

CHATHAFOODS

Chatha Foods Limited

(Formerly Known as Chatha Foods Private Limited)

Regd. Office: 272, Mota Singh Nagar Jalandhar Punjab, Pin code -144001, Phone No. 0181-4616381

CIN: U15310PB1997PLC020578, E-mail: cs@cfpl.net.in, Website: <https://cfpl.net.in>

Chatha Foods Limited

Analysts / Investors Meeting

April 04, 2024

Start Time: 04:00 PM

Management:

Mr. Paramjit Singh Chatha - Chairman & Managing Director
Mr. Vishal Singh Sirmauria - CFO

CHATHA FOODS LIMITED

Village Chaundheri, P.O. Dappar, Chandigarh- Ambala Highway, Dist- SAS NAGAR, Punjab 140506

+91-1762-506711 | Website: <https://cfpl.net.in>

CIN- U15310PB1997PLC020578 | GST/UIN- 03AAACC9345F1ZY | PAN NO. AAACC9345F

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Nilang Jain:

Yeah, Hi Paramjit. So, we are a family office going by the name of Greengen Capital, based out of Mumbai, Singapore. Largely, we are into public equities, about 60%. and our business is operating businesses, we have a polymer, compounding polymer, specialty polymer. Happy to understand more about your company. We are already holding some positions through the IPO. And we are also investors in the region fund, which holds a significant portion to this. Yeah.

Ankur Gulati:

So, where do you want to go next? Paramjeet, I'll start. I used to earlier work with CPP Investments, which is Canadian pension plan for eight years. I used to look after their real estate private equity. For last four years, I've been investing in small caps and microcaps from a personal book. Now, starting this year, I moved out of CPP and we are in process of setting up our own AIF, primarily focused on micro and SMEs. So, Soumya did introduce the company before IPO, but at that point in time, we were not ready with the fund vehicle and hence couldn't participate. But definitely keen to understand more about the company.

Paramjit Singh Chatha:

Yeah, please Ankur. We can start off. If you have questions, what all do you want to know?

Ankur Gulati:

Yeah, I guess you've read about the business anyways, but if you want to spend four, five minutes about the journey, and then we can dive into specific questions.

Paramjit Singh Chatha:

So, Ankur, the plant was set up, the company was incorporated in 1997. The plant, production in 2000. So, the journey overall, in brief, has been our association with Subway and Domino's for more than half a decade. That's been the focus of the company all the while to be focused on the QSR, B2B kind of a business. So, Subway started working with us in 2003, Domino's in 2007. Over a period of time, we have had customers like Rocket Day, Verisign, a lot of smaller accounts with us, Taco Bell, other accounts we've acquired now. Looking at the growth pattern with which these companies grew from 2009, 2010 onwards, was quite an astronomical pace. So, we took an investment in 2013 from Rajasthan Venture Capital Funds. We trebled our capacities from 150 tons to 450, 500 odd tons. And so, in 2022, we set up a vegetarian facility as well, which was a small vegetarian facility. We set it up over a mixed category. So, we are catering to the likes of Marble Tribe, Chakahari, Gravis Group with a plant called Plant Away, DFC Foods, Tata's.

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So, these are the companies we are associated with. But unfortunately, this vegan category didn't really take off the way everybody expected. The volumes are growing in a small way, we still continue to cater to these customers. And we started looking at the vegetarian segment as well. So, from vegan to vegetarian. So, even in that category, we have already onboarded with Subway, we're onboarded with Taco Bell, Burger Singh again, acquiring more customers.

So, with this, the plans are to penetrate throughout pan-India again, but focused on the B2B sales with the vegetarian and a chicken category, increase our district dealer network. And we want to target the small, medium, small and wide up to the root size tall, what we call as food service outlets or whatever we can call them. So, that's broad journey of the company.

Obviously, we find a lot of potential in the vegetarian segment, international market, again, is something we are looking at. Not to start it as our own brand sales, but again, go more into a contract manufacturing white label kind of processing for the brands which are already exporting or brands from abroad who want us to produce for them. So, that's the broad insight about the company.

So, just one more strategic question first, when you started vegan. Yeah. So, as of September or for November 23, the total capacity is some 585 tons, right? 565 MT is the capacity plant-based, correct?

Paramjit Singh Chatha:

565 metric tons?

Ankur Gulati:

Yeah, that's the capacity which is given in the prospectus for vegan.

Paramjit Singh Chatha:

So, that will be the total, that should be the total capacity, not for plant-based, plant-based is a small unit, Ankur. And how much money has gone into plant-based just to understand if the offtake there is a bit slow?

Ankur Gulati:

So, how much capital have you guys allocated so far?

Paramjit Singh Chatha:

Well, we've invested for this plant, we invested around five and a half crores. The plant-based plant is

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not only doing plant-based, Ankur. So, plant-based being slow, from the same plant, we're doing the vegetarian category as well. So, when we say vegetarian, like we're doing the Mexican patties for Subway, we're doing the panini tikka for them, we launched our own range of vegetarian products, also tikki, panini. Okay.

Ankur Gulati:

So, the capacity is fungible, correct? Hello? Is there a network issue? Yeah, I guess he dropped off. Nilan, you can hear me, right? Yeah, I can hear you. Maybe I can tell him to switch off the video and then speak, that will enhance the bandwidth.

Yeah, that's okay. Yeah, that is better, sir. You can switch off the video, sir, that is better.

we can continue. So, it's still intermittent at our end. We can hear you.

Soumya Padhi:

Hello? I think he's dropped off; he'll be right back. Yeah. Paramjit ji, you can switch off the video for bandwidth issue. We can continue the discussion.

Paramjit Singh Chatha:

Yeah, can you hear me now? Yeah. Okay, I connected again, somehow, I lost the connection.

Ankur Gulati:

No worries. So, what I was asking, the capacity of non-vegetarian plant-based is fungible, is that?

Paramjit Singh Chatha:

So, yes, non-vegetarian is around 450 tons as of now and plant-based is around 150 tons. So, it's all told around 600 tons.

Ankur Gulati:

Understood. And sir, if you can help us understand, how should we look at your markets here? I mean, is there a specific region where you are catering to all these QSRs, closer to your plants or is it pan India?

Paramjit Singh Chatha:

No, it's pan India. So, Domino's, Subway, Burger King, Taco Bell, Cafe Coffee Day, they're all pan

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India. Burger King, we just onboarded Burger King recently. Burger King is eastern.

Ankur Gulati:

And this is likely to stay eastern or how does it work? I mean, or we will expand pan India? With Burger King, I mean, is it eastern specific supplies or will you guys expand beyond that?

Paramjit Singh Chatha:

Burger King will, we see, we are not actually into the patty business. So, what they're taking besides from us, they're taking grilled chicken wings and they have a product called the Tandoor Grill, which is again a grilled product. That is what we're supplying to them. So, Burgers, Burger King, we are not investing into the patty line, which is quite a large investment in itself. So, once we have the new facility coming up for the vegetarian business, definitely, we will pitch for the pan India business for them for the vegetarian sector.

Ankur Gulati:

Understood.

Paramjit Singh Chatha:

That's where we are putting up a very high capacity frozen to fry patty line, patty and nuggets line in the new veg facility.

Ankur Gulati:

And that is what the IPO proceeds are for.

Paramjit Singh Chatha:

That's one of the lines we are putting up. So, the IPO proceeds are mainly for a frozen to fry line for the QSR for our own, plus for the international market. Then we are setting up ready to eat line where we will do both frozen and ready to eat products, something what Tasty Bites does in retort. So, we will be doing it in those shelf-stable retort packs, plus frozen, ready to eat vegetarian products, you know, like the likes of dals, likes of rajma, likes of the paneer gravies. Plus, we will be getting into the base gravies, which is becoming very popular. The other line we are setting up there is for Indian breads, the likes of naan, kulcha, Malabari, paratha. Again, for the Indian market, B2B market, plus for the international market. And we are putting up a spring roll line there. So, that's the complete setup we will have in the first phase with the IPO proceeds.

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Ankur Gulati:

So, I am just trying to understand, how should I look for your non-veg market share? Of all the total QSR consumption, how much are we supplying? Do we have any ballpark number or percentage?

Paramjit Singh Chatha:

No, I won't have that ballpark number. We will, in terms of, if you look at the business, uncle, see, we are not in KFC. KFC is again a raw chicken purchase kind of a company. So, they buy raw chicken and they process everything in the stores. They have the largest chicken and we are not into two burgers companies, which is McDonald's and Burger King. You know, other than that, we're everywhere. I mean, like we are there with Domino's, we're there with Subway, we're there with Cafe Coffee Day, we are there with Taco Bell, we are there with Popeyes. So, other than these three, almost all the larger ones, we are there.

Ankur Gulati:

And typically, how many suppliers these guys have? There will be at least one or two more guys they will be supplying, right? They won't have a single source.

Paramjit Singh Chatha:

Yes, definitely. Subway has for non-veg, in Subway for chicken, we are primarily like 90% of the supplies are going from us. They have two other suppliers. They don't take the whole range from them. They take a couple products from them. Domino's does have two to three suppliers. Taco Bell is 100% with us, Cafe Coffee Day is 100% with us at the moment because the number of stores are less. So, as they grow in stores, obviously, nobody wants to have a single vendor dependency. So, they do build up backup suppliers for any contingencies.

Ankur Gulati:

And typically, how does the new client acquisition works? How long is the process? If you have to onboard a new client?

Paramjit Singh Chatha:

If you have to onboard a new client, it will typically take around three months because product development has to take place; the commercials have to take place. Then normally, these guys have very stringent vendor audits, which they do internal audits plus they have third-party audits. Then they will normally go once the products and the odds are approved. Then they will normally go into a

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consumer trial, which normally they go from one store to like 10 stores and then 30 stores as a consumer trial and then the actual business starts. So, it is a three to four, five-month process for onboarding.

Ankur Gulati:

Understood. I'll take a pause and maybe others want to ask something. Sure.

Nilang Jain:

So, can you just give a broad breakup of your revenue? Like what all kind of products is contributing to how much and maybe the client like as you make Domino's and Subway are the chunky ones. Yeah. How much advantage would they be here?

Paramjit Singh Chatha:

So, Domino's and Subway as of this year are almost 70% of the business.

Nilang Jain:

Okay. And what kind of products these guys are buying? So, everything you see in a Subway store in non-veg is from us.

Nilang Jain:

This is the meat part like. The meat parts.

Paramjit Singh Chatha:

Yes.

Nilang Jain:

It goes from in a frozen state?

Paramjit Singh Chatha:

Yes, it goes in a frozen state.

So, logistics is totally taken care by them. We don't do the logistics.

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Nilang Jain:

Okay. So, they pick it up from your facility?

Paramjit Singh Chatha:

Yes, everything is extra.

Nilang Jain:

And what kind of regions do you service for them?

Paramjit Singh Chatha:

We service all the regions everywhere, pan-India.

Nilang Jain:

Pan-India, all the media. And there will be three vendors you are saying like you, like another two, three vendors. And now what is happening with Subway? I am assuming now they are acquired by this fund and now they would look buying out franchises and like what is the plan, larger plan like they are continuing to expand in India or no? Because there was some bit of the strategy, you know, that needs to be reworked at the parent level, right? They were looking to sell out or something.

Paramjit Singh Chatha:

No, I don't know. I am not aware. They just bought Subway. So, they just started business now. They have opened 200 stores last year. Yeah. And they are trying to acquire the existing franchises also.

Nilang Jain:

Right, right, right.

Paramjit Singh Chatha:

So, the plans are good. Yes, they did go a little astray. I will be honest with you. They experimented too much on the menu in a very short span of time where they have, their sales have taken a hit. But they will bounce back. They will bounce back. They are making the changes and the improvement. So, I mean, you know, the new team coming in, experimented too much with the menu. The hot seller is coming in and the sandwich is coming. So, you know, the 20-year-old Subway consumer, customer loyal. So,

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Subway had a very loyal customer-based kind of clientele. So, people were like people. There was a very particular set of people who would go to a Subway. So, the existing or the old customer didn't like those changes. They realized it. They are trying to bring it back to where it was.

Nilang Jain:

And this is the same team that is driving Burger King also?

Paramjit Singh Chatha:

It's the same. No, the team is different.

Yes, Everstone is there, but the teams are different.

Nilang Jain:

Okay, okay. But do you get any different synergies like you are supplying here and so Burger King, you should expect more business from Burger King also going forward?

Paramjit Singh Chatha:

No, it's totally different teams.

The Burger King team mainly sits in Mumbai, this team is in Gurgaon.

Nilang Jian:

Okay, and similarly for same like Domino's you are supplying the meat only or anything else? Like you are not into breads at all?

Paramjit Singh Chatha:

No, we are not. At the moment, we are not into breads.

Nilang Jain:

And sauces? Sorry? Sauces, sauces?

Paramjit Singh Chatha:

No, we are not supplying them anything. We are just supplying them the beans.

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Nilang Jain:

Okay.

Paramjit Singh Chatha:

The new plant, yes, like I said, the new plant, we are setting up a bread line, we are setting up a sauce and a base gravy line. So, when we say breads, we say flatbreads, we are saying the balabali paratha, we are saying naan, kulcha, you know, stuffed parathas. So, in the new plant, we are looking at the international market in a big way. That's where the focus is in the new plant.

Nilang Jain:

Okay. So, for breads and sauces, you will compete with TastyBike?

Paramjit Singh Chatha:

TastyBike is not so much into breads. Yes, they are into sauces. So, the only area where we are going to compete with TastyBike is in the frozen to fry our products like the nuggets, the patties and the ready-to-eat segment, again, when it comes to base gravies or, you know, the... So, I wouldn't say we are going to compete with TastyBike, we might end up producing for TastyBike. So, our idea is not to compete on a brand-to-brand basis.

Nilang Jain:

You don't want to go in B2C, right? So, you will start B2B only for ready-to-eat?

Paramjit Singh Chatha:

We are purely focused on a B2B business.

Nilang Jain:

So, you have any other traction for this B2B ready-to-eat?

Paramjit Singh Chatha:

Sorry?

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Nilang Jain:

You have any other clients like for this B2B ready-to-eat?

Paramjit Singh Chatha:

No, at the moment, we have no clients because we are not doing it now.

Nilang Jain:

Okay.

There were some couple of names in the PPT, I was just wanting to understand, those are your own brands or, I'll tell you, PPT. There was these Gusto, Tempter and something more like retail products.

Paramjit Singh Chatha:

Yeah, we are not doing it now.

Nilang Jain:

You are doing Gusto and Tempter. So, this is some other party that you were co-packing for?

Paramjit Singh Chatha:

No, no, no. These were our brands.

Nilang Jain:

These were our brands. Okay. So, you are not doing this anymore? Okay.

Paramjit Singh Chatha:

No, last... So, even these two brands, Dilan, we were just doing it, you know, primarily, we were doing it from a long time, since inception. So, we were just doing it in Punjab, Chandigarh, Delhi, NCR. Okay. We were limited but we've withdrawn these.

Nilang Jain:

Understood. So, you want to continue to be B2B, don't go to distribution as such?

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Paramjit Singh Chatha:

Yes, yes.

Nilang Jain:

And so, now just to get a brief background on where all your plants are located, how big are these plants, are they leased, owned, and what is this new plant about? Like with IPO money, what is the plan? Like, where is this plant coming, how big is it?

Paramjit Singh Chatha:

Nilang, our plant is... our existing plant is located on the Chandigarh-Ambala highway. So, you can call it the Chandigarh-Delhi highway. So, we are very... we are like 30 kilometers from Chandigarh towards Delhi in Punjab. And our existing facility is around 43-44,000 square feet. The new facility is just 600-700 meters away from our existing facility. So, we have taken four acres of land there. We can go up to like 1 lakh square feet. We plan to construct around 50,000 square feet in phase one. And the rest of the land, we have kept for expansion because we put bullets on the, you know, the vegetarian growth and exports and the Indian market.

Nilang Jain:

Right.

Paramjit Singh Chatha:

So, the total proceeds of the IPO are going purely into the setting up of the new plant.

Nilang Jain:

What stage is the new plant today at?

Paramjit Singh Chatha:

We just have the land. Yeah, we got the money a week back. So, the plans are on.

Nilang Jain:

So, the land you had already bought for the IPO?

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Paramjit Singh Chatha:

Yes, we bought the land. Even the factory where it is now is not leased. It's owned.

The new plant also will be our own land. It's not leased.

Nilang Jain:

So, yeah, there is no... it does not matter that you are just located one place and, you know, you can supply pan-India. Like, the regional presence is not required. Assuming these chains are... most of these chains have very regional concentrations, then logistics could have been a significant cost.

Paramjit Singh Chatha:

Not as of now, Nilang. There is not much volume. If I go to any other region, this plant volume will be cut down on shift to the new region.

Nilang Jain:

Any subsidies to set up this plant?

Paramjit Singh Chatha:

I think so.

Walia, are you there? Yes, there are some.

Kulbeer Walia:

Yeah. Hello, Nilang.

We have subsidies from the Punjab Invest. So, I visited their premises the day before yesterday and they'll be getting up with me with the complete proposal. So, we'll have some exemption on the electricity duty and the stamp duty paid on that and some portion of SGCT.

Nilang Jain:

So, you get that SGCT or ST? SGST.

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Kulbeer Walia:

Yeah, for first 10 years. It went to the amount of investment, around about 34 crores.

Right, right, right. So, we'll be working on that. Governments are providing now to SMEs and all that.

Nilang Jain:

say these big guys don't give you enough margins, whoever says that, I agree with them. They don't give you big margins.

Paramjit Singh Chatha:

So, we are aware of that. So, that is why this year, we are going full-fledged into our own, I won't call them brand sales, but our own product sales. Like I said, we are reaching out. So, we are increasing the distribution network brand in there. So, when I say distribution, so distribution is not going to be B2C, distribution is going to be B2B to the smaller standalone, three outlet, four outlet USR chains. So, our margins will definitely improve this year. But yes, some of those margins will be offset with us going into our own brand sales across India. So, it will come from the expenses we're going to incur this year. From next year onwards, definitely the margins will look much better. Even this year, the margins will look better than the previous year, but let's say like 25-26, the margins will definitely start looking better once the new plant comes in.

Nilang Jain:

So, what exactly is this own brand sales that you are doing?

Paramjit Singh Chatha:

Nilang, we are already catering to like, you know, 20-30 small brands in the northern part of the country, that too only with chicken. But with the veg coming in, we did a survey, we have already started. So, the likes of, you know, McCain, likes of Balaji, the hyphen brands. So, these brands have really penetrated right to the street food level. So, it's gone up to that level in the vegetarian segment. So, when we say own brand sales, it's not a brand, it's a food only institutional pack. But we plan to reach out to all these medium-small, micro-small customers with our products. So, it's basically going out to these medium-small and very small QSR outlets.

Nilang Jain:

This is like a Burger Singh, like a Burger Singh will fall there?

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Paramjit Singh Chatha:

No, Burger Singh is large. Burger Singh is already a customer. Burger Singh is big. Burger Singh is like 70-80 outlets. So, here we are talking about 70-80 outlets and stand-alone outlet only. Okay.

Nilang Jain:

But for that, you will have to open regional depots and all for cold storage and all?

Paramjit Singh Chatha:

No, we are appointing distributors. As long as depots are concerned, we work with a company called Jyoti International. They are the pan-India distributors for Subway. So, they're already catering 117 cities. Even now, our own Chatha Foods product, like in Goa, we started small in Bombay, we started small in Pune. So, the logistic and warehousing is taken care by Jyoti International. So, from there, we just, they built our distributors.

Nilang Jain:

Okay.

Paramjit Singh Chatha:

So, we don't open our own depots or anything. So, the logistic and the depot part is taken care by Jyoti International.

Nilang Jain:

Oh, understood. Yeah, I'm done with that.

Ankur Gulati:

And sir, how are the contracts with these guys? I mean, for example, Hindustan Foods does pure tolling for some of these, their clients, where clients give them the recipe and they just manufacture for a fixed margin. So, how are your contracts?

Paramjit Singh Chatha:

No, our contracts are different. The recipes are given by them, but the costing is done by us. So, basically, maybe they work on a conversion cost kind of a thing. We don't do that.

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Ankur Gulati:

So, fair to assume then your margin profile should be slightly better than them, right? Because they are most of the time, they're only on tolling.

Paramjit Singh Chatha:

Our margin profile will be slightly better than Hindustan Foods. But yes, we keep getting pushed for margins. We keep getting pushed for margins. And it's not bad margins, our margins are not bad. But I would say that when I'm saying that we do our own brand sales to the smaller QSR, the margins are definitely much better. They would be, like I would say, like, you know, slightly less than a double than what we're doing with these guys.

Ankur Gulati:

And September 23, for six months, your EBITDA went up to some 9%. Is that sustainable? Or you think with all this distribution, at least that will also taper down closer to six odd percent, which you guys do?

Paramjit Singh Chatha:

No, no, no. I'm just saying that our margins will not improve drastically. This year, it will definitely improve. But next year onwards, we see, so it's just the hit we are taking this year consciously, you know, to expand our business to rest of the rest of the partners, rest of the regions of the country to with our own brand sales, that's a very cautious call. This year, we will take a hit like, you know, we're giving some schemes on some of the products where we need to break into a McCain market or into a hyphen market. We're giving some freebies to the distributors. So those kind of expenses will come in this year. But then yes, we see an advantage because McCain, hyphen, these guys are only aloo, they're only potatoes. So even in vegetarian, so we are potato, we are paneer, we are, you know, bean based products. And then we have the chicken segment also going in. So we're getting quite a good response from the last two, three months, we reached out to customers, it's a one stop shop for all the chicken products and the vegetarian product. So we are prepared to take that hit. But yes, so that's where we'll take a slight hit. But the margins will not reduce. But yes, they will improve slightly, but it will not be a marginal, a very substantial improvement.

Ankur Gulati:

And so just going back to capacity, as per prospectus, non-veg ka capacity is some 5,562 MT. Is that correct? And utilization is roughly around 68% if I analyze first six months.

So how do you see that non-veg capacity utilization ramping up?

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Paramjit Singh Chatha:

Non-veg capacity utilization will ramp up. Yes, this year it will ramp up.

Ankur Gulati:

And what is the optimal? I mean, can you go up to 85, 90 in the next one, two years or you will have to put a new plant once you hit 80% plus?

Paramjit Singh Chatha:

No. So what happens is, at the moment we have both the vegetarian and the chicken facility in the same premises. The plants are separate, but they are in the same boundary wall. So once the new vegetarian facility comes up, the existing vegetarian machines will shift to the vegetarian facility. And then we have another 8,000 square feet to expand the chicken business. So that's what we want to do.

Ankur Gulati:

So for foreseeable future, there is no CAPEX required except few machineries for the non-vegetarian business?

Paramjit Singh Chatha:

Not at all. Not at all.

Not in the coming two, three years.

Ankur Gulati:

And from your existing client base?

Paramjit Singh Chatha:

If the CAPEX comes, even to increase capacities, you know, the non-vegetarian industry in India, what we do, or what a Venkatesh does, or what anybody else does, if you are not putting up a large, patty, frying line kind of investment, you know, you invest 20-30 lakhs, 40 lakhs, you know, and you increase capacity by 100 tons. So, because it's a batch kind of a processing, you know. The main investment is refrigeration. We have enough refrigeration capacities. Rest is just bringing in a machine and increasing your capacity. So that's all the non-vegetarian segment is.

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Ankur Gulati:

And on the new veg plant or existing veg plant, how much visibility do you have from your existing clients?

Paramjit Singh Chatha:

We don't have much visibility from them. We've not really approached them in a big way. Because our capacities in this plant are very restricted. And we want to utilize those capacities only for our own business, not for these guys. Once the new plant starts coming up, that's the time we start approaching them very aggressively for business.

Ankur Gulati:

Understood. And sorry, if you can just remind again, when is the new plant expected to go on stream?

Paramjit Singh Chatha:

Worst case scenario, before next year, March. Worst case scenario. We're trying to do better than that. Okay.

Ankur Gulati:

And you will stick to, let's say, how to put it? You're not planning to go into beverages or malt drinks or juices?

Paramjit Singh Chatha:

No, not as of now.

We're trying to get into, you know, the idea of setting up this new plant with a, like I said, refrigerated fryer, ready to eat, threads, line. We even have an area where we will do handmade samosa, which is very popular. So, at the moment, the idea was just to get into vegetarian, get into products, which are very well accepted in India, which are very well accepted abroad. Where there, a Haldiram or an ADF or a Global Gurme has capacity constraints. You know, that is where we want to come in as of now. So, we did not try to get into anything which is new. We did not try to do anything where, you know, we have to go into a waiting period of getting product approvals or trying to showcase products. And like, so we just, the idea is to begin with our existing Indian B2B business. That's where we want to expand in a big way. And to come as a capacity constraint, you know, where we come in that these guys have a capacity constraint and we produce for them. Or reach out to a Trader's Joe or reach out to a Costco and we say, okay, what do you want? We can produce in your brand. So that's, especially in these products.

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So that's, that was the whole idea of setting up this.

Ankur Gulati:

Understood.

So, you're still going to let us apply to an ADF and Haldiram rather than putting your own product on shelf.

Paramjit Singh Chatha:

We don't want to do that. I feel, I mean, even in India, it's a very, very expensive proposal. A lot of cash from exports. I mean, once our volumes go, we have, we might try and experiment with one country in the beginning. As of now, we have no plans.

Ankur Gulati:

And sir, economics of a vegetarian plant will be same as a non-veg. I mean, historically non-veg per metric ton is some three lakh rupees, three lakh thirty thousand rupees. Am I doing it right?

Paramjit Singh Chatha:

So, vegetarian will land up around 200 rupees a kilo food and 225 rupees a kg.

Ankur Gulati:

But somehow, at least so far when I'm doing the numbers, it's coming to some 77,000 per metric ton, which is lesser. I mean, I don't know. It's anywhere between 75 to 85,000 rupees per MT.

Paramjit Singh Chatha:

Sorry, I didn't get your tempo.

Ankur Gulati:

So, your revenues from vegetarian is I think 19 crores and you guys sold roughly 49 MT. And then because the realizations are low, will the asset turnovers take care or how does it work?

Paramjit Singh Chatha:

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So, the volumes will take care. The volumes will be much larger.

Ankur Gulati:

Okay.

Soumya Padhi:

The capacity itself of the plant is much larger.

Paramjit Singh Chatha:

The capacity is around 9,000 per metric ton compared to the existing plant.

Soumya Padhi:

So that will cover up any kind of lower margins as you are pointing out in terms of the non-veg side.

Ankur Gulati:

Okay. I'll take a pause.

Soumya Padhi:

Awesome. Pretty much. Sorry, someone else dialled in.

Who was dialled in? Hello. Hello. Yes.

Soumya Padhi:

Yes, please. Can you introduce yourself, please?

Ashok Aggarwal:

Ashok Agarwal here. Yeah, myself.

Soumya Padhi:

Ashok Agarwal. Little bit of background, Mr. Agarwal.

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Ashok Aggarwal:

Hello.

Soumya Padhi:

Yeah, we can hear you. If you can give us a little bit of background about yourself.

Ashok Aggarwal:

Oh, myself.

Yeah. Okay. Myself, Ashok Agarwal.

I'm a consultant engineer and I'm an NRI working at Malaysia in a multinational oil and gas company. I'm an investor too.

Soumya Padhi:

Oh, very good. Any questions you have, please kindly go ahead.

Ashok Aggarwal:

You want to know something?

Soumya Padhi:

You have any questions, kindly go ahead. Would you like to ask any questions, Mr. Agarwal? Please go ahead.

Ashok Aggarwal:

No, no. I would just like to listen to you.

Soumya Padhi:

I think you joined a little late.

Broadly, all the discussions are done.

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Ankur Gulati:

Sorry. I'll just couple of more things.

Soumya Padhi:

Yeah, go ahead, please. Yeah, go ahead, please.

Ankur Gulati:

Just picking up from what Hindustan has done. They've been acquiring these underutilized factories. So, I know you have raised money for a fresh plant. But any plans to do some sort of an acquisition over the next 1-2-3 years just to get more either planned or a better geographical reach?

Soumya Padhi:

As of now, their focus is to set up this plant and go live, to be honest. And as it rolls out and they go to the capacity utilization and get into the vegetable side of the market properly and have sufficient revenues, then all those things, they can start thinking. But as of now, those things are not on the drawing board also.

Paramjit Singh Chatha:

Yeah, you're right, Soumya.

There's nothing on the drawing board, Ankur. Let's see how it progresses. Let's see once we have a customer base, we start international market. We see what kind of demand. We'll take the calls as they come.

Ankur Gulati:

And again, sir, if you are comfortable and Soumya, just feel free to check in.

If you guys are comfortable with some sort of a guidance which you want to give at this stage.

Soumya Padhi:

See, guidance, if you make a simple arithmetic, uncle. We are looking to take this factory live in next maybe 9-10 months max. And you know the vegetarian side revenue numbers per ton basis. That is something which is available publicly. It's a simple multiplication issue. Starting point of maybe at an average of 50% capacity utilization.

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Ankur Gulati:

For F26?

Soumya Padhi:

Yes. As we start, entire year, I believe that we can simply put it that way.

Just for the calculation's sake, you can simply add those numbers.

Ankur Gulati:

Yeah.

Soumya Padhi:

That's a simple way of answering it.

Ankur Gulati:

Understood. And how should we think of F25? Existing plant.

Soumya Padhi:

Should go live in this year.

Ankur Gulati:

No, new plant. Let's assume. So now, how should we think about F25? This 70% non-vegetarian utilization, can it go to 80- 85% which is a linear equation on revenue or no?

Paramjit Singh Chatha:

It should, Ankur. It should.

Ankur Gulati:

So existing book, I mean, as things stands today, 11-12% growth will come if I take 80% utilization, right? 80- 85%.

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Paramjit Singh Chatha:

Yes.

We can look at that.

Soumya Padhi:

So, 24, we should close the linear numbers. I think I told you that earlier also.

Ankur Gulati:

Yeah, that's fine. That's been analyzed. And then another maybe 15.

Okay, fine. I'll punch that in. That's fine.

Nothing else from my side for now.

Ashok Aggarwal:

I want to know what will be the margin profile, let us say, from FY25 and FY26.

Paramjit Singh Chatha:

Soumya, do you want to answer that? Hello?

Soumya Padhi:

Yeah, yeah.

See, the margin should be more, see, for the new plant to go live, it will be in 26 early. We will do the commercial testing in 24-25. And in the 25-26 year, it will go full-fledged. The vegetarian side of the margins will be compensated, the lower margins on that side will be compensated by the volumes which we are going to produce and sell. But it's a far larger plant compared to what we have today. Almost, you can say, closer to double. And so that side of the demand will kind of take care of simply on the volume side. The comparable, you can say, can be the average of the present non-vegetarian margins and the volume, which I just mentioned. About a 50% kind of average for 25-26 on capacity utilization. So, that arithmetic is something you have to do on your own. That's the broader kind of number I can put across.

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Ashok Aggarwal:

Just put the indication numbers for FY25-26.

Soumya Padhi:

That's what I said. The 9% margin of EBITDA is already disclosed as per the September numbers are concerned. Which is for the present situation of utilization of 70% and the vegetarian plant. It will grow by another 10-15% coming year. So, the margins will remain same or it may improve by maybe 100 basis points, if you can take it that way. Based on the demand and everything else. And my capacity utilization going up by 10-15%. But the real number of growth we will see only when the vegetarian plant comes into play. The real volumes as well as the numbers.

Ashok Aggarwal:

I am only asking for the one year later when the vegetarian plant is also substantially operational. So, FY26 let us say. Can we assume margins can be around 12-13% EBITDA margin?

Soumya Padhi:

It will not be that high.

Ashok Aggarwal:

It won't be that high. So, can we say 10% like that?

Soumya Padhi:

Sir, you will have to do an averaging calculation. See, the margins in vegetarian is always lower compared to the non-veg. We are going to make it up by volumes. That is what I am trying to tell you, sir.

Ashok Aggarwal:

I see.

I see. I see. Okay.

Because I was not really a part of that.

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Soumya Padhi:

From 9% obviously it will improve. It will go to double digit.

No questions on that. But substantial increase it will not have.

Ashok Aggarwal:

Okay.

Soumya Padhi:

Again, that is what we are working towards. I think you came a little late. Mr. Chatha was saying that we are moving on to our own brand. And the nationwide presence of our product in our own branding and distribution. So, that is going to over a period of time as we cement our place, we are going to improve our margins substantially. So, when you start selling on your own, you control the margins. Here you are dependent on the larger players. So, they kind of control the margin most of the time.

Ashok Aggarwal:

So, have we done test marketing of our vegetarian menu? What we should plan?

Paramjit Singh Chatha:

We are already doing that.

We already have an existing vegetarian small plant. We are already doing that.

Ashok Aggarwal:

Okay.

Paramjit Singh Chatha:

Anybody else? Any more questions? Any more queries?

Ankur Gulati:

Nothing from my side, sir.

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Soumya Padhi:

Okay, then. We can conclude it.

Thank you so much for joining. Happy to answer any other questions. If you have left out anything, do drop us a mail. We will be happy to revert on that. Thank you so much for being the investors. And hope you guys can continue to stay invested and look forward.

Paramjit Singh Chatha:

Thank you so much.

Ankur Gulati:

Thank you so much.

Paramjit Singh Chatha:

Thank you so much.

Soumya Padhi:

Bye. Have a good day. Thank you.

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