Prataap Snacks Limited

Q2 & H1 FY2027 Earnings Call Transcript

November 03, 2026

Moderator: Ladies and gentlemen, good day, and welcome to the Prataap Snacks Limited Q2 FY27 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star followed by zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand over the conference to Mr. Mayank Vaswani from CDR India. Thank you, and over to you.

Mayank Vaswani: Thank you, Yashashri. Good afternoon, everyone.

Welcome to the Q2 and H1 FY27 Earnings Call of Prataap Snacks. On the call today, we have Mr. Amit Kumat, Managing Director and CEO; Mr. Sumit Sharma, Executive Director and CFO; and Mr. Rishabh Singh, Business Head.

Before we begin this call, I would like to point out that some of the statements made in the call may be forward-looking, and a disclaimer to this effect has been included in the earnings documents that have been shared earlier.

With that, I would now like to turn the call over to Mr. Amit Kumat for his opening remarks. Thank you, and over to you, Amit ji.

Amit Kumat: Thank you, Mayank. Good afternoon, everyone, and thank you for joining us today for our Q2 and H1 FY'27 Earnings Conference Call. I hope you had a chance to go through the earnings presentation and the financial results that we shared earlier.

I am pleased to share that Prataap Snacks has delivered another quarter of strong revenue growth with our quarterly revenue crossing the milestone of Rs. 500 crore for the first time in the company's history.

Revenue from operations in Q2 FY'27 stood at Rs. 541 crore, representing growth of 26% year-on-year and 10% compared to the previous quarter. This is an important milestone for us, especially as it follows the record quarterly revenue achieved in Q1. For the first half of FY'27, our revenue from operations stood at Rs. 1,031 crore, an increase of 23% over the corresponding period last year.

What is particularly encouraging is that we have maintained the strong growth momentum of the last few quarters. We believe the various initiatives we have been working on over the past several quarters are now showing clear results.

Let me share some of the key developments in our business. Our Namkeen and Potato Chips categories have continued to perform well and have been important drivers of growth during the quarter.

We are also encouraged by the consumer response to the new products and variants introduced over the past few quarters. Product development continues to be one of our key focus areas. We are working on introducing new flavours, expanding our product range and developing offerings suited to different regions and consumer preferences.

Namkeen remains a particularly important opportunity for us. It is one of the largest categories in the Indian snack market, and we still have considerable scope to increase our presence. Over the years, we have demonstrated our ability to grow categories such as Rings and Pellets. We are now leveraging this experience to further strengthen and scale our presence in Namkeen.

Another important driver of growth has been our continued work on distribution.

We are focused not only on reaching new outlets, but also on increasing the range of our products available at existing outlets. This gives us opportunity to grow sales by making our products available to consumers through our established network.

Our investments in technology are supporting these efforts. Sales force automation and other digital initiatives are giving our teams better information about market coverage, product availability and sales performance. This is helping us identify opportunities, improve productivity and take faster decisions in the market.

We are also making a steady progress in newer channels. Our quick commerce business continues to develop well. We are expanding our presence across platforms and increasing the range of products and pack sizes offered through this channel. These channels are important for reaching new consumers and developing our presence in large packs and newer product categories.

As we have shared earlier, our aim is to increase the contribution of these new channels to around 5% of our revenues over the next 3 years. Overall, we are pleased that growth is now coming from several areas of the business rather than depending on any single product or initiative.

Now turning to profitability, the operating environment remained challenging during the quarter. There has been a further increase in the prices of key inputs, particularly palm oil, potatoes and packaging material. Fuel and logistics costs have also remained elevated. These cost increases have been significant and despite the strong growth in revenue, they have put pressure on our margins.

Our gross margin for Q2 stood at 25.5% compared to 29.8% in the corresponding quarter last year. EBITDA for the quarter was Rs. 12.9 crore compared to Rs. 22.9 crore last year with EBITDA margin at 2.4%. For H1 FY'27, EBITDA stood at Rs. 32 crore. The pressure on operating margins also impacted our bottom line.

We are taking several steps to address these pressures such as grammage rationalization, adjustment in channel margins and trade schemes and continued cost reduction across our operations. These measures have helped us offset part of the increase in input costs. However, the overall inflation has been substantial, and we will need to continue working on these areas. We are closely monitoring commodity prices and will take further steps whenever required while keeping our products competitive in the market.

Apart from these immediate measures, we are also working on a structural improvement that will strengthen margin over the longer term. During the initial years of our expansion, we took a conscious decision to

build a Pan-India business rather than expand one region at a time. Accordingly, we invested significantly in building our distribution network across India, and our distribution reach today would rank higher than revenue scale in the Indian snacks industry when compared to peers. This means that we supported new distributors, invested in sales team, and incurred full expenses towards feet on street in prior years.

A large part of the distribution infrastructure and associated investment is already in place. As we increase volumes, add new products and categories to these touch points, there are negligible additional costs involved given in the investment in earlier years. This means that as we undertake steps to improve productivity and throughput, we can generate higher sales through the existing network without a proportionate increase in distribution costs. This will deliver substantially accretive contribution and an enriched margin profile as the business at each touch point is scaled further.

A similar opportunity exists on the manufacturing side. Our Indore operations have grown over many years with capacity added in stages to serve the immediate requirement of the business at that point in time. Each investment served an important purpose at that time.

However, this gradual expansion has resulted in multiple stand-alone units operating within the same manufacturing complex, creating certain inefficiencies in production, manpower and overhead costs.

We have been evaluating the right time to address these inefficiencies. We believe that the business has now reached a stage where a more integrated manufacturing setup makes both operational and economic sense, enabling significant reduction in conversion cost and overhead. These developments, along with the benefits available under government incentive scheme for new investments have created a favourable opportunity to undertake this project.

Our proposed greenfield facility near Indore will bring together existing operations under a more integrated and automated manufacturing setup. This will help us improve production planning, optimize manpower and other operating costs and achieve greater efficiencies. The facility will also provide additional capacity and room for further expansion. We see this project as an important step towards structurally improving our cost base and margin profile over the coming years.

That brings me to an important development regarding our proposed new manufacturing facility near Indore. During the quarter, we completed the acquisition of RLOP Foods, which holds the leasehold rights to the land identified project.

With this acquisition, we have secured access to approximately 50 acres of land required for the new facility. We will soon initiate the process of merging RLOP Foods with Prataap Snacks, which will simplify the corporate structure.

At the same time, we are moving ahead with procurement planning for plant and machinery, particularly equipment that has a longer lead time. This will help us coordinate machinery delivery with the progress of civil construction.

In closing, I would say that we have made a strong start to FY '27 and the momentum in our core categories, new products, distribution and alternate channels gives us confidence in delivering a strong double-digit revenue growth for the full year.

On the margin side, the input cost environment continues to require close attention. We remain focused on cost control, productivity improvements and taking appropriate measures to reduce the impact of inflation.

At the same time, we are investing in the areas that will strengthen our business over the longer term, including product development, distribution, technology and manufacturing capabilities. We are excited about our growth prospects in quarters ahead.

With that, I conclude my opening remarks, and we can now take questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. We will take our first question from the line of Bhavik Shah from Invexa Capital. Please go ahead.

Bhavik Shah: Yes. Hello, sir. Good afternoon. Sir, my first question is regarding our pricing. So, we have seen quarters where we get hit by, say, oil prices or raw material inflation due to oil prices or potato prices or besan prices or anything. So how do we sir, see this stabilizing in future? Like or will we continue to see this volatility, our gross margins have reduced

significantly to now around 25%, 26%. So, is like pricing really a power for us anymore? Or how do we tackle this now?

Amit Kumat: Thank you, Bhavik. Yes, I would like to mention that there are inefficiencies in the system in terms of production capabilities and the channel margin. So, we are trying to remove those inefficiencies. Those inefficiencies can give us 5% to 6% extra margin, which can compensate if there is any further price increase.

Bhavik Shah: No, but our gross margins reduced. Like inefficiencies could be removed and maybe EBITDA could be improved. But what about the gross production level margins you are seeing?

Sumit Sharma: So Bhavik, there are 2 things. One is the immediate impact on the raw material pricing, especially after the U.S. Iran war. So, if we compare numbers from quarter 4, almost 8 percentage points of negative impact we have experienced in quarter 2. So that much significant impact we have experienced. Now we have mitigated this largely through increasing the prices, I mean, increasing our realization as well as by optimizing some of the grammages and some of the SKUs. And that is how we were able to protect our gross margin and operating profit to a large extent. So that is the immediate impact.

What Amit Ji has mentioned, that is more about the structural things what we are doing. As he also mentioned in his opening remarks that over the period, we have expanded our Indore facility as per the immediate requirement. And that is the reason we have multiple smaller units in the same campus, and that is leading to relatively higher operating cost. And now we are fixing that inefficiency by shifting to a new location, and that will improve the overall operating profit by about 1.5% to 2% in next 1.5 years' time.

Though there may not be direct impact on the gross margin, but that will positively impact the bottom line and the operating profit. Now the second reason for having some stress on the gross margin is our investment in building the distribution network. Now we have one of the strongest reach in terms of national presence if you compare with some of our peers.

We are available at more than 2.5 million outlets. And building this kind of distribution network requires a lot of front-loading in terms of investment and through profit and loss account. So, I think that is a tough part for any of the FMCG company, which we have done over the period.

Now it is time to get the result out of this. And now we are leveraging the existing distribution network. As you can see in our presentation and in Amitji's opening remarks as well, now we are driving the reach of all the product categories Today, as we speak, the highest reach we have for the extruded snack. Now we are increasing our reach for potato chips as well as Namkeen. And the incremental revenue will come with a very minimal incremental cost, and that will positively impact the gross margin.

So that is how the gross margin will improve over the period and that improvement will be a structural improvement, which will not have any relation with the raw material pricing and all. But in short term, there was a negative impact because of the sudden increase in the price, specifically the palm oil and the packaging laminate, which we have largely mitigated through taking price hikes, improving our realization as well as rationalizing the grammages for certain SKUs.

Bhavik Shah: Right. So, sir, the Indore facilities, I think we have around 7 Indore facilities. So, we will close those facilities gradually and we will move to a bigger one, right? Or it will be the same size of how is the new plant going to be like what capacity and what size? And what could be the revenue potential from there?

Sumit Sharma: So currently, Indore facility is the largest facility, which contributes about 40%, 45% of the overall revenue. So that is the mother plant what we have. And here within the same campus, we have 7 smaller facilities.

Now we have taken a bigger piece of land, it is a leasehold government land. Currently, we are operating in about 14-acre area. The new land is of about 50 acres. So, the constraint what we have in Indore is in 2 terms. One is in the cost terms, like the relative production cost is higher, as I mentioned earlier. The second challenge what we have here is we cannot expand our capacity because there is no space available to even set up a new line.

So, the new facility will address both the things. The new facility is a 50-acre land. And initially, we are replicating the existing plant. All same lines we are going to set up in the new facility and where we will have further headroom for the further expansion. So, we can double the capacity in the new facility from here without having any significant investment in the basic infra like land and building.

The second thing, the overall capacity of the new plant would be roughly about 65,000 to 70,000 metric tons. Once the new plant is ready, we are

planning to monetize the existing land because now the existing land has a significant commercial value. So, for the new facility, we are planning for a term loan initially and which will be prepaid through realization or monetization of the existing land. Now the machineries what we have in the existing facility, we are planning to shift at different location. And in Phase 2, we may consolidate some other facilities, some other operations, specifically in Northern and Eastern region. So, these machineries will be shifted in those facilities.

Bhavik Shah: So, what will be the capex of the new plant, including machinery? And how much can we get from the realization of the land?

Sumit Sharma: So the project cost is roughly about Rs. 421-422 crore. This will be funded by internal accruals and the term loan. We are planning to raise the debt of about Rs. 250-odd crore, rest will be funded by the internal accruals. We estimate the commercial value of our existing land roughly about Rs. 250 crore to Rs. 300-odd crore. So, the entire proceeds will get utilized for prepaying the term loan what we are planning for the new project.

Bhavik Shah: Understood. And sir, what would be a mix of Namkeen now in H1 or Q2? And how do we see this improving, say, going ahead? And is this new plant will more focus more on, say, larger packets or Namkeen or how is it going to be?

Sumit Sharma: So new plant does not have any restriction with regard to the packet size because the same machineries are used for any MRP product. So, there is no constraint. We can produce as per our requirement and the market demand.

Namkeen is a focus area. As Amitji has mentioned in his opening remarks, Namkeen is a big category. For industry Namkeen is about 45% to 50%. However, we are under-indexed and our contribution from Namkeen was about 20%, which has increased over the period. 2 years back, if you see the contribution from Namkeen was about 15%, 16%, which was increased to 20% last year. And as we speak, the contribution is roughly about 25% to the total revenue.

So Namkeen is leading the growth, though the growth is broad-based, almost all the categories are growing. But yes, Namkeen is leading the growth because Namkeen, we were underplaying. Namkeen currently is centralized in terms of manufacturing, centralized in Indore and Rajkot. And that is another reason for having a relatively higher freight cost because we are transporting Namkeen across the country from these 2

facilities. So, in the near term, we are planning to expand our manufacturing footprint for Namkeen in some of other existing plants. So that will also positively impact the transportation cost, and the transportation costs will reduce over time. So that is another lever to reduce the cost in improving the bottom line.

Bhavik Shah: And when can we expect the plant to start new plant?

Amit Kumat: 1st January 2028.

Sumit Sharma: Realistically 15 months. But yes, the internal target is 1st January.

Bhavik Shah: Understood. And then the medium-term targets which you have given of 15% growth, 10% margin and 15% ROE. So, when can we see that numbers coming from?

Sumit Sharma: Right. So, as we have mentioned, we have identified certain levers to structurally improve the margin. And we believe that we can get about 5% to 6% kind of margin expansion through multiple levers, and that includes the manufacturing operations, specifically the new unit, new plant, which we are planning in Indore, that should improve margin by around 1.5 to 2 percentage points.

In addition to this, there is also headroom available in the distribution cost because earlier, we were following a 3-tier distribution model. So, we eliminated super stockist somewhere in 2022 and '23. And that is how we reduced our overall channel margin from 14% to about 10.5%. But before that, we were giving 8% margin to the distributors. So still headroom available for about 2%, 2.5% in the channel to optimize. And selectively, we are doing this. We do not want to disrupt the sales. So selectively and gradually, we are pulling out the margin and getting some out of it. So we expect about 1.5% to 2% we can get from the channel margin, including the distributor margin as well as some trade schemes, discounts, all put together.

We have also identified some opportunities in the supply chain. As I mentioned, our freight cost is relatively higher as we speak because of relatively longer travel of our products at different locations. Now we are optimizing our manufacturing footprint so we can manufacture most of the items at multiple locations, and that is how we can optimize the overall logistic cost.

So, we expect to get somewhere around 1%, 1.5% from the supply chain. All put together, we are targeting about 5% to 6% kind of benefit from these different levers. And we have initiated the process. Some will start getting in a couple of quarters. Some may take some time, specifically the new plant.

Medium term, I mean to say in 2 to 3 years' time, we should be able to see the entire benefit flowing in the bottom line, and that will improve the margin structurally. And that gives confidence to reach to about 9%, 10% kind of margin on a sustainable basis because as you see the current input pricing is at peak.

So whether it is palm oil, whether it is packaging laminate or other commodities, the prices have peaked. And we are considering even though the price remains at this kind of elevated level, how can we get to this 9% to 10% kind of EBITDA. So all these levers, which I mentioned will certainly help us to reach to that level on a sustainable business.

Moderator: Thank you. Next question is from the line of Shirish Pardeshi from Motilal Oswal. Please go ahead.

Shirish Pardeshi: Hi, Amit and Sumit. Thank you for the opportunity. I think the momentum is picking up. I have a few questions. Starting with the ESOP what we are going to issue Rs. 12 crore, who are the people who will get benefit and maybe if you can give a little more detail on vesting and price?

Sumit Sharma: Yes, I think there is no significant ESOP given by the management in the last Board meeting.

Shirish Pardeshi: Okay. So it is just the resolution what you have passed?

Sumit Sharma: No, there is no resolution. So, there are 2 things. One is the fresh grant and the second was allotment of shares to the employees who have exercised their ESAR option. Those were given to them earlier. I think you are talking about the shares allotted to the employees who have exercised their ESARs.

Shirish Pardeshi: Yes, that is exactly I am saying that. So, what is the balance?

Sumit Sharma: But that is not significant. I think we allotted about 2,300 shares in the last Board meeting to the employees that have exercised their ESARs. And the cost is anyway part of our bottom line because as per the IND AS accounting, we need to systematically take the charge on the P&L basis

the valuation model. So, cost of those ESAR is already part of the cost of employmee cost.

Shirish Pardeshi: Okay. Second, on Slide 26, you have given the outlook. I think one modernization of plant and relocation, this is one thing. But given whatever inputs we have given, what is the confidence level that we will be able to deliver double-digit growth? Is it that revenue growth you are talking about? Or maybe if you can dissect what is the volume growth we are looking in second half? Because you did mention that distribution expansion and other thing which will come in July?

Amit Kumat: I think in our case, volume and value is almost same. It almost number of packets probably what we sell have increased considerably. The growth is broad-based and led by Namkeen and potato chips. So, there have been certain challenges during last year, especially after COVID as our flagship product Rings was declining due to category shrinking or we were able to manage by driving growth in non-rings category, which grew at CAGR of 12% over the last 5, 6 years. Now, since last couple of years, we have been working on our new strategic product categories and geographies, which has started yielding results. Further usage of technology is also helping us to a great extent with regard to identify the gap in the market and measuring the productivity at the field staff level.

Shirish Pardeshi: Okay. Sumit, you mentioned that Namkeen is now at 20% contribution. So maybe if you can give what is Rings and Pellets at this time?

Sumit Sharma: So Namkeen is about 25% as we speak, it was 20% last year, Pellet is about 19%-20%, Rings is about 10%. All put together the Extruded category about 39%.

Shirish Pardeshi: Okay. And just I am trying to link with the inflation. You mentioned that the weighted inflation is about 8%-9%. But you also mentioned that you have taken grammage rationalization. So, there are 2 parts. What is the contribution with 5 and 10 at this time? And what kind of price increases or maybe grammage reduction you have passed on? So, if the weighted inflation is about 8%-9%, what percentage of that is covered now?

Rishabh Singh: As of Q2, our current mix for MRP 5/- has reduced from 85% last year to 82%. So, 3 percentage points has dropped our MRP 5/-, and we have actively tried to push larger price pack. So, MRP @ 10 to 20 packs have increased their contribution to 14.5% and the remaining is from quick

commerce, which is now around 3.5%, modern trade and other areas for larger packs.

Shirish Pardeshi: Okay. Okay. So, I think what I am trying to read is that in your slide, you have also mentioned about palm and laminate prices are higher. So, this is, I assume that this will remain elevated because nobody can guess. So is this price increase sufficient to maintain the gross margin at 25%, 26% and you mentioned that there are significant levers. So how we should look at the second half margin?

Sumit Sharma: So, you are right, actually, after Q2, there is further elevation in the prices of packaging material because again crude has pressure still. So, we are taking another round of grammage rationalization and price hike. We are also critically reviewing all the trade schemes and discounts which are being offered to the trade partners and trying to maintain the margin at a similar level or slightly higher from the existing level.

Shirish Pardeshi: Okay. Okay. Got it. Just last question on the relocation of Indore plant, this 50-acre land we have bought it, or we have taken on lease and maybe some more qualitative assessment of when do you think likely this commercial production will start?

Sumit Sharma: So, the 50-acre land we have taken on a long-term lease from the state government, that is industrial land. And we just got the possession last month. We have started working on the land, and we are targeting to set up the entire project and start with commercial production somewhere around 15 months' time. We are keeping a timeline of 15-18 months but trying to get it as early as possible and targeting internally in 15 months' time

Shirish Pardeshi: Okay. All right. Thank you and all the very best.

Sumit Sharma: Thank you, Shirish. I think that you were asking about the ESARs granted to some of the employees. The quantum was about 50,000 number of ESARs, right. And value comes to about Rs. 5 crore to Rs. 6 crore. So, we are taking charge on the P&L basis the Black-Scholes model, and which estimates the potential gain on the entire life of the ESARs. Generally, when we give ESARs, it is vested over the period of 4 years. So, we have considered the appropriate cost as per Black-Scholes model in the Q2 financial statement.

Shirish Pardeshi: Okay, got it. So, I got the number because we need to understand, I think this in the P&L also. Anyway, thank you and all the best and advance wishes for Diwali.

Moderator: Thank you. Next question is from the line of Abhishek Mathur from Systematix. Please go ahead.

Abhishek Mathur: Yes. Hi, sir. Good afternoon and thank you for the opportunity. So just wanted to check what was the volume growth for the quarter in case I missed the number. Also, I was not able to maybe understand your response to the previous question on the extent of grammage cuts or price hikes that you have taken, if you can specify those also for the 2Q and for the 1H? And also, what is the extent of the further hike that you are planning to meet the fresh inflation beyond the 8% that you indicated? Yes.

Sumit Sharma: So, in terms of growth, it is about 17%, which is the transaction growth. That is how we track, transaction we mean to say is number of packets. So, 17% transaction growth in our case and the pricing growth was about 8 to 9 percentage that is for the Q2.

Abhishek Mathur: Got it, sir. And what is the further hike that you are planning beyond the second quarter that you indicated?

Sumit Sharma: So again, we are selectively reviewing all the categories and competition and all we are planning to rationalize grammages in certain SKUs of various categories. So, the idea is to maintain the similar kind of gross margin. So, whatever is required, we are passing the impact of inflation to the consumer.

Abhishek Mathur: Understood, sir. Secondly, sir, just wanted to check when we are faced with such inflationary times, what do you generally see in terms of the industry structure? Do you see any kind of a shift of volume to the loose or the local players? Or is there a reverse shift of volume towards players such as yourself? Do we manage to hold market share in these times? And where are we currently on the price index versus the local or the loose players?

Rishabh Singh: So, during these times of high inflationary costs, we are seeing a reverse shift. So, people are shifting towards packaged because local players are unable to manage their palm oil and laminate supplies. So, we are seeing a market share gain for us. In terms of price index against the local players, we are still priced higher than the local players. So, if the local

player is selling, let us say, at Rs. 3.75, our pricing would be Rs. 4.15 for a similar Rs. 5 product.

Abhishek Mathur: Very clear. So lastly, just a bookkeeping on this Rs. 250 crore odd term loan that we are going to take. I think Rs. 125 crore is already in the books. But what is the interest rate for this?

Sumit Sharma: There is no significant debt. I think it is OD, which is about Rs. 25-odd crore, which is in the books. So far, we have not drawn anything with regard to the new project. We will draw down the money as and when it is required because we started working on the project and we are issuing the purchase order.

So, I think the major drawdown will be in the next year only. Some amount we will draw during current year. Interest rate is less than 8%. So, there is an impact of the last revision of the repo rate. But as we speak, it is less than 8%.

Abhishek Mathur: Got it, sir. Just wanted to check this there is a Rs. 125 crore spike in the short-term borrowings. What is that? Just wanted to check that?

Sumit Sharma: Rs. 125 crore? Should not be any spike. It is a Rs. 25 crore plus Rs. 4 crore is the short-term borrowing. Rs. 4 crore is the instalment due for the existing loan of our Jammu plant and Rs. 25 crore is the OD which we have taken. So, if you refer our borrowings in the current liability, short-term borrowing, you will see the Rs. 2,900 lakhs.

Abhishek Mathur: All right, sir. Maybe I will take it offline. Thanks and all the best.

Sumit Sharma: Okay, thank you.

Moderator: Thank you. We will take our next question from the line of Deepali Kumari from Arihant Capital Markets. Please go ahead.

Deepali Kumari: Okay. So, I am just asking what is the current distribution network? And what is the target for upcoming FY27 and '28? Also, on the e-commerce side or modern trade, what is the target for 3 to 5 years? Also is this margin accretive?

Rishabh Singh: So, I will break it down to 3 parts. First question is regarding the distribution network. So, in terms of reach, like Sumitji has already mentioned, we are currently available at almost 2.5 million outlets. Our direct reach from the company or our primary parties is close to 2,200 distributors. We also have a second layer of sub distributors who are

served by these distributors, which is around 3,000-odd sub distributors. So total distribution reach would be close to 5,500, which we are aiming to grow in areas where we are under indexed. So, for example, distribution expansion is targeted in areas such as UP, Gujarat, Rajasthan, Bihar.

Second question is regarding emerging channels and quick commerce. So quick commerce is currently around 1.2% to 1.5% of our overall sales, and the target is to take it to almost 5% of revenue in the next 3 years.

Moderator: Thank you. Next question is from the line of Gaurang Kakkad from Dolat Capital. Please go ahead.

Gaurang Kakkad: Yes. Hi, Amit and Sumit. So firstly, congratulations on strong top line growth for the quarter and first half. I just wanted to broadly understand this a bit better given that largely if you look at numbers for peers or some of the other companies, we are not seeing such kind of acceleration versus what we were doing in the last year. And even if you look at largely the macro or consumer set of outlets, I mean there is pressure in terms of inflation, income, etcetera. So largely just wanted to understand this a bit better to how are we able to see such acceleration even on a Q-o-Q basis, largely the growth rate on a similar base has improved from 20% to 25%. So, if we can just get some further inputs in terms of the growth rates?

Amit Kumat: Hi, Gaurang. I think there are 2 things basically. First is distribution and second is the product led growth. If you see basically our chips and Namkeens have expanded considerably. Chips from 20% contribution last quarter has increased to 25%. Few products have done extremely well, and we have increased our capacity in other plants also other than Indore.

Secondly, we are working on distribution for a longer time, and that has started yielding results. It is a combination of distribution and product-led growth, which has given us more than 20% growth from last 2 quarters.

Gaurang Kakkad: Okay. I understand the product-led growth and given that Namkeens and Chips has picked up for us and given we were under-indexed in Namkeens versus where the industry was. But largely in terms of distribution, we have been doing this 2.5 million outlets for some time, right? Or is there some further addition in terms of distribution also that we have seen in the last 6-12 months?

Sumit Sharma: Gaurang, we are adding our reach. However, we are not tracking it closely because we do not have the updated Nielsen data, but we believe there is a definite expansion in the overall reach. So, 2.5 million is the overall reach. But if we dissect our reach across categories, so it is very different. As Extruded is our biggest category, Extruded has the highest reach and reach is available to about 2 million outlets.

However, in terms of Potato chips and Namkeen, there is a significant gap in terms of reach. So, for example, Namkeen would be available at about, say, 25% of the overall reach what we have across the country. Similarly, the Chips would be available at about 30%, 35% of the overall reach what we have across the country. So huge headroom even within the existing reach to expand the reach for a particular product category, and that is what we are driving.

So earlier, it was very difficult because we were not using technology, and it was very difficult to understand the gap and drive or expand the reach. Now we are using SFA, using technology, getting all kind of data on a daily basis. Team is able to review, analyse and make the very specific strategy to drive the growth, to increase the reach of a particular category. And the team is also able to monitor the performance of the salesmen.

So, all these things are helping us to drive the reach of very specific product at a retail outlet level even. So that is how we are driving. So, the whole focus is to expand the reach of the category which has a significant headroom available to grow even within the existing distribution network. And that is what we are doing for Potato Chips and Namkeen.

Gaurang Kakkad: Got it. And you mentioned that, Namkeen potato chips is currently at, say, 25% and 30%, 35% of the total reach. So where can this number be in the next, say, 2, 3 years? I mean what is the target in terms of how many outlets can further Namkeen and potato chips add to the distribution?

Amit Kumat: I think if you talk about longer run in 3 to 4 years' time, potato chips and Namkeens should be around 75% of the outlets where we are already there.

Gaurang Kakkad: Okay. Got it. And this will be like on a quarterly basis, I mean, linear addition that you will see for these categories?

Amit Kumat: Yes, definitely.

Gaurang Kakkad: And secondly, I mean, just on the margin front, you mentioned initiatives that you have taken in terms of mitigating the inflation that is there currently. So, versus, say, last quarter Q2 average RM basket, where is currently the RM basket currently, in the month of October or start of November? Is there further inflation? And largely, what are the commodities which are seeing inflationary trend and where you are seeing this deflationary trend? That will be my final question.

Sumit Sharma: So, Gaurang, if you compare with the last year, I think most of the commodities experienced severe inflation, it is palm oil, it is a packaging film, even the corrugated boxes and other agro commodities. But if you compare with September to October, November as we speak, still the prices have elevated specifically for packaging laminates, some additional impact on the corrugated boxes.

So, these are the items which have seen further inflation over Q2 as we speak. Oil has softened a bit as compared to the September quarter. We do not know how the prices will sustain or move. But if we compare with quarter 4, the pre-war time versus the current level, as I also mentioned in my previous comment, there is a significant spike, 8 percentage point kind of negative impact on the margin, coupled with the increase in the energy cost because the gas prices have also shot up and the logistic cost. So, another negative impact of about 1.5%.

So, all put together 9.5 percentage point to 10 percentage point negative impact. However, the negative impact in the operating profit, you could see of about, say, 2.5%. So, remaining 7.5%, we would be able to manage through various measures, what I have mentioned earlier, mainly from weight reduction and channel margin reduction.

Gaurang Kakkad: Got it. And based on the current raw material scenario and the steps that you have taken in terms of grammage reduction and channel reduction, do you think that second half margins will be similar to what has been the first half margins at around 3%-odd levels?

Sumit Sharma: Yes, correct. That is what we are targeting.

Moderator: Thank you. Ladies and gentlemen, to ask a question, please press star and one on your phone. As there are no further questions, I now hand over the call to management for closing comments. Over to you, sir.

Amit Kumat: Yes. Thank you, everyone, for your questions and for taking the time to join us today. As we move into the second half of the year, we remain

confident of sustaining our revenue growth momentum and delivering a strong double-digit growth for FY'27. At the same time, our focus will remain on managing input cost pressure, improving operational efficiencies and strengthening profitability.

With the festive season approaching, I would like to wish all of you and your families a very happy and prosper Diwali. Thank you once again for your continued interest in and support of Prataap Snacks. We look forward to interacting with you again on our next earnings call. Thank you and have a good day. Thank you.

Moderator: Thank you, members of the management team. On behalf of Prataap Snacks Limited, that concludes this conference call. Thank you all for joining us today. You may now disconnect your lines.

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