

RESEARCH
Prataap Snacks | NOT RATED

Emerging contender in booming snacks business

SUMMARY
Prataap Snacks

- Fast-growing player in savoury packaged snacks. Strengthening of processes (to stabilise RM cost) and distribution channels to spur growth
- Aggressive expansion into sweet snacks planned over the next 2-3 years – a relatively untapped high-margin, high-growth category
- Targeting 18-20% revenue CAGR over three years and 8-10% margins. Trading at ~33x FY21 EV/EBITDA; we do not have a rating on the stock

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Daily macro indicators

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.42	2bps	(12bps)	49bps
India 10Y yield (%)	6.44	2bps	9bps	52bps
USD/INR	75.92	0.2	(2.3)	(2.9)
Brent Crude (US\$/bbl)	71.52	(2.7)	(9.3)	40.5
Dow	34,932	(1.2)	(1.9)	15.6
Shanghai	3,594	(1.1)	0.9	5.1
Sensex	55,822	(2.1)	(6.4)	22.5
India FII (US\$ mn)	17-Dec	MTD	CYTD	FYTD
FII-D	8.6	(587.0)	(503.7)	1,523.6
FII-E	(110.3)	(1,203.3)	4,299.2	(3,027.1)

Source: Bloomberg



**NOT
RATED**
PRATAAP SNACKS

| Packaged Foods

| 21 December 2021

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We interacted with the management of Prataap Snacks (PSL, Not Rated) to gain insights into the company's efforts towards achieving stated growth and profitability targets. Key takeaways:

Value for money + Innovations + Strong distribution reach to drive growth: PSL is one of the fastest growing organized players in the attractive savory segment. PSL has established itself in a highly competitive intensity by a) value for money player, b) constantly focussing on new innovations and expanding its product profile, c) streamlining its distribution channel (from 3 tier to 2 tier by removing super stockists), d) ~2mn retail outlets spread across 31 States & UT, e) faster market replenishment, f) emphasis on popular flavours, g) relevant marketing schemes and h) tapping newer geographies in order to accelerate its revenue growth trajectory. PSL has not only multiplied its market share (1% to ~6% from 2010 to 2020) in just ten years, but also expanded pan India. Management envisages these initiatives to lead to 18-20% revenue CAGR and 8-10% EBITDA margin over FY21-FY24E.

Geographical expansion to fuel growth: PSL has a strong presence in Madhya Pradesh, Mumbai, Delhi, Haryana, West Bengal and Orissa (+50% of revenue). It sees large, untapped potential in Uttar Pradesh, Bihar, Punjab, J&K and South India, and is looking to expand its footprint in these areas.

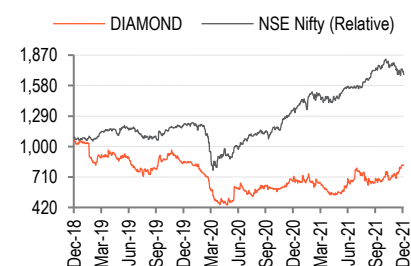
Deepening distribution in existing markets: PSL is tapping potential outlets by enrolling new retailers through tele-calling. These additional outlets could provide a ~30% jump in revenue. Till now, PSL has tapped an additional 60,000 outlets and plans to add 250,000 by Apr'22. The tele-callers will also push other products which were not being sold earlier, thereby increasing traction across the product line.

PLI scheme to bolster revenue: Under the government's PLI scheme (base year 2019-20), PSL will receive an incentive of 7.5% of the incremental sales on all its products except potato chips for the first four years, followed by 6.75% in FY26 (base year FY22) and 6% in FY27 (base year FY23). As the company's financials got impacted due to the covid, management expects benefit to flow in from FY23.

Ticker/Price	DIAMOND IN/Rs 841
Market cap	US\$ 296.5mn
Free float	29%
3M ADV	US\$ 0.4mn
52wk high/low	Rs 855/Rs 485
Promoter/FPI/DII	72%/5%/21%

Source: NSE | Price as of 20 Dec 2021

Stock performance



Source: NSE



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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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