maharashtra product, Sabudana Chivda, then there is a Cornigo Ring.

So, based on the demand from the market, etcetera, we continue to innovate and work on new product. But given the healthy product mix of 87 products divided equally into various segments like ethnic and western and other products, we wanted to expand the existing product portfolio first and focus only on the demanded product, where we get a requirement from the market and we will definitely look forward to launch the new product also. So, there is no as such plan that will continue to launch new product. It is the demand which will drive the launch of new product.

Binay Shukla:

Got it. So, what will be the percentage mix of new launches over total sales?

Mukesh Shah:

So, new launches we have done in the last 3-4 months only. During FY '24, there were only 3 products which we have launched. Earlier, 2-3 years back, we launched Cristos. Even there was noodle product which we launched 2 years back. So, it is only based on the demand we launched. We have a sizable force. If we have to just summarize, in the last 3-4 years, the new product launch is contributing close to 7%-8% of our revenue.

Binay Shukla:

Got it, sir. Thank you so much.

Moderator:

Thank you. Next question is from the line of Kiran Paranjape, an individual investor. Please go ahead.

Kiran Paranjape:

I just have one question. This was regarding the promoter holding. If I see as of now, it is 81.48%. Just wanted to understand what is the timeline as per SEBI to bring it down to 75% and what is the plan from the management side?

Mukesh Shah:

As per the SEBI requirement, we have 3 years to bring down this promoter holding to 75%. We got listed only in the month of March. Our focus is to grow in terms of our revenue, profitability, etcetera. Definitely, at the right time, we will plan to dilute our holding.

Kiran Paranjape:

Okay. Thanks for that. That's all my question.

Moderator:

Thank you. As there are no further questions from the participants, I would now like to hand the conference over to Mr. Raj Hadvani for closing comments.

Mukesh Shah:

So, I'll take this. So, thanks everyone for joining. It was a great interacting session. If any question which is left out or un-responded, please reach out to Stellar or directly to us. We are happy to respond to any queries coming to us. Thank you. Thanks everyone.

Moderator:

Thank you very much. On behalf of Gopal Snacks Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.