

August 09, 2018

Prataap Snacks Ltd.

Q1FY19 Result Update

Growth momentum sustains

Prataap Snacks reported a healthy revenue growth largely in line with estimates. The company posted a revenue of INR 269cr (beating estimate of INR 264cr) which was higher by 19.2% YoY and lower by 2% QoQ. The continued growth was on the back of deeper market penetration across the country and higher sales from new product segments.

Raw material costs keeps margin under pressure

With the company witnessing price increases in key raw materials, EBITDA fell 9% YoY and 12% QoQ to INR 18.1cr (est. of INR 22cr). EBITDA margin stood at 6.7% (lower than estimate of 8.4%) vs 8.8% in Q1FY18 and 7.5% in Q4FY18. Through cost optimization initiatives like reducing packaging dimensions, the company has partially offset this input price hikes. PAT for the quarter stood at INR 10.4cr (est. of INR 11.5cr), up by 6.4% YoY and 3.1% QoQ, mainly due to a reduction in interest cost and higher other income. PAT margins stood at 3.9% vs 4.3% in Q1FY18 and 3.7% in Q4FY18.

Sweet Snacks to provide the next leg of growth

The company has forayed into the sweet snacks segment (relatively higher gross margin than salty snacks) with the launch of Yum-Pie and Yum Cake. Scaling up these products, through its existing distribution network will further boost margins and increase revenue.

Valuation

The company has been consistently increasing its presence pan-India through new contracts with existing manufacturing facilities. We expect margins to be in the range of 7.5-10% due to cost optimization techniques taken by the company as well as reduced logistics cost due to an expected higher number of contract manufacturing facilities. With high revenue visibility for the near future, we remain positive on the stock with a target price of INR 1522, giving an upside of 34%. (i.e valuing the stock at an average of prices derived by using EV/EBITDA multiple of 25x and DCF methodology).

(INR Crores)	FY16	FY17	FY18E	FY19E	FY20E
Net Revenue	757	904	1037	1237	1423
Growth%	35.5%	19.4%	14.7%	19.3%	15.1%
EBITDA	57	41	87	96	129
Growth%	67%	-28%	113%	11%	34%
Adjusted PAT	27	10	44	50	70
Growth%	176%	-64%	347%	13%	41%
EPS (INR)	14.6	5.2	19.9	21.2	30.0
EV/EBITDA (x)	43.9	57.7	30.5	26.8	19.8
EV/Net Sales (x)	3.3	2.6	2.6	2.1	1.8
P/E (x)	89.1	233.0	61.2	56.1	39.6

Source: Company, NSPL Research

* Read last page for disclaimer & rating rationale

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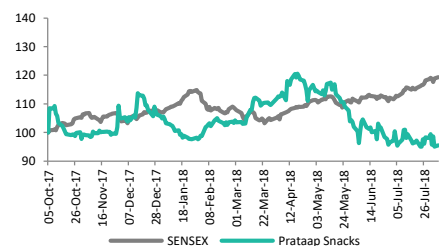
STRONG BUY*

Downside Scenario	Current Price	Price Target	Upside Scenario
	1136	1522	
		34%▲	

Stock Details	
Industry	FMCG
Sensex	37888
Nifty	11450
Bloomberg Code	DIAMOND:IN
Eq. Cap. (INR. Cr.)	11.73
Face Value (INR.)	5
52-w H/L	1103/1459
Market Cap (INR. Cr.)	2674

	Valuation Data		
	FY18	FY19E	FY20E
OPM	8.4%	7.8%	9.1%
NPM	4.3%	4.0%	4.9%
P/E (x)	61.2	56.1	39.6
EV/EBITDA (x)	30.5	26.8	19.8
EV/Net Sales (x)	2.6	2.1	1.8

Prataap Snacks Vs SENSEX



	Shareholding Pattern		
	Jun'18	Mar'18	Sep'17
Promoters	71.43	71.43	71.43
FIIs	9.25	10.06	3.88
DIIIs	14.63	13.98	6.33
Retail	4.69	4.53	18.36
	100.0	100.0	100.0

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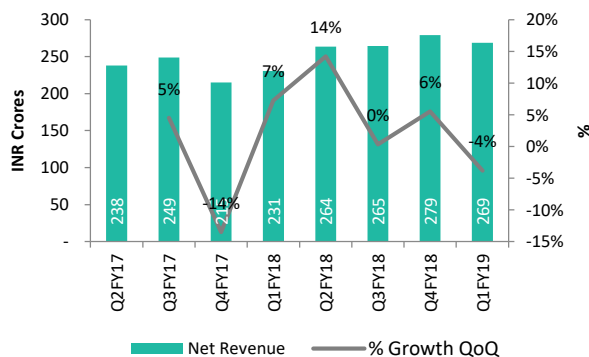
Q1FY19 Result Analysis

(INR Crores)	Q1FY19	Q1FY18	Q4FY18	Y-o-Y	Q-o-Q
Revenue	269	225	274	19.2%	-2.0%
COGS	186	154	182	21.0%	2.4%
Employee Expenses	10	7	11	39.7%	-10.5%
Other Expenses	54	44	60	22.4%	-10.2%
Total Expenses	251	205	253	21.9%	-1.2%
EBITDA	18.1	19.9	20.6	-9.0%	-12.0%
Depreciation	8	7	8	8.9%	-4.9%
Other Income	4	1	3	362.7%	26.1%
EBIT	14.2	13.7	15.5	3.3%	-8.5%
Finance Cost	0.1	1.1	0.4	-91.5%	-78.1%
PBT	14.1	12.6	15.1	11.4%	-6.6%
Taxes	3.7	2.9	5.0	28.4%	-26.1%
Net Profit	10.4	9.8	10.1	6.4%	3.1%

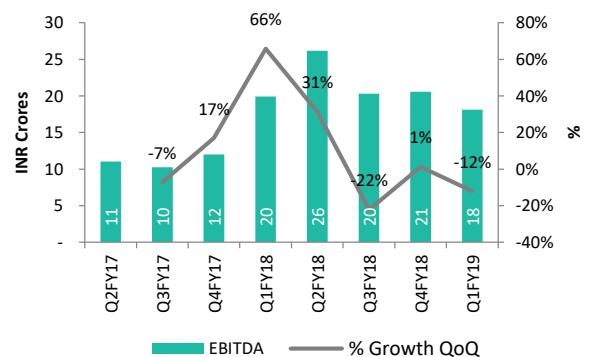
- The company's net sales grew 19.2% y-o-y (from INR 225cr in Q1FY18) and declined 2% q-o-q (from INR 274cr in Q4FY18) to INR 269cr in Q1FY19.
- EBITDA for the company stood at INR 18cr down from INR 20cr (-9% Y-o-Y) and INR 21 cr (12% Q-o-Q) with EBITDA Margins at 6.7% as against 8.8% in Q1FY18 and 7.5% in Q4FY18. The fall in margins was primarily due to an increase in key raw material costs.
- Reported PAT stood at INR 10.4cr which was up by 6.4% Y-o-Y (from INR 9.8cr) and up by 3.1% Q-o-Q (from INR 10.1cr). PAT Margins stood at 3.9%, down from 4.3% in Q1FY18 and up from 3.7% in Q4FY18.

Margin Analysis (%)	Q1FY19	Q1FY18	Q4FY18	Y-o-Y (bps)	Q-o-Q (bps)
Raw Material	69.4	66.8	65.2	265	417
Employee Expenses	3.7	3.1	3.9	61	-28
Other Expenses	20.2	21.6	23.5	-139	-328
EBITDA Margin	6.7	8.8	7.5	-210	-80
Tax Rate (% of PBT)	26.1	22.7	33	345	-690
PAT Margin	3.9	4.3	3.7	-40	26

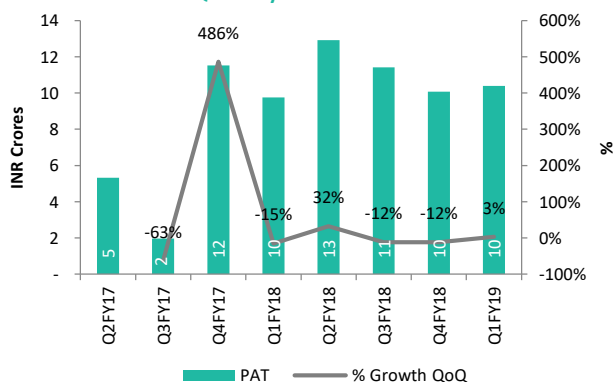
Quarterly Net Revenue



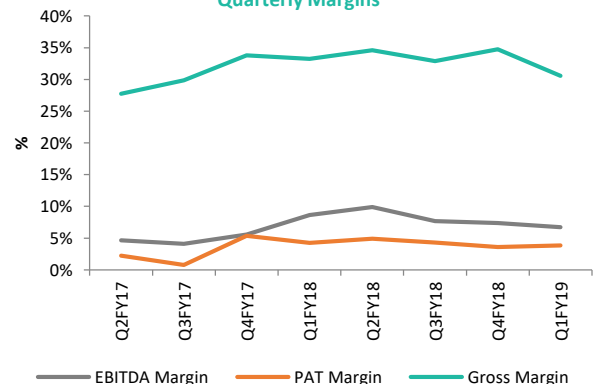
Quarterly EBITDA



Quarterly Profit after Tax



Quarterly Margins



Source: Company, NSPL Research



Profit & Loss (INR Crores)	FY16	FY17	FY18	FY19E	FY20E
Net Revenue	757.2	903.9	1036.7	1237.1	1423.4
COGS	522.2	636.6	686.2	827.1	922.3
Employee Expenses	18.7	25.3	36.5	38.3	41.1
Other Expenses	159.8	201.2	227.0	275.3	331.2
EBITDA	56.5	40.9	86.9	96.4	128.9
D&A	18.0	25.0	30.4	32.9	36.6
Other income	0.7	1.5	8.0	6.0	6.0
EBIT	39.2	17.4	64.6	69.5	98.3
Interest Expense	5.9	4.5	2.9	0.0	0.0
PBT	33.4	12.9	61.7	69.5	98.3
Tax	0.2	3.0	17.5	19.7	27.9
Effective tax rate	1%	24%	28%	28%	28%
PAT	27.4	9.9	44.2	49.8	70.4

Balance Sheet (INR Crores)	FY16	FY17	FY18	FY19E	FY20E
Share Capital	1.5	3.1	11.7	11.7	11.7
Reserves & Surplus	215.8	235.3	507.8	551.8	607.1
Shareholder's Funds	217.2	238.3	519.5	563.6	618.8
Long Term Borrowings	21.0	38.9	0.0	0.0	0.0
Deferred Tax Liability (Net)	5.5	8.6	3.3	3.3	3.2
Long term provisions	1.0	1.7	2.3	2.7	3.2
Non-current liabilities	27.6	49.1	5.6	6.0	6.4
Short-term borrowings	26.4	26.8	7.5	0.0	0.0
Trade payables	55.2	77.3	99.7	113.3	126.3
Other current liabilities	14.8	35.4	29.9	27.9	32.1
Short-term provisions	0.2	0.3	0.4	0.5	0.6
Current liabilities	96.6	139.7	137.5	141.7	159.0
Total Equity and Liabilities	341.4	427.2	662.6	711.3	784.2
Net Fixed Assets	198.5	252.6	270.7	312.1	325.5
Non-current investments	0.0	0.1	5.8	5.8	5.8
Long term Loans	40.2	45.5	21.3	25.4	29.2
Other Non-current Assets	0.2	1.3	4.4	5.3	6.1
Non-current Assets	238.9	299.5	302.2	348.6	366.6
Inventories	68.5	78.9	89.7	92.9	101.1
Trade receivables	18.3	19.7	20.4	23.7	27.3
Cash and cash equivalents	6.1	11.1	214.4	205.9	241.9
Short term Loans	8.0	12.0	15.8	16.2	19.7
Other current assets	1.6	6.1	20.1	24.0	27.6
Current Assets	102.5	127.7	360.4	362.7	417.6
Total Assets	341.4	427.2	662.6	711.3	784.2

Source: Company, NSPL Research



Cash Flow (INR Crores)	FY16	FY17	FY18	FY19E	FY20E
PBT	27.6	12.9	61.7	69.5	98.3
Depreciation & Amortization	18.0	25.0	30.4	32.9	36.6
(Incr)/Decr in Working Capital	-6.0	5.0	8.9	-3.5	-5.8
Cash Flow from Operating	43.3	42.6	78.4	73.1	95.2
(Incr)/ Decr in Gross PP&E	-52.2	-58.8	-98.3	-75.0	-50.0
Cash Flow from Investing	-46.6	-69.8	-48.1	-69.0	-44.0
Proceeds from issue of share capital	0.0	11.2	247.9	0.0	0.0
(Decr)/Incr in Debt	9.3	26.1	-66.4	-6.5	0.0
Dividend Paid	0.0	0.0	-2.8	-6.1	-15.2
Finance costs	-4.5	-5.0	-2.9	0.0	0.0
Cash Flow from Financing	5.1	32.3	175.9	-12.6	-15.2
Incr/(Decr) in Balance Sheet Cash	1.8	5.1	206.1	-8.5	36.0
Cash at the Start of the Year	1.4	3.2	8.3	214.4	205.9
Cash at the End of the Year	3.2	8.3	214.4	205.9	241.9

RATIOS	FY16	FY17	FY18	FY19E	FY20E
Growth (%)					
Total Sales	36%	19%	15%	19%	15%
EBITDA	67%	-28%	113%	11%	34%
PAT	176%	-64%	347%	13%	41%
Margin (%)					
EBITDA Margin	7.5%	4.5%	8.4%	7.8%	9.1%
NPM	3.6%	1.1%	4.3%	4.0%	4.9%
Return Ratios (%)					
RoA	16.3%	5.1%	16.7%	16.2%	21.9%
RoE	12.6%	4.2%	8.5%	8.8%	11.4%
RoCE	14.8%	5.7%	12.3%	12.3%	15.9%
RoIC	11.6%	4.5%	15.8%	14.9%	19.9%
Debt Ratios					
Net Debt/EBITDA	0.7	1.3	-2.4	-2.1	-1.9
Net Debt/Equity	0.2	0.2	-0.4	-0.4	-0.4
Interest Coverage	6.7	3.9	22.2	-	-
Per share data / Valuation					
EPS (INR.)	14.6	5.2	19.9	21.2	30.0
BPS (INR.)	115.8	126.2	234.3	240.3	263.8
P/E (INR.)	89.1	233.0	61.2	56.1	39.6
EV/EBITDA (x)	43.9	57.7	30.5	26.8	19.8
EV/Net Sales (x)	3.3	2.6	2.6	2.1	1.8

Source: Company, NSPL Research



Prataap Snacks Ltd.				Rating Legend	
Date	CMP (INR)	Target Price (INR)	Recommendation	Strong Buy	More than 15%
July 12, 2018 – IC	1190	1522	Buy	Buy	5% - 15%
August 09, 2018	1136	1522	Strong Buy	Hold	0 – 5%
				Reduce	-5% - 0
				Sell	Less than -5%

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Details of Disciplinary History of NSPL	No disciplinary action is / was running / initiated against NSPL
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