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Well-known Indian coffee-maker taps Guyana's furniture wood

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(TIMES OF INDIA) BANGALORE: V G Siddhartha, best known for his Cafe Coffee Day (CCD) chain, has taken 1.85 million hectares of Amazonian forestland on a 30-year lease from the Republic of Guyana in South America to start a furniture business in India. The idea is to transport cut logs on chartered ships from the Guyanese capital Georgetown to the Mangalore Port and then carry them via road to the Coffee Day Group's furniture plant in Chikmagalur. The Amazonian hard wood varieties coming to Indian shores through this route will include Greenheart, Purpleheart, Wallaba and Bullet Wood. The royalty that Siddhartha will pay the Guyanese government is not clear.

Siddhartha declined to comment on the matter. A couple of years ago, the Coffee Day Group had started a furniture unit to capitalize on the huge depository of full-grown silver oak, teak wood, rose wood and mahogany trees grown in its 15,000-acres of coffee gardens in Chikmagalur. The unit designs multi-purpose furniture for home, kitchen, office, hotels and retail outlets. It also manufactures all kinds of plywood, wood boards, panel sheets and beadings, making use of the wood waste and saw powder. But it has so far remained mostly as a captive unit, serving the requirements of the Group's coffee outlets and the resorts under the brand name Serai.

Now Siddhartha is planning to ramp up his furniture business in India and will soon float a new company called Dark Forest Furniture Company that will represent all segments of furniture including modern, classic, ethnic for home, retail, office, lounges and life-style and entertainment furniture. While there are a number of players in furniture, including Godrej, Wipro, Featherlite, Reliance, Zuari, and Durian, the focus for many is office furniture, and for others, there is a great deal of dependence on imported furniture.

The Coffee Day Group has been on a major expansion drive, particularly following a \$200 million (about Rs 1,000 crore) private equity investment in April last year from New Silk Route, KKR and StanChart PE. It took a controlling stake in logistics company Sical for Rs 200 crore in November last year. The CafA® Coffee Day chain, already 1,100 outlet strong, plans to take it to 2,000 by 2014, and has just started a new lounge format. According to sources, the Guyanese government is in the process of rectifying a non-functional woodcutting and log-sizing unit at the leased forest area and shipping of logs will start once that unit becomes functional.

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The Guyanese government allows cutting of only four full-grown trees from every hectare (approximately 2.5 acres) and when one tree is cut, it is mandatory to replant another to maintain the ecological balance of the Amazon rainforest.

The Amazon rainforest region includes territory belonging to nine nations. Some 60% of the forest comes under Brazil, 13% under Peru, and the rest is shared between Colombia, Venezuela, Ecuador, Bolivia, Guyana, Suriname and French Guiana. The Amazon represents over half of the planet's remaining rainforests, and it comprises the largest and most species-rich tract of tropical rainforest in the world.

Guyana's Agriculture Ministry later explained the details of the transaction in the following statement:

"The United States Company Simon and Shock International Logging Inc. (SSI) was awarded a State Forest Exploratory Permit (SFEP) in 2007 for 391,853 hectares.

"Due to prolonged non-compliance with the terms of the agreement, the SFEP was suspended in 2009.

"After completing the necessary due diligences, Government of Guyana (GoG) approved a request for a 100 % change in the shareholders of SSI to Vaitarna Holdings Private Inc. (VHPI); a subsidiary of Coffee Day Limited of India.

"This approval in 2010 was also contingent on payment of all outstanding SSI fees (US \$ 254,000), and a commitment to execute a forest inventory, prepare a business plan, and conduct an Environmental and Social Impact Assessment (ESIA) for submission to the GoG.

"Work is currently being finalized in these 3 areas.

"At the same time, the Timber Sales Agreement (TSA) awarded to Caribbean Resources Limited (CRL) was also terminated and re-possessed by the GoG in 2010, because of continuous non-compliance with the terms and conditions of the TSA.

"GoG accepted an offer of G\$600 million by VHPI to re-allocate this re-possessed concession of 345,961 hectares. This re-allocation was done in 2010. The sum of G\$600 million was applied to help meet liabilities owed to policyholders of Clico (Guyana), given that CRL is part of the same group of companies as Clico which went into receivership in 2010. CRL continues to have significant indebtedness to Clico (Guyana).

Operational activities have already commenced in this re-allocated concession."

