Prataap Snacks

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	DIAMOND IN
Equity Shares (m)	24
M.Cap.(INRb)/(USDb)	25.7 / 0.3
52-Week Range (INR)	1245 / 859
1, 6, 12 Rel. Per (%)	-6/8/5
12M Avg Val (INR M)	59
Free float (%)	41.2

Financials & Valuations (INR b)

Y/E MARCH	FY26	FY27E	FY28E
Sales	17.2	21.2	25.2
EBITDA	0.8	0.9	1.8
EBITDA (%)	4.9	4.0	7.1
Adj. PAT	0.1	0.1	0.7
EPS (INR)	4.8	3.4	28.1
EPS Gr.%	-228.4	-29.4	735.5
BV/Sh. (INR)	292.7	296.1	324.2
Ratios			
Net D/E	0.0	0.3	0.4
RoE (%)	1.6	1.1	9.1
RoCE (%)	1.2	1.9	8.3
Payout (%)	10.5	0.0	0.0
Valuations			
P/E (x)	223.9	317.4	38.0
P/B (x)	3.6	3.6	3.3
EV/EBITDA (x)	30.4	32.7	15.9
Div. yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Sep-26	Jun-26	Sep-25
Promoter	58.8	56.8	54.9
DII	8.1	7.4	7.2
FII	4.2	4.4	5.6
Others	28.9	31.5	32.3

CMP: INR1,073 **TP: INR1,265 (+18%)** **Buy**

Strong growth; lower RM costs to drive up margins

Prataap Snacks' (PSL) revenue grew 26% YoY to INR5.4b in 2QFY27, led by namkeen and potato chips. Management expects double-digit revenue growth in FY27, backed by higher growth in core categories, including namkeen, potato chips, and extruded snacks and namkeen. Gross margin contracted 430bp YoY to 25.5% for 2QFY27, due to the higher cost of raw materials, including palm oil and laminates, which rose ~21-23% YoY. EBITDA margin settled at 2.2% (-320bp YoY). We expect PSL to maintain revenue growth at 21%, led by core categories, distribution expansion and growth in new channels, and expect margins to expand to ~7.1% by FY28E, led by cost optimization and calibrated price hikes. During the quarter, PSL acquired 100% of the equity share capital of RLOP Food Processing for a consideration of INR154m. PSL will set up a greenfield plant at the leasehold land held by RLOP. The project is expected to require an investment of ~INR4.2b, to be funded through ~INR2.5b of term debt and the balance through internal accruals, expected to start in Jan'28.

Namkeen and potato chips led revenue growth

2Q revenue grew by a robust 26% YoY to INR5.4b, led by healthy momentum in namkeen and potato chips portfolio, supported by improving traction in recently launched products, deeper market penetration, better product availability at existing distribution points, growing modern trade, and quick commerce, all leading to volume growth. Management expects to deliver strong double-digit growth in revenue in FY27, led by stable momentum in core categories, product innovation, distribution expansion and growth in new channels, along with capacity expansion through the upcoming new greenfield facility, which is expected to be completed by Jan'28, with a capacity of ~65k-70k MT.

Margins contract on account of higher raw material costs

In 2Q, gross margins declined by 430bp YoY to 25.5% due to high raw material costs, particularly palm oil and packaging laminates. Palm oil prices rose 22.5% YoY, while laminate prices rose 21% YoY. EBITDA declined 49% YoY, settling EBITDA margin at 2.2% (-320bp YoY), as fuel and logistics costs continued to exert pressure. PSL has taken grammage reduction, adjustments to channel margins and trade schemes. Going forward, we expect gross margins to expand to 27.3% and EBITDA margins to expand to 7.1% by FY28, led by cost optimization and calibrated price hikes.

Valuation and view: Reiterate BUY

PSL is expected to deliver a strong financial performance, with revenue growth driven by the namkeen segment and potato chips. Margin improvement will be driven by plant consolidation and cost-optimization initiatives. We estimate a revenue/EBITDA/APAT CAGR of 21%/46%/162% over FY26-28, driven by volume growth and significant margin expansion. We have trimmed our earnings estimates and reiterate our BUY rating with a revised DCF-based TP of INR1,265 (based on an implied P/E of 45x on Mar'28E). Key risks: potential supply chain disruptions impacting production and execution risks related to plant consolidation (refer to our IC note dated Sep'25).

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Investors are advised to refer through important disclosures made at the last page of the Research Report.
Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Quarterly performance

(INR m)

Y/E March	FY26				FY27E				FY26	FY27E	2Q FY27E	Var. %
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
Net Sales	**4,110**	**4,319**	**4,616**	**4,202**	**4,925**	**5,439**	**5,677**	**5,192**	**17,247**	**21,234**	***4,967***	*9.5*
YoY Change (%)	*-2.5*	*-2.1*	*3.8*	*4.9*	*19.8*	*25.9*	*23.0*	*23.6*	*1.0*	*23.1*	*15.0*	
Gross Profit	1,174	1,288	1,306	1,204	1,339	1,387	1,476	1,408	4,972	5,696	*1,416*	
Total Expenditure	3,926	4,086	4,408	3,987	4,722	5,320	5,495	4,927	16,407	20,379	*4,713*	
EBITDA	**184**	**233**	**208**	**215**	**203**	**119**	**182**	**265**	**839**	**855**	***253***	*-53.0*
Margin (%)	*4.5*	*5.4*	*4.5*	*5.1*	*4.1*	*2.2*	*3.2*	*5.1*	*4.9*	*4.0*	*5.1*	
Depreciation	175	170	168	177	176	156	165	173	690	669	*196*	*-20.6*
Interest	22	18	13	12	10	12	13	159	65	195	*12*	*2.5*
Other Income	24	19	28	13	16	11	24	58	85	109	*23*	*-51.4*
PBT before EO items	**10**	**64**	**55**	**38**	**34**	**-38**	**28**	**-9**	**169**	**100**	***68***	
Extraordinary Inc / (Exp)	0	-8	24	0	0	0	0	0	-16	0	*0*	
PBT	**10**	**72**	**31**	**38**	**34**	**-38**	**28**	**-9**	**184**	**100**	***68***	*-155.0*
Tax	3	26	-1	27	9	-10	6	15	55	20	*17*	*-159.0*
Rate (%)	*33.6*	*35.5*	*-3.8*	*70.2*	*26.3*	*26.8*	*23.0*	*-159.3*	*29.6*	*20.0*	*25.0*	
JV and Associates	0	0	0	0	0	0	0	0			*0*	
Reported PAT	**7**	**46**	**32**	**11**	**25**	**-28**	**22**	**-24**	**130**	**80**	***51***	*-153.7*
Adj PAT	**7**	**39**	**56**	**11**	**25**	**-28**	**22**	**-24**	**114**	**80**	***51***	*-153.7*
YoY Change (%)	*-92.7*	*244.6*	*255.9*	*109.6*	*257.6*	*-171.2*	*-61.5*	*-313.2*	*-228.5*	*-29.4*	*32.5*	
Margin (%)	*0.2*	*0.9*	*1.2*	*0.3*	*0.5*	*-0.5*	*0.4*	*-0.5*	*0.7*	*0.4*	*1.0*	

Exhibit 1: Changes to our estimates (INR m)

INR m	Old		New		Change (%)	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Revenue	19,360	21,847	21,234	25,225	9.7	15.5
EBITDA	1,031	1,688	855	1,798	-17.1	6.5
EBITDA margin %	*5.3*	*7.7*	*4.0*	*7.1*		
PAT	226	720	80	672	-64.4	-6.7
EPS	9.5	30.1	3.4	28.1	-64.4	-6.7

Source: MOFSL, Company



Key takeaways from the management commentary

Strong revenue momentum driven by broad-based category growth

- 2QFY27 revenue from operations grew 26% YoY and 10% QoQ to INR5.4b, crossing the INR5b quarterly revenue milestone for the first time.
- 1HFY27 revenue increased 23% YoY to INR10.3b, with management confident of delivering strong double-digit revenue growth for FY27.
- Growth was broad-based, led by namkeen and potato chips, supported by new product launches, flavor extensions and improved product availability.
- Namkeen contribution to revenue has increased to ~25% from 20% last year and 15-16% two years ago; potato chips contributed ~ 25%, while rings accounted for ~10%.
- Transaction growth stood at 17-18% in 2Q, while pricing growth contributed 8-9%, indicating that volume growth remains the key driver of business momentum.

Distribution expansion and technology to unlock growth

- The company has a distribution reach of ~2.5m outlets, supported by around 2,200 direct distributors and 3,000-3,300 sub-distributors.
- While extruded snacks are available across ~2m outlets, namkeen reaches only around 25% and potato chips 30-35% of the existing network, providing significant headroom for expansion.
- Management targets increasing the reach of potato chips and namkeen to ~75% of existing outlets over the next 3-4 years, with category-level expansion expected to be gradual.
- Salesforce automation (SFA) and digital initiatives are helping monitor outlet-level availability, identify distribution gaps and improve salesforce productivity.
- Quick commerce currently contributes ~1.2-1.5% of revenue, with a target to increase its contribution to around 5% over the next three years; the company is also expanding larger packs and modern-trade presence.

Input cost inflation weighs on margins; mitigation measures underway

- 2Q gross margin declined to 25.5% from 29.8% in 2QFY26, while EBITDA stood at INR129m against INR229m in 2QFY26, translating into an EBITDA margin of ~2.4%.
- The company faced significant inflation in palm oil, packaging laminates, corrugated boxes and other agro commodities, along with higher gas and logistics costs.
- Management estimated an overall negative impact of ~9.5-10pp on margins compared with pre-war levels, of which around 7.5pppoints were mitigated through grammage reductions, improved realizations and channel-margin rationalization.
- The INR5 pack's contribution declined to ~82% from 85% last year, while INR10-20 packs increased to 14.5%; quick commerce and other channels contributed ~3.5%.
- Further grammage rationalization, selective price increases and a review of trade schemes and discounts are underway; management is targeting 2H EBITDA margins broadly in line with 1H levels of around 3%.

Indore greenfield facility to drive structural margin improvement

- The company has acquired RLOP Foods, which holds leasehold rights to ~50 acres of land near Indore, for developing an integrated and automated manufacturing facility.
- The project entails an estimated investment of INR4,210-4,220m, to be funded through ~INR2,500m of term debt and the balance through internal accruals.
- Commercial production is targeted within 15-18 months, with an internal target of Jan'28; the new facility will initially replicate existing operations and have capacity of ~65,000-70,000 MT.
- The integrated facility is expected to reduce manufacturing inefficiencies and improve operating margins by ~1.5-2pp; existing Indore land is estimated to have a commercial value of INR2,500-3,000m, with proceeds intended to repay the project debt.
- The new facility will provide headroom to potentially double capacity through further investments in basic infrastructure, while machinery from existing units may be redeployed to other locations.

Medium-term margin levers support profitability improvement

- Management has identified structural margin-improvement opportunities of ~5-6pp over the next 2-3 years, with a medium-term aspiration of achieving sustainable EBITDA margins of around 9-10%.
- Manufacturing integration and automation at the new Indore facility are expected to contribute 1.5-2pp through lower conversion costs and overheads.
- Channel-margin rationalization, including distributor margins and trade schemes, is expected to contribute another 1.5-2pp, with gradual implementation to avoid disrupting sales.
- Supply-chain optimization and a wider manufacturing footprint for namkeen are expected to deliver a further 1-1.5pp of improvement through lower freight and logistics costs.
- Management's medium-term aspirations include ~15% revenue growth, 10% EBITDA margin and 15% RoE, supported by improved distribution productivity, category expansion and manufacturing efficiencies.

Key exhibits

Exhibit 2: Quarterly sales trend

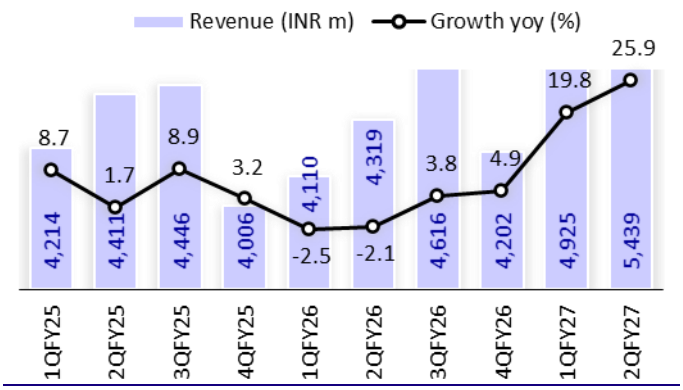


Exhibit 3: Quarterly margin trend

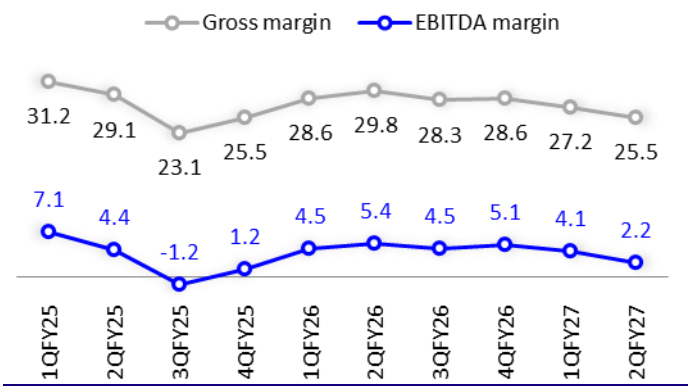


Exhibit 4: Quarterly EBITDA trend

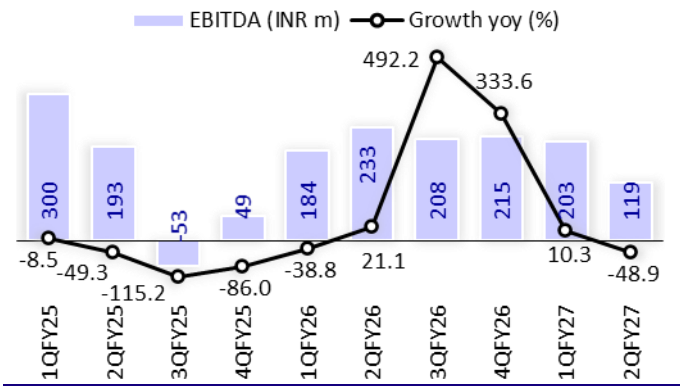


Exhibit 5: Quarterly PAT trend

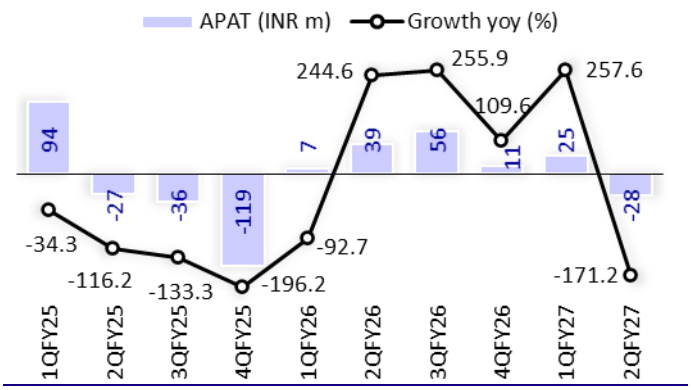
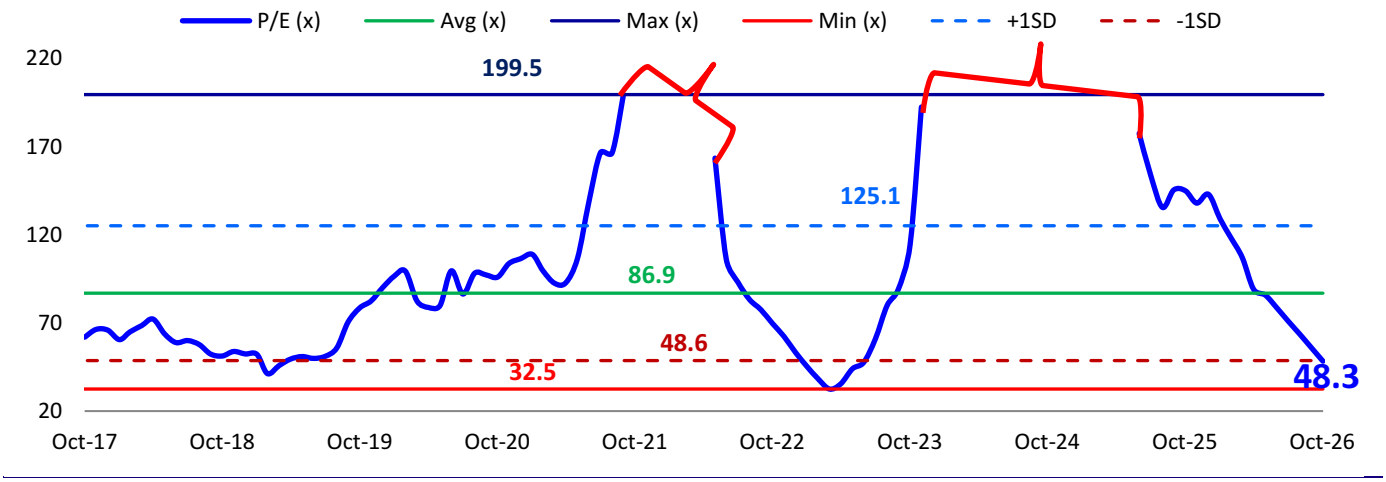


Exhibit 6: One-year forward P/E band and standard deviation



Source: Bloomberg, MOFSL

Financials and valuations

Income Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Net Sales	**11,711**	**13,966**	**16,529**	**16,179**	**17,077**	**17,247**	**21,234**	**25,225**
Change (%)	*-16.0*	*19.3*	*18.4*	*-2.1*	*5.6*	*1.0*	*23.1*	*18.8*
Raw Materials	8,431	10,369	11,920	10,770	12,431	12,275	15,538	18,332
Gross Profit	**3,280**	**3,597**	**4,609**	**5,409**	**4,646**	**4,972**	**5,696**	**6,893**
Employee Cost	533	572	754	756	781	788	913	1,059
Other Expenses	2,116	2,442	3,231	3,243	3,378	3,344	3,928	4,036
Total Expenses	**11,080**	**13,383**	**15,905**	**14,769**	**16,590**	**16,407**	**20,379**	**23,427**
% of Net Sales	94.6	95.8	96.2	91.3	97.1	95.1	96.0	92.9
EBITDA	**631**	**583**	**624**	**1,410**	**487**	**839**	**855**	**1,798**
EBITDAM (%)	*5.4*	*4.2*	*3.8*	*8.7*	*2.9*	*4.9*	*4.0*	*7.1*
Depn. & Amortization	546	538	621	664	692	690	669	737
EBIT	**85**	**45**	**3**	**747**	**-205**	**149**	**186**	**1,060**
Net Interest	63	67	65	58	68	65	195	367
Other income	88	137	78	86	97	85	109	142
PBT Before EO Exp	**111**	**115**	**15**	**774**	**-176**	**169**	**100**	**835**
EO expense	0	139	0	10	254	16	0	0
PBT after EO	**111**	**-24**	**15**	**765**	**-431**	**153**	**100**	**835**
Tax	-31	-53	-188	233	-88	55	20	164
Rate (%)	-27.9	221.8	-1,274.8	30.5	20.4	35.7	20.0	19.6
Reported PAT	**142**	**29**	**203**	**531**	**-343**	**98**	**80**	**672**
Change (%)	-70	-79	597	162	-164	-129	-18	735
Adjusted PAT	**142**	**149**	**9**	**541**	**-89**	**114**	**80**	**672**
Change (%)	*-69.8*	*5.6*	*-93.9*	*5,786.2*	*-116.4*	*-228.5*	*-29.4*	*735.5*

Balance Sheet

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Share Capital	117	117	117	119	119	120	120	120
Reserves	6,018	6,123	6,645	7,168	6,783	6,877	6,958	7,629
Net Worth	**6,135**	**6,240**	**6,762**	**7,288**	**6,903**	**6,997**	**7,077**	**7,749**
Minority Interest	0	0	0	0	0	0	0	0
Total Loans	573	799	598	811	764	452	3,088	3,588
Deferred Tax Liability	-121	256	80	175	85	109	109	109
Capital Employed	**6,587**	**7,295**	**7,441**	**8,273**	**7,751**	**7,557**	**10,274**	**11,446**
Gross Block	4,670	7,401	8,180	9,334	9,166	9,652	12,652	14,152
Less: Accum. Deprn.	1,601	2,362	2,835	3,265	3,865	4,555	5,224	5,961
Net Fixed Assets	**3,069**	**5,039**	**5,345**	**6,069**	**5,302**	**5,097**	**7,428**	**8,191**
Capital WIP	208	139	151	6	132	45	45	45
Other Non-Current Assets	2,066	461	461	461	461	461	813	813
Curr. Assets	**2,888**	**3,432**	**3,160**	**3,579**	**3,665**	**3,672**	**4,091**	**4,731**
Inventory	1,206	1,446	1,353	1,424	1,487	1,297	1,675	1,926
Account Receivables	256	166	140	109	174	230	223	257
Cash and Cash Equivalents	**251**	**321**	**290**	**306**	**141**	**428**	**692**	**447**
Other Current Assets	1,176	1,499	1,377	1,741	1,864	1,717	1,501	2,102
Curr. Liability & Prov.	**1,644**	**1,775**	**1,676**	**1,842**	**1,808**	**1,717**	**2,103**	**2,334**
Account Payables	830	901	1,038	1,146	1,251	1,111	1,507	1,605
Provisions & Others	814	874	637	697	557	606	596	729
Net Curr. Assets	**1,244**	**1,657**	**1,484**	**1,737**	**1,857**	**1,955**	**1,988**	**2,397**
Appl. of Funds	**6,587**	**7,296**	**7,441**	**8,273**	**7,751**	**7,558**	**10,274**	**11,446**

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Adjusted EPS	6.0	6.4	0.4	22.7	-3.7	4.8	3.4	28.1
Growth (%)	**-69.8**	**5.6**	**-93.9**	**5,682.7**	**-116.4**	**-228.4**	**-29.4**	**735.5**
Cash EPS	29.3	29.3	26.9	50.4	25.3	33.7	31.4	58.9
BV/Share	261.5	266.0	288.3	305.2	289.0	292.7	296.1	324.2
DPS	0.5	0.5	1.0	2.0	0.5	0.5	0.0	0.0
Payout (%)	8.3	7.8	255.2	8.8	-13.5	10.5	0.0	0.0
Valuation (x)								
P/E	176.9	167.6	2,724.4	47.1	-287.5	223.9	317.4	38.0
Cash P/E	36.4	36.4	39.7	21.2	42.3	31.7	34.0	18.1
P/BV	4.1	4.0	3.7	3.5	3.7	3.6	3.6	3.3
EV/EBITDA	40.2	43.8	40.6	18.4	53.6	30.4	32.7	15.9
EV/SALES	2.2	1.8	1.5	1.6	1.5	1.5	1.3	1.1
Dividend Yield (%)	0.0	0.0	0.1	0.2	0.0	0.0	0.0	0.0
Profitability Ratios (%)								
RoE	2.3	2.4	0.1	7.7	-1.2	1.6	1.1	9.1
RoCE (post-tax)	1.8	1.4	2.6	6.5	-1.5	1.2	1.9	8.3
RoIC (post-tax)	2.7	-1.1	0.6	7.4	-2.2	1.4	1.9	9.0
Turnover Ratios								
Asset Turnover (x)	1.8	1.9	2.2	2.0	2.2	2.3	2.1	2.2
Inventory (Days)	38	38	30	32	32	27	29	28
Debtor (Days)	8	4	3	2	4	5	4	4
Payable (Days)	26	24	23	26	27	24	26	23
Leverage Ratio								
Net Debt/Equity (x)	0.1	0.1	0.0	0.1	0.1	0.0	0.3	0.4

Cash Flow Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
PBT	**111**	**-24**	**15**	**765**	**-431**	**153**	**100**	**835**
WC	150	-20	225	-36	-151	-280	151	-53
Others	524	554	616	667	880	646	754	962
Direct taxes (net)	-30	-50	-58	-129	-38	-15	-20	-164
CF from Op. Activity	**755**	**460**	**798**	**1,267**	**261**	**505**	**986**	**1,581**
Capex	-273	-309	-831	-753	-402	-199	-3,000	-1,500
FCFF	**483**	**151**	**-33**	**514**	**-141**	**306**	**-2,014**	**81**
Interest income	0	0	0	0	0	0	0	0
Others	-461	-54	579	-313	104	471	-27	-458
CF from Inv. Activity	**-734**	**-363**	**-252**	**-1,065**	**-298**	**272**	**-3,027**	**-1,958**
Share capital								
Borrowings	100	780	30	200	217	0	2,500	500
Finance cost	-21	-16	-15	-7	-26	-32	-195	-367
Dividend	-23	-14	-12	-24	-48	-12	0	0
Others	-209	-776	-520	-292	-293	-515	0	0
CF from Fin. Activity	**-153**	**-25**	**-517**	**-122**	**-149**	**-559**	**2,305**	**133**
(Inc)/Dec in Cash	**-132**	**72**	**29**	**79**	**-187**	**217**	**264**	**-245**
Opening balance	227	118	190	219	298	112	329	593
Closing balance	**95**	**190**	**219**	**298**	**112**	**329**	**593**	**348**

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

NOTES

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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