

Prataap Snacks Ltd. : Average Issue IPO Note : Aggressively Priced at a PE of 222 : Ranking**



Issue details

Price band (Rs)	Rs.930-938
IPO Opening Date	22/09/17
IPO Closing Date	26/09/17
Issue Size	Rs. 482 Cr.

Recommendation

Total revenue grew at a CAGR of 26.54% from Rs.446.84 Cr for the FY 2014 to Rs.905.45 Cr for FY 2017 and Net Profit grew at a CAGR of 22.58% in the same period. For FY17 the company suffered a setback on account of steep rise in the cost of raw materials, higher depreciation provisions for capex made in the earlier years. If we attribute latest earnings of FY17 on fully diluted equity post issue then asking price is at a P/E of 222. Last three years average EPS is Rs. 7.63 and average RoNW is 7.63%. Thus it looks aggressively priced. However, as per management, new products in near term that will improve its bottom line. DFM Food and Britannia Industries are the comparable listed peer which trades at a PE of 85.0 and 62.0 respectively. We suggest to invest in this company after review of next one or two qtr results.

Highlights

- Prataap Snacks Ltd. (PSL) an Indore based company 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 organized snack market between 2010 and 2016.
- PSL's diversified product portfolio includes three categories i.e. Extruded Snacks, Chips and Namkeen.
- The company has set up a pan-India distribution network supported by strategically located manufacturing facilities.
- As of June 30, 2017, PSL's distribution network included 218 super stockists across 26 States and one Union Territory in India and over 3,500 distributors
- PSL has reserved 42000 shares for eligible employees and is offering Rs. 90 per share discount to them.

Company Introduction

Incorporated in 2009, Prataap Snacks is Indore, MP based Indian Snack Food Company. Prataap Snacks sell products under the brand name "Yellow Diamond". Company is among the top 6 Indian organized snack market. Prataap Snacks has a diversified product portfolio including traditional and western snacks. Company manufacture and sell it's snacks under three major savory snack food categories:

- 1. Extruded Snacks:** Processed, reconstituted and shaped potato or cereal based snacks. This includes Puffs, Rings, Pellets and Chulbule products.
- 2. Chips:** Fried, sliced chips or crisps made from potatoes, hummus, lentils.
- 3. Namkeen:** Traditional savoury Indian snack which includes products such as moong dal, masala or fried nuts, sev and bhujia.

In Fiscal 2017, revenue from Extruded Snacks, Chips and Namkeen represented 62.99%, 23.85%, and 12.23%, respectively. Company has pan-India distribution network supported by strategically located manufacturing facilities.



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Financial Summary (Rs. In Crore)

Particulars	FY2017	FY 2016	FY2015	FY2014
Total Income	905.45	757.9	560.57	446.84
Net Profit	9.89	27.37	9.9	5.38
EPS (Rs)	4.21	11.67	4.22	2.29

*EPS not annualized

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

DISCLAIMER

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Company's distribution network included 205 super stockists and over 3,400 distributors. Prataap Snacks own and operate three manufacturing facilities.

Company Promoters:

The Promoters of the Company are Arvind Mehta, Amit Kumat, Apoorva Kumat, Rajesh Mehta, Naveen Mehta, Arun Mehta, Kanta Mehta, Rita Mehta, Premlata Kumat, Swati Bapna, Rakhi Kumat, Sandhya Kumat and SCI Growth Investments II.

The object of the issue

1. Offer for Sale

Company will not receive any proceeds from the Offer for Sale.

2. Fresh Issue

- Repayment/pre-payment, in full or part, of certain borrowings availed by the Company
- Funding capital expenditure requirements in relation to expansion and modernization at certain of our existing manufacturing facilities
- Investment in its Subsidiary, Pure N Sure, towards enabling the repayment/pre-payment of certain borrowings availed of by our Subsidiary
- Marketing and brand-building activities
- General corporate purposes.

IPO Issue Proceed

To part finance repayment/pre-payment of certain debts, expansion of and modernization of existing manufacturing facilities, investment in subsidiary, marketing and brand building activities and general corpus fund needs, PSL is coming out with a maiden IPO of approx. Rs. 482 crore consisting of fresh equity (approx 21.32 lakh shares) issue of Rs. 200 crore and offer for sale of 30.06 shares by existing shareholders. Issue opens for subscription on 22.09.17 and will close on 26.09.17. Issue is done via book building route with a price band of Rs. 930-938 per share for Rs. 5 FV share. Minimum application is to be made for 15 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE.