

PRATAAP SNACKS LIMITED

Q3 & 9M FY22 - Results Presentation



February 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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Q3 & 9M FY22 Results

Financial Overview



In Q3 FY22, PSL reported:

- Revenue of Rs. 3,849.5 million, registering growth of 13.5% yoy
- Operating EBITDA of Rs. 181.1 million, translating to a margin of 4.7%
- PAT* stood at Rs. 47.4 million grew by 4.1% yoy
- EPS* (Diluted) stood at Rs. 2.02 per share

In 9M FY22, PSL reported:

- Revenue of Rs. 10,351.6 million, registering growth of 20.2% yoy
- Operating EBITDA of Rs. 533.7 million, translating to a margin of 5.2%
- PAT* improved to Rs. 180.7 million grew by 157.0% yoy
- EPS* (Diluted) stood at Rs. 7.70 per share

- Reported revenue growth of 14% against the backdrop of a steadily normalising macro-environment
 - Most Products across the portfolio have registered volumes higher than pre-Covid levels
 - Improved efficacy of existing distribution network due to tele-calling coupled with distribution expansion in focus markets have positively contributed to volumes

- The initiatives implemented in the previous quarters to compress the distribution network have assisted in partially mitigating the impact of rising input costs
 - These initiatives have been rolled out in key markets of the North and West region and will be extended to other regions in a phased manner
 - Continue to undertake process re-engineering and cost optimisation initiatives

Operational Overview



- Continued to face elevated prices for palm oil while other key raw materials such as laminates and corrugated boxes also spiked up this quarter, effects of which were partially offset by cost-saving initiatives
 - The combined effect of the raw material price inflation has led to an adverse impact of ~800 Bps on EBITDA in Q3 FY22 on a yoy basis
 - The above adverse impact is largely mitigated by the direct distribution initiatives, better realisations and cost optimization measures

- Recorded an exceptional loss due to fire at the Kolkata facility
 - The assets were insured, and the Company has initiated the process of filing the insurance claim
 - The facility is being restored and meanwhile business continuity has been ensured through the Guwahati facility
 - Adjusting for this one-time loss, PAT stood at Rs. 47.4 Mn for Q3 FY22

- ICRA recently assigned a long-term rating of A+ to the bank facilities of Rs. 420 Mn and reaffirmed the long-term rating of A+ assigned earlier to the Rs. 580 Mn bank facilities of the Company
 - The Outlook of the long-term rating is Stable

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. 15 crores with the balance to be invested between us and our contract manufacturing partners before March 2023



Resumption of Activities

- With the gradual reopening of the economy, footfall is returning to pre-covid levels in most of our touchpoints
- Enhancing geographical reach in focused markets
- All retail touchpoints are fully operational and well-positioned for the expected increase in demand as the activities return to normalcy
- Re-opening of schools is expected to restore demand for our products which are highly popular with children



Deeper Penetration

- Initiatives like tele-calling is being rolled out in a phased manner which is helping to improve distribution efficacy
- Have increased the reach during the quarter which is moving as per the plan for the full year
- 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



Expanding 3P tie-ups

- PSL has set up 6 3P facilities in last 3 years
- Contribution of 3P facilities increased from 8% to 25% of sales in last 3 years
- Implementing asset light model

Compressing of Distribution Structure

- PSL is implementing direct distribution from its various plants across regions
- This results in savings through lower trade margins and freight optimization

Establishing hubs across India

- PSL has identified facilities at Hisar and Bengaluru for upgradation into hubs
- These hubs will have the entire product range and cater to proximate markets in order to optimise distribution with cost efficiency



Commenting on Q3 & 9M FY22 performance, Mr. Amit Kumar - Managing Director & CEO, Prataap Snacks Limited said:

“We continue to rebuild our growth trajectory and have delivered an improved performance against the backdrop of gradual normalisation in the overall consumption environment. Revenue growth was healthy at 14% YoY driven by improved volumes which have surpassed pre-covid levels across most of the products categories. During the quarter, we have received approval from the Government of India under PLI scheme for expansion in food processing under the ready-to-eat category. Our investment commitment aggregates to ~ Rs.105 crore, of which we have already invested Rs. 15 crores with the balance to be invested between us and our contract manufacturing partners before March 2023. This will enhance our capacities and further strengthen our manufacturing footprint.

Operational challenges remain with palm oil prices remaining elevated during the quarter. In addition, there was a notable increase in the prices of laminates, which is a key raw material for our packaging process. Our cost optimisation programmes and implementation of the direct distribution model has enabled us to significantly mitigate the inflationary cost pressures. In Q3 FY22, our profitability was impacted by an exceptional expense of Rs. 14 crores, on account of loss caused by a fire at our Kolkata plant. The insurance claim is in process, and we expect to substantially recover this loss once the claim is settled in the coming quarters.

We did witness some disruptions on account of increasing restrictions from the third wave of Covid, but we are now seeing an easing of restrictions in most states. With our focus on direct distribution and tele-calling aiding an increased and more efficient footprint we are well-positioned to grow topline while cost reduction initiatives are contributing to the structural improvement in margins. With a wide product range and robust balance sheet we remain confident of delivering sustainable growth over the medium term”.

Abridged P&L Statement



Particulars	Q3 FY'22	Q3 FY'21	Y-o-Y Change (%)	9M FY'22	9M FY'21	Y-o-Y Change (%)
Income from Operations	3,849.5	3,391.2	14%	10,351.6	8,615.5	20%
Raw Material Cost	2,844.8	2,448.4	16%	7,633.6	6,143.5	24%
Gross Profit	1,004.7	942.8	7%	2,718.0	2,472.0	10%
<i>Gross Margins</i>	26.1%	27.8%	-170 Bps	26.3%	28.7%	-243 Bps
EBITDA	181.1	175.6	3%	533.7	491.4	9%
<i>EBITDA Margins</i>	4.7%	5.2%	-48 Bps	5.2%	5.7%	-54 Bps
Depreciation	132.8	128.1	4%	398.6	414.6	-4%
Interest	15.4	14.8	4%	47.0	48.2	-2%
Profit After Tax*	47.4	45.5	4%	180.7	70.3	157%
EPS* (Diluted) in Rs.	2.02	1.94	4%	7.70	3.00	157%

* EXCLUDING EXCEPTIONAL ITEM DUE TO LOSS BY FIRE AT KOLKATA PLANT

CONSOLIDATED FINANCIALS, IN RS. MILLION EXCEPT AS STATED

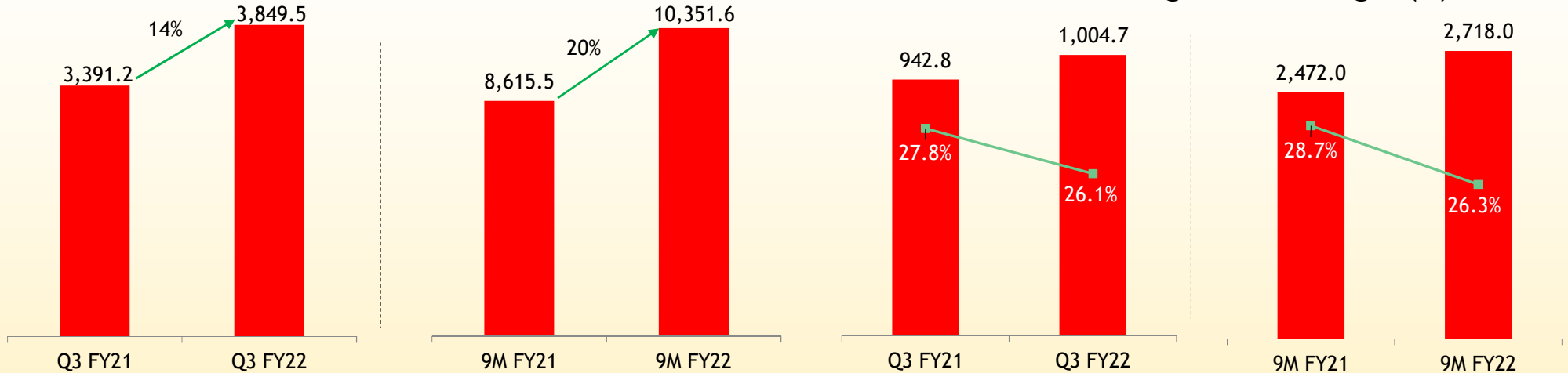
Financials - Q3 & 9M FY'22 Performance



Income From Operations

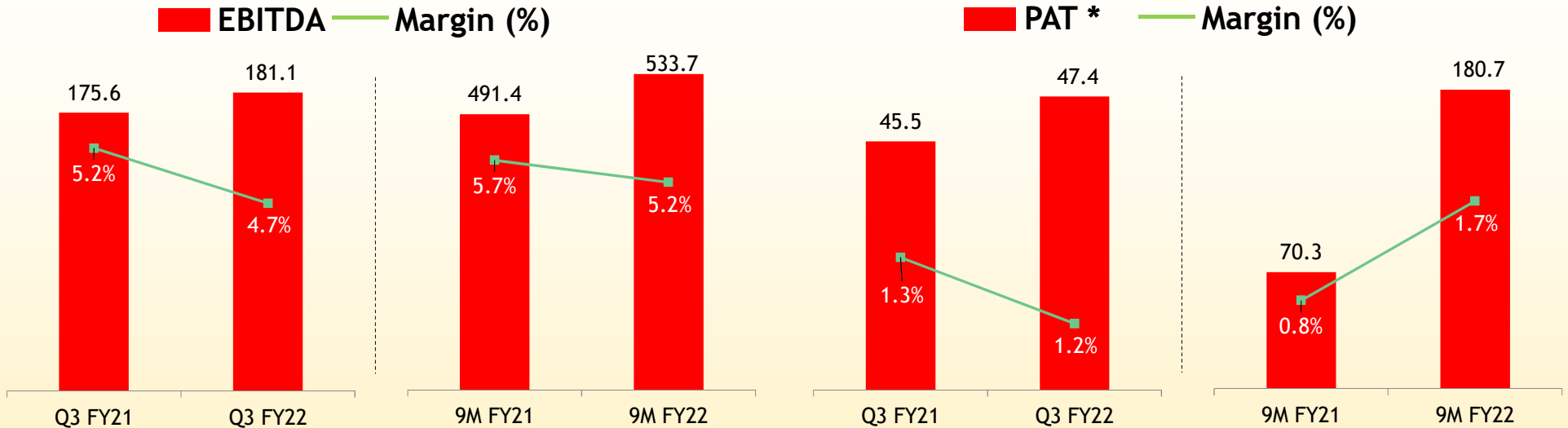
Gross Margin (%)

■ Gross Margin — Margin (%)



- Income from operations in Q3 FY'22 stood at Rs.3,849.5 Mn registering a growth of 14% yoy
- Gross margins stood at 26.1% in Q3 FY'22
 - The raw material price inflation has led to an adverse impact of ~800 Bps on gross margin in Q3 FY22 on a yoy basis
 - Mitigated the impact of higher input prices to a large extent through direct distribution initiatives, better realisations and cost optimization measures

Financials - Q3 & 9M FY'22 Performance



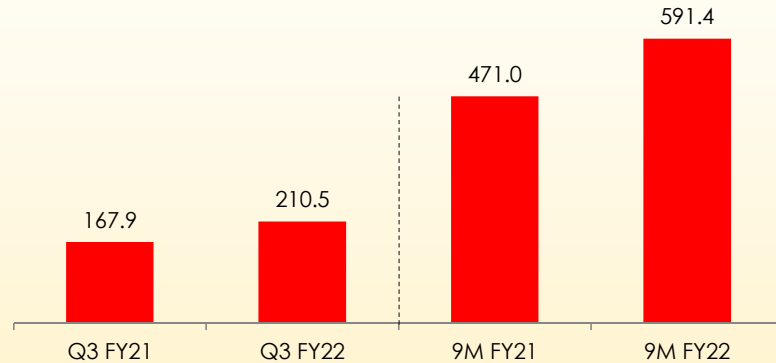
- EBITDA for Q3 FY'22 grew by 3% Y-o-Y to Rs. 181.1 mn in spite of severe pressure of higher input cost
- Profit after Tax* for Q3 FY'22 stood at Rs. 47.4 million

* EXCLUDING EXCEPTIONAL ITEM DUE TO LOSS BY FIRE AT KOLKATA PLANT

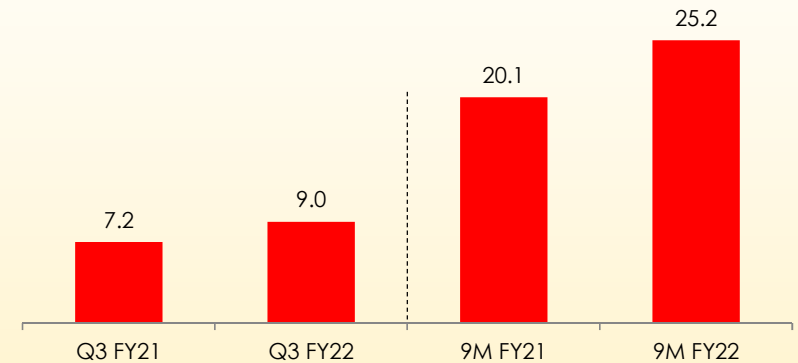
Financials - Q3 & 9M FY'22 Performance



Cash Profit *



Cash EPS *



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

* EXCLUDING EXCEPTIONAL ITEM DUE TO LOSS BY FIRE AT KOLKATA PLANT

CONSOLIDATED FINANCIALS, IN RS. MILLION



Company Overview

Prataap Snacks at a Glance



*[7 Inhouse plants and 8 contract manufacturing units (3P)]

Diverse Product Portfolio



POTATO CHIPS

- Potato based snack
- SKUs: 10 flavors
- Target group: All



CHULBULE

- Rice grit & Corn grit based snack
- SKUs: 7 flavours
- Target group: Youth & Children



RINGS, KURVES & PUFF

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



NAMKEEN

- Gram and other lentils based
- SKUs: 22 varieties
- Target group: All



PELLET SNACKS

- Wheat based
- SKUs: 25 flavours
- Target group: Children



CUP CAKE, TIFFIN CAKE, SANDWICH CAKE & SWISS ROLL

- Cake variations with Chocolate fillings
- SKUs: 11 flavour
- Target group: Children and Youth



NAMKEEN & FRYUMS

- Namkeen and Fryums catering to local tastes
- SKUs: over 55 varieties
- Target group: All

Diverse product portfolio at strategic price points and pack sizes



Fastest growing and fourth largest snacks player in Gujarat



~6% market share in Gujarat, one of the largest market



25% revenue CAGR over the past 5 years



Avadh Snacks delivered positive growth in 9M FY22 yoy

Product Portfolio

Namkeen



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

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

SKUs: 34+ 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: 21+ varieties

Target group: All

Avadh Snacks - Unique Business model & Expansion plans



Business Model

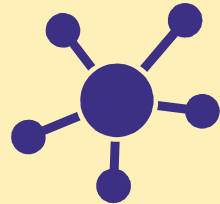


Avadh has a Unique Business model

- Super 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% in Q1 FY21

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 - 2
- Target group - Youth and Children

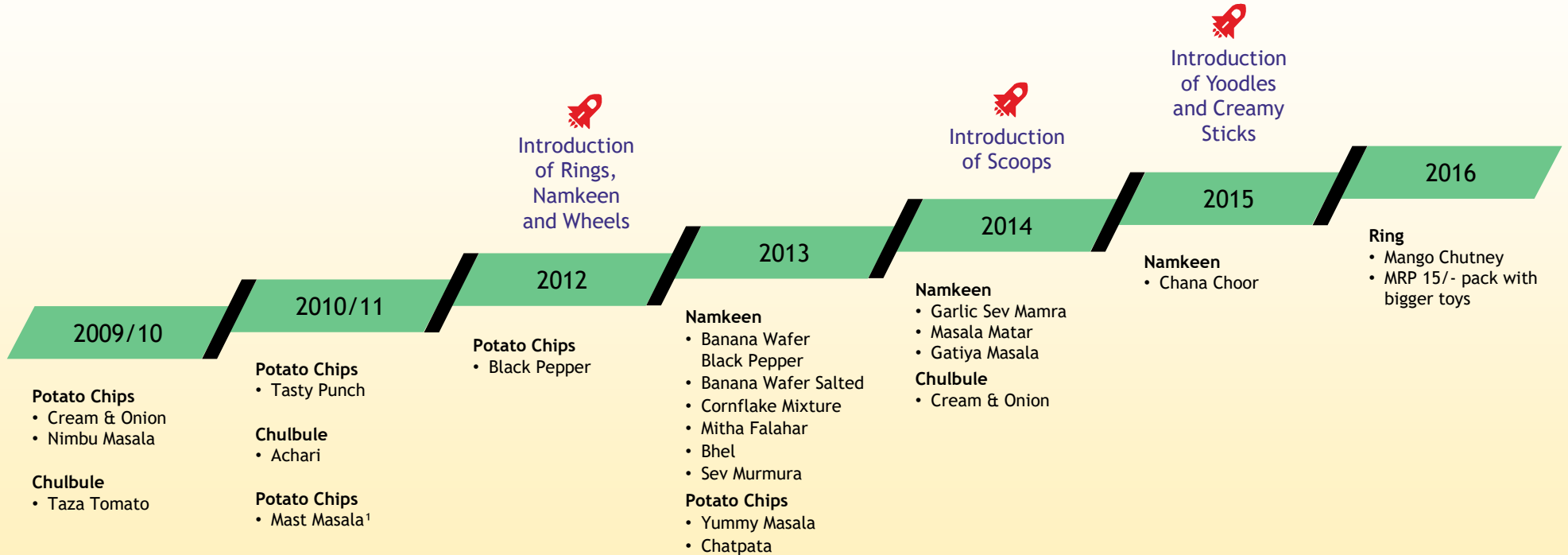


Swiss Roll

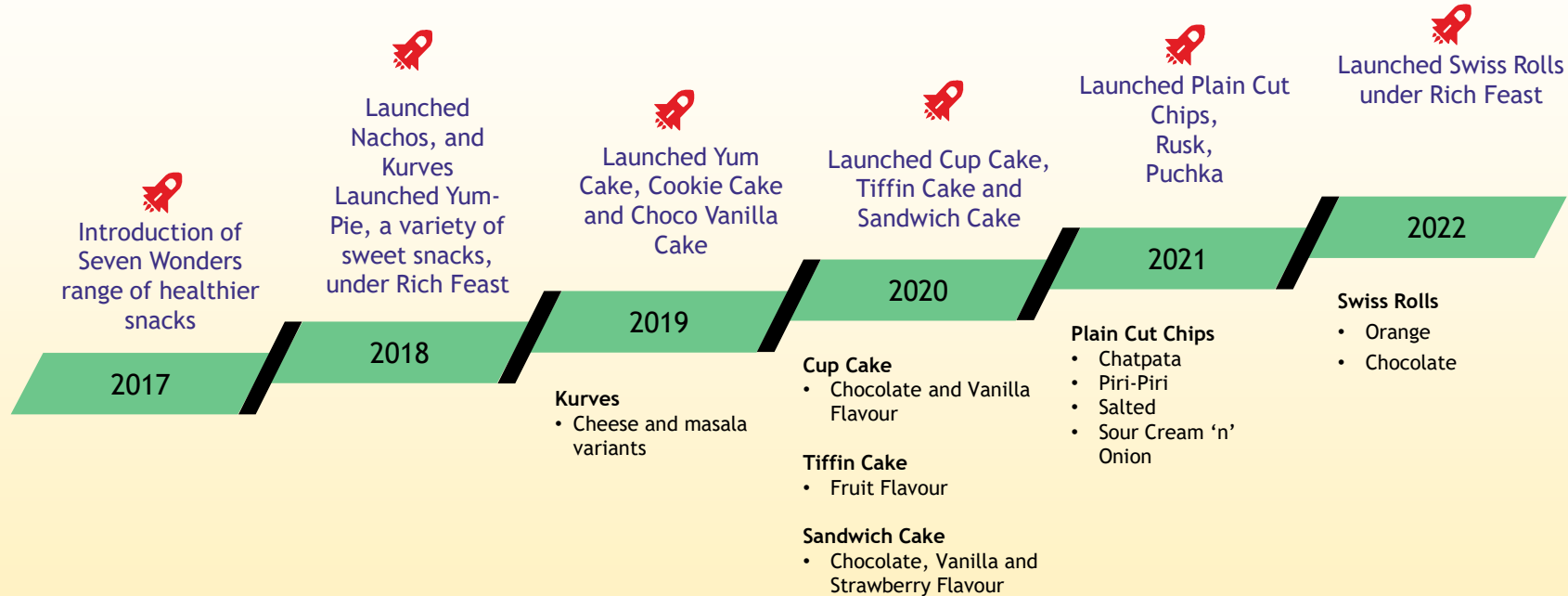
- SKU's - 2
- Target group - Youth and Children

Diverse product portfolio at strategic price points and pack sizes

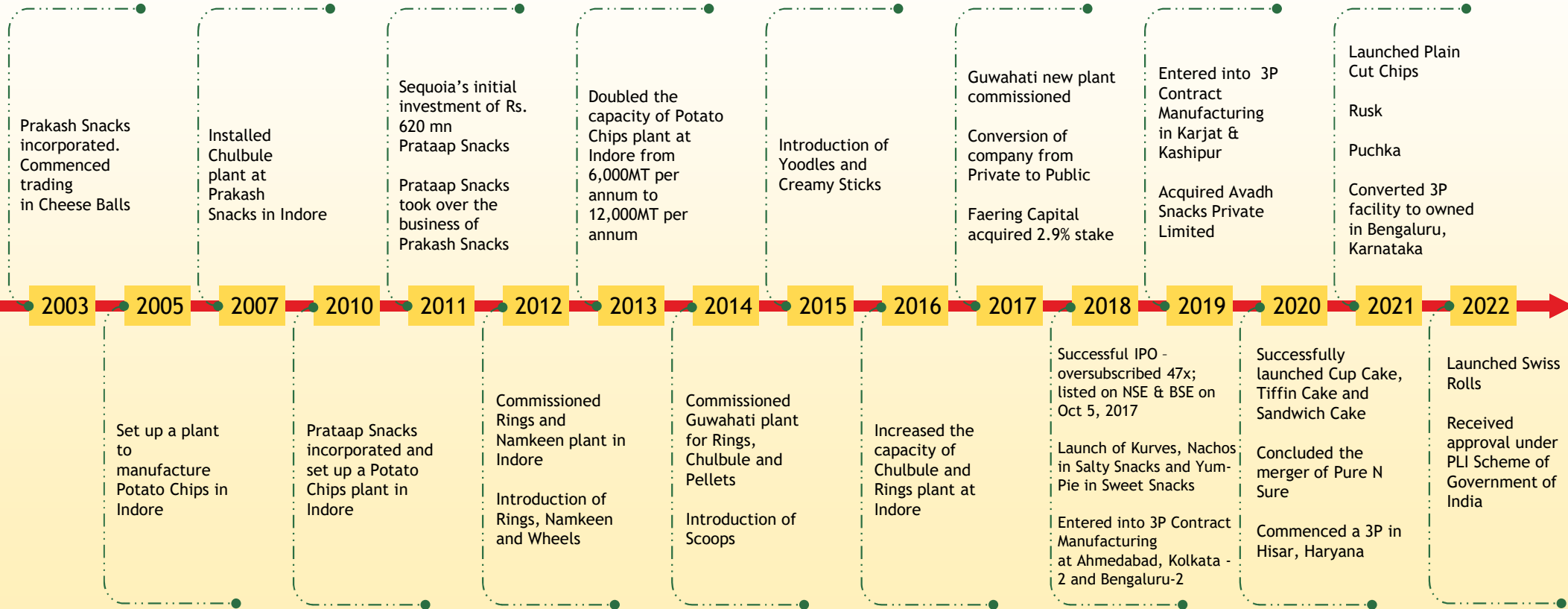
Track Record of Innovation (1/2)



Track Record of Innovation (2/2)



Key Milestones

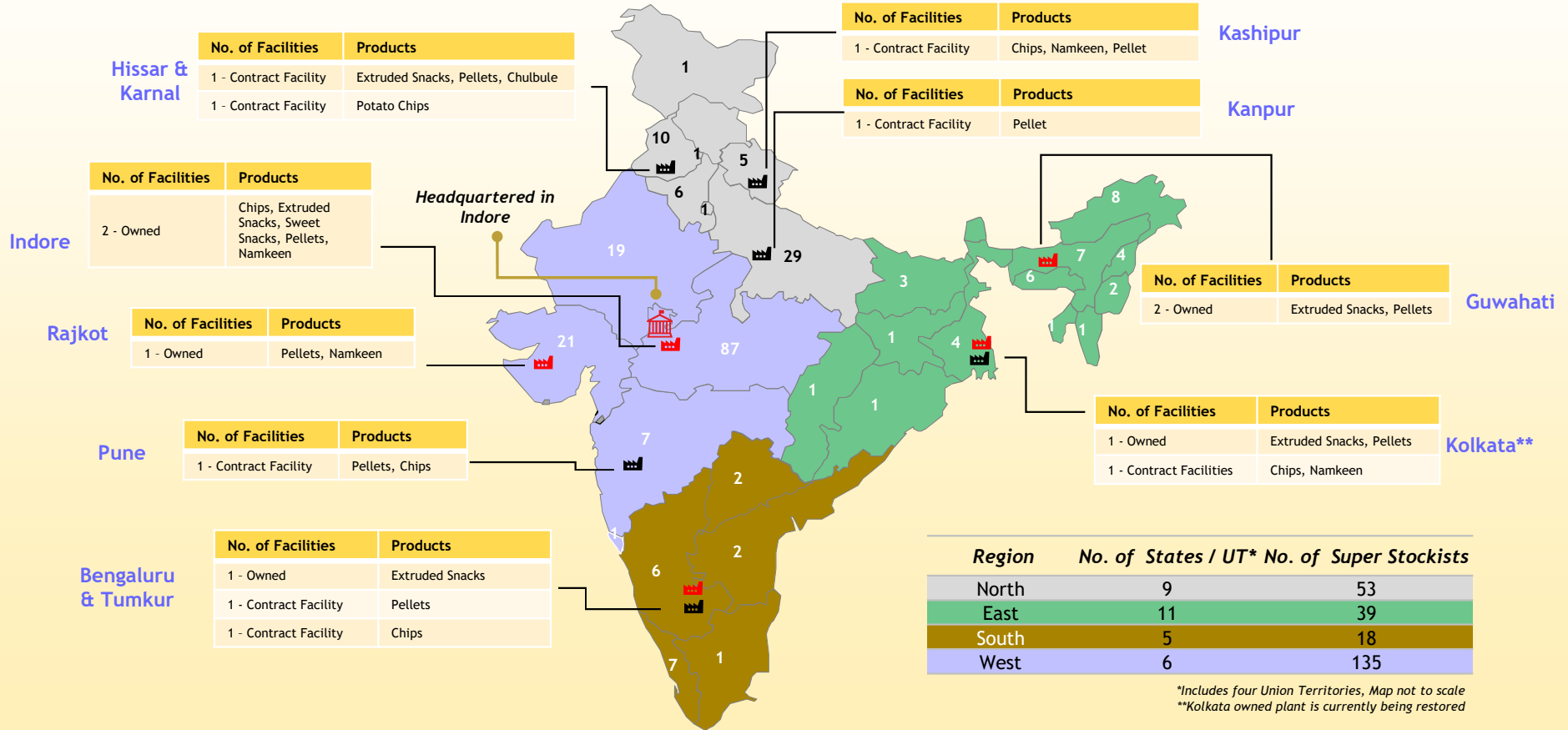


Note: As per Financial Year

Pan India Presence



Strategically located Manufacturing facilities to cater the regional demand



Guided by an Accomplished Board



Arvind Mehta

Chairman & Executive Director

Over 32 years of experience in real estate business along with over 17 years in the snacks food industry and in the financing business



Amit Kumat

Managing Director & CEO

Managing Director and Chief Executive Officer
Over 25 years in the snacks food industry



Apoorva Kumat

Executive Director (Operations)

Over 25 years of experience in the snacks food industry



G.V. Ravishankar

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

Over 20 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)
32 years of experience in F&B industry, worked with PepsiCo India for 23 years



Mr. V.T. Bharadwaj

Independent Director

General Partner at A91 Partners
Over 20 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 32 years of experience in real estate business along with over 17 years in the snacks food industry and in the financing business



Mr. Amit Kumat
Managing Director and Chief Executive Officer

Over 25 years in the snacks food industry



Mr. Apoorva Kumat
Executive Director

Over 25 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 19 years of experience in accounting, finance, banking and taxation and worked with Crompton Greaves, L&T and New Holland Group



Mr. Subhash Bhatt
Vice President - Operations

He holds bachelor degree in Technology. He has over 25 years of experience in the snacks food industry and worked with Prakash Snacks and Hello Agro



Mr. Awadh B. Singh
General Manager Sales - East

He holds bachelor degree in Science. He has over 33 years of experience in the FMCG industry and worked with Prakash Snacks and Hello Agro

Helmed by a Professional Management Team



Corporate functions



Mr. Mahesh Purohit
General Manager Sales - West

He holds bachelor degree in Commerce. He has over 24 years of experience in the FMCG industry and worked with Parke-Davis, BPL Synergy and Candico



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

He holds bachelor degree in Commerce. He has over 33 years of experience in the field of beverages & food, FMCG, dairy, confectionaries, cosmetics and edible and worked with PepsiCo for more than 21 years



Mr. Om Prakash Pandey
Company Secretary and Compliance Officer

Fellow Member of the Institute of Company Secretaries of India. He has over 15 years of experience in corporate laws and secretarial matters and worked with NSE, Great Offshore, Avantika Gas and Universal Cables

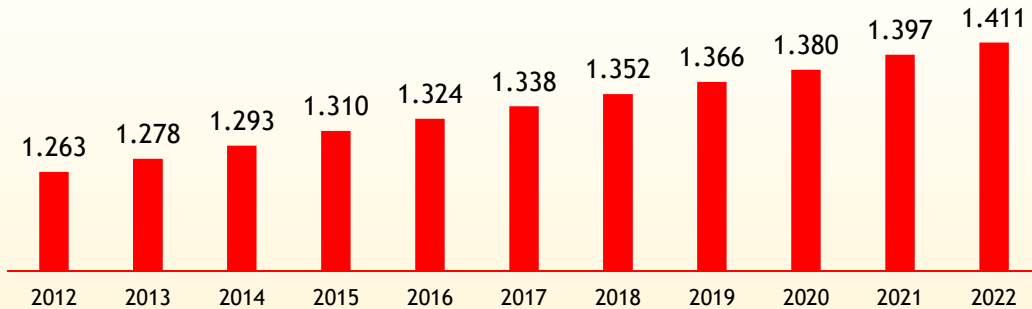


Industry Overview

Favourable Demographics Supporting Industry Growth

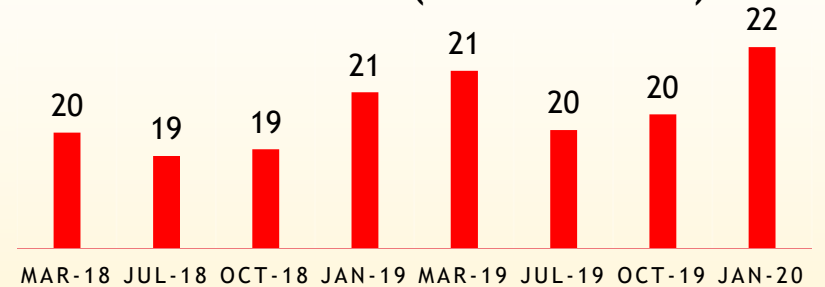


POPULATION TREND (BILLIONS)



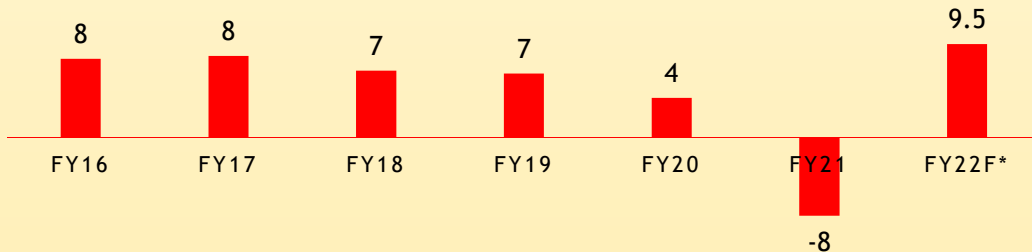
Source: World Population Review

INDIA'S ANNUAL CONSUMER EXPENDITURE (RS. TRILLION)



Source: www.statista.com

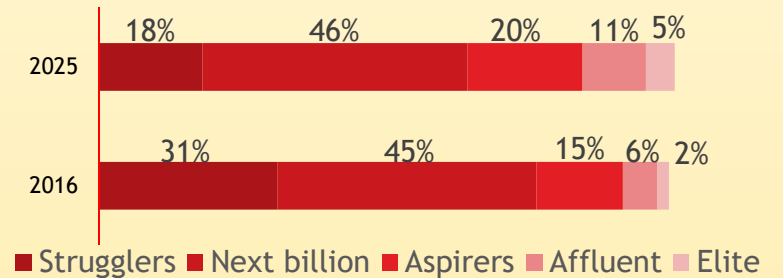
INDIA GDP GROWTH (%)



Source: National Statistics Office - FY21 Advanced Estimates dated February 26, 2021

*IMF Estimate, July 2021

RISING AFFLUENCE AND DISPOSABLE INCOME

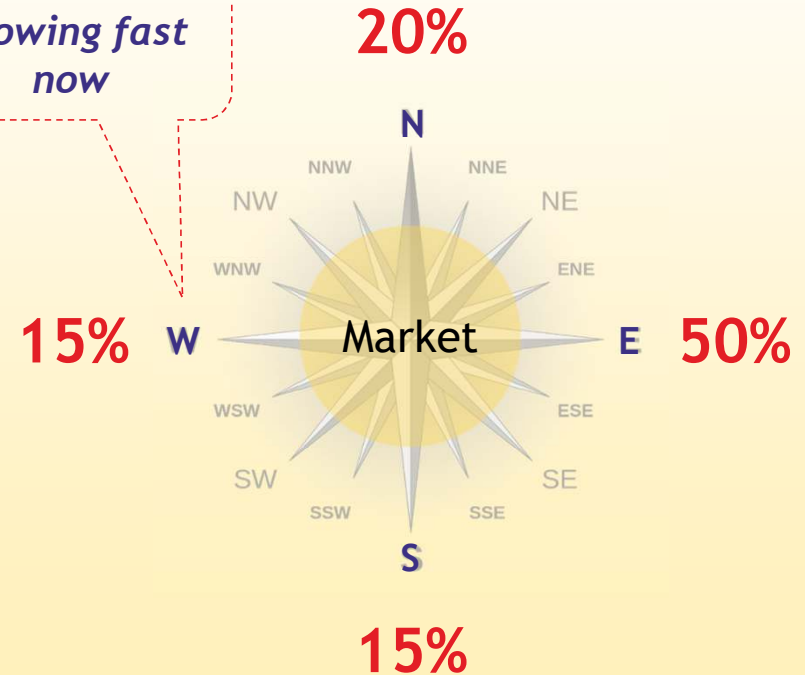


Source: World Economic Forum Report: Future of Consumption in Fast-Growth Consumer Markets - India

Sweet Snacks Industry - Characteristics



West is growing fast now



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 brand. 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 15 manufacturing facilities of which 7 facilities (Indore 1&2, Assam 1&2, Bangaluru, Rajkot and Kolkata) are owned and 8 facilities (Kolkata, Bangaluru (2), Kashipur, Pune, Kanpur, Karnal and Hissar) are on contract manufacturing basis. Its distribution network includes more than 240 super stockists and more than 4,300 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. Following a successful IPO in September 2017, PSL is now 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

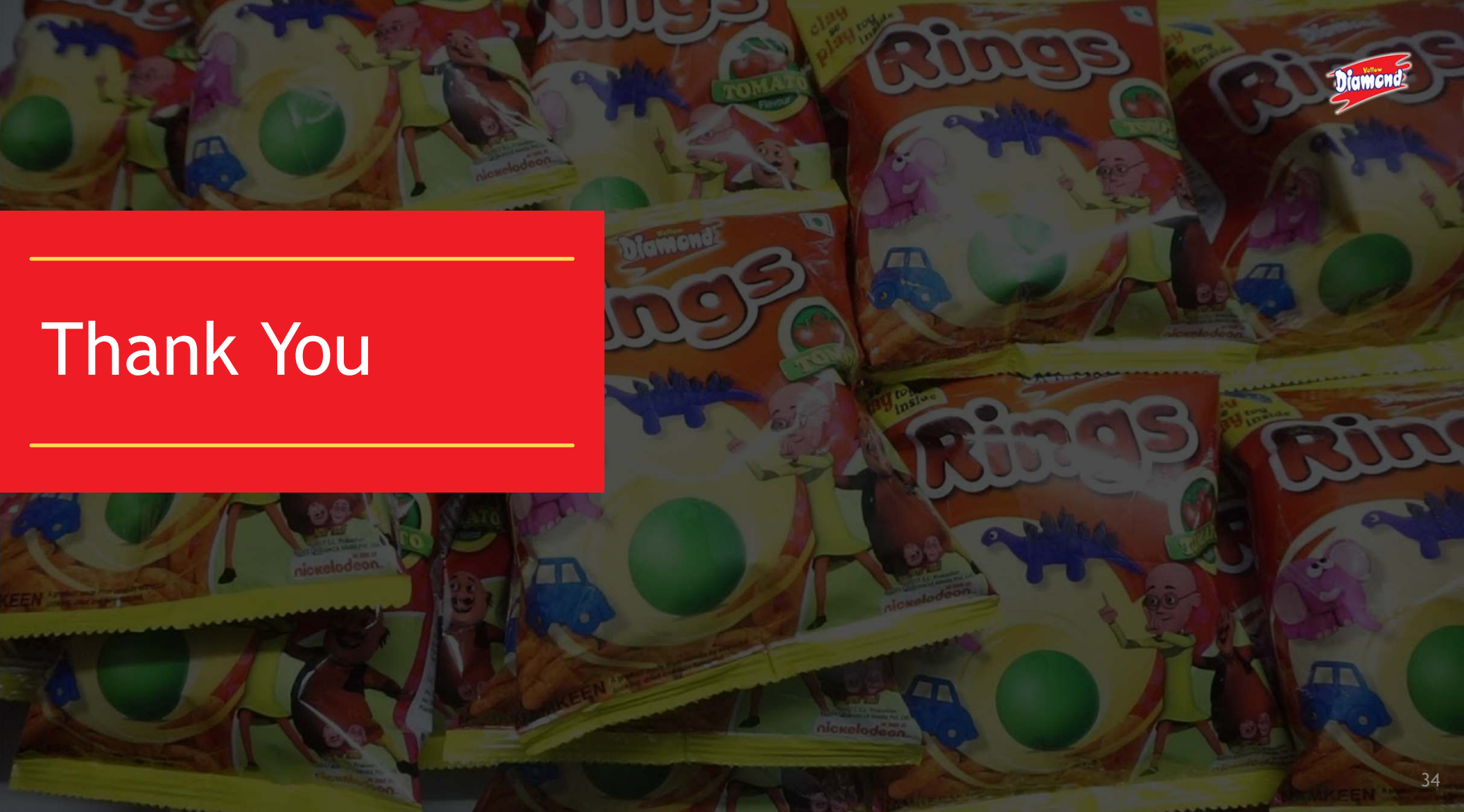
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Thank You
