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Tea chain Chaayos to raise \$6 million

Chaayos, a café that serves customized tea, is planning to open 50 more tea cafes in next 18 months

Shrutika Verma



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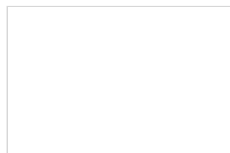
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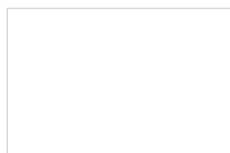
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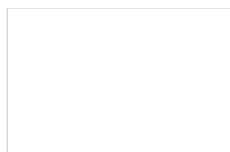
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Chaayos is also working on its mobile app, which will allow customers to order food and tea on their phones and have them delivered at their door step. The app is expected to be launched by mid-May.

New Delhi: Chaayos, a café that serves customized tea, is planning to open 50 more tea cafes in next 18 months as the company looks to build a pan-India presence. Promoted by Sunshine Tea House, Chaayos is looking to raise \$6 million for its expansion.

Gurgaon-based Chaayos, which currently has eight cafes in the National Capital Region (NCR) centred on New Delhi, will add 15 to 17 stores in the NCR and another 25 in Bangalore, Mumbai and Pune over the next one-and-a-half years, according to founder Nitin Saluja.

"We want to transform and own the chai drinking experience on all occasions in a customer's lifetime," said Saluja, who is also exploring the possibility of opening stores in Hyderabad, Chennai and Chandigarh.

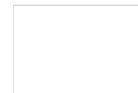
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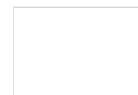
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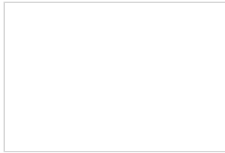
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step. The app is expected to be launched by mid-May.

Founded in November 2012 by Indian Institute of Technology (IIT)-Mumbai alumnus Saluja and IIT-Delhi graduate Raghav Verma, the company is betting that the next phase of its growth will be powered by delivery services and packaged tea blends that it sells through its cafés as well as on online marketplaces such as Amazon.in, Snapdeal and online grocery store Bigbasket.

Saluja saw an opportunity in the tea café business when he was working with a technology company in the US. "I used to miss the fresh adrak wali chai (ginger tea), the one that used to be made at home," he said.

Saluja was instantly drawn to the idea of offering 'ghar wali chai' experience in a café. He quit his job in mid-2012 and started Chaayos. "Despite the fact that we are a tea drinking nation, I realized that there were hardly any tea chains in the country. All we had were coffee chains," Saluja added.

According to a June 2014 report by National Sample Survey Office (NSSO), tea is the preferred drink of Indians and its consumption is growing rapidly. The median increase in tea leaf consumption for the top 19 states including Karnataka, Tamil Nadu, Haryana, Kerala and more was 44%, compared with 31% for coffee during 2004-05 and 2011-12. T

The report also noted that the states with the highest per capita coffee consumption were reporting the highest growth rates for tea.

"Today we offer a wide variety of tea at our café and the customer can order the kind of tea he prefers. Since we make the tea manually we have the option of customizing as per your needs," Saluja said.

When the desi chai concept kicked off and customers started inquiring about the ingredients they use, the founders decided to sell their signature blends in packs.

Chaayos currently sells close to 1,500 boxes a month of these signature blends such as tulsi adrak and masala chai.

And for those who prefer to have their chai delivered at home or office, the company has already tied up with Ola Cafes and local delivery company Grofers for its 'chai on demand' services.

"We already do 100 deliveries a day and we are planning to open 50 delivery stations in Delhi-NCR region to start with. This will help us increase the customer base we can reach out to," added Saluja.

Earlier this month, global café chain Starbucks announced its tie-up with delivery service company Postmates for an on-demand delivery service. Starbucks is also in the process of launching its mobile app, signalling high demand in the food and beverage home delivery market.

Chaayos, which raised about Rs2 crore from Powai Lake Ventures in 2014, believes that the money it expects to raise now will suffice for a year. "Our capex for one store is Rs15-16 lakh and this money will easily last us for another year or so," said Saluja.

Chaayos, which gets 45% of its revenue from food sold in the cafes, is already generating profits at a store level. On an average it gets close to 250 walk-ins per day per store.

The company, which operates with gross margins as high as 65-70%, is looking to close the financial year 2014-2015 with revenue of Rs9-10 crore.

“There are a lot of companies now trying to create a brand out of tea cafe(s) and whoever is able to expand and scale first will have a great advantage over the late movers. India after all is a tea drinking nation and these chains provide an alternative to coffee,” said Sumchit Anand, managing director, Acquisory India Consulting Pvt. Ltd, an M&A advisory and consulting firm. “However, good product and maintaining consistency across the stores is very important,” he adds.

According to Anand, this is a high margin business and is attracting attention of a lot of investors.

Chaayos competes with Chai Point in the tea space and coffee houses such as Cafe Coffee Day etc.

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