

PRATAAP SNACKS LTD.

RECOMMENDATION : BUY

MARKET PRICE : Rs.774.60 (As on 8th Mar 2023)

TARGET PRICE : Rs.969.00

FACE VALUE : Rs.5

BSE CODE : 540724

NSE CODE : DIAMONDYD





Prataap Snacks Ltd. is a leading Indian Snacks Food Company. It offers multiple variants of products across categories of Potato Chips, Namkeen including Extruded Snacks, Pellets and Traditional Indian Namkeen under the popular and vibrant “Yellow Diamond” and “Avadh” brands. PSL has separate range of sweet snacks under the distinctive “Rich Feast” brand.

The Company is focused on offering deep value to consumers through a variety of pack sizes at attractive price points. Its products are present across India and it is one of the fastest growing companies in the organised snacks industry. Over the years, “Yellow Diamond” has become a well-known national brand of India’s highly competitive snacks market.

ABOUT THE COMPANY

COMPANY AT A GLANCE



Large, compounding market

INR 398 Bn market
Growing at 11.2% CAGR⁽¹⁾



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%⁽²⁾



Diverse product portfolio

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



Nationwide manufacturing & distribution footprint

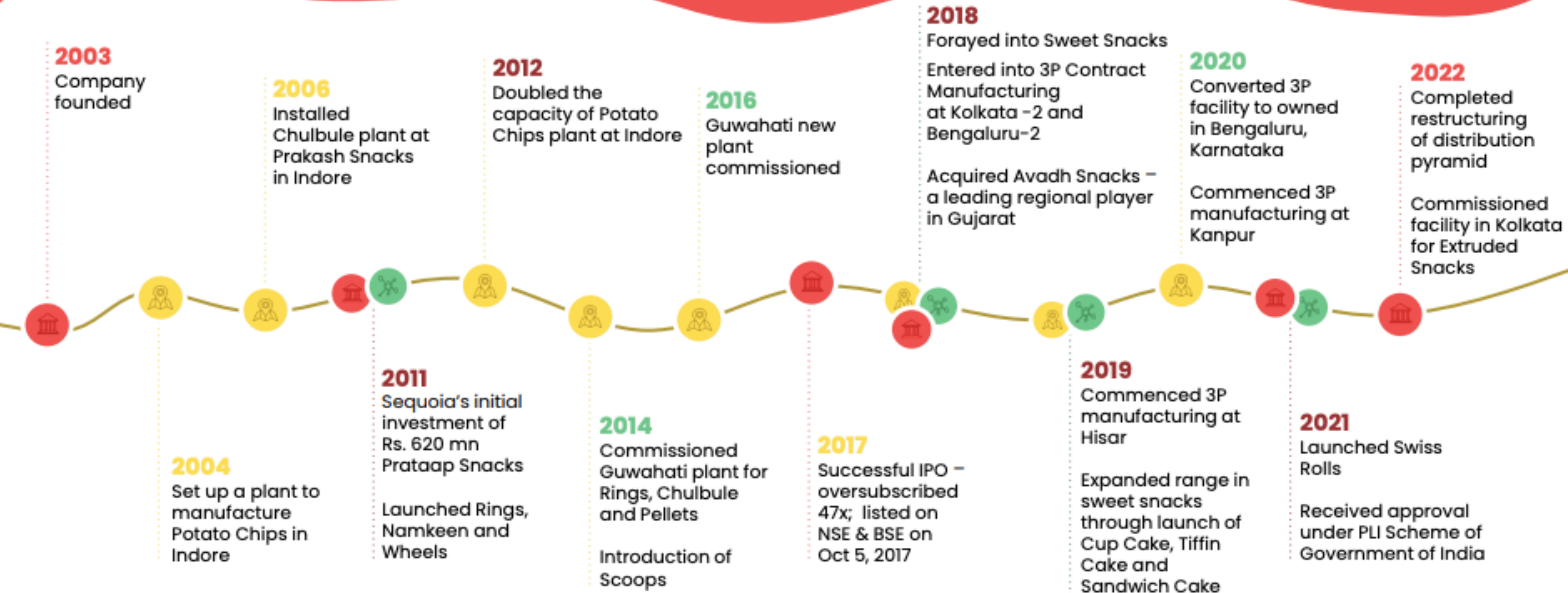
14 manufacturing facilities;
Presence across ~2.2 Mn retail
outlets



Experienced Leadership

Founder-led management
team guided by an able
Board

KEY MILESTONES



COMPANY EVOLUTION



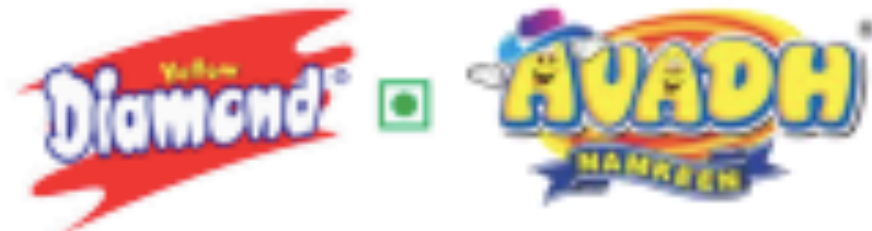














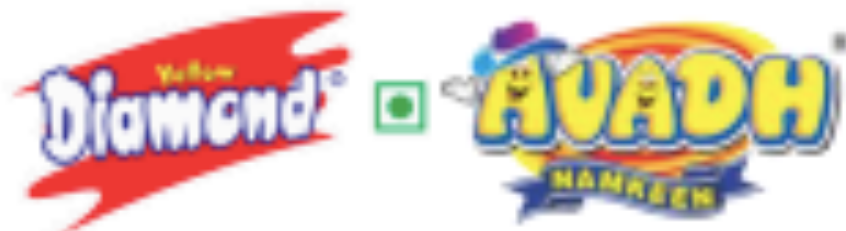













Snapshot of Recent Growth

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



DIVERSE PRODUCT PORTFOLIO

Appealing to consumers and trade partners

CATEGORIES	% of FY22 Revenue	PRODUCTS
 Extruded Snacks	58%	       Chulbule Rings Wheels Pellets Scoops Puff Stix
 Potato Chips	23%	     
 Namkeen	16%	     
 Sweet Snacks	3%	      Cookie -Cake Center Filled Cup Cake Choco Vanilla Cake Tiffin Cake Sandwich Cake Swiss Roll


Market Leader in Rings, Top 5 Leader in Savoury Snacks

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

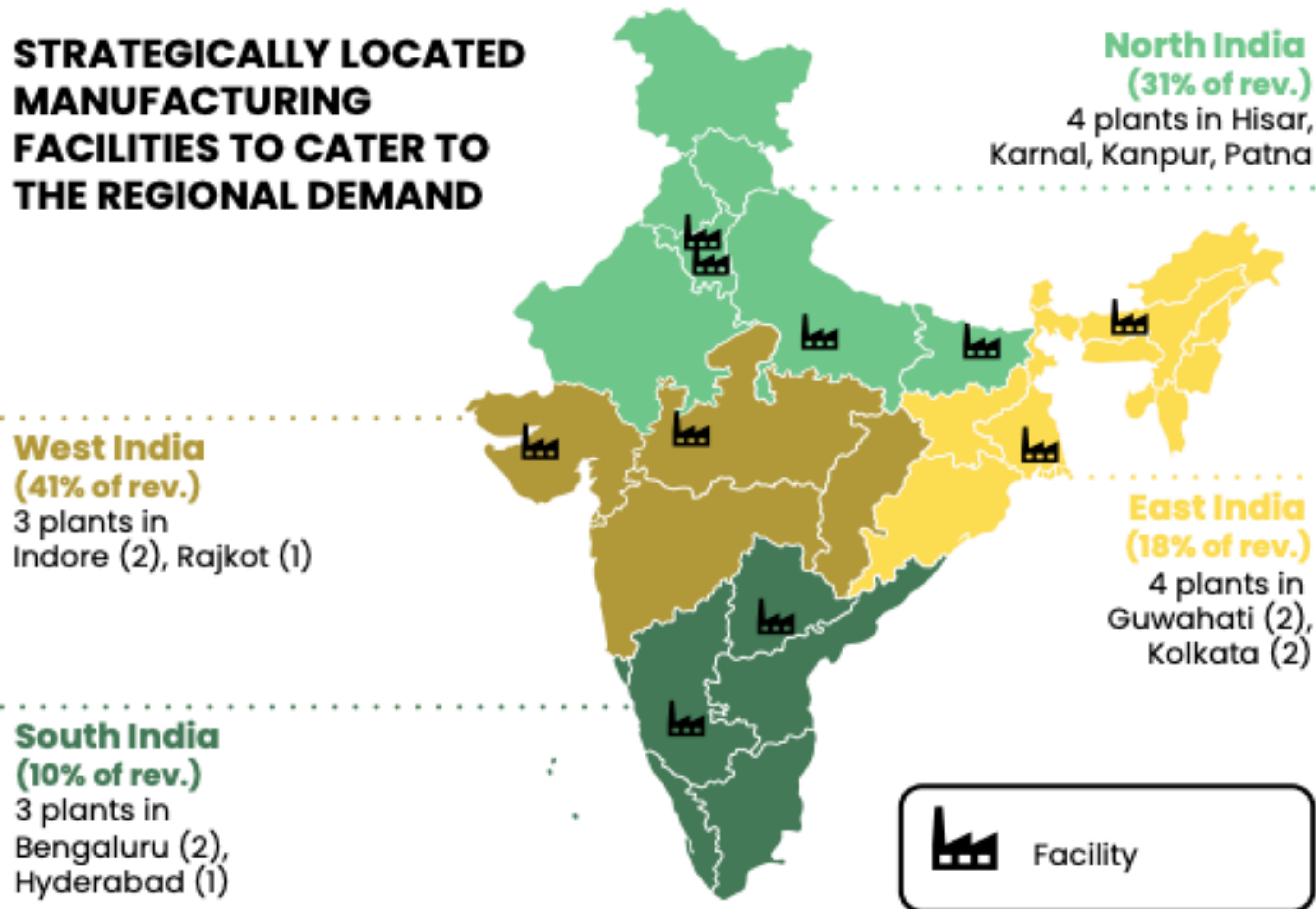
State-of-the-art SFA being used to guide sales team with assisted order taking

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

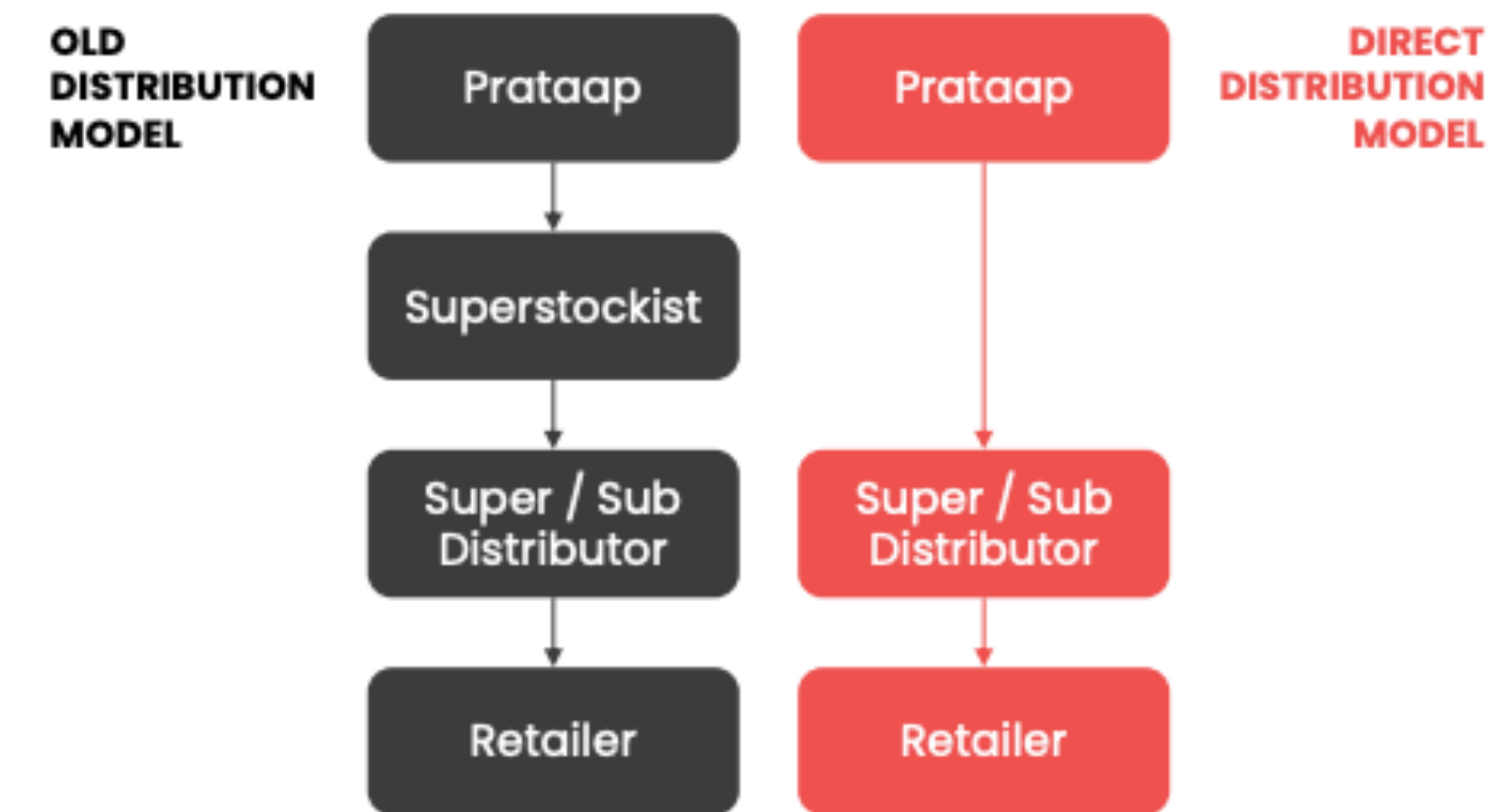


Leveraging mix of contracted and owned manufacturing

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

OPTIMISED DISTRIBUTION MODEL

Direct distribution model on a nationwide scale



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

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

OUR LONG-TERM TARGET OPERATING MODEL



**CONSISTENT
GROWTH**

~15%

Revenue growth
(faster than industry)



**PROFITABILITY
CENTRIC**

>10%

EBITDA margin



**CAPITAL
EFFICIENCY**

15–20%

RoCE

OPERATIONAL OVERVIEW

Reported a healthy revenue growth of 11% yoy during Q3 FY23 and 22% during 9M FY23 primarily driven by higher volumes

- Delivered continued momentum in top-line on the back of steady demand across key geographies
- Continued to enhance distribution network through addition of touchpoints in focus markets as well as by optimizing existing network through better efficiency

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

- After peaking in Q1 FY23, palm oil prices continued to soften in the third quarter. There was some moderation in other input such as packing materials
- Benefits from the easing of input prices will fully accrue in ensuing quarters and we anticipate further positive impact on EBITDA margin going forward
- Avadh reported strong revenue growth and EBITDA margins of 12% for the quarter, surpassing the margin performance of the parent company

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

- Commenced production at the Kolkata facility this quarter which will further optimize distribution in the region
- Land acquisition and orders for machinery for the Jammu facility has been completed, integration of this facility is progressing as planned
- Maintaining an optimistic outlook for both revenue growth and enhanced profitability

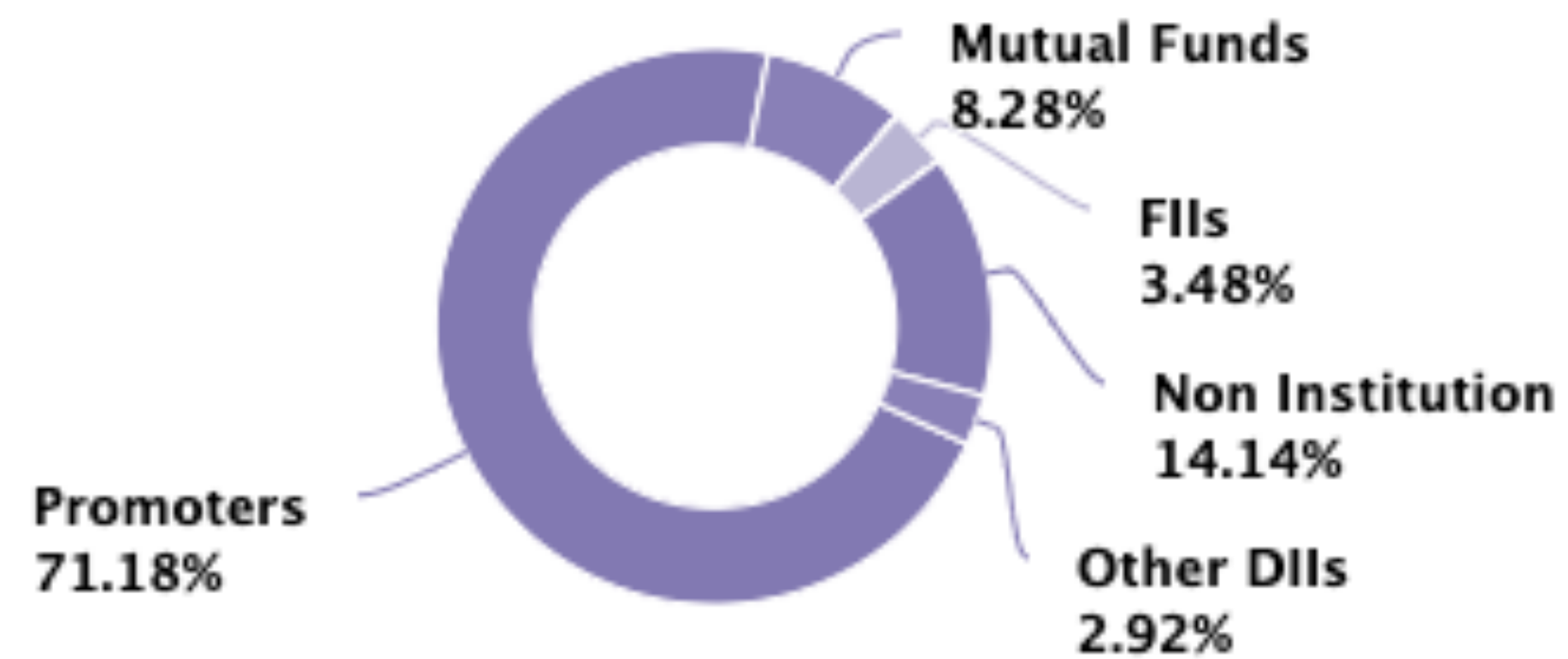
Yearly Results

YEARLY RESULTS OF PRATAAP SNACKS (in Rs. Cr.)	MAR '22	MAR '21	MAR '20	MAR '19	MAR '18
Net Sales/Income from operations	1,383.10	1,171.09	1,386.46	1,164.07	1,022.07
Other Operating Income	13.52	--	7.33	6.54	14.61
Total Income From Operations	1,396.62	1,171.09	1,393.79	1,170.61	1,036.68
EXPENDITURE					
Consumption of Raw Materials	1,042.21	845.64	983.10	809.19	666.73
Purchase of Traded Goods	3.32	0.51	8.29	11.08	21.46
Increase/Decrease in Stocks	-8.61	-3.05	3.32	0.15	-1.99
Employees Cost	57.18	53.31	57.70	41.54	36.52
Depreciation	53.77	54.57	61.74	37.64	30.42
Other Expenses	244.20	211.62	247.71	225.43	227.02
P/L Before Other Inc., Int., Excpt. Items & Tax	4.54	8.50	31.94	45.59	56.51
Other Income	13.73	8.84	9.20	10.93	8.05
P/L Before Int., Excpt. Items & Tax	18.27	17.34	41.14	56.52	64.56
Interest	6.72	6.27	7.46	0.86	2.90
P/L Before Exceptional Items & Tax	11.55	11.07	33.68	55.66	61.66
Exceptional Items	-13.94	--	--	--	--
P/L Before Tax	-2.39	11.07	33.68	55.66	61.66
Tax	-5.30	-3.08	-13.24	11.02	17.48
P/L After Tax from Ordinary Activities	2.91	14.16	46.92	44.64	44.18
Net Profit/(Loss) For the Period	2.91	14.16	46.92	44.64	44.18
Net P/L After M.I & Associates	2.91	14.16	46.92	44.64	44.18
Equity Share Capital	11.73	11.73	11.73	11.73	11.73
Reserves Excluding Revaluation Reserves	607.51	605.54	596.27	549.63	507.81
EPS BEFORE EXTRA ORDINARY					
Basic EPS	1.24	6.04	5.84	19.03	20.70
Diluted EPS	1.24	6.04	5.84	19.03	19.92
EPS AFTER EXTRA ORDINARY					
Basic EPS.	1.24	6.04	5.84	19.03	20.70
Diluted EPS.	1.24	6.04	5.84	19.03	19.92

Key Financial Ratios

KEY FINANCIAL RATIOS OF PRATAAP SNACKS (in Rs. Cr.)	MAR 22	MAR 21	MAR 20	MAR 19	MAR 18
PER SHARE RATIOS					
Basic EPS (Rs.)	1.24	6.04	20.01	19.03	20.70
Diluted EPS (Rs.)	1.24	6.04	20.01	19.03	19.92
Cash EPS (Rs.)	24.17	29.30	46.33	35.08	31.81
Book Value [ExclRevalReserve]/Share (Rs.)	266.17	265.69	259.24	239.35	221.52
Book Value [InclRevalReserve]/Share (Rs.)	266.17	265.69	259.24	239.35	221.52
Revenue from Operations/Share (Rs.)	595.50	499.33	594.29	499.13	433.78
PBDIT/Share (Rs.)	30.72	30.66	43.87	40.15	40.50
PBIT/Share (Rs.)	7.79	7.39	17.54	24.10	27.53
PBT/Share (Rs.)	-1.02	4.72	14.36	23.73	26.29
Net Profit/Share (Rs.)	1.24	6.04	20.01	19.03	18.84
NP After MI And SOA / Share (Rs.)	1.24	6.04	20.01	19.03	18.84
PROFITABILITY RATIOS					
PBDIT Margin (%)	5.15	6.14	7.38	8.04	9.33
PBIT Margin (%)	1.30	1.48	2.95	4.82	6.34
PBT Margin (%)	-0.17	0.94	2.41	4.75	6.06
Net Profit Margin (%)	0.20	1.20	3.36	3.81	4.34
NP After MI And SOA Margin (%)	0.20	1.20	3.36	3.81	4.34
Return on Networth/Equity (%)	0.46	2.27	7.71	7.95	8.50
Return on Capital Employed (%)	2.55	2.31	5.13	8.06	12.29
Return on Assets (%)	0.32	1.59	5.09	5.40	6.66
Total Debt/Equity (X)	0.05	0.02	0.00	0.03	0.01
Asset Turnover Ratio (%)	1.39	1.15	151.36	141.78	153.54
LIQUIDITY RATIOS					
Current Ratio (X)	1.36	1.77	2.03	2.07	2.62
Quick Ratio (X)	0.60	0.80	0.92	1.12	1.97
Inventory Turnover Ratio (X)	6.79	5.58	10.53	9.80	11.34
Dividend Payout Ratio (NP) (%)	40.31	16.56	4.99	5.25	0.00
Dividend Payout Ratio (CP) (%)	2.06	3.41	2.15	2.85	0.00
Earnings Retention Ratio (%)	59.69	83.44	95.01	94.75	0.00
Cash Earnings Retention Ratio (%)	97.94	96.59	97.85	97.15	0.00
COVERAGE RATIOS					
Interest Coverage Ratios (%)	10.72	11.47	5.51	65.89	22.23
Interest Coverage Ratios (Post Tax) (%)	10.72	11.47	5.51	65.89	22.23
VALUATION RATIOS					
Enterprise Value (Cr.)	1,617.82	1,336.85	1,109.64	2,116.64	2,821.71
EV/Net Operating Revenue (X)	1.16	1.14	0.80	1.81	2.77
EV/EBITDA (X)	22.46	18.59	10.79	22.48	29.71
MarketCap/Net Operating Revenue (X)	1.16	1.16	0.83	1.86	2.98
Retention Ratios (%)	59.68	83.43	95.00	94.74	0.00
Price/BV (X)	2.59	2.18	1.91	3.88	5.83
Price/Net Operating Revenue	1.16	1.16	0.83	1.86	2.98
Earnings Yield	0.00	0.01	0.04	0.02	0.01

Shareholding Pattern an on Dec'22



Summary

- ❖ With deliverance of phenomenal performance in Q3 of FY'23, the Company's Net Sales grew up by 10.78% i.e. Rs.426.45 crs in Dec'22 as compared to Rs.384.95 crs in Dec'21. However, the Net Profits mushroomed by 180.38% i.e. Rs.5.82 crs in Dec'22 versus a loss of Rs.(-7.24) crs in Dec'21.
- ❖ As per healthy performance and fine financials, the Company is available at a fair price of Rs.774.60 with its 52 week low at Rs.563.30 and 52 week high at Rs.1008.80.
- ❖ Viewing that the Promoters are holding majority stake around 71.18% as well as its sound valuations, indicates that the Management is growth oriented.
- ❖ In Public Shareholding as on Dec'22, the FIIs and the Other DIIs collectively held 6.40% stake. Whilst, the Mutual Fund Houses own 8.28% holdings in the Company.
- ❖ Prataap Snacks Ltd. is held by KOTAK MF, IDFC MF, SBI MF and a few more.
- ❖ On consolidated basis, the Company registered Return on Equity (ROE) and Return on Capital Employed (ROCE) around 0.46% & 2.55% respectively as on Mar'22.
- ❖ For the year ending Mar'22, Prataap Snacks Ltd. has declared an equity dividend of 10.00% i.e. Rs.0.50 per equity share.

Disclosure

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