



# COFFEE DAY ENTERPRISES

## Research Report

### ABOUT THE INDUSTRY

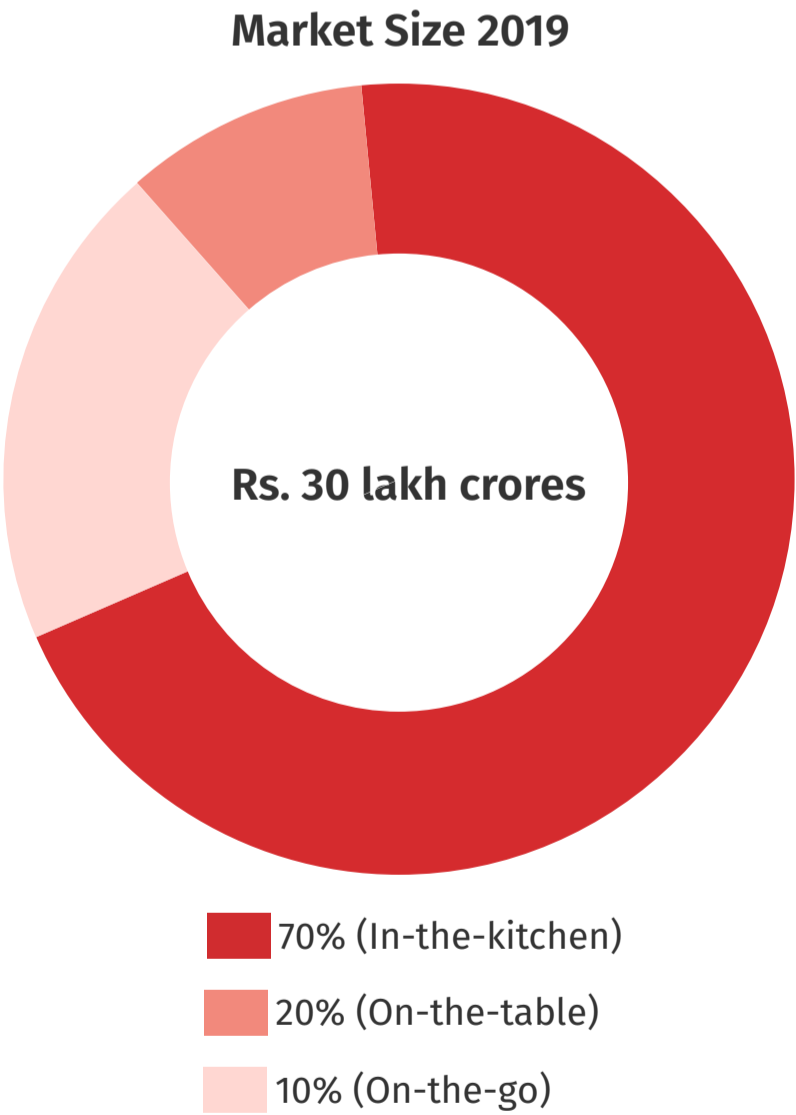
Total organised Food & Beverages industry targets

In 2019	Rs. 4 lakh crores
By 2025	Rs. 10 lakh crores

(CAGR of 16%)

2.5x

However, the share of organised players in this segment is less than 10% and remains largely untapped. The other segments, ‘on-the-table’ (comprising spreads, sauces and others) and ‘on-the-go’ (comprising snacks, ready-to-eat options and others) have traditionally seen larger play by organised players, but their offerings are skewed towards indulgent snacking products. India’s food and beverage consumption in 2019 is estimated at **Rs. 30 Lakh Crores**. The F&B segment constitutes **30% of household spending** and is expected to sustain the wallet share, going forward.



#### Leading players in the Indian coffee cafe market

- McCafe
- Costa Coffee
- Cafe Coffee Day
- Gloria Jean's Coffees
- Tata Starbucks Limited (India)
- The Coffee Bean & Tea Leaf Restaurant and Cafe
- Indian Coffee House (ICH)
- Barista Coffee Co Ltd.
- Dunkin Donuts
- Georgia Coffee
- Cafe Mocha

India ranked as world’s 10th fastest growing market for specialist coffee and tea retail chains, valued at

In 2019 **Rs. 2,750 crores**

By 2023 **Rs. 4,540 crores**

Indian coffee cafe market is expected to register growth at a CAGR of over 12% during 2019-2024. Market growth can be attributed to increasing demand from young population, rising disposable income, rapid urbanization, corporate culture and global lifestyle.

# ABOUT THE COMPANY

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## ● History

- The Company was originally formed as a partnership firm on **February 1, 2008**, under the name Coffee Day Holding Co., having V.G. Siddhartha, Malavika Hegde, S.V. Gangaiah Hegde, Vasanthi Hegde, Sivan Securities Private Limited, Coffee Day Consolidations Private Limited and Global Technology Ventures Limited (now known as 'Coffee Day Trading Limited') as the partners.
- It was thereafter converted from a partnership firm to a private limited company as **Coffee Day Holdings Company Private Limited** on **June 20, 2008**.
- The name of the company was changed to **Coffee Day Resorts Private Limited** on **January 25, 2010** and subsequently, as **Coffee Day Enterprises Private Limited** on **August 6, 2014**.
- This company was later converted into public company on January 17, 2015 and the name of the company was converted to **Coffee Day Enterprises Limited** thereafter. In October 2015, the company successfully completed an initial public offering (IPO).

## ● Business

- Coffee Day Enterprises Limited owns and operates several coffee cafes in India. The company primarily operates cafe chain outlets under the brand names **Cafe Coffee Day (CCD)**, **The Lounge** and **The Square**. It is also involved in the retail sale of coffee beans and powder for household consumption, restaurants and eateries through Coffee Day Fresh & Ground outlets and operation of kiosks under the **Coffee Day Xpress** brand as well as vending machines under the **Coffee Day Beverages** brand.
- In addition, the company engages in coffee trading as well as procuring, processing, roasting and retailing coffee products across various formats. It exports its coffee beans primarily to Europe Japan and the Middle East etc.

Coffee Day Limited's flagship cafe chain brand

# Cafe Coffee Day (CCD)

owns

**1752 Cafes   243 Cities   537 Value Express Kiosks**

- Coffee beans and powder are marketed through **375 Fresh and Ground Coffee retail stores**. There are **56,799 vending machines** that dispense coffee in corporate workplaces and hotels under the brand. The division serves more than 2 billion cups of coffee per annum. Internationally, CCDs are present in **Austria (Vienna), Czech Republic, Malaysia, Nepal** and **Egypt**. Coffee Day Enterprises owns and operates luxury boutique resorts directly through the Company and through their wholly-owned subsidiary Coffee Day Hotels & Resorts Private Limited under the brand **'The Serai'**.

- **List of Subsidiaries of Coffee Day Enterprises Limited**

- Café Coffee Day
- Coffee Day Hotels & Resorts Private Limited
- Tanglin Developments Limited

# BOARD OF DIRECTORS

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**Malavika Hegde**  
Chief Executive Officer



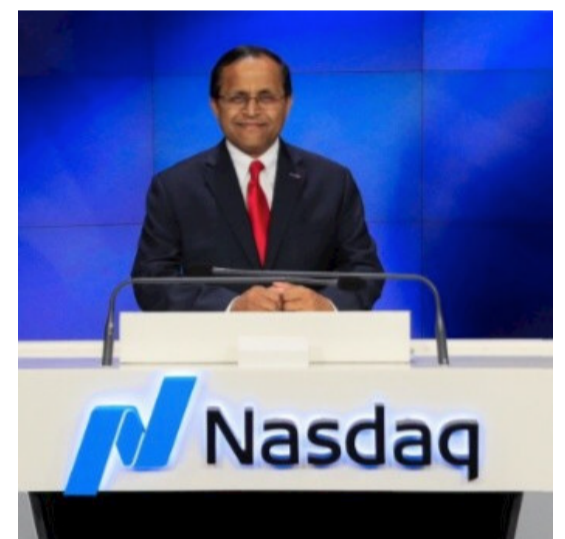
**Mr. S V Ranganath**  
Non-Executive Director  
and Interim Chairman



**Dr. Albert Hieronimus**  
Independent Director

**CH Vasundhara Devi**  
Independent Director

**Mohan Raghavendra Kondi**  
Independent Director

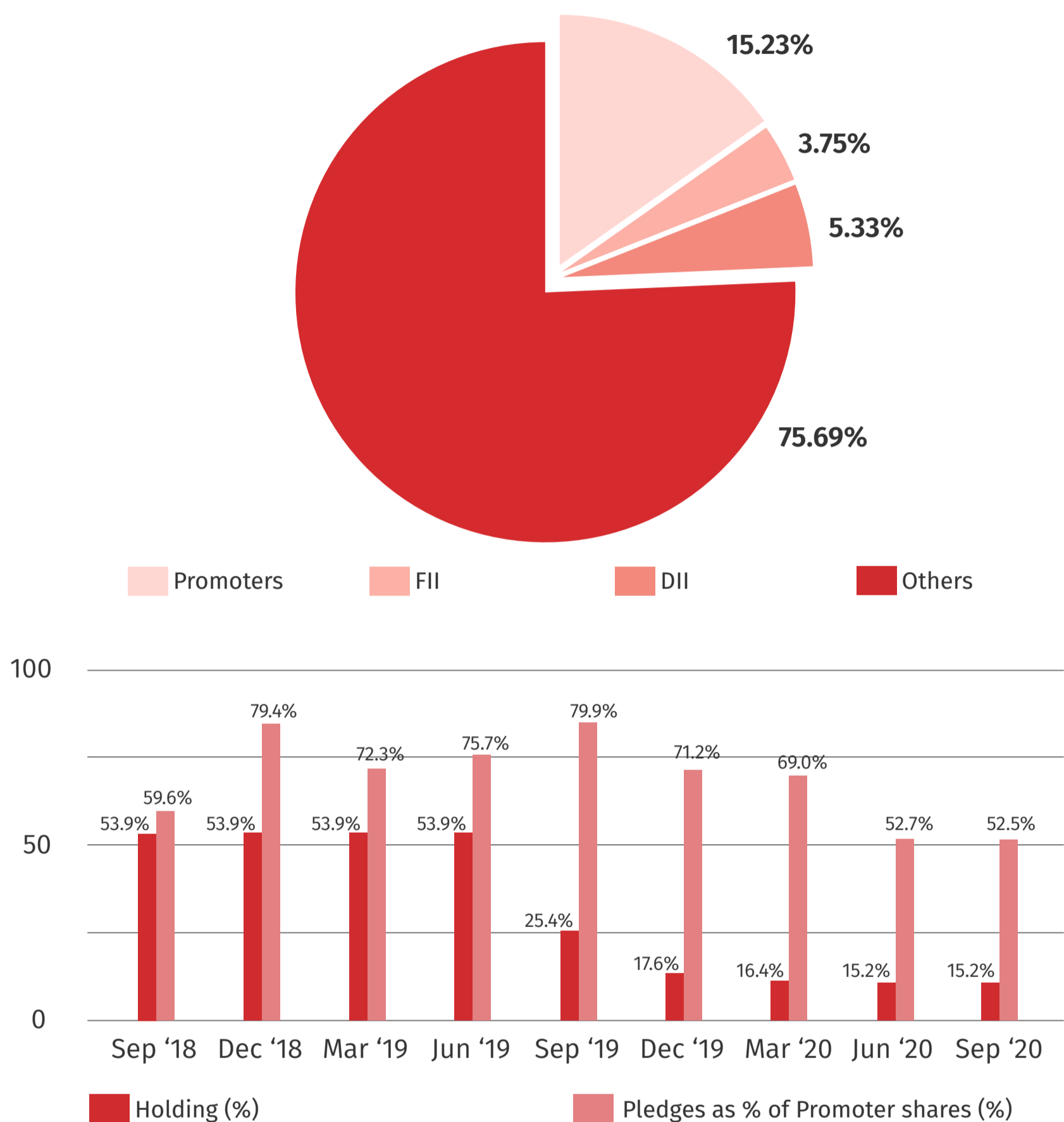


**Giri Devanur**  
Independent Director

After the sad demise of Chairman Mr. V. G. Siddharth, Mrs. Sulakshana Raghavan and Mr. Sanjay Nayar resigned from the Board on 1st August, 2019 and 13th November, 2019 respectively. Since the Company is not in the top 2000 listed entities as on 31.03.2020, the Company need not have a minimum of six directors.

However, the board of the company has appointed **CH Vasudhara Devi**, **Giri Devanur** and **Mohan Raghavendra Kondi** as the non-executive independent directors of the company from December 31, 2020, up till December 30, 2025. The company has appointed **Malavika Hegde**, as Chief Executive Officer with effect from December 7, 2020.

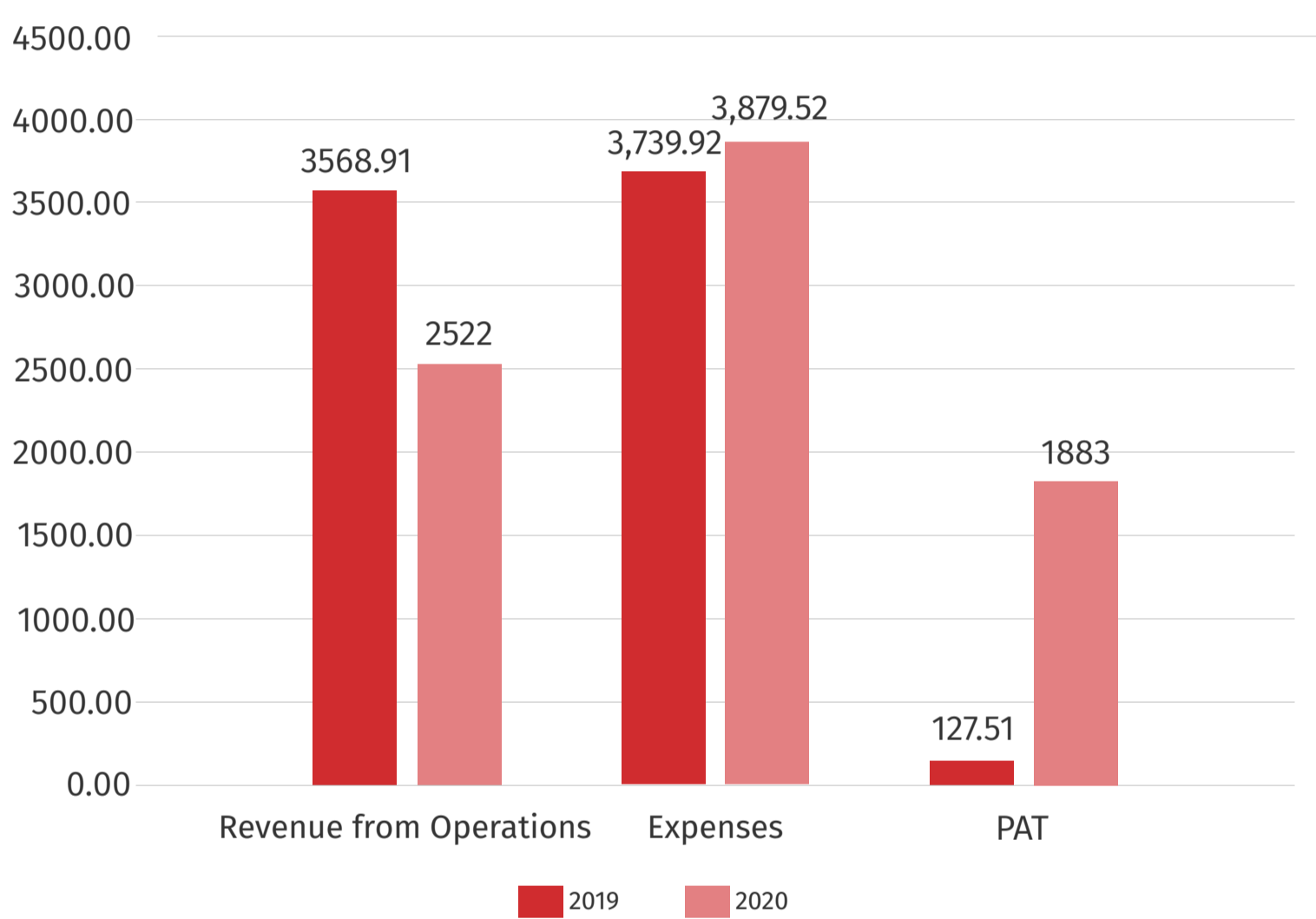
# SHAREHOLDING PATTERN



The shareholding pattern shows that the promoter's stake in total shareholding is very low and the percentage of shares held by others is very high, which reduces the confidence of the investors and they would hesitate to invest. The promoter's shares are pledged, which means that the promoters' shareholding in a company is used as a collateral to avail loans, thereby increasing the risk of investors, as it might lead to high volatility in the stock prices, resulting in an increase in the likelihood of market loss. The pledged percentage are reducing and as on September 2020 the pledged percentage is 52.5% which is a positive sign, showing that the company is repaying its debts, however along with it the promoter holding is decreasing which raises concerns.

# FINANCIAL ANALYSIS

Particulars	2019	2020
Revenue from Operations	3,568.91	2,522
Expenses	3,739.92	3,879.52
PAT	127.51	1,883



The revenue i.e. the top line of the company has shown a consistent growth over the period of time, there was a marginal decrease in the revenue in 2019 was due to the sad and sudden demise of the Chairman and Managing Director Mr. V. G. Siddhartha and the revenue dip in 2020 was mainly because of the pandemic, the nationwide lockdown and liquidity issues. The company’s expenses over the years have risen, impacting the bottom line of the company, which is not a positive sign. The rate at which the revenue are growing is less than the rate at which the expenses are rising leading to slower bottom line growth, the consolidated profit after tax (PAT) is **Rs. 1883 crores** in the year 2020 and compared to the profit after tax of year 2019 is much high, the exceptional gain in profit is mainly due to the sale of equity stake held in Mindtree Limited and on the account of the sale of global village property held by Tanglin Developments Limited.

## ● Ratio Analysis

Particulars	2016	2017	2018	2019	2020
Interest Coverage Ratio	0.84	1.2	1.64	1.47	2.35
Current Ratio	1.43	1.42	1.14	1.01	1.6
Total Debt/Equity Ratio	1.47	1.75	1.67	2.59	0.93
Return on Capital Employed	5.37%	6.01%	6.59%	8.06%	3.7%

Starting with the interest Coverage Ratio, the company has shown consistent growth which is a positive sign. 2016 is the year which has low interest coverage ratio among the given period which makes the ability of the company to meet its interest expenses questionable, but as on 2020 company seems to be in a comfortable position where it can cover its current interest payment with its available earnings

The Current Ratio measures the company's ability to pay short term obligations. Between 2016 and 2019, a consistent decrease in Current Ratio indicated that the company's current liability is increasing and the current assets are decreasing making it difficult to meet the short term obligations. However in 2020, there was a rise in Current Ratio, mainly due to the repayments of loans by the company.

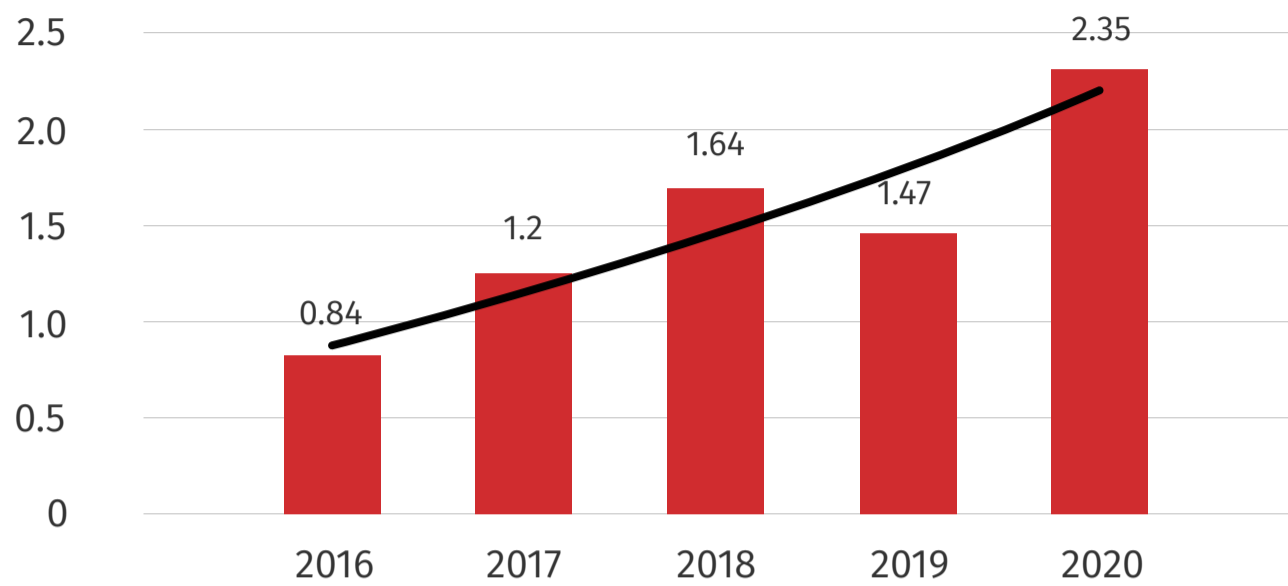
The Debt Equity Ratio shows how much portion of the capital is financed by borrowed funds or owner funds. The company has majority of its capital financed through Equity and the debt portion is less. The sudden hike in D/E ratio in 2019 was due to the borrowings from Standard Chartered Bank amounting to 3,000 crore. The figures of the 2020 look positive as they show company is repaying its debts, but an important thing to consider is that more than 50% of the promoter shares are pledged which reduces the confidence of the investor as he is exposed to higher amount of risk due to volatility.

The Return on Capital Employed (ROCE) of the company is increasing over the period of time indicating that company is making efficient use of its available internal and external resources over the period to generate good amount of returns. The reason for the dip in ROCE in 2020 was because of the pandemic that adversely affected the top line (i. e.) operating profits of the company, the rising expenses and the liquidity issues.

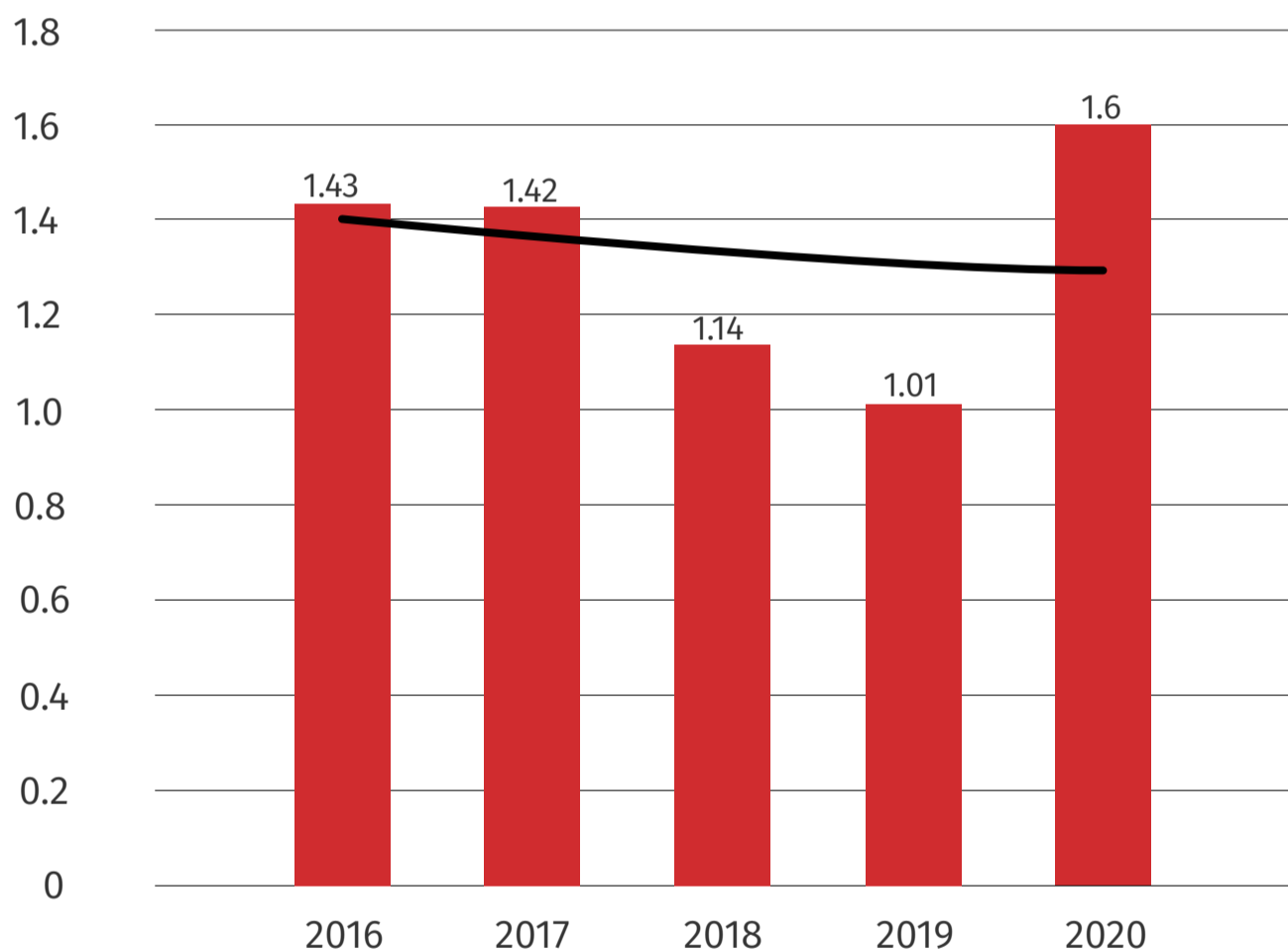
# KEY GRAPHS AND CHARTS

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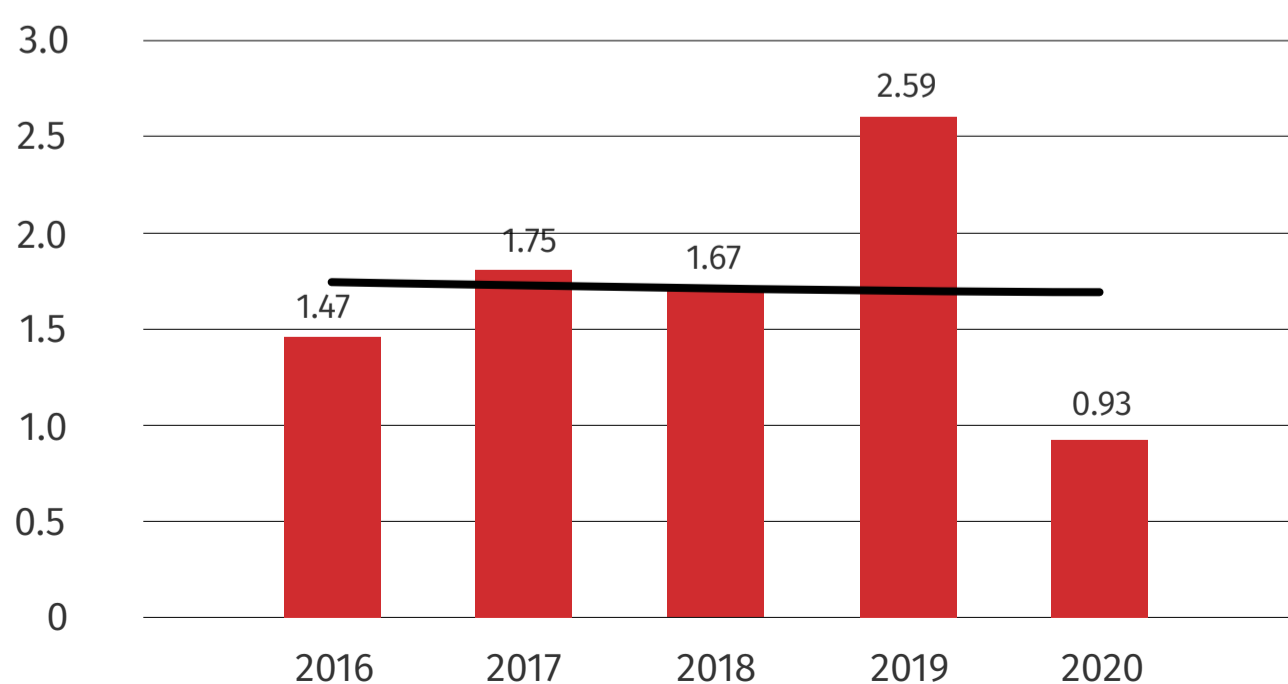
## ● Interest Coverage Ratio



## ● Current Ratio



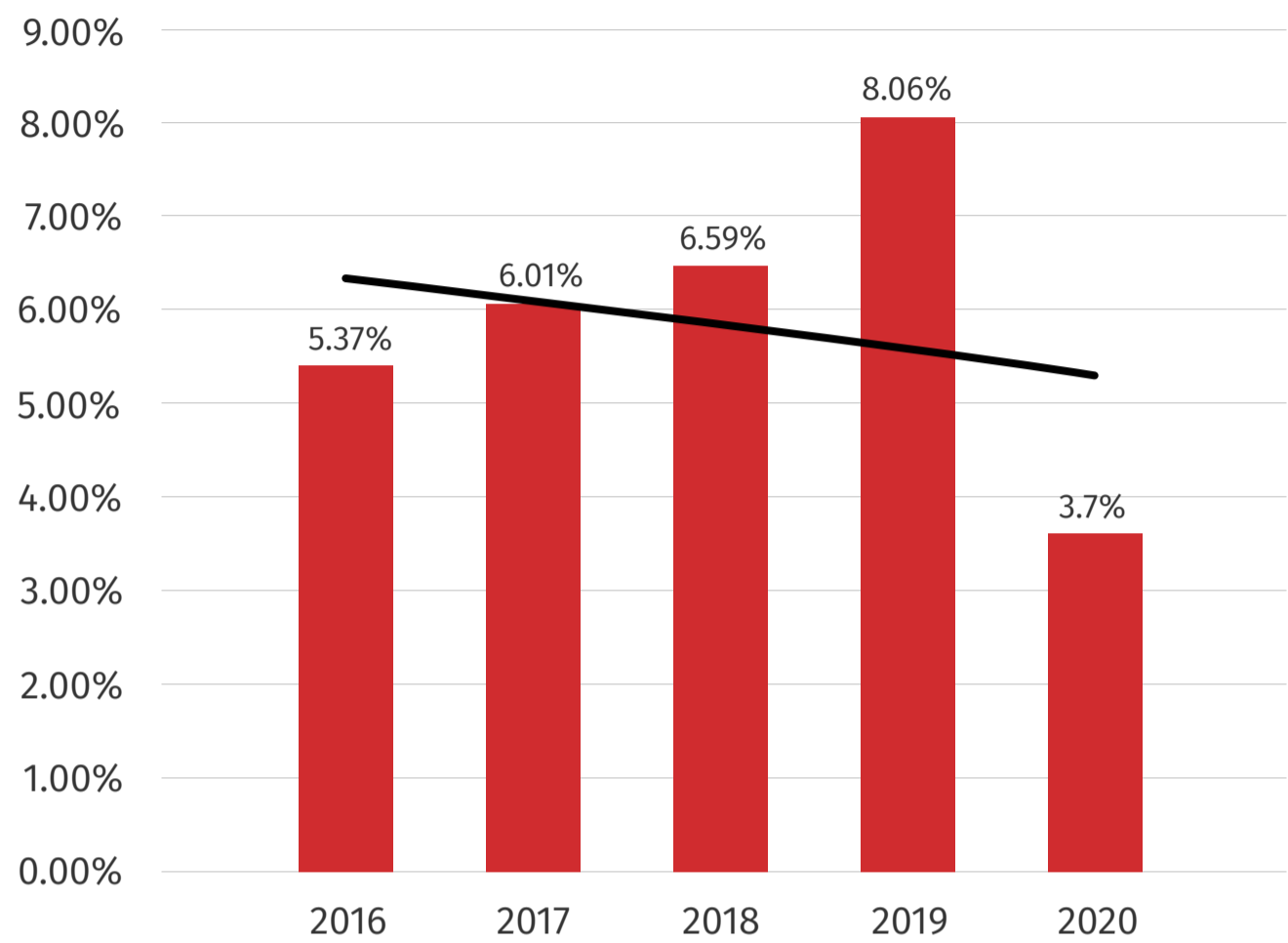
## ● Total Debt/Equity Ratio



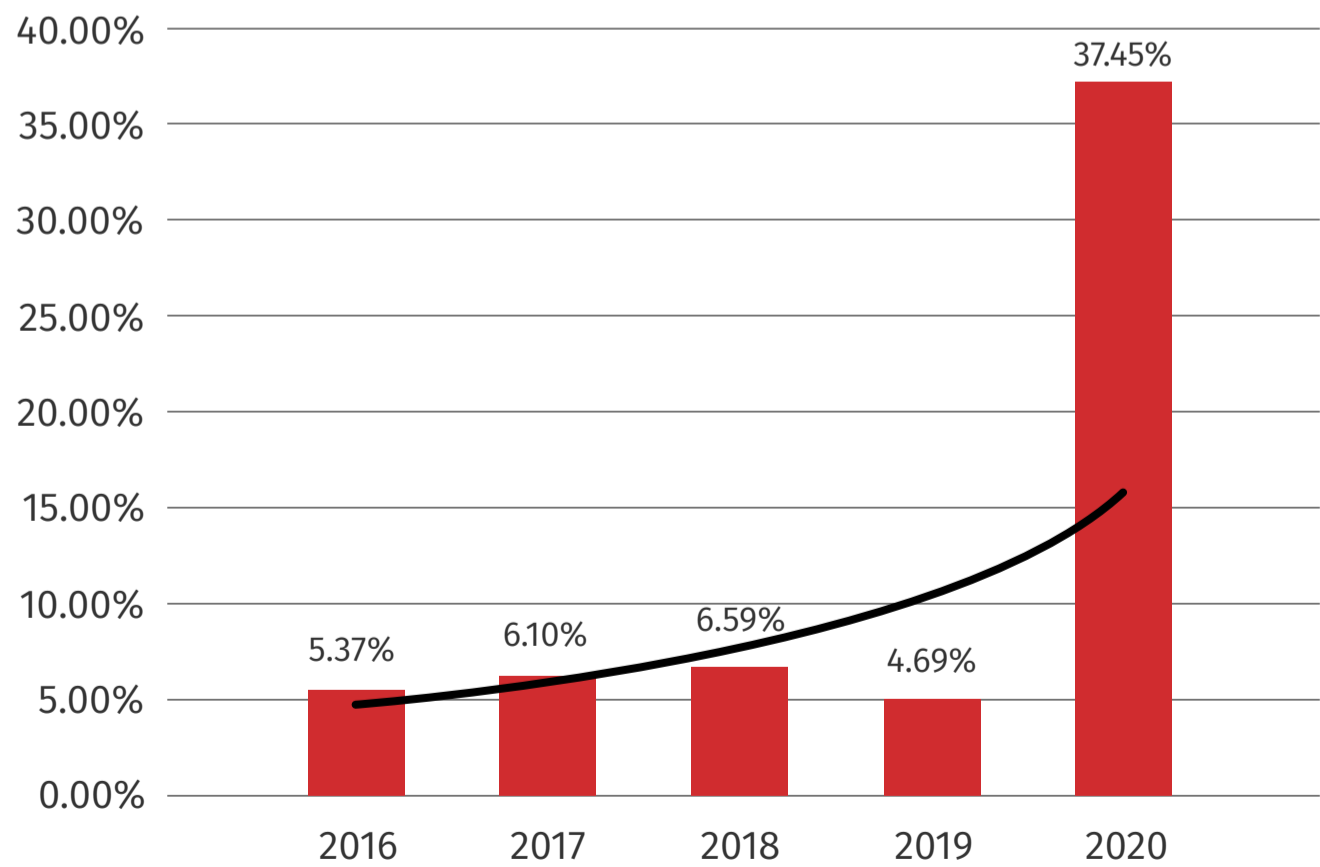
# KEY GRAPHS AND CHARTS

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● Return on Capital Employed (ROCE)



● Return on Net Worth



# HIGHLIGHTS AND CONCLUSION

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The business idea of CCD was debt centric. In 2015, CCD had accumulated a debt of Rs 6328 crores, in order to reduce their debt, they launched an IPO of 1150 crores to raise money from the public. Even after the issue of shares, in 2018, the company had a debt of 4411 crores which again rose to ₹ 6547 crores in March, 2019. Because the company was in such a heavy debt, it started taking short term loans in the form of debentures with high-interest rates to pay off their long term debt, resulting a more heavy debt burden. The company however was posting profits but the profits were not sufficient to meet their obligations.

The company is taking measures to repay debts and reduce the debt burden on company, it sold its stake of 20.32% in Mindtree to L&T infotech for around Rs. 3200 crores for repayment purpose and In March 2020, company announced that it has reached an agreement to sell Global Village Technology Park, a 90-acre tech park on Bengaluru's outskirts, for a total of ₹ 27 billion for repaying the debt of Café Coffee Day's associate firms and their promoters.

The current pandemic has worsened the situation for the company hampering its top line as well as the bottom line, because of the rising expenses the company had to shut down its 280 outlets. With these closures, the total count of its outlets stood at 1,480 as on June 30, 2020. The company also reported a decline in average sales per day to Rs. 15,445 during the April-June quarter of 2020. However, the count of its vending machines went up to 59,115 units in Q1 FY20 from 49,397 as compared to the same quarter a year ago.

Even though the company is putting all its efforts to reduce the debt burden there is still a long way to go. Many companies are showing interest to buy stake in Coffee Day Enterprises Ltd, as CCD has very good locations, brand recognition and nationwide distribution. However along with the existing challenges the company is facing several other challenges because of the rising competition in the market. There are many other players in the market giving tough competition including big brands like Tata Starbucks Limited (India), McCafe etc. along with some good unorganised players. Therefore, the company not only has to recover from current circumstances but also has to match the competition level set by the existing players. The management of company has been slightly restructured by appointing Malavika Hegde as the CEO, along with new independent directors. The main focus of the management is to reduce the debt and keep the company in profitable state by keeping the best interest in mind.

# REFERENCES

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