

# Brewing new Possibilities

# MESSAGE FROM THE CHAIRMAN

## Dear Shareholders,

On the occasion of our very first Annual Report as a public listed company, I'm delighted to share with you our journey over the past 20 years.

Way back in the year 1996, there were no social hubs that offered friends, colleagues or coffee lovers a place to unwind, converse or just be themselves. We acted on this gaping opportunity and pioneered the interactive coffee culture in India – one that has permeated the social and intellectual fabric of our country.

Our dream was to turn coffee into a social idea – thus giving the Indian consumer a new lifestyle experience that is within the reach of a common man. Today, we can boast of having served 1.6 billion cups of beverages to a population base of 1.3 billion. We launched our first outlet on Brigade Road as the 'Coffee Day Cyber Cafe', one that offered a 64 kbps connection at a time when the internet was accessible only to about 10,000-15,000 IT professionals.

At Coffee Day, we've always had one vision – to be a forward-thinking company that stays relevant to the people of our country. Today, over 1600 cafes and 35,000 vending machines later, our vision remains unchanged. The year FY16 saw a lot of exciting developments take place – the highlight of course being that we transitioned to a public listed company and welcomed you all aboard!

## FY16: Snapshot of the Year

Our coffee retail business saw a gross operational revenue growth of 13.7%, while the retail EBITDA was up 19% as compared to the previous year. CCD has recorded a positive same-store-sales growth of 5.4% in FY16, even while the footfalls across the Food and Beverages industry have been experiencing a momentary slowdown.

The past year was a year of many firsts.

Based on our extensive research and consumer insights, we felt the time was right to enter the Home-Delivery segment, and will soon expand to major cities in India. To strengthen loyalty, offer personalization and gain access to deeper consumer data, we launched a new mobile app during FY16. We also launched an array of refreshing new summer beverages, freshly assembled food and ice cream sundaes, thus generating a higher throughput during the year.

Our foray into the corporate segment was



strengthened with the number of vending machines moving to over 35,000. The highlight of the year however, is our joint venture with the 160-year-old WMF group, the world's leading vending machine manufacturer.

## The Coffee Industry: As Strong as Our Brew

While we are involved in a multitude of businesses – from logistics to IT parks and financial services, our core business will always be coffee – owing to our heritage and the mind-boggling potential of the industry. The two promising growth indicators, which are keeping us laser-focused and spurring the growth of the food services market are:

**Strength of our population:** With a population of 1.3 billion people, India is among the largest consumers and producers of F&B in the world. While a big chunk of our consumers are from Generation Y (born between 1982 and 1994), standing at a staggering 440 million people; there is now an explosive potential from Generation Z (those born after the year 2000), currently estimated at 400 million people, who are soon to enter our target market.

**Shift in consumption patterns:** Our per capita income stood at Rs. 93,293 in 2015-16, with a strong potential to grow in tandem with our current GDP growth rate of 7.5%. Owing to the growing disposable income, the consumption patterns and aspiration levels of the middle class have evolved – as witnessed in Tier 2 and Tier 3 markets as well. What is even more encouraging is the migration that is taking place from rural to urban India, placing us on the brink of a promising future.

### A Diversified Portfolio: Other Self-Sustaining Businesses

Our forays into diverse businesses are marked by the same passion with which Coffee Day Global Limited was started. These businesses are self-sustaining and have robust internal revenue generators in place. At the group level, the EBITDA increased by 23.5% this year as compared to FY15, and our net operating revenue saw a 14% growth from FY15 to FY16. We also substantially reduced our losses to Rs. 8 crores in FY16, from Rs. 84 crores in FY15.

#### Here are a couple of noteworthy businesses in our diversified portfolio:

**SICAL**, our leading integrated logistics solutions provider in India, recorded a revenue of Rs. 810 crores in FY16. We will continue to drive this business with a strong focus on efficiency and better asset utilization in the coming years. In the near future, we plan to enter the coastal shipping market, which will free up Indian roads, lower pollution levels and significantly impact growth. We are also introducing a Retail Supply Chain Solution by integrating our cold chain services with cold storage and warehousing facilities. We plan to offer this to third party clients - thus opening up new business avenues.

**Tanglin Developments**, our subsidiary offering bespoke infrastructural facilities for technology enterprises in Bengaluru and Mangaluru, recorded a revenue of Rs. 125 crores in FY16, compared to Rs. 101 crores in FY15. In this business, our occupancy of 3.2 million square feet is currently yielding rental returns, while another 700,000 square feet will soon be occupied.

### A Responsible Way to Grow

As a socially aware company, we have integrated our Social Responsibilities into our daily operations. These initiatives include embracing eco-friendly technology, adopting sustainable farming techniques, educating and training economically underprivileged youth and differently-abled people and then subsequently employing them. We are the first Indian coffee company to receive the UTZ certification – a world standard for responsible farming and are the biggest exporters of UTZ-certified coffee in the country today.

### Looking Ahead

As we come to the end of an eventful year, we reiterate our commitment to creating shareholder value for Coffee Day Enterprises Limited. We plan

to do so by focusing on four pillars of growth:

**Innovation pipeline:** A cycle of innovation has always been our biggest strength. We have invested in cutting-edge roasting and brewing solutions and a modern cold coffee manufacturing unit that will increase the quality standards of our coffee. A health-food phenomenon has swept through the nation and we soon hope to venture into the health segment with a host of innovative food and beverages.

**Deeper consumer engagement:** In order to stay relevant, we will keep engaging with our consumers beyond food and beverages. We hope to strengthen our relationship via social media channels, digital tools and awe-worthy experiences.

**Brand leverage:** 20 years ago, we laid the foundation stone for Coffee Day as the base of the pyramid. Today, we wish to leverage our brand strength by venturing into various categories like packaged cold coffee, energy drinks, Tetra Pak milk and other beverages.

**People currency:** We are optimistic about the growth opportunities of our company because of our 'people currency', as I like calling them. We recruit talented people from across the best management schools in the country and empower them to innovate.

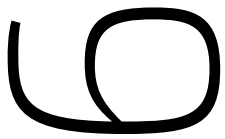
I am deeply grateful to my experienced management team for their expertise and foresight. I also want to express my gratitude to my earnest cafe team members who help us fulfill our journey from bean to cup, by working round the clock, to brew new cups of happiness, day after day.

Finally, I want to thank you, our shareholders, for your trust in the company. As I always say, we're still in the initial stages of our growth and have a long journey ahead of us - one that's dotted with lots of coffee, conversations and new possibilities.

Sincerely,

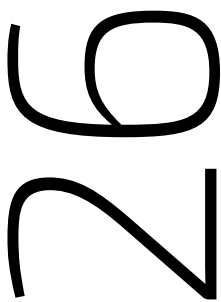


V.G. Siddhartha  
Chairman

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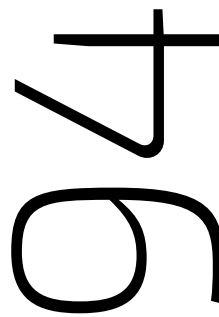
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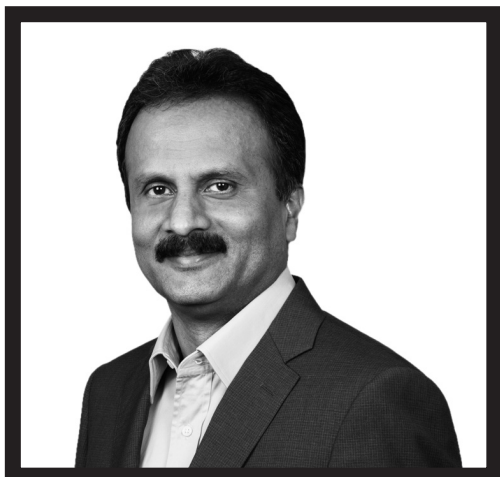
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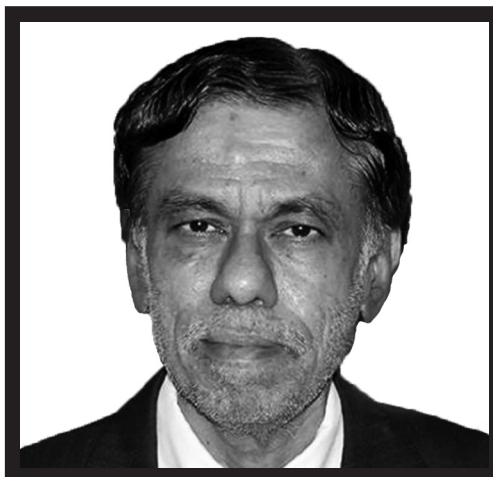
Coffeearts



## BOARD OF DIRECTORS



**Mr. V. G. Siddhartha**  
*Chairman and Managing Director*



**Mr. S.V. Ranganath**  
*Independent Director*



**Mr. M. D. Mallya**  
*Independent Director*



**Mrs. Malavika Hegde**  
*Non-Executive, Non-Independent Director*



**Dr. Albert Hieronimus**  
*Independent Director*



**Mr. Sanjay Omprakash Nayar**  
*Non-Executive, Nominee Director*

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Mr. V. G. Siddhartha** *Chairman and Managing Director*  
**Mr. S.V. Ranganath** *Independent Director*  
**Mr. M. D. Mallya** *Independent Director*  
**Mrs. Malavika Hegde** *Non-Executive, Non-Independent Director*  
**Dr. Albert Hieronimus** *Independent Director*  
**Mr. Sanjay Omprakash Nayar** *Non-Executive, Nominee Director*

## COMPANY SECRETARY & COMPLIANCE OFFICER

**Mr. Sadananda Poojary**

## CHIEF FINANCIAL OFFICER

**R. Ram Mohan**

## REGISTERED OFFICE

**23/2, Coffee Day Square, Vittal Mallya Road  
 Bangalore-560001**

## BANKERS

**Corporation Bank**  
**Axis Bank Limited**  
**Karnataka Bank Limited**  
**State Bank of Mysore**

## AUDITORS

**B S R & Co LLP**  
**Chartered Accountants**  
**Maruti Infotech Centre**  
**11-12/1, Inner Ring Road**  
**Koramangala**  
**Bengaluru 560071**

## REGISTRAR AND SHARE TRANSFER AGENTS

**Link Intime India Private Limited**  
**C-13,Pannalal Silk Mills Compound**  
**L. B. S. Marg, Bhandup(West)**  
**Mumbai-400 078**  
**Tel: +91 22 6171 5400**

## COMPOSITION OF COMMITTEES

Name of Committee	Name of Committee Members	Category (Chairperson/ Executive/ Non-Executive/ Independent/ Nominee)
1. Audit Committee	1. Mr. S.V. Ranganath 2. Dr. Albert Hieronimus 3. Mr. V.G. Siddhartha	Chairperson - Independent Member - Independent Member - Executive
2. Nomination & Remuneration Committee	1. Mr. S.V. Ranganath 2. Dr. Albert Hieronimus 3. Mrs. Malavika Hegde	Chairperson - Independent Member - Independent Member - Non-Executive
3. Stakeholders Relationship Committee	1. Mrs. Malavika Hegde 2. Mr. V.G. Siddhartha 3. Mr. S.V. Ranganath	Chairperson - Non-Executive Member - Executive Member - Independent
4. Corporate Social Responsibility Committee	1. Mr. S.V. Ranganath 2. Mr. V.G. Siddhartha 3. Mrs. Malavika Hegde	Chairperson - Independent Member - Executive Member - Non-Executive
5. Risk Management Committee	1. Mr. V.G. Siddhartha 2. Mrs. Malavika Hegde	Chairperson - Executive Member - Non-Executive
6. Administration Committee	1. Mr. V.G. Siddhartha 2. Mrs. Malavika Hegde	Chairperson - Executive Member - Non-Executive

# INTRODUCTION

**We are Coffee Day.  
Where others see a beverage,  
we see a world of possibilities.**

## **The Coffee Day Story**

We at the Coffee Day Group had a vision to make coffee more than just a beverage. We wanted to create an environment that brought coffee aficionados, budding coffee drinkers and friends together over a cup of freshly-brewed coffee. Today, we have established the largest footprint of cafe outlets in India – spread across more than 200 cities.

In our first year as a public listed company, we continue to strengthen brand loyalty by focussing on delighting our customers, constantly innovating and creating value for our stakeholders.

## **Spreading the Joy of Coffee**

We continue to strategically locate our cafe outlets at multiple consumption points such as high streets, malls, petrol stations, highways and

other high traffic areas such as transportation hubs, airports, hospitals, offices, educational institutions and tourist attractions – all with a focus of reaching a wider customer base.

## **The Unparalleled Advantage in Our Non-Coffee Businesses**

We believe that our strategic and wide coverage across the country places us in a unique position to capitalize on and gain insights into current trends and consumer preferences.

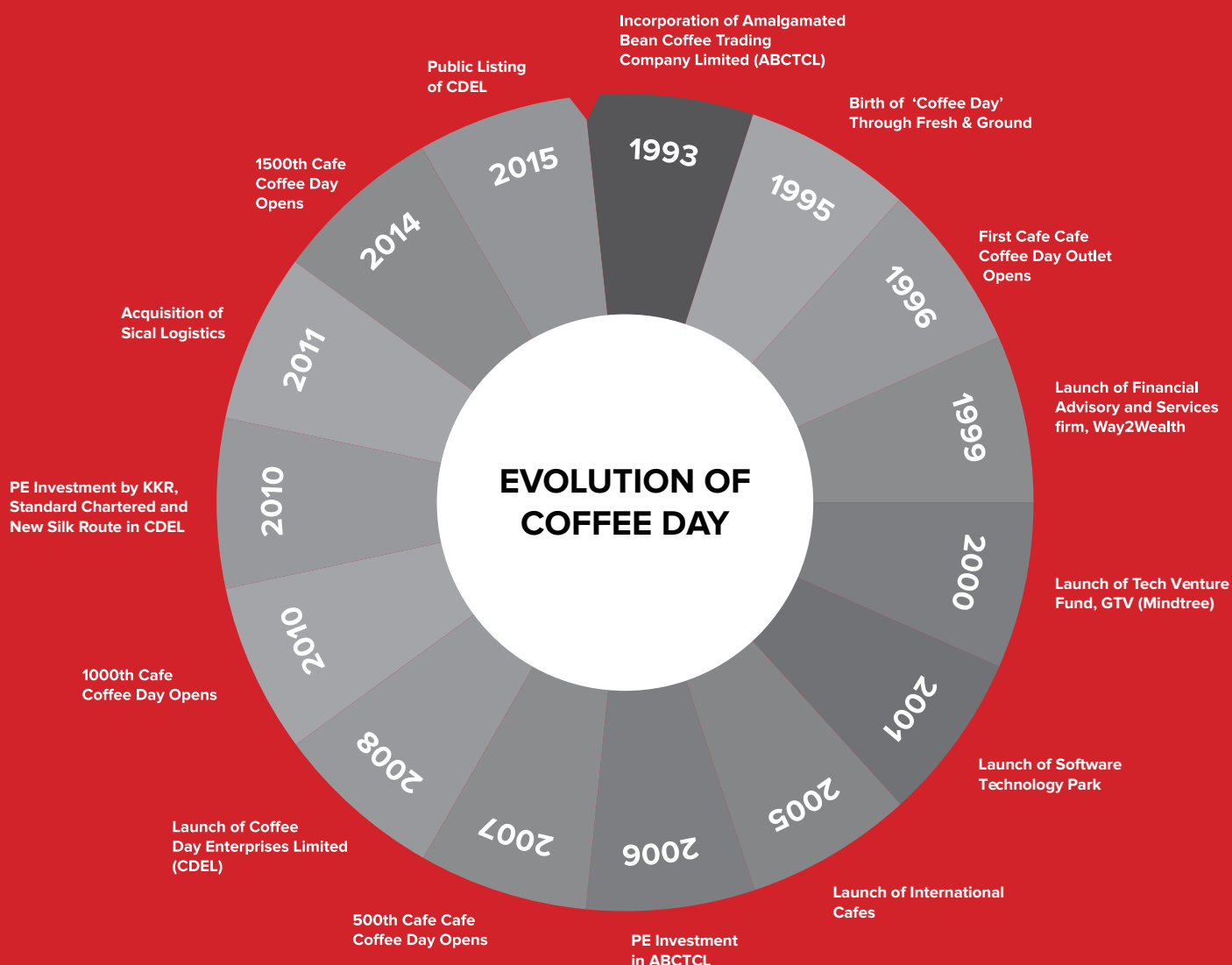
This helps us tap into the potential of diverse businesses like technology, finance, hospitality and logistics. Further, with the direction of our visionary promoter V.G. Siddhartha and his experienced management team, our non-coffee businesses continue to contribute effectively towards the overall health of the company.

**We are India's largest cafe chain with  
1607 cafés, 35,441 vending machines,  
579 Xpress kiosks  
and 415 Fresh & Ground outlets.**



# THE JOURNEY SO FAR

conclusion





**1.6 BILLION CUPS  
OF BEVERAGES  
PER YEAR**