

Chatha Foods Limited

(Formerly Known as Chatha Foods Private Limited)

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To

Date: 23.12.2024

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 Monday, December 16, 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://www.cfpl.net.in/>

Request you to take the above information on record.

Thanking you.

Yours truly,
For **CHATHA FOODS LIMITED**

PRIYANKA OBEROI
COMPANY SECRETARY & COMPLIANCE OFFICER



Chatha Foods Limited

Analyst/Institutional Investor Meeting

December 16, 2024



MANAGEMENT: CHATHA FOODS LIMITED

- MR. PARAMJIT SINGH CHATHA (CHAIRMAN AND MANAGING DIRECTOR)
- MR. KULBEER WALIA (CHIEF ACCOUNTS OFFICER)
- MR. VISHAL SINGH SIRMAURIA (CHIEF FINANCIAL OFFICER)

MODERATOR: VT CAPITAL MARKET PVT. LTD

- MS. JASMINE
- MR. SANJAY

Vishal Singh: Yes, so Paramjit sir is also joining in another 2-3 minutes.

Jasmine: No Problem. Would you like to start with a brief background or will Paramjit sir be giving that?

Vishal Singh: I can also start but let's wait for Paramjit sir to join me.

Jasmine: Sure, no problem. I also have my colleague, my senior, here with me, Mr. Sanjay, he is also overlooking the FMCG space.

Vishal Singh: Okay, yes. Hi, Mr. Sanjay, how are you?

Jasmine: Just a second.

Vishal Singh: Yes, no worries.

Jasmine: So sorry for that.

Vishal Singh: No worries, no worries, that's okay.

Jasmine: You guys are located in Punjab right now?

Vishal Singh: Yes, we are located in Punjab, in Mohali.

Jasmine: Okay, Mohali.

Vishal Singh: Yes, it is adjoining to Chandigarh.

Jasmine: Okay, this is Vishal Sir, he is CFO of Chatha Foods.

Sanjay: Yes, Vishal-ji.

Vishal Singh: How are you doing?

Sanjay: Fine, fine, fine. How are you?

Vishal Singh: I am also doing good, sir. All well, sir. Sir, Paramjit sir is also joining, so I was just briefing. It will take another 2-3 minutes for him to join.

Sanjay: No issues, no issues.

Vishal Singh: Yes. So, if you want to start, we can begin. Otherwise, let's wait for another 1-2 minutes, he will be joining. So, he was just finishing some other briefing.

Jasmine: Yes, no problem.

Sanjay: No worries, no worries. Meanwhile, you can give us a brief intro also, till he joins.

Vishal Singh: Okay, sure, sure, sure. So, sir, Chatha Foods, I think, I hope you are aware, so it was started in 1998, Yes. So, and then primarily, it was settled for ready-to-eat kind of products, non-vegetarian products.

And then eventually, we ventured into this category. So initially in 1990s, it was, I mean, the players were very less, I mean, we were the first to start this ready-to-eat non-vegetarian segment in this particular forte. For this retort, we started with the retorted sausages and all. So, starting from then, then today, we are, we have just raised equity for setting this vegetarian facility as well and back in 2023. And so, sir has also joined, yes.

Jasmine: Hi, good afternoon.

Paramjit Singh Chatha: Good afternoon. Yes, good afternoon, Jasmine.

Jasmine: Good afternoon. How are you doing, sir?

Paramjit Singh Chatha: I'm good.

Jasmine: Great. Should I give you a brief, our company as well?

Paramjit Singh Chatha: Yes, please. That would be better.

Jasmine: Great. So, the company's name is VT Capital and we're into equity and derivative investments. And recently, our focus has been towards the cash equities based out of Calcutta. And we have an AUM of roughly INR1,100 crores, INR1,200 crores. And we were really fascinated by the story of Chatha Foods. We somehow missed the IPO.

We didn't get allotment. We did not discover the company pretty early as well. So now that we know of the company, we were really interested in the story, and we wanted to know more about you for the same.

Paramjit Singh Chatha: Yes, please, Jasmine. How do you want to take it forward from here? You have questions you want to ask me or you've already done your diligence on the company?

Jasmine: We've done a little bit of the study, but we were getting a rough brief from Vishal sir as well.

Paramjit Singh Chatha: Yes. So, Vishal, can you share where we are at the moment and our IPO journey and the new plant of progress and the JV with Allana.

Vishal Singh: Yes, sure, sir. So, in continuation to our discussion, Jasmine, so we are in the process of setting up this new facility. So all the approvals and everything is in place and we are into construction.

So, we have already started up the construction and we are targeting to meet the deadline of this March, March '25. And in addition to that, we have recently done a JV with Allana for setting up a facility for ready-to-eat products as well.

Paramjit Singh Chatha: Meat and chicken products, Jasmine.

Vishal Singh: Yes, for the meat and chicken products. So that is also in progress and for that, we are doing a preferential, we are in the process of issuing, doing preferential issue for that.

Paramjit Singh Chatha: So, the preferential issue, Jasmine, has been closed at a INR125 per share?

Kulbeer Walia: INR127, sir.

Paramjit Singh Chatha: INR127, okay.

Jasmine: Yes. So, it's been closed at INR127?

Paramjit Singh Chatha: Yes.

Jasmine: And what is the fundraising? The QIP document uploaded on exchange. We had seen a filing. So, is this the same thing that we're talking about?

Kulbeer Walia: Yes, the preferential issue is for their purpose only. Yes.

Jasmine: So, this is closed on Friday then?

Kulbeer Walia: Yes.

Jasmine: Great.

Sanjay: So, what was the fund size basically for the preferential?

Kulbeer Walia: It was INR20 crores.

Sanjay: INR20 crores.

Kulbeer Walia: Yes. So, we are going up with INR21.5 crores. 20 is the preferential equity shares and 1.5 would be the share warrants issued to the promoters of the company.

Jasmine: Okay. Could you also, so there are three major streams of our revenue as I understand and on our product portfolio as well. So, there's the non-veg items as vegetarian and there's plant-based meats. Would it be possible for you to give us a rough or an average contribution of those segments?

Paramjit Singh Chatha: Jasmine, we're not doing plant-based products in a big way. This whole thing about plant-based is something we had set up in 21, I suppose.

Kulbeer Walia: 21-22.

Paramjit Singh Chatha: 21-22. There was a big hype about plant-based products and we had some very large customers working with us, the likes of Alchem Laboratories and Gravis Foods, Shaka Harry. But somehow this plant-based business worldwide didn't do very well.

So, in the next scope for growth, it's vegetarian products wherein we will be doing for the new plant where we raised the IPO proceeds. They will go towards setting up a facility of almost 16,000 metric ton Vishal correct me if I'm wrong. Annual 16,000 metric ton capacity where we'll be producing flatbreads, the likes of tortillas, Malabari paratha and different kind of parathas.

Frozen to fry products again, vegetarian wherein we'll try to tap into the McDonald's and the other burger chains also. Plus increase the footprint into our existing customer base with these vegetarian products. Then we'll be doing a lot of base gravies which we want to export.

So, this new plant we've set up is mainly for the QSL market in India and exports also. The third revenue stream is the JV we have set up with Allana again which is 6,000 metric ton annual capacity and wherein we'll be again doing value-added meat and chicken products, and the products will be produced for Allana under their brand for exports to the Asian and the African markets.

- Jasmine:** And this entire JV, what is the cost of setting up this particular plant with 6,000 metric ton capacity?
- Paramjit Singh Chatha:** So that means it's a 70-30 kind of arrangement with Allana. So Chatha Foods is coming in with 70%. Allana is coming in with 30%. The total capex for setting up this plant is INR40 crores.
- Jasmine:** So total capex is INR40 crores. So the JV with Allana. It would be requiring close to INR14 crores-INR15 crores on our end?
- Kulbeer Walia:** No, we'll be contributing around INR19 to INR20 crores plus INR7 to INR8 crores will come from Allana and INR12 to INR13 crores would be the term loan. So, debt equity would be 0.35 is to 1 or something like that.
- Jasmine:** And could you tell us about the IPO utilizations that have been done up till now? What was the entire IPO size? How much of it has already been utilized?
- Kulbeer Walia:** Vishal, I think you have the figures.
- Vishal Singh:** Yes, so just mean the total IPO size was INR30 odd crores. Just a second, I'll brief you on that.
- Jasmine:** Okay. And how much has been utilized? All of it has been given in the plant?
- Kulbeer Walia:** No, no. You can go ahead, Vishal.
- Vishal Singh:** Okay, yes. So, we have utilized INR24 crores out of this IPO utilization. And yes, INR6 crores is available to us. INR6.5 crores is available to us.
- Jasmine:** Okay. And I also wanted to understand the kind of input costs that we are incurring? So, what are the major constituents of the raw material basket that we require?
- Vishal Singh:** For this vegetarian facility?
- Jasmine:** Overall, for the company as a whole?
- Vishal Singh:** So, for the existing -- yes, sorry.
- Paramjit Singh Chatha:** Jasmine, you'll have to -- if you could please rephrase the question?
- Jasmine:** Sure. So, say suppose we're making tortillas, plain flatbreads, sauces and gravies. We're into chicken nuggets and a few packs as well. So, I understand we have to procure chicken, we have to procure

some vegetables. So where is that procurement coming from? And what are the major inputs that we need to make our finished products?

Paramjit Singh Chatha: So, Jasmine, as of now in our existing legacy unit, so the major input is chicken, which is coming from plants right up to South India. We are buying from Sneha Feeds. Vishal, it's Sneha Feeds, right, or Sneha Foods?

Vishal Singh: It's Sneha Farms.

Paramjit Singh Chatha: Sneha Farms. We are buying from Shanthi Feeds. We are buying from Belchick from Belgaum. Plus, we are buying from three plants in Punjab. So, when it comes to chicken, I think Vishal, 55% raw material consumption is chicken. Am I right?

Vishal Singh: Correct, sir.

Paramjit Singh Chatha: And for the vegetarian plant, Jasmine, it's mainly going to be flour, which will come from milling companies locally. Of course, spices and blends always forms a lot of suppliers supplying it to us, but the percentage is very small. And there will be frozen vegetables coming in, which again will come in from Pagro, which is a facility close to us.

Jasmine: Okay. So, for example, flour prices or if it's possible in chicken, the raw material that we're into, all these price hikes are passed on to the B2B consumer from us, right, basis on the new content?

Paramjit Singh Chatha: Jasmine, we work on annual contracts for our raw material, and we work on annual contracts with our customers. So for us, all our total raw material, other than let's say the commodities, like the oil majorly, so almost I would say 95% of our purchase is contracted basis annually. And likewise, we have annual contracts with our customers. So this fluctuation thing really doesn't matter, unless things really go out of hand, which has never happened till now.

Sanjay: Sir, do we have any specificity for the chicken, like category of the chicken? Do we stick on to some specifications like that?

Paramjit Singh Chatha: No, no, no. There are a lot of specifications on the chicken meat, but as such, there are no specifications from our customers on the pedigree of the breed. So, we don't slaughter. So, we don't slaughter chicken. We buy boneless cuts or chicken wings as per the requirement. So, we are not into the slaughtering business. We're just into the value addition business.

Sanjay: No, I mean to say like quality of the chickens which we buy?

Paramjit Singh Chatha: Sorry?

Sanjay: I mean to say the quality of chickens which we procure? So, do we have some benchmark from the customers, like we need to procure these grades of chicken or...?

Paramjit Singh Chatha: No, not the breed.

Jasmine: I understand that our major...

- Paramjit Singh Chatha:** So, to answer your question better, like, we work with Sneha. Sneha would work with a different breed. We buy from Shanthi. Shanthi would be working with a Vencobb, or somebody would be working with a Hubbard or somebody would be working with Avian. So that is not a prerequisite from the customers, no.
- Jasmine:** And can you give us a breakup of the revenue in terms of the clients that we have, say the top three clients, how much are they adding into our revenue?
- Paramjit Singh Chatha:** Vishal, can you please explain that?
- Vishal Singh:** Yes, sure. So Jasmine, our top three clients. So as of now, Jubilant is our main client, which is contributing. Jubilant, and then we have Jyoti International, Subway, Domino's Subway, and third is Taco Bell at the moment. So these three clients totally contribute to 65%-70% of our revenue.
- Jasmine:** Okay. What is the pace of new... So, are we only focused on these large QSR chains or say in a two-year span, what is our pace in terms of the kind of clients we want to acquire?
- Paramjit Singh Chatha:** So, Jasmine, we are not focused on these large QSRs. So as of now, in terms of customer acquisition, we're working with Domino's, we're working with Subway. We're working with Taco Bell. We are working with Cafe Coffee Day. We are working with Tim Hortons. We are working with Third Wave Coffee. We are working with Chinese Wok. We are working with Nik Baker's. We're working with Burger Singh.
- Vishal Singh:** Third Wave.
- Paramjit Singh Chatha:** So, we're working with almost all the large or medium brands. But yes, the acquisition for even other brands is always under progress. We have a sales team. We have people who keep pitching to all. So we have two kind of models. One model is where we do a customization business where the number of stores are more than 50 with one brand. And then we have other way of doing business, which is through distributors, which are some of our off-the-shelf products where we don't do any customization.
- Jasmine:** So, are we also present in the Horeca market for any kind of restaurant chains?
- Paramjit Singh Chatha:** No. So, when it comes to restaurant chains, we are in the CDR and the QSR business. We're not in the fine dining business. We're even working with Chili's. We are in the progress of onboarding one of the largest cinema companies in the country. So, this customer acquisition is an ongoing process, Jasmin. So, I think within this financial year, Vishal, we've onboarded almost six new customers. Am I right?
- Vishal Singh:** Correct, sir. Almost eight customers.
- Jasmine:** Okay. That's great. And could you also give me an outlook on the QSR industry from your perspective? Say, the last year was not especially encouraging for the QSR industry. A lot of the listed players did not do well. So, what has been the reason for that and what is your outlook on the same?

- Paramjit Singh Chatha:** Jasmin, that is something I can't comment on. What was the reason is not something I can comment on. But if you look at this from our angle, our business with all our customers is growing. I don't think that there's been a dip in our business. Am I right, Vishal? Correct, sir.
- So QSR in terms of revenue, Jasmeen, is doing okay. QSR in terms of margins, they could be struggling. But in terms of revenue, in terms of sales, I don't think they're doing so bad.
- Jasmine:** Okay. And so, margin potential for us would come from this new plant of vegetarian. I would assume they would have higher margins for us.
- Paramjit Singh Chatha:** Yes.
- Jasmine:** So maybe 50-100 bps points increase can be expected over the year or the next year in terms of margins?
- Paramjit Singh Chatha:** So, Jasmin, we are not expecting anything great to happen in 2025-2026. You know, because the plants will come up, the trials will happen. So, we're looking at almost, Vishal, something like a 5 months revenue from our vegetarian plant and a 3 months revenue from the JVM, right?
- Vishal Singh:** Right, sir.
- Paramjit Singh Chatha:** So, we expect an uptick in 2026-2027. And we have a target of operating at 85% capacity by 2028 on the two new plants.
- Jasmine:** Okay. And just another thing also, I had read your annual report and you have given a table regarding your installed capacity and capacity utilization for FY24. As of date, as on H1 of FY25, could you give me the installed capacity on non-vegetarian and the vegetarian plant, as well as the capacity utilization for 2-3 years down the line. I mean, post the addition of the veg plant, how does the capacity look like?
- Paramjit Singh Chatha:** No, veg plant still has to come up, Jasmine. The veg plant will become operational in something like maybe May '25.
- Jasmine:** Okay. So, post that, the number on the annual report was 2278. So, this should come up to how much exactly then once the vegetarian plant is settled?
- Vishal Singh:** So, Jasmine, for non-vegetarian -- so you're referring to non-vegetarian plant utilization numbers. So once we have the new veg facility up and going, so we are targeting utilization for five months only. So accordingly, we are targeting...
- Paramjit Singh Chatha:** Vishal, I'll explain it to her. Jasmine, in the Annual Report, the vegetarian plant is being referred to as the plant which we had set up for the plant-based feeds. Now that is our small plant. Now that plant, once the new vegetarian facility comes up, this small vegetarian equipment will also shift to the new facility and this chicken -- and the space will be occupied for the chicken -- for chicken processing and increasing the capacities for chicken. So, what you see in the annual report is the existing small vegetarian plant is what we have.

Jasmine: So let me reframe my question. What I wanted to understand is FY24, we might have a certain unit of installed capacity. I want to know next two years, say FY26 ends up, what would be that capacity and what would be the utilization? A rough target that we...

Vishal Singh: So Jasmine, for FY27, we are targeting 65% utilization for this veg facility. And for FY28, we are targeting 85% to 90% of utilization.

Jasmine: And what would be the installed capacity?

Vishal Singh: It is 16,000 metric tons.

Jasmine: That is right now, right?

Paramjit Singh Chatha: No, that's for the new vegetarian plant.

Vishal Singh: That's for the new facility.

Jasmine: No, I wanted to ask the total installed capacity post all our plant additions have been completed, say two years down the line.

Paramjit Singh Chatha: All the plant additions. So, you can do 16,000 plus 6,000 plus 6,000. Am I right, Vishal?

Vishal Singh: Yes, correct, sir.

Jasmine: So, it should be roughly 72,000 in the next two years, roughly.

Paramjit Singh Chatha: No, 16,000. 16,000.

Vishal Singh: It would be 2,000 metric tons for all the three units combined.

Paramjit Singh Chatha: 28,000 metric tons.

Jasmine: And right now, we are at 16,000.

Paramjit Singh Chatha: Right now, for the chicken, yes, we are at 16,000. We are at 6,000 metric tons for chicken, yes.

Jasmine: Great, great.

Paramjit Singh Chatha: Out of which we are utilizing almost every 75%, Vishal. Am I right? 78%, sir.

Vishal Singh: 78%.

Sanjay: And what kind of relations do you -- in the next two years down the line?

Paramjit Singh Chatha: Sorry, can you please come again?

Sanjay: What kind of pricing power we have for these two businesses, for the chicken as well as for this plant-based meat? That would impact the relations front?

- Paramjit Singh Chatha:** No, I didn't get the question, Jasmine. Pricing power means?
- Sanjay:** Yes, pricing power means the selling price. At what price we are selling to our end consumers. So, we are increasing our capacity, right? So, what kind of pricing front we are expecting in the next two years down the line? Like do we expect any price revisions or price hikes in the next two years or next three years?
- Vishal Singh:** Just to, I think we need to retain the question. So, I think the products, the products will differ in this new expansion. So, we are venturing into breads as well as some of this frozen to fry products as well. So, the pricing will be totally different. And the major proportion is 60% to 65% will be breads. So that will be entirely different pricing as compared to this existing pricing.
- Jasmine:** Okay. Great.
- Sanjay:** So that would be higher or lower from the current scenario?
- Paramjit Singh Chatha:** No, the vegetarian prices will definitely be lower per kilo than the chicken because the input cost is low. So obviously the selling cost will also be lower, but then we are looking at almost a three-time capacity for the vegetarian plant versus a chicken plant, existing chicken plant. And the margins are much better in the bread segment and the segment we are getting into than the chicken segment.
- Sanjay:** So can you please guide us margin in terms of like a broad range kind of thing like what the chicken guy used to deliver, what these plant-based meats deliver and was it these...
- Paramjit Singh Chatha:** No, there is nothing as please you have to understand there's nothing as plant-based now. Plant-based is nothing. Chicken is there, vegetarian hai and Alana JV is there, there is nothing as plant-based. Plant-based like I said is something we started in 2022, and it didn't take off well all over the world. So, we are not doing any plant-based products now.
- Sanjay:** So, sir what would be your margin guidance for your chicken thing, for the veg thing as well for the JV thing like if you can give a broad range kind of thing for these three segments?
- Paramjit Singh Chatha:** So, we should have - Vishal an approximate average margin of around 30% gross?
- Sanjay:** 30% gross for?
- Paramjit Singh Chatha:** On an average I am saying all combined average.
- Sanjay:** And what's the set-up cost for our chicken plant, sir, as of now?
- Paramjit Singh Chatha:** Sorry?
- Sanjay:** What is the current set-up cost for our chicken plant as of now?
- Paramjit Singh Chatha:** We have invested around INR60 crores as a gross, but the book value as on date is around INR28 crores to INR30 crores.
- Sanjay:** INR30 crores for what kind of facility for 6,000?

- Paramjit Singh Chatha:** Yes, for the first facility, for the existing facility. It's been done in the span of the year from 1997 till now.
- Sanjay:** And for the veg thing, that should be much more lower, right?
- Paramjit Singh Chatha:** What do you ask?
- Sanjay:** I'm asking you, sir, for the veg thing for a set-up of a veg plant, so that could be much more...
- Paramjit Singh Chatha:** That's entirely different thing. So, in the vegetarian we are proposing around about INR44 crores of investments and with a capacity of 16,000 metric ton, but in the non-vegetarian segment, the progressive capital expenditure is around INR60 crores and capacity is around 6,000.
- Sanjay:** Got it. And what's the current gross margin sir as of now as we talk like cumulative of all?
- Vishal Singh:** Cumulative of all like we told earlier it would be in the 30% gross margin.
- Paramjit Singh Chatha:** Nobody is taking - at the moment we don't have anything cumulative.
- Vishal Singh:** Yes, it is only existing facility.
- Sanjay:** 30%, right?
- Paramjit Singh Chatha:** That's a cumulative margin, sir.
- Vishal Singh:** 30% is the cumulative margin. For the existing facility it is 27%, 28% gross margin.
- Sanjay:** Okay, it's 28% currently, and we're expecting 30% that would be next 2 years down the line?
- Paramjit Singh Chatha:** As a cumulative gross margin from the three plants, we're setting up.
- Sanjay:** Okay. Got it. And can you just guide us anything from the industry front like where we are placed like who are the major players who are running behind us or running ahead of us and how we can match up with the industry dynamic scenario?
- Paramjit Singh Chatha:** For our chicken plant?
- Sanjay:** Yes sir for both?
- Paramjit Singh Chatha:** For chicken, I can - we have Vista Foods, we have Meatzza, we have - these are the two major players, Vishal. Anything else I can think of and in vegetarian, we will be competing against Tasty Bites and Signature Foods.
- Sanjay:** Tasty Bites and?
- Paramjit Singh Chatha:** Signature.
- Sanjay:** And what has been the industry size as a whole both for chicken and for the veg plant?

Paramjit Singh Chatha: I really wouldn't have the exact figures on that.

Sanjay: So, what kind of market share we're having as of now in the chicken space?

Paramjit Singh Chatha: Sir, if we don't know the industry size, how will we know the market share because in the industry size, organized, unorganized, a lot of things come up.

Sanjay: So, what would be the ranking of our company if we compare along with our peers? So, what would be our standing?

Paramjit Singh Chatha: Standing are you asking about good and bad? What are you asking?

Sanjay: Sir, I'm asking you, suppose we are having 5 years along with us. So, in the 5 years lag in the top, in the first place, so where we are standing as of now?

Paramjit Singh Chatha: I think we would be in value addition; we would be the second largest company in India in terms of quantities.

Jasmine: I think that answers all our questions, sir. And I just want to - just the last bit is on the guidance that we got from the last fall that was 3X of revenue in 3 years and 5 to 6X of PAT in 3 year on the base of FY24?

Paramjit Singh Chatha: Yes.

Jasmine: Yes, that is great. I think that answers our questions. I just want to thank you for taking out the time with us. We might have a follow up question which I might have to trouble you again.

Paramjit Singh Chatha: Sure. Anytime, Jasmin. We're always there to answer your questions. Thank you so much for this call.

Jasmine: Thank you so much.

Paramjit Singh Chatha: Thank you sir.