
To

Date: 13.08.2024

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai-400001
Maharashtra, India
(Scrip Code: 544151)

Subject: Transcript of Analyst/ Institutional Investors meeting

Dear Sir/Madam,

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, We enclose transcript of meeting with Analyst/Institutional Investors which was held on Thursday, August 08, 2024.

In this regard, a transcript of the aforesaid meeting is attached herewith. Further, the said transcript shall also be available on the website of the Company.

https://cfpl.net.in/documents/Analyst%20Investor%20Meeting%20-%20(August%2008,%202024).pdf

Request you to take the above information on record.

Thanking you.

Yours truly,
For **CHATHA FOODS LIMITED**

Priyanka Oberoi

Digitally signed by Priyanka Oberoi
Date: 2024.08.13 17:27:33 +05'30'

PRIYANKA OBEROI
COMPANY SECRETARY & COMPLIANCE OFFICER

Chatha Foods Limited

Analyst/Investor Meeting

August 08, 2024

MANAGEMENT:	**MR. PARAMJIT SINGH CHATHA – CHAIRMAN AND MANAGING DIRECTOR**
	MR. VISHAL SINGH – CHIEF FINANCIAL OFFICER
	MS. PRIYANKA OBEROI – COMPANY SECRETARY & COMPLIANCE OFFICER
	MR. KULBEER WALIA – CHIEF ACCOUNTS OFFICER

Priyanka Oberoi: Good afternoon. On behalf of Chatha Foods Limited I Priyanka Oberoi, Company Secretary & Compliance Officer welcome everyone and thank you for joining us today. In today's meeting, we will have Mr. Paramjit Singh Chatha, Chairman and Managing Director, Mr. Vishal Singh, Chief Financial Officer and Mr. Kulbeer Walia, Chief Accounts Officer of the company. The management team will interact 4P Capital Partners, investors of today's meeting.

Now I will hand over the call to Mr. Vishal Singh to start the meeting. Thank you and over to you, Vishal.

Vishal Singh: Thank you, Priyanka.

Yeah, Hi Mr. Aditya.

Aditya Arora: Hi Vishal. How are you?

Vishal Singh: I'm good, sir. How are you?

Aditya Arora: I'm good. Thank you and thank you all of you for your time to join this call and more specifically for Priyanka for managing it so well. We have obviously interacted with a lot of small cap businesses and I must appreciate the professionalism that is being shown for the business of your size. So, congratulations to all of you.

Vishal Singh: Thank you, sir.

Priyanka Oberoi: Thank you.

Aditya Arora: Hello. Mr. Paramjit and hi Kulbeer. I have with me Samiksha with me on the call.

Kulbeer Walia: Good afternoon.

Aditya Arora: So how do you want to start? Should I give an introduction about ourselves first is that would that help before we get into details?

Paramjit Singh: Yes Aditya. Sure.

Aditya Arora: Okay. Got it. So we started this platform called 4P Capital Partners about 15, 16 months back which is last June. We are backed by a gentleman called Apurva Parekh. He's one of the promoter, family member of Pidilite Industries. Pidilite you might have heard of the name. They are one of the largest FMCG companies in India the makers of Fevicol. They understand the distribution, branding, and all of that extremely well. We need this business for long. Apurva is also the Executive Vice Chairman there. So very deeply involved in the business.

I was prior to starting this platform, I used to head Kotak's Principal Investment team and before that I was with two other private equity fund one based out of US and the other based out of Malaysia. And we have - I've been in this space for about 15, 16 years now doing both listed and unlisted small mid-cap transactions across multiple sectors.

So that's a quick background about 4P and about us. Just going a little bit more deeper into what our strategy is at 4P. Our investment objective is to invest in small mid-cap businesses in hold for a very long time. Almost five years, seven years that kind of a time frame and grow with the business which means that and run a very concentrated portfolio. So we don't intend to have more than 20 companies on the listed side which will be close to about 70% of our portfolio and 12 companies on the unlisted side will be close to about 30% of our portfolio.

Which as I said we will continue to hold for a very long duration. Because of this requirement, we do not invest in any business without meeting the management either in person or on a call because you would appreciate that if I have to invest in something and hold for forever almost then it's important that we have some understanding and relationship and meeting with the management. So that's a quick background about us. I'm happy to answer any questions that any of you may have.

Paramjit Singh: No Aditya. Thank you so much for the introduction. I just have a small question Aditya. So the purpose of this call is your fund trying to gauge for any future investments or your fund would be interested in investments now or are you just looking at a long term investment of us graduating to the main board or you invest in the SME portfolio as well?

Aditya Arora: So I will start with the last question first. We can invest in SME board. Have we done it? No. Because the one that we recently did has just migrated to the main board, but no restriction for us to invest in SME exchange that's the first answer. Second is objective of this call is to see whether we can or whether we will invest in your esteemed company. Now when I say now it may mean post evaluation, of course.

But to answer, I mean, if your question is, is the objective to understand the industry only? Answer is no. Specific objective is to think whether we can invest or invest in Chatha Foods or not or whether we do or not I can't commit to you.

Paramjit Singh: 100% I get it.

Aditya Arora: That is the intention is to understand more about the business to evaluate from an investment perspective.

Paramjit Singh: Thank you so much for that Aditya. So no more questions Aditya now it's turn. You are going to evaluate us. So the questions come from you now.

Aditya Arora: No, thanks. So sir we have gone through the materials which is publicly available, but we would definitely want to understand from you what led you to start the business? How did you start and what's your vision on this kind of going forward and also from a competition perspective, how do you really compete in the market?

Given there are a couple of larger players, at least I would say larger or I would say at some point of time they're very well-funded players and the third is your sourcing capability. Those are the three large piece of the question which we had and then there will be some basic question that will come during the interaction, but those are the three key questions which we wanted to understand.

Paramjit Singh: So Aditya this business obviously was started by me. We are not a business family. We are an agriculture family. So this business, obviously, we were doing pretty well in agriculture. We had some funds with us, lying idle with us. We wanted to get into industry, get into business as well. So we started with a small NBFC, which is still running. So that was our first venture into business, which we run in a very small way even now. And in 2000, we decided to look at manufacturing, mainly food, being an agricultural family.

So the main thought was to enter into food. We met people. I mean, it was very premature at that time for a first generation or a first generation to enter into business. But the idea was very clear to enter into food. We were looking for consultants. We were lucky to meet a Swiss company as a consultant based out of Delhi.

We were given various options of what to do in food. And this was one area which we chose at that time. As any business starts, this is a slightly unexplored market and the initial capex is low. So that was the kind of a decision which was taken at that time. As a first generation, the family getting into business for the first time. So there are a lot of issues which you have to look at.

So we grew this business over a period of time. We started our relationship with QSR. Earlier when we started the business, we were not so focused on the QSR. We were learning how to get the business going and we were in the B2C business as well. We started supplying to all the five-star hotels initially.

Our QSR journey started with Subway in 2003. And then the next was Domino's in 2007. And that's when we really got a hang of what's the difference of us doing the B2C business or the hotel business and the QSR business. So the most attractive thing about QSR was the rate at which they were growing. We didn't have to supply anything. It was all ex-works. It's ex-works till now. Payment terms were very good, bulk supply.

Aditya Arora: So you say ex-works means they pick up from your facility?

Paramjit Singh: Yes. Everybody does that. All the QSRs, all the large QSRs do that. So that is how the business progressed Aditya. So as of now, we are working with quite a lot of large customers as well. Next question, competition.

Aditya Arora: Sir, just before that, before we get into competition, one question. Why only meat?

Paramjit Singh: Why only?

Aditya Arora: Why only non-veg?

Paramjit Singh: Why did we do only non-veg?

Aditya Arora: Yes.

Paramjit Singh: Because at that stage, with our limited knowledge, we thought vegetation is not something which people would really prefer.

Aditya Arora: Okay. From the QSR side, my question.

Paramjit Singh: Aditya, when we started QSR, it was a very small business. QSR was a very small business. Subway started in 2003.We came in 1998. Yes. In 1998-1999, QSR itself was a very unknown small business.

Aditya Arora: Okay.

Paramjit Singh: So when we come to competition, Aditya, I would first like to understand what is your understanding of a competition? Like you said, they are largely funded. So which companies you think are competitors?

Aditya Arora: No, so without taking company names, what I meant was that there are specific companies in each geography who are also supplying to these QSRs and also managing the cold chain logistics in some form. And that's what I meant when I said that, you know, there is fair competition. So how are you looking to kind of compete with some of those?

Paramjit Singh: Aditya, competition has always been there. Now, I don't know which companies are you talking of. But, you know, when we look at competition, we look at companies in the West, we look at companies in the South, we look at companies in the North. They've always been there. We've always been competing for that space.

And we've, I mean, what makes us, what I say, what makes us different from a competition is a zeal to develop new products and is a zeal to focus a lot on food safety, minimum complaints, the best service. And we have always, you know, worked shoulder to shoulder with the QSR to develop new products. So practically, with all our customers, you know, the products have been, majority of the products have been developed by us, with us, I would say, not by us, with us.

And then maybe they've, obviously QSR, at the rate they're growing, it is not possible for them to depend on a single vendor, which is a decision I always respect. A lot of people ask me that, why is QSR not only working with you? If you look at the QSRs who are a 2,000 outlet company or a 1,000 outlet company, it is very difficult for them to depend on a single vendor.

Although they could share the business, they could give one vendor a large portion of the pie, but depending solely on one vendor is not something anybody would like to do. But it doesn't make sense also. Number two, to stay ahead of the competition, that is the reason we took this decision of setting up the new plant, which is very different from chicken. We're setting up a vegetarian plant, that is what the funds were raised for. So again, the focus of the plant is, you can hear me, Aditya?

Aditya Arora: Yes I can hear you. I think there is a lag, but I can hear you.

Paramjit Singh: Okay, okay. So the new plant, Aditya, is again, the focus is totally on the QSR plus the export market. So we're going way ahead from the competition in developing a lot of new range of products for the QSR, make ourselves a more reliable partner to them. Like if you look at the BSE exchange press release today, we've developed chocolate temp.

Aditya Arora: Okay, I have not seen it today's press release.

Paramjit Singh: Empanadas for one of our customers. So the new plant is going to have a whole range of flat breads for them. Tortilla is in a very huge demand. The Malabari Paratha is in a very huge demand by the QSR. We're getting big into frozen to fried vegetarian products as well. So at the moment, we are not targeting the burger chains at all because we don't have a burger line. So burger line itself is a huge capex, a very large capex and a different set of production totally.

So we are doing it in the vegetarian segment. So we are trying to understanding the competition, understanding the regional competition coming in. So this was one we are working very hard to stay ahead of the competition by developing new products, which I feel is a key in our industry.

Because QSR restaurants are always looking at exciting ways, exciting products to keep their customers excited. That's something they would always love to do. And we work with them all the time and we keep working. We have a whole large new product development team and a new product development center within the factory. So where we are 24x7, 365 days a year, we are developing new products.

So burgers in a small way, for some small, we can't cater to the giants of burgers, but small burger chains is something we've already started working with. We got some products approved because we already have a small vegetarian plant as well as of now, which is there in the DRH team.

Aditya Arora: So sir, this vegetarian plant is completely different than the non-veg plant or is it?

Paramjit Singh: The existing one or the new one?

Aditya Arora: The existing one.

Paramjit Singh: No, the existing one, it's the same premises.

Aditya Arora: Same premises.

Paramjit Singh: Same premises, but the plants are to be separate. So like we have two and a half acres of land. So as of now, the vegetarian plant is just 7,000 square feet, but a totally separate plant. The chicken plant is around 35,000 square feet. So both the plants are totally separate.

Aditya Arora: Including the inward and outward logistics?

Paramjit Singh: Everything.

Aditya Arora: Okay. And the new one is obviously different plant, the one that is?

Paramjit Singh: Yes, the new one is a much, it'll be a much larger facility. So we're coming out with 50,000 square feet facility with almost 16 to 17,000 metric ton per annum capacity. It's situated very close to our existing facilities, less than a kilometer.

Aditya Arora: Okay. Yes. And this new one can at 16- 17,000 metric ton could result in what kind of revenue?

Paramjit Singh: Vishal, we've done the numbers. I don't remember them off the cuff. Vishal?

Vishal Singh: Yes. Sorry, 16, 17,000 metric ton, what did you say?

Paramjit Singh: Vishal, the 16, 17,000 metric ton new facility would result in a revenue of how much?

Vishal Singh: Yes. So it will be approximately INR200 crores kind of revenue from the new facility. INR210 somewhere.

Paramjit Singh: INR200 crores plus the therapy.

Aditya Arora: Yes. And what kind of timeline will it require to scale to that?

Paramjit Singh: Aditya, we're looking at least two and a half, from now three years.

Aditya Arora: So by FY '27?

Paramjit Singh: FY '27. '27, '28, yes. Vishal, am I correct?

Vishal Singh: By FY '28, correct, sir.

Paramjit Singh: Okay. I've done the numbers, Aditya. I don't remember them offhand.

Aditya Arora: No, no, that's okay, sir. Got it. And, sir, you spoke about Goldberg facility. This is what making the patty or this is the bun one?

Paramjit Singh: No, the patty.

Aditya Arora: You're not doing buns?

Paramjit Singh: No, we're not doing buns.

Aditya Arora: So what Mrs. Bector's Food is doing is not something. Are you competing with them?

Paramjit Singh: No. No. So the new facility, Aditya, will mainly have flatbreads. Like I said, it'll have tortillas. It'll have naan. It'll have Malabari paratha. And then there's some very interesting product, which is becoming very famous worldwide. And, you know, we started sharing samples with customers, which I can't name. So we're getting a lot of interest from them.

So maybe these four flatbreads. Then we will be doing this frozen to fryer line, which will do, you know, snacks and patties. Veg snacks and patties. And then we will have a ready-to-eat line, which will do ready-to-eat base gravies. So that is somewhere we could be in competition with Mrs. Bectors. Or we won't be, I don't know.

But like they're doing many base gravies. We would be doing some base gravies, you know, like Chinese base gravies or other base gravies, which we would like to export. And, you know, there is a demand for that from the Dark Kitchens, from the people who are selling Chinese food in a big way.

So base gravies, like we're talking of a white gravy or a green gravy, you know, or a red gravy or some Chinese base gravies, which we can supply to the Dark Kitchens. The catering companies. So they just use that gravy as a base. So these are the three to four lines, new lines, which are coming up in the new facility.

Aditya Arora: Sir in general, in both veg and non-veg, how do you, so one is you spoke about the new product development, but how do you start the production itself? Is it based on certain orders that you have with an assured supply, assured guarantee, assured pricing? And how does that entire system work?

Paramjit Singh: Aditya**,** the pricing is assured, obviously. So the way it works is like, let's say we've, one of our customers wants to develop a product. So now it could be a product we've developed, which they like, or it could be their new product development team wanting to develop a product, which they have developed in their new product development kitchen, right?

So both ways, in both scenarios, we work together because something what we've developed has to suit their system, their, their marketing team approvals. So we work together, develop the product, then it goes to a, they call it a consumer trial, goes to a consumer trial or an operations trial. After that, the product is finalized, the volumes are given, volumes are never committed. They are just projections. And the pricing is fixed annually.

Aditya Arora: Volumes are not committed. Okay.

Paramjit Singh: No, no, we get projections, but volumes we get, we get projections. Most of the times the projections are on the mark, but you know, it's all, I mean, see, it's all marketing. I mean, the marketing team gives the projections. Sometimes, you know, the product goes more than projected. Sometimes the product does not work as projected. So volumes cannot…

Aditya Arora: But are there situations where you produce and there's no offtake or they refuse to buy?

Paramjit Singh: Sorry, there's a lag in the network.

Aditya Arora: I will switch off the video. I think that might.

Paramjit Singh: Can I just try switching off my video, Aditya, if you don't mind? Yes, Aditya.

Aditya Arora: Yes, absolutely. Is that better? Can you hear me now?

Paramjit Singh: Yes, now I can hear you.

Aditya Arora: Okay, perfect. I was asking, sir, are there situations where you would have produced for a specific customer and then they refuse to pick up or every production happens only on confirmed order only?

Paramjit Singh: No, it happens only on confirmed order, Aditya. I don't think there ever has been such an incident.

Aditya Arora: Okay. But there's obviously food inflation, right? And you mentioned that the price is fixed at the beginning of the year. How does that pass through happens?

Paramjit Singh: Aditya, when we buy, our prices are also fixed annually and what we quote is also annually. So it's annual pricing for us both ways.

Aditya Arora: Okay. So even your raw materials are secured at the beginning of the year itself?

Paramjit Singh: Yes, 100%. Otherwise, see I would say that there's something like oil, which is not a very large requirement with us. Something like vegetables. I think these are two commodities, which are not fixed. Other than that, everything is fixed.

Aditya Arora: Okay.

Paramjit Singh: Yeah.

Aditya Arora: Got it.

Paramjit Singh: Our main source, our main raw material is chicken, Aditya. Chicken, functional ingredients, seasonings, blends, they're all annually. So oil is one. Oil, yes, oil and vegetables. Yes, two.

Aditya Arora: Could you touch about from the sales perspective, what's your customer concentration? Who's the largest customer?

Paramjit Singh: As of now, Domino's is our largest customer, Aditya. And Subway is the second largest.

Aditya Arora: And how much is Domino's of your revenue?

Paramjit Singh: I don't know. Mr. Vishal, can you please specify?

Vishal Singh: It is 45% -- close to 45%, Aditya.

Aditya Arora: And Subway?

Vishal Singh: Subway is 25%-26%.

Paramjit Singh: Vishal, we should talk about current sales trends, not the '23-'24 numbers.

Vishal Singh: Yes, so Jubilant this year, it will be around 40% and Subway will be around 20%. It will come down by another 6%-7%.

Aditya Arora: Okay. And sir what are we doing to kind of further reduce our concentration, especially with Domino's?

Paramjit Singh: It's just that we're working with more customers. We have more customers with us. And the customers we were working with previously, their business has grown. Some of the businesses have grown astronomically. And we've acquired almost, in the last 6 months, we've acquired, I think, almost 5 new customers who are fairly large names.

Aditya Arora: And what would be our share of wallet with these customers?

Paramjit Singh: Sorry, Aditya?

Aditya Arora: What would be our share of wallet with these customers?

Paramjit Singh: With which customers, Aditya?

Aditya Arora: Domino's, Subway, maybe number 3, whoever it is, how much of their procurement are we supplying?

Paramjit Singh: So with Domino's, we would be 60%, 60%-65%, Aditya. Subway, we would be around 80%.

Aditya Arora: This is on chicken product sales?

Paramjit Singh: On chicken.

Aditya Arora: And when you say chicken, it means entire chicken procurement or chicken product that they procure?

Paramjit Singh: Yes.

Aditya Arora: Okay. And this is across India, sir, or this is only North India?

Paramjit Singh: No, we're supplying across India.

Aditya Arora: Okay. So the good news here then is although your customer concentration is high, Domino's and Subway are also equally dependent on you. Because if they have a high share of wallet, or rather if you have a high share of wallet with them, they cannot replace you as easily, right? Because the product quality and all of that is in your hand in some sense.

Paramjit Singh: That's what we think.

Aditya Arora: Sir, on the vegetarian side, what are you looking to do now with the new facility? You spoke about new product and the revenue that may come. But in terms of customer acquisition, largely in terms of customer acquisition or geography expansion, what are you looking to do on that side?

Paramjit Singh: So, Aditya, this new unit mainly is going to be focused on exports and simultaneously on our QSR business. So customer acquisition, we cannot start off anything now. We are still at the plant. The construction will start next week. And trials have started in a development center. So, let's see how the customer acquisition happens. We are very confident. We have some products which have a huge demand and the people supplying it are very few. Quality product being supplied, there are very few companies who are doing that.

There is a lot of innovation we are going to do in there with large capacities. So, when we say of exports, we are not going to do it in our own brand. It's all going to be customized, white label, contract manufacturing kind of sales we are looking at. So there are some things happening which I can't disclose now, but some very interesting things are happening, Aditya.

Aditya Arora: And sir, what's the capacity utilization on our existing capacity?

Paramjit Singh: Aditya, in chicken, we are almost at 70%-75% of the capacity. We are almost peaking out.

Aditya Arora: So is that the capacity that you can reach out to 70%-75%?

Paramjit Singh: Which capacity, Aditya?

Aditya Arora: In chicken, you said 70%-75% utilization. Is that almost the maximum that you can do? You can't do 90% or something?

Paramjit Singh: No, we can't do 90%. We can go up to 85%. 90% is something I don't think we'll be able to do, Aditya.

Aditya Arora: Okay.

Paramjit Singh: Because we have some downtimes, Aditya. So we are slightly, I would say, finicky on our hygiene, sanitation, QA systems. So that is the reason we don't want to peak out because we want to leave some time for our maintenance team and the QA team and the cleaning crews to clean, sanitize. So we want to leave downtime for that.

Aditya Arora: Sure. And sir, last year you did about INR135 crores of top line. How much of that was, say, veg, non-veg? And within non-veg, how much of that was chicken and other meat products?

Paramjit Singh: Primarily, it's only chicken, Aditya. Within non-veg, we don't do anything else. We used to do lamb for a couple of customers, which was negligible. I don't think we can put a fair percentage to that. And Vishal, you can please give the breakup between veg and non-veg, please.

Vishal Singh: Yes. So, Aditya, non-veg is around 90% and remaining 10% is veg and plant-based products.

Aditya Arora: Sorry, you said veg and…?

Vishal Singh: Veg and plant-based products, vegan products.

Aditya Arora: Okay. And are you then also looking for capacity expansion on the non-veg side?

Paramjit Singh: So, Aditya, once this new plant comes up, our veg plant what we have now, so we will definitely look at an expansion. So all we need is space to put more equipment. So, definitely, we are looking at expanding it by another 8,000 to 10,000 square feet. But that will only happen next year once this vegetarian plant moves to the new facility. So I think we can increase our capacity by another 150 tons per month.

Aditya Arora: Okay. And sir, how should we think about revenue? Like on a veg side and a non-veg side, what is your per ton revenue? So when you said 150 tons, what would it mean on a per ton basis revenue?

Paramjit Singh: 150 in two, it will be, I think approximately INR320 per kilo, Aditya.

Aditya Arora: Okay. And on the veg side?

Paramjit Singh: Veg side, Vishal? I think it's around anything between -- I think INR125 average. We'll have to look at an average there, Aditya.

Aditya Arora: Yes, of course. I'm just trying to get a sense.

Vishal Singh: It is around INR200, Aditya, as of now so keeping veg and plant-based products.

Paramjit Singh: No, we're looking at the future, Vishal. The future plant.

Vishal Singh: Yes, then definitely, it will be around INR135 to INR150.

Paramjit Singh: So, what Vishal was talking about, Aditya, is our existing plant where we do a lot of plant-based products as well. So the plant-based products have an X factory price of around INR600.But the volume is miniscule. It's hardly any volume.

Aditya Arora: Sure. Sir, could you touch upon your sourcing? How do you source? Where do you source from? Not the entity names, but where do you source from generally? How do you have the quality control? Also, on the export side, I'm sure the quality requirements would probably be a little bit more stringent. So how will you manage all of them?

Paramjit Singh: So, Aditya, our plant is BRC certified. We were BRC A-plus certified, which is one of the highest food safety certification. Can you hear me, Aditya?

Aditya Arora: Yes, I can hear you.

Paramjit Singh: Okay. So when it comes to sourcing, Aditya, as we are BRC certified, our first prerequisite is that we cannot source from any plant which is not FSSC 22000 certified. So that's the minimum requirement any of our suppliers has to have on food safety certification one. We always do, before a vendor is finalized, we have a vendor approval process where our quality assurance team audits the plant.

Only once the plant meets our FSSC 22000 requirement the vendor is registered. And then, if you say, who are our suppliers? Like chicken, we source from Shanthi Feeds from South. We source it from Sneha Farms. We source it from Suguna in Coimbatore. And then we have three plants by the name of Perfect Poultry. There is Suguna Punjab, which is very close to us. And there is a new facility which has come up in the name of Syra Foods. So, we're sourcing chicken from between six to seven plants.

Aditya Arora: Okay. And when you source chicken, is there somebody who goes there to check the quality?

Paramjit Singh: Not every time. Like I said, we have twice a year vendor audits. We go and audit the plants. The quality is checked once the material, be it chicken, be it any other ingredient, when it reaches the facility. So, we have a 5-10% sample size. So, the sample size is taken. If the sample size is approved only then the shipment is offloaded. So, the sample size goes through a stringent physical parameter, chemical parameter, microbial parameter tests. We have some accelerated tests which we have in our lab, our own internal lab. So, once the approval comes from the quality assurance team only then the shipment is offloaded.

Aditya Arora: And that test happens on every supply?

Paramjit Singh: Yes, every supply.

Aditya Arora: Okay. So, the next question which I had was on the financial side. What are we doing to kind of improve on the margin front? Currently, our EBITDA margin is close to about 9%. And we have a fairly decent utilization, 70%-75%. So how will the margin expand from here on?

Paramjit Singh: The margin on economies of scale will expand. I think the margins should improve this year. Our gross margins should get better. Our EBITDA margins might be stagnant. Because with the new plant coming up and some very interesting prospects coming in, I think we will be going in for expanding the team, going in for talent acquisition. So, our gross margins will get better. Our EBITDA margins will also get better.

But then there's a cost which is going to come in for the next 1.5, 2 years. Mainly on talent acquisition. Because we are trying to grow at a very fast pace. We have some very interesting propositions. And without a good talent acquisition handing all these businesses and potential businesses will be difficult.

Aditya Arora: But sir, FY '24, you did about INR134 crores of top line. FY '25 because your new plant or rather the current plant is almost well utilized maybe you can grow by say 10%-15% from that. So, that would take us to about INR150 crores.

Paramjit Singh: We should look at 20% or 20% plus revenue growth this year.

Aditya Arora: Yes, my question was, yes, I was actually guessing that. But why not more? It was my bigger question. Because you are saying that you are targeting about INR200 crores from the new plant by FY'28.

Paramjit Singh: Yes.

Aditya Arora: Given your strength and relationship with customers and market share with them, why would it take FY '28 to touch that 200 or you are just being conservative? I mean, that is also a fair point, but I am just trying to understand that?

Paramjit Singh: I am being a little conservative also. But see, you have to look at it. FY '25 is the year the plant. March is when we are targeting the plant to be up and going. Once the plant is up and going, we will need although we are doing trials at our R&D kitchen or R&D center, we will need at least 6 months for getting familiar with the lines, the product hitting the right products on the line, commercially marketing those products from the line to our customers.

So the first 6 months. Then we are just looking at 2-2.5 years to run, to come to a full capacity utilization on the plant. I am being conservative. But calendar year '25 is when we actually start production on the new facility. Full-fledged production. Yes. So once we have to have the product right on the lines that's time the samples start going out.

Then it's not going to be what we give to the customers in India or to the white label customers, it's not they are going to go by what we give them. Everybody will have tweaking, sizes, grammages. So there is a lot of juggling we have to do with all the products for different customers. So we are looking at least 6-7 months as a lag period for that. So I think 2-2.5 years is a fair time to talk about running a plant on a full capacity.

Aditya Arora: Yes, that's clear. Okay, and so this year, FY '25, you are expecting close to about INR160 crores of sales with similar EBITDA and PAT margin. Is that a fair assumption?

Paramjit Singh: Yes.

Aditya Arora: Except that PAT might actually be slightly smaller because of depreciation. But EBITDA margin would be similar.

Paramjit Singh: Yes.

Aditya Arora: Clear, okay. And what is the kind of capex that you are doing for this plant?

Paramjit Singh: For the new plant?

Aditya Arora: Yes.

Paramjit Singh: It's around INR41 crores.

Aditya Arora: Of which, how much have you already done?

Paramjit Singh: Of which, we have hardly spent anything Aditya. We just made some small advances to our equipment supplies. Construction is going to start next week. So, I mean, Walia Ji, you can please…

Kulbeer Walia: So we have spent INR4.5 crores for the acquisition of the land, which we have got registered to the company. And around INR5 crores we have sent to the various vendors for the machine plus architect and requisition system.

Paramjit Singh: As signing amounts?

Kulbeer Walia: As signing amounts.

Paramjit Singh: These are not advances, these are signing amounts.

Aditya Arora: And so another INR30 crores the cash flow will still happen?

Kulbeer Walia: Yes.

Aditya Arora: Which is almost the cash that is there on your books today?

Kulbeer Walia: Yes.

Aditya Arora: Okay. Sir, how are you seeing the whole QSR segment, right? So if you look at the listed companies, some of their performance have been below par in the QSR business. Are you also seeing something similar or is it that, maybe the dining out has slowed down and players such as Swiggy and Zomato has continued to do well or there are far more smaller players that have propped up because of which their sales have gone down? What do you see in terms of the business?

Paramjit Singh: Aditya in terms of, see, I wouldn't -- really comment on the overall performance. But as far as our requirements are there, our requirements have not gone down. There was a slight dip, but they've gone up again. And as you rightly said, yes, home delivery, smaller chains, local brands coming up in a big way, local brands going at a very fast pace could be an impact. That impact has to be factored.

Aditya Arora: Yes. Okay. And what would be the impact of these local players on your business?

Paramjit Singh: We are doing business with them.

Aditya Arora: Okay. So that's good for you, effectively.

Paramjit Singh: Yes. They are our customers.

Aditya Arora: But some of these local players, at least on the face of it, also project that everything that they're doing is fresh. Does that not challenge you in terms of the business potential or those players are just too small for you to anyway go and cater to?

Paramjit Singh: No, I didn't get that question Aditya.

Aditya Arora: Some of the smaller players especially on Swiggy and Zomato, some of them also claim that they do everything fresh in-house. Are those players really very small for you to anyway get worried about?

Paramjit Singh: Aditya, see sustaining fresh at a small level is possible, but sustaining fresh as you grow becomes very challenging. So at a smaller level, yes, doing fresh is very much possible, but as you expand, you expand territories, you expand geography, you expand outlets. Then fresh becomes a very big challenge. Consistency, quality, consistency on taste becomes a huge challenge. Sourcing of raw material becomes a huge challenge.

Aditya Arora: That's true.

Paramjit Singh: Yeah.

Aditya Arora: Okay. Sure. You need any other questions? Sir, are you looking for any fundraise at this point of time or because you just did IPO some months back and you have capital nothing planned now?

Paramjit Singh: Not yet Aditya.

Aditya Arora: Okay. So just last question from my side, are you gaining market share from other players?

Paramjit Singh: Sorry getting?

Aditya Arora: Are you gaining market share from other players or is it inherent growth is what you are saying?

Paramjit Singh: No, I didn't get your question, Aditya.

Aditya Arora: Some of these companies are anyway supplied by some players, right? At this point of time. Are you gaining market share from those players or these are all organic growth that you're seeing?

Paramjit Singh: Organic growth in what? I still haven't, please, you'll have to decipher this question for me, please.

Aditya Arora: Okay. So my understanding is that players such as Domino's or Pizza Hut or Subway have been sourcing their products for quite some time now. For few years now. So as you have been growing, have you gained market share in these businesses from somewhere else? From some other player who have been supplying to them? Or these are the new products that these guys have developed and that is what you are able to supply to them?

Paramjit Singh: See, Subway was totally - if you talk about Subway, Aditya, Subway we started working with them when they were one store. So, Domino's was market share from somebody else and a lot of others. So, it's a mix. So, some customers is a market share of somebody else. Some customers, some products are totally done by us. It's a mix of both.

Aditya Arora: And have you lost any customer or products in the last few years?

Paramjit Singh: Touchwood by God's grace, not yet.

Aditya Arora: Okay. Right, sir. I think that's good from our side. Thank you so much for your time and for everybody else.

Paramjit Singh: Thank you so much, Aditya. Thanks for everything.

Kulbeer Walia: Thanks, you, Aditya.