

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 & Turbo 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](#)

ANALYST CONTACTS

K. Ravichandran

+91 44 4596 4301

ravichandran@icraindia.com

Sai Krishna

+91 44 4596 4304

sai.krishna@icraindia.com

T. Raghunath

+91 44 4596 4340

raghunath.t@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee

+91 80 4332 6401

jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries:

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87
Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,
Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,
Bangalore + (91 80) 2559 7401/4049
Ahmedabad+ (91 79) 2658 4924/5049/2008
Hyderabad + (91 40) 2373 5061/7251
Pune + (91 20) 2556 0194/ 6606 9999

© Copyright, 2019 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents