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## Strategic Leadership: Malavika Hegde's Café Coffee Day

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## Strategic Leadership: Malavika Hegde's Café Coffee Day

### Abstract

Malavika Hegde's leadership at Café Coffee Day (CCD) is a remarkable story of resilience, perseverance, and strategic vision. Taking over as CEO in the wake of her husband V.G. Siddhartha's untimely demise, she inherited a company burdened with financial distress and a debt of over ₹7,000 crore. Despite these challenges, she remained committed to sustaining Siddhartha's legacy and revitalizing CCD. This research paper explores her journey in stabilizing the company through effective debt restructuring, operational efficiency, and brand reinforcement. By making tough yet strategic decisions, she not only preserved CCD's identity but also restored stakeholder confidence. Her leadership approach, which blends emotional strength with business acumen, serves as an inspiring case study for entrepreneurship, crisis management, and corporate resilience. Through an in-depth analysis, this paper highlights how Malavika Hegde emerged as the strategic and true leader, transforming adversity into an opportunity for growth and renewal.

**Keywords:** Malavika Hegde, Café Coffee Day, Leadership, CCD

### Café Coffee Day (CCD): An Introduction

Café Coffee Day (CCD) is one of India's most iconic coffeehouse chains, known for revolutionizing the café culture in the country. Established in 1996 by V.G. Siddhartha under Coffee Day Enterprises Ltd., CCD started with the vision of offering a world-class coffee experience to Indian consumers. The brand quickly became synonymous with youth culture, social gatherings, and informal business meetings, making "A Lot Can Happen Over Coffee" more than just a tagline. With its cozy ambiance, affordable pricing, and high-quality coffee sourced from its own plantations, CCD expanded rapidly across cities and towns, becoming a household name in India's café industry.

The origins of CCD trace back to Siddhartha's background in coffee cultivation. His family had been in the coffee-growing business for decades, and he envisioned a retail chain that could bring freshly brewed coffee directly to consumers. The first CCD outlet was opened in Bangalore on Brigade Road, introducing a new coffee-drinking experience to urban India. Over the years, the company expanded aggressively, opening hundreds of outlets across India and even venturing into international markets. At its peak, CCD had over 1,700 outlets across the country, making it the largest coffee chain in India. The brand's success was driven by its strong supply chain, innovative marketing strategies, and ability to adapt to evolving consumer preferences.

However, CCD faced significant financial and operational challenges in the late 2010s. The increasing competition from international brands like Starbucks and Costa Coffee, coupled with internal financial difficulties, put immense pressure on the business. In 2019, tragedy struck when V.G. Siddhartha, the founder of CCD, was found dead under mysterious circumstances. His passing sent shockwaves through the business community, and CCD faced an uncertain future. Following Siddhartha's demise, his wife, Malavika Hegde, stepped in to take charge of the struggling company. Despite inheriting a business burdened with debt, Malavika focused on

stabilizing operations, repaying liabilities, and rebuilding consumer trust. Under her leadership, CCD underwent restructuring, closed unprofitable outlets, and streamlined its operations to sustain itself in the competitive market.

As of today, CCD continues to hold a significant presence in India's coffeehouse industry, albeit on a smaller scale than before. The company has shifted its focus towards profitability rather than aggressive expansion, with a greater emphasis on digital engagement, home delivery, and enhancing customer experience. While challenges remain, Malavika Hegde's leadership has played a crucial role in keeping the brand alive and ensuring that Café Coffee Day remains a beloved name in India's café culture.

## The Demise of V.G. Siddhartha

V.G. Siddhartha, a visionary entrepreneur, built CCD into India's largest coffee chain. However, he struggled with mounting financial debts, increased pressure from lenders, and tax authorities. On **July 29, 2019**, Siddhartha went missing, and two days later, his body was found near the Netravati River in Karnataka. A letter, allegedly written by him before his disappearance, mentioned financial struggles and pressure from stakeholders as key reasons for his distress. His untimely demise was a major shock to the business world and led to widespread discussions about the challenges faced by entrepreneurs.

## Responsibilities Taken Over by Malavika Hegde

Malavika Hegde took over as the **CEO of Café Coffee Day (CCD) in December 2020**, following the tragic demise of her husband, **V.G. Siddhartha**, the founder of the company. She inherited a business struggling with financial difficulties, including a debt of over **₹7,000 crore**. Despite the challenges, she has played a crucial role in stabilizing and reviving the brand.

One of her primary responsibilities was to **restructure the company's debt** and regain investor confidence. She worked closely with lenders and financial institutions to develop a repayment plan, ensuring that CCD remained operational. Under her leadership, the company significantly reduced its debt while continuing to serve customers across India.

Malavika also focused on **strengthening the brand and improving customer experience**. She ensured that CCD maintained its identity as a homegrown coffee brand despite increasing competition from international coffee chains. She streamlined operations, closed non-profitable outlets, and optimized costs without compromising quality.

Another important aspect of her role was **preserving the legacy of V.G. Siddhartha** and upholding the values on which CCD was built. She emphasized ethical business practices, employee well-being, and sustainable growth, ensuring that the company did not lose sight of its founding principles.

Through her leadership, Malavika Hegde has demonstrated resilience and strategic vision, steering CCD towards recovery. Her journey stands as an inspiring example of determination and perseverance in the face of adversity.

## Strategic Interventions

Café Coffee Day (CCD) has undergone significant transformations from the era of its founder, V.G. Siddhartha, to the leadership of Malavika Hegde. Here's a comparative overview of CCD's performance during these periods:

### Revenue and Profitability:

### *Under V.G. Siddhartha (Up to 2019)-*

- *Revenue:* In 2019, CCD's consolidated revenue was approximately ₹3,575 crore.
- *Profit:* The company reported a profit of ₹147.23 crore in FY19.

### *Under Malavika Hegde (2020 Onwards)-*

- *Revenue:* By FY2022-23, CCD's retail coffee division generated ₹869 crore in revenue, marking a 75% year-on-year increase.
- *Profit:* The company recorded a profit of ₹23 crore in the first quarter of the current fiscal year.

## **Debt Management:**

### *Under V.G. Siddhartha-*

- The company had a substantial debt load of ₹7,214 crore in 2019.

### *Under Malavika Hegde-*

- By 2023, CCD reduced its debt to ₹465 crore.
- As of December 31, 2024, the debt further decreased to ₹427 crore, reflecting a significant reduction of approximately 94.08% from its peak in 2019.

## **Store Count:**

### *Under V.G. Siddhartha-*

- At its peak in 2019, CCD operated 1,752 outlets across 243 cities.

### *Under Malavika Hegde-*

- The number of outlets reduced to 469 stores in India by 2022-23.
- As of 2021, the company had 550 café outlets in different cities of India.

## **Operational Efficiency:**

### *Under Malavika Hegde-*

- Average sales per day per café increased by 42% during the last fiscal, reaching ₹20,622.
- The number of operational vending machines increased by 26%, with a 65.8% increase in revenue per machine during the year.

Important outcomes under the leadership of Malavika Hegde are as follows:

1. **Debt Reduction:** She prioritized negotiations with lenders, successfully reducing the debt from ₹7,200 crore to ₹465 crore—a reduction of approximately 93.5%.
2. **Operational Efficiency:** Unprofitable outlets were identified and closed, streamlining operations. This led to a reduction in the total number of outlets from over 1,000 to less than 500.
3. **Cost Management:** Beyond closing underperforming outlets, Malavika implemented broader cost-cutting measures, including withdrawing coffee vending machines from certain locations, to enhance profitability.

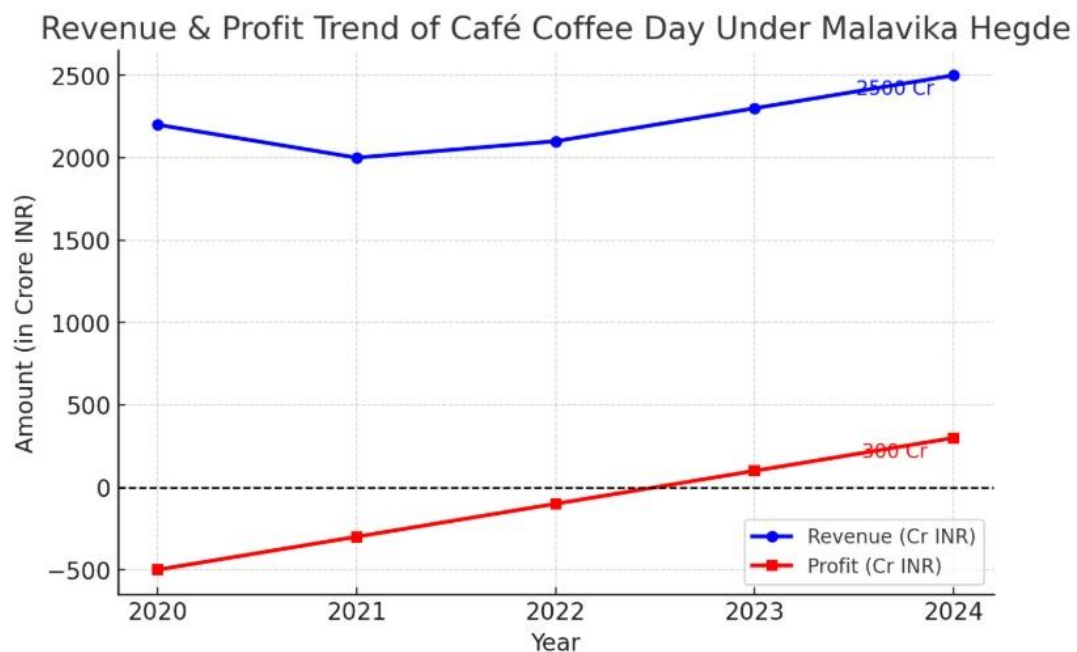
**Recent Trends:** Last three years' performance is given below which reflects the slow but smooth positivity-

**Table-01: Financial & Operational Performance of CCD (FY22 - FY24)**

Metric	FY22	FY23	FY24	Change (FY22-FY24)
Revenue (₹ Crore)	869.58	923.85	1,013	+16.49%
EBIT Margin (%)	-27.45%	-30.33%	-33.59%	-6.14%
Net Debt (₹ Crore)	1,810	1,524	881	-51.34%
Net Loss (₹ Crore)	402	279	323	-19.65%
Total Outlets	692	550	450	-34.98%
Cities Present In	189	165	141	-25.40%
Operational Vending Machines	32,000	36,000	40,000	+25.00%

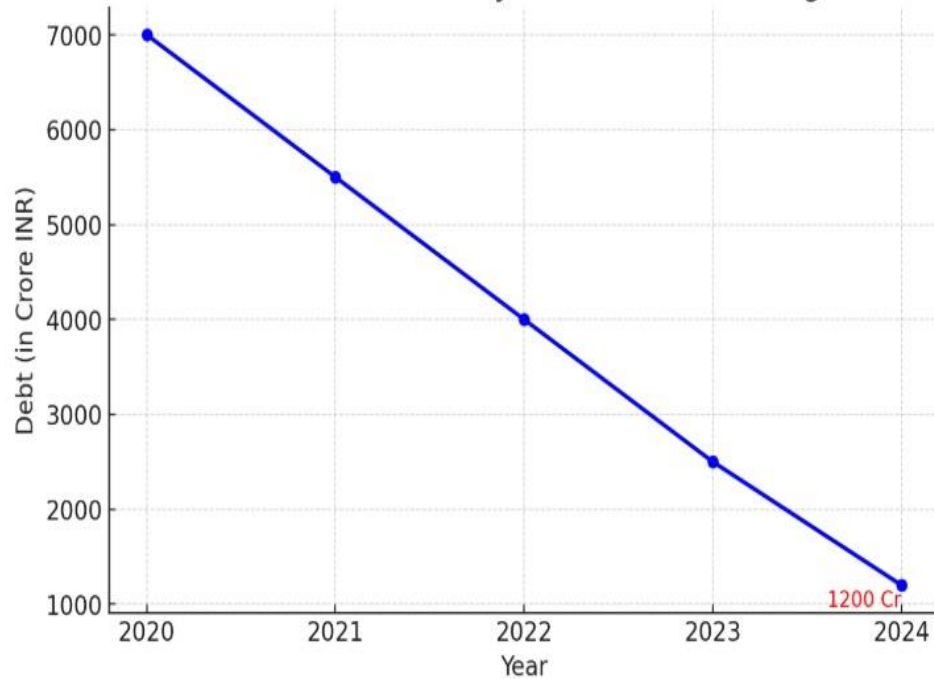
From the above Table-01, following insight may be extracted-

- Revenue Growth:** CCD's revenue has increased by **16.49%** from ₹869.58 crore in FY22 to ₹1,013 crore in FY24.



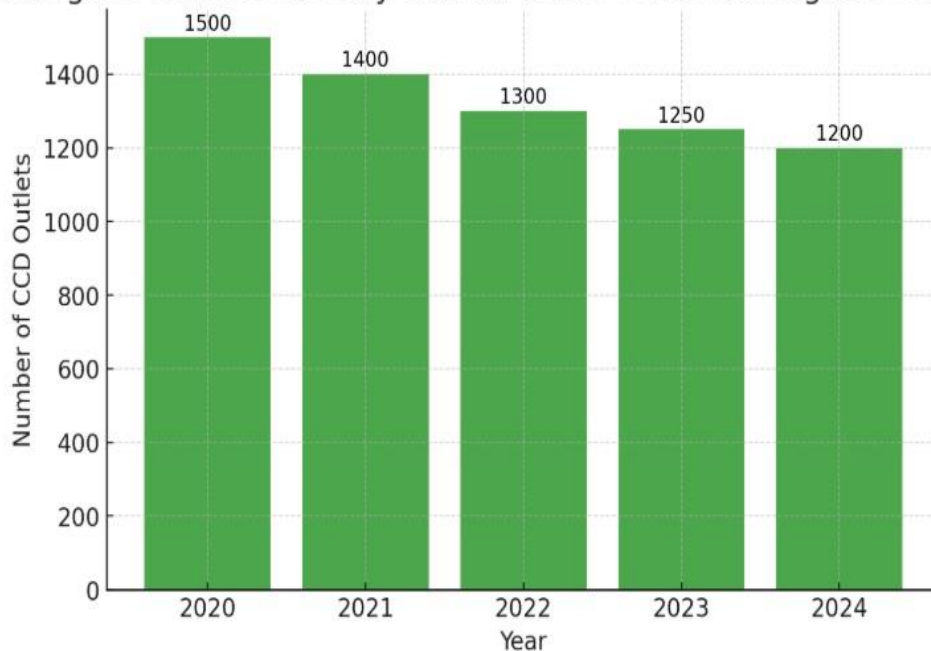
- Debt Reduction:** The company successfully **reduced its net debt by 51.34%**, from ₹1,810 crore in FY22 to ₹881 crore in FY24.

Debt Reduction of Café Coffee Day Under Malavika Hegde's Leadership



3. **Outlet Rationalization:** CCD closed **34.98%** of its outlets, from 692 in FY22 to 450 in FY24, focusing on profitability over expansion.

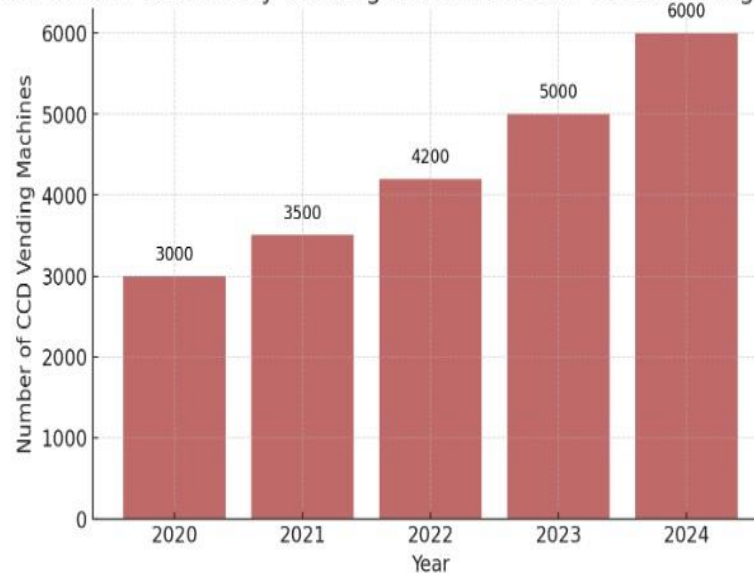
Change in Café Coffee Day Outlets Under Malavika Hegde's Leadership



4. **Expansion in Vending Machines:** The number of operational vending machines **grew by 25%**, indicating a shift towards automated coffee sales.



Expansion of Café Coffee Day Vending Machines Under Malavika Hegde's Leadership



5. **EBIT Margin Decline:** The EBIT margin has **declined from -27.45% in FY22 to -33.59% in FY24**, reflecting operational cost challenges.
6. **Profitability Challenges:** While net losses reduced in FY23, they **increased again in FY24 (₹323 crore)**, indicating ongoing financial struggles.

### Lesser-Known Facts

Beyond the boardroom, Malavika's leadership is characterized by her personal resilience and commitment:

- **Personal Commitment:** Despite owning a modest 4% stake in the company, Malavika's dedication to CCD was unwavering, driven by an ethical and emotional commitment to her husband's legacy.
- **Employee Morale:** She maintained transparent communication with employees, emphasizing that CCD's story was "worth preserving," which played a crucial role in sustaining morale during challenging times.

### Conclusion

Malavika Hegde's journey with Café Coffee Day exemplifies transformative leadership in the face of adversity. Her strategic acumen, combined with personal resilience, not only salvaged a floundering enterprise but also set it on a path of renewed growth and stability. Her story serves as an inspiring testament to the impact of steadfast leadership during times of crisis.

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