

IPO Details		Company Background				
Opening Date	March 19, 2024	<ul style="list-style-type: none"> Incorporated in 1997, Chatha Foods Limited (CFL) has its registered office in Jalandhar, Punjab, India. The company offers frozen food products to top QSRs (Quick Serving Restaurants), CDRs (Casual Dining Restaurants), and other players in the HoReCa (Hotel-Restaurant-Catering) segment. Chatha Foods' product portfolio includes Chicken Appetizers, Meat Patties, Chicken Sausages, Sliced Meat, Toppings & Fillers, etc. The company produces more than 70 meat products. The company sells products under the brand Chatha Foods and distributes through a network of 29 distributors covering 32 cities across India catering to the needs of 126 mid-segment & standalone small QSR brands like Domino's & Subway's India franchise. As of September 30, 2023, the company had a total of 327 employees on its payroll. 				
Closing Date	March 21, 2024					
Stock Exchange	BSE SME					
Lot Size	2,000 Shares					
Issue Price	₹53 to ₹56 per share					
Issue Size	Aggregating up to 33.38 Cr.					
Fresh Issue	Aggregating up to 33.38 Cr.					
Offer for Sale	-					
Application Amount	₹ 1,12,000					
IPO Objective						
1. Setting up the Proposed Manufacturing Unit						
2. General corporate purposes.						
Pre-Issue Shareholding						
Category	No. of Shares	% of Total Shares				
Promoter & Promoter Group	1,34,52,068	81.36 %				
Public	30,82,811	18.64 %				
Promoter of the Company						
1. Paramjit Singh Chatha						
2. Gurpreet Chatha						
3. Gurcharan Singh Gosal						
4. Anmoldeep Singh						
Competitive Strengths						
1. Strong Supply Chain and Input Sourcing for Quick Service Restaurants (QSR), Casual Dining Restaurants (CDR) and Other Outdoor Dining Options in India.						
2. In-house Manufacturing Plant Layout & Designing Capability as per the GFSI-approved global foods safety standards.						
3. Customers of Global Repute with Healthy Financials Obligated to Maximizing Shareholder Value.						
4. Experienced Promoter & Management Team who have recently increased their shareholding.						
5. Broad Vendor Base is a Key Moat developed over the years with focused efforts.						
6. Strong entry barrier.						
7. Timely supply of Quality Products Repeatedly is Key for QSR, CDR and Other Outdoor Dining Options in India.						
		Market Capitalization (In Cr.)				
		Pre-Issue	Post-Issue			
		₹ 93	₹ 126			
		Financial Summary (In Lacs.)				
For the Period Ended	Mar-21	Mar-22	Mar-23	Sep-23		
Total Assets	4,330.28	4,830.31	5,141.94	5,827.62		
Net Assets	1,862.68	1,929.93	2,175.12	2,516.15		
Total Borrowing	1,065.03	1,101.33	1,060.19	987.96		
Total Revenue	6,119.03	8,740.31	11,724.23	7,078.03		
Profit After Tax	-400.35	67.24	245.20	341.04		
		Tentative Timeline				
Opening Date	Mar 19, 2024					
Closing Date	Mar 21, 2024					
Basis of Allotment	Mar 26, 2024					
Initiation of Refunds	Mar 27, 2024					
Credit of Shares to Demat	Mar 27, 2024					
Listing Date	Mar 27, 2024					

Company Background and Analysis

Chatha Foods Limited was originally incorporated on October 08, 1997. The company is a frozen food processor, serving top QSRs (Quick Serving Restaurants), CDRs (Casual Dining Restaurants), and other players in the HoReCa (Hotel-Restaurant-Catering) segment. The company's brands, which sells under "Chatha Foods" are distributed through the network of 29 distributors covering 32 cities across India and catering to the needs of 126 mid-segment & standalone small QSR brands.

The company is deeply connected with the Indian food services/dining out industry and this accounted for almost the entire revenue for the six months ended September 30, 2023. For six months ended September 30, 2023 and Fiscal 2023, (i) Domino's India franchise accounted for 44.41% and 51.53%, (ii) Subway's India franchise accounted for 27.09% and 31.16%, respectively (ii) Café Coffee Day accounted for 1.24% and 1.40%, (iv) Chili's & Pauls India accounted for 2.26% and 1.64%, (v) Wok Express accounted for 3.45% and 1.91% and (vi) Burger Singh accounted for 0.76% and 0.58%, of the revenues in that period/ Fiscal.

The company's product portfolio and revenue bifurcation for the same is as follows –

1. Non-Vegetarian – The company manufactures and sells non-vegetarian products such as pizza toppings, sandwich fillings, burger patties, snacks and more to leading QSR's, CDR's and other HoReCa segment players.
2. Vegetarian – The company manufactures and sells vegetarian products such as pizza toppings, sandwich fillings, burger patties, and taco fillings to leading QSR's, CDR's and other HoReCa segment players.
3. Plant-Based - manufacture and sell plant-based products such as plant-based sausages, salami, pepperoni; Indian snacks like kebabs, tikkas & samosas; plant-based nuggets & burger patties, grilled burger patties to certain QSRs, CDRs and other HoReCa segment players. Additionally, company supply the products to larger conglomerates and other companies under their brand names. The company ventured into plant-based mock meat products in the year 2021.

The product-wise revenue breakdown for the periods is as set forth below:

(Amount in Lacs)

Particulars	Mar-21		Mar-22		Mar-23		Sep-23	
	Amt	%	Amt	%	Amt	%	Amt	%
Non-Vegetarian	6,118.06	100.00	8,575.46	98.19	11,220.95	95.72	6,405.89	89.44
Vegetarian	-	-	-	-	15.84	0.14	191.94	2.68
Plant-Based	-	-	157.95	1.81	485.97	4.15	564.70	7.88
Total (A+B)	6,118.06	100.00	8,733.41	100.00	11,722.76	100.00	7,162.53	100.00

To conclude, Chatha Foods Limited was incorporated in the year 1997 and thus has vast experience in the industry. The company operates in the frozen foods processing segment. The company generates the majority of its revenue from the non-vegetarian segment.

Business Strategies

1. Setting up an additional facility -

The company intends to set up an additional facility focusing on vegetarian frozen RTE and RTC products. The company believes there is a need for establishing an additional manufacturing facility which will not only help them in catering to a larger customer base but also help them to increase their share of business with the existing customers.

2. Introducing differentiated products and striving for improved margins in the existing business-

The company plans to continue to increase offerings in the current business segments as well as diversify into new products by tapping into segments which in the view of the management have attractive growth prospects. The company believe that its emphasis on quality of manufacture and timely delivery of the offerings have been a key factor in the ability to attract new customers and retain the existing customers.

3. Introducing products for International Expansion -

The company believes that there is a huge potential for the export of products like ready-to-eat meals & gravies, frozen vegetarian snack foods & savouries, and innovative and high-protein vegetarian snacks in the international markets like countries in the Indian sub-continent, Europe and the U.S.A.

4. Expanding vegetarian products offerings -

The company believes that going forward, unique vegetarian products like protein-rich vegetarian snacks like millet, and legume-based products, may provide a key growth opportunity for the business. The company intends to allocate a significant proportion of the Proposed Manufacturing Facility at Mohali towards this line of business.

Competitive Scenario and Peer Mapping

Competition

The company operates in a highly competitive industry. The company faces competition from both small players who belong to unorganized sectors as well as multinational corporations and expects the competition to continue to intensify. The markets in which they compete have attracted significant investments from a wide range of funding sources, and the competitors can be highly capitalized increasing the threat of new substitutes. The industry in which the company operates in has high entry barriers. The bargaining power with the suppliers is slightly low and the bargaining power with the consumers is higher in this industry.

Peer Analysis

The comparison of the key performance indicators of the listed peers as of Mar-23 is given below –

Particulars	Chatha Foods Limited	Tasty Bite Eatables Limited
	31st Mar 2023	31st Mar 2023
Net Profit Margin	2%	6%
EBITDA Margin	16%	16%
Return on Capital Employed	22%	15%
Return on Equity	11%	12%
EPS (INR)	1.48	117.73

The comparison of the key performance indicators of the listed peers as of Mar-22 is given below –

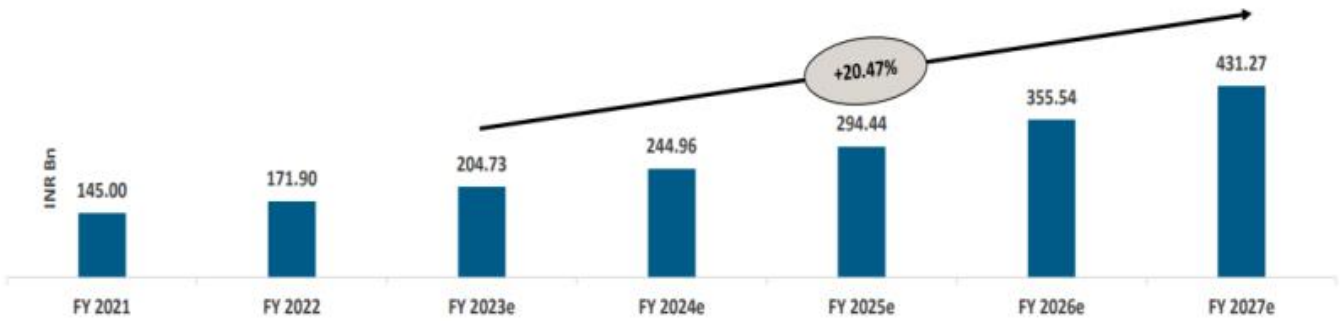
Particulars	Chatha Foods Limited	Tasty Bite Eatables Limited
	31st Mar 2022	31st Mar 2022
Net Profit Margin	0.77%	2.68%
EBITDA Margin	16%	12%
Return on Capital Employed	14%	7%
Return on Equity	3%	5%
EPS (INR)	0.41	40.22

The comparison of the key performance indicators of the listed peers as of Mar-21 is given below –

Particulars	Chatha Foods Limited	Tasty Bite Eatables Limited
	31st Mar 2021	31st Mar 2021
Net Profit Margin	-6.54%	9.7%
EBITDA Margin	9.0%	18.0%
Return on Capital Employed	-11.3%	17.0%
Return on Equity	-21.5%	16.2%
EPS (INR)	-2.42	153.31

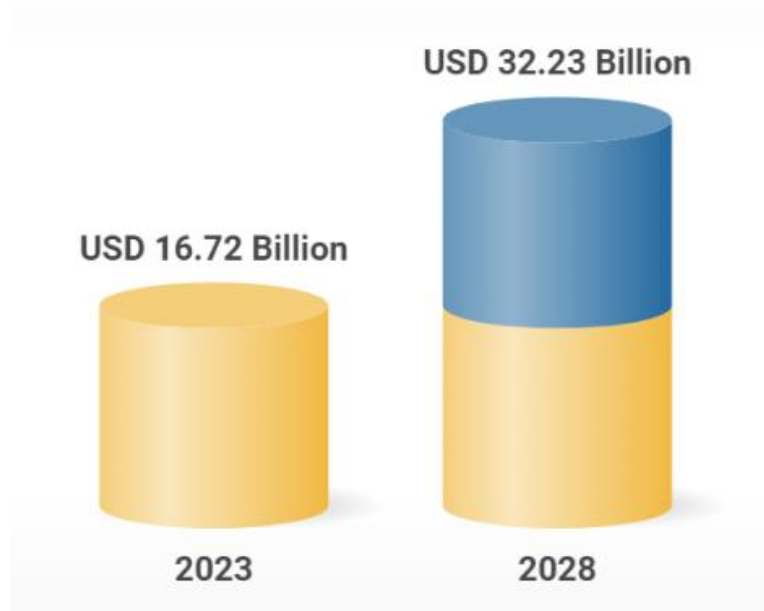
Industry Overview

Exhibit 1: QSR Market in India – Size and Growth Forecast (FY 2021 – FY 2027e)



(Source: prospectus)

Exhibit 2: Indian Quick Service Restaurants Market



(Source: researchandmarkets)

Quick Service Restaurant Industry -

The global QSR market was valued at INR 25.05 Trn in FY 2022. It is expected to reach INR 54.53 Trn by FY 2027, expanding at a CAGR of ~17.41% during the FY 2023 – FY 2027 forecast period. The requirement for a wide variety of fast-food items and the growth of the market both contribute to the quick-service restaurants market's expansion globally. The QSR market in India was valued at INR 171.90 Bn in FY 2022. It is expected to reach INR 431.27 Bn in FY 2027, expanding at a CAGR of ~20.47% during the FY 2022 – FY 2027 forecast period. The current decade is overseeing a shift to a larger organized sector. Customer retention and a higher range and depth of offerings are new goals among the organized market players of QSR.

The size and age of workforce of India will play a significant role in its economic growth in the coming years. Share of India's working age population to total population will reach its highest level at 68.9% by 2030. By the year 2030, India's dependency ratio is projected to reach its lowest point at 31.2%. With a relatively young population (median age of 28.4 years), India not only gets a competitive advantage in terms of workforce but also an opportunity to unleash the consumption power of a young population.

GDP registered an average growth of over 6.5% in the last 5 years, i.e. between FY18 and FY22 (excluding COVID impact year of 2020). India bears good tidings for becoming USD 5 trillion economy by CY27. According to the IMF dataset on Gross Domestic Product (GDP) at current prices for India, the GDP is estimated to be at USD 3.4 trillion for CY22 and projected to reach USD 4.2 trillion by CY25.

In the last decade, Indian economy has progressed rapidly. Correspondingly, India's per capita GDP has gone up from Rs 107,341 in FY16 to Rs 172,913 in FY22 at a CAGR of 8.2% fuelling a consumption boom in the country. Also, the per capita private final consumption expenditure too rose from Rs 63,339 in FY16 to Rs 102,992 in FY22 at a CAGR of 8.4%. The growth in country's per capita GDP in turn has increased the disposable income of the populace ultimately driving the country's consumption.

A special focus and consistent backing of the GoI over the last decade in creating India's uniquely scalable Digital Public Infrastructure has borne fruit, yielding economic benefits and growth of innovation and entrepreneurship. Riding on the Stack and the wide-scale adoption of Unified Payments Interface (UPI) by 260m unique users, India today accounts for the highest volume of real-time digital payments among businesses globally, with a share of over 40% of all such transactions.

Open Network of Digital Commerce (ONDC) is another platform which can be transformative as it will onboard micro, small and medium enterprises and small traders on a single platform, thereby giving more choice and access to a variety of products to customers and open e-commerce to buyers and sellers of all sizes. The growing use of digital wallets and contactless payment systems has resulted in an increased spending amongst the consumers. Tap-to-pay and digital wallet payment options (GooglePay, PhonePe, Paytm) allow customers to receive coupons and instant cashback by simply taping or scanning a QR near a payment terminal. The incentives such as cash-back offer or discounts have lured the Indian consumer to experience the pleasure of 'cashless spending.

(Source: prospectus)

Key Managerial Personnel

Paramjit Singh Chatha, aged 55 years, is one of the Promoters, Chairman, and Managing Director of the Company. He has completed his higher secondary education. He has over 25 years of experience in the frozen and ready-to-eat processed food industry. He has been actively involved in planning and formulating the overall business and commercial strategy and developing the Company's business.

Gurcharan Singh Gosal, aged 74 years, is one of the Promoters, and Whole-Time Director of the Company. He holds a Bachelor of Arts degree in Economics. He has approximately 47 years of work experience in the business of food and food-related items. He looks after the financial affairs of the Company in the capacity of a director.

Gurpreet Chatha, aged 45 years, is one of the Promoters, and Whole-Time Director of the Company. He has completed his higher secondary education. He has around 20 years of experience in the frozen and ready-to-eat processed food industry and has been actively engaged in the purchase and supply chain section of the Company and is heading the purchasing department.

Anmoldeep Singh, aged 47 years, is one of the Promoters of the Company. He has completed his higher secondary education. He has over 17 years of experience in Sales.

Purnachand Upadrashta, aged 67 years, is the Non-Executive Independent Director of the Company. He has a postgraduate degree in food technology with a sound background in food processing & packing & has over 30 years of work experience in various capacities in the Indian food industry. Currently, operating in designing market-appropriate business strategies and processes for food and agriculture companies, early-stage start-ups etc.

Sanjiv Swarup, aged 65 years, is the Non-Executive Independent Director of the Company. He holds a Bachelor of Commerce degree and a bachelor's degree in law. He is also a member of the Institute of Chartered Accountants of India. He has been servicing clients as a management consultant over the past 40 years.

Chinmayee Swarup Deulgaonkar, aged 48 years, is the Non-Executive Independent Director of the Company. She has over 24 years of experience in the field of regulatory compliance, production, system and sustainability auditing, and training. She has worked in various leadership roles with organizations like FoodChain ID India, DNV, and Monginis.

To conclude, the company has 4 promoters, out of which 3 are involved in the management and they have good experience in the fields which helps in the overall growth and the industry directly linked to the operations. The Directors of the company also have good experience in fields which help in the growth of the company.

Financial Snapshot

Profit and Loss Statement					(In Lacs)
Particulars	FY 21	FY 22	FY 23	Sep-23	
Revenue from Operations	6,118.06	8,733.41	11,722.77	7,077.86	
Other Income	0.97	6.90	1.46	0.17	
Total Income	6,119.03	8,740.31	11,724.23	7,078.03	
Expenses					
Cost of material consumed	4,697.29	6,399.84	8,888.71	5,278.03	
Change in inventories of finished goods, work in progress	105.66	-64.47	-204.09	-138.62	
Employee benefits expense	673.34	903.1	1,059.87	616.34	
Finance costs	88.82	80.92	97.41	43.1	
Depreciation and Amortization expense	260.56	260.69	274.54	140.66	
Other expenses	846.24	1,056.02	1,270.80	662.64	
Total Expenses	6,671.91	8,636.10	11,387.24	6,602.15	
Earnings Before Interest, Taxes, Depreciation & Amortization	552.95	1,414.02	1,880.87	1,279.01	
EBITDA Margin	9%	16%	16%	18%	
Profit/(Loss) before exceptional items and tax	-552.88	104.21	336.99	475.88	
Exceptional items	-	-	-	-	
Profit/(Loss) before tax	-552.88	104.21	336.99	475.88	
Tax Expense					
Current Tax	-	17.73	55.91	119.4	
Deferred Tax	-152.24	36.97	91.82	15.44	
MAT credit entitlement	-	-17.73	-55.91	-	
MAT credit entitlement - earlier years	-0.29	-	-	-	
Total Tax Expense	-152.53	36.97	91.82	134.84	
Profit/(Loss) for the year	-400.35	67.24	245.17	341.04	
Net Profit Margin	-7%	1%	2%	5%	

Balance Sheet					(In Lacs)
Particulars	FY 21	FY 22	FY 23	Sep-23	
EQUITY AND LIABILITIES					
1. Shareholders' funds					
Share Capital	1,240.12	1,240.12	1,240.12	1,653.49	
Reserves and Surplus	622.56	689.81	935.00	862.66	
Total Equity	1,862.68	1,929.93	2,175.12	2,516.15	
2. Non-current liabilities					
Long Term Borrowings	464.52	385.57	166.19	144.09	
Deferred Tax liabilities	148.43	185.4	277.22	292.65	
Long Term Provision	116.87	136.17	180.53	205.73	
Total Non-current liabilities	729.82	707.14	623.94	642.47	
3. Current liabilities					
Short-term borrowings	600.51	715.76	894.00	843.87	
Trade payables					
Due to MSME	80.05	88.55	101.68	119.84	
Due to Others	767.92	933.42	1,037.53	1,272.75	
Other Current Liabilities	274.15	434.64	285.92	367.83	
Short-term Provisions	15.15	20.87	23.76	64.71	
Total Current liabilities	1,737.78	2,193.24	2,342.89	2,669.00	
Total Liabilities	2,467.60	2,900.38	2,966.83	3,311.47	

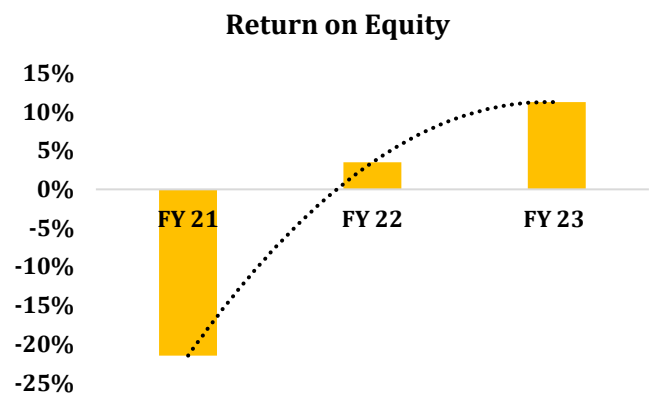
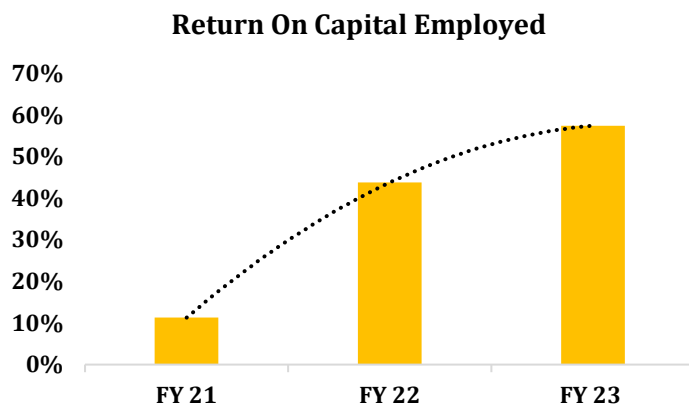
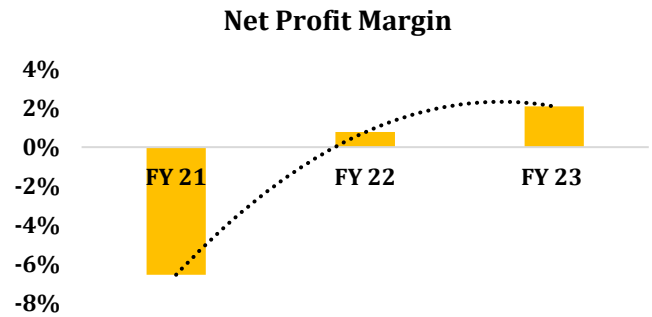
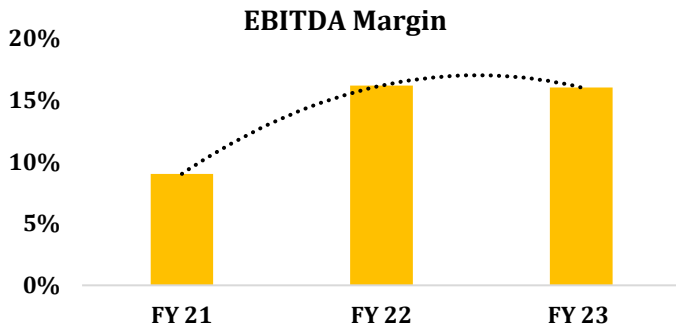
Balance Sheet					(In Lacs)
Total Equity and Liabilities	4,330.28	4,830.31	5,141.95	5,827.62	
ASSETS					
1. Non-current assets					
Property, Plant and Equipment	2,712.81	3,083.68	2,869.51	2,818.27	
Capital work in Progress	54.1	-	-	-	
Long term loans and advances	318.75	250.26	307.72	369.86	
Other Non-current Investments	30.73	28.58	28.66	35.04	
Total Non-Current assets	3,116.39	3,362.52	3,205.89	3,223.17	
2. Current assets					
(i) Inventories	430.92	668.26	916.87	1,240.13	
(ii) Trade receivables	652.97	754.66	959.24	1,259.66	
(iii) Cash and Cash Equivalents	9.52	8.59	16.05	20.04	
(iv) Short term loans and advances	120.48	36.28	43.9	84.62	
Total Current assets	1,213.86	1,467.77	1,936.05	2,604.45	
Total Assets	4,330.28	4,830.31	5,141.95	5,827.62	

Cash Flow Statement					(In Lacs)
Particulars	FY 21	FY 22	FY 23	Sep-23	
Net Cash Flow from Operating Activities	-86.72	563.01	314.55	208.43	
Net Cash Flow from Investing Activities	-211.37	-525.34	-169.85	-89.25	
Net Cash Flow from Financing Activities	295.73	-43.65	-137.58	-115.36	

Ratio Sheet				
Particulars	FY 21	FY 22	FY 23	Sep-23*
Per Share Data				
Diluted EPS	-2.42	0.41	1.48	3.17
BV per share	8.28	8.58	9.67	27.68
Operating Ratios				
EBITDA Margins	9.04%	16.19%	16.04%	18.07%
PAT Margins	-6.54%	0.77%	2.09%	5.03%
Inventory days	25.71	27.93	28.55	32.06
Debtor days	38.96	31.54	29.87	32.57
Creditor days	69.31	56.75	46.55	46.65
Return Ratios				
RoCE	11%	44%	57%	36%
RoE	-21%	3%	11%	11%
Valuation Ratios (x)				
EV/EBITDA	5.28	2.14	1.71	2.80
Market Cap / Sales	2.06	1.44	1.07	0.89
P/E	-23.14	136.59	37.84	17.69
Price to Book Value	6.76	6.53	5.79	2.02
Solvency Ratios				
Debt / Equity	0.57	0.57	0.49	0.39
Current Ratio	0.70	0.67	0.83	0.98
Quick Ratio	0.69	0.67	0.82	0.97
Asset Turnover	1.41	1.81	2.28	1.21
Interest Coverage Ratio	3.29	14.25	16.49	26.41

*Ratio sheet for Sept-23 is annualized.

Financial Charts



Key Risk Factors

1. The company derives a substantial portion of the revenue from the sale of products in the non-vegetarian segment which contributes to 89.43%, 96%, 98% and 100% of the total revenue from operations for the six months ended September 30, 2023, and the Fiscals 2023, 2022 and 2021, respectively. Any loss of business in this segment may adversely affect the business, results of operations, financial conditions and cash flows.
2. The Company has reported negative cash flow in FY 2021. Any negative cash flows in the future would adversely affect the cash flow requirements, which may adversely affect the ability to operate the business.
3. The company's top 5 customers contributed 93.29%, 93.67%, 95.15%, and 94.69% for the period ended September 30, 2023, and for Fiscals 2023, 2022, and 2021 respectively. Any loss of one or more such customers or a reduction in demand for the products could adversely affect the business.

Track Record of Lead Manager

The lead manager to the issue is Indorient Financial Services Limited. A table has been set below highlighting the details of the IPO of the recent companies handled by the Lead Manager in recent times –

Indorient Financial Services Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Plada Infotech Services Limited	12.36	48.00	October 13, 2023	29.5
2.	Canarys Automations Limited	47.03	31.00	October 11, 2023	29.8
3.	Newjaisa Technologies Limited	39.93	47.00	October 05, 2023	85.7
4.	Techknowgreen Solutions Limited	16.72	86.00	September 27, 2023	176.00
5.	eMudra Limited	412.79	256.00	June 01, 2022	586.00
6.	SecMark Consultancy Limited	15.04	135.00	October 01, 2020	90.00

The company has handled 6 mandates in the past four years (including the current year)

*CMP for the above-mentioned companies is taken as of 16th March 2024.

As per the offer document, from the above-mentioned mandates, all the mandates have opened at premiums on the listing day.

Recommendation

The company has been in the industry since 1997 and has vast experience in the industry. The company's management overview is satisfactory. The company also faces significant competition in the industry.

The P/E on an annualized and post-IPO basis is 17.69 times which seems to be fairly priced by looking at the performance of the company and the sector. The Sector P/E is 35.00 times.

The industry in which the company operates is highly competitive. The company has seen a steady increase in the top line of its financials. The industry in which the company is operating has a huge prospect of growth in the market. The company is planning to expand its production and increase its geographical reach which we believe will drive good growth for the company in the future. We believe on can **APPLY** to this IPO keeping in mind that it is for a long-term investment.

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