

# Prataap Snacks Limited

## Issue Snapshot:

Issue Open: Sept 22 – Sept 26, 2017

Price Band: Rs. 930 – 938 (A discount of Rs 90 is offered to eligible employees)

Issue Size: \*51,37,966 Equity Shares (including \*Fresh issue of 21,32,196 Equity Shares + Offer for sale 30,05,770 equity shares)

Offer Size: Rs.477.83 crs – 481.94 crs

QIB	Upto	50% eq sh
Retail	atleast	35% eq sh
Non Institutional	atleast	15% eq sh

Face Value: Rs 5

Book value: Rs 114.6 (March 31, 2017)

Bid size: - 15 equity shares and in multiples thereof

100% Book built Issue

## Capital Structure:

Pre Issue Equity:	Rs. 10.66 cr
Post issue Equity:	Rs. 11.73 cr

Listing: BSE & NSE

Global Coordinators and Book Running Lead Manager: Edelweiss Financial Services Limited, JM Financial Institutional Securities Limited.

Book Running Lead Manager: Spark Capital Advisors (India) Private Limited

Registrar to issue: Karvy Computershare Pvt Ltd

## Shareholding Pattern

Shareholding Pattern	Pre issue %	*Post issue %
Promoter and Promoter Group	92.67	73.41
Public	7.33	26.59
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Source for this Note: RHP

\* = Assuming issue subscribed at the higher band

## Background & Operations:

Prataap Snacks Ltd (PSL) is one of the top six Indian snack food companies in terms of revenues in 2016, and among the fastest growing companies in the Indian organised snack market between 2010 and 2016. It is present in three major savoury snack food categories in India and all its products are sold under the Yellow Diamond brand. In Fiscal 2012, the Company acquired the snack foods business of its Group Company, Prakash Snacks Private Limited. Pursuant to such arrangement, it acquired the Yellow Diamond brand and the snack foods business under such brand. It has over the years leveraged its understanding of target markets and consumer segments, product innovation capabilities, extensive distribution network, strategically located manufacturing facilities, and has focused its marketing and promotional activities to strengthen its product brands and establish the Yellow Diamond brand across India. Its diversified product portfolio includes three categories

**Extruded Snacks.** Extruded snacks are processed, reconstituted and shaped potato or cereal based snacks. Extruded snacks may be flavoured or unflavoured. It includes puffed snacks. Its Extruded Snacks products are divided into two sub-categories: (i) Shaped Extruded Snacks, which includes Puffs, Rings and Pellets products; and (ii) Random Extruded Snacks, which includes Chulbule product.

**Chips.** Chips include fried, sliced chips or crisps made from potatoes, hummus, lentils etc. It includes flavoured and unflavoured chips, and may be standard chips, thick-cut and / or crinkle-cut. Currently, it sells Potato Chips under the Yellow Diamond brand.

**Namkeen.** Namkeen are a type of traditional savoury Indian snack which includes products such as moong dal, masala or fried nuts, sev and bhujia. Namkeen under the Yellow Diamond brand was launched by the Company in Fiscal 2012

PSL has set up a pan-India distribution network supported by strategically located manufacturing facilities. Its wide network of super stockists and distributors is supported by large team of sales representatives and arrangements with various modern retail outlets. As of June 30, 2017, its distribution network included 218 super stockists across 26 States and one Union Territory in India and over 3,500 distributors. It owns and operates three manufacturing facilities, one located at Indore, Madhya Pradesh and the other two located at Guwahati, Assam. In addition, it has engaged two facilities on contract manufacturing basis, located at Bengaluru, Karnataka and at Kolkata, West Bengal. The Bengaluru facility was engaged on an informal, non-exclusive basis between October 1, 2011 and July 31, 2016. This facility has been engaged exclusively pursuant to the Bengaluru Contract Manufacturing Agreement with effect from August 1, 2016. These facilities has access to cost efficient transportation to major markets and enable the company to benefit from transportation cost efficiencies from reverse logistics arrangements.

## Objects of Issue:

The Offer consists of a Fresh Issue by PSL and an Offer for Sale. The Company will not receive any proceeds from the Offer for Sale. The Company proposes to utilize the Net Proceeds from the Fresh Issue towards funding the following objects:

- Repayment/pre-payment, in full or part, of certain borrowings availed by the Company
- Funding capital expenditure requirements in relation to expansion (including through setting up of a new production line and construction of a building) and modernisation at certain of its existing manufacturing facilities;
- Investment in Subsidiary, Pure N Sure, towards enabling the repayment/pre-payment of certain borrowings availed of by its Subsidiary;
- Marketing and brand-building activities; and
- General corporate purposes.

**Requirement of Funds and proposed schedule of deployment (Rs.mn)**

Particulars	Amount
Repayment/pre-payment, in full or part, of certain borrowings availed by the Company	129.82
Funding capital expenditure requirements in relation to expansion (including through setting up of a new production line and construction of a building) and modernisation at certain of its existing manufacturing facilities	669.98
Investment in Subsidiary, Pure N Sure, towards enabling the repayment/pre-payment of certain borrowings availed of by its Subsidiary	293.70
Marketing and brand-building activities; and	400.00
General corporate purposes	*
<b>Total</b>	<b>*</b>

**Competitive Strengths**

**Innovation driven diversified product portfolio:** PSL's diversified product portfolio includes a wide range of snack foods, flavours and SKUs, thereby effectively addressing a large consumer base. Its ability to identify market trends and develop new flavours catering to the palate of Indian consumers are significant factors that has contributed to the growth of its business. As of July 31, 2017, it had 40 flavours of Chips and Extruded Snacks and 23 varieties of Namkeen in the market. Its capacity to develop innovative snacks products, effectively supported by its strategically located manufacturing and distribution network, enables it to launch and market new products aligned to evolving consumer preferences. This facilitates minimal time-to-scale, and has enabled PSL to generate revenues of Rs. 1 billion from each of its key products, i.e., Potato Chips, Chulbule, Rings, and Namkeen within a few years of launch. Due to diverse product portfolio, PSL has limited dependence on a single raw material. It uses a range of raw materials used in production of its products from potato for Chips to corn and rice for Extruded Snacks and gram, flour, peanuts and pulses for its Namkeen products. Owing to PSL's wide range of raw materials, its business and results of operations are less susceptible to price fluctuation or disruptions in availability of major raw materials.

**Value proposition for consumers:** PSL's brand philosophy emphasises delivery of maximum value to consumers and is reflected in its marketing campaign "Dildaar Hain Hum". Its brand equity has increased over the years, driven by product innovation and cost efficiencies in its production and distribution operations, and offering superior value proposition for consumers, through a wide range of consumer driven flavours, and providing relatively high grammage, i.e., a relatively high weight to volume ratio, for products. the relatively high grammage and consequent value proposition that it offers to the price conscious middle-class Indian consumers who form a large proportion of the consumer market in India for its snacks products, has been an important factor in the growth and acceptance of brand and its market share, particularly in the urban, semi-urban and rural markets in India. Certain of PSL's promotional activities, such as including a wide range of toys in its Rings products, primarily targeted at children, also provide a value proposition for parents and families. It has over the years developed an effective procurement system for such toys. The revenues generated by its Rings product grew at a CAGR of 105.98% since launch to Fiscal 2017 and Rings generated revenues of Rs. 3,987.19 million in Fiscal 2017. These thematic toy campaigns has contributed effectively to its brand building efforts associated with a value proposition for consumers.

**Strategic supply chain for a pan-India distribution network:** PSL is a pan-India snack food company. Its wide spread and integrated sales and distribution network enables it to reach a wide range of consumers and ensure effective market penetration. Points of sale for snack food products include traditional retail points, such as grocery stores, as well as modern retail outlets including supermarkets, hypermarkets and convenience stores for sales in urban areas. Its products are sold in urban, semi-urban and rural regions through wide distribution network. It distributes its products through super stockists who are appointed to operate and maintain outlets/warehouses for sale to distributors and dealers. It has entered into formal agreements with super stockists and has committed commercial relationships with most of its super stockists for over approximately three years. PSL's super stockists maintain dealer and distributor relationships and its sales team monitors the entire distribution network. It has over the years effectively managed large distribution network and developed strong supply and distribution chain relationships across the various regions in which it operates within India. The East Zone is generally considered to be one of the most difficult markets for generation of increased market share. Its wide distribution network and product configuration has enabled it to achieve a CAGR of 45.82% in revenues from operations (net) from the East Zone in the period from Fiscal 2013 to Fiscal 2017.

**Strategically located manufacturing facilities:** PSL owns and operates three manufacturing facilities across India. One of these manufacturing facilities is located at Indore in Madhya Pradesh while the other two are located at Guwahati in Assam. It has also engaged two facilities on a contract manufacturing basis, located at Bengaluru, Karnataka and at Kolkata, West Bengal. Its manufacturing facilities are strategically located, near its key markets and raw material supplies, thereby ensuring cost-efficiencies in procurement of raw material as well as transportation of finished products through super stockists and distributors, and enabling it to leverage economies of scale. Indore in Madhya Pradesh is a key distribution hub for quality potatoes, the key raw material for Potato Chips. Indore is also well connected to Delhi as well Mumbai, key distribution hubs for its products in the North Zone and West Zone, respectively. Its location enables it to transport products from Indore to Mumbai and Delhi at cost-effective rates, thereby ensuring lower transportation costs and resulting operating cost efficiencies. Similarly, Guwahati in Assam also serves as a strategic location for leveraging such efficient logistics operations and resulting

lower transportation costs. The Guwahati and Kolkata facilities enables effective distribution across the East Zone. Its contract manufacturing facilities also enables it to ensure that its supply is able to effectively meet the market demand for its products without significant capital expenditure. In addition, its Guwahati – II manufacturing facility, which commenced production on April 8, 2016, is eligible for value added tax and sales tax exemption for 15 years from the date of commencement of commercial production.

**Successful track record and professional management:** PSL acquired certain manufacturing businesses from its Group Company, Prakash Snacks pursuant to a business transfer agreement dated September 28, 2011. As part of the business transfer, the Company also acquired the brand Yellow Diamond. It has since witnessed substantial growth and also been gaining market share in the snack food market over the years. From 2010 to 2016, its market share increased from 1% to 4% (Source: FS Report). It became the market leader in rings segment in 2015. Although, it began its operations only in Fiscal 2009, it has established a strong presence geographically across different regions in India. PSL is one of the leading players in the East Zone with a strong presence in the North and West Zones and is increasing penetration in the South Zone as well. It has benefitted from the experience of its promoter and chief executive officer, Mr. Amit Kumar, who has been part of the snack food industry for over 21 years. PSL has established a robust internal compliance monitoring system and reputed internal auditors that helps ensure effective corporate governance. Its management team's understanding of target markets and consumer demand and preferences has enabled it to grow business and expand its operations.

#### **Business Strategy:**

**Deeper penetration in existing markets and explore select new territories:** PSL's key focus is to increase its penetration in the markets where it currently operates by replicating the same proposition that has helped it to grow its brand. It intends to deepen penetration in the North and West Zones, particularly in the states of Rajasthan, Punjab and Uttar Pradesh. It has a strong presence in regional pockets and intends to proliferate its presence deeper into these to be able to serve all classes and customer segments. In the relatively newer South Zone market, PSL intends to use its Rings product to garner market share as it did in the East Zone to gain brand loyalty. It intends to leverage on the familiarity of popular products to increase penetration of entire product portfolio in East Zone. To increase visibility and build the Yellow Diamond brand in existing markets it intends to focus on sale of its products to such premium outlets. Hypermarkets and supermarkets usually stock larger size SKUs. While continuously reinforcing its position in India, PSL plans to explore select markets abroad, such as South Asia, to expand its sales in these regions and enhance brand recognition internationally. It intends to exploit macroeconomic factors and the trends in the snacks market, which are similar to those of the Indian snacks market.

**Expand and modernize production capabilities:** PSL intends to expand its production capabilities to aid efforts to deepen its pan-India presence. So as to cater to the increased demand, it intends to use a part of the Net Proceeds towards expansion and modernization of its manufacturing facilities, specifically at Indore manufacturing facility. In order to cater to the increasing demand, it intends to add production lines for Chips and Namkeen along with a packaging line and purchase of related utilities at its Indore manufacturing facility. It also intends to modernise its existing facilities and intends to replace some of its existing Chulbule packaging machinery at Indore with newer and more advanced machinery and modernise its effluent treatment plant at Indore. PSL further intends to utilize this additional capacity by adding certain packaging machines to match the capacity of the packaging and production lines. To deepen its penetration in the South Zone, it intends to expand the packaging line and purchase related utilities for Chulbule at its contract manufacturing facility at Bengaluru

**Increased advertising and marketing activities:** PSL has appointed Salman Khan, a popular Hindi movie actor, as its brand ambassador. It has also had many successful campaigns to promote its products. These include tie-ups with popular children's television channels and programs to promote its products through select cartoons, programs and movie marketing. To further increase brand awareness and achieve brand recall, especially in urban, semi-urban and rural markets, it intends to increase its marketing and advertising activities, by increasing advertising activities on Hindi general entertainment channels, Hindi movie channels, Hindi music channels, news channels, sports channels, and further strengthening its campaigns on kids' channels. PSL intends to leverage the Yellow Diamond brand, and advertise all products in savoury snack portfolio under the Yellow Diamond brand. It intends to use some part of the Net Proceeds for advertising and marketing activities to increase brand awareness and recall of Yellow Diamond. It also intends to increase its targeted marketing approach for its Rings product with monthly visibility campaigns on popular Hindi, English and vernacular kids' channels. In digital marketing, the company intends to selectively create presence across social media platforms and directed marketing through search engines.

**Expand product portfolio into healthier snacks segment and confectionaries:** PSL will continue to expand its product portfolio and distribution reach, focus on increasing sales volumes, and strives to provide differentiated offerings to its consumers. It will leverage its extensive experience to solidify its industry position, by creating new products, entering new product categories and building new brands to capitalize on emerging trends. It intends to increase its research and development efforts on the product attributes that are most valued by its consumers, including taste, nutrition, food-safety and convenience. This would allow the company to better serve increasing demand from consumers for healthier, tastier and higher quality food products and would enable it to further gain market share in the savoury snack segment. PSL also intend to foray into the chocolate-based confectionary snack business. The market for confectionaries is estimated to grow at about 15-18% over the next four to five years driven primarily by chocolate confectionaries. It perceive this to be a higher margin

segment where there is significant demand and growth potential which is relatively untapped. It intends to use its currently established distribution network to cover the new products it plans to introduce.

## Industry:

### Indian Economy and Food Industry

India is one of the few countries that continues to see brisk growth in spite of the ongoing economic slow-down at a global level. A 7.6% growth in Fiscal 2017 has been forecast by the RBI. It is expected that with the revival of industrial activity, introduction of policies favourable to industries, “Make in India” promotions, and low energy costs the actual growth may be higher than predicted. The large population and the increasing number of youth in the country are fuelling the demand for various products, which is infusing liquidity in the market. With a large population, the food market in India is seeing large investments. The current Indian foods market is estimated at Rs. 2,700 billion and is expected to grow at a CAGR of 11%. The food industry has received FDI of about USD 6.7 billion in the last 15 years with a further potential to receive over USD 33 billion in the next ten years. Additionally, the food processing industry in India contributes about 14% to the GDP, while accounting for 6% of all industrial investments. The per capita food consumption in India is three to four times lesser than that of developed economies. The low per capita consumption and the shortage of food in certain pockets offer tremendous opportunities for food companies. This has been recognised by many companies, including the global ones, which are increasingly investing in India.

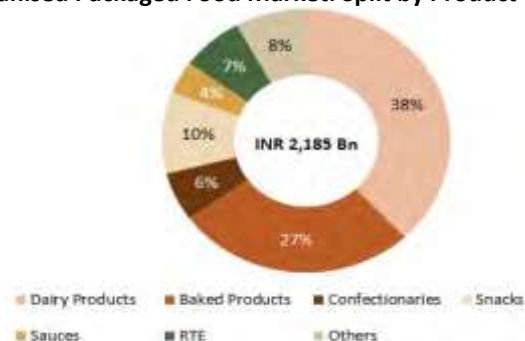
India is the second most populous country in the world and the population is expected to grow at the rate of 1.1% over the next five years. The share of young people in the total population was 64% in 2015, which is of key importance as they will be the demand drivers for various products, including foods in general, and packed foods. This share is expected to continue and highlights a large potential for growth in India. Unlike its predecessors, the current generation spends money more easily, especially on food, apparel, and traveling, as a result of more disposable income. With higher employment opportunities in cities, young people prefer to migrate to urban areas; with limited time and resources to cook, the young working population depends on processed foods. This is clearly reflected by the increasing sales of processed food products in Tier-1 and Tier-2 cities. Processed foods offer convenience, are quick to consume and offer variety while being wholesome at the same time. It is estimated that by 2020, 35% of India’s population will be living in urban areas against the current 32%.

The middle and upper middle class in India have been playing an important role in the growth of the country. Increasing from 44% of the total population in 2010 to 62% by 2020, they are expected to be the major growth engines by fuelling demand across all sectors including food, consumer products, realty, etc. The economic liberalization of the early 1990s kick started growth in the Indian market; attracted by this growth, large talent pool and cheaper labour costs, global companies entered India. This opened up multiple avenues for employment, in the process creating a more robust middle class. It is this middle class that is the target of majority of the companies, because of the sheer number of people contained in this bracket. With incomes to spend, being upwardly mobile, and influenced by global trends, the middle class is consuming more food, especially packaged foods, while experimenting with tastes, cuisines, flavours, and products. Companies have based their strategy on these behavioural traits of the middle class. With the predicted GDP growth and urbanization trends, the proportion of middle class people is expected to increase to 62% of the population by 2020. This underlines the potential for companies.

### Overview of the Packaged Food Market in India

Packaged foods include ready-to-eat / cook foods that are packed and sold to consumers. They are primarily aimed at convenience and usually undergo a certain degree of processing to increase shelf life, taste, stability, etc. It includes food items like bakery products, canned / dried processed food, frozen processed food, meal replacement products, dairy products, snacks, confectionaries, beverages, etc.

**India Organised Packaged Food Market: Split by Product Type, 2016**



### Demand Drivers

Lifestyle changes, increasing affordability, urbanisation, and fast-paced lifestyle are some of the key factors that have boosted demand for packaged foods. Over the last four to five years, the market for organised packaged foods has grown at about 20-25%. Increasing product

and packaging innovation, emphasis on healthy foods and increasing demand for convenience foods will continue to drive the demand for packaged foods at over 30% over the next few years as well.

### **Indian Packaged Snack and Savouries Market**

The Rs. 550 billion Indian snacks market is characterised by a large number of unorganised players across all product segments. This is because traditionally snacks can and are very specific to each region, and hence, many small companies cater to that market. These players have a slim portfolio of products, usually of a single category and in many cases only provide traditional snack items. They also operate in a small geographic range confined to a single state or city. Apart from this, there is a large presence of players that supply fresh products in chips and traditional Indian snacks categories. Over time, large FMCG companies understood the potential of the snacks market, and entered it in a big way, using their existing supply chains to their advantage. These companies are typically characterised by a large product portfolio across multiple product categories, aggressive advertisements and promotions, active R&D, etc. In spite of these players being the leaders in several product categories, majority of the market continues to be catered by the unorganised segment. With increasing competition and cost pressure, there is a gradual shift towards increase in organised players across all product segments. It is estimated that market share between organised and unorganised players will almost be equal in the next five to seven years.

In India, the demand for organized snack foods grew at a CAGR of 14% from 2012 to 2016. The organised snacks market has been witnessing huge growth over the last few years. This is because of the overall growth in the processed foods segment, followed by the moving trend towards consolidation of markets. Some of the traditional Indian snacks have fared better than western snacks. With better infrastructure and technology to create better tastes, organised players have been able to re-create traditional Indian snacks and products that are helping them increase their market share. The role of the internet and media has also been a factor in pushing this trend. This growth trend is expected to continue with the organised sector consolidating more market share over the next five years.

The market for organised Indian snacks has grown by 11% between 2015 and 2016. Availability of a variety of snacks, easy accessibility and a variety of SKUs are some of the major factors that have influenced this growth in the market. PepsiCo India, with Lays' Chips and Kurkure in its portfolio, is the market leader with about 30% market share. There are multiple medium-sized companies, as well, such as Balaji Wafers and Prataap Snacks, which are gaining popularity across India. A variety of branded and unbranded snack products are also available in the market, usually restricted to a city or even a locality within a city. Bulk of the sales of snacks is through independent grocery stores as they are more accessible, though options are limited as almost 95% of the products they stock are the most popular products. across all product segments with East and South showing moderate consumption. No major change is expected in this trend, though an increase in the South Indian market can be expected as many companies are looking to increase their penetration in that market.

### **Sales Channels**

**Independent Small Grocers:** These are stores of the traditional format, and are the “mom and pop” stores that sell a wide range of products, predominantly grocery products. They are wide spread across the country and are not usually a brand that is recognised beyond the city or area in which they are located. They are owned by entrepreneurs owning and operating one or two retail outlets. These are typically family concerns. **Convenience Stores:** These are usually present around petrol pumps and are open late in the night. A mixture of grocery and other essential FMCG items are stocked at such stores.

**Other Retailers:** These are retail outlets that sell predominantly food, beverages and tobacco or a combination of these. This also includes health food stores, kiosks and markets selling groceries predominantly. **Supermarkets/ Hypermarkets:** Hypermarkets are chains or independent retail outlets with a selling space of over 2,500 square meters and with a primary focus on selling food/beverages/tobacco and other groceries. They also stock non-grocery merchandise and essential home care products. Supermarkets are typically smaller versions of hypermarkets.

Due to the structure of the Indian retail market, there is a large presence of unorganised small grocery stores and petty shops that cater to the day-to-day demands of consumers. These shops are present in residential areas and stock essential products such as food, personal care etc. Hence, companies target these shops to ensure maximum consumer reach. Sales of snacks in these independent grocery stores account for about 75% of the total snacks sales. These shops typically stock the most popular products of each category of the most popular SKU size. Petty shops usually stock the smallest SKU size product, and this is popular usually in the rural markets.

There is an increasing trend towards modern retail trade in the urban markets. Many retail chains, including international ones, have shown interest in the Indian organised retail segment. Consumers are attracted by the factors such as size of the outlets, multiple options and varieties, presence of imported products, offers and discounts and the option to purchase all products under one roof. Hence, snack companies are also increasingly offloading their products through hypermarkets and supermarkets. This allows them to display larger varieties, more SKU options, launch new products and flavours, and sell multi-packs through offers, etc. Since many consumers prefer to shop for the entire month's needs from supermarkets, snack companies stock medium-sized and large sized packets to cater to this segment



of consumers. Trends indicate that going forward the role of modern retail will increase. However, the domination of small grocery stores is expected to continue for the next five to ten years. E-tailing of snacks is still in a nascent stage and snack companies may not look at this in a big way since snacks are typically impulse purchases.

### Demand Forecast

The market for organised snacks in India is estimated to grow at about 14.6% CAGR, between 2016 and 2021. Some of the segments such as chips, other savoury and snacks (nuts and popcorn) are expected to witness only moderate growth of about 9-10% as they have already reached maturity with limited scope for new offerings. The market for namkeen is expected to witness the highest growth, at about 17.8% between 2016 and 2021. Shift from unorganised sector to the organised sector, and increasing penetration in Southern and Eastern markets will be the key driving factors for this market. Companies have responded to this growth by enhancing their production capacities across the country.

**India Organised Snacks Market – Demand Forecast: 2016-2021, by Value (Rs. billion)**



In the organised snacks segment the market has been historically dominated by major FMCG companies such as PepsiCo, ITC, Parle Products, etc. PepsiCo, with its Lays' and Kurkure brand has dominated the chips and extruded snacks market with close to 50% market share in each of the segments. A large portfolio of products, innovative flavours, and regular new product launches, aggressive advertisements and promotions, celebrity endorsements, and large retailer margins have been instrumental in PepsiCo gaining dominance in these categories.

In addition to these larger players, the last four to five years have witnessed the aggressive growth of medium sized companies such as Balaji Wafers and Prataap Snacks. Balaji Wafers was started in Western India and in spite of being no match to PepsiCo in spending, has been able to dominate the market for chips in the region, with more than 60% market share. Balaji Wafers has been expanding beyond the Western markets to the North Indian market as well.

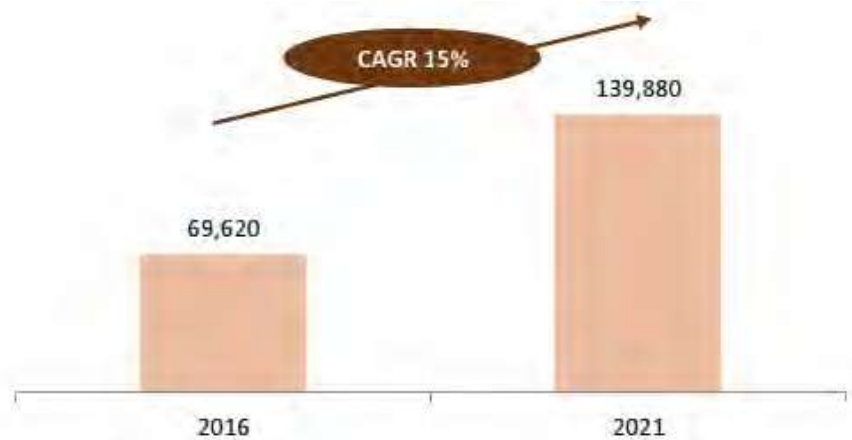
In terms of revenues, Prataap Snacks is one of the top six companies of 2016. It has a strong presence in Northern and Western markets and is increasing penetration in the Southern markets as well. Prataap Snacks is the market leader in the rings segment (part of extruded snacks), and its share in the overall organised snacks market has grown from 1% to 4% from 2010 to 2016. Being a pan-India player, Prataap Snacks has seen high growth over the last few years and has successfully garnered market share from larger companies such as PepsiCo and ITC. With capacity expansion plans aimed at reaching newer geographies, the dominant position of leading snack companies will be challenged over the course of the next four to five years.

### Analysis of Extruded Snacks Market in India

Extrusion technologies have an important role in the food industry as an efficient manufacturing process. The products developed by this process are known as extruded snacks and they differ in colour, shape, and aroma. Extruded food products are mainly corn flour and potato-based but a combination of flours can also be used. Fast-paced lifestyle, high disposable income, rising urbanisation, and transforming food culture have attributed to the growth and demand of the Indian snacks market, including extruded snacks. Northern and Western India are the largest markets for extruded snacks. Both these regions also witness the largest competition in both the organised and unorganised segments. Small pack size is imperative to push sales volumes, especially in the rural markets, where penetration is minimal. Even in extruded snacks, the products that are sold across the various regions vary depending on what is native to the region and the typical flavours enjoyed.

One of the key varieties of extruded snacks is rings. This includes corn rings and accounts for about 8%-10% of the total extruded snacks market. This segment is totally targeted at children and the corn rings packs are usually packed with toys. Corn-based extruded snacks are of various types. But the most common one would be the puffed variety. Variants such as cheese balls, cheese puffs, and spicy corn puffs are popular. Fryums are also a popular category in the market, with a large presence of unorganised players.

### India Organised Extruded Snacks Market – Demand Forecast: 2016-2021, Value (Rs. million)



The demand for extruded snacks in the organised market is expected to increase at a CAGR of 15% over the next five years. An increasing young population, the demand for multiple snacking items and flavours, increasing disposable income and the influence of social media, are some of the major factors that are driving this growth. With the trend pointing towards increasing organised retail, a similar effect can also be witnessed in extruded snacks. Similarly, medium-sized players will compete aggressively with global players to gain market share. Large players such as PepsiCo and ITC are likely to build on their R&D and supply chain strengths to retain their dominant position.

PepsiCo is the market leader with a 44% value share in 2016 with their 15-year-old brand Kurkure. However, the dominance of PepsiCo has been challenged by companies such as Prataap Snacks, Balaji Wafers and DFM Foods. These companies are strong in certain regional pockets though having a wider presence, and offer better prices than the major companies to increase penetration across the country. The presence of such players is high in Western India indicating the level of competition in the region. By expanding their product portfolio and penetrating newer markets, these companies have been garnering market shares from major players over the last two to three years and witnessing high growth over the last few years. Prataap Snacks became the market leader in rings (extruded snacks) with its product Rings in 2015 and continue to remain so in 2016, followed by DFM Foods with its product Crax. Medium-sized companies, including Prataap Snacks and SM Foods, have been moving towards expanding across the entire country and challenging the large companies. Smaller companies are usually confined to a city or a few cities in a region.

### Analysis of Chips Market in India

Chips are one of the largest segments in the Indian snacks market. There are a large number of players in the market operating at a national level as well as in the regional level. In addition to packaged chips, there is a notable market for fresh chips (not covered under this study). In addition to potato chips, tapioca chips and banana chips are the top varieties present in the market. Potato is the most popular variety and accounts for more than 90% of the total chips market.

Potato chips are the most common type of chips in the market being the core product of all chips manufacturers. Some companies such as Balaji Wafers, MTR, etc. have options such as banana chips. Other varieties such as tapioca, carrot, etc. are produced majorly by smaller companies that have regional presence. The unbranded market for chips boasts of a larger variety of chips and is mostly manufactured freshly and sold. While the chips market in India has been growing at about 17-19% over the last five years in the organised segment, it has been losing share to traditional Indian snacks over the last two to three years. The effort associated with procuring and processing potatoes offers slim margin to manufacturers, who are increasingly looking at namkeen and extruded snacks to optimize margins.

Similar to the other snack segments, the market for chips is also highly unorganised and fragmented; the main difference being chips is already a mature market in India. Even in the organised market, many players are restricted to certain regions or cities, while big players have a larger reach. While the unorganised segment dominates the market, a move toward a more organised industry structure is expected in the future. With increasing urbanisation, exposure to various cultures and tastes, the consumer is becoming increasingly demanding and only companies that play in the organised segment will possess the capabilities to continuously innovate to satisfy consumer demands. Furthermore, companies that play in the organised segment are perceived as healthier and hygienic in comparison to the unorganised ones. Additionally, the colourful and multi-layer packaging seen in branded products is both attractive and retains freshness when compared to products sold by the unorganised players. Hence, a move toward a more organised market is inevitable. Majority of the consumption of chips is from Northern and Western India, which together account for over 60% of the market; with multiple small and medium-sized companies operating in these markets, as well. A large number of chips manufacturers are based in Madhya Pradesh, from where they serve

Northern and Western markets, while some companies cater to the Eastern market as well. Potato chips are very popular in Northern and Western India, while South India sees a mixed demand for potato chips, tapioca chips and banana chips, with banana chips being particularly popular in Kerala. As taste is the major factor that decides the success of a product, companies prefer to experiment with local tastes in addition to standard flavours. Apart from packed chips, freshly made chips are also very popular in the South India.

Traditional grocery shops are most commonly found in India, offering ease of access and quick shopping options. Usually, consumers visit these shops to buy daily essential food/ personal care products and tend to pick up chips. To support this impulse purchase, these shops stock the most popular products in the segment and usually the medium pack size. Traditional grocery stores dominate the market and will continue to do so. Shopping in hypermarkets and supermarkets has become common where consumers usually visit for bulk purchase of products for the entire month. Hence, there is tendency to buy larger packs or a multi-pack product from there. Similarly, companies also sell niche flavours and new varieties more in supermarkets than in the traditional outlets as the consumers who frequent supermarkets are more likely to try new flavours or products. While sales in malls will increase, it is not expected to be a major channel over the next five years.

### **Demand Forecast**

Since chips in the organised market make a fairly mature market, the demand is expected to grow at 10.4% over the next five years. Growth in the organised segment is expected to be more than the growth in the unorganised segment. The growing young population, influence of social media, and the liking for salty Indian snacks will continue to drive growth. Furthermore, companies offer new flavours and tastes so that consumers always have options; this will ensure sustainability. While the issue of health and wellness can dampen sales, suppliers do not think it will be a matter of concern and the effects of this could be low in the short to medium term. It will also pave way for healthier snacking options such as baked and multi-grain products. However, retention of taste while making the snacks healthier is a challenge currently, even for bigger companies.

### **Analysis of Namkeen Market in India**

Namkeen covers a broad range of products that are traditionally consumed in India. Most of these products were traditionally cooked at home and consumed. However, current lifestyles restrict the time available for such activities forcing consumers to purchase these products for consumption. This has resulted in the Indian market experiencing high growth over the last few years. The broad range of products, availability of raw materials and higher margins are some of the key factors that deem this segment attractive. In response, many companies are adding more namkeen in their product portfolio. Moong Dal and Aloo Bhujia are the most popular products in the segments. Due to the varied eating habits across India, the preference for traditional snacks differs across the country.

Since most of the namkeen can be prepared at home as well as by local condiment shops, there is a presence of a large unorganised segment in this market. With bigger players entering the fray, market consolidation and lower number of companies can be expected going forward. This trend can be noticed across the snacks market in India. North and West India are the major consumers of namkeen, especially Rajasthan and Gujarat where namkeen forms an integral part of their food habits. Hence, majority of the namkeen varieties originate from these regions. Namkeen in South India and Eastern India are markedly different in comparison.

Due to the large presence and location in residential areas, sale of namkeen products has resultantly been predominant in small grocery shops. Petty shops that sell beverages and chocolates also stock namkeen products to a large extent and form a major avenue of sales for namkeen. With the advent of supermarkets and hypermarkets, larger SKU products are sold through these channels. As namkeen is enjoyed by the entire family, family-sized packs are also seeing more movement, especially in supermarkets and hypermarkets. Resealable packaging has also been instrumental in the sale of larger SKU packs in hypermarkets and supermarkets.

### **Demand Forecast**

While the overall snacks market is witnessing healthy growth, the namkeen market stands out. The growth in this segment is the highest across all segments, offering higher margins resulting in more competitors. As companies compete for share of throat, new tastes, new products and new variations of traditional products, attractive packaging and flexible price points are fuelling the high growth in the namkeen market. A high growth of nearly 20% over the next four to five years is forecasted. The growth is also supported by the large presence of the unorganised segment, catering to unique taste-requirements in each region and ensuring reach to even the most rural markets. In the long run consolidation of the unorganised sector is expected.

### **Analysis of the market for 'Other Snacks' in India**

Apart from the popular variety of snacks such as chips, extruded snacks and namkeen, other formats such as nuts, popcorns, and tortilla chips are also present in the market. Of these, nuts and popcorn have already been in consumption in India, while tortilla chips are a new product. Increasing exposure to media and a multi-cultural environment have been the key factors for entry of the product. The market for this category of snacks has increased by 9% between 2012 and 2016. The market for other snacks is characterised by a high presence of



players in the unorganised sector. This is more so in the case of nuts and popcorn. The market for ready-to-cook popcorn has low presence of unorganised players. The market for tortilla chips is fairly consolidated now and there is no unorganised player in that segment due to its non-Indian origin. In terms of regional sales, similar to other snacks, Northern and Western India are the largest consumers. Southern and Eastern India show moderate levels of consumption. However, South India consumes a substantially larger amount of popcorn when compared to nut-based snacks. Demand for tortilla chips is highest in North India followed by South India with the demand concentrated in urban markets.

Due to large-scale consumption by a large section of the population, nuts and popcorn are available largely across all independent grocery stores. Additionally, medium and large packs are sold through supermarkets and hypermarkets targeting consumption as a family, similar to namkeen. However, tortilla chips are predominantly available only in hypermarkets and supermarkets, as they are still considered as a premium product and are more likely to be consumed by consumers frequenting supermarkets and hypermarkets.

### **Demand Forecast**

The overall market is expected to witness average growth rates over the next few years, with limited scope of innovation and new product development in the nuts and popcorn category. Coupled with the pressure from namkeen and the extruded snacks market, a growth of around 9.2% is forecast between 2016 and 2021 in the organised segment. However, the demand for tortilla chips is expected to grow at about 38% over the next few years, as it is still in the nascent phase with increasing penetration into non-urban and rural markets. Attractive price points will be critical for penetrating rural markets and to increase sales overall.

### **Overview of the packaged sweets industry in India**

The overall Indian traditional sweets market is estimated at over Rs. 3.8 billion in 2016 and is largely dominated by the unorganised players. Due to the integral role played by sweets in Indian culture and festivities, the market for traditional Indian sweets is expected to grow at about 10% over the next few years. However, there is an increasing preference towards western sweets, especially chocolate-based confectionaries, due to changes in consumer preference, exposure to media and the internet, and increasing living standards. In addition, concerns related to hygiene and low quality due to lack of established processes to manufacture Indian sweets is also driving this shift. Most of the smaller sweet brands will struggle, while the larger brands have been able to capitalise on this by offering packed sweets that appeal to the consumers. The organised confectionary market in India is estimated at about Rs. 28 billion in 2016. The market for confectionaries is estimated to grow at about 15%-18% over the next four to five years driven primarily by chocolate confectionaries.

With increase in demand of high-end confectionary, many global as well as domestic players are investing in the market. Primarily driven by the young age group, offering new taste/ flavours, promotional activities, attractive packaging, and free toys are some of the crucial factors that can ensure growth in the Indian market.

### **Key Concerns**

**Any actual or alleged contamination or deterioration of the products could damage the reputation of the company:** PSL is subject to risks affecting the food and beverage industry, including risks posed by the following: contamination/ spoilage of raw materials, consumer product liability claims; product tampering; product labelling errors, the expense and possible unavailability of product liability insurance; and the potential cost and disruption of product recalls. Any actual or alleged contamination or deterioration of the products, whether deliberate or accidental, could result in legal liability, damage to the reputation and may adversely affect the business prospects and consequently its financial performance. The risk of contamination or deterioration exists at each stage of the production cycle, including during the production, storage and delivery of raw materials, packaging, storage and delivery to PSL's customers and the storage and shelving of its products by its super stockists, distributors and retailers until final consumption by consumers. Further, contamination of any of its products could also subject it to product liability claims, adverse publicity and government scrutiny, investigation or intervention, product return, resulting in increased costs and any of these events could have a material and adverse impact on its reputation, business, financial condition, cash flows, results of operations and prospects.

### **Inadequate or interrupted supply and price fluctuation of raw materials and packaging materials could adversely affect the business:**

Production quantity and cost of PSL's products are dependent on its ability to source raw materials and packaging materials at acceptable prices, and maintain a stable and sufficient supply of its major raw materials. Its key raw materials include potatoes, oil, corn, rice, gram and major packaging materials include laminates, boxes and the toys it include in the packaging of some of its products. The raw materials it uses are subject to price volatility and unavailability caused by external conditions, such as commodity price fluctuations within India and globally, weather conditions, supply and demand dynamics, logistics and processing costs, its bargaining power with the suppliers, inflation and governmental regulations and policies. PSL do not enter into long term contracts with any of the raw material suppliers and typically place orders with them in advance on the basis of its anticipated requirements. The absence of long term contracts at fixed prices exposes it to volatility in the prices of raw materials that it require and it may be unable to pass these costs onto its consumers. Further, if all or a significant number of its suppliers for any particular raw material or packaging material are unable or unwilling to meet its requirements or

estimates fall short of the demand, it could suffer shortages or significant cost increases. Continued supply disruptions could exert pressure on PSL's costs, and it cannot be assured that all or part of any increased costs can be passed along to its consumers in a timely manner or at all, which could negatively affect its business, overall profitability and financial performance.

**Operates in a highly competitive industry:** PSL operates in India's snack food industry and face strong competition. Competitive factors in the snack food industry include product quality, taste, price, brand awareness among consumers, advertising and promotion, innovation of products, variety, nutritional content, product packaging and package design. Some of its competitors have been in their respective businesses longer than it has and may accordingly have substantially greater financial resources, wider distribution tie-ups, larger product portfolio, technology, research and development capability, and greater market penetration. Further, its competitors in certain regional markets may also benefit from raw material sources or manufacturing facilities that are closer to these markets. Its ability to compete largely depends upon PSL's direct marketing initiatives, promotional tie ups, quality and taste of its products, as well as leveraging and engaging through its distribution network. Increased competition may result in inability to differentiate its products from those of its competitors, which may lead to loss of market share. Its failure to compete effectively with its competitors may have an adverse impact on its business, results of operations, financial condition and future prospects.

**Failure to develop, launch and market new products due to unpredictable consumer preferences may have a material adverse effect on the business:** The snack food industry in India is highly evolving and consumers may be tempted to shift their choices and preferences whenever new products are launched or various marketing and pricing campaigns of different brands are introduced. Its future growth depends on its ability to continue to introduce new products, flavours and packaging, and to advertise and market them effectively. Its success in marketing existing products and new products depends on the ability to adapt to a rapidly changing marketing and media environment, including increasing reliance on direct promotional initiatives, advertising through hoardings in key geographies as well as through television and radio advertisements. Further, any adverse development relating to celebrities or television characters that PSL is associated with, may also adversely affect the brand and consequently the sale of its products. If it do not successfully maintain, extend and expand its reputation and brand image, then its brands, product sales, financial condition and results of operations could be materially and adversely affected.

**Failure to effectively manage future growth and expansion may have a material adverse effect on business prospects and future financial performance:** PSL's future growth depends, amongst other factors, on establishing new manufacturing facilities, expanding its existing production capacity, and introducing new products. In line with its business strategy, it intends to deepen its presence in its existing territories in North Zone and West Zone particularly in the states of Rajasthan, Punjab and Uttar Pradesh and the relatively newer South Zone market. Further, it also plans to expand its operations in selective markets abroad. Its future growth also depends on expanding sales and distribution network to enter new markets in new geographies, through different sales channels. PSL faces increased risks when it enters new markets, either India or abroad. Its expansion plans and business growth could strain managerial, operational and financial resources. PSL's ability to manage future growth will depend on its ability to continue to implement and improve operational, financial and management information systems on a timely basis and to expand, train, motivate and manage its workforce. It cannot be assured that its personnel, systems, procedures and controls will be adequate to support its future growth. Failure to effectively manage its expansion may lead to increased costs and reduced profitability and may adversely affect its growth prospects. There can be no assurance that it will be able to achieve its business strategy of expanding into existing or new territories and expanding its product portfolio.

**Business prospects and results of operations may be adversely affected if any future capacity expansion plans is not successfully implemented:** PSL intends to use a portion of the Net Proceeds towards expansion and modernization of its manufacturing facilities. With respect to Extruded Snacks, it proposes to expand the packaging line at its manufacturing facility at Guwahati-II and at its contract manufacturing facility at Bengaluru and modernize the packaging line at its manufacturing facility at Indore. Further, it propose to set up a new production line and a packaging line at its manufacturing facility at Indore for Chips and Namkeen. It also proposes to upgrade ETP and construct a building at its manufacturing facility at Indore. A delay in the construction, commissioning or operation of future product lines, an increase in the cost of construction or future manufacturing facilities not being as efficient as planned could have a material and adverse effect on its business and results of operations. In addition, PSL may have to make significant investment in upgrading its plant, machinery and other infrastructure at its manufacturing facilities. Its projected requirements for infrastructure investments may also vary from actual levels if anticipated sales growth does not materialize or varies significantly from its projections. Significant changes from its expected returns on manufacturing facility equipment, technology support systems and supply chain infrastructure investments could adversely affect the results of operations, cash flows and financial condition.

**Inability to expand or effectively manage growing super stockists and distribution network or any disruptions in supply or distribution infrastructure may have an adverse effect on business, results of operations and financial condition:** PSL rely largely on third-party super stockists and distributors to sell its products to retailers who place its products in the market. As of June 30, 2017, its distribution network included 218 super stockists and over 3,500 distributors. Its ability to expand and grow product reach significantly depends on the reach and

effective management of its distribution network. PSL continuously seeks to increase the penetration of its products by appointing new super stockists to ensure wide distribution network targeted at different consumer groups and regions. It cannot be assured that it will be able to successfully identify or appoint new super stockists or effectively manage its existing distribution network. The super stockists place bulk orders with it after aggregating orders from various distributors. As PSL sells and distributes its products through such super stockists and distributors, any one of the following events could cause fluctuations or declines in its revenue and could have an adverse effect on the financial condition, cash flows and results of operations:

- failure to renew agreements with super stockists;
- failure to maintain relationships with existing super stockists;
- failure to establish relationships with new super stockists on favorable terms;
- inability to timely identify and appoint additional or replacement super stockists upon the loss of one or more of super stockists;
- reduction, delay or cancellation of orders from one or more of super stockists or distributors; and
- disruption in delivering of products by super stockists and/or distributors.

**Any disruption in the supply chain could have an adverse impact on the business, financial condition, cash flows and results of operations:**

PSL's ability to manufacture, transport, and sell its products is critical to its success. Any disputes with its super stockists, including disputes regarding pricing or performance, could adversely affect the ability to supply products to its customers and could materially and adversely affect the product sales, financial condition, and results of operations. In addition, any damage or disruption to PSL's supply chain, including third-party manufacturing or transportation and distribution capabilities, due to weather, natural disaster, fire or explosion, terrorism, pandemics, strikes, government action, or other reasons beyond its control or the control of its super stockists, could impair the ability to manufacture or sell its products. Failure to take adequate steps to mitigate the likelihood or potential impact of such events or to effectively manage such events if they occur could adversely affect the business or financial results.

**Termination of agreements with contract manufacturing facilities may adversely affect the business, results of operations and financial condition:**

PSL has engaged two facilities on contract manufacturing basis, located at Bengaluru, Karnataka and at Kolkata, West Bengal. Although a majority of its revenue is generated from sale of products manufactured at its owned manufacturing facilities, it also generates considerable revenue from these third party contract manufacturing facilities. PSL also intend to use a portion of the Net Proceeds to expand and modernize its production capabilities at the Bengaluru contract manufacturing facility to cater to its growth and expansion plans. Any non-renewal or termination of its agreement with the Bengaluru contract manufacturing facility could adversely affect the utilization of Net Proceeds and its strategy for such expansion. Any non-renewal or termination of its arrangement with any of these third party contract manufacturing facilities will adversely affect the sales and revenue from operations. Further, if PSL is unable to suitably replace its arrangement with another third party contract manufacturing facility or are unable to provide adequate supply in the affected territory, it may lose market share in such territory, which could materially affect the revenue from operations.

**Any significant interruption in continuing operations of production or cold storage facilities could have a material adverse effect on the business:**

PSL owned and operated three manufacturing facilities and also engaged two facilities on a contract manufacturing basis and a cold storage facility on lease basis. These facilities are subject to the normal risks of industrial production, including equipment breakdowns, labour stoppages, natural disasters, directives from government agencies, water shortages and power interruptions. Any significant malfunction or breakdown of its machinery may entail significant repair and maintenance costs and cause delays in its operations. Certain of its raw materials are perishable products and consequently, any malfunction and break down of the cold storage facility may affect the stored potatoes, which have a limited shelf life, and this, along with any significant impact on other raw materials could result in slow down or cessation of its operations which may adversely affect the business and prospects.

**Certain aspects of the business, including procurement of raw materials and availability of target consumer segments are seasonal in nature.:**

PSL is largely dependent on the agricultural industry for almost all of its raw materials including potatoes, rice, corn and gram. The agricultural industry is largely dependent on various factors including monsoon and weather conditions. Any vagaries of weather and abnormal monsoon may affect crop production, destroy crops and subsequently increase the prices of its raw materials which can have an adverse effect on its results of operations. In addition, children and younger consumers represent a significant proportion of consumer segment. Although the demand for its products is continuous throughout the year, it observe slight reduction in its sales during school holidays, especially for its products focused on young consumers. If it is unable to supply sufficient quantity of its products in the market or if for any other reason, including transport strikes or bad weather conditions, its supply is interrupted in such period; its results of operations may be adversely affected.

**A shortage or non-availability of electricity, gas or water may adversely affect manufacturing Operations:**

PSL's manufacturing operations require a significant amount and continuous supply of electricity, gas and water and any shortage or non-availability may adversely affect its operations. Particularly, all of its manufacturing facilities require a significant amount and continuous supply of electricity and gas and any shortage or non-availability of electricity and gas may adversely affect the operations. Any failure on its part to obtain alternate sources of

electricity, gas or water, in a timely fashion, and at an acceptable cost, may have an adverse effect on its business, results of operations and financial condition.

**Any loss of business or potential adverse publicity resulting from spurious or imitation products, could result in loss of goodwill for products:** PSL is exposed to the risk that entities in India and elsewhere could pass off their products as its products, including spurious or imitation products. For example, products imitating its brands and packaging material selling spurious products may adversely affect sale of its products, resulting in a decrease in market share resulting from a decrease in demand for its products. Such imitation or spurious products may not only result in loss of sales but also adversely affect the reputation of the products and consequently future sales and results of operations. The proliferation of spurious and imitation products in PSL's territories and sub-territories, and the time and resources utilized in taking action against such spurious products, defending claims and complaints regarding these spurious products, and in initiating appropriate legal proceedings against offenders who infringe its intellectual property rights, could result in lower sales, and adversely affect the results of operations and may have a material and adverse effect on its reputation, business, prospects, results of operations and financial condition.

**Business is subject to changes in consumer taste, preferences, perceptions and spending patterns:** PSL's business depends substantially on factors such as consumer preferences and tastes, consumer income, consumer perceptions of, and confidence in, its product safety and quality, and consumer awareness of health issues, all of which affect consumer spending patterns. A decline in the demand for its products could occur as a result of a change in any of the factors described above at any time, and its future success will depend partly on the ability to anticipate, identify or adapt to such changes and to timely implement new advertising and promotion strategies that can attract consumers to its products. It cannot be assured that it will be able to adapt its product portfolio to changes in food trends or shifts in consumer preferences and tastes. It may not be able to introduce new products that are in faster-growing and more profitable categories or reduce its production of products in categories experiencing consumption declines. Additionally, trends and shifts in consumer preferences and tastes may apply downward pressure on sales and pricing or lead to increased levels of selling and promotional expenses. Any of these factors could have a material adverse impact on its financial condition and results of operations

**Stringent food safety, consumer goods, health and safety laws and regulations may result in increased liabilities and increased capital expenditures:** PSL's operations are subject to stringent health and safety laws as its products are for human consumption and are therefore subject to various industry specific regulations. It may also be subject to additional regulatory requirements due to changes in governmental policies. Further, it may also incur additional costs and liabilities related to compliance with these laws and regulations that are an inherent part of its business. These laws and regulations are increasingly becoming stringent and may in the future create substantial compliance or remediation liabilities and costs. These laws may impose liability for non-compliance, regardless of fault. Other laws may require the company to investigate and remediate contamination at its facilities and production processes. While it intends to comply with applicable regulatory requirements, it is possible that such compliance may prove restrictive, costly and onerous and an inability to comply with such regulatory requirement may attract penalty.

**Inability to obtain, maintain or renew requisite statutory and regulatory permits and approvals for business operations could materially and adversely affect the business, prospects, results of operations and financial condition:** PSL's operations are subject to extensive government regulation and in respect of its existing operations it is required to obtain and maintain various statutory and regulatory permits, certificates and approvals including approvals under the Food Safety and Standards Act, 2006, Water (Prevention and Control of Pollution) Act, 1974, environmental approvals, factories licenses, labour related and tax related approvals. There can be no assurance that the relevant authorities will issue or renew any expired permits or approvals in time or at all. Failure or delay in obtaining approvals or failure by the company to obtain, maintain or renew the required permits or approvals within applicable time or at all may result in interruption of its operations. Further, the relevant authorities may initiate penal action against it, restrain its operations, impose fines/penalties or initiate legal proceedings for its inability to renew/obtain approvals in a timely manner or at all. Consequently, failure or delay to obtain such approvals could have a material adverse effect on its business, financial condition and profitability.

**PSL may not be able to adequately protect its intellectual property that is material to the business:** PSL's ability to compete effectively depends in part upon protection of its rights in trademarks, copyrights and other intellectual property rights it owns. Further, other entities may pass off their products as its by imitating its brand name or packaging material. Its use of contractual provisions, confidentiality procedures and agreements, and trademark, copyright, unfair competition, trade secret and other laws to protect its intellectual property may not be adequate. Litigation may be necessary to enforce intellectual property rights and protect proprietary information, or to defend against claims by third parties that its products or its use of intellectual property infringe their intellectual property rights. Any litigation or claims brought by or against it could result in substantial costs and diversion of its resources. A successful claim of trademark, copyright or other intellectual property infringement against it could prevent it from providing its products, which could harm the business, financial

condition or results of operations. In addition, a breakdown in PSL's internal policies and procedures may lead to an unintentional disclosure of its proprietary, confidential or material non-public information, which could in turn harm the business, financial condition or results of operations.

**Concerns over obesity or nutritional value of products may reduce demand for some of the Products:** There is growing concern among consumers, public health professionals and government agencies about the health problems associated with obesity. In addition, some researchers, health advocates and dietary guidelines are suggesting that consumption of fried snacks is one of the primary causes of increased obesity rates and are encouraging consumers to reduce or eliminate consumption of such products. Increasing public concern about obesity; additional governmental regulations concerning the marketing, labelling, packaging or sale of PSL's products; and negative publicity resulting from actual or threatened legal actions against it or other companies in its industry relating to the marketing, labelling or sale of its fried snacks may reduce demand for or increase the cost of its fried snacks, which could adversely affect the profitability.

**Profit & Loss**
**Rs in million**

Particulars	FY17	FY16	FY15	FY14
Revenue from Operations	9039.2	7571.9	5588.1	4456.2
Other Income	15.4	7.1	17.6	12.3
Total Income	9054.6	7579.0	5605.7	4468.5
Total Expenditure	8630.5	7006.7	5249.4	4254.6
Purchase of traded goods	212.9	263.7	247.9	162.0
Increase / (decrease) in inventories of traded goods	-39.3	-17.8	-16.1	14.7
Cost of raw material and components consumed	6192.6	4975.7	3808.1	3107.6
Employee benefits expense	252.7	187.4	137.3	89.4
Other expenses	2011.7	1597.7	1072.3	880.9
PBIDT	424.1	572.3	356.3	213.8
Interest	44.8	58.8	63.3	47.3
PBDT	379.2	513.5	293.0	166.6
Depreciation	249.9	179.9	153.4	116.8
PBT	129.4	333.6	139.7	49.8
Exceptional items	0.0	58.0	9.6	0.0
Tax (incl. DT & FBT)	30.5	1.9	31.0	-4.0
Tax	0.5	7.1	0.0	0.0
Deferred Tax	29.9	-5.2	31.0	-4.0
Adj. Profit	98.9	273.7	99.0	53.8
EPS (Rs.) on pre IPO fully diluted capital	4.64	12.80	4.60	2.50
Equity	30.61	14.7	14.7	14.6
Face Value	5.0	5.0	5.0	5.0
OPM (%)	4.5	7.5	6.1	4.5
PATM (%)	1.1	3.6	1.8	1.2

**Balance Sheet:**
**Rs in million**

Particulars	FY17	FY16	FY15	FY14
<b>Equity &amp; Liabilities</b>				
<b>Shareholders Funds</b>	<b>2383.4</b>	<b>2172.3</b>	<b>1896.1</b>	<b>1772.8</b>
Share Capital	30.61	14.7	14.7	14.6
Reserves and surplus	2,352.82	2157.7	1881.4	1758.1
<b>Non-Current Liabilities</b>	<b>491.3</b>	<b>276.0</b>	<b>145.4</b>	<b>197.4</b>
Long-term borrowings	388.51	210.4	79.0	165.3
Deferred tax liabilities	85.92	55.3	60.4	29.4
Long-term provisions	16.91	10.3	6.1	2.7
<b>Current Liabilities</b>	<b>1397.0</b>	<b>965.7</b>	<b>949.8</b>	<b>828.7</b>
Short-term borrowings	267.54	264.2	241.9	218.4
total outstanding dues of creditors other than micro enterprises and small enterprises	772.78	552.1	497.0	398.8
Other current liabilities	353.93	147.8	210.2	211.1
Short term provisions	2.73	1.5	0.7	0.4
<b>Total Equity &amp; Liabilities</b>	<b>4271.8</b>	<b>3414.0</b>	<b>2991.3</b>	<b>2798.8</b>
<b>Assets</b>				
<b>Non-Current Assets</b>	<b>2994.5</b>	<b>2389.3</b>	<b>2133.7</b>	<b>1864.3</b>
Property, Plant and Equipment	1,931.62	1678.0	1572.3	1430.8



Intangible assets	76.54	3.6	4.0	3.2
Capital work in progress	518.04	303.1	244.8	149.0
Intangible assets under development	0.12	0.1	0.1	0.1
Deferred tax assets (net)	0.78	0.1	0.0	0.0
Loans and advances	454.69	401.9	309.7	278.0
Other non-current assets	12.71	2.4	2.7	3.3
<b>Current Assets</b>	<b>1277.3</b>	<b>1024.7</b>	<b>857.7</b>	<b>934.5</b>
Inventories	788.68	685.3	576.5	522.5
Trade receivables	196.93	182.9	136.3	116.0
Cash and bank balances	110.5	60.5	36.9	217.6
Loans and advances	119.89	80.4	98.3	67.5
Other current assets	61.25	15.6	9.7	11.0
<b>Total Assets</b>	<b>4271.8</b>	<b>3414.0</b>	<b>2991.3</b>	<b>2798.8</b>

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