

Café Coffee Day : Revived From Debts

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INTRODUCTION - A sharp witted efforts to make a tea loving country fall for coffee. An overwhelming dominance in the market segment lead through selling coffee. Siddhartha developed an idea of delivering coffee to its customers with technology that mustered youth to the outlets in search of internet access. The marketing strategy of price skimming was used to gather many footfalls than gain more revenue. With immense limelight that CCD admired it didn't sustain for a long duration as the business model was fixed a huge amount of debts that made the entrepreneur Siddhartha finally suicide, that's what marked the downfall of the company. But this is not the end of the business, soon Malavika Hegde took the seat as the CEO and there goes the ball in her court again. The debt number reduced drastically from Rs 7200 crore to Rs 1731 crore which was established when the country was hit with the covid 19 pandemic. The optimism stands further upright holding up the share price and declining the debts.

KEYWORDS: coffee, debt, market dynamics, profits, revival, share price.

I. HISTORY

CCD as the abbreviation used by the youth, the founder Mr VG Siddhartha earlier in 1984 started his firm named Sivan securities and began investing all the profits derived from the firm in purchasing the coffee farms in Chikmagalur region. Linking coffee with technology he made his first move to open the outlet at Bangalore in 1996. Coffee being not an integral part of the Indian culture he had to mint some interesting ways to jot down these two extreme corners. The marketing strategy adopted were extremely effective that involved 3 As like affordability, accessibility, acceptability. The emphasis was more into customization for the customers, empower cashless exchanges through implicit wallets. There was freecharge where they could use their number and finish the exchange in 10 seconds. They hooked the young crowd. In those days, internet was not that cheap with unlimited package offers and that's what clicked him to come up with the strategy for promoting coffee over social media, it lead this campaign through digital marketing leading to influence the youth of the country where CCD marked itself as a place of conversations. Furthermore, they went ahead with these café citizen card as a gratitude towards their loyal customers. CCD then was expanded with more than 1000 bistros over 2011. Also it vouched for an investment that amounted for rupees 10 billion for the coffee day resorts with the change in the logo and the tag line saying " a lot more can happen over coffee". There was then Amalgamated Bean coffee trading company ltd that helped Siddhartha to trade over 20,000 tonnes. That marked the company to become the second largest exporter from India. The company procured 48000 plus vending machines, 1700

cafes, 403 ground coffee selling outlets. The net worth of the enterprise was nearly rupees 4,264 crore as of 2-019. As on march, 2019 the company reportedly marked for an accumulation of debts of around rupees 6,550 crore. This created a drastic impact on the stock price and the company hit a 13- year low in the international market which further lead to the downfall in the prices by 10% in the indian market too. Siddhartha was the largest shareholder of the company named Mintree which he had to exist after nearly two decades due to the downfall of CCD and sell off his 20.32% stake to engineer L&T for rupees 3,200 crore. VG Siddhartha was under tremendous pressure where even after selling of his stakes in different companies he was still not able to offset the debt as the working capital requirements were still not met. After giving up his stakes he now thought of selling of the equity to the global beverage named Coco Cola for a valuation of rupees 10,000 crore with another deal meant with Blackstone to take majority stake in the real estate venture of the founder named as Tanglin development for around rupees 2,800 crore.

All these equity stakes and valuation of the company gave rise for income tax department to raid the premises of CCD. After the company was spot at the radar of the income tax department, on closure of the raid the income tax department discovered around rupees 650 crore of concladed income from the seized documents. The raids were conducted across 20+ locations including Bengaluru, Chennai, Mumbai headed by the senior officers of the income tax department of Goa and Karnataka region. Tuesday the 30th of july 2019, the CCD enterprise confirmed that Mr VG Siddhartha has been missing. On 29th july 2019, Siddhartha was out for a

Coffee Day Global Limited
Consolidated statement of profit and loss

Notes	For the year ended 31 March 2018	Rs in million For the year ended 31 March 2017
Income		
Revenue from operations	24 17,770.48	11,354.00
Other income	25 217.50	283.50
Total income	17,987.98	11,637.50
Expenses		
Cost of materials consumed	26 8,589.42	7,198.36
Cost of traded goods	38.91	79.74
Changes in inventories of finished goods and work-in-progress	35.79	(3.00)
Employee benefits expense	28 2,453.17	2,081.54
Finance costs	29 682.80	478.83
Depreciation and amortisation expense	30 1,742.73	1,832.45
Other expenses	31 4,287.87	3,476.81
Total expenses	17,346.59	15,146.48
Profit before tax	647.33	497.02
Current tax	308.02	274.57
Deferred tax	(33.17)	(64.08)
Income tax expense	272.88	232.69
Profit for the year before loss from joint venture	374.45	347.17
Share of loss of joint venture	(1.72)	(3.54)
Profit for the year	369.73	343.63
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Re-measurement of defined benefit plan without gains/losses	3.58	(0.91)
Income tax relating to items that will not be reclassified to profit or loss	(2.87)	(0.05)
	3.91	(0.96)
Items that will be reclassified subsequently to profit or loss:		
Foreign currency translation reserve	(1.28)	9.68
Effective portion of gains and losses on hedging	0.40	7.21
Income tax relating to items that will be reclassified to profit or loss	(0.14)	(2.25)
	(1.02)	14.64
Other comprehensive income for the year, net of tax	2.89	18.98
Total comprehensive income for the year, net of tax	372.62	362.61
Total comprehensive income attributable to:		
- Owners of the company	372.62	362.61
- Non-controlling interests	-	-
Earnings per equity share	34	
- Basic	2.27	1.58
- Diluted	2.94	1.39
Significant accounting policies	3	

The notes referred to above form an integral part of these consolidated financial statements. As per our report of even date attached.

For B S B & Co. LLP
Chartered Accountants
Firm registration number: 1012487W1-000222

Sugrath Reddy
Partner
Membership number: 200185
Place: Bangalore
Date: 17 May 2018

For and on behalf of the Board of Directors of
Coffee Day Global Limited

V. G. Siddhartha
Managing Director
DIN: 00493887

Malavika Hegde
Director
DIN: 00134524

Jayraj C. Prabhakar
CPD Director
DIN: 00073490
Place: Bangalore
Date: 17 May 2018

Subhankar Prady
Company Secretary
Place: Bangalore
Date: 17 May 2018

Figure 2: profit and loss

III. TEACHING CASE

COURSE MODULE: This case can be taken in the course module of MBA persisting to the subject corporate valuation or the financial statement analysis where the main focus is on the financial performance of the company. There are various ratios under which there is an interpretation done about the financial position of the company.

PHENOMENON AND CONTEXT : this study focuses on the revival of the company in terms of its financial performance that too at the time of the covid 19 pandemic after facing a lot of debts and downfalls. The company was covered in the hands of debts due to which the former founder Mr Siddhartha had no option but to end his life due to the trauma faced by him and recently his wife Mrs Malavika has taken over and is getting the company back to position by reducing the debts.

DILEMMA : the dilemma arises when the founder of the company Mr Siddhartha could not face the crisis of the company's debt and attempted suicide but then Mrs Malavika could easily figure out the loop hole and get back the fantastic business model on track. What is that loop hole she figured out that Siddhartha could not?

THE CASE: this is a case of a firm that could not survive in the market chain due to its bad financial performance and then the u- turn on the revival of the firm with an outstanding performance with the reduction in the dues of the company and increased share price by forthcoming the loop hole of the company.

THE DATA SOURCE: the data source for the case study is based on the secondary data source and is descriptive in nature that is through journals, websites, newspaper articles and various research paper and case studies.

ALTERNATIVE:

- The part of the restructuring plan focuses on reviving the footfalls on the stores.
- The group is planning to monetize the 10 floor corporate office by selling off the remaining period of the lease to the interested buyers.
- The plan to solve this problem is to cut the cost and pay off the debts to start afresh.
- Pooling in new investor and loyalty check over the made promises.

THEORY: This case fixes at the ratio analysis and financial statement analysis module of the MBA course where the ratio's tend to draw an interpretation on the whole affair of the company and gives a clear picture about the liquidity and the solvency of the business and whether this business is going to fetch profits for the investors in the coming future. Also the financial statement analysis talks about the current assets and the current liabilities which shows if the company is in the position to pay of its dues with the assets held by it.

TYPE OF THE CASE: the case is applied problem solving as Mr Siddhartha had fallen short in fulfilling his obligations towards the company and its internal members and so there was a downfall in the company. After the collapse of the company and his founder Mrs malavika took over to stabilize the business again and begin its venture by focusing more on the coffee chain segment and fulfilling the obligations felt undone by paying off the debts using various means to do the same and thus mark a comeback in the global competition again.

PROTAGONIST: the story that began with Siddhartha that lead the company receive a lot of praises in the beginning but the downfall lead the founder to give up further that isn't the end of CCD that suffixes over the fact, "A lot more can happen over a coffee" just got a reality check where the wife of Mr Siddhartha took over Mrs Malavika went ahead to hold on to the firm tighter and stronger than before, reduced those debts pooled in some new investors, repaid the lenders and here's Café Coffee Day trending on the list.

CASE QUESTIONS:

- What were the striking differences between the two deals that Mr Siddhartha and Mrs Malavika took?
- Justify Mrs Malavika decision over the current situation.
- Analyze the loops which lead to the downfall of the company.

IV. CONCLUSION

This case study is meant to give insights to the downfall of the company and the revival of the company with some different sort of strategy to gain the position in the market again and get down in the competition again. The company initially had a huge debt as they had got some short term loans in the form of debentures which were charged with a high interest rate repayment. The company faltered and that amounted to raids, immense pressure from the private body asking for buy back of shares. this case more appropriately handles the financial insights that led to shortcomings for the company. Mrs Malavika further took the situation under control by joining hands with some new investors and tried to get rid of those outlets that didn't fetch any profit and used the amount to settle of the lenders and has overcome that debts of the company fetching the shareholders and the investors good amount of return with building the trust in the efficiency of the company all over again. Was her attempt

successful to bring back the firm with its reputation or will it just get stagnant over the mediocre firm level with a break even point.

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