

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](mailto:cs@cfpl.net.in), Website: <https://cfpl.net.in>

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## Chatha Foods Limited

### Analyst / Institutional Investors Meeting

April 16, 2024

Start Time: 4 p.m.

### Management:

Mr. Paramjit Singh Chatha - Managing Director

Mr. Vishal Singh Sirmauria - CFO

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

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### Gunmeen Kohli:

Just an introduction about ourselves. I am Gunmeen Kohli. I'm the portfolio manager at DR Choksey FinServ, the PMS division and I'm also advising the prop book, which Deven ji is running on his own. So, our PMS is today around 650 crores, discretionary, non-discretionary. That's our AUM. And our assets under management are around 4000 crores. That's asset under advisory. So, that's a brief about us.

### Soumya Padhi:

Okay. Rahul, Gunmeen Kohli, whoever wants to start, you guys can.

### Rahul:

Yeah, we can have a start.

Like, we have read all your, you know, the presentation and the DRHP. So, why not if we get a small brief by Paramjit sir, if it's okay for him. And then we can start off with the specific questions or, you know, recent developments or what are the future plans.

So, we can go ahead in this format if it's okay for all.

### Paramjit Chatha:

Yeah, that's okay. That's okay, Rahul.

So, I'm Paramjit Chatha. I'm the founder of Chatha Foods Limited. This company was founded in 1977. So, as of now, we're mainly focusing on the non-vegetarian and vegetarian value-added products for the Horeca segment. We have a total installed capacity as of now of around 8,000 metric tons, 800 metric, 8 lakh kgs as of now. So, the main business model we're working on is we work with the QSR. We, you know, collaborate with them to develop products to their specific needs. We also work with the smaller QSRs or with the existing large QSRs to sell our own in-house products which have been developed by us. We have a strong, you know, quality assurance team and the product development team which works hand-in-hand with the QSR to develop all these products as per their requirements and as per their needs. In chicken, we have been in the business for almost 25 odd years now. And working with very trusted vendors as you would have seen in the presentation, a long association of working with companies like Sneha Feeds, Shanti, Suguna to name a few of the trusted chicken vendors. We work with a lot of multinationals for our functional ingredients, spices, the likes of Griffith, DuPont, Kerry ingredients. So, for our local spices, we work with DS Foods. We work with Paras Spices. For our packaging, we work with Multivac which is again one of the largest companies. We produce products across the segment other than for the likes of KFC which does not fall

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under our portfolio as they did in raw chicken. But yes, we produce pizza toppings for our pizza customers. We produce sandwich fillings for our sandwich kind of customers.

We produce a lot of frozen to fry our products for our customers which are like nuggets, patties, both in the veg and the non-veg segment. We are BRC certified which is one of the best or the highest food safety certification in the world which we got certified recently. Before that, we were like from 2006 to now we were HACCP certified in 2006. Then we were FSSAI-22 government certified and now we are BRC certified. Obviously, we have the registrations and registered with FDA. FSSAI of course is mandatory for us. We keep on getting audited by the government as well. Recently, we raised money for further expansion in the vegetarian segment where we feel there is a lot of potential. So that's a broad brief about the company.

**Rahul:**

I'll start off with certain questions which I had. First of all, I see your capacity utilization for veg product as just 4.21% as of your DRHP. So, any specific reason behind that particular thing?

**Paramjit Chatha:**

Veg is a very recent startup round. So, veg was something we started almost towards the end of the COVID period. So, this facility was basically set up to produce plant-based products. We are producing those plant-based products for brands like Shaka Harry, Blue Tribe, Plant Way, etc. So, this facility was set up for plant-based products and veg was a very recent initiation by us, Rahul. So, plant-based is more of mock-meats. We make products with high-protein products which taste like meat and the texture is like meat. So that's what we do. But that actually didn't take off the way it was supposed to all over the world. And veg is where we use potatoes to produce value-added products. So that's a very recent startup by us.

**Rahul:**

Okay, so your capacities are defined as veg and non-veg. But are they interchangeable as well or what's the scenario? Because the machining and all would have the same kind of procedure, if I'm not wrong.

**Paramjit Chatha:**

No, they're totally separate, Rahul. Non-veg is totally separate, veg is totally separate.

**Rahul:**

Totally separate. And veg would also do your vegan part, if I'm not wrong?

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**Paramjit Chatha:**

Yes, so veg does both the vegan and the veg part. Of course, non-veg is totally separate.

**Rahul:**

Okay, so if I look at your utilisation and the realisation on the volumes, so it would be for non-veg 3.5 lakh per metric tonne, right? And veg I see just 0.85 lakh per metric tonne. So why such a big difference? And plant or vegan are around 6 lakh per metric tonne. So, I wanted to ask you that why is such a huge difference in this kind of numbers? What's the reason behind it?

**Paramjit Chatha:**

Actually, veg should not be 85. Vishal, what would be your veg numbers on an average?

**Vishal:**

Sir, veg we would be averaging around 250.

**Rahul:**

250 of what?

**Vishal:**

Of this total veg and plant-based products.

**Paramjit Chatha:**

No, we need to separate it out, Vishal. We need to give a separate number for...

**Rahul:**

In the DRHP, you're given veg segment revenues around 16 lakh and your volume was 18.48 metric tonne. So based out of that, I removed the realisation.

**Vishal:**

Yeah, so for veg it would be around 220-230.

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**Rahul:**

Per kg, right?

**Vishal:**

Yeah, per kg.

**Rahul:**

Correct. And for non-veg?

**Vishal:**

For non-veg it would be ranging around 300 odd rupees per kg. 300-330.

**Paramjit Chatha:**

It should range from 300-330 rupees per kg.

**Rahul:**

Okay, and plant-based would be in the same range of veg?

**Paramjit Chatha:**

No, plant-based would be higher. Vishal, plant-based would be around 500.

**Vishal:**

Correct. So it would be averaging around 450-500.

**Rahul:**

Okay, so I think in DRHP, it might be a different metric then. Then the second thing is I wanted to understand that what are the shelf life of these kind of products? Because if you have your plant located at Mohali, right? So, if we are targeting pan-India distribution, so what would be the shelf life? And you are also targeting exports as I could see in your DRHP and your presentation as well. So, what would be the shelf life of these kind of products?

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**Paramjit Chatha:**

It's one year around.

**Rahul:**

Okay, one year is the shelf life.

**Paramjit Chatha:**

One year at minus 18. So, everything is at minus 18.

**Rahul:**

Okay, that's so needed. And how much of your expenses goes into the logistics side and how will it impact the margins if you go down south or top north or eastern side? So, you know, there are a lot of demands all over the QSRs.

**Paramjit Chatha:**

So, when we deal with all the larger QSRs, the logistics is taken care of by them.

**Rahul:**

By them, okay. It doesn't fall under your book.

**Paramjit Chatha:**

No, no. Everything falls under Ex- factory.

**Rahul:**

Okay, and I see your gross margin. Can you give me a broad range? I see that in the past three years, it was in the range of around 25-27%. So, are there any scope of improvement or it would be in the same range?

**Paramjit Chatha:**

There would be a scope of improvement on the overall veg non-veg business combined.

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**Rahul:**

Like if you increase your veg portion, like the capacity utilization is increased then due to better realization over there?

**Paramjit Chatha:**

Yes, yes, exactly. Okay,

**Rahul:**

and this 8 lakh kgs which you mentioned as the capacity, right? So basically, around how much will be non-veg in this percentage and number if you can give?

**Paramjit Chatha:**

So non-veg is almost like 400 tons per month, 450 tons per month and veg is 180 tons per month.

**Rahul:**

Okay, okay.

**Paramjit Chatha:**

So, veg is a small unit, Rahul. Veg was a small unit. It was almost, I would call it a pilot kind of a unit which we set up. So, seeing the customer response, seeing the customer interest, now we are into Veg. So that's the reason funds were raised to further expand the business into the vegetarian segment.

**Rahul:**

So how much was the exact capex done for this Veg if I can ask you? For the Veg expansion?

**Paramjit Chatha:**

It was around 5 odd crores, Rahul.

**Rahul:**

Okay, 5 crores for a capacity of 80 tons per month, right?

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**Paramjit Chatha:**

180, 180.

**Rahul:**

180, okay, okay. So, what are the new developments that you have done in the past one year? Like new client acquisition or are they into, you know the signing stage or any development if you can share?

**Paramjit Chatha:**

There's been a lot of new customer acquisition and even this year there's a lot of new customer acquisition. So that's the direction we are working in. That is one of the reasons we started the veg segment as well. Earlier it was just two large customers that you would see in the DRHP or in a presentation. It was two large customers we are working with. But last one year and this year we have a lot of other, so there have been some customers who started small with us and they have gone to 150 stores plus kind of account and they are planning to add 50 stores every year now. And plus, there have been a lot of new acquisitions. Taco Bell is a very new acquisition we have done. Customer acquisition we have done. Plus, Burger King has also onboarded us so that these two large QSRs have been onboarded. Plus, we are working with a lot of, you know, the upcoming coffee chains, B2B, third wave. These are two more large customers I think which will start business this month or next month.

**Rahul:**

Okay.

**Paramjit Chatha:**

Plus, we are working with, we have already with the vegetarian segment, we have already started making more distributors. This quarter we will add around 40 more distributors in the northern region which will again catering to the smaller, stand-alone, medium-sized QSRs also. Pre-localized.

**Rahul:**

Okay. So, if I understand that your business model is like you make the products, as you mentioned in the DRHP, you have three kind of business models like concept, manufacturing concept, sharing, manufacturing and own brands.



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**Paramjit Chatha:**

Yes.

**Rahul:**

So, I wanted to understand the breakup of this thing and what are the margin structure for these three different kinds. Are they in the same range or are there a lot of difference in this?

**Paramjit Chatha:**

Margin structures, Rahul, would be slightly higher when we say when it is our own brand sales. Because that is where we are going to be small, medium-sized QSRs. The other two concepts are where the large QSR comes in. Concept sharing, concept manufacturing is when we are talking about the large QSRs. So that's where we work hand-in-hand with their teams to develop concepts, develop products, what they need or we showcase to them. But yes, maybe the margins are lower but then the volumes offset a lot of things in the larger QSR. Okay.

**Rahul:**

So, if your own brand revenue breakup, if you can tell me in percentage right now.

**Paramjit Chatha:**

Vishal, can you share that?

**Vishal:**

Yeah, it is close to 10%.

**Rahul:**

Okay. And we can expect 2%, like 11 odd percent, 8% margins or something like that in own brand.

**Vishal:**

8% Rahul, sorry, I was not able to get.

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**Rahul:**

For example, if your 10% of top line is own brand, so the EBITDA margin profile would be around 8% or 9% if I am not wrong or higher than that.

**Paramjit Chatha:**

Higher than that.

**Rahul:**

Okay. So, your target focus is to increase your own brand or contract manufacturing kind of a thing for these QSRs going forward. Like if I say down 20, FY26-27, what is your target and how easy would it be to achieve that kind of target?

**Paramjit Chatha:**

Rahul, we would be targeting both the segments plus we will be targeting exports FY26-27. So, exports in the new unit, exports are what we are looking at in a very big way. Obviously, we will keep targeting. See, we can always keep developing QSR, be it small, be it large. They are always in need of new products, new concepts. So that's an ongoing process. We will keep targeting that. We are targeting a lot of vegetarian products for our existing customers and the new customers. So that will keep going on. Our own brand growth will also keep going on because that is where we also want to increase our revenue share. You know, bring it to like a 30-35%, 40% odd kind of a revenue from our own brand sales. We get that confidence from having a huge range of vegetarian products also which we can offer across India. And plus, the major percentage will be coming in from our export-focused business. Export again, we are not planning to do our own brand exports as of now. It's going to be more of a contract manufacturing kind of exports.

**Rahul:**

Okay. So, with this 8-lakh capacity which you have right now, what is the max utilization which we can expect? Like 80%, 85% or what's the ideal utilization level for your plant?

**Paramjit Chatha:**

I think 80% is the max we should do in our kind of industry.

**Rahul:**

Okay, 80%.

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### Paramjit Chatha:

But in our existing facility, we have one full shift extra with us. So, at the moment, we are running both the veg and the non-veg facility for 10 hours. And yes, as the business grow, we plan to go up to 18 hours.

### Rahul:

Okay. So with this capacity which you are planning and if I take a math, I am just doing a math number right now. With 8 lakh of capacity and your average realization of around 380 to 400 because higher proportion is the non-veg still. So, we can expect a top line number of around 350-400 CR depending on your cash conversion and everything. So, I wanted to have a gauge of that particular number.

### Soumya Padhi:

Well Rahul, I predict you have to do your own maths. Confirmation is a difficult thing to come by because the plant is under construction.

### Rahul:

Okay.

### Soumya Padhi:

Will they go to public in terms of commercialization and what do you call it, as Mr. Chatha said, the capacity utilization and ultimate sales. This will be still theory.

### Paramjit Chatha:

Rahul, all I can tell you is that...

### Rahul:

Yeah, I get your point.

### Paramjit Chatha:

What I can disclose, Rahul, you can do your own maths. By 27-28, the new facility we plan to run is double shift. We are going to double shift.

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**Rahul:**

I think I cannot hear you. I am having an echo right now.

**Soumya Padhi:**

What he mentioned is by FY26-27, they would like to have a double shift in the new capacity as well as the existing capacity.

**Rahul:**

Okay.

**Soumya Padhi:**

So that is the kind of growth you can actually look at and you can do the maths.

**Rahul:** Okay, yeah, I get your point. One more thing. I see that you have drastically improved in your receivable days and the cash conversion is also very great right now. So, if you increase your export share, will there be an impact on this particular side as well?

**Paramjit Chatha:**

Rahul, that is something we will have to learn. We do not export as of now. Something we will have to learn; we will have to go through the graph.

**Rahul:**

Okay, and any of your competitors right now, they do this particular kind of a business or are you the only one planning or you know?

**Paramjit Chatha:**

The only person, the only company which is like in our kind of model, Rahul, as a thumb rule, who does QSR and exports. Obviously, Tastybites is there, but they do not do model.

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**Rahul:**

Yeah, you have mentioned that.

**Paramjit Chatha:**

I think Tastybites is the only company which is doing exports and QSR as well. That's the only company we could see as a pair and we have mentioned that.

**Rahul:**

Okay, and I wanted to understand something about the industry, if you can mention that. Like what is the addressable market? What is the growth expected over the next 3 to 4 years or 5 years? I know we can map it through the QSR thing, but then to, I wanted to know that how much of the QSR change, you take their raw materials, like what you supply is their raw materials. So, what proportion and what is the growth expected? If you can give some ballpark number for this.

**Paramjit Chatha:**

Rahul, see we can just talk about our business and the chicken business. We have been growing at approximately 8 to 10, 5 to 10% every year. So, we expect to keep doing that. Obviously, Veg will not be a single digit growth. It will be a much larger growth than that.

**Rahul:**

Okay. Okay. Gunmeen, if you have questions.

**Gunmeen Kohli:**

Hi, Paramjit ji.

**Paramjit Chatha:**

Hi, Gunmeen Kohli.

**Gunmeen Kohli:**

So, just understanding the business model. 800,000 is our capacity right now. So out of that, how much is Veg and Vegan?

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**Paramjit Chatha:**

Vishal, can you give the annual numbers, please?

**Vishal:**

Yeah, sure, sir. Hi, Gunmeen Kohli. So non-veg is around 5,560 metric tons and Veg is somewhere around 20 to 80 metric tons.

**Gunmeen Kohli:**

That's per day capacity?

**Vishal:**

That's annual capacity.

**Gunmeen Kohli:**

Okay, I'm not clear on the capacity. Can you come again?

**Vishal:**

Yeah, Gunmeen Kohli. So, for veg, it is 2,300 metric tons approximately per annum. And for non-veg, it is 5,600 metric tons per annum.

**Gunmeen Kohli:**

Okay, 5,600 metric tons. And these both facilities are under the same roof, right?

**Paramjit Chatha:**

They are in the same premises, Gunmeen Kohli, but they are two separate units.

**Gunmeen Kohli:**

Got it. So, you raise equity in the IPO to expand your vegetarian capacity?

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**Paramjit Chatha:**

Yes.

**Gunmeen Kohli:**

So, what would that be after the full expansion and when would that be completed?

**Paramjit Chatha:**

The expansion, we plan to close before the next financial year, Gunmeen Kohli.

**Gunmeen Kohli:**

FY26, is it?

**Rahul:**

25.

**Gunmeen Kohli:**

25. Okay. Within this? Within this?

**Soumya Padhi:**

No, no, no. Gunmeen Kohli, that will be a totally physically separate setup altogether. It is nearby.

**Gunmeen Kohli:**

Okay. What will be the capacity of that?

**Paramjit Chatha:**

9,000 metric tons.

**Gunmeen Kohli:**

Okay, okay. And what is your current capacity utilization?

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**Paramjit Chatha:**

So, in chicken, we are at around 60-65. Vishal, if I'm not wrong, 65.

**Vishal:**

Yes Sir

**Gunmeen Kohli:**

So, two shifts.

**Rahul:**

No, 10 hours.

**Gunmeen Kohli:**

Two 10-hour shifts, correct?

**Paramjit Chatha:**

One, one 10-hour shift.

**Gunmeen Kohli:**

Okay.

**Paramjit Chatha:**

And veg, we are also at around 60% capacity utilization.

**Gunmeen Kohli:**

So, I just want to understand the dynamics of this one hour or one 10-hour shift. So just as a layman, if I were to break it down, invariably your capacity utilization is just 30% then, if you have two 10-hour shifts.



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**Paramjit Chatha:**

No, we can't do two 10-hour shifts, Gunmeen Kohli. We'll have to go into two 8-hour shifts.

**Gunmeen Kohli:**

Okay.

**Paramjit Chatha:**

So, we're doing, we say a 10-hour shift because one-hour pre-ops and one-hour post-ops is where we do the cleaning, maintenance, and actual production is only happening for 8 hours.

**Gunmeen Kohli:**

Okay. So, then maximum you would be at 16 hours. So, that would take your capacity utilization to how much? 80%, like you said.

**Paramjit Chatha:**

Yes.

**Gunmeen Kohli:**

Okay. Okay. Got it. Got it. And on the, and on the new additions that you were talking about of the client, on the Blue Tokai side and your Third Wave, what are the kind of products you are offering to them?

**Paramjit Chatha:**

It's both chicken and veg.

**Gunmeen Kohli:**

Both chicken and veg. Yeah. Okay.

**Paramjit Chatha:**

So, it's more like sandwich fillers, sides.

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

CIN: U15310PB1997PLC020578, E-mail: [cs@cfpl.net.in](mailto:cs@cfpl.net.in), Website: <https://cfpl.net.in>

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**Gunmeen Kohli:**

So, in two to three years down the line, what would be our customer mix? How would the customer mix look like? Because today 71% is coming from Domino's and Subway, right?

**Paramjit Chatha:**

Customer mix, if we talk of QSR, I think we intend to have 40% of our own brand sales within two years.

**Gunmeen Kohli:**

Which is currently at?

**Paramjit Chatha:**

Which is currently at 10%.

**Gunmeen Kohli:**

Okay. And what is the brand?

**Paramjit Chatha:**

But if we look at this year numbers, I think Subway and Domino's are 70%, our brand, and other QSR sale is 30%. So, that's where we've grown in other QSR and our own brand sales last year.

**Gunmeen Kohli:**

Okay.

**Paramjit Chatha:**

From 90%, Subway and Domino's is 70% now. Because we've grown in some other brands, you know, Taco Bell, Walk Express, Chinese Walk, they call it Chinese Walk, Nick Bakers, Burger Singh. So, these are our other customers who've grown now.

**Gunmeen Kohli:**

Yeah. And what is the brand that you are marketing your own products with?

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**Paramjit Chatha:**

Gunmeen Kohli, we are not, we're just marketing it under Chatha Foods Limited only because we're just doing institutional packs. We're not doing any retail packs.

**Gunmeen Kohli:**

Okay. Okay. So, just explain how this works because I thought own brand would be available in your retail stores.

**Paramjit Chatha:**

No, no. When we say own brand, it's just a term we use for ourselves. Own brands sales mean Chatha Foods product. So, we just even branded as Chatha Foods. We don't have a particular brand name. So, even on the packs, it's Chatha Foods.

**Gunmeen Kohli:**

Okay.

**Paramjit Chatha:**

But just we've been in the industry for 25 years, people know us as Chatha Foods. So, we're just trying to, you know.

**Gunmeen Kohli:**

Look, what is the end use for the institutional clients? Are they using it, they're repackaging and selling it?

**Paramjit Chatha:**

No, no, no. So, we are just reaching out to a lot of small, medium-sized QSR. When we say own brand, they are the products which we have developed for ourselves. They are not developed for, you know, as we work with the Domino's or Subway, the products are developed for them as a collaboration.

**Gunmeen Kohli:**

They are own SKU. They will have their own limited SKU.

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**Paramjit Chatha:**

Yes. So, they will work on the recipes, they will work on the concept and we will work together with them to develop products. That's how the larger QSR works.

**Gunmeen Kohli:**

Got it.

**Paramjit Chatha:**

When we say own brand, the products are developed by us. The end users, we go to a lot of small, medium burger joints, wrap joints, pizza joints, multiple products selling joints. So, they use our products in their burgers, in their wraps, in their sandwiches, on the pizzas or as sites.

**Gunmeen Kohli:**

So, how do you plan to take this to 40% in the next 2-3 years? Is it a distribution play or is it a...

**Paramjit Chatha:**

Gunmeen Kohli, we one, Veg is shaping up very nice. Very, very nice. Better than what we expected. Two is, all these years, we were, you know, we have not expanded to any other region of the country other than North. We were just present in Punjab, Chandigarh, Delhi NCR. So, this year, we plan to, you know, by the end of the year, we plan to reach out across India with our products.

**Gunmeen Kohli:**

Okay.

**Paramjit Chatha:**

Yeah. And vegetarian products, obviously, are going to play a very, very important role in that because when we talk of small QSR, region-based QSR, you know, so vegetarian, veg burger where they sell a 40-rupee burger or a 30-rupee burger is kind of, you know, the market we are also targeting.

**Gunmeen Kohli:**

Got it. Got it. And just an update on these vegan plant-based products. What is the offtake over here? Because what we've learned to understand is that that is something that is not picking up.

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**Paramjit Chatha:**

No, it is not. It is not. I'll agree with you. But yes, it's picking up very gradually. I would say it's not picking up at all. So, we are working with almost all the major brands, you know, other than the brand owned by Genelia and Ritesh Deshmukh. I think Blue Tribe, we are working, we are producing for them. Shakahari, we are producing for them. Plant away is a Graviss brand we are producing for them. We are producing for them. Tata also is what we are supplying some base products to Tata in which they are further taking to their plant and making biryanis out of it. So, it is picking up very slowly. We did around 200 odd metric tons last year. And this year, I think we'll do around 300 odd metric tons. But the margins are better. But it's gradually picking up.

**Gunmeen Kohli:**

But veg and vegan, the facilities would be fungible, right?

**Paramjit Chatha:**

Veg and vegan, the facility would be fungible. Of course. Of course. It's fungible even now and it will be fungible in the new expansion.

**Gunmeen Kohli:**

Alright, alright. And the export plan that you have, that would be to international partners of existing customers or would that be new relationships?

**Paramjit Chatha:**

I'm sorry, I didn't get a question. Can you be more...

**Gunmeen Kohli:**

Like your international expansion, would you be targeting something like an international, you know, dominoes or a subway?

**Paramjit Chatha:**

No, no, no. So, international, we are getting, when we are expanding, we are going into a ready-to-eat. So, the lines we are setting up is a ready-to-eat line. That's what a TastyBite does, if you look at their brand. Then we are putting up a breads line, which is naan, kulcha, paratha, malabari paratha kind of a line. Frozen

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to fry a line is what we are already doing in the existing facility where we make, you know, the veg patties, veg nuggets. We do a lot of other lentil-based, bean-based sides and patties. That is another line. We are putting up a samosa line there. So, this will not be for QSR. This will be QSR.

Obviously, we will be targeting the QSR domestically. Veg, we will try and, you know, piggyback on our existing brands if we can go to the Middle East or some other country for these QSRs. But the main focus will be, you know, like we are already in dialogue with Haldiram to start producing for them. We are already producing two products for them as of now. So, it will be more of a contract manufacturing for people who have capacity constraints here. Plus, we will be reaching out to a lot of retail brands, you know, the likes of Costco, the likes of Trader Joe's. And we will produce in their brand. That's the plan.

### Gunmeen Kohli:

Because what I learned to understand again here is that, you know, Tasty Bites, obviously, but correct me if I am wrong, this is a very crowded space because you have your Adani, Wilmer's of the world. They are also entering this ready-to-eat. Someone like a small player like your Goila chicken he is already there. So, just to understand the dynamics of, you know, the thinking behind going international.

### Paramjit Chatha:

See, we are not going international in our own brand sales. I know, I understand where you are coming from. Being a very crowded space is what we don't get into with our own brand and do a lot of cash burn. So, we will basically be coming in with capacities for people to produce for them.

### Gunmeen Kohli:

Got it. So, just dwelling on the past a little, you had a volatile journey last 3-4 years. So, just walk me through, you know, I think 2021 would be your COVID impact.

### Paramjit Chatha:

Yes.

### Gunmeen Kohli:

But currently, you are at, you know, if I look at your FY2019 numbers, and for that matter, even 2020, you had a different sale. So, this was pre-COVID. So, from that period to, you know, today, Chatha Foods today in FY24. What has been the, you know, growth journey like and today we are at about 6-7% operating margins. Where do we see that in the near future?

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**Paramjit Chatha:**

We see those margins improving gradually.

**Gunmeen Kohli:**

Okay.

**Paramjit Chatha:**

Yeah. We see them improving much better than what we are doing now.

**Gunmeen Kohli:**

So, aspirationally, what would that number be?

**Paramjit Chatha:**

I can't put a number. I don't think I can put a number. But you will see, it will be definitely a good improvement from the current numbers.

**Gunmeen Kohli:**

Got it. Now, just to contrast your business with FY2019 and 2020, what is the difference between then and now? That's what I want to understand. Because you are almost at the same level of, you know, revenue.

**Paramjit Chatha:**

I think we are at a much larger revenue than 2019, I think.

Gunmeen Kohli:

I am looking at 23 numbers.

**Paramjit Chatha:**

Oh, okay.

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**Gunmeen Kohli:**

Yeah. Yeah.

**Paramjit Chatha:**

So, our utilization is much better, Gunmeen. Our utilization is much better, our customer mix is much better. We are able to negotiate better prices because of a better customer mix than what we were in 2019. The vegetarian segment is adding a lot of value and adding a lot of new customers to us. So, things are shaping up very well.

**Gunmeen Kohli:**

Got it. Yeah, I think I had just one more question. Yeah. Can you just talk about the seasonality in your business?

**Paramjit Chatha:**

There's no seasonality, Gunmeen. There's no seasonality? No, not at all. Not at all. But it doesn't happen anymore. I mean, maybe it's a more cosmopolitan metropolitan culture now. We don't see that affecting us. No winters, no summers. No, not now.

**Gunmeen Kohli:**

Okay. And like you mentioned before that the logistic cost is borne by the clients.

**Paramjit Chatha:**

Yes.

**Gunmeen Kohli:**

That's the same for QSR and own brands?

**Paramjit Chatha:**

No, own brand logistics is through us.



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**Gunmeen Kohli:**

Correct.

**Paramjit Chatha:**

Yeah, through us. But then we have a tie-up with a company called Jyoti International. That's a company which does logistics for Subway. They do logistics for all other brands. They handle our logistics. They have a presence in around 170 cities across India. Our logistics from a very fixed kind of a logistic, we work with them. It's not a variation of logistics. So right from our warehouse, pick up from our warehouse, going to their DCs in Bombay, Bangalore, various regions of the country and then deliver to our distributor or a large customer is totally handled by them. So, they handle everything for us.

**Gunmeen Kohli:**

Got it. Just one technical question. What was the wastage as a percentage of revenue due to mishandling or temperature control, etc.?

**Paramjit Chatha:**

If I would put a percentage to it, I would think it's 0.001% or something like that.

**Gunmeen Kohli:**

Okay. Got it. I think, Paramjit, that was all from my side. Let us discuss this internally and I think if you have any more questions, we'll reach out to your team.

**Paramjit Chatha:**

Sure.

**Gunmeen Kohli:**

Rahul, you have anything to add?

**Rahul:**

Yeah, one question I had to ask. I just wanted to clarify that post your FY26 expansion, your capacity will be 10,000 metric tons. You said that, right?

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**Paramjit Chatha:**

9,000 metric tons. In the new year.

**Rahul:**

9,000. Okay. And the land which you have taken, is it leased or owned, if you can tell that?

**Paramjit Chatha:**

It's owned. Rahul, we bought 4 acres of land. We bought it.

**Rahul:**

Okay. It's outright. And these contracts with the QSR are annual contracts and pass-through. Can you explain how is the pass-through over here of the cost increase or something like that?

**Paramjit Chatha:**

Rahul, so the contracts with QSR, the quantity contracts or general contracts are for 2-3 years. The price contracts are renewed every year.

**Rahul:**

Okay.

**Paramjit Chatha:**

And minor fluctuations are what we never go to them. But yes, major fluctuations in price and maybe a major, let's say, chicken pricing just shoots through the roof. So, we've had instances where we've gone to them and we've got corrections on the price.

**Rahul:**

Okay.

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**Paramjit Chatha:**

That is something. See, if there is something on the public domain, let's say it's oil prices. Oil prices from, let's say, Rs. 125 jump up to Rs. 180. Like they went Rs. 180, Rs. 190. And that information is available on the public domain. It's news. So, they have been open to us passing on the cost to them.

**Rahul:**

Okay. These were the questions. I think so.

**Gunmeen Kohli:**

Thank you, Paramjit ji. Thank you, team, for taking time to answer our questions.

**Soumya Padhi:**

Thanks, Rahul. Hope you guys are satisfied.

**Paramjit Chatha:**

Great talking to you guys. Thanks.

**Gunmeen Kohli:**

Yeah, same here.

**Soumya Padhi:**

Rahul and Gunmeen Kohli, hope you guys are satisfied with the answers.

**Rahul:**

Yeah, yeah, yeah. More than satisfied with the answers. Thanks a lot for arranging this call. Welcome.

**Paramjit Chatha:**

Thank you. Have a good day.

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**Vishal:**

Thanks.

**Gunmeen Kohli:**

Good luck.

Good luck with your journey. Good luck. Bye.

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