

November 5, 2018

Prataap Snacks

Q2FY19 Result Update

Growth momentum sustains

Prataap Snacks (PSL) reported a revenue of INR 287cr which was higher by 8.9% and 6.9% 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 21% YoY but rose by 12% QoQ to INR 21cr (est. of INR 22cr). EBITDA margin stood at 7.2% (meets estimates) vs 9.9% in Q2FY18 and 6.7% in Q1FY19. Through cost optimization initiatives like reducing packaging dimensions, the company has partially offset the input price hikes. PAT for the quarter stood at INR 11.3cr (est. of INR 10.8cr), down by 13% YoY and up by 8% QoQ. PAT margins stood at 3.9% (vs est. of 3.6%) vs 4.3% in Q1FY18 and 3.7% in Q4FY18.

Avadh Snacks acquisition value accretive

PSL has acquired a 80% stake in Avadh Snacks for INR 148cr (EV/sales at 1.33) to propel its position in the Gujarat market. The company will retain the Avadh brand and also introduce its own product portfolio through the existing distribution channels of Avadh. The acquisition has been completed this quarter and PSL will consolidate the financials of Avadh from next quarter.

Valuation

The company has been consistently increasing its presence pan-India through new contracts (Kashipur facility launched this quarter) 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. However, we believe the Avadh acquisition was slightly overvalued at 1.33 EV/sales (high competitive intensity in Gujarat with low market share for Avadh) and reduce our TP to INR 1462, giving an upside of 39%. (i.e valuing the stock at an average of prices derived by using EV/EBITDA multiple of 25x and DCF methodology).

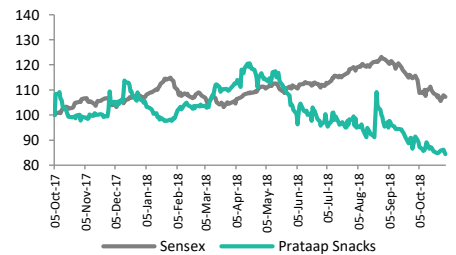
STRONG BUY*



Market Data	
Industry	FMCG
Sensex	35012
Nifty	10553
Bloomberg Code	DIAMOND:IN
Eq. Cap. (INR Crores)	11.73
Face Value (INR)	5
52-w H/L	983/1459
Market Cap (INR Crores)	2505

Valuation Data	FY18	FY19E	FY20E
OPM	8.4%	7.8%	9.1%
NPM	4.3%	4.0%	4.9%
P/E (x)	61.2	49.6	35.0
EV/EBITDA (x)	30.5	25.0	18.4
EV/Net Sales (x)	2.6	1.9	1.7

Prataap Snacks Vs SENSEX



Shareholding Pattern

	Sep'18	Jun'18	Sep'17
Promoters	71.43	71.43	71.43
FIIIs	9.47	9.25	3.88
DIIIs	14.12	13.54	6.32
Retail	4.98	5.78	18.37
	100.0	100.0	100.0

(INR Crores)	FY16	FY17	FY18E	FY19E	FY20E
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	25.0	18.4
EV/Net Sales (x)	3.3	2.6	2.6	1.9	1.7
P/E (x)	89.1	233.0	61.2	49.6	35.0

Source: Company, NSPL Research

* Read last page for disclaimer & rating rationale



Q2FY19 Result Analysis

(INR Crores)	Q2FY19	Q2FY18	Q1FY19	Y-o-Y	Q-o-Q
Revenue	287	264	269	8.9%	6.9%
COGS	197	172	186	14.2%	5.6%
Employee Expenses	10	9	10	8.1%	1.7%
Other Expenses	60	56	54	6.8%	10.0%
Total Expenses	266	238	251	12.2%	6.4%
EBITDA	20.8	26.1	18.1	-20.6%	14.6%
Depreciation	8	7	8	10.9%	3.7%
Other Income	4	0	4	710.3%	0.7%
EBIT	17	19	14	-15.0%	16.9%
Finance Cost	0.09	0.8	0.09	-88.7%	-2.2%
PBT	16.5	19	14.1	-11.9%	17.1%
Taxes	5	6	4	-9.7%	41.8%
Net Profit	11.3	12.9	10.4	-12.9%	8.3%

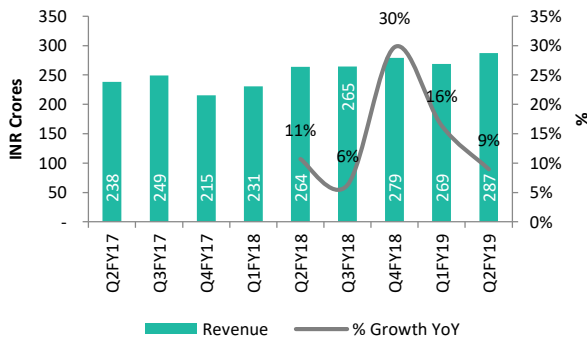
Source: Company, NSPL Research

- The company's net sales grew 8.9% y-o-y (from INR 264cr in Q2FY18) and 6.9% q-o-q (from INR 269cr in Q1FY19) to INR 287cr in Q2FY19. The transportation strike during the quarter delayed dispatches and further impacted revenues by about 5-6%.
- EBITDA for the company stood at INR 21cr down from INR 26cr (-21% Y-o-Y) and INR 18 cr (15% Q-o-Q) with EBITDA Margins at 7.2% as against 9.9% in Q2FY18 and 6.7% in Q1FY19. The fall in margins was primarily due to an increase in a few key raw material costs.
- Reported PAT stood at INR 11.3cr which declined by 12.9% Y-o-Y (from INR 12.9cr) and up by 8.3% Q-o-Q (from INR 10.4cr). PAT Margins stood at 3.9%, down from 4.9% in Q2FY18 and flat in Q1FY19.

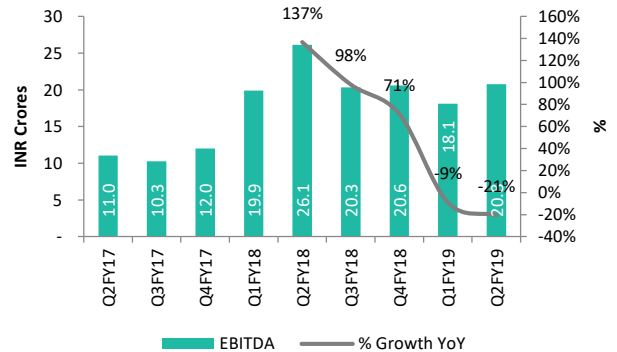
Margin Analysis (%)	Q2FY19	Q2FY18	Q1FY19	Y-o-Y (bps)	Q-o-Q (bps)
Raw Material	68.5	65.4	69.4	342	(89)
Other Expenses	20.8	21.2	20.2	(42)	58
EBITDA Margin	7.2	9.9	6.7	(268)	49
Tax Rate	31.6	30.9	26.1	345	-690
PAT Margin	3.9	4.9	3.9	(98)	5

Source: Company, NSPL Research

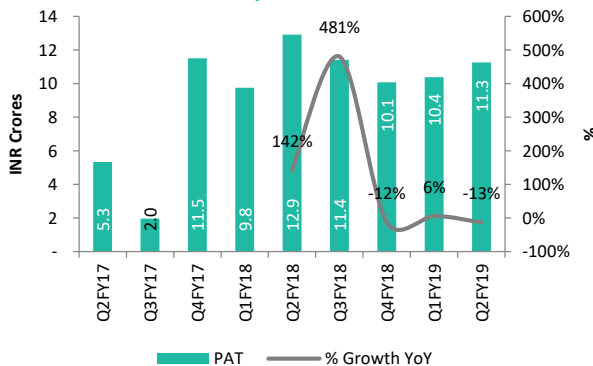
Quarterly Net Revenue



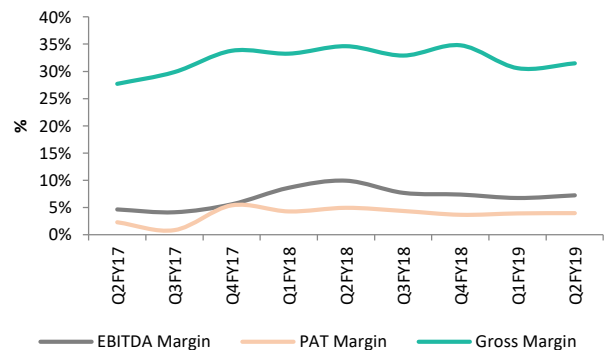
Quarterly EBITDA



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	49.6	35.0
EV/EBITDA (x)	43.9	57.7	30.5	25.0	18.4
EV/Net Sales (x)	3.3	2.6	2.6	1.9	1.7

Source: Company, NSPL Research



Prataap Snacks Ltd.				Rating Legend	
Date	CMP (INR)	Target Price (INR)	Recommendation	Strong Buy	More than 15%
November 03, 2018	1052	1462	Strong Buy	Buy	5% - 15%
August 09, 2018	1136	1522	Strong Buy	Hold	0 - 5%
July 12, 2018 – Initiating Coverage	1190	1522	Strong Buy	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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