



Rating Rationale

Tanglin Developments Limited

29 Oct 2019

Brickwork Ratings revises the rating for the NCDs of Rs. 50.00 crs of Tanglin Developments Limited (hereafter referred to as TDL or the company) to BWR D(CE) and removes it from Credit Watch with Negative Implications

Particulars

| Instrument [^] | Amount (Rs Crs) | | Tenure | Rating* | |
|-------------------------|--------------------|----------------------|---------------------------------|---|---|
| | Previous | Present [^] | | Previous@ (23 Aug 2019) | Present |
| NCD | 25.00 | 25.00 | Long Term | BWR BBB-(SO) Credit Watch with Negative Implications | BWR D(CE) Removed from Credit Watch with Negative Implications |
| NCD | 25.00 | 25.00 | | | |
| Total | 50.00 | 50.00 | Rupees Fifty Crores Only | | |

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

@In compliance with the revised instructions received from the Securities Exchange Board of India [SEBI] vide their circular No. SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2019/ 70 dated 13.06.2019, Credit Rating Agencies need to suffix 'CE' for instruments with external credit enhancement, which, hitherto used to be 'SO'. BWR had published press release in this regard on 14 Sep 2019.

[^]Redemption premium- XIRR of 12.90% per annum payable quarterly, after taking into account cash coupons paid at the rate of 1.25% p.a.

The rating for the NCDs is based on Credit Enhancement by way of pledge of shares of Coffee Day Enterprises Limited(CDEL - listed company and holding company of TDL), Sical Logistics Limited(Sical- listed Company and Step down subsidiary of CDEL, rated BWR D) and Coffee Day Global Limited(CDGL - subsidiary of CDEL).In addition, the NCDs are secured by the Corporate Guarantees of Tanglin Retail Realty Developers Pvt Ltd(subsidiary of Tanglin Developments Ltd) and CDEL (Earlier, personal guarantee of Late Mr V G Siddhartha was also stipulated). Unsupported (Standalone) rating as assessed by BWR without considering the Credit Enhancement is BWR D.

Rating Action

The revision in rating takes into account the default by the company in meeting the scheduled coupon payment in respect of the rated NCDs due on October 26 2019 due to its significantly deteriorated liquidity. The Company has confirmed the non payment of coupon on the rated NCDs.



The previous rating action taken by BWR on 23 Aug 2019 had factored had factored the significantly reduced financial flexibility of the company and heightened refinancing risk following the demise of its promoter, Late Mr V G Siddhartha, Founder of the Coffee Day group and guarantor for the NCDs. The subsequent steep decline in the prices and market capitalization of the shares of CDEL and Sical had resulted in fall in security cover below the stipulated threshold and in view of the inability of the company to arrange for topup of security cover, the pledged shares had been invoked and transferred to the debenture holders. The high level of pledging of the promoters' holdings has further constrained the financial flexibility. Coupon obligations on the rated NCDs are reported to have been met till September 2019. It is understood that the earmarked amounts for payment of the coupon obligations on 26 Oct 2019 have not been utilised for payment of the coupon.

The Coffee Day group had announced the divestment of Global Village Tech Park in Tanglin Developments Ltd (TDL) in favour of Blackstone. At the time of the last rating action in August 2019, it was expected that the transaction would be completed by September 2019. However, there is a delay in asset monetization of Global Village Tech Park due to delay in obtaining certain key approvals and as per current estimates, the transaction is expected to be concluded by mid to end November 2019 only, subject to completion of due diligence, documentation and receipt of requisite regulatory approvals. As such, redemption of the rated NCDs and other debt of the company may be possible only subsequent to conclusion of this transaction.

Key Rating Drivers

Please refer our latest detailed rationale [Rating Rationale_Aug23_2019](#)

Analytical approach

The list of subsidiaries of the company are shown in Annexure II. The Company has availed exemption from preparation of consolidated financial statements in accordance with para 4(a) of IND AS 110. Brickwork Ratings has adopted a standalone approach and applied its rating methodology as detailed in the Rating criteria below (hyperlinks provided at the end of this rationale).

Rating Sensitivities

The Company's ability to service its NCD obligations is dependent upon successful conclusion of the sale of Global Village Tech Park.

Liquidity: Poor

The liquidity of the company is poor as reflected in the delay in servicing of NCDs.



About the Company

Tanglin Developments Limited (TDL) was incorporated in Dec 1995 at Bengaluru. It is a 100% subsidiary of CDEL. TDL owns technology parks viz., 'Global Village' in Bengaluru and 'Tech Bay' in Mangalore. These commercial spaces are leased to various tenants including Northern Trust, Mphasis, Meritor, Global Edge, Crompton Greaves, Mindtree, Sonata, NTT Data, HGS, Torry Harris etc etc.

Financial Performance -Standalone

| Key Parameters | Units | 31 Mar 2018 | 31 Mar 2019 |
|-------------------------------|---------|-------------|-------------|
| Result Type | | Audited | Audited |
| Total Operating Income | Rs. Crs | 134.26 | 142.51 |
| EBITDA | Rs. Crs | 109.29 | 107.63 |
| PAT | Rs. Crs | 11.40 | 2.92 |
| Tangible Net worth | Rs. Crs | 70.28 | 80.84 |
| Total Debt/Tangible Net Worth | Rs Crs | 34.37 | 27.33 |

Key covenants of the rated facilities:

- a. NCDs of Rs. 25.00 crs bearing ISIN INE311I07039 - 2.50x Security Cover by way of pledge of shares of Coffee Day Enterprises Ltd(0.50x), Sical Logistics Ltd(1x) and Coffee Day Global Ltd(1x)
- b. NCDs of Rs. 25.00 crs bearing ISIN INE311I07047 - 2.75x Security Cover by way of pledge of shares of Coffee Day Enterprises Ltd(1x), Sical Logistics Ltd(0.50x) and Coffee Day Global Ltd(1.25x)

The stipulated security cover has not been maintained.

Status of non-cooperation with previous CRA: NA

Any other information: Not applicable

Rating History for the last three years

| Sl. No. | Instrument | Current Rating (2019) | | | | | Rating History | | | | |
|--------------|----------------------------------|-----------------------|-----------------|---|---|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | Type | Amount (Rs Crs) | 29 Oct 2019 | 23 Aug 2019 | 31 July 2019 | 2018 | | 2017 | 2016 | |
| | | | | | | | 27 Aug 2018 | 27 Jun 2018 | 04 Aug 2017 | 02 Nov 2016 | 21 Sep 2016 |
| 1 | NCD (Tenor: 3 years 3 Months) | Long Term | 25.00 | BWR D(CE) Removed from Credit Watch with Negative Implications | BWR BBB-(SO) Credit Watch with Negative Implications | BWR BBB (SO) Credit Watch with Negative Implications | BWR A-(SO)/ Stable | BWR A-(SO)/ Stable | BWR A-(SO)/ Stable | BWR A-(SO)/ Stable | NA |
| 2 | NCD (Tenor: 3 years 2 Months) | Long Term | 25.00 | BWR D(CE) Removed from Credit Watch with Negative Implications | BWR BBB-(SO) Credit Watch with Negative Implications | BWR BBB (SO) Credit Watch with Negative Implications | BWR A-(SO)/ Stable |
| Total | | | 50.00 | Rupees Fifty Crores Only | | | | | | | |

Note: Rating symbol changed from SO to CE in compliance with extant regulations

Complexity levels of the Instrument

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Ratings Policy](#)
- [Infrastructure Sector](#)
- [Approach to Financial ratios](#)
- [Credit Enhancement based on Pledge of Shares](#)
- [Default Recognition and Default Curing Period](#)

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| 1860-425-2742 | |

**ANNEXURE I
INSTRUMENT DETAILS**

| Instrument* | Issue Date | Amount (Rs Crs) | Coupon | Maturity Date | ISIN |
|-------------|-------------|--------------------|-----------|------------------|--------------|
| NCD | 22 Sep 2016 | 25.00 | 1.25% p.a | 22-Nov-2019 | INE311I07039 |
| NCD | 26 Oct 2016 | 25.00 | 1.25% p.a | 23-Jan-2020 | INE311I07047 |

^Redemption premium- XIRR of 12.90% per annum payable quarterly, after taking into account cash coupons paid at the rate of 1.25% p.a.

Annexure II : Subsidiaries/Associates/Joint Ventures

| Sl No | Name of the Entity | Holding(%) | Subsidiaries/Associates/JV |
|--------------|---|-------------------|-----------------------------------|
| 1 | Way2Wealth Securities Private Limited* | 52.80% | Subsidiary |
| 2 | Girividya India Limited | 100.00% | Subsidiary |
| 3 | Tanglin Retail Realty Developments Private Limited | 100.00% | Subsidiary |
| 4 | Way2Wealth Brokers Private Limited | 99.99% | Step Down Subsidiary |
| 5 | Way2Wealth Capital Private Limited | 100.00% | Step Down Subsidiary |
| 6 | Way2Wealth Insurance Brokers Private Limited | 100.00% | Step Down Subsidiary |
| 7 | Alphagrep Securities Private Limited | 51.00% | Step Down Subsidiary |
| 8 | Alphagrep Commodities Private Limited | 51.00% | Step Down Subsidiary |
| 9 | Way2Wealth Distributors Private Limited* | 100.00% | Step Down Subsidiary |
| 10 | Mandi2Market Traders Private Limited* | 100.00% | Step Down Subsidiary |
| 11 | Way2Wealth Commodities Private Limited | 100.00% | Step Down Subsidiary |
| 12 | Calculus Traders LLP | 100.00% | Step Down Subsidiary |
| 13 | Way2Wealth Enterprises Private Limited | 100.00% | Step Down Subsidiary |
| 14 | Alphagrep PTE Ltd(formally Way2Wealth Illuminati Pte Ltd) | 51.00% | Step Down Subsidiary |
| 15 | Alphagrep Holding HK Limited | 51.00% | Step Down Subsidiary |
| 16 | Alphagrep UK Limited | 51.00% | Step Down Subsidiary |
| 17 | Shanghai Dao GE International Trading | 51.00% | Step Down Subsidiary |
| 18 | Sical Logistics Limited | 50.19% | Step Down Subsidiary |

| SI No | Name of the Entity | Holding(%) | Subsidiaries/Associates/ JV |
|-------|---|------------|--------------------------------|
| 19 | Sical Infra Assets Limited | 53,60% | Step Down Subsidiary |
| 20 | Sical Multimodal and Rail Transport Limited ('SMART') | 100.00% | Step Down Subsidiary |
| 21 | Sical Bangalore Logistics Park Limited ('SBLPL') | 100.00% | Step Down Subsidiary |
| 22 | Sical Iron Ore Terminals Limited ('SIOTL') | 63.00% | Step Down Subsidiary |
| 23 | Sical Iron Ore Terminals (Mangalore) Limited ('SIOT(M)L') | 100.00% | Step Down Subsidiary |
| 24 | Sical Adams Offshore Limited ('SAOL') | 100.00% | Step Down Subsidiary |
| 25 | Norsea Offshore India Limited (NOIL') | 100.00% | Step Down Subsidiary |
| 26 | Bergen Offshore Logistics Pte Ltd ('Bergen') | 100.00% | Step Down Subsidiary |
| 27 | Norsea Global Offshore Pte Ltd ('Norsea') | 100,00% | Step Down Subsidiary |
| 28 | Sical Saumya Mining Limited ('SSML') | 65.00% | Step Down Subsidiary |
| 29 | Sical Mining Limited ('SML') | 100.00% | Step Down Subsidiary |
| 30 | PNX Logistics Private Limited | 60.00% | Step Down Subsidiary |
| 31 | Pat Chems Private Limited (Previously holding 51%) | 67.00% | Step Down Subsidiary |
| 32 | Develecto Mining Limited | 51.00% | Step Down Subsidiary |
| 33 | Sical Washeries Limited | 51.00% | Step Down Subsidiary |
| 34 | M/s.ITTIAM Systems Limited | 32.51% | Associate |
| 35 | PSA Sical Terminal Limited ('PSA') | 37.50% | Joint Venture |
| 36 | Sical Sattva Rail Terminal Private Limited (CSSRTPL') | 50.00% | Joint Venture |

* During 2018-19, M/s.Way2Wealth Distributors (P) Ltd. and M/s.Mandi2Market Traders (P) Ltd., have been merged with their immediate holding company Mis. Way 2 wealth Securities Private Limited vide order dated 08.01.2019 of Regional Director, Ministry of Corporate Affairs,



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