

PRATAAP SNACKS LIMITED

Q1 FY23 - Results Presentation



August 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.



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Q1 FY23 Results

Financial Overview



In Q1 FY23, PSL reported:

- Revenue of Rs. 3,825.7 million, registering growth of 37% yoy
- Operating EBITDA of Rs. (19.5) million, translating to a margin of (0.5)%
- PAT stood at Rs. (113.9) million
- EPS (Diluted) stood at Rs. (4.86) per share

Operational Overview



- Reported strong revenue growth of 37% yoy in Q1 FY23 on the back of normalized activity across our retail presence
 - Registered healthy volume traction across major product categories assisted by an uptick in consumption across key geographies
 - Enhanced distribution network led by initiatives like direct distribution model and deeper penetration in focused markets positively contributed to volumes performance
- Inflationary pressures continued to be severe during Q1 for key raw materials like palm oil and packaging
 - The combined effect of the raw material price inflation and supply chain disruptions led to an adverse impact of ~900 basis points on EBITDA during the quarter on yoy basis
 - The inflationary pressures were partially offset by the ongoing cost optimization initiatives, gradual implementation of the direct distribution model, grammage rationalization and higher price realization. This restricted the impact on gross margin in the quarter
- Implementation of direct distribution model was accelerated and has been completed in all regions, ahead of schedule
 - The direct distribution model supported by continuous process re-engineering and cost optimisation initiatives positions us towards an elevated margin profile
- Recognised PLI Incentive of Rs 42.5 Mn during the quarter ended 30 June 2022

Approval under Performance Linked Incentive ('PLI') Scheme



- The company has received approval under the PLI scheme of the Government of India under 'Ready to Eat' segment
- All the 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 benefit is available including growth in Avadh sales
- 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 investment commitment aggregates to ~ Rs.105 crore, of which PSL has already invested Rs. 40 crores with the balance to be invested before March 2023



Normalisation of Activities

- Footfall and activity levels across all of the touchpoints have returned to pre-covid levels
- All retail touchpoints are now fully operational and well-positioned for the increased demand
- With the resumption of physical attendance at schools, we expect the demand for key products to increase further



Continued Deeper Penetration

- Continuing to enhance geographical reach in key markets by adding new retail touchpoints, present in ~21.8 lakhs outlets as of Mar'22, an addition of ~1.51 lakhs outlets in FY22
- Initiatives like tele-calling is being rolled out in a phased manner which is helping to improve distribution efficacy
- Using a mix of data and analysis, feedback from local sales team and software to identify distribution gaps

Measures To Enhance Profitability and Returns

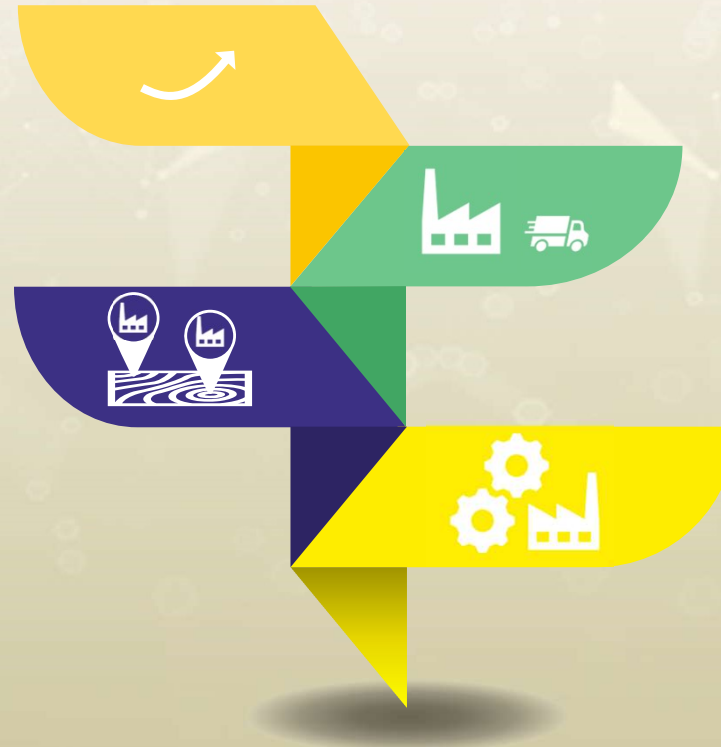


Bottom slicing

- Reasons for lesser volumes were identified, and levers were 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



Commenting on Q1 FY23 performance, Mr. Amit Kumar - Managing Director & CEO, Prataap Snacks Limited said:

“We are pleased to start FY23 on a strong note with robust revenue growth of 37% yoy in the first quarter. This has been driven by a steady uptick in consumption as well as the calibrated expansion in our distribution network. After two challenging years, this year starts with a more steady local backdrop characterised by the normalisation of activity levels and demand across our retail touchpoints.

Operationally, the sharp inflation in the prices of key raw materials especially palm oil have exerted significant pressure on profitability. Our continued efforts of cost optimization, gradual implementation of the direct distribution model, better price realisation and grammage rationalization helped restrict the impact on our margins. These process improvements and structural changes undertaken, have positioned us towards an elevated margin profile, once we revert towards a normalised raw material environment.

In recent weeks, there has been a reversal in commodity prices from the unusually elevated levels witnessed during Q1. This will favourably impact the economics of our business enabling us to improve margins and overall profitability. Combined with the strong sales momentum being witnessed, the outlook is favourable in terms of sustained growth as well as improved profitability. We are striving to build on this further in the quarters ahead.”

Abridged P&L Statement

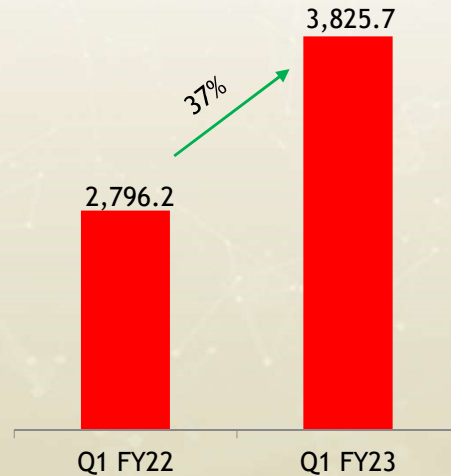


Particulars	Q1 FY'23	Q1 FY'22	Y-o-Y Change
Income from Operations	3,825.7	2,796.2	37%
Raw Material Cost	2,954.5	2,125.4	39%
Gross Profit	871.2	670.8	30%
<i>Gross Margin</i>	22.8%	24.0%	-120 Bps
EBITDA	(19.5)	110.8	-118%
<i>EBITDA Margin</i>	(0.5%)	4.0%	-450 Bps
Depreciation	140.7	131.1	7%
Interest	17.0	16.2	5%
Profit After Tax	(113.9)	(15.90)	-616.4%
EPS (Diluted) in Rs.	(4.86)	(0.68)	-616.4%

Financials - Q1 FY'23 Performance

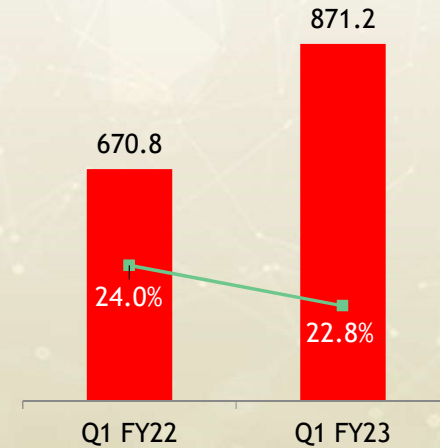


Income From Operations



Gross Margin (%)

■ Gross Margin ■ Margin (%)

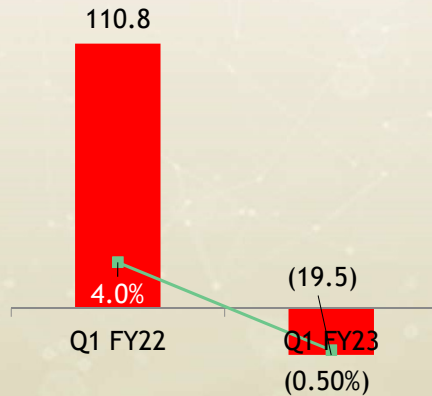


- Income from operations in Q1 FY'23 stood at Rs.3,825.7 Mn registering a strong growth of 37% yoy
- Gross margin stood at 22.8% in Q1 FY'23
 - The raw material price inflation has led to an adverse impact of ~900 basis points in the gross margin
 - The impact of inflationary pressures was largely offset by the ongoing cost optimization initiatives, gradual implementation of the direct distribution model, grammage rationalization and higher price realisation

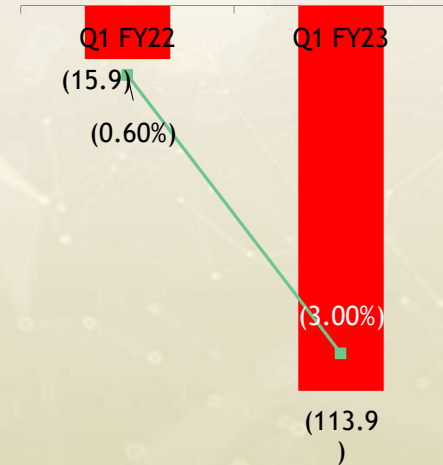
Financials - Q1 FY'23 Performance



EBITDA Margin (%)



PAT Margin (%)



- EBITDA for Q1 FY'23 stood at Rs. (19.5) Mn, due to severe pressure of higher input cost
- Profit after Tax for FY'23 stood at Rs. (113.9) Mn



Company Overview

Prataap Snacks at a Glance



Diverse Product Portfolio



POTATO CHIPS

- Potato based snack
- SKUs: 7 flavours
- Target group: All



CHULBULE

- Rice grit & Corn grit based snack
- SKUs: 5 flavours
- Target group: Youth & Children



RINGS, KURVES,
PUFF & Stix

- Corn grit based snack
- Market leader in Rings
- SKUs: 11 flavours
- Target group: Children



NAMKEEN

- Gram and other lentils based
- SKUs: 26 varieties
- Target group: All



PELLET SNACKS

- Wheat based
- SKUs: 22 flavours and varieties
- Target group: Children



Sweet Snacks

- Cake variations with Chocolate fillings
- SKUs: 10 flavour
- Target group: Children and Youth



NAMKEEN &
FRYUMS

- Namkeen and Fryums catering to local tastes
- SKUs: over 59 varieties
- Target group: All

Diverse product portfolio at strategic price points and pack sizes



Leading and fourth largest snacks brand in Gujarat



Strong presence in Gujarat, one of the largest market



30% revenue CAGR over the past 6 years



Avadh Snacks delivered positive growth in FY22 yoy

Product Portfolio

Namkeen



Key Products: Bhavnagri Gathiya, Sada Mamra, Papdi Gathiya, Chavanu, Lasaniya Mamra

Price Point: Rs. 5, 10, 30, 50

SKUs: 41+ varieties

Target group: Adults

Fryums



Key Products: Tomato Cup, Salted reffil, Masala cup, Chiji Noodles, Salli, White crunchy papad

Price Point: Rs. 5, 10

SKUs: 18+ varieties

Target group: All

Avadh Snacks - Unique Business model & Expansion plans



Business Model

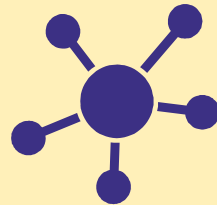


Avadh has a Unique Business model

- Value Player offering higher value for Money to consumers.

Direct Distribution model

- Manufacturing facility at Rajkot and a well-oiled distribution network in Gujarat
- Established facility in close proximity to markets to reduce distribution costs
- Direct supplies to distributors without any C&F / super stockist



Expansion plans

Increased capacity of Rajkot facility by 50% post acquisition

To expand Avadh's products in neighboring markets initially

Pan India expansion using Prataap's existing distribution

Sweet Snacks Portfolio



Cookie-Cake

- SKU's - 1
- Target group - Youth and Children



Center Filled Cup Cake

- SKU's - 2
- Target group - Youth and Children



Choco Vanilla Cake

- SKU's - 1
- Target group - Youth and Children



Yum Cake

- SKU's - 1
- Target group - Youth and Children



Tiffin Cake

- SKU's - 1
- Target group - Youth and Children



Sandwich Cake

- SKU's - 1
- Target group - Youth and Children

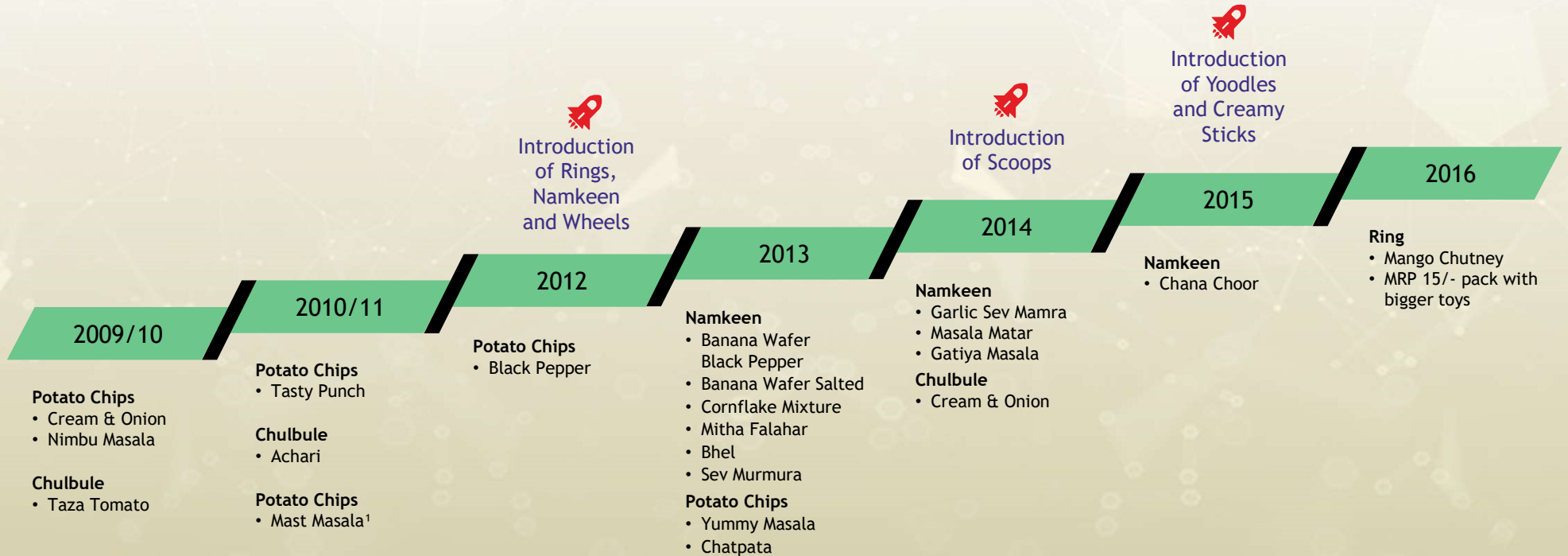


Swiss Roll

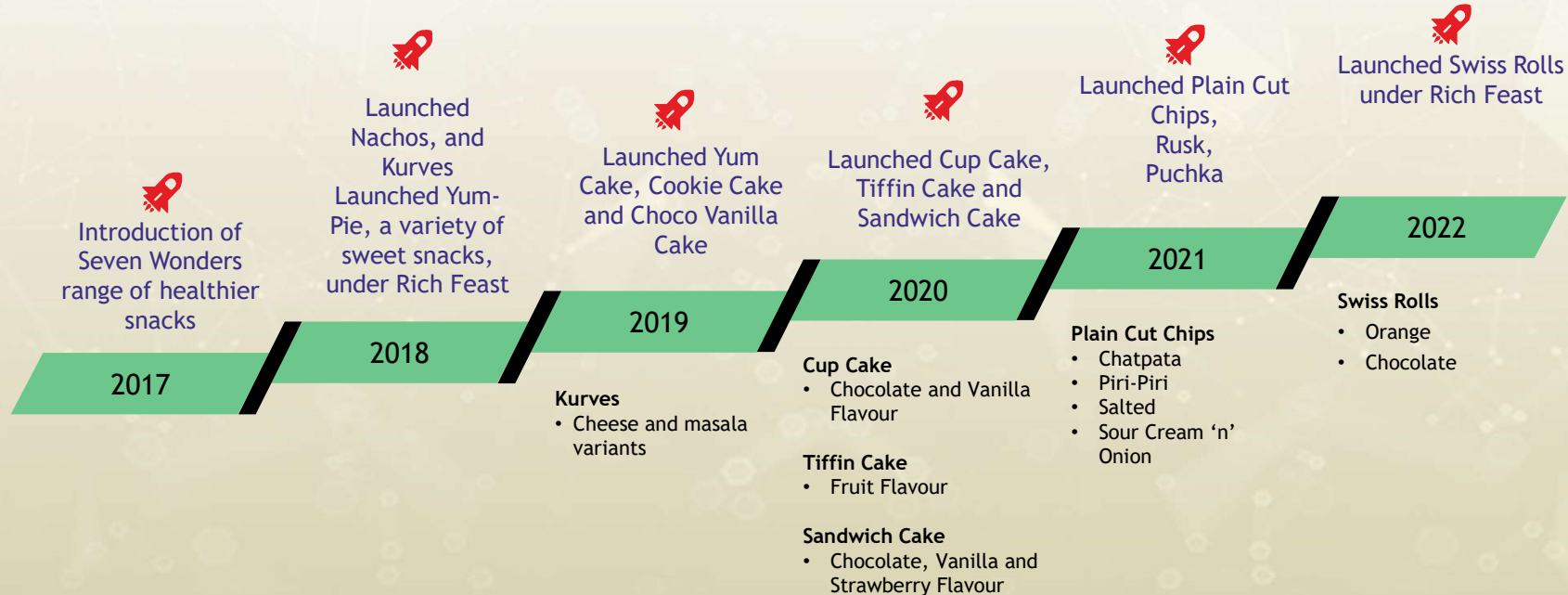
- SKU's - 2
- Target group - Youth and Children

Diverse product portfolio at strategic price points and pack sizes

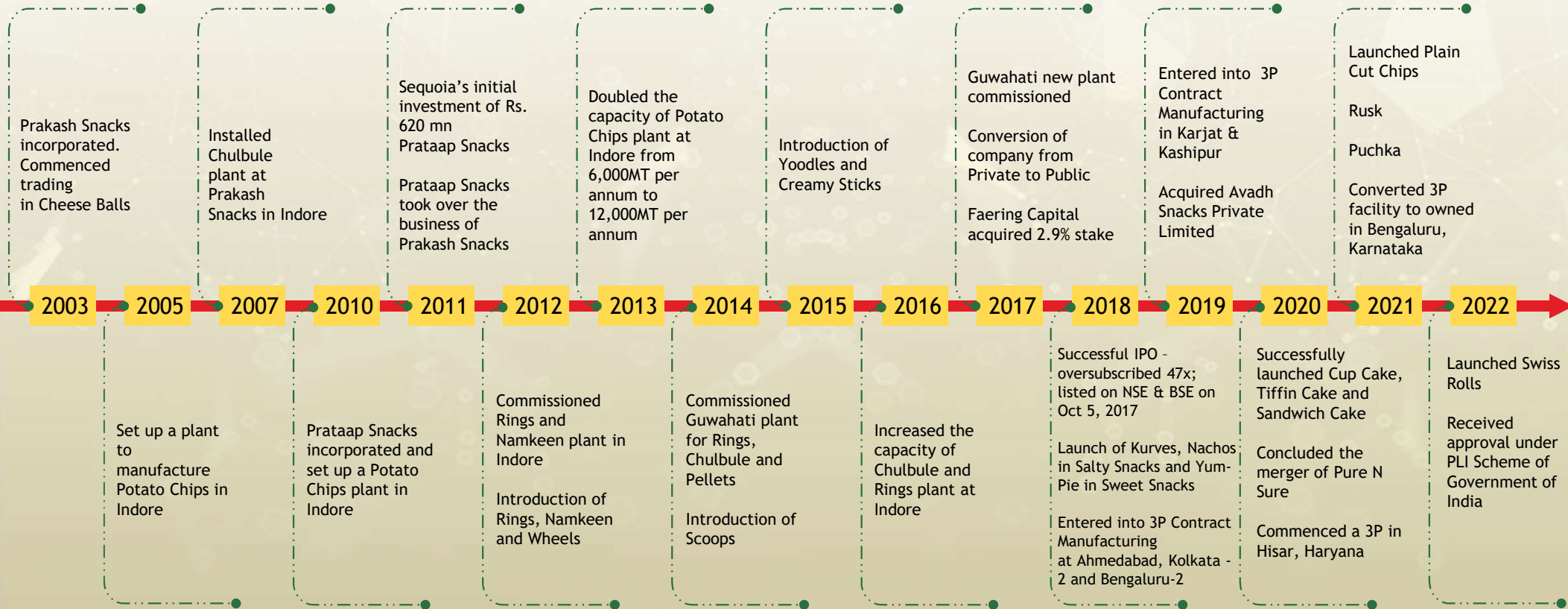
Track Record of Innovation (1/2)



Track Record of Innovation (2/2)



Key Milestones

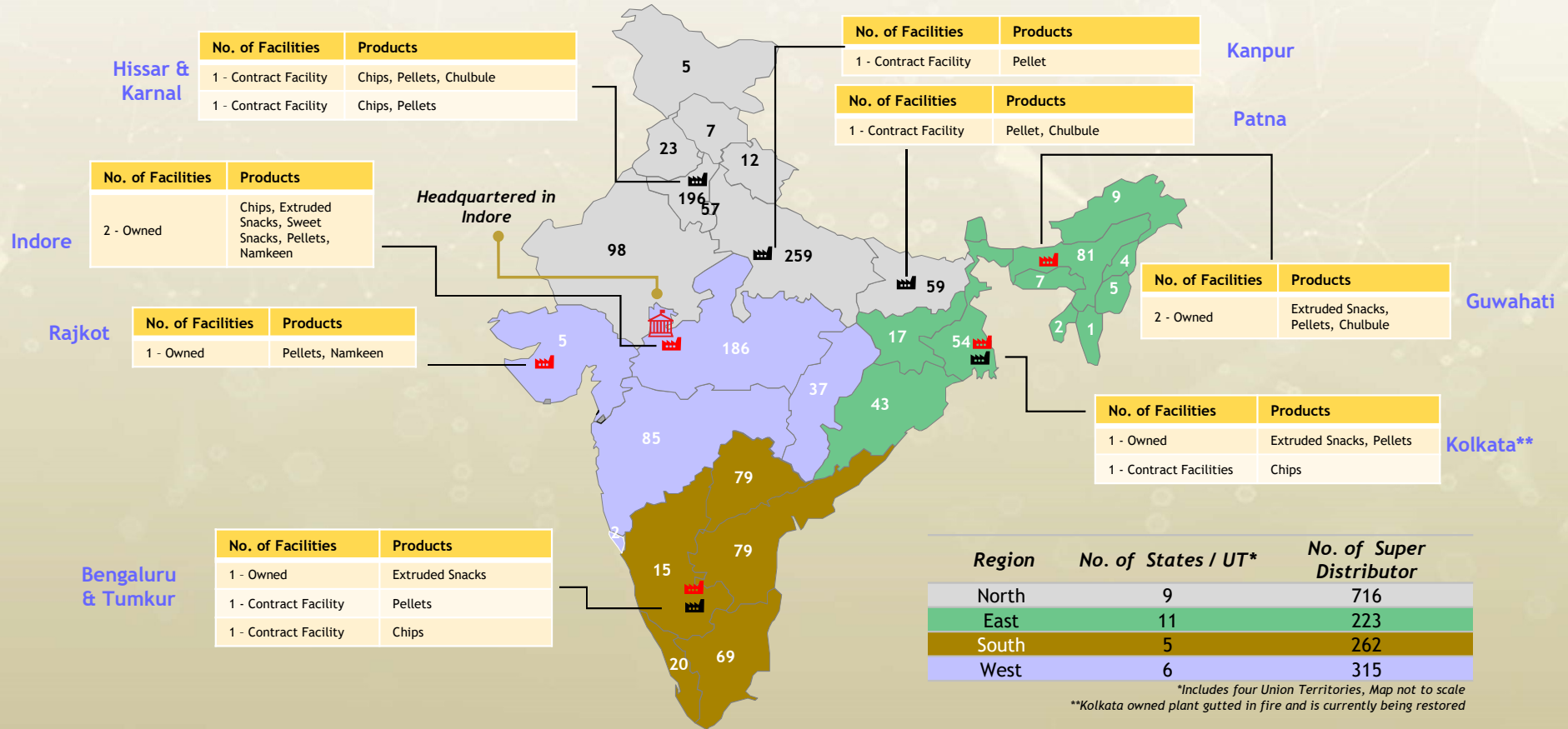


Note: As per Financial Year

Pan India Presence



Strategically located Manufacturing facilities to cater the regional demand



Guided by an Accomplished Board



Arvind Mehta

Chairman & Executive Director

Over 33 years of experience in real estate business along with over 18 years in the snacks food industry and in the financing business



Amit Kumat

Managing Director & CEO

Managing Director and Chief Executive Officer
Over 26 years in the snacks food industry



Apoorva Kumat

Executive Director (Operations)

Over 26 years of experience in the snacks food industry



G.V. Ravishankar

*Non-Executive Nominee Director
MD (Sequoia Capital)*

Over 21 years in management consultancy & PE investments. Previously worked at McKinsey & Company and Wipro Technologies



Vineet Kumar Kapila

Independent Director

Ex-COO (RPC North of United Spirits) & earlier MD (Spencer's Retail)



Chetan Kumar Mathur

Independent Director

Ex-CFO PepsiCo India (Snacks)
33 years of experience in F&B industry, worked with PepsiCo India for 23 years



Bharat Singh

*(Alternate Director for Mr. G.V. Ravishankar)
Non-Executive Nominee Director*

Operating Partner (Sequoia Capital) Over 22 years of experience in finance and business management. Previously worked as CFO with redBus.



Mr. V.T. Bharadwaj

Independent Director

General Partner at A91 Partners
Over 21 years in management consultancy & PE investments. Previously worked with Sequoia Capital and McKinsey & Company



Anisha Motwani

Independent Director

Partner (Storm the Norm Ventures)
Earlier with General Motors India & Max Life Insurance Company

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

Helmed by a Professional Management Team



Corporate functions



Mr. Arvind Mehta
Chairman & Executive Director

Over 33 years of experience in real estate business along with over 18 years in the snacks food industry and in the financing business



Mr. Amit Kumat
Managing Director and Chief Executive Officer

Over 26 years in the snacks food industry



Mr. Apoorva Kumat
Executive Director (Operations)

Over 26 years of experience in the snacks food industry

Helmed by a Professional Management Team



Corporate functions



Mr. Sumit Sharma
Chief Financial Officer

Member of Institute of Chartered Accountants of India. He has over 20 years of experience in accounting, finance, banking and taxation and worked with Crompton Greaves, L&T and New Holland Group



Mr. Awadh B. Singh
General Manager Sales - East

He holds bachelor degree in Science. He has over 34 years of experience in the FMCG industry and worked with Prakash Snacks and Hello Agro



Mr. Mahesh Purohit
General Manager Sales - West

He holds bachelor degree in Commerce. He has over 25 years of experience in the FMCG industry and worked with Parke-Davis, BPL Synergy and Candico

Helmed by a Professional Management Team



Corporate functions



Mr. D.V. Praveen Kumar
General Manager Sales - South

He holds bachelor degree in Commerce. He has over 34 years of experience in the field of beverages & food, FMCG, dairy, confectionaries, cosmetics and edible and worked with PepsiCo for more than 22 years



Mr. Om Prakash Pandey
Company Secretary and Compliance Officer

Fellow Member of the Institute of Company Secretaries of India. He has over 16 years of experience in corporate laws and secretarial matters and worked with NSE, Great Offshore, Avantika Gas and Universal Cables

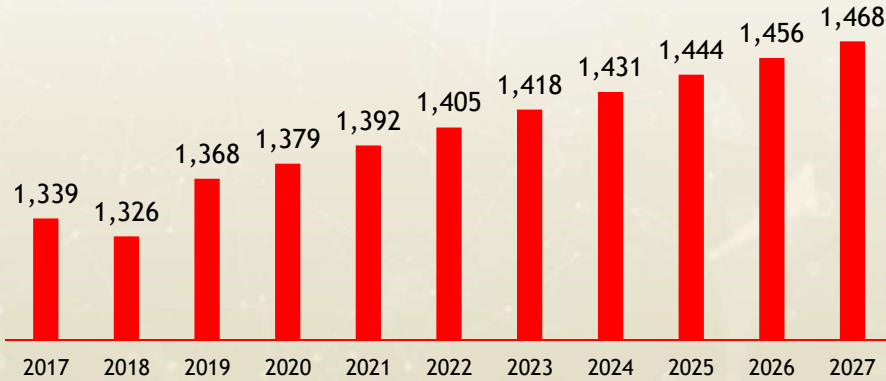


Industry Overview

Favourable Demographics Supporting Industry Growth



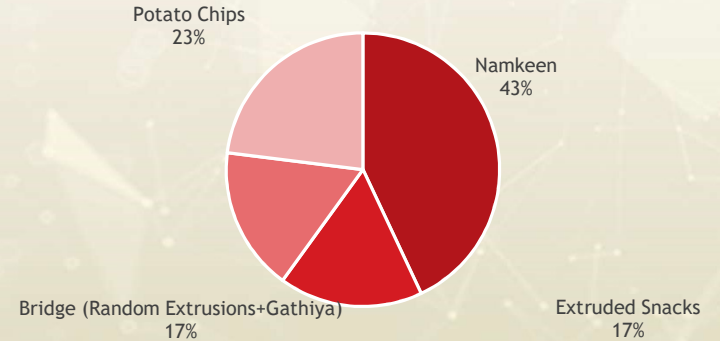
INDIA POPULATION TREND (MILLIONS)



Source: Statista April 2022

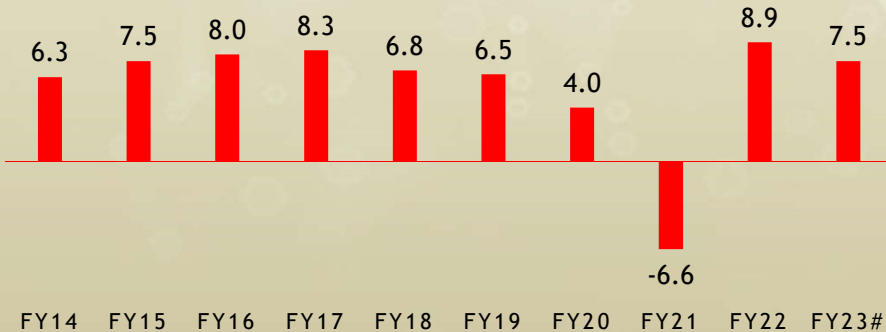
TOTAL ORGANIZED SNACKS FOOD MARKET SIZE 33,000 CRORES (CY 21)

PRODUCT WISE SPLIT



Source: Nielsen

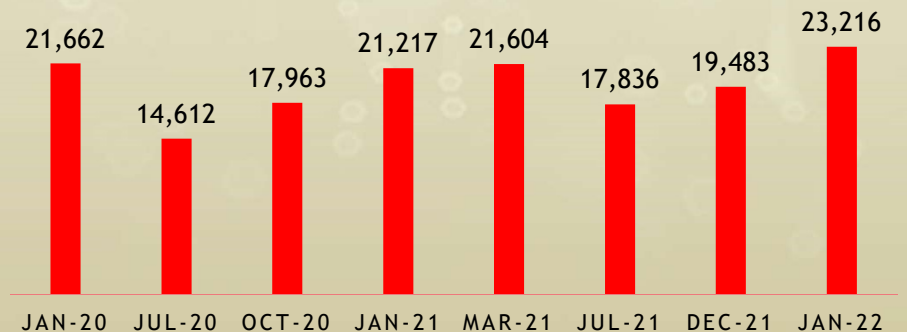
INDIA GDP GROWTH (%)



Source: NSO Second Advance Estimates as on 28th Feb 2022

#SPF report by RBI dated 8th April, 2022)

CONSUMER SPENDING IN INDIA (RS. BILLION)



Source: Statista, March 2022

About Prataap Snacks Ltd.



Prataap Snacks Limited (PSL) is a leading Indian Snacks Food Company. It offers multiple variants of products across categories of Potato Chips, Extruded Snacks, Namkeen (traditional Indian snacks) under the popular and vibrant Yellow Diamond and Avadh brands. It has recently launched a range of sweet snacks under the distinctive Rich Feast brand. PSL is focused on offering deep value to consumers through a variety of pack sizes at attractive price points. Its products are present across 27 states and 4 union territories in India, and it is one of the fastest growing companies in the organized snacks industry.

Headquartered in Indore, India; PSL operates 14 manufacturing facilities of which 7 facilities (Indore 1&2, Assam 1&2, Bengaluru, Kolkata and Rajkot) are owned and 7 facilities (Kolkata, Bengaluru (2), Kanpur, Karnal, Patna and Hissar) are on contract manufacturing basis. Its distribution network includes more than 1,500 super distributor and more than 3,700 sub-distributors allowing it extensive reach across the country. PSL has a wide presence that is equally spread in metro cities and urban clusters as well as in rural areas and Tier 2 and 3 cities and towns. Its products are available at independent grocers and small retail stores in the lanes and bylanes of its key markets and it is now building up its presence in supermarkets, hypermarkets and modern trade outlets.

Led by an able and experienced leadership and guided by an accomplished Board of Directors, PSL is a socially responsible corporate citizen with a strong focus on Corporate Governance and Internal controls. PSL is listed on the Bombay Stock Exchange (BSE:540724) and National Stock Exchange (NSE:DIAMONDYD) in India.

Sumit Sharma

Prataap Snacks Ltd

Email: cfo@yellowdiamond.in

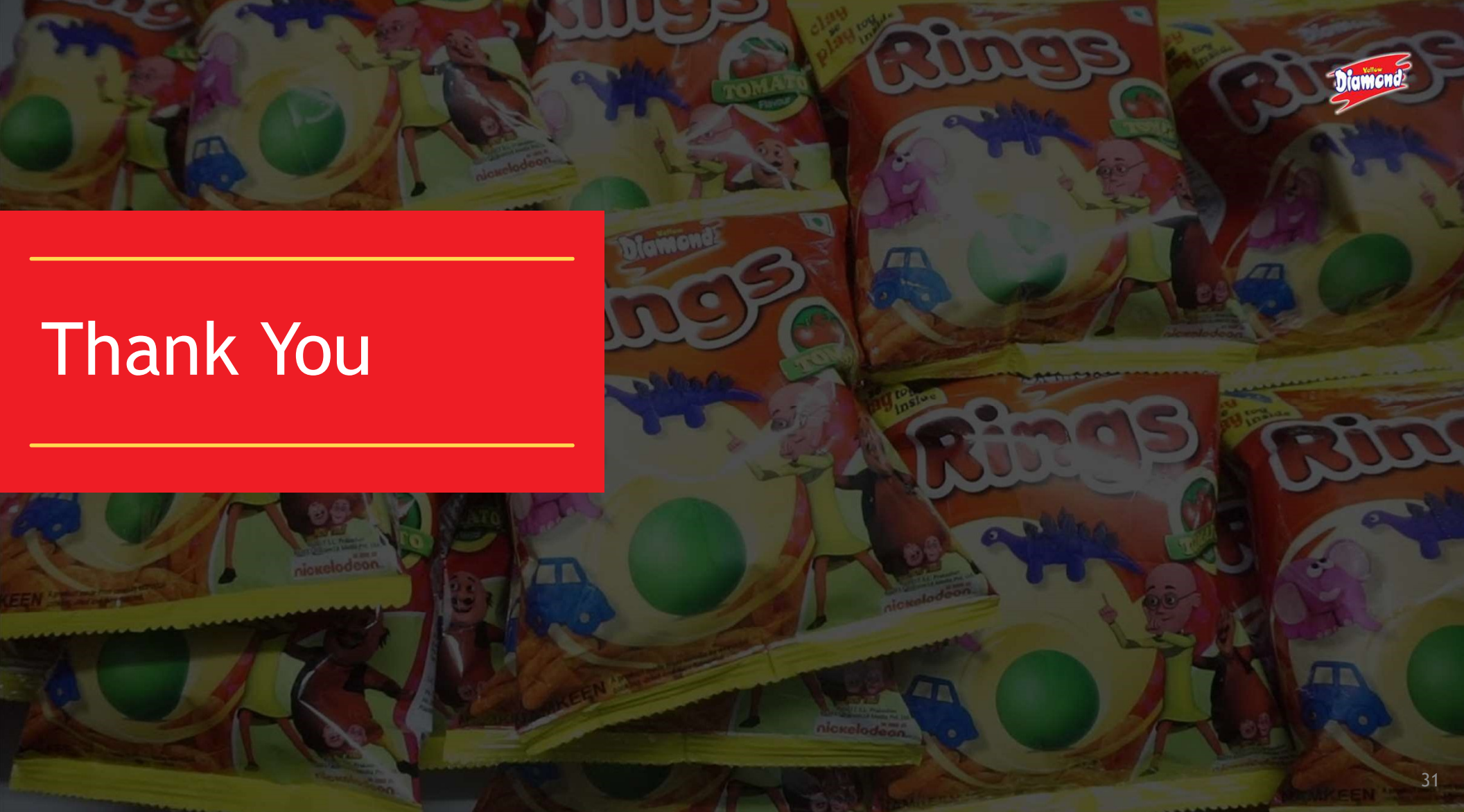
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Thank You
