



# RED MUD COFFEE

*"Every revolution starts in a coffee shop."*



## FRANCHISE INQUIRY

We are thankful for your interest in us and trust that the information we provide will help you get an overview of Redmud Coffee.



## Overview

### 1. Introduction

Redmud Coffee was started in Nepal with three founders, Mr. Ashish Adhikari, Mr. Pravesh Humagain and Mr. Ritesh Adhikari in Dec 2012, which served only Coffee and bakery during its initial phases. Within 3 months, a kitchen was added and since then it had started serving burgers and sandwiches. The growth of Redmud continued as it opened its second outlet in Jhamsikhel in 2015. It also managed to secure a position in Rockstart Impact in the same month.

The determination and success of Redmud has even impressed and attracted foreigners to invest here. Investments by Red Field Investments B.V. has made Redmud an FDI project. With their support, Redmud successfully opened its third outlet in Gairidhara in November 2016 and again within its 3 months we managed to open a fourth outlet in New Baneshwor. We have also managed to open and operate Kiosk Models in Manang and US Embassy. Moreover, with the aim of providing Nepali brand coffee we have advanced talk with the Nepal's largest coffee production house i.e. Plantec.

Further, Redmud Coffee also started its barista training school from Jan. 2018 after successfully achieving training of SCA certified professional Barista from SCA trainer Miss Rose Van Asten in Dec 2017. Redmud has vision to eliminate the gap that lies between the farmers and market.



## **2. Founders**

### **2.1 Ashish Adhikari**

Mr. Ashish Adhikari, our co-founder, is the man whose vision has taken Redmud into unimaginable places. A gypsy soul who loves to travel, is a revolutionary figure in the coffee industry. Someone who had just returned from USA, realized that he was made for being an entrepreneur. An idea triggered in his mind when he was looking behind his grandmother's house and saw red cherries of coffee planted there. Visionary by nature, he has created his own empire of Redmud by putting his international ideas into a local market. With an interest in Coffee and aspirations in Media, Mr. Adhikari is apt in branding, marketing and human resource management, the result of which is the growth of various ventures he has invested in. He is the mind that leads and directs the entire team.

### **2.2 Pravesh Humagain**

A university graduate from Anglia Ruskin University focused in Accounting, Mr. Humagain is also the Chief Operating Officer of Redmud, where he has enthusiastically demonstrated his skills in Catering, negotiation, Food & Beverage, Customer Service and Advertisement. His experience in working with restaurants internationally has helped him to integrate his ideas into the Nepalese Restaurant Market. His knowledge in multi-dimensional perspective has helped in the proper management of various resources, which has resulted in its increased efficiency. Being an absolute risk taker, his passion has led Redmud to be where it is today.

### **2.3 Ritesh Adhikari**

Ritesh Adhikari, is the heart and soul of Redmud. Being a great foodie himself, he designs the menu, experiments with various flavors and is the man behind the food that is served on your table. His keen attention to details, and love for music has really made Redmud a perfect place for gatherings. An absolute junkie who knows when to pull strings and when to let loose of his team, our co-owner, is the cherry on top of this beautiful coffee cake.



### 3. Vision and Mission

Redmud aspires to be the leading coffee chain in Nepal. If everything goes as planned, with foreign investors, it has plans to expand internationally as well. Inspired by seeing coffee farms in the outskirts of the valley, Redmud has a vision to make coffee locally by commercializing its own production. This shall uplift foreign investments in Nepal, and will also help local farmers to get adequate knowledge about coffee, its production and market.

### 4. Core Values

- **Integrity:** Bound strongly by our moral values, we follow an ethical code of conduct in all operations. The stakeholders of Redmud are strongly connected by a set of shared principals that makes us a single entity.
- **Team Work:** We believe in the synergetic effect of combined human resources and promote team spirit. The Redmud team is highly coordinated to perform tasks where an individual works to enhance the performance of the entire group.
- **Passion:** We don't only target to expand inside the local boundary of Nepal, but also have plans to be diversified worldwide. This motivation of its stakeholders has ignited a passion that drives the entire organization.
- **Good Ambience:** Redmud aims to be a family friendly place perfect for a cup of coffee and even for special occasions. We ensure a very peaceful ambience with just the right music of your choice.
- **We Feeling (Family):** Once you enter Redmud, you are not our customer but a part of our family. No matter which background you belong to, you will be treated as our own. In addition, every member is respected and motivated to indulge in an open two-way communication.



## 5. Franchise Concept of Redmud

Redmud has gained popularity because of its 100% Nepali sourced single farm organic certified coffee distinguished by its exquisite Nepali taste. Our customer usually prefer our subtle ambience with their coffee. Except for Kiosk Models, we are also known for our beastly burgers and MO:MOs. For our coffee customers, who wish to brew their own fresh cup at home, we will also be selling coffee beans and coffee related accessories.

Redmud currently offers 3 Franchise options:

- 5.1 **Kiosk Model:** Up to 500 sq. ft. suitable for Cafeterias, hilly areas of Nepal, preferably outside the valley.
- 5.2 **Mini Model:** From 500 - 1500sq. ft. suitable for corporate areas.
- 5.3 **Jumbo Models:** From 2000 - 4000 sq. ft. suitable for tourist areas and main junctions.



## **6. WHAT DOES THE FRANCHISE COMPANY PROVIDE?**

### **6.1 SETUP**

Redmud Franchise Support Team shall assist to select and finalize prime locations along with providing adequate guidance to develop supply chain and supervise the buildup and operations of the outlet. After finalizing these locations, we will also design and deliver concepts to capture the essence of Redmud.

### **6.2 HUMAN RESOURCE**

Redmud coordinates with the franchisee to impart required input and support to simplify the recruitment process of the Franchisee's team or in special circumstances, outsource reliable manpower for them.

### **6.3 TRAINING**

Redmud shall extend their hand to ensure training programs for their Baristas, Chefs, service and operating Managerial Team for the efficient operation of the franchised outlet. Redmud will charge training fee of Rs. 5,000 per person for its Franchisee. Any additional support or advice shall also be imparted upon the Franchisee's dilemma about a subject matter. Further, Redmud shall also provide a learning opportunity to the trained staff to work in the REDMUD's existing outlets for 15 working days as a simulation of the real life scenario.

### **6.4 AUDIT**

For franchises outside the valley, the franchisee must make necessary arrangements for accommodation and transportation for 1 visit per quarter as the audit team will visit for outlet system and operation audit. Redmud has various provisions for auditing. Mainly, it can be categorized into 3 types:

**6.4.1 Operational Audit:** It is a quarterly audit that comprises whether the quality of food, hygiene and operational standards within its franchised outlet/s are up to our benchmark. The deviation of less than 15% shall be considered eligible as per the required set of standards.

**6.4.2 Mystery Customer Audit:** As the name suggests, Redmud shall send up to eight auditors as layman customers per quarter to check the quality of products, hospitality and ambience. The deviation of less than 20% shall be considered eligible as per the required set of standards.



After the agreement is signed, the Franchisee will be notified about The Franchise Audit Standards and explained to the staff and the management team for Audit process alignment. The failure of an outlet to meet these standards for 3 times, shall provide Redmud the full authority to terminate its license.

## **6.5 EQUIPMENT**

All the equipment required for the operation of Redmud franchised outlets shall be provided by Redmud chosen vendors. However, by doing this, Redmud can provide you with competitive wholesale pricing.

## **6.6 MARKETING**

The Franchise Management Team shall cooperate to conduct marketing programs. Redmud itself shall give proper media exposures, promotions and a yearly marketing plan, that can be followed to increase its popularity.

## **6.7 PROCUREMENT**

Redmud operates under its own supply chain that facilitates various food and beverages. We will also be assisting to select proper equipment, and food items that will be served in these franchised outlets. In certain coffee products, to capture the flavor of Redmud, coffee beans and other items can be procured from Redmud itself.

## **6.8 TECHNOLOGY**

In order to keep all the franchisees under a single loop and to keep track of the business performance, integrated software and control systems are a must. Redmud will recommend the Point of Sale systems for the franchisees depending on the location and vendor availability.



## **7. FRANCHISE OPERATING KNOWLEDGE**

The experts are always at bay when you require any support in any regard. The Franchise team will lend their minds, views and ideas constantly to resolve any issues you may have. For better control on cost and for operating purpose, the Franchise expert team will provide you with a Performance Tracking Sheet and an Operating checklist as well.

## **8. INITIAL ASSISTANCE, FEASIBILITY STUDY & FRANCHISE DISCLOSURE DOCUMENT**

Requirement of any representative of Redmud to facilitate meetings or to be present at site for any reason whatsoever, the franchisee should make proper arrangements for their transportation and accommodation. In addition, the franchisee should keep in mind that the arranged accommodation of Redmud's representative should be pre confirmed prior to their booking. The cost of the feasibility study excluding VAT amounts to NRS 50,000, that shall later be adjusted in the franchise fees, provided that the Franchise agreement is signed. There are no provisions for the refund of the feasibility fees, if the feasibility study is conducted and the agreement is not signed.

If the feasibility study looks favorable, we shall move forward with the standard procedures. After that, we will discuss the Franchise Disclosure documents, bearing in mind the interest of both parties involved, i.e., the Franchisor and the Franchisee. At last, after the mutual agreement of both parties, the contract will be signed binding both of the parties into the Franchise Disclosure Agreement.





## **9. What are Franchisee's obligations?**

### **9.1 Franchise agreement and franchise fees**

The franchise agreement is the legal contract signed between Redmud and your company. It is a guidelines of rules and regulations, between the involved parties. It legally determines the obligations of the franchisee towards the franchisor and vice versa. Initially, this agreement will be valid for 3 simultaneous years, and is renewable provided that both parties desire to work together.

**9.1.1 Franchise agreement:** The Franchise fee amount shall be **NRS 500,000** (Exclusive Of VAT) for Kiosk model as explained in 5.1 above. Similarly, for Mini and Jumbo Model as explained in 5.2 and 5.3 above, the amount shall be **NRS 750,000** (Exclusive of VAT) and **NRS 10,00,000** (Exclusive of VAT) respectively. The above amount shall be payable at the signing of the agreement. Both the parties shall enter into the legal contract only when the full amount is paid by the franchisee. The Franchise fee is also inclusive of the initially mentioned feasibility study fee of NRS 50,000 (Exclusive Of VAT).

**9.1.2 Monthly Royalty:** The franchisee is liable to pay 5% of the net turnover of every month by the 7th of the succeeding month by 3pm of the same day. Any late payment by any reason shall penalize the franchisee by 10% of due amount on a weekly basis thereafter.

**9.1.3 Monthly Advertising:** The franchisee has to make 1% of the net turnover payment to the franchisor on behalf of the promotions and media exposures Redmud will provide. This is also payable on every month by the 7th of the succeeding month by 3pm of the same day.

**9.1.4 Documentation Audit:** To make documentations consistent, authentic and compliant as per the legal standards, the franchisee shall have to provide 1% of the net turnover or NRS 10,000 whichever is higher to the Financial Consultant/ Advisor selected by the Franchise Expert Team. This is also payable on every month by the 7th of the succeeding month by 3pm of the same day.



## 9.2 Capital Investment Required

The brand standards in relation to the size and design requirements shall determine the set-up cost of each outlet. The total cost also depends upon the area the franchisee wants to open the shop in. After these, other details can be finalized and the Capital Investment can be quoted.

*Note: Above inquiry agreement shall be valid only for 10 days after its issuance.*

We are thankful for your interest in us and trust that the information we provide will help you get an overview of Redmud Coffee. If you are interested to move forward with Redmud Coffee franchise, we are open for you to contact us at +977 9851-187-846.

WITH BEST REGARDS

FRANCHISE TEAM

REDMUD