



# PRATAAP SNACKS LIMITED

Q2 FY23

5<sup>th</sup> November 2022





# 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 398 Bn market  
Growing at 11.2% CAGR<sup>(1)</sup>



## Market leadership

Market Leader in Rings;  
Top 5 Leader in Savoury Snacks



## Significant revenue scale

FY22 Revenue of INR ~ 14 Bn  
8-year revenue CAGR: 15%<sup>(2)</sup>



## Diverse product portfolio

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



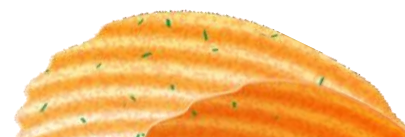
## Nationwide manufacturing & distribution footprint

14 manufacturing facilities;  
Presence across ~2.2 Mn retail  
outlets



## Experienced Leadership

Founder-led management  
team guided by an able  
Board



# KEY MILESTONES



**2003**

Company founded

**2006**

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

Commissioned Kanpur plant

**2022**

Completed restructuring of distribution pyramid

**2004**

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**

Commissioned Hisar plant

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



Corporate development

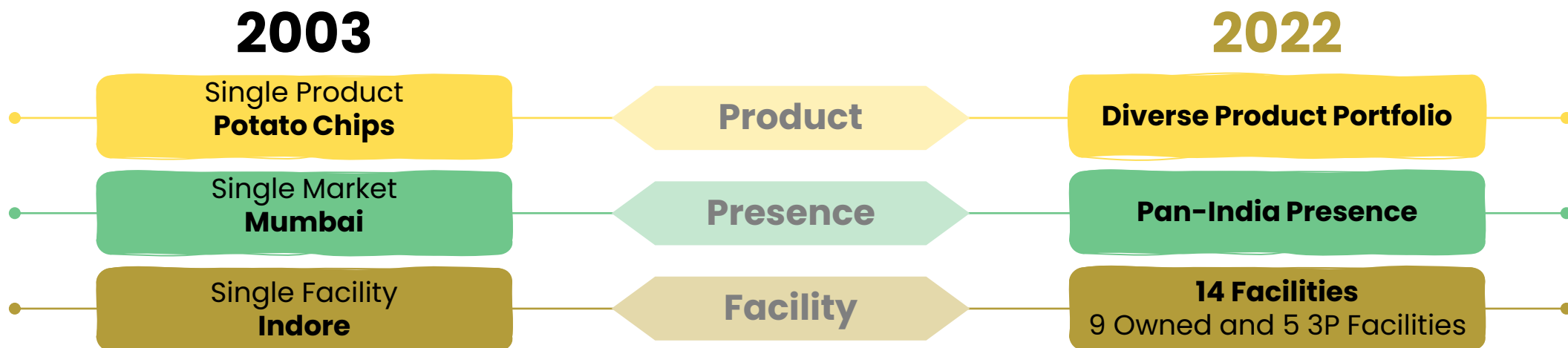


Category expansion



Geographical expansion / Facility Addition

# COMPANY EVOLUTION











## Snapshot of Recent Growth

2014	Revenue	2022
<b>Rs. 446 Cr</b>		<b>Rs. 1,397 Cr</b>
<b>40+</b>	<b>SKUs</b>	<b>125+</b>
<b>3 Facilities</b>	<b>Facilities</b>	<b>14 Facilities</b>

**8 yr Revenue CAGR – 15% despite Covid impact**

# DIVERSE PRODUCT PORTFOLIO

Appealing to consumers and trade partners

CATEGORIES	% of FY22 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</p>
 <p><b>Namkeen</b></p>	16%	 <p>Moong Dal Chana Masala Masala Premier Bhujia Sev Bhavnagar Gathina</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 5 Leader in 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

## Brand Ambassadors / Associations (1)



(1) PSL had brand endorsement association with Salman Khan, Ben 10 and Chhota Bheem in past.



# OPERATIONAL EXCELLENCE

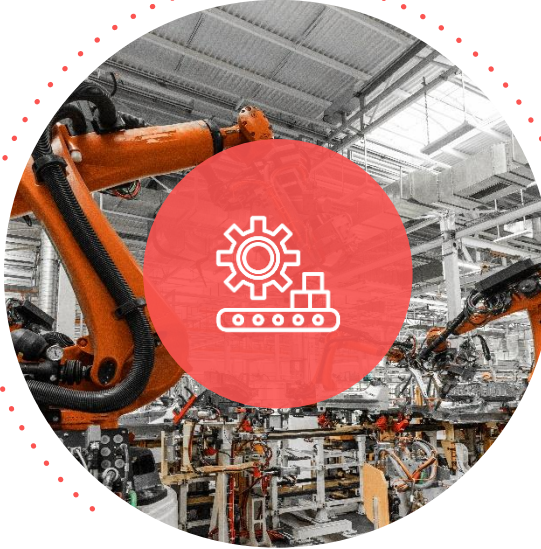
Powered by tech and automation



## 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

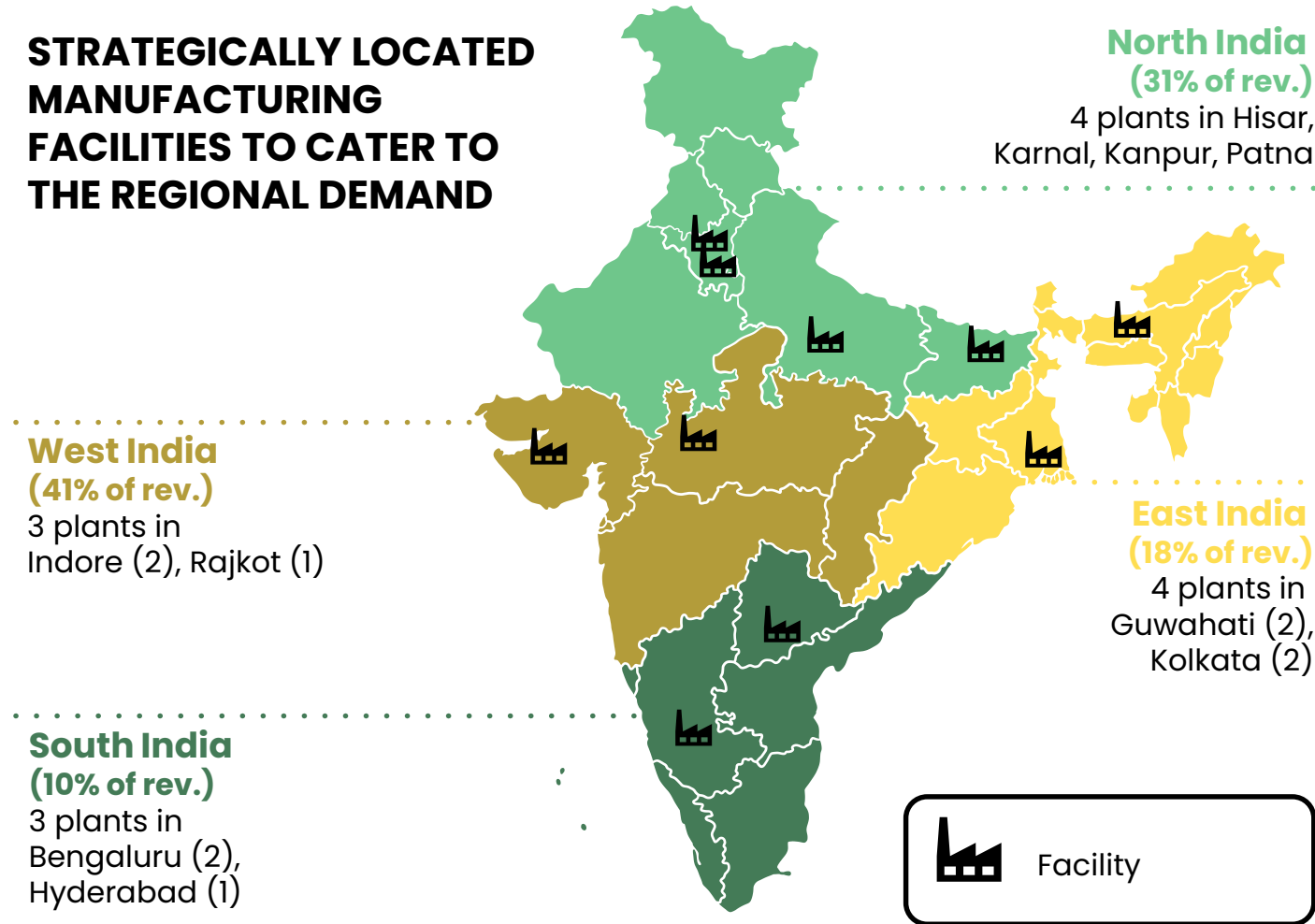
State-of-the-art SFA being used to guide sales team with assisted order taking

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



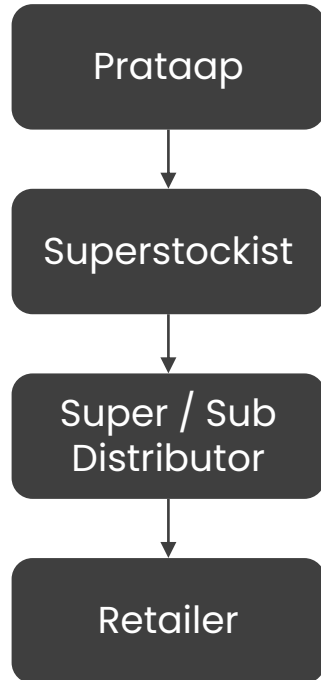
## Leveraging mix of contracted and owned manufacturing

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

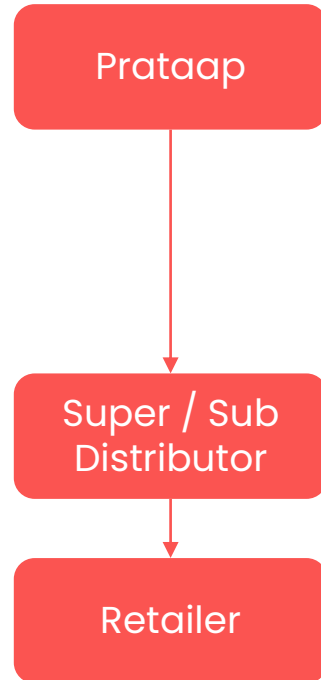
# OPTIMISED DISTRIBUTION MODEL

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 >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	Rings, Kurves, Puff, Stix	CHILDREN 	YOUTH 	ADULTS/FAMILY 
 <b>Extruded Snacks</b>	Chulbule	✓✓	✓✓	
 <b>Potato Chips</b>	Potato Chips	✓✓	✓✓	✓✓
 <b>Namkeen</b>	Namkeen		✓✓	✓✓
 <b>Sweet Snacks</b>	Sweet Snacks	✓✓	✓✓	

Targeting value for money segment

# Guided by an Accomplished Board



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



**Mr. Amit Kumat**  
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

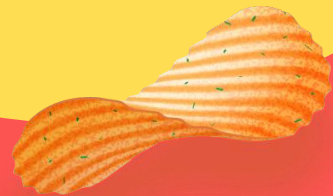
***PSL has high standards of Corporate Governance and sound internal control policies***





# **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

~43% of snacks industry (but currently contributes to around 16% of our revenue<sup>(1)</sup>)



### Drive mix of larger pack sizes

Increase volumes of larger pack sizes through value and visibility initiatives



### 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

Reducing distribution costs and time-to-market



### Levers to Improve Margins

Product portfolio pruning, improving productivity, reduction in utility costs of power and water



### Working Capital Improvement

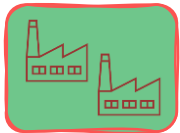
Seeking efficiencies to unlock cashflows and improve returns

# 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

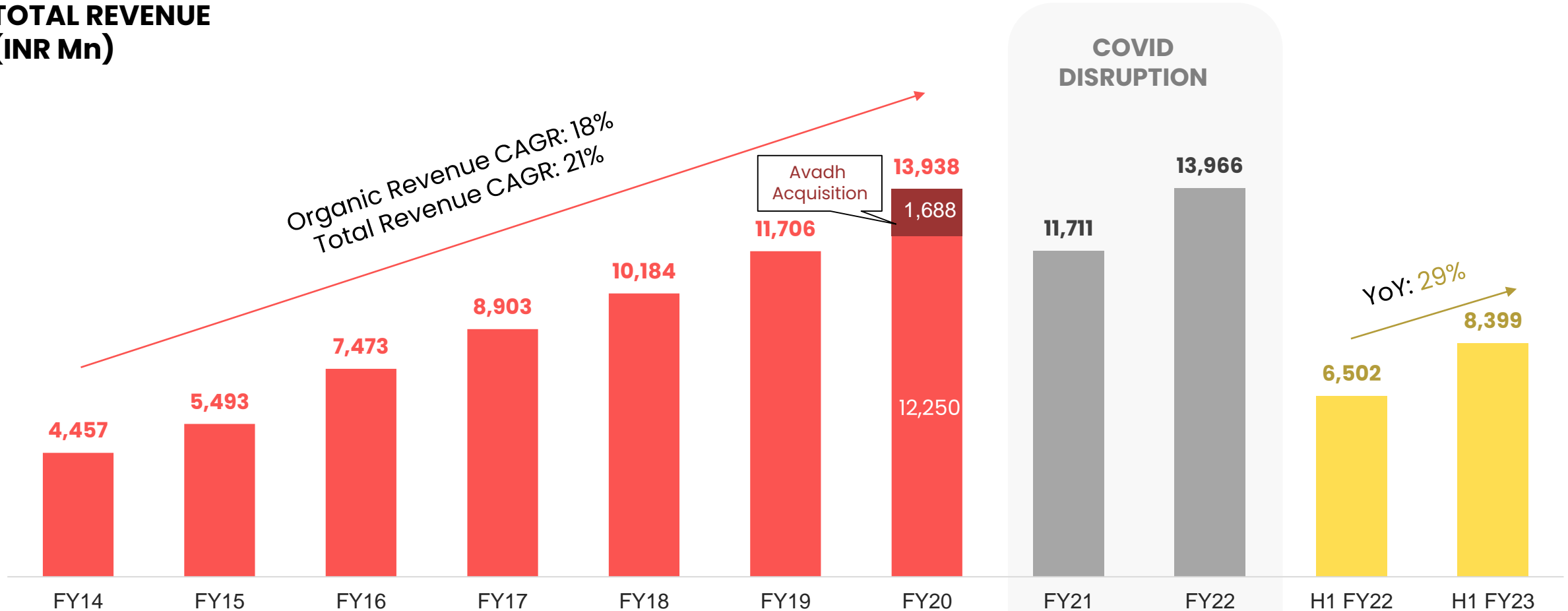
- PSL has established hubs in all the manufacturing facilities
- These hubs will have the entire product range and cater to proximate markets in order to optimise distribution with cost efficiency



# ROBUST REVENUE GROWTH

Consistent execution track record

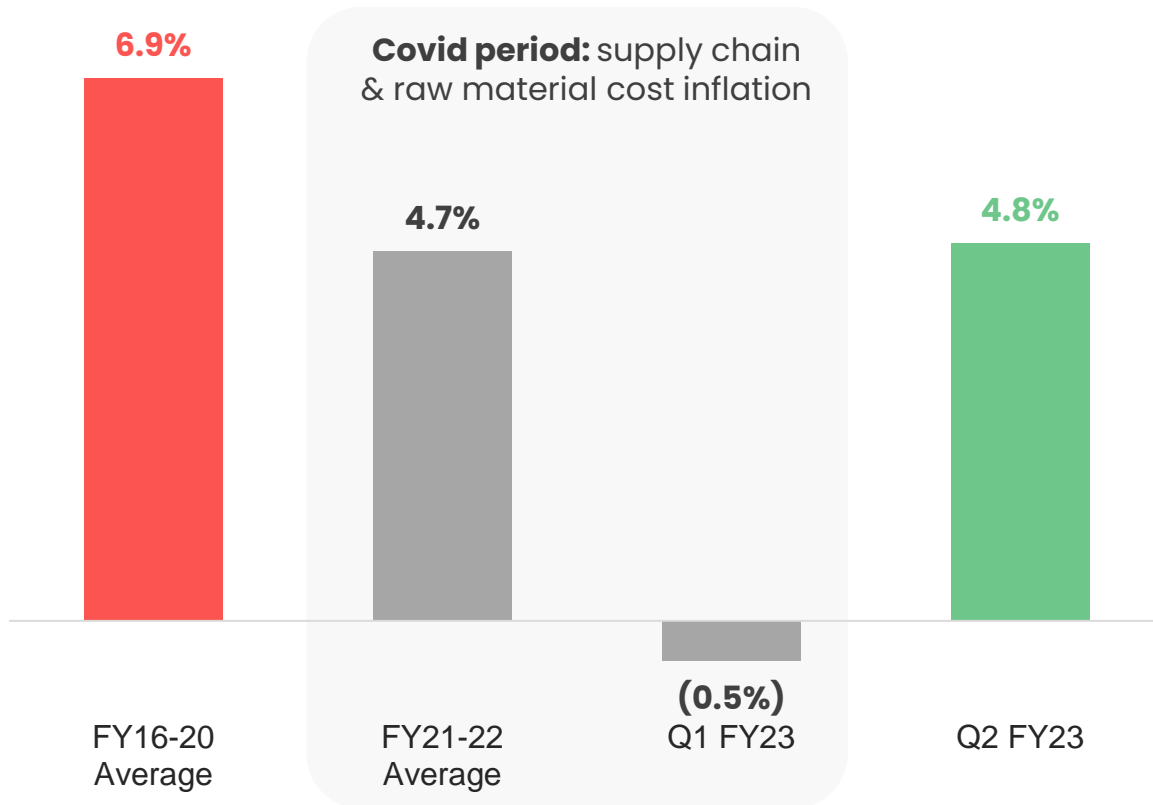
## TOTAL REVENUE (INR Mn)



# 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, margin was impacted by:**

- Operating deleverage due to shutdown, lockdown and disruption
- Sharp increase in raw material prices, especially palm oil & packaging

**Margin pressure was countered by:**

- Shift to direct distribution model
- Process improvements through automation efforts, portfolio pruning and better average realisation
- Long term contracts to mitigate fluctuations in input prices

**With these initiatives, the potential range for margin is superior to pre-COVID levels**

# 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

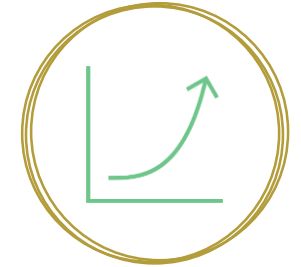


The base year for calculating the PLI benefit on-incremental sale is FY 19-20 for the first 4 years and FY 21-22 and FY 22-23 for the fifth and sixth years respectively



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. 48 crores with the balance to be invested by March 2023



# 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: Q2 FY23 Performance Update**



# OPERATIONAL OVERVIEW

**Reported robust revenue growth of 23% yoy during Q2 FY23 and 29% during H1 FY23 primarily driven by higher volumes**

- Delivered solid volumes across product categories, driven by robust demand traction across key geographies for our diverse product offering
- Added 25 vehicles to our fleet in the last 6 months which has also aided in better distribution efficiency

**Witnessed the softening of palm oil prices and other key RM/PM , which along with structural change to distribution layer assisted in delivering better margin performance**

- This quarter observed a significant reduction in the volatility in the prices of key raw materials like palm oil
- Avadh delivered a strong margin performance of 8.7%, surpassing the margin performance of the parent Company
- The direct distribution model supported by continuous process re-engineering and cost optimisation initiatives have aided in delivering enhanced margins

**Robust outlook for top-line and profitability on the basis of resilient demand, further reduction in input prices and expanding manufacturing footprint**

- Plan to expand manufacturing footprint with the addition of new facility in Jammu Region. Investment in this facility will qualify towards committed investment as per approval under PLI Scheme
- Amidst strong tailwinds, visibility for revenue growth and further margin expansion remains high

# MD & CEO's Message



**Commenting on Q2 & H1 FY23 performance, Mr. Amit Kumat Managing Director & CEO, Prataap Snacks Limited said:**

*"We are delighted to report a strong performance with revenues higher by 23% yoy in Q2 and by 29% yoy for the half year. The improvement in overall activity levels supported by resilient consumption patterns has led to higher demand. Our efforts to expand our network through addition of new distributors and more retail touchpoints combined with optimising existing distribution strength have also contributed to the growth momentum. We have added 25 vehicles to our fleet in the last 6 months which has also aided in better distribution efficiency.*

*We are also pleased to share that our subsidiary Avadh has also delivered strong revenue growth on a yoy basis accompanied by an EBITDA margin of 8.7% for the quarter, surpassing the margin performance of the parent company.*

*This quarter, we witnessed the initial impact of softening of palm oil prices leading to improved profitability. The commodity cycle has started to ease out and as we move ahead, we anticipate higher positive impact on EBITDA margin from reducing input prices. The initiative of direct distribution has led to compression of our distribution layers leading to a structural improvement in EBITDA margin.*

*Lastly, we are excited with our plan to further increase our manufacturing footprint by setting up a facility in Jammu region. This will enable us to better serve markets in North India. In the backdrop of multiple tailwinds, the outlook is bright for both revenue growth and enhanced profitability."*



# ABRIDGED P&L STATEMENT

(INR Mn)	Q2 FY'23	Q2 FY'22	Y-o-Y Change (%)	HI FY'23	HI FY'22	Y-o-Y Change (%)
<b>Income from Operations</b>	<b>4,572.8</b>	<b>3,705.8</b>	<b>23%</b>	<b>8,398.6</b>	<b>6,502.0</b>	<b>29%</b>
Raw Material Cost	3,289.6	2,663.4	24%	6,244.1	4,788.8	30%
Gross Profit	1,283.2	1,042.4	23%	2,154.5	1,713.2	26%
Gross Margins	28.1%	28.1%	-6 Bps	25.7%	26.4%	-70 Bps
<b>EBITDA</b>	<b>220.9</b>	<b>241.8</b>	<b>-9%</b>	<b>201.4</b>	<b>352.6</b>	<b>-43%</b>
EBITDA margin	4.8%	6.5%	-170 Bps	2.4%	5.4%	-300 Bps
Depreciation	177.2	134.7	32%	317.9	265.8	20%
Interest	18.5	15.4	20%	35.4	31.5	12%
<b>Profit after tax</b>	<b>42.4</b>	<b>146.9</b>	<b>-71%</b>	<b>-71.5</b>	<b>131.0</b>	<b>NA</b>
Diluted EPS (Rs)	1.81	6.26	-71%	-3.05	5.58	NA

# ABRIDGED BALANCE SHEET

(INR Mn)	Sep-22	Mar-22	Variance
Cash and Bank Balances	261.11	321.66	-19%
Fixed Deposit with Banks	701.17	432.35	62%
Inventory	1,297.06	1,446.23	-10%
Receivables	82.90	165.72	-50%
Other current assets	437.95	243.67	80%
<b>Total current assets</b>	<b>2,780.19</b>	<b>2,609.63</b>	<b>7%</b>
Fixed assets	5,300.11	5,190.87	2%
RoU	644.87	447.63	44%
Other assets	544.00	824.34	-34%
<b>Total assets</b>	<b>9,269.17</b>	<b>9,072.48</b>	<b>2%</b>

(INR Mn)	Sep-22	Mar-22	Variance
Payables	1,103.78	901.43	22%
Other current liabilities	287.78	192.31	50%
Other financial & Lease liabilities	538.28	529.12	2%
Short term debt	119.84	300.82	-60%
<b>Current liabilities</b>	<b>2,049.67</b>	<b>1,923.68</b>	<b>7%</b>
Lease liabilities	529.88	357.24	48%
Other liabilities	290.28	292.87	-1%
Deferred tax liabilities	232.35	256.14	-9%
<b>Non current liabilities</b>	<b>1,052.51</b>	<b>906.25</b>	<b>16%</b>
Equity	6,166.98	6,242.55	-1%
<b>Total equity + liabilities</b>	<b>9,269.17</b>	<b>9,072.48</b>	<b>2.2%</b>

# CASH FLOW STATEMENT

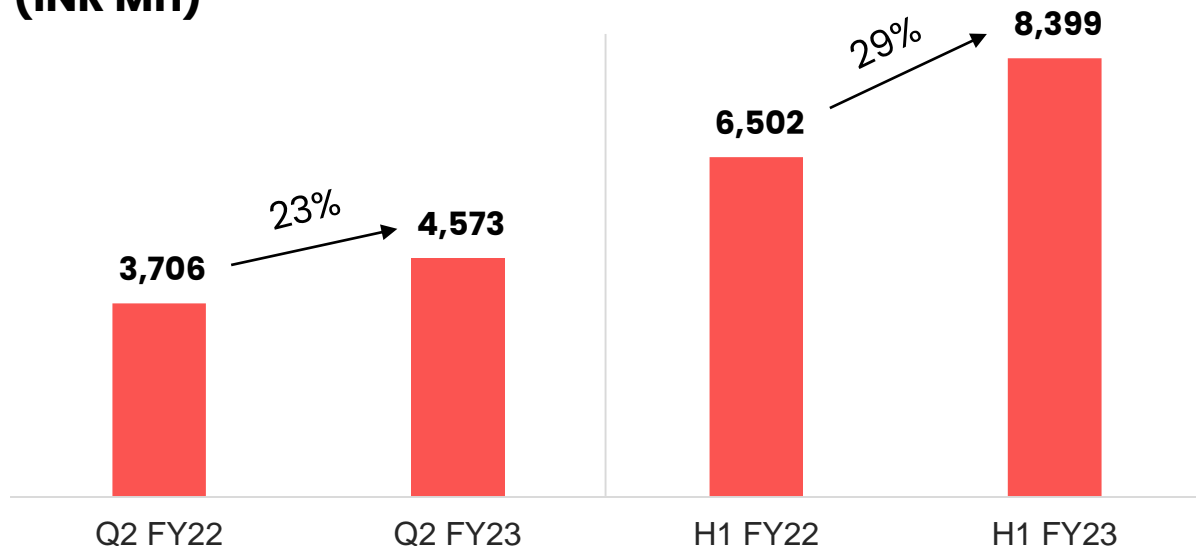
(INR Mn)	HI FY23	HI FY22	YoY change
<b>EBITDA</b>	<b>201.36</b>	<b>352.57</b>	<b>-42.9%</b>
<b>Non cash items in P&amp;L</b>	<b>(61.25)</b>	<b>(26.31)</b>	<b>132.8%</b>
Change in WC	414.92	165.60	151%
Income tax paid	(16.28)	(23.70)	31%
<b>Cash From Operating Activities</b>	<b>538.76</b>	<b>468.16</b>	<b>15%</b>
Capex	(314.80)	(90.94)	246%
Interest paid	(7.87)	(7.35)	7%
Interest received	5.73	26.14	-78%
<b>Free Cash Flows</b>	<b>221.83</b>	<b>396.01</b>	<b>-44%</b>
Debt raised / (paid)	(180.99)	149.50	-221%
Dividend paid	(11.73)	(11.73)	0%
Others	(61.82)	(334.11)	-81%
<b>Net cash generated</b>	<b>(32.71)</b>	<b>199.68</b>	<b>-116%</b>
Opening cash and cash equivalents	189.89	117.85	61%
<b>Closing cash and cash equivalents</b>	<b>157.18</b>	<b>317.52</b>	<b>-50%</b>

## Commentary

- Significant improvement in working capital management with cash generation of INR 415 Mn.
- Healthy Free Cash Flow, despite significant increase in CAPEX as per PLI commitment
- Strong balance sheet with Net cash position (Cash & Cash Equivalents + Bank Balance incl. Bank FDs – Borrowings) of INR 842.40 Mn

# FINANCIALS – Q2 & H1 FY'23 PERFORMANCE

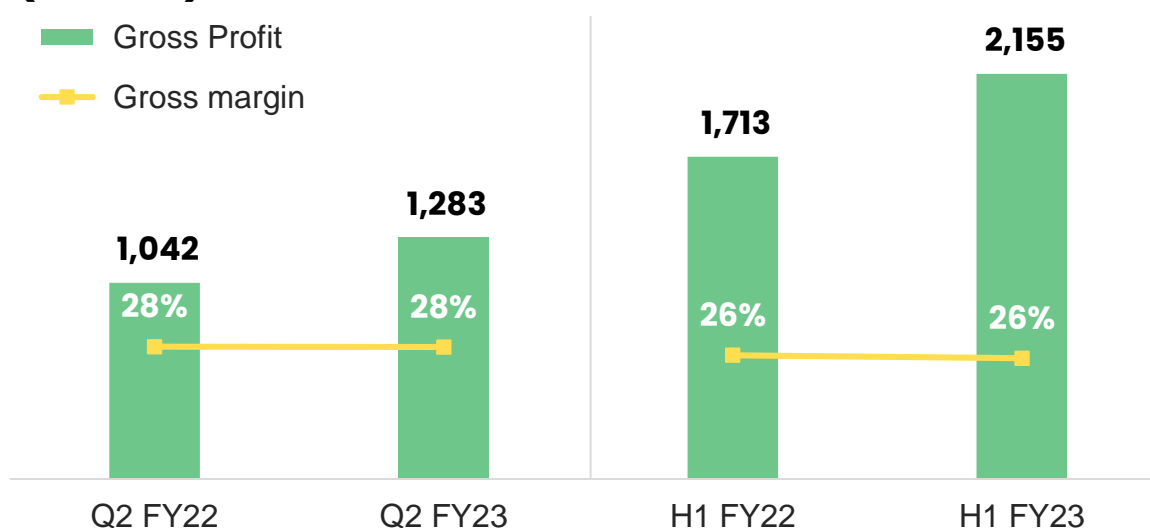
## Income from Operations (INR Mn)



**Income from operations grew by 23%**

- Improvement in overall activity levels supported by resilient consumption patterns has led to higher demand
- Distribution expansion in focus markets is aiding the revenue momentum

## Gross Profit (INR Mn)

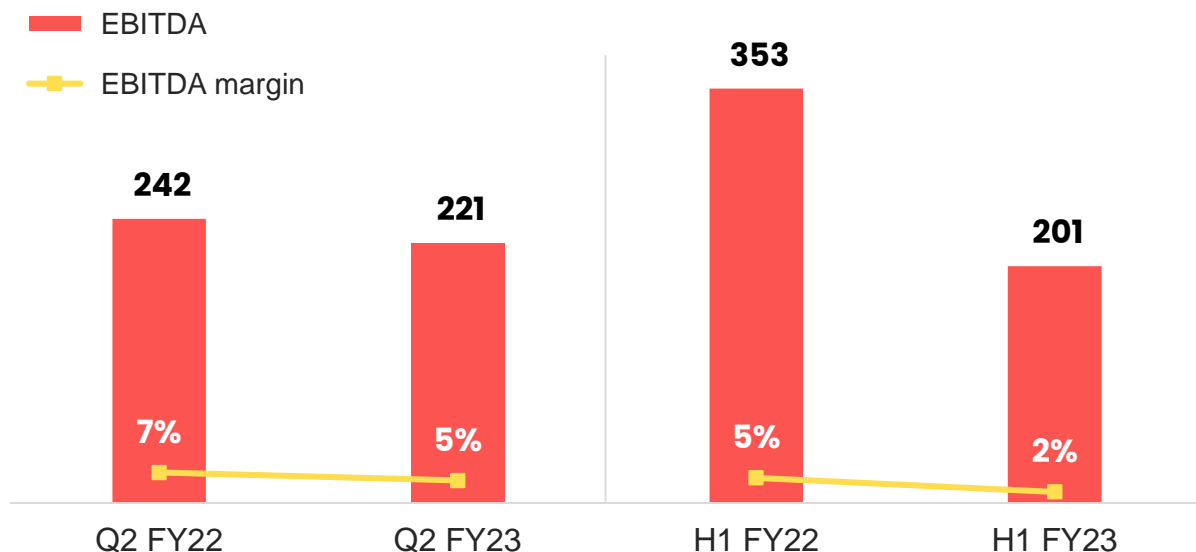


**Gross margin stood at 28.1%**

- Cost saving initiatives such as production efficiency, compression of distribution layers and better realization have enabled the company to offset effect of input prices, which are reducing but remain higher than Q2 last year

# FINANCIALS – Q2 & H1 FY'23 PERFORMANCE

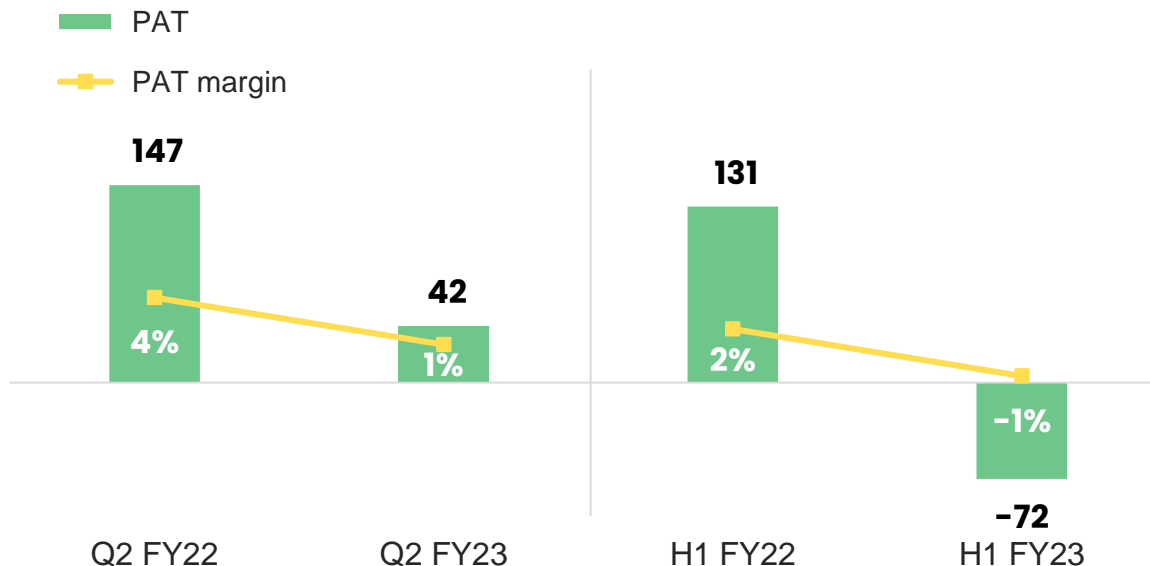
## EBITDA (INR Mn)



**EBITDA margin stood at 4.8%**

- Softening of volatility in the prices of key RM/PM aided better margin performance
- Avadh delivered a strong margin performance of 8.7%, surpassing the margin performance of the parent Company

## PAT (INR Mn)



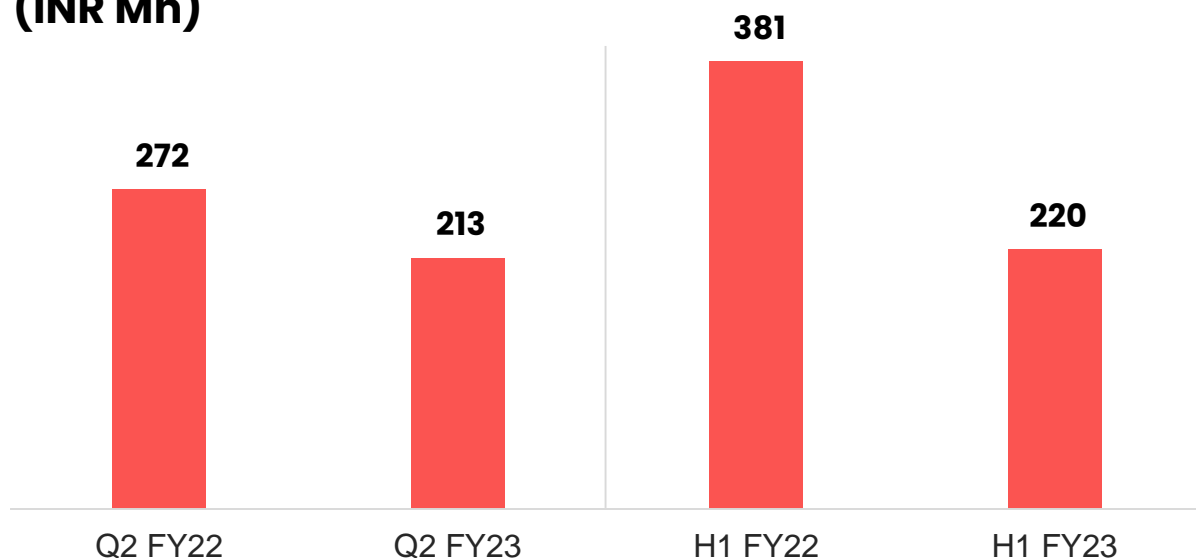
**PAT margin stood at 1%**

- After withstanding unusually high RM prices over last two quarters, the company has reported a turnaround performance with positive PAT in Q2 FY23
- Given the trend of reducing input prices along with rising volumes, the company plans to further enhance profitability throughout the rest of the financial year

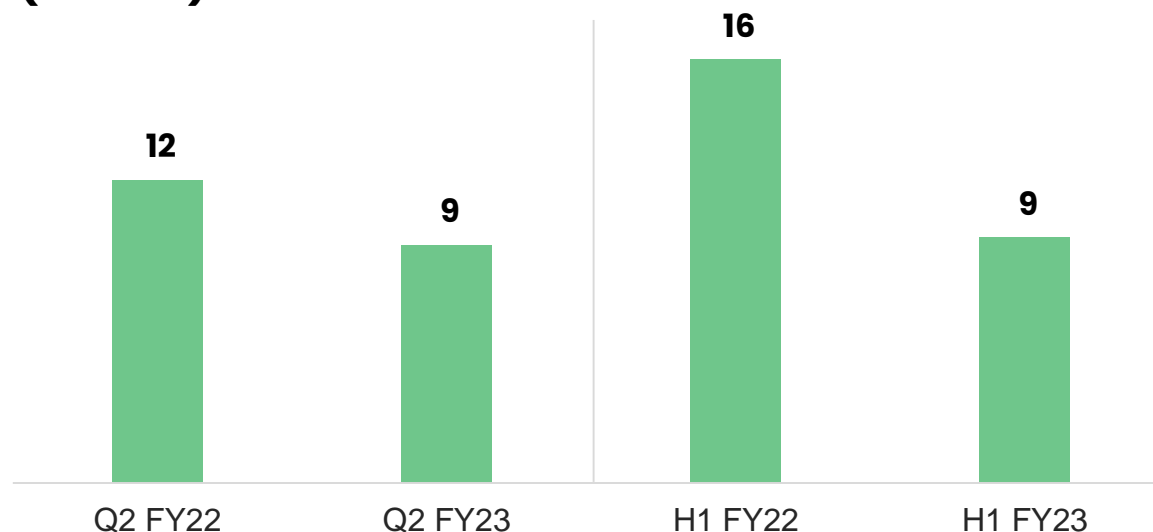


# FINANCIALS – Q2 & H1 FY'23 PERFORMANCE

## Cash profit (INR Mn)



## Cash EPS (INR Mn)



### Resumed generating healthy levels of Cash Profit

- Cash profit substantially higher on a sequential quarter basis
- Cash profit in Q2 FY23 is ~5x of PAT

### 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



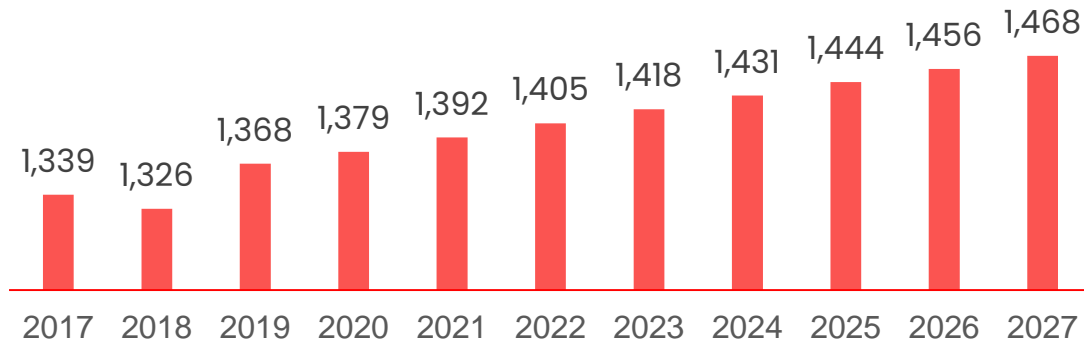
# **EVOLVING TASTES:**

## ***Industry Overview***



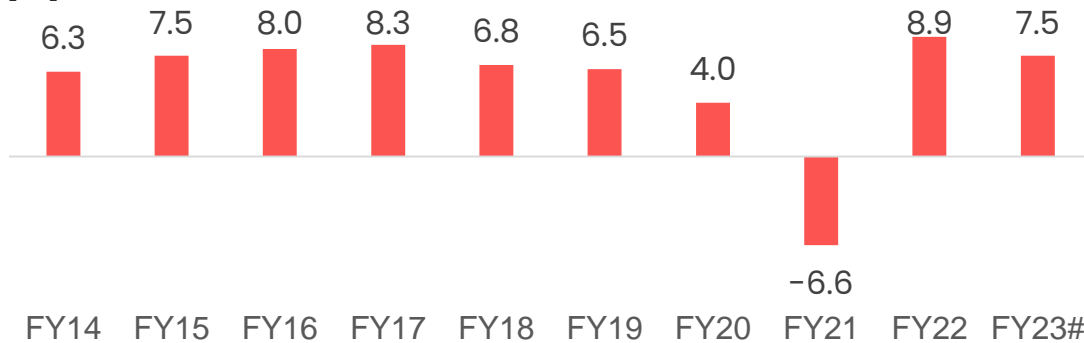
# Favourable Demographics Supporting Industry Growth

## India Population Trend (Millions)



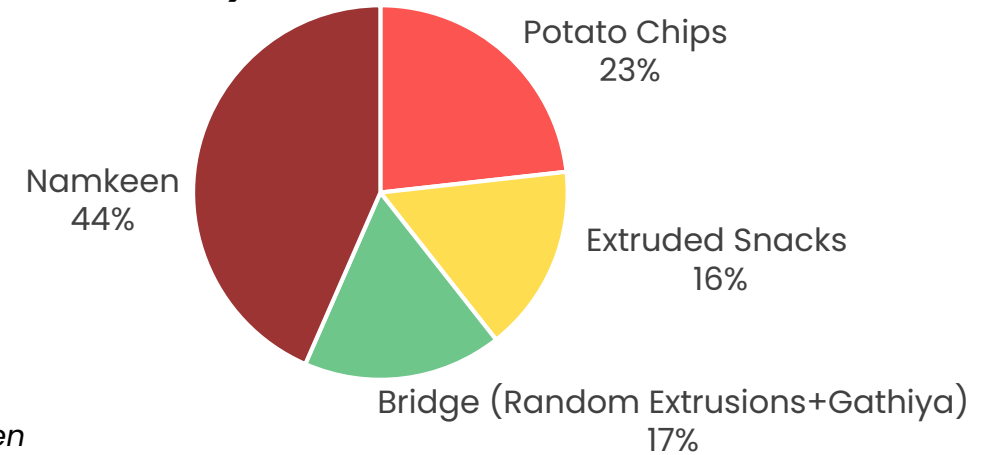
Source: Statista April 2022

## India GDP Growth (%)



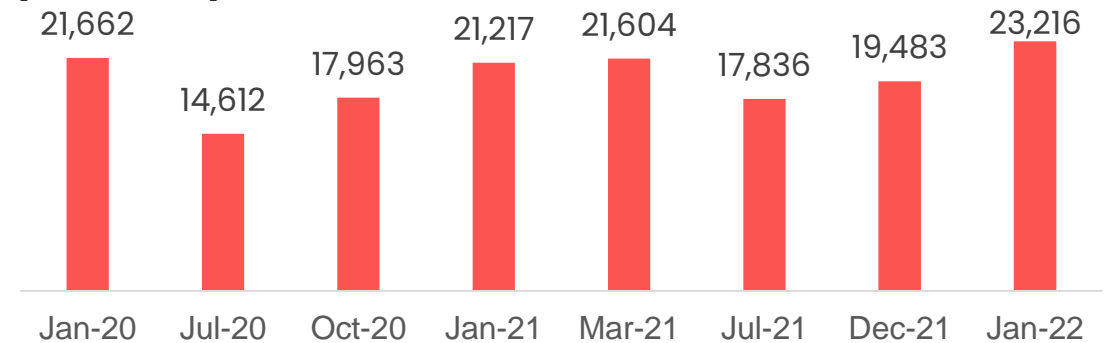
Source: NSO Second Advance Estimates as on 28th Feb 2022  
#SPF report by RBI dated 8th April, 2022)

## Total Organized Snacks Food Market Size ~40,000 Crores (Last 12 months)



Source: Nielsen

## Consumer spending in India (Rs. Billion)



Source: Statista, March 2022



# THANK YOU!



**Sumit Sharma**

Prataap Snacks Ltd

Email: [cfo@yellowdiamond.in](mailto:cfo@yellowdiamond.in)



**Mayank Vaswani / Mit Shah**

CDR India

Tel: +91 98209 40953 / +91 99201 68314

Email: [mayank@cdr-india.com](mailto:mayank@cdr-india.com) /  
[mit@cdr-india.com](mailto:mit@cdr-india.com)

