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Thailand's CP Foods aims to supply fast-food chains in India

Reuters , June 7, 2016

Charoen Pokphand Foods, Thailand's largest meat producer, aims to begin supplying chicken to KFC and McDonald's Corp in India within the next few months as part of a push into a market that could become one of its biggest.

CP Foods plans to invest at least \$400 million in India over the next 20 years and recently opened a food-processing plant in the southern state of Andhra Pradesh. The company is best known in India for its Five Star Chicken outlets.

Sanjeev Pant, senior vice-president of the food business of CPF (India) Pvt Ltd, the company's Indian unit, said he was in talks with multiple fast-food chains in India, including McDonald's and Yum Brands Inc's KFC.

Asked when he expected to partner with these chains as a supplier, he said within "the next three months or so."

Pant was speaking to Reuters on the sidelines of a news conference in Bengaluru to mark the launch of the company's packaged foods business in India.

CPF is the flagship unit of Charoen Pokphand Group, controlled by Thailand's richest man, Dhanin Chearavanont.

It has been seeking to shift its focus from the domestic market to exporting chicken products to Japan and Europe to help offset weak domestic demand and lessen the impact of a weaker economy at home.

For India, the investment comes amid Prime Minister Narendra Modi's "Make in India" push to attract foreign direct investment by making it easier to do business.

India's domestic packaged food market is set to increase to \$50 billion by 2017 from about \$32 billion in December, according to a survey by the Associated Chamber of Commerce and Industry of India.

CP Foods should be able to grow its revenue in India by at least 20 percent to 25 percent over the next few years, Pant said, in line with his expectations for the entire Indian packaged foods market.



As part of its expansion, CP Foods has invested \$18 million in the Andhra Pradesh plant, which has capacity to produce 20,000 tonnes a year of chicken and 1,000 tonnes of other products.

Pant said the company would focus on popularising its brand name in southern Indian cities over the next three to five years, before considering expanding into other regions of the country.

“CPF”, Considering 3 Industry Trends, Aimed at Making THB 700,000 billion within 5 Years

Bangkokbiznews, June 20, 2016

Despite the world economy is being recovered, people are undeniably demanding for protein food. As a result, Charoen Pokphand Foods PCL. or CPF’s plan is to move forward with food manufacturing investment.

Mr. Adirek Sripratak, President and Chief Executive Officer of CPF said that today CPF’s investments are within 14 countries including in Thailand. A majority of growth we have today comes from businesses internationally rather than domestically although Thailand acts as main operating base. This is because it has a population of 60 million people whereby the other 13 countries we invested are populated by over 3 billion people. From our investments, the sales volume in 13 countries is calculated as 60% where as 5% is from export. Therefore the sales volume in Thailand is only 35%.

More Investment in Asia within 5 Years

Mr. Adirek portrayed CPF in another 5 years by saying that the majority of investment will be in Asia as most of them have emerging economies and there is a higher tendency of growth than any other region in the world. Thailand is also in emerging economy group. With CPF’s operating base, we will grow for approximately 10% in the next 5 years. The sales volume abroad which is currently 65:35 in form of a ratio will become 75:25 for international and domestic sales volumes respectively. That means the growth ratio will be deviated to international rather than domestic one.

A Budget of THB 25 billion per Year for Additional Investment

CPF’s investment will be THB 25 billion each year with emphasis on core businesses. However the company is also looking for an opportunity of doing Merger and Acquisition (M&A) of which we were able to do in recent years. For our THB 25 billion budget, most investment abroad is the food manufacturing. The budget will not be allocated much in Thailand (only 20%-30% of the budget). The remaining 70% will be used in 13 countries abroad as we can see a lot of potential in those countries. A lot of budget will be allocated to big countries like China, India, Vietnam, Russia, and Philippines.

“China-India” as New Food Production Base

The investments will be on food and farming. We will emphasize more on food production in China as CPF invested in Tsingtao to manufacture Chinese steamed dumplings, buns, and Chinese wontons.

We need to highlight more on ready meal foods when investing in various countries as these are value-added products. Vietnam, China, and India, for example, are challenging in terms of how to make them grow as they are promising manufacturing bases in and can add up value for the products.

Targeting at the Elderly with CPF's Food

Mr. Adirek highlighted on CPF's vision of being "Kitchen of the World". Also the company's mission is to manufacture foods on of hygienic, convenient, and ready-to-eat basis. We put more investment through R&D centers to act as a center of food manufacturing and food innovation for the elderly.

In terms of food manufacturing for sick people, it must be started in Thailand as R&D center is located within the country. Now we began to manufacture healthy foods called "CP Balanced Meal" and distribute to 7-11 stores and supermarkets.

Collaborating with "Itochu" to Manufacture Foods for Patients in the Hospital

At the moment we are doing research and development to manufacture liquid diet and aseptic foods for patients. Order of machines was placed for aseptic food manufacturing as there has been more number of patients. Hospital diet market is very promising therefore we collaborated with ITOCHU Corporation, CPF's partner who is the largest supplier of hospital diet in Japan by sending the team to have in-depth study of hospital diet manufacturing in order that we can manufacture the foods in Thailand and supply them to the hospitals here.

"Robotics" to Replace Human Labors

CPF studied robotics and utilized the knowledge for manufacturing process. This is considered a new trend which is similar to manufacturing healthy food supplied to hospitals.

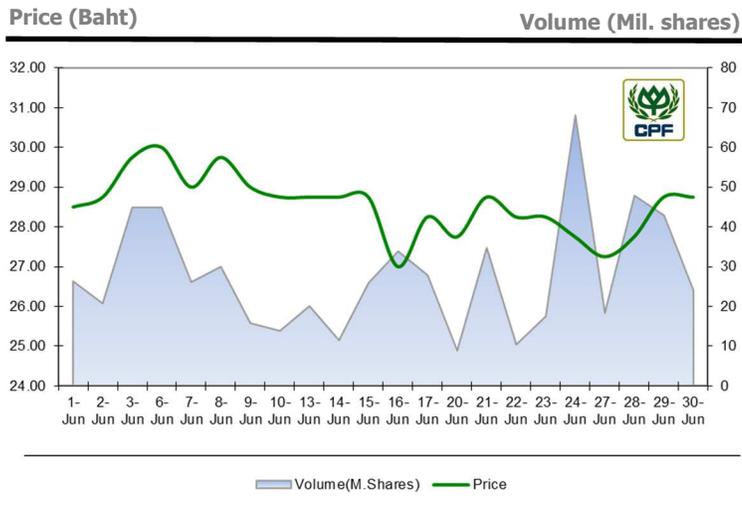
When there is a labor shortage, robots will be the substitution. "There are only 7 labors who manufacture ready meal foods in the factory called "Top Food" that we acquired in Belgium whereas in our sausage factory previously there used to be over 200 labors. However we made a shift of manufacturing process to automation and robotics which is considered a new trend."

3 New Trends for CPF's Future

CPF's new trend from now on will be healthy diet, patient diet, and robotics. The utilization of software and digital tools for business management is extremely important. Data will be received and sent via telephone.

Using digital tools for farming, factories, marketing, and sales depend on digital tools, software, robotics, healthy diet, aseptic diet, and elderly food and these are considered CPF's strategies and business trends.

Price Performances: CPF



June 2016	
Highest Price	30.00
Lowest Price	27.00
Closed Price	28.75
Average Volume/Day (Shares)	29,290,000

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