Coffee Day Enterprises Limited

March 26, 2019

Summary of Rated Instrument:

Instrument*	Rated Amount (Rs. Crore)	Rating Outstanding
Term Loans	315.00	[ICRA]BBB+&; 'Rating watch with developing implications'
Total	**315.00**	

Material Event

On March 18, 2019, Coffee Day Enterprises Limited (CDEL) and its promoter Mr. VG Siddhartha entered into a definitive agreement for sale of their shareholding in Mindtree Limited. Larsen & Tourbo Limited (L&T) would be purchasing the stake held by CDEL group at a price of Rs 980 per share. CDEL's effective shareholding in Mindtree is 17% (held directly and through its subsidiary – Coffee Day Trading Limited) and at the agreed purchase price, the total consideration it would receive would amount to Rs 2749 crore. The stake sale would be completed in Q1 FY 2020 post the receipt of all regulatory approvals. The proceeds would be applied entirely towards debt reduction at the Group level.

Impact of the Material Event

The rating remains unchanged at the earlier rating of [ICRA] BBB+ (&) as the stake sale process is expected to entail some lead time and ICRA would monitor the completion of the process and the actual application of the funds.

The rating continues to 'remain under watch with developing implications' considering the potential tax demands on the promoter/ Group. In September 2017, IT department had conducted raids on the properties owned by Mr. Siddhartha and on the offices of Coffee Day Group, of which Coffee Day Enterprises Limited (CDEL) is the flagship entity. On 26th January 2019, Coffee Day Enterprises Limited (CDEL) disclosed to the Stock Exchanges that the Income Tax (IT) Department had provisionally attached 22,00,000 shares of Mindtree Limited held by the company in addition to shares belonging to the promoter Mr. V.G. Siddhartha. This share attachment was done to safeguard the Department in case of any future tax claims arising out of the assessment which is still open. Subsequently, the promoter had got the attachment of the Mindtree stake removed and offered alternate security (including shares of CDEL) to the IT Department. Any large outgo towards this tax demand would stress the liquidity of the promoter /group and hence would remain a key rating sensitivity.

The previous detailed rating rationale is available on the following link: Click here

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About ICRA Limited:

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