

Taj Sats bets on non-core catering to hedge slump

IHCL-run JV looks to build central kitchen, launch food brands

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Even as Taj Sats Air Catering, a business division run by Indian Hotels Corporation Ltd (IHCL), reported steady revenue growth this year, the management is bracing for deceleration in the near future, given the slowdown in the Indian aviation industry, thanks to Jet Airways having ceased operations, and is driving a strategy to grow its non-aviation income.

With a turnover of ₹408 crore, up by 8 per cent from last year, Taj Sats gets 82 per cent of its income from catering to aviation companies including foreign airlines Singapore Airlines, Malaysian Airlines, British Airways, Finnair, Japan Airlines, and domestic carriers Vistara, Indigo, and SpiceJet, says Taj Sat's Chief Operating Officer Sagar Dighe.

The goal, in order to be insulated from fluctuations in the aviation trade, is to grow the non-aviation business to around 35 per cent in the next seven years, he says.

Jet Airways accounted for around 15 per cent for the company's top line, or around 20 per cent of the aviation business.

Taj Sats was conceived as a joint venture between IHCL and Singapore-based Sats in 2001. Before that it existed under the name Taj Air Caterers and was run solely by IHCL. The company is planning to kick off a "central kitchen" site in South India next year with an investment of around ₹120 crore, Dighe says. The food manufactured for the non-airline business will even be marketed and sold under a new sub-brand that is being designed, Taj Sats officials add.

As of now, Taj Sats caters for corporate houses that include Citibank's offices in Mumbai and Ikea's offices in New Delhi.

Pure-play food companies have used similar models successfully. Catering company Elixir India, for example, has a central kitchen network with over nine spread across Mumbai, New Delhi, Chennai, and Bengaluru.



Taj Sats now caters to corporate houses that include Citibank's offices in Mumbai and Ikea's offices in New Delhi

PHOTO: IHCL

"How our model works is this: In places where the client has no facility on site we bring in completely finished the food and for clients with finishing kitchens it's the hub-and-spoke treatment, so we do the recipe development and pre-cooking at our central kitchen and the finishing at the client's kitchen," says Elixir India Chief Executive Officer Sanjay Kumar.

Other non-aviation revenue for Taj Sats comes from food service to over 140 stores operated by Tata Starbucks, and other catering contracts.

"We are rejigging the supply chain to leverage the scale of procurement and production for the business," Dighe says. "The current kitchens across six locations in New Delhi, Mumbai, Bengaluru, Kolkata, Goa, and Chennai will be transformed into distribution centres that will serve as spokes to deliver supply to both airline and non-airline businesses.

The "central kitchen" will include German-made spiral freezers for new frozen-food technology that Sats and airlines across the world use against "cook-chill", which is in use today. His point is when food is made in bulk, it stays fresh for around 48 hours under the cook-chill method.

Taj Sats cooks or prepares around 65,000 meals a day and in the future aspires to double that number once its central

kitchen goes live. Other companies that also play in the aviation food business space include Oberoi Flight Services and SkyChef Inflight-Catering.

However, specialists in the food business aren't highly optimistic.

"All the segments in food services have slowed in the last six months, and with the decline we had to revise our estimates downwards," Kumar says.

He adds that information technology, being largely dependent on growth in the US economy, drives demand, but manufacturing, which is a large part of his portfolio, has contracted and remains cause for concern. "De-growth in manufacturing is because the automotive sector is down and our biggest exposure is to that sector."

For Taj Sats, the idea is to have bandwidth to spread the net far and wide. "The kitchen will be the centre of a hub-and-spoke model while becoming a white-label catering company whose services will target everyone — from hotels and corporate offices to food aggregators as well as cafe chains," Dighe says, adding that in the past they've done catering for select railway routes as well as made tonnes of chicken biryani on special orders.

The new direction, they hope, will bring in more customers while insulating them from the turbulence in the skies.