Management Discussion

Sumit Sharma - Chief Financial Officer, Prataap Snacks Limited
Sure. Thank you. Good afternoon, everyone and warm welcome to all of you. For those of you who are interacting with us for the first time, let me start with a brief overview of Prataap's next journey. So we started our operations back in 2003 by trading cheese balls. In 2005, we stepped into manufacturing of potato chips under our flagship brand, Yellow Diamond. Over time, we broadened our portfolio by introducing Chulbule, which is a random extrusion product rings and traditional namkeen. Till 2012, all of our manufacturing facilities were centralized in Indore. Since then, we have expanded our manufacturing footprint nationwide.

As we speak, we reach nearly about 2.5 million outlets across more than 27 states and four union territories. We serve this market from 14 manufacturing facilities, including eight contract manufacturing facilities and six of our own manufacturing facilities. And we sell roughly about 1.5 crore packets every day. To give you a sense of the industry, the organized packaged snack market in India is roughly about 50,000 odd crore, and that may be divided in four major categories -- rather three major categories I would say. Namkeen is the largest segment which is about 45% of the overall market followed by extruded, both including shaped extrusion and random extrusion. Extruded is about 33% and potato chips which is about 22% of the overall packaged snacks market in India.

Our strongest presence is an extruded segment where we are a market leader. Extruded contributes about 50% of our overall revenue followed by potato chips and namkeen, both account for 22% each and remaining which is about 6% comes from different categories including cakes which is about 3%, popcorn, which is another 2%, 3% and some other product categories.

We were one of the fastest growing companies in this space until COVID hit. The pandemic severely impacted impulse purchase, particularly our rings category which is targeted at kids. Before COVID, ring was our largest category that was a flagship product generating over 40% of our revenue which was dropped to a single digit. However, we defended our overall market share by innovating and introducing new products, especially in the pallet segment. Today pallet have grown into a core category within the extruded portfolio helping us to secure leadership in the overall extruded segment.

To accelerate future growth, we have put a focused strategy in place both product-wise and market wise. On the product side we have structured our product portfolio in three clear buckets, Anchor which includes shapes, rings and cherboule product categories. These are core volume drivers then growth which includes pallet and numkin and we are scaling these categories and next that includes healthier options, popcorn, Premium products Large chips on the market side we have broadly divided our geographies in three regions.

Command are the markets where we have relatively stronger presence, relatively better margin. These markets and have a solid right to win expand other markets where we have high potential growth opportunities, where we are gaining strong early traction maintain other steady market where we focus on holding our share while optimizing the cost. To support this, we are leveraging technology like Salesforce Automation DMS to track sales productivity, improve outlet effectiveness and execute micro level strategies right down to the beat level.

We're also expanding our presence across alternative channels. Our products now available on most of the major quick commerce platforms with very encouraging response. We have also revitalized

our modern trade footprint and started exporting to key overseas market. These alternative channels will play a crucial role in improving our product mix especially towards higher MRP items. These strategic initiatives are delivering clear results. In the recent quarter we achieved 20% revenue growth on a YoY basis. This performance was broad based driven by improving consumption trends, positive response to new launches, continued momentum in namkeen and chips categories, deeper distribution and strong traction in quick commerce platform.

On the margin front, global geopolitical tensions have created cost pressure across key inputs especially palm oil and packaging. Lemonade saw significant YOY price increase of about 20% and 30% respectively alongside elevated freight cost. However, through calibrated price and garbage adjustment, disciplined cost management and operational efficiency. We successfully managed a significant portion of these cost headwinds and protected our margin to a large extent.

Looking ahead, we are executing a business wide cost optimization program across operations, logistics and sales channels. This initiative is designed to unlock 2 to 3% structural cost saving over the medium term. With demand recovering, strong momentum across our growth drivers and sharp execution on the ground, we are confident of delivering double digit growth in FY27. While short-term input cost pressure may temporarily compress operating margin compared to the last year, our structural cost saving and disciplined execution will help us navigate these headwinds effectively.

Thank you once again. I'm now happy to open the floor for your questions.

Questions & Answers

Operator
Participants who wish to ask questions can raise their hands or put their questions in chat box. So there's a question from our clients. As revenue grew about 20%, how much was volume versus price and how much was due to last year's low base?

Sumit Sharma - Chief Financial Officer, Prataap Snacks Limited
I think in our case largely it's all volume driven because we track the volume in terms of number of packets. So largely almost 17% extruded, 18% growth was driven by the volume growth.

Operator
Okay, sir, Soham [Phonetic] wants to ask questions so you can unmute yourself and ask. Hello? Hello Soham?

Soham - Analyst
Yeah. Am I audible?

Operator
Yes, you're audible.

Soham - Analyst
Given the input inflation spike in palm oil and packaging material, how resilient is the INR5 price point strategy against the sudden commodity shocks?

Sumit Sharma - Chief Financial Officer, Prataap Snacks Limited
Yeah, sure. So INR5 again we offer different grammages in different categories. Just to give an

example, in case of potato chips, the quantity which is offered in INR5 roughly about 13 to 14 gram. In case of extruded, the quantity ranges from say 18 gram to 22 grams. In case of namkeen again the INR5 MRP packet contains roughly about say 18 grams to 25 grams in our case. So it's very different offering for different product categories and especially in case of rings where we offer 10, 11 grams of product and in addition to product we also give a free Toyota.

So it's a very different offerings for different product categories. I think it's still a significant headroom for rationalization in case of having these kind of severe inflation in ingredients or key commodities to optimize the grammages to pass on the inflation to the consumers. We don't see INR5 go anywhere over the period. The quantity may be rationalized to pass on the impact of the inflation to the consumer and enough headroom is available in different product categories.

Operator
Soham, you're not audible. Can you speak a little louder?

Soham - Analyst
Hello? Hello? Am I audible now.

Operator
Yeah.

Soham - Analyst
So there are not many peers in this INR5 category. So does this affect our operating profit margin? Like it was around 10% but now it's 5%. So are we planning to do any value added product to add any value added product in the segment?

Sumit Sharma - Chief Financial Officer, Prataap Snacks Limited
So, so let me, let me give you some color on the industry. I think it's a misconception that INR5 is a very small category and very few players are operating in INR5. So in our industry INR5 contributes more than 50% to the industry. Right. So as I said the market is about 50,000 odd crore. Organized market I am saying more than 25,000 odd crore is the market for MRP5. So INR5 is a significant category for, for our industry and nobody is basically leaving that category. So right from the market leader everybody is there in the INR5 segment.

You will find every brand in our industry, every leading brand in INR5 price point. So INR5 important category. Nobody can afford to leave this category. And INR5 is a big category for the industry. And it's not like it's difficult to make money in INR5. As I said, INR5 you can pass on the in impact of inflation by way of reduction in the grammages. Just to give you an example, when we started our business we started giving 30 gram in INR5 price point. Now as we speak we are giving about 14 gram in INR5 over the period.

The grammat just have been optimized or rationalize because of impact of the inflation. And that's how you pass on the inflation to the consumers. Though we are parallely working on increasing the share of higher price points and that's very different. INR5 contribution is different for different categories. So in case of potato chips our INR5 contribution is about 70% and industry contribution would be about 50/50 for INR5 in case of chips. In case of chulbule which is part of extruded category, it's a random extrusion.

INR5 contribution in our case is again about 70%, 72%. Rest 28% to 30% is INR10 and above namkeen is the category where higher price points market is big enough. However, our major source

of revenue is still INR5. Namkeen contributes about 85% of the overall namkeen sale in our case. So here we, we are trying to increase the sale of higher price points or family packs. So we have adopted a strategy and through the Alternate channel, especially the quick commerce, modern trade and exports where we are pushing namkeen on these platforms for the higher price points and general trade will follow this.

In case of other extruded items which includes rings, palettes, curves, perfs, market is for INR5. We believe for these items or this category, almost 90% market is of INR5. There is no market exists for INR10 and above. So we are not highly over leveraged in INR5. It's very different for different categories. However, we are very strong in the category which is predominantly of INR5.

Soham - Analyst
Thank you, thank you so much for explaining that. And are we looking for any margin improvements from last year?

Sumit Sharma - Chief Financial Officer, Prataap Snacks Limited
Yes, definitely. We are working on multiple levers to expand the margin. Unfortunately, because of this geopolitical tension there was a sudden spike in the sort of the key raw material as I mentioned in my opening remarks. So palm oil, we are seeing almost 20% kind of inflation over the last year. Similarly in packaging laminate there is an inflation of about 30 35% over the last year. And these two items are the key items and common item for all our product categories. Though we immediately took the appropriate action and could able to mitigate negative impact to a large extent.

But still there is some pressure on the bottom line. But we believe these are all short terms in long term. For long term we are working on multiple levers right from operations to distribution. And we are just trying to unlock 2 to 3% kind of margin from these multiple functions. So operations side we are working, we are planning to shift to a new location. We already initiated the project in Indore and we are coming up with a new facility in Indore that is going to be a fully automated plant and our overall operation cost for Indore will significantly come down.

Similarly, we are working on logistic cost because currently we have 14 manufacturing facilities and we are not manufacturing every product at every plant. So there is a lot of interplant transfer or inter unit transfer which leads to relatively higher freight cost. So we are working on the entire logistic footprint to optimize the cost because that's the biggest cost below my material cost. So we have identified certain area even in the logistic cost to optimize the overall transportation cost.

Similarly, we are working on the distribution channel as well. Initially we were following a three tier distribution model where we were giving about 14% margin to the channel including both Super Stockist and distributor. And the split of 14% was 3% margin we were offering to Super Stockist and 3% freight reimbursement. We were giving to Super Stockist. So 3 plus 3 total amount was being given to Super Stockist was 6%. And we were giving 8% margin to the distributors. When we eliminated Super Stockist we started directly supplying to distributor and that we increased distributors margin by 2%.

Because distributor was supposed to invest more money in the business. They needed more working capital. They needed more slightly bigger space and all. And they were to place full truckload order to the company. So we increased their margin from 8% to 2%. So our overall channel margin which was about 14% came down to 10.25% which is currently 9.5% as we speak. So there is a headroom for reduction in the distributor margin which we are doing gradually. We are selectively reducing the distributors margin in a very calibrated way so that there is no disruption in

the sales.

But the next one and a half to two years we believe that we would be able to get this 3% kind of margin from these different functions. And that is that will increase or improve our margin structurally on a sustainable basis.

Soham - Analyst
Thank You. Thank you. What caused the performance in market and the closure of Bangalore and the Hyderabad unit?

Sumit Sharma - Chief Financial Officer, Prataap Snacks Limited
Sorry Soham, you're not clearly audible.

Soham - Analyst
Hello, Am I audible now?

Sumit Sharma - Chief Financial Officer, Prataap Snacks Limited
Better. Better. Much better.

Soham - Analyst
What caused the underperformance in the south Indian industry that promote like prompt us to closer of the Bangalore and Hyderabad unit.

Sumit Sharma - Chief Financial Officer, Prataap Snacks Limited
So south is a relatively weaker market for us. And even even for India, south is the smallest market for the organized industry. South contributes to the industry for about 12, 13%. Because south is a national market. South is a market for national prayer. Especially for the western salty snacks. But the regional namkeens are very different in south. So lots of strong regional player. They dominate the south India market. Especially for the traditional south Indian namkeen like Muruku and all. In our case, south contributes about 8, 9%.

And we were operating through two different facilities. One facility was in Hyderabad and second facility was in Bangalore. These two facilities were for different products. Like Hyderabad we were getting manufactured the potato chips. It was a third party kind of arrangement. Bangalore we were having our own setup but we were manufacturing extruded and pallets. So again as I mentioned earlier, there is a lot of movement of goods between the plants. So chips we were making in Hyderabad, we were transferring those chips to Bangalore plant.

And from Bangalore we were sending entire truck with all the products to different distributors and Super Stockists. And that was leading to lots of inefficiencies in the system. Then we decided to consolidate the operation in south India. In addition to having these two different plants for different product categories. We shifted to one consolidated single manufacturing facility which is at Tumkur. And it's a third party manufacturing arrangement where we are getting manufactured all the product.

So Avadh, we are getting potato chips as well as extruded so we could able to save on the logistic cost. And now my turnaround time has also reduced significantly and now now able to feed the market in much faster way. So that's a strategic call we have taken and we have consolidated the operations. It has nothing to do with the south performance. South is anyway relatively smaller market and we are now trying to build our presence in south in more aggressive way.

Soham - Analyst
All right sir, that answered my question. Thank you.

Sumit Sharma - Chief Financial Officer, Prataap Snacks Limited
Thank you Soham.

Operator
Thank you Soham. Now next in the queue is Nilesh Sharma. [Phonetic] Nilesh, unmute yourself and speak.

Nilesh Sharma - Analyst
Hello sir.

Sumit Sharma - Chief Financial Officer, Prataap Snacks Limited
Hello Nilesh.

Nilesh Sharma - Analyst
Yes sir. We are hoping that company is doing good. I. We. I have two, three simple question. What margin guidance or not guidance, what kind of margin we are targeting to achieve in after all this implementation of our plant or logistics, Is it somewhere around double digit or high single digit? First question and how our product mix will be changed in coming two, three years?

Sumit Sharma - Chief Financial Officer, Prataap Snacks Limited
Sure. So Nilesh, to answer your first question, our aspiration is to get to somewhere around 9 to 10% kind of operating profit range on a sustainable basis. And unfortunately there have been severe inflation in the raw material pricing for last three, four years. And there was also a Covid impact which has severely impacted the overall performance of the company especially on the rings category which used to be the flagship product category for us and used to contribute contribute more than 40% which is in single digit now.

So all those things we have managed over the period and now we believe that we are in a position to deliver margin, strong margin, 9 to 10% kind of margin in next two, three years time frame. And we have identified the lever to improve the margin on a structural and sustainable basis which I mentioned in my previous answer. So all those things are in place and we already started working on those levers.

Nilesh Sharma - Analyst
Okay, my second question was on product mix. So as of now we are not targeting or not doing namkeen business as much. So any planning to increase namkeen substantially.

Sumit Sharma - Chief Financial Officer, Prataap Snacks Limited
So Nilesh, actually we are late entrant in namkeen. namkeen we started somewhere around 201213 and that is also from Indore. And still as we speak we have only one manufacturing facility in Indore for namkeen. For all the national variants though we have a Rajkot also where we manufacture namkeen but that is primarily for regional Gujarati variants of namkeen. So namkeen was not the focus area I would say and also the logistical issues and we could not able to expand that category. But namkeen is the biggest category.

Namkeen is about 45% of the overall next market and we are under indexed in our case namkeen is about 22%. It used to be 18, 19% three years back but now since last two, three years we have been

focusing on namkeen especially on developing new products to suit the requirement of consumers. So we launched various products in last couple of years and some of them are really doing well. So namkeen is a focus area. namkeen we are trying to expand and Even in last 2 3/4 overall contribution of the Numkin in our sales has increased meaningfully.

So Numkin is going to be a focus area and over the period I think Numkin should grow faster than the overall sales growth of the company. namkeen will also give us advantage or room to go for higher price point because as I mentioned in my previous answer extra debt is primarily a INR5 market for the industry. However, namkeen has large share of family pics and higher price points. So the strategy is that namkeen drive the revenue of namkeen from INR5 peg which is more a trial pick. People like the product then eventually you can sell the product of higher price.

Yes, yes, yes. The second strategy we are following is namkeen we are also driving through the quick commerce platform which is primarily meant for higher price points. So where namkeen and potato chips these products are being sold by us and we are getting good traction on these platforms. So people start buying higher price point from these platforms and eventually they can also start looking for our products in the general trade. Third advantage or strategy? Basically as I mentioned our overall reach is about 2.5 million outlet.

But if I split reach at a product category level Xtradate is highly penetrated category. Our extra date products are available at about 17 to 18 lakhs outlet followed by potato chips. Potato chips would be available at about 7 and a half to 8 lakhs outlet. Sorry. And then namkeen namkeen would be available to about 6.5 to 7 lakhs outlet. So it's a huge opportunity available even within the existing network where we just need to push our range at the existing retail outlet where anyway my salesman is visiting and getting the order for extruded.

So we are just trying to expand the reach of namkeen even within the extruded within the. Within our own existing network where Extruded are being sold and we are using technology to track and drive all these initiatives. So namkeen I can say Numkin is going to increase in coming years. The overall contribution of namkeen will increase in coming years. So and that's how the mix will change.

Nilesh Sharma - Analyst
So last question is namkeen is high EBITDA margin product because if we see the Bikazi and all namkeen players the margin are they are getting good margin Is it due to premium product or is it the product itself generate the higher EBITDA margin Structure?

Sumit Sharma - Chief Financial Officer, Prataap Snacks Limited
I think namkeen is almost similar even I would say it's slightly lower gross margin as compared to exted but the logistic cost in case of namkeen is is very less because the pig size of namkeen is is very small as compared if you compare a peak of INR5 of potato chips.

Nilesh Sharma - Analyst
That's Why, that's why we being investor we are interested strategy change because on topline basis we are doing good 1800 crores top line current still we are not able to generate that value for company or for investors.

Sumit Sharma - Chief Financial Officer, Prataap Snacks Limited
So Nilesh, there are a variety of reasons. Actually we are the youngest national player in the country where there are very few national players. So we have been building our distribution network As I said earlier we are available at about 2.5 million outlets and almost 40, 45% is covered by a direct

network or the direct reach where someone, a salesman or a distributor himself is visiting the outlet, taking the order and delivering the goods. Right. So the infra what we have built over the period that required lot of investment.

So over the period we have invested building the distribution network and of course this investment was through the P L not through the balance sheet. So that is one of the reason that our margin have been under pressure. The second thing, we have relatively high logistic cost and that is again because of our product mix and because of our national reach. So these are few reasons which is also put the pressure on the on the margin. Now we are addressing everything as we are growing we are not investing any additional money in building the infrastructure or distribution network because we already have a distribution.

We are just leveraging our reach. As I said, namkeen is currently available at six legs six and a half lake outlet and we are trying to take it to the 15 leg outlet without increasing any additional cost on expanding the reach. So we will be getting the benefit of operating leverage because we already invested money in building the infra distribution network. Secondly, we are also working on the logistic footprint as I said, lots of internal Transfer hub transfer in our case which currently is is being done now.

We are using some technology and trying to map the right source of supply to the right market. Also consolidating manufacturing operations to have all the products at the same location. Recently we started manufacturing namkeen in Calcutta because before that we were transporting everything from Indore. So last month we put up the line for namkeen in Calcutta. We're also trying to expand our manufacturing footprint to consolidate the operation to minimize the freight cost because that's a significant cost in our case.

So those kind of initiatives we are taking to drive or improve the overall margin profile and certainly that that will help us in, in maybe in next one or two years time you'll be able to see the results.

Nilesh Sharma - Analyst
Okay sir. Okay. Okay. Thank you.

Sumit Sharma - Chief Financial Officer, Prataap Snacks Limited
Thank you.

Operator
Thank you. Nilesh. The next question is from Harshith. [Phonetic]

Harshith - Analyst
Hi. Am I audible?

Operator
Yes sir.

Harshith - Analyst
Thank you. Hi Sumit sir, thank you for the opportunity. I know you've been talking on this call a lot about costs and margins and how you're trying to bring more efficiency. So just a very simple, I mean packet may if you could split WhatsApp raw material, WhatsApp processing power then what's forward logistics and then distribution to your stockists and retailers and that's it sir.

Sumit Sharma - Chief Financial Officer, Prataap Snacks Limited
Yeah, sure, sure. So basically I can give you some high level breakup. So that will give you a fair idea about the buildup of the entire INR5 MRP generally sold to the retailer is about say INR4, INR4.10 kind of price points are very, it's a different for different market and different product. But let's take a ballpark blended average kind of number. INR0.80, INR0.90 kind of margin is written by the retailer. Then I said our overall channel margin is about 9.5% as of now, and 5% is the GST.

So our net realization would be somewhere in the range of say INR3.40, INR3.50 somewhere between INR3.40, INR3.50. So that is the net sales being recorded in the company. Recorded by the company. Gross margin ranges about say 28%, 27%, 28%. So rest 70% to 73% is the material cost in key material within this overall 73% are packaging film, palm oil, corrugated boxes, potato. These are top items. Then the biggest cost is transportation cost below the material cost. Transportation cost is in the RKS is about say 7%, 7.5% overall manpower cost.

Both direct indirect off roll on roll would be about say 8% and a half to 9%. Then there is a conversion cost which includes your power and fuel largely power and fuel. Power and fuel would mean 2 and a half to 3% and followed by other admin cost and all finally reaches to operating margin of about say 4% kind of number. So the major cost 70% to 73% in the current scenario. Material cost logistic cost another 7.5%. So 80% goes for these two costs. Then the third biggest cost is the manpower cost both direct indirect direct manpower which is on role. Employee cost is about 4.5%. Indirect employee which includes contract labor in factory and the sales representative goes to the market another 2% to 3%. So these are the major breakup.

Harshith - Analyst
Got it sir. Thank you sir. Very kindly explained. So in FMCG I think what people mostly say and what the wisdom is that distribution is really the muscle and the moat. So in that sense if you could talk about as to how you think about forward logistics, own fleet, is it contracted third party logistics. How do you look at warehouses? And you've talked a bit about how things work between your 14 plants. What serves what product in what zone or area. So how do you think about these things going forward?

I mean broad level. And again on the logistics side as well because I think so the idea is you're really fighting for every passe to every passe in the overall rupee to sort of increase your margins. And it. I know it doesn't happen overnight. So sort of what's the long term trajectory of viewpoint on these two things on distribution and logistics? Like as in just I'm spitballing here but maybe electric trucks, anything to cut down on fuel consumption to save more. Maybe open more warehouses closer to where your most densely populated selling zones are.

I mean just top of my mind. So how are you thinking about things? What's in the works for these two areas? Thank you.

Sumit Sharma - Chief Financial Officer, Prataap Snacks Limited
Sure. So it's a valid, valid question and actually we are also working in that direction only as I mentioned, logistic is a crucial cost line item both in terms of cost as well as availability of the vehicle. Because we need huge number of vehicles every day to displace the products. So availability also we need to ensure. So we have, we are using a mix of our own fleet as well as the market vehicles.

So it's in combination of both. More you transfer goods from one location to another location, more you incur the cost. And that's why we are just trying to optimize the overall manufacturing footprint

where we can manufacture all the products at all the location. And in that way only we just started our operations in Calcutta for manufacturing namkeen in the same plant. So that's how we are just trying to to manage the logistic cost over the period. We are just trying to minimize the inter unit transfer so that we can save at least 75 basis point, 200 basis point on the logistic cost.

So that is what we are targeting and aiming distribution. You rightly said it's a hard to build. It doesn't happen overnight. Takes a lot of time to build the distribution network. And we have been investing for building the distribution network since a long time. And now that started yielding results. And we are leveraging the existing distribution. And we don't want to invest any single penny for expanding the distribution. Because the whole idea is to leverage the existing distribution first. Because there is a huge gap in terms of availability of the product category at the same retail outlet.

So we are leveraging the near term focus is to leverage the existing distributions network. So we will expand in terms of reach of product category. But we don't want to expand significantly at an overall level though there will be some addition will keep on going in the new market, new district, new taluka. But the primary focus will remain in expanding the all the product categories at the existing retail outlet where we are already present.

Harshith - Analyst
Done sir. Thank you so much. Thank you so much for your time sir. Very kindly explained. Thank you.

Sumit Sharma - Chief Financial Officer, Prataap Snacks Limited
Thank you

Operator
Sir. There's a question by Soham in chat box. He has to ask that has the award brand successfully expanded beyond its core base in Gujarat into broader national markets or is it facing regional growth ceilings.

Sumit Sharma - Chief Financial Officer, Prataap Snacks Limited
So Avadh when we acquired there were two objectives for acquiring Avadh. The first thing we wanted to take Avadh's product outside Gujarat. And the second thing we wanted to get entry in Gujarat for our yellow diamond products. So we could successfully take our outside Gujarat. So pallet category which I mentioned about that the setback of rings we could able to manage through palette primarily. And pallet is the basically Learning from our 50% of the revenue comes from pallet and 50% comes from traditional Gujarati namkeen.

So our pallet we took outside Gujarat and made those products span India. And as we speak pallet is a significant contributor for overall explorate category. So in that way I would say it's very successful. And our became the overall national. Our got the national presence may not be in terms of brand but yeah in terms of product. Even in certain geographies outside Gujarat we are using Avadh brand to market our some of the pallets. SKU that's a part of our distribution strategy. Second, we were also trying to get entry into Gujarat. And we did that. Now the products are available in Gujarat. Even the yellow diamond chips is available. Yellow diamond shul is available. Even the cakes are available in Gujarat market. So we are leveraging our distribution network to push our product in Gujarat.

Operator
Okay sir. Any participants who will wish to ask questions? Okay. Yes Sagar, [Phonetic] you can continue.

Sagar - Analyst
Yeah. Hello. Yeah, I'm audible.

Operator
Yes, Sagar.

Sagar - Analyst
Yeah. Hello sir. Actually sir, I joined little late. So forgive me if some questions are repeatable. So if I see your top line growth I haven't seen much growth in the last three years. And when I see your IP you are saying that you are targeting a long term target of 15% revenue growth with a top EBITDA margin around 10%. So just wanted to see if you. If you throw some color for the actually next year the how much growth you are seeing and how exactly the growth will come and what the margins that you are targeting for the next year.

Sumit Sharma - Chief Financial Officer, Prataap Snacks Limited
So Sagar, you must have seen our quarter one numbers and we delivered 20% growth. We believe the momentum continues. Because we have been working on a lot of things to drive the revenue. Now those efforts or initiatives started yielding results. Like we made a product category wide strategy. We made a market wise strategy. And everything has started yielding the results. So we are confident about having a top line growth of say in double digit.

Sagar - Analyst
Okay.

Sumit Sharma - Chief Financial Officer, Prataap Snacks Limited
Margin side. Unfortunately current scenario is highly volatile Especially in terms of pricing of key raw material prices. Even as we speak the dollar is. The crude is more than $100 per barrel. So that is impacting the overall overall packaging material. Packaging is a key raw material key item for us. Not the raw material but key item for our product. And second is the palm oil. Palm oil is again the key item. And both these items are common for every product in our case. And both have seen the significant rise of inflation over the last year.

So that has that is impacting the business. However we took the immediate action and would able to manage the margin or protect the margin. But we don't know how long this will continue. If it continues for slightly longer time then it will start. It may start affecting even on the other line item because the logistic cost. If the logistic cost increases then every commodity price will increase.

So short term we may see some pressure. But in medium term long term we are very confident. Because we are working on multiple levers to enhance the margin structurally. And that will not have any relation with the raw material pricing and all. So those are going to be more sustainable. As I mentioned in my earlier remarks that we have been front loading our investment in terms of building the distribution network and all. And that has been impacting the bottom line. But now with scale we'll be getting the benefit of operating leverage because we don't need to invest anything further in terms of fixed cost. So we'll get those kind of advantage. And the idea is to unlock at least 2% to 3% from multiple functions.

As I mentioned earlier from operations like from new plant. There'll be a significant saving in our overall operational cost in Indore from logistic. I explained in my previous answer how we are trying to optimize the overall logistic overall manufacturing footprint to optimize the logistic cost and the channel. The current channel margin is roughly about 9.5% which used to be 14% and which can come down to 8%. Because earlier we were giving 8% margin to the distributor and currently we are selling almost 90% to distributors only.

There is no super stockage in between. So those kind of levers are there. But we don't want to disrupt the business. So without disrupting the top line growth or revenue we are just trying to unlock these benefits which may take say one one to two years time. So that will help us to enhance the margin on an overall basis and on a sustainable basis.

Operator
Okay, sir, the next question is from Siddhartha. [Phonetic] So that before, before you speak can you just restrict your question to one question because we are about to end this session.

Siddhartha - Analyst
Sure, sure.

Operator
Yeah.

Siddhartha - Analyst
Thank you so much sir, just wanted to ask this question. Basically in terms of our distribution, how are we looking at sort of leveraging the existing distribution network for both our namkeen as well as our higher priced packs and also our premium products. So what I'm trying to understand is is there a convergence of the distribution ecosystem that we can leverage on. If you could elaborate on that.

Sumit Sharma - Chief Financial Officer, Prataap Snacks Limited
Sure, sure Siddharth. Thank you. So as I mentioned earlier currently we are available at about 2.5 million outlets. And if we split this, our extra date is available at about 17 lakhs outlet. Chips Is available at about 8 lakhs outlet and namkeen would be available at about 6 to 7 lakhs outlet. Now my salesman is visiting at the retail outlet. So in, in most of the cases he's able to sell or he he's selling extra debt. But on the same outlet he's not selling namkeen But the same Retailer is keeping namkeen as well for different brand.

Siddhartha - Analyst
Correct.

Sumit Sharma - Chief Financial Officer, Prataap Snacks Limited
Here the idea is to expand the reach for namkeen on all the existing retail outlet where anyway my main is. My boy is going and visiting the retail outlet.

Siddhartha - Analyst
Yeah,

Sumit Sharma - Chief Financial Officer, Prataap Snacks Limited
We already have a relationship with the retailer. There is a consumer who is coming to that retail outlet and asking for yellow diamond products. So the consumer Who is coming to the outlet knows

about Yellow diamond. The retailer has a relationship with the company and my person is anyway visiting to the retail so that makes easier for us to expand the reach for namkeen category. And that is what we are doing now. Since last two years we have been focusing this in the traditional scenario. It's very difficult because you don't get the visibility, you don't know at which outlet your namkeen is being sold or namkeen is not being sold. Now the help of technology we are able to drive this.

Now we are using Salesforce automation, it's an app which is used by the salesman whenever he takes the order from the retail outlet. Now with this app we are getting the data, we are getting the visibility up to the last mile retail outlet. Now we are able to make the strategy at a micro level. Now in which particular beat the namkeen is not available or any other product is not available which needs to be pushed. Now we can make a very specific incentive plan or a scheme for that particular salesman for a particular bid to push a particular product category on the retail outlet.

So earlier, earlier also the gap was visible but there was no mechanism to drive these kind of white Areas. Basically yeah. But now with the help of information what we have, we are able to drive all these things.

Siddhartha - Analyst
Correct? Correct. And this, this is true for the premium packs as well the premium segment that we are targeting.

Sumit Sharma - Chief Financial Officer, Prataap Snacks Limited
So premium is slightly different because again as we are selling most of the SKUs in INR5, our overall revenue of INR5 would be 80%, 85% of our total sales. And these INR5 packets are being sold at the ACC&D class outlet.

Siddhartha - Analyst
Correct.

Sumit Sharma - Chief Financial Officer, Prataap Snacks Limited
Those shops are may not be on the main road but maybe in the lanes and violence. And these shopkeepers are not keeping those family pigs. So the GTA is slightly different for family pay for premium pick. I would say so for premium we made a different strategy. We are now pushing our presence on the quick commerce platform because here, here essentially you are selling the high price point packets, the premium packet, the family picks. Right. So that's the right channel.

So quick commerce, modern trade and exports, that's an alternative channel we are using to drive the growth of the higher price point in family peg in stage one, stage two, we will drive sale of family peg on the general trade. So with INR5 namkeen peg, it's more a test pick or trial pick for the consumer. Consumer likes the product, they can also buy from the online platform. And moment they start buying from the online platform, they'll also start buying from the general trade. Because they know yellow diamond has a product which comes in say charso gram or half a kilogram or a 1 kilogram product. So they may start looking in general trade as well. And that will help us to drive the sales in higher price point even in the general trade.

Operator
So sorry to interrupt but due to time constant we will have to close this call.

Sumit Sharma - Chief Financial Officer, Prataap Snacks Limited
Okay.

Operator
Yeah. So I did like to thank the management and the participant on behalf of Arihant Capital [Phonetic] for sparing time and sharing insight about the company. If the participant have any further doubts, they can get in touch with the team at Arihant Capital. So anything if the participants want, they will connect to you.

Sumit Sharma - Chief Financial Officer, Prataap Snacks Limited
Sure, sure. Thank you very much.

Operator
Sorry, sir, we have to just end the call because we have to arrange another call as well.

Sumit Sharma - Chief Financial Officer, Prataap Snacks Limited
Okay, thank you. Thank you very much.

Operator
Thank you so much, everyone.