

**COFFEE  
Day**

# ANNUAL REPORT

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**COFFEE  
DAY**

**BREWING**  
•HAPPINESS•

# MESSAGE FROM THE CHAIRMAN



*Dear Shareholders,*

Towards the close of our third year as a public listed company, I am delighted to share with you our journey on the trajectory of growth during FY18.

What once began as an idea to bring coffee culture into mainstream India at a price that was affordable yet competitive, led to the starting of the first Café Coffee Day way back in 1996. Today in 2018, we are India's largest café chain with close to 2,700 retail coffee points across the country and 47,500+ vending machines across corporate India.

None of this would have been even remotely possible without the support of our valuable customers and other esteemed stakeholders who have reposed their faith in us as we traversed this journey. Thank you once again.

## **FY2018: AN UPBEAT YEAR IN A NUTSHELL**

With our strong brand presence and singular focus on customer delight, the coffee retail business has been promising in spite of intense competition and regulatory changes in the country. Over the last 25 quarters, we have seen consistently positive same store sales growth.

We intend to continue on this growth path unabated, with our strong business fundamentals and brand customer loyalty leading the way.

Thanks to significant steps towards introducing new and exciting meal and snack options in our cafés, we have been able to expand the food menus on offer to our customers. These include an enticing array of eats, along with your

favourite beverages throughout the day. Milkshakes as a new category have garnered a very positive response and helped increase our overall sales. Constant food innovation allows us to be seen, perhaps for the first time, as a place not only for conversations over coffee, but also a rendezvous over a quick bite.

The response to our innovative food launches in the wellness range has been encouraging, and in a country that is fast becoming health conscious, we will continue to focus on healthy menu offerings. Overall, at the café level this year, we have employed the two-pronged approach of widening our product portfolio, while also offering value options to our customers.

Over and above our cafés, we continue to rapidly make inroads into the corporate sector. With the addition of over 8,000 coffee vending machines targeting key channels such as auto and jewellery showrooms, our coffee drinker footprint continues to expand.

It merits a mention here that Indus Plus, our new age video-enabled coffee machine with its IoT-enabled interface and intuitive screen, is fast catching people's attention. What is more, the launch of Tetra Pak cow's milk across the country has met with a heartening response for health-conscious customers, while at the same time living up to our high quality standards.



## **COFFEE INDUSTRY: THE FRAGRANT AROMA OF SUCCESS**

On account of café culture becoming popular among the youth in India, the coffee industry is set to grow at a CAGR of over 11% in the next 3 years. The Company reported a Coffee Retail Gross Revenue growth of 12% in FY17-18, and this is only poised to rise.

While still at a nascent stage, the demand for coffee beverages will slowly grow, increasing our caffeine footprint from metro cities to Tier II and Tier III cities across the country. Fueled by the government's plan to develop various 'smart cities' coupled with increasing disposable incomes and a dynamic work-life balance, we at Coffee Day have much to be optimistic about in the near future.

In addition to cafés, the availability of vending machines in corporate spaces has driven up the demand for hot beverages, and this contributes to an increasing demand for tea and coffee among the workforce in India. Your Company controls more than 70% of the vending business in fresh milk coffee in India Inc., and for this, you should only be proud.

With online food delivery platforms evolving with disruptive technologies everyday, we anticipate 10-15% of our café sales from delivery as a new revenue stream – one that will show rapid organic growth in the years to come.

## **SICAL: MINING FOR NEWER POSSIBILITIES**

The supply chain and logistics industry has been a big gainer on the rolling out of GST. With most forward-looking organisations reevaluating their supply chain and logistics strategies, we believe this sector is headed towards significant growth.

The Company reported a robust growth in FY17-18 with 31% increase in revenues. New initiatives around supply chain solutions for FMCG and retail industries, coupled with contract wins in the existing business verticals, contributed to this growth.

A consortium led by our Company (with a 51% equity stake), has been awarded a Mine Development and Operations (MDO) contract by the Damodar Valley Corporation. To be executed over the next 20 years, the cumulative revenue from this operation will yield us over Rs 10,000 crore. Furthermore, SICAL has secured two contracts from subsidiaries of Coal India Limited, with a total contract value of Rs 1,624 crore. These contracts will be executed over the next 4 years and will help us boost our revenue significantly.

We are also proud to inform you that SICAL Iron Ore Terminals Limited, a subsidiary of SICAL Logistics Limited, has received all clearances and financial approvals for the

modification of the existing Iron Ore Terminal to handle common user grade coal at the Kamarajar Port, TN. The Company is in the process of executing this project and will start becoming revenue positive in 12-18 months.

## **TANGLIN & THE BRIGHT PATH AHEAD**

Office space absorption is a domain that is expected to grow, owing to robust demand from IT/ITeS companies in key markets such as Bengaluru.

Tanglin offers customised office spaces for various multi-national technology enterprises in Bengaluru and Mangaluru. A steady and sustained demand from technology companies during the year resulted in Tanglin recording a gross revenue of Rs 150 crore in FY18. And it only gets better.

Over the next 8-12 months, an upcoming metro station is expected close to the Global Village property in Bengaluru. This will boost the demand for our location and provide faster connectivity to the city center. Revenues from Tanglin are expected to cross Rs 200 crore in the next 12-15 months.

## **WAY2WEALTH: THE ROAD TO PROSPERITY**

The revenue from our financial services business stood at Rs 574 crore in FY18, an increase of a significant 21% over FY17. These contributions can be attributed to growth in revenues from institutional, treasury and market operations through quantitative techniques and our futuristic approach.

In the year ahead, we expect our financial markets to be range-bound and our businesses dependent on them to maintain the status quo; particularly the equity, derivatives, commodities, debt markets and related businesses that might show slow growth.

However, the present government's policy focus and regulatory clarities are bound to encourage the FDI and FII inflows into the country, thereby assisting the markets to move higher and correspondingly help us leverage our business strengths to our advantage.

## **MINDTREE MINDS : AN APPETITE FOR TOMORROW**

We are thankful to Mindtree Minds for their extraordinary performance and we are confident that they will continue to add to our profitability and performance.

## **GLOBALEDGE : EARNING FROM LEARNING**

During the year, we successfully exited a majority stake of equity held in Global Edge, giving us a very healthy return on our initial investment made in 2001. We are expecting an additional consideration from the remaining stake in Global Edge during FY18-19.

## GIVING BACK MORE THAN WE TAKE SINCE 1996

Being a socially and environmentally responsible Company is not just a mandate; it is an ongoing commitment to our society and surroundings. Being the first Indian company to receive the UTZ certification, our shade-grown coffee is consciously cultivated on estates that support a varied flora and fauna endemic to the region.

People are our greatest asset, and we have a deep commitment towards bolstering the fortunes of the communities and talent we work with. We firmly believe that the strategies and values highlighted below will help us stay on course:

**Talent Management:** Great talent will shape the future of our businesses, each of which is committed to providing a platform and opportunity to help our people bring out their talent and potential at work. Our people initiatives are designed to continually reinvigorate and organise our human capital in order for our work force to step up to changing demands of our businesses while accelerating personal growth.

**Technology:** In these times of a rapidly digitising business environment, we continue to develop nuanced strategies that enable us to remain in touch with our customer base. As technological trends evolve, we intend to stay on course by recognising and reacting to our customers' needs without delay. Our emphasis on keeping up with these trends will ensure that Coffee Day continues to hold a place in people's hearts as one of the most loved and future-positive café chains in the country.

**Quest for Excellence:** Our motto is to constantly challenge ourselves to explore newer, better and quicker ways of doing things. Looking at everything with a sense of curiosity while never settling for anything but the best is the way we attain excellence. Never hesitating to question the norm, we are always looking for new ideas and innovations that help us to transform businesses and power us to serve our customers better.

## COFFEE DAY GROUP: A FUTURE REIMAGINED

At the group level, we are excited about the possibilities that lie ahead of us. As India is poised towards accelerating GDP growth, we believe we are entering an exciting phase of possibilities; who knows, but this could be the start of India's upswing boom, much akin to what the last 20 years have been for China.

We have tremendous conviction in our abilities to pursue the growth trajectory we have charted for ourselves, and significantly benefit from being part of this vibrant economy. With cities growing at a rapid pace and rural populations migrating to towns, our businesses are poised to soar rapidly. Our objective remains to continue growing

at a double-digit rate while maintaining the financial strength of our Company.

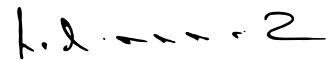
We are pleased to have you as our shareholders, and I take this opportunity to thank you for your continued trust and support on this journey. We are deeply passionate about building a great company; a passion that is reflected in every cup of coffee we serve.

We would also like to thank the Board, management, employees and all other stakeholders for their significant contribution over the years for making us one of India's biggest and most iconic brands.

Finally, as always, I would like to reiterate our commitment towards delivering consistent results and enhancing shareholder value.

After all, who would have guessed that so much can indeed happen over coffee!

Warm regards,



V.G. Siddhartha  
Chairman and Managing Director







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# 01

## BUSINESS OVERVIEW

# ABOUT US

In 1996, we opened the first Café Coffee Day outlet on Brigade Road in Bengaluru with a brand new vision – one of connecting people over a beverage. Coffee and hangout spaces in India would never again be the same.

As the parent company of the Coffee Day Group, we are proud to have been the pioneers of café culture in this country. Coffee processed by us is also exported to various parts of the world spanning Europe, the Middle East and Japan, giving us the enviable position of being among the top coffee exporters in the country.

Today, our subsidiary Coffee Day Global Limited has established the largest footprint of café outlets in India – spread over 245 cities. Our forays into diverse businesses are marked by the same passion with which we started Coffee Day Global Limited. Our portfolio includes Technology Parks & SEZs, Logistics, Investments, Financial Services and Hospitality.

## VISION

Showing the world where coffee can take us.

**OUR CULTURE IS WHAT WILL DETERMINE WHERE WE TAKE COFFEE.**

We are right where coffee is. From nurturing each plant, to coaxing the perfect flavour, blend and brew into each cup we serve in our cafés, we are also where coffee is going next.

## MISSION

To find and extract the boundless potential in all that we do—just as we have for every cup of coffee.

### Subsidiaries:

## COFFEE DAY GLOBAL

We are engaged in our coffee business through our subsidiary, Coffee Day Global Limited (earlier known as Amalgamated Bean Coffee Trading Company Limited) (“CDGL”) and its subsidiaries. In addition to having the largest chain of cafés in India, we operate a highly optimised and vertically integrated coffee business which ranges from procuring, processing and roasting of coffee beans, to retailing of coffee products.

## SICAL

Founded in 1955 and with revenues in excess of Rs 1350 crore, SICAL Logistics Ltd is India’s leading integrated logistic solutions provider with over 6 decades of experience in providing end-to-end solutions in logistics. Coffee Day Group acquired SICAL in 2011.

Traditionally known for its stevedoring, customs handling, trucking and steamer agency businesses, SICAL today is poised for growth, having invested significantly in logistics-related infrastructure. It has also expanded into various business areas such as mining, retail supply chain solutions, port logistics, road & rail transport, container freight station, warehousing and shipping.

## WAY2WEALTH

Way2Wealth is an Investments Consultancy Firm providing complete wealth management and investing solutions. Offering a range of products and services spanning equities, derivatives and mutual funds among others, Way2Wealth aims to help customers make well-considered investment decisions. We service our customer relationships through a team of over 1,000 wealth managers spread across 570 easily accessible Investment Outlets in almost all major towns and cities in India.

## TANGLIN

Founded in 1995 as the developer of technology parks and SEZs for the Coffee Day Company, Tanglin Developments offers bespoke infrastructural facilities for Technology enterprises. TDL has two technology parks, ‘Global Village’ and ‘Tech Bay’, situated in Bengaluru and Mangaluru respectively.

## THE SERAI

We own and operate three luxury boutique resorts (one directly through our Company, and two through our wholly-owned subsidiary, Coffee Day Hotels & Resorts Private Limited (“CDHRPL”), under the brand ‘The Serai’. Our resorts are located in the State of Karnataka at Chikmagalur, Bandipur and Kabini. Additionally, we also hold a minority interest in and manage a luxury resort located in the Andaman and Nicobar Islands.