



# PRATAAP SNACKS LIMITED

Q1 FY24 Earnings  
Presentation

03 August 2023





# DISCLAIMER

Certain statements in this document may be forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties, like regulatory changes, local political or economic developments, and many other factors that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statements. Prataap Snacks Limited (PSL) 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 to reflect subsequent events or circumstances.





# **THE MAIN INGREDIENTS:** *Company Overview*



# COMPANY AT A GLANCE



## Large, compounding market

INR 438 Bn market  
Growing at 14% CAGR<sup>(1)</sup>



## Market leadership

Market Leader in Rings,  
Top 2 in Extruded Snacks,  
Top 5 in Western Savoury Snacks



## Significant revenue scale

FY23 Revenue of INR ~ 16.5 Bn  
9-year revenue CAGR: 18%<sup>(2)</sup>



## Diverse product portfolio

Over 125 SKUs across Potato  
Chips, Extruded Snacks,  
Namkeen and Sweet Snacks



## Nationwide manufacturing & distribution footprint

14 manufacturing facilities;  
Presence across ~2.2 Mn retail  
outlets



## Experienced Leadership

Founder-led management  
team guided by an able  
Board



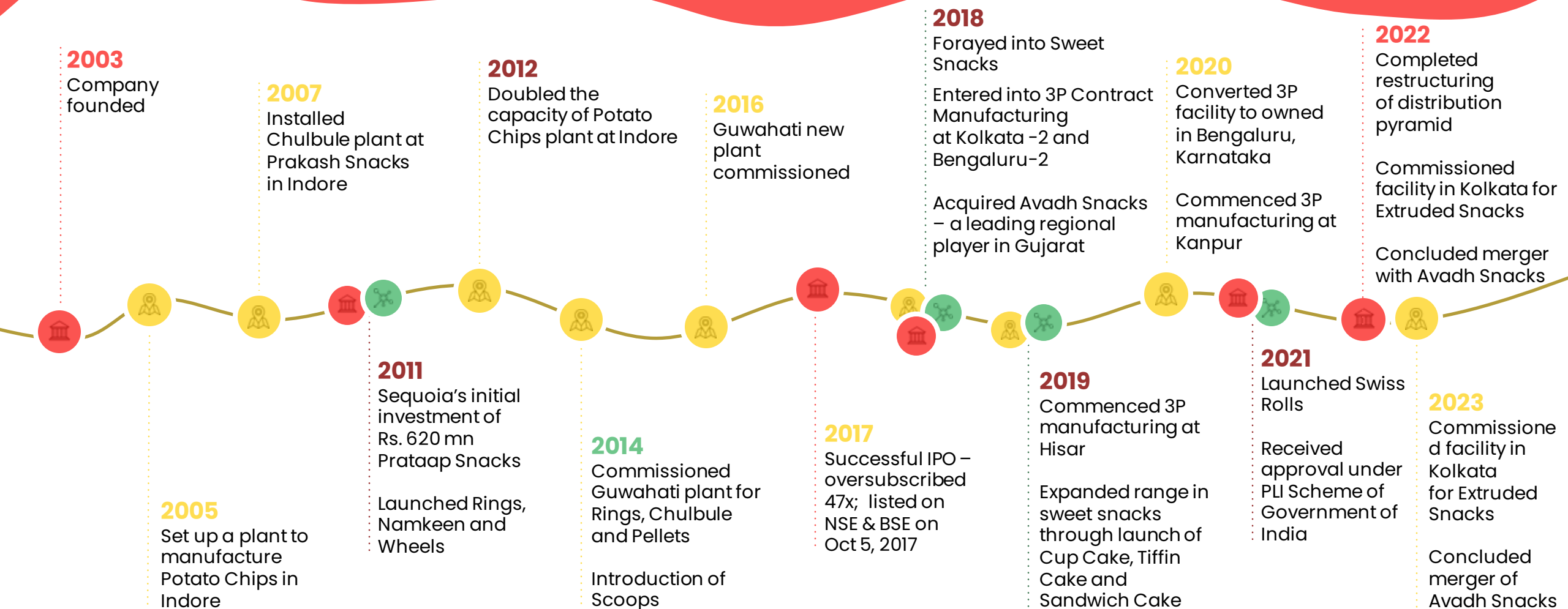
Source: Nielsen.

(1): As of 2023, CAGR for last 5 years.

(2): Revenue CAGR from FY14 to FY23.



# KEY MILESTONES



**2003**  
Company founded

**2007**  
Installed Chulbule plant at Prakash Snacks in Indore

**2012**  
Doubled the capacity of Potato Chips plant at Indore

**2016**  
Guwahati new plant commissioned

**2018**  
Forayed into Sweet Snacks

Entered into 3P Contract Manufacturing at Kolkata -2 and Bengaluru-2

Acquired Avadh Snacks – a leading regional player in Gujarat

**2020**  
Converted 3P facility to owned in Bengaluru, Karnataka

Commenced 3P manufacturing at Kanpur

**2022**  
Completed restructuring of distribution pyramid

Commissioned facility in Kolkata for Extruded Snacks

Concluded merger with Avadh Snacks

**2005**  
Set up a plant to manufacture Potato Chips in Indore

**2011**  
Sequoia's initial investment of Rs. 620 mn Prataap Snacks

Launched Rings, Namkeen and Wheels

**2014**  
Commissioned Guwahati plant for Rings, Chulbule and Pellets

Introduction of Scoops

**2017**  
Successful IPO – oversubscribed 47x; listed on NSE & BSE on Oct 5, 2017

**2019**  
Commenced 3P manufacturing at Hisar

Expanded range in sweet snacks through launch of Cup Cake, Tiffin Cake and Sandwich Cake

**2021**  
Launched Swiss Rolls

Received approval under PLI Scheme of Government of India

**2023**  
Commissioned facility in Kolkata for Extruded Snacks

Concluded merger of Avadh Snacks



Corporate development

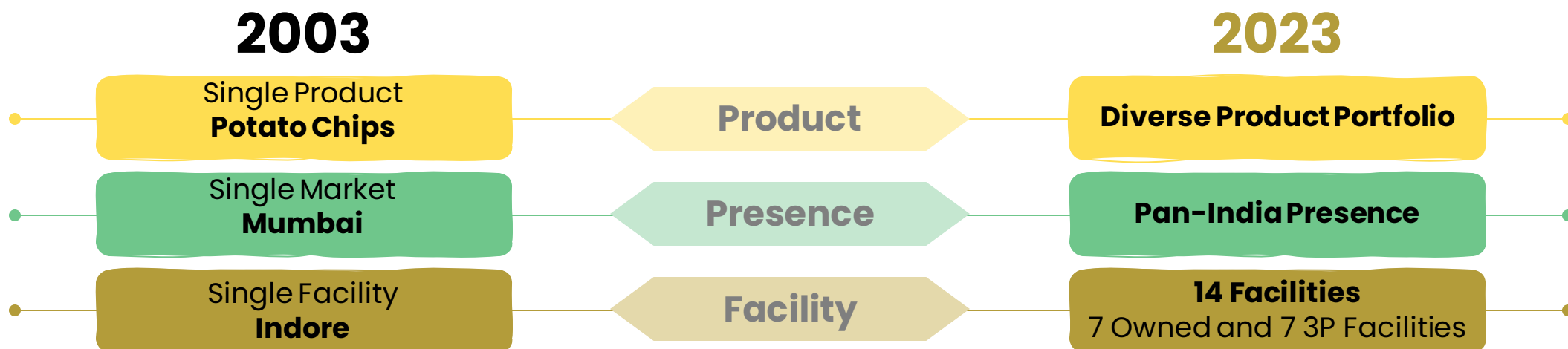


Category expansion



Geographical expansion / Facility Addition

# COMPANY EVOLUTION










## Snapshot of Recent Growth

Year	Revenue	SKUs	Facilities
<b>2014</b>	Rs. 446 Cr	40+	3 Facilities
<b>2023</b>	Rs. 1,653 Cr	125+	14 Facilities

**9 yr Revenue CAGR – 18% despite Covid impact**

# DIVERSE PRODUCT PORTFOLIO

Appealing to consumers and trade partners

CATEGORIES	% of FY23 Revenue	PRODUCTS
 <p><b>Extruded Snacks</b></p>	58%	 <p>Chulbule Rings Wheels Pellets Scoops Puff Stix</p>
 <p><b>Potato Chips</b></p>	23%	 <p>Chips Chips Chips Chips Chips Chips</p>
 <p><b>Namkeen</b></p>	16%	 <p>Moong Dal Chana Namkeen Masala Peas Potato Peas Potato Peas Potato Peas</p>
 <p><b>Sweet Snacks</b></p>	3%	 <p>Cookie-Cake Center Filled Cup Cake Choco Vanilla Cake Tiffin Cake Sandwich Cake Swiss Roll</p>



**Market Leader in Rings,  
Top 2 in Extruded Snacks,  
Top 5 in Western Savoury Snacks**



# BRANDING & MARKETING

Brand seen to be energetic and vibrant

## Brand Philosophy

Consumer oriented focus

Providing value in multiple ways – great taste, high quality ingredients, vibrant packaging, reasonable price

Dildaar hain  
hu♡

Brand tagline encapsulates the philosophy of delivering value to the customer

## Current Associations / Brand Ambassadors



## Past Associations / Brand Ambassadors





# OPERATIONAL EXCELLENCE

Powered by tech and automation



## Data Analytics

Experienced Sales Analytics department working with advanced BI Tools

Profitability being regularly monitored and tracked at region as well as SKU level to enable decision making



## Production Automation

Complete ERP Solution to manage production processes; Software deployed to manage grammage during packing process

Using advanced WMS software to manage FG inventory



## Sales Automation

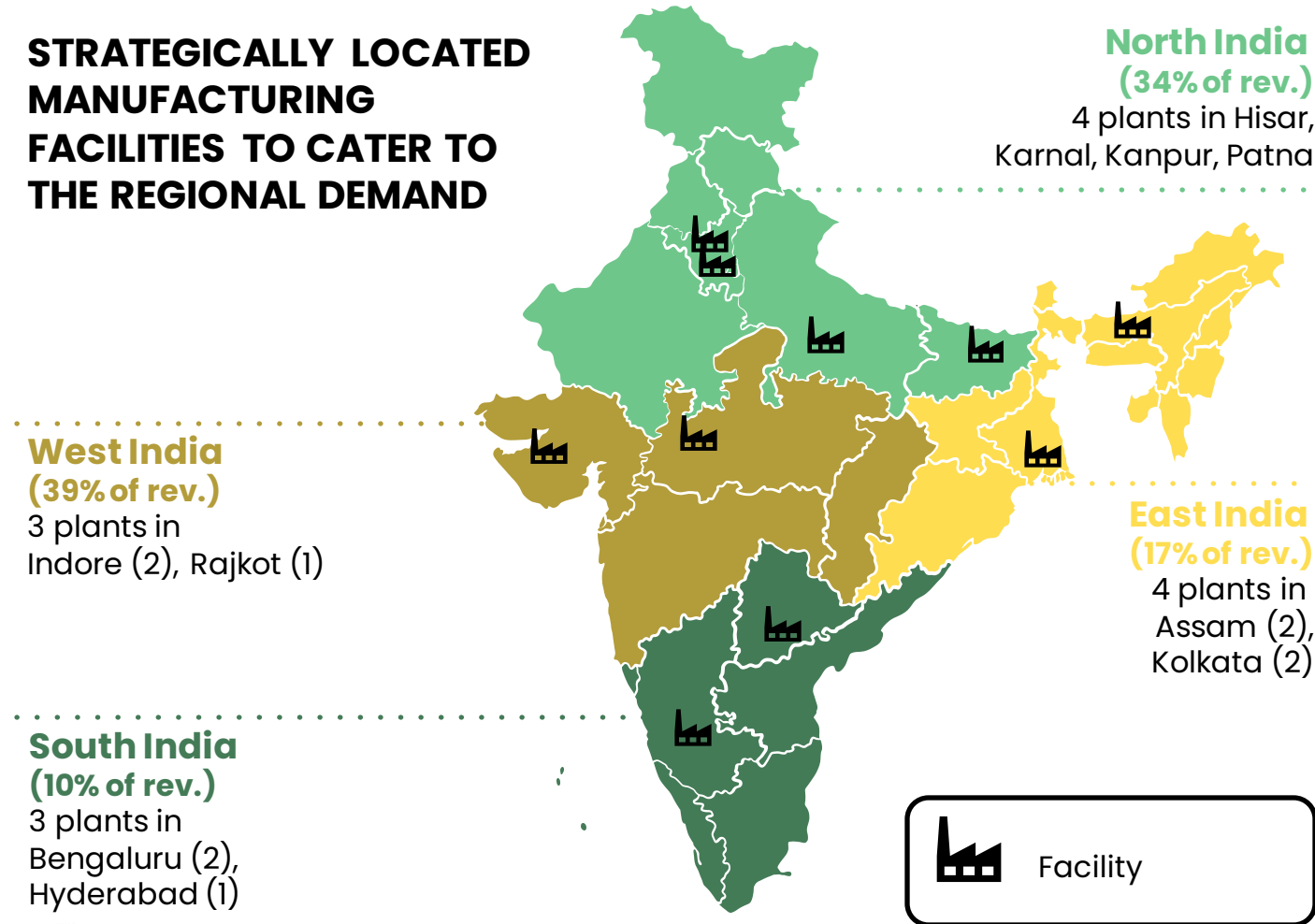
State-of-the-art SFA being used to guide sales team with assisted order taking

To identify gaps in market and optimize sales routes through geotagging of outlets

# ESTABLISHED MANUFACTURING NETWORK

Reduced distribution costs; Improved time-to-market; Disciplined investment mindset

## STRATEGICALLY LOCATED MANUFACTURING FACILITIES TO CATER TO THE REGIONAL DEMAND



### Nationwide manufacturing footprint

- Optimised distribution cost
- Faster time-to-market



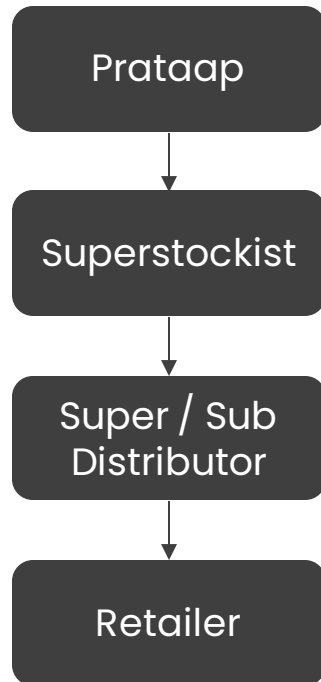
### Leveraging mix of contracted and owned manufacturing

- Disciplined investment approach: Scale-up after proving market viability

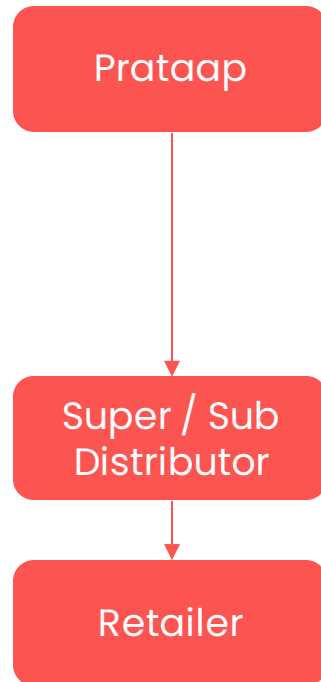
# OPTIMISED DISTRIBUTION MODEL

Direct distribution model on a nationwide scale

OLD  
DISTRIBUTION  
MODEL



DIRECT  
DISTRIBUTION  
MODEL



**Shifted to a direct distribution model upon hitting critical scale**

- Decentralized manufacturing footprint allows us to supply directly to distributors
- Reduced distribution costs (realized ~3% improvement in EBITDA margin)

**Amongst one of very few Snacks food players in India with a pan-India distribution network**

- Supported by over 5,200 super/sub distributors reaching ~2.2M touchpoints across India
- Ability to tap growth across all parts of India

# OUR ESG APPROACH

## Cornerstones of doing good business










- Actively working in accordance with Uniform Framework for Extended Producers Responsibility (EPR) issued by the Ministry of Environment, Forest, and Climate Change
- We engage in mass collection for processing and disposal of empty packets in collaboration with accredited NGOs in several states.
- We are also exploring development and use of recyclable packaging laminate with our suppliers
- Aligned to the strategy to combat climate change and transition to a low carbon economy, our aim is to reduce our carbon footprint and reduce our energy consumption
- This will be realised through adopting solar energy in factories, increasing the use of non-fossil fuels at manufacturing facilities, incorporating energy efficient building designs, implementing energy efficient devices and implementing automated energy management solutions
- Use of bio-mass briquettes for generating heat for manufacturing process, currently representing over 45% of fuel cost
- Our newly-installed Effluent Treatment Plant (ETP) and Reverse Osmosis unit at Indore plant is helping to recycle the used water from production units which is then reused
- This has led to initial savings in overall water consumption
- We also aim to minimise our freshwater requirements through our rainwater harvesting initiative.

To reduce freshwater consumption by **20% at Indore** plant by March 2024

To utilise **25% of total power consumption from Solar** Energy and other non-conventional energy by March 2024

# STRONG 'VALUE-FOR-MONEY' BRAND

Appealing to customers across socio-demographic profiles

CATEGORIES	CHILDREN 	YOUTH 	ADULTS/FAMILY 
 Extruded Snacks	Rings, Kurves, Puff, Stix Chulbule Pellets	✓✓ ✓✓ ✓✓	✓✓ ✓✓
 Potato Chips	Potato Chips	✓✓	✓✓
 Namkeen	Namkeen	✓✓	✓✓
 Sweet Snacks	Sweet Snacks	✓✓	✓✓

Targeting value for money segment



# Guided by an Accomplished Board



**Mr. Arvind Mehta**  
Chairman & Executive  
Director



**Mr. Amit Kumar**  
Managing Director and CEO



**Mr. Apoorva Kumat**  
Executive Director  
(Operations)



**Bharat Singh**  
Non-executive Nominee Director  
(Additional)



**Vineet Kumar Kapila**  
Independent Director



**Chetan Kumar Mathur**  
Independent Director



**Mr. V.T. Bharadwaj**  
Independent Director



**Anisha Motwani**  
Independent Director

***PSL has high standards of Corporate Governance and sound internal control policies***



# **ESSENTIAL FLAVOURS:**

## ***Growth Strategies and Financial Progress***

# STRATEGIC INITIATIVES

Executing on a clear roadmap for robust and disciplined growth

## TOP LINE GROWTH



### Expand Namkeen Footprint

~44% of snacks industry (but currently contributes to around 16% of our revenue<sup>(1)</sup>)



### Range Selling & Drive mix of larger packs

Increase range selling and volumes of larger pack sizes



### Disciplined Product Innovation and Geographical Expansion

Drive SKU Expansion in core categories and continue to add touchpoints in distribution network

## BOTTOM-LINE & CASH FLOW FOCUS



### Direct Distribution Model & Channel optimization

Reducing distribution costs and time-to-market



### Levers to Improve Margins

Product portfolio pruning, improving productivity, reduction in operational costs and overheads



### Working Capital Improvement

Seeking efficiencies to unlock cashflows and improve returns



# MEASURES TO ENHANCE PROFITABILITY AND RETURNS



## Bottom slicing

- Reasons for lesser volumes being identified, and levers are worked on to improve them
- Indirect expenses are being saved by discontinuing less popular products



## Capacity expansion

- Selective capacity expansion in target markets
- Leveraging opportunity from PLI scheme to enhance presence in high-potential underpenetrated markets



## Compression of distribution structure

- PSL has implemented direct distribution across all regions, ahead of schedule
- This results in savings through lower trade margins and freight optimization



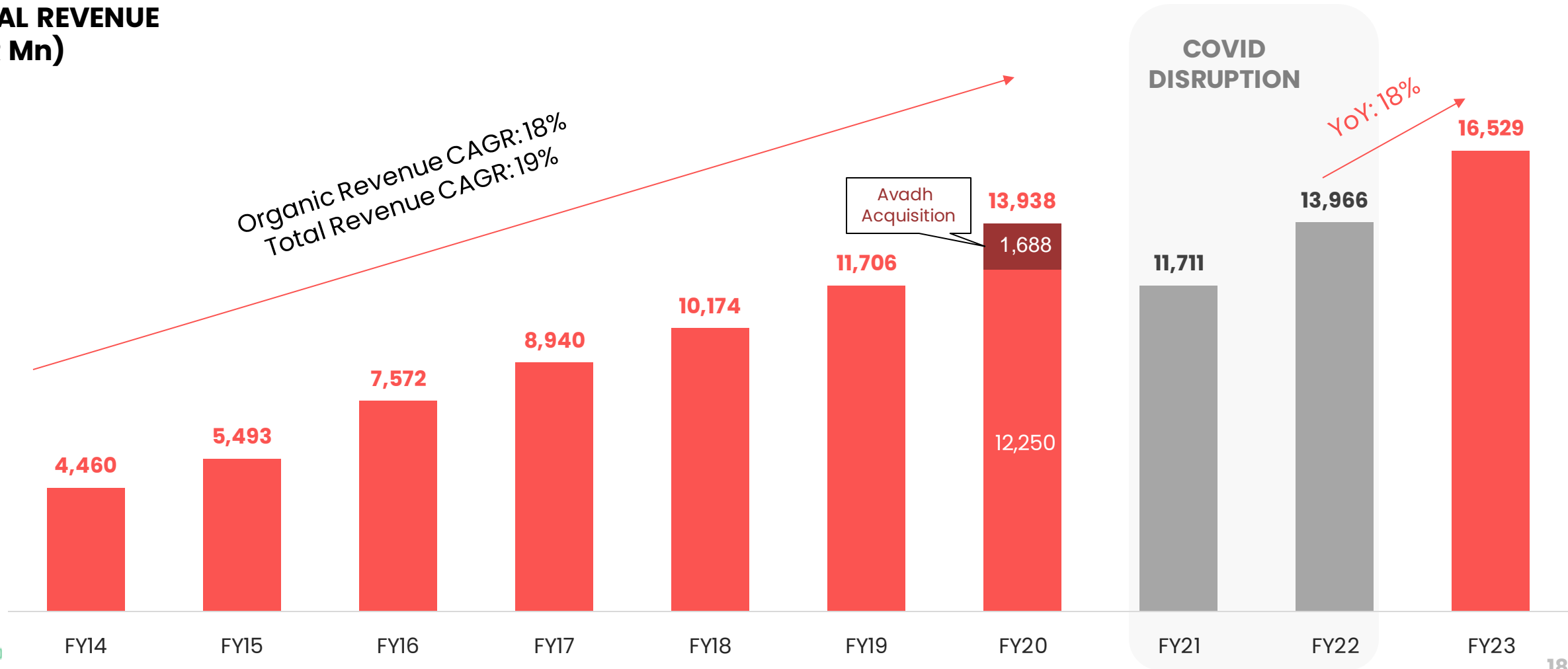
## Establishing hubs across India

- PSL has established hubs in all the manufacturing facilities
- These hubs will have the entire product range and cater to proximate markets in order to optimise distribution with cost efficiency

# ROBUST REVENUE GROWTH

Consistent execution track record

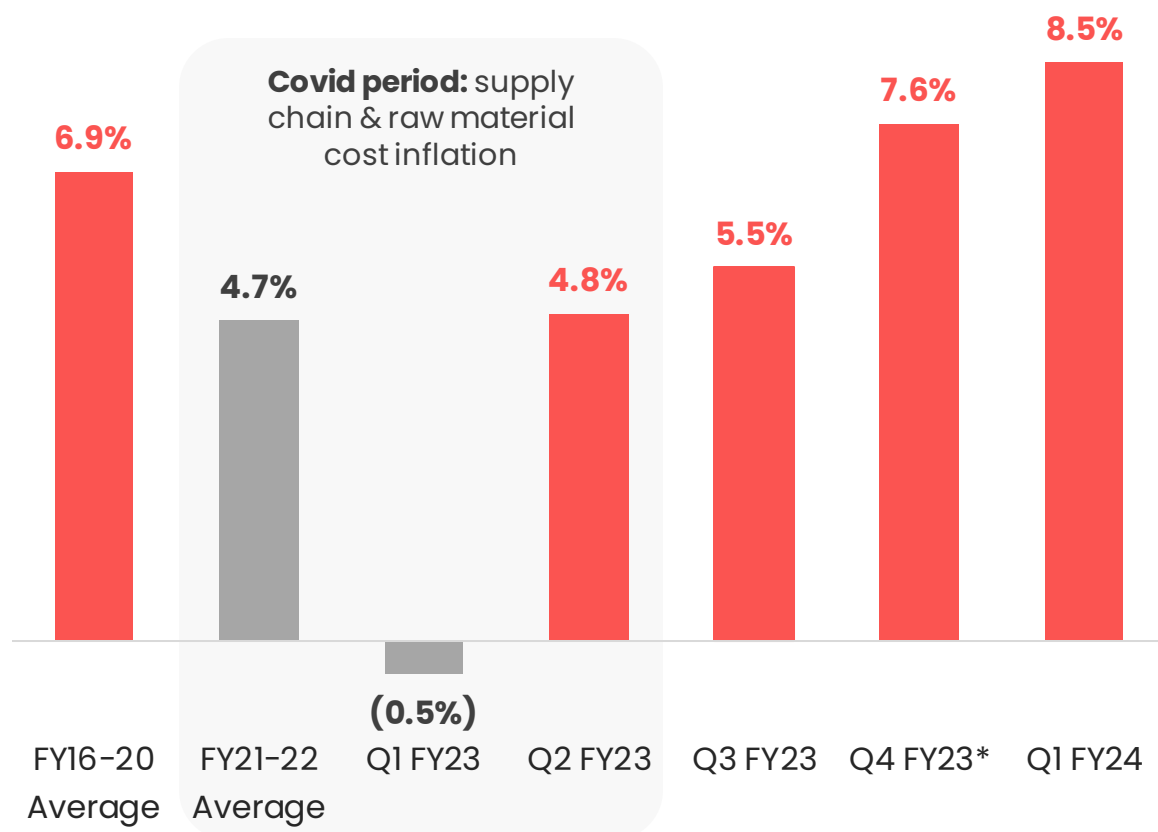
## TOTAL REVENUE (INR Mn)



# EBITDA MARGIN RECOVERY

On the back of recent stabilization of volatile raw material prices

## EBITDA MARGIN (%)



5 year (FY16-FY20) average EBITDA margin was 6.9%.

In FY21-22 and FY22-23, there was impact on margin due to:

- Operating deleverage due to Inflationary trends in the overall environment affected consumer demand
- Sharp increases in raw material prices, especially palm oil & packaging materials

The Company undertook following steps to structurally improve the margins:

- Compression in the overall distribution structure
- Process improvements through automation efforts, portfolio pruning and better average realisation
- Long term contracts to mitigate fluctuations in input prices

**On the back of these initiatives margins have steadily improved for last 4 consecutive quarters and surpassed pre-COVID levels with scope to improve further**

# OVERCOMING COST PRESSURES

UNDERTOOK MULTIPLE INITIATIVES TO OVERCOME SHARP RISE IN INPUT PRICES

RM/PM Price Increase from  
FY16-20(avg) to Q1 FY24

↑ +50%



Palm Oil

↓ -2%



Laminate

↑ +32%



Corn

EBITDA MARGIN(%)



There was sharp inflation in RM prices during the period compared to the average during FY16-FY20

In addition to RM prices inflation there has been a significant increase in costs of Power and Fuel as well as overheads

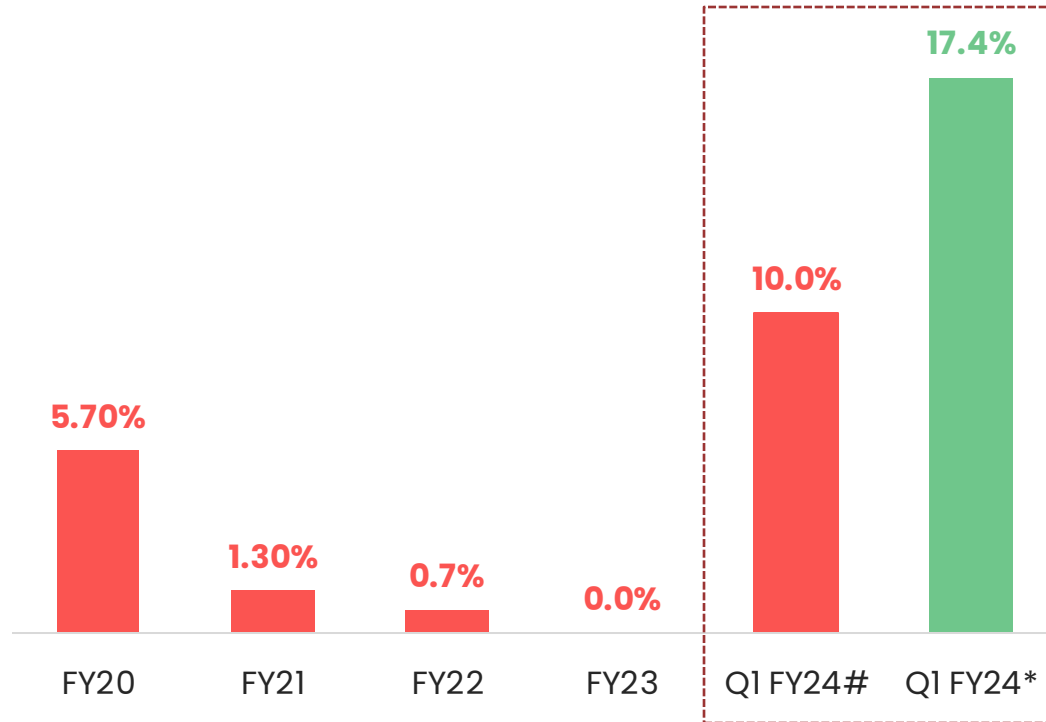
Despite these pressures, the company has demonstrated ability to improve EBITDA margin using the following levers:

- Compressed distribution structure and channel optimization
- Process reengineering and cost optimization measures
- Driven better sales realization through a mix of reduction in trade margin and rationalization of grammages

These initiatives have enabled the company to substantially recoup the impact of RM price inflation by structurally elevating the margin performance

# ROCE EXPANSION

SHARP INCREASE IN RETURN RATIO WHICH IS SET TO IMPROVE FURTHER



# RoCE on a consolidated basis

\* RoCE calculated excluding Avadh Snacks, which was acquired in 2018, and the Sweet Snacks business, diversification into which in 2019 led to creation of a new category

In line with rise in profitability the Company has witnessed a sharp improvement in RoCE

Further improvement in RoCE is expected due to:

- Measures undertaken to increase revenues
- Further improvement in EBITDA margin due to operating leverage
- Moderate incremental capex requirement

# APPROVAL UNDER PERFORMANCE LINKED INCENTIVE ('PLI') SCHEME



Received approval under PLI scheme of the Government of India under 'Ready to Eat' segment

All products are covered under the PLI scheme except for Potato Chips



The base year for calculating the PLI benefit on-incremental sale is FY 19-20 for the first 4 years and FY 21-22 and FY 22-23 for the fifth and sixth years respectively



The minimum CAGR for sales for calculating the incentive is 10% with the maximum cap of 13% CAGR for eligible products

- From FY 21-22 to FY 24-25, the incentive rate for eligible products is 7.5% on the incremental sales over base year sales
- The incentive for FY 25-26 is 6.75% and FY 26-27 is 6% calculated on the incremental sales over base year sales



The benefit is available including growth in Avadh sales

The investment commitment aggregates to ~ Rs.105 crore, of which PSL has already invested Rs. 73 crores with purchase orders issued for the balance amount

# OUR LONG-TERM TARGET OPERATING MODEL



**CONSISTENT  
GROWTH**

**~15%**

Revenue growth  
(faster than industry)



**PROFITABILITY  
CENTRIC**

**>10%**

EBITDA margin



**CAPITAL  
EFFICIENCY**

**15–20%**

RoCE



# **PROOF OF THE PUDDING: Q1 FY24 Performance Update**





# OPERATIONAL OVERVIEW

## Reported growth of 3% YoY in sales

- Observed mixed trends across markets, with urban areas showing slightly better performance while rural areas remain sluggish but gradually improving

## Delivered the highest ever quarterly EBITDA in the Company's history

- The company reported its highest-ever quarterly EBITDA in Q1 FY24
- Previous initiatives to streamline distribution layers have improved the margin profile, backed by efficient manufacturing processes and cost optimization measures, as well as a recent moderation in input prices
- Despite key raw material prices being higher than pre-COVID levels, the company is experiencing significantly improved EBITDA margins, which are expected to be sustainable

## Promising outlook for top-line and profitability on the basis of resilient demand and easing of input prices

- Implemented technology enhancements for sales, including sales force automation, to gain better insights into last mile consumption and buying patterns.
- Additionally, the Company strengthened its sales force, expanded touchpoints and focused on range selling to position itself for improved growth
- The above internal initiatives, along with external factors like rising consumption activity amid moderating inflation, will contribute to improved profitability

# MD & CEO's Message



**Commenting on  
Q1 FY24  
performance,  
Mr. Amit Kumat  
Managing  
Director & CEO,  
Prataap Snacks  
Limited said:**

*"We are delighted to commence FY24 on a firm footing reporting the highest ever quarterly EBITDA in the Company's history. Initiatives undertaken in earlier years to compress the distribution layers have structurally enhanced the margin profile. This has been further supported by more efficient manufacturing processes and cost optimization measures, as well as recent moderation in input prices. As a result, we are witnessing sharply improved EBITDA margin, which we believe is sustainable even as key raw material prices are materially higher than pre-covid level.*

*Sales/Income from Operations in Q1FY24 were Rs. 3,859.0 million, higher by 2.7% YoY. We are witnessing mixed trends in consumer behaviour, as urban areas are performing slightly better while activity in rural areas remains sluggish but are showing signs of improving.*

*We have invested in technology enhancement for sales including sales force automation which is providing better insights into last mile consumption as well as buying patterns. We have also strengthened our sales force and continue to increase touchpoints and focus on initiatives such as range selling in order to position ourselves for enhanced growth.*

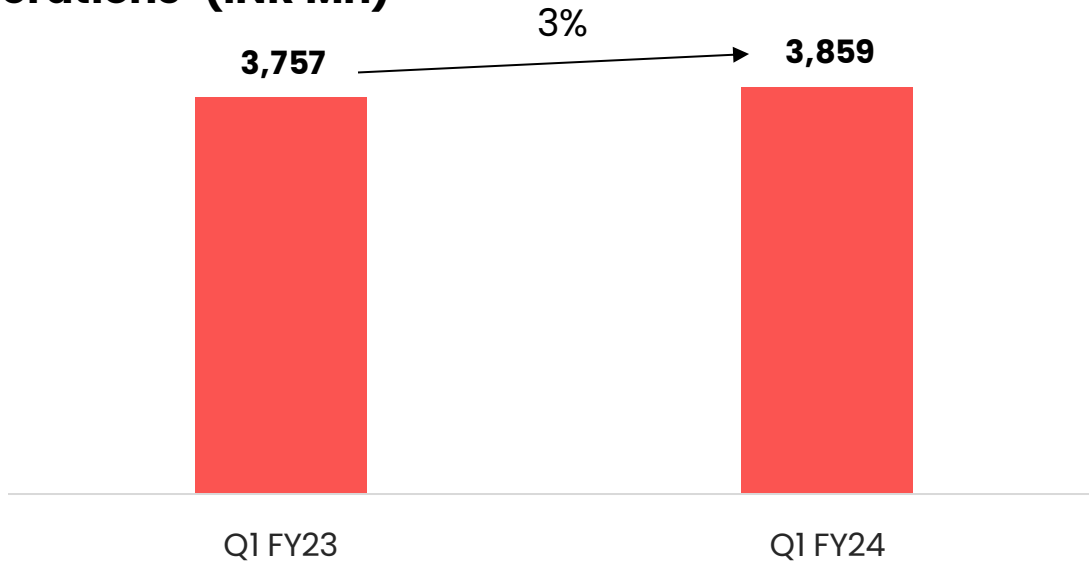
*We are confident that the above internal initiatives supported by external factors such as increasing consumption activity in light of moderating inflation will contribute to higher growth in revenues. When combined with the improved margin profile, we anticipate further enhancement of return ratios enabling accelerated value creation for stakeholders."*

# ABRIDGED P&L STATEMENT

(INR Mn)	Q1 FY'24	Q1 FY'23	Y-o-Y Change (%)
<b>Sales/Income from operations</b>	<b>3,859.0</b>	<b>3,757.3</b>	<b>3%</b>
Other operating Income	19.2	68.5	-72%
<b>Total Income from Operations</b>	<b>3,878.2</b>	<b>3,825.7</b>	<b>1%</b>
Raw Material Cost	2,568.7	2,954.5	-13%
Gross Profit	1,309.5	871.2	50%
<i>Gross Margin</i>	33.8%	22.8%	+ 1,100 Bps
<b>EBITDA</b>	<b>328.5</b>	<b>-19.5</b>	<b>NA</b>
<i>EBITDA margin</i>	8.5%	-0.5%	+ 900 Bps
Depreciation	152.6	140.7	8%
Interest	13.4	17.0	-21%
Exceptional item	9.6	0.0	NA
<b>Profit after tax (excl. exceptional items)</b>	<b>142.0</b>	<b>-99.6</b>	<b>NA</b>
Diluted EPS (Rs) (excl. exceptional items)	5.95	-4.25	NA

# FINANCIALS – Q1 FY'24 PERFORMANCE

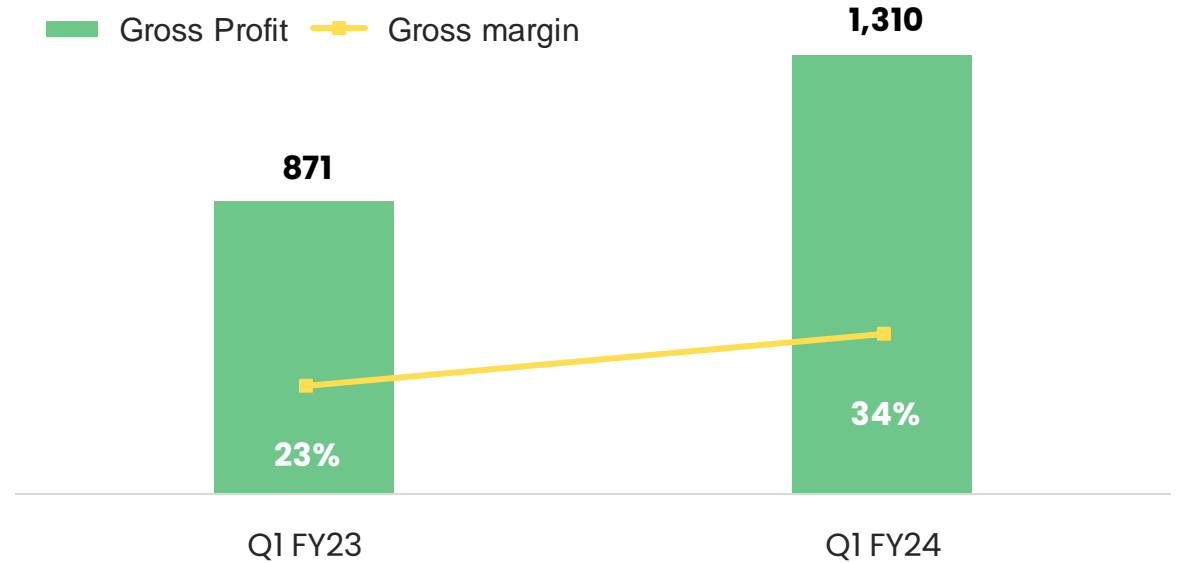
## Sales / Income from Operations (INR Mn)



**Income from operations grew by 3%**

- Delivered a modest 3% revenue growth in the quarter in the backdrop of varying consumer behavior trends
- Urban areas performed slightly better, while rural areas remained sluggish but showed signs of improvement

## Gross Profit (INR Mn)

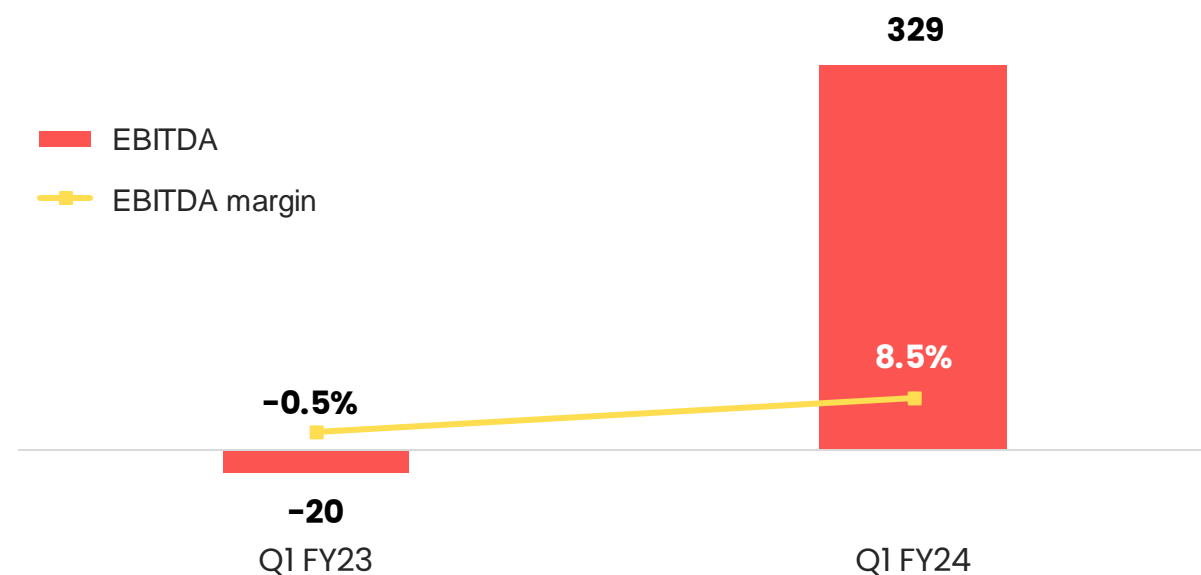


**Gross margin improves sharply to 34%**

- Witnessed some cooling off in input prices during the quarter which contributed to sharp improvement in the gross margin
- This was supported by adopting more efficient manufacturing methods and cost optimization initiatives

# FINANCIALS – Q1 FY'24 PERFORMANCE

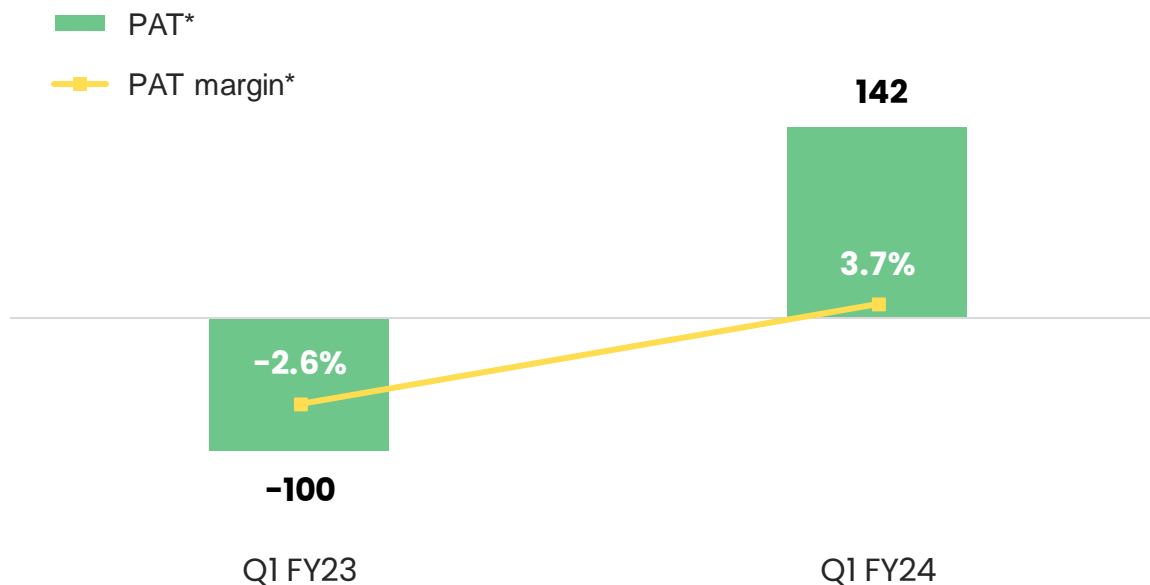
## EBITDA (INR Mn)



**EBITDA margin stood at 8.5%**

- The company's margin improvement initiatives, along with the decrease in prices of key raw materials and packing materials, contributed to a strong margin performance
- As a result, the company achieved highest ever quarterly EBITDA of Rs. 328.5 million
- Delivered a significant and sustainable improvement in EBITDA margin, despite key raw material prices being notably higher than pre-COVID levels

## PAT (INR Mn)

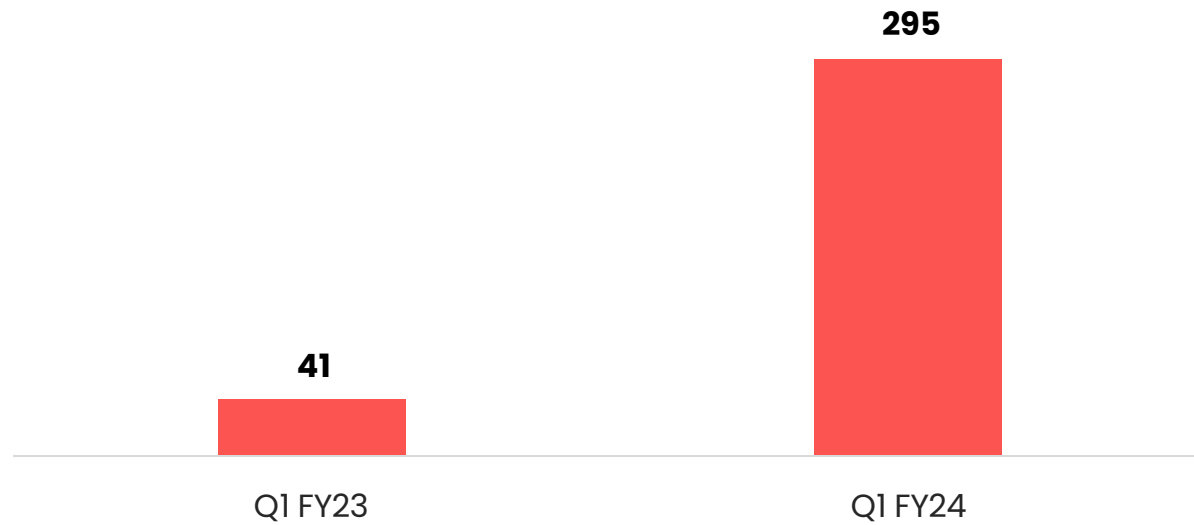


**PAT margin\* stood at 3.7%**

- PAT has improved in line with overall trend of improved profitability this quarter starting from higher gross margin and progressing to improved EBITDA which has also flowed into PAT
- The company is confident of building upon this PAT performance in subsequent quarters

# FINANCIALS – Q1 FY'24 PERFORMANCE

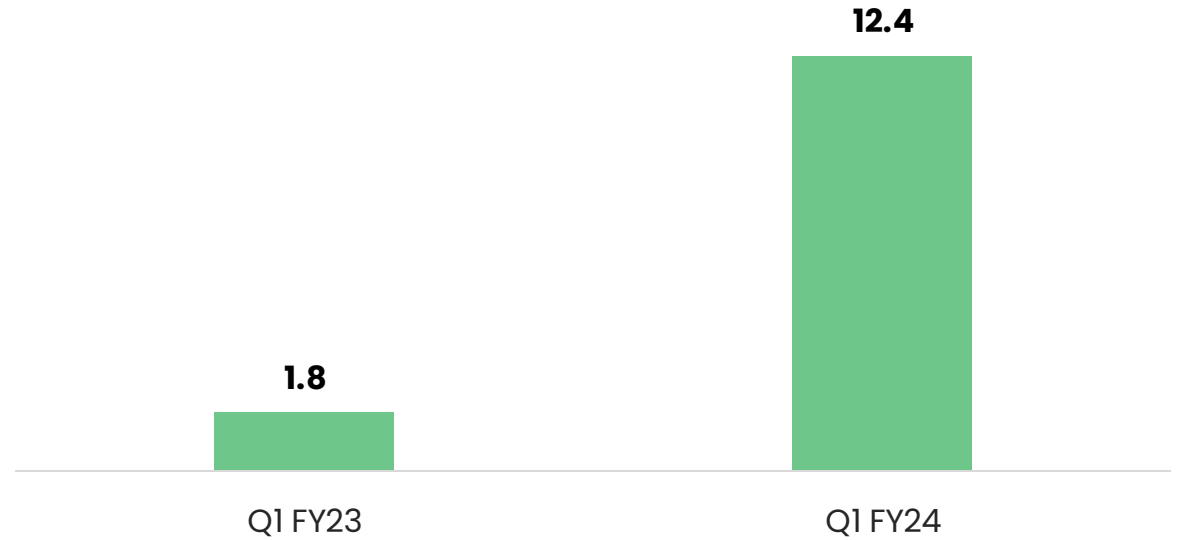
## Cash profit (INR Mn)



**Resumed  
generating  
healthy levels  
of Cash Profit**

- Cash profit in Q1 FY24 is over 7x of cash profit in Q1 FY23

## Cash EPS (INR Mn)



**Cash EPS  
rebounds  
strongly**

- The Company follows a conservative accounting policy and is amortizing intangible assets of Avadh Snacks
- A lateral benefit has been contained tax outflow



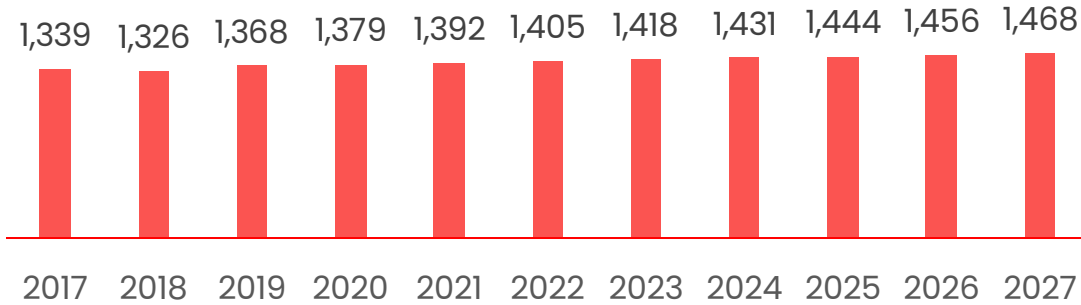
# **EVOLVING TASTES:**

## ***Industry Overview***



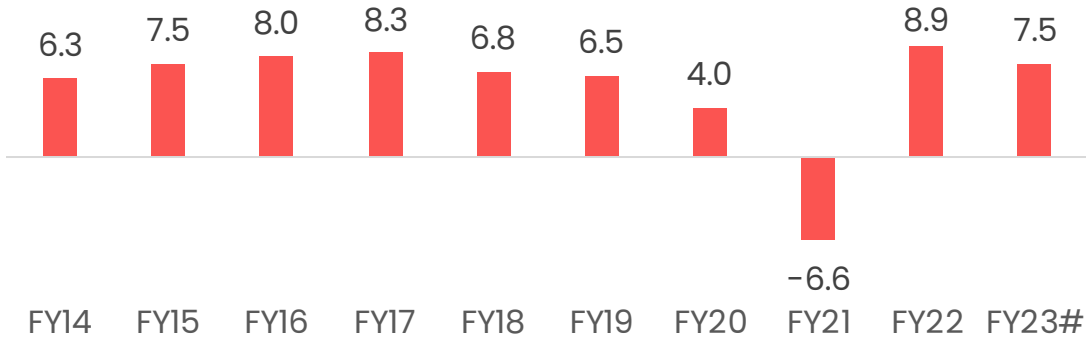
# Favourable Demographics Supporting Industry Growth

## India Population Trend (Millions)



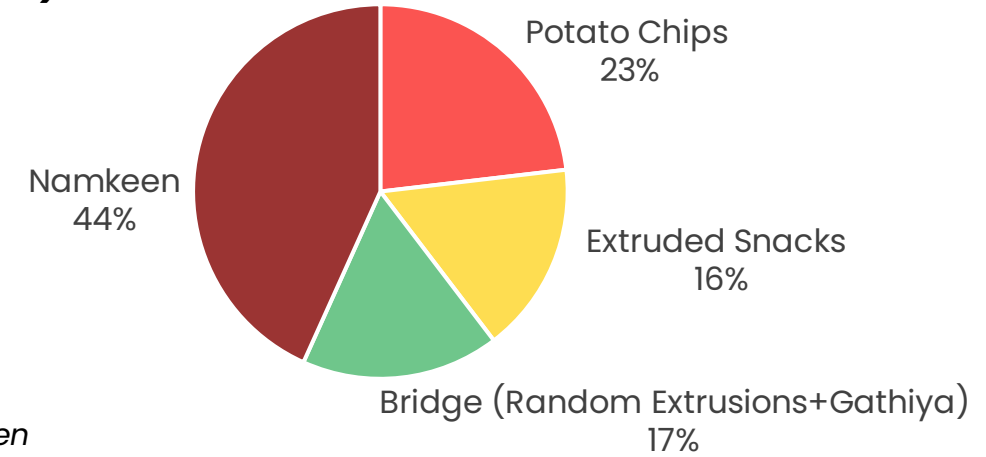
Source: Statista April 2022

## India GDP Growth (%)



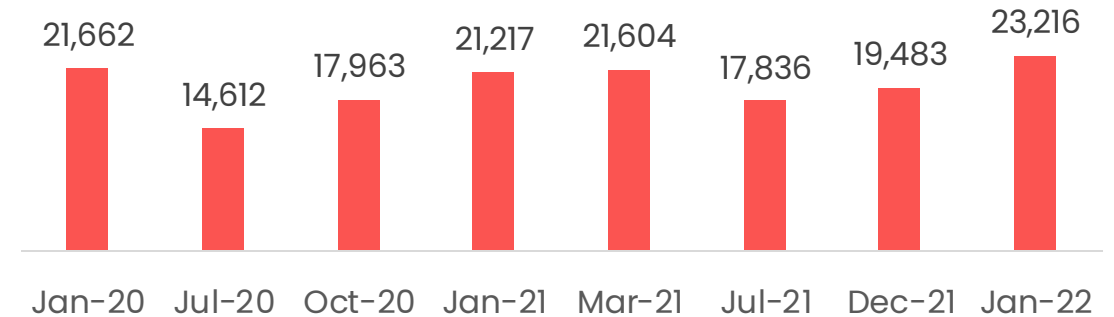
Source: NSO Second Advance Estimates as on 28th Feb 2022  
#SPF report by RBI dated 8th April, 2022)

## Total Organized Snacks Food Market Size ~43,800 Crores (FY23)



Source: Nielsen

## Consumer spending in India (Rs. Billion)



Source: Statista, March 2022





# THANK YOU!



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