

Coffee Day Enterprises Ltd(Cafe Coffee Day) : Good Issue IPO Note: Loss Making company ;Expensive Issue Ranking:***



Issue details

Price band (Rs)	Rs.316-Rs.328
IPO Opening Date	14/10/2015
IPO Closing Date	16/10/2015
Issue Size	Rs.1150 Crore.

Valuations & Recommendation

The company has (on consolidated basis) posted negative EPS for last three fiscals. For FY 2015 it posted net loss of Rs. 87.23 crore on a turnover of Rs. 2548.72 crore. There is no comparable listed peer company as restaurant business accounts for only 50% of revenue. But we can compare topline growth of the similar companies like Jubilant Food Work (JFW) and Speciality Restaurants. Last two fiscal JFW registered 22.76% and 20.52% revenue growth. Speciality Restaurant registered growth of 16.27% and 13.46% while CCD has registered only 8.65% and 8.32% in the same period. Sales to Equity of the CCD is also lower than JFW. **Based on this, the Issue looks very expensive. In future once the company restart profit generate one can look to invest.**

Highlights

- Café Coffee Day that pioneered the coffee culture in the chained café segment in India.
- The largest footprint of café outlets in India with a network of 1,538 café outlets spread across 219 cities
- In terms of the number of chained café outlets, CDEL had a market share of approximately 46% in India
- The company has been incurring losses in last 3 years
- Investors would not get any returns by the way of dividends
- Out of IPO proceeds Rs. 635 crore will go for reducing debt of the holding company and the rest for expansion and other funding needs.

Comparative Chart

Particulars(Rs. In crore) FY15	Sales	EPS	PE	Sales To Equity
CCDL	2548.71	(7.47)	-	14.90
JUBLNT FOOD	2092.76	16.94	91.38	31.91
Speciality Restaurants	299.38	2.01	79.10	6.37

Company Introduction

Company Profile

Coffee Day Enterprises Ltd own and operates coffee cafes in India since 1996. As of Dec 2014, Cafe Coffee Day has market share of



<http://www.cafecoffeeday.com/>

Financial Summary

Particulars	FY2013	FY2014	FY2015
Income	2149.14	2352.77	2548.71
Net Profit	-21.40	-77.02	-87.23
EPS (Rs)	(1.89)	(6.76)	(7.47)

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

46% in India in terms of the number of chained Cafe outlets.

In addition to having the largest chain of cafes in India, company operate 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. Company is one of the largest exporters of Indian coffee beans, primarily to Europe, Japan and the Middle East

Expansion

CDEL mulls expansion of its outlets and Kiosks, manufacturing and assembling of vending machines refurbishing of existing outlets and vending machines and setting up of a new coffee roasting plant. It has also planned prepayment/repayment of debts and raise corpus fund. Out of the total issue, shares worth Rs. 15 crore are reserved for eligible employees. Company hopes to mobilize Rs. 1150 crore. Issue opens for sub subscription on 14.10.15 and will close on 16.10.15. Minimum application is to be made for 45 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE/NSE.

Issue Proceed

Objects of the Issue

1. Setting-up of new Cafe Network outlets and Coffee Day Xpress kiosks;
 2. Refurbishment of existing Cafe Network outlets and vending machines; and
 4. Setting-up of a new coffee roasting plant facility, along with integrated coffee packing facility and tea packing facility.
- B. Repayment or prepayment of loans of the Company and Subsidiaries;

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