



Coffee Day Enterprises Ltd (CDEL) is the parent company of the Coffee Day Group, which houses Café Coffee Day that pioneered the coffee culture in the chained café segment in India. It opened its first Café Coffee Day outlet in Bengaluru in 1996 and has established the largest footprint of café outlets in India with a network of 1,538 café outlets spread across 219 cities, including under the established and recognized brand name "Café Coffee Day" (popularly referred to as "CCD"), as of June 30, 2015. In terms of the number of chained café outlets, CDEL had a market share of approximately 46% in India, with its café footprint being nearly four times larger than the cumulative footprint of the next four competitors. The company is engaged in coffee business through its subsidiary, Coffee Day Global Limited (earlier known as Amalgamated Bean Coffee Trading Company Limited). It is also engaged in coffee trading through CDEL and Coffee Day Trading Limited. In addition to having the largest chain of cafés in India, it operates a highly optimized and vertically integrated coffee business which ranges from procuring, processing and roasting of coffee beans to retailing of coffee products across various formats. In addition to the coffee business, CDEL operates other select businesses that are aimed at leveraging India's growth potential, namely, development of IT- ITES technology parks, logistics, financial services, hospitality and ITITES through its subsidiaries. CDEL has witnessed ~30% CAGR in topline over FY2010-15 to Rs. 24,794 mn. On the EBITDA front, the company reported a ~26% CAGR over the same period.

CDEL incurred losses in Financial Years 2012, 2013 and 2014 and FY15, which may adversely affect the business and financial performance. Its operations are conducted through Subsidiaries. Therefore, its ability to pay dividends on the Equity Shares depends on its ability to obtain cash dividends or other cash payments from its subsidiaries CDEL has pledged certain equity shares held by it in certain Subsidiaries and associate companies held by it in favor of certain lenders to secure loan facilities obtained by our Company and Subsidiaries. Promoters have provided personal guarantees and may in the future provide additional guarantees and/ or collateral of shares of CDEL and certain Promoter Group companies to secure the loans availed by the Company, Subsidiaries and its Promoter Group companies. On performance front, the company has (on consolidated basis) posted net loss for last three fiscals. Due to heavy expenditures in increasing outlets, higher depreciation and initial break-even periods have caused negative earnings so far. Turnaround will take few more years. All these along with its branding are well discounted in asking price. After issue of initial equity at par, it had issued shares in a price range of Rs. 1768.00 to Rs. 2900 per share during 2010 - 2015 and has issued bonus shares in the ratio of 7 shares for every 1 share held in May 2015 and done conversion of CCDs in to shares in September 2015. At the upper end of the price band, the Company's total equity valuation stands at Rs. 6756 crore translating into EV/EBITDA multiple of 26x which seems aggressive and steep. Investors should clearly note it is an IPO of holding Company which houses Coffee business in its subsidiary Coffee Day Global Ltd. and it would receive only dividends from its subsidiaries. With due consideration to above factors, complex holding structure, investors getting other businesses apart from Coffee business in CDEL bouquet which are currently dragging performance on consolidated basis, limited scope to improve EBITDA margins as retail coffee accounts only 30 percent of total capital employed, high capital cost of store addition would be a burden on financials considering low pricing lower as compared to peers like Starbucks in Coffee segment, high debt/equity of 5x, Consolidated Co's bottomline line in red for past 3 years and steep valuation despite losses we recommend to "AVOID" the issue.

Issue date	Oct 14 - 16, 2015			
Issue size	Rs. 11.5 bn at upper end of the price band			
Face Value	Rs.10			
Price Band	Rs. 316 - 328 per share			
Lot size	45 equity Shares and in multiples of 45 equity shares thereof			
Issue structure	QIB: 50%, Retail: 35% Non - Institutional: 15%			
Equity shares post issue	206 mn equity shares			
Post issue market capitalization	Rs. 67.56 bn at upper price band			
Book Running Lead Managers	Kotak Mahindra, Citigroup, Morgan Stanley, Axis Capital, Edelweiss, Yes Bank			
Registrar to the issue	Link Intime India Pvt. Ltd.			
Y/e 31 Mar (Rs. mn)	Q1FY16	FY15	FY14	FY13
Total income	6,231	24,794	22,870	20,996
Growth (%)	-	8.4	9	34
EBITDA	1,022	3,751	3,189	2,996
EBITDA Margin (%)	16.4	15.1	13.9	14.2
Reported PAT	(200)	(872)	(770)	(214)
PAT margin (%)	-	-	-	-
Equity Capital	1180.89	162.31	158.86	158.86
Networth	5,140	5,118	4,980	4,883
RoCE (%)	-	2.7	1.7	2.8
P/BV (x)	-	7.3	7.0	6.0
EV/EBITDA (x)	-	16.4	20.4	20

Shareholding Pattern (%)	Pre Issue	Post Issue
Promoters group	63.34	52.56
Public (including institutions & employees)	36.66	47.44
Total	100	100



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Objects of the issue

- 1) Setting-up of new Café Network outlets and Coffee Day Xpress kiosks – Rs. 880 mn;
- 2) Manufacturing and assembling of vending machines – Rs. 970 mn;
- 3) Refurbishment of existing Café Network outlets and vending machines – Rs. 610 mn ; and
- 4) Setting-up of a new coffee roasting plant facility, along with integrated coffee packing facility and tea packing facility – Rs. 6,330 mn
- 5) Balance amount to be used for general corporate purposes

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