



## Rating Rationale

### Coffee Day Natural Resources Pvt Ltd

24 Sep 2019

Brickwork Ratings revises the rating for the NCDs of Rs. 128.90 crs of Coffee Day Natural Resources Pvt Ltd (hereafter referred to as CDNRPL or the company) and removes it from Credit Watch with Negative Implications

### Particulars

Instrument	Amount (Rs Crs)		Tenure	Rating*	
	Previous	Present <sup>^</sup>		Previous@ (10 Sep 2019)	Present
NCD	128.90	128.90	Long Term	BWR C(CE) Credit Watch with Negative Implications	BWR D(CE) Removed from Credit Watch with Negative Implications
<b>Total</b>	<b>128.90</b>	<b>128.90</b>	<b>Rupees One Hundred Twenty Eight Crores and Ninety Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

<sup>^</sup>The Company had exercised the Call option on July 8 2019 and partially redeemed NCDs of Rs. 86.10 Crs out of issued amount of Rs. 215.00 crs;

@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.

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 the Coffee Day Group) by the promoter entities/Coffee Day group entities. In addition, the NCDs were secured by the personal guarantee of Mr V G Siddhartha, Founder of the Coffee Day Group and and interim real estate security cover of a land parcel at Panvel.

### Rating Action

The revision in rating takes into account the default by the company in meeting the scheduled coupon payment of the NCDs due on September 23 2019 due to its significantly deteriorated liquidity. The Company and the Debenture trustee have confirmed the non payment of coupon on the rated NCDs .

The previous rating action taken by BWR on September 10 2019 had factored the increased likelihood of the company not meeting its impending coupon obligations due on September 23 2019 due to its



significantly deteriorated liquidity and financial flexibility and absence of any demonstrable plan for servicing the NCDs as per terms, indicating a very high risk of default. The company's financial flexibility has significantly reduced and the refinancing risk heightened following the demise of its promoter, Mr V G Siddhartha, Founder of the Coffee Day group and guarantor for the NCDs. The steep decline in the prices and market capitalization of the shares of CDEL have resulted in fall in security cover below the stipulated threshold. Further, in view of the inability of the company to arrange for topup of security cover, over half of the pledged shares have been invoked and transferred to the debenture holders. Coupon obligations till June 2019 on the rated NCDs were met.

### **Key Rating Drivers**

**Please refer our latest detailed rationales**

<a href="#">Rating Rationale Aug23 2019</a>
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<a href="#">Rating Rationale Sep 10 2019</a>
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### **Analytical approach**

For arriving at its ratings, Brickwork Ratings has applied its rating methodology as detailed in the Rating criteria below (hyperlinks provided at the end of this rationale).

### **Rating Sensitivities**

The company is essentially held by Late Mr V G Siddhartha, the promoter of the Coffee Day Group and hence, its ability to service the defaulted debt is dependent upon success in various divestments plans scheduled by the group.

### **Liquidity: Poor**

The liquidity of the company is poor as reflected in the delay in servicing of NCDs due on September 23 2019. Liquidity is poor and there is an absence of clarity on the sources of funding for servicing of the coupons and redemption amount (due in December 2019). The company is essentially engaged in raising funds for group entities and as such, its financial risk profile is weak with no revenue, negative net worth, deteriorated capital structure and poor liquidity. Monetisation of assets is not an option as the company does not have any fixed assets of its own. As such, debt servicing by the company remains dependent on funding from the promoters or refinancing, with both options being severely jeopardised presently, thereby accentuating the liquidity pressures.

### **About the Company**

Coffee Day Natural Resources Pvt Ltd (CDNRPL) was originally incorporated as Way2Wealth Holdings Pvt Ltd in 2008. Its name was changed to Coffee Day Natural Resources Pvt. Ltd. in Aug 2011. CDNRPL



is owned by Mr. V G Siddhartha, the founder of Coffee Day Group. The Company is primarily involved in raising funds and supporting other entities of the Coffee Day Group.

The Board of Directors comprises Mr Deepak Ranganna and Mr Bharath Joldal Rajegowda.

### Financial Performance

Key Parameters	Units	31 Mar 2017	31 Mar 2018
<b>Result Type</b>		<b>Audited</b>	<b>Audited</b>
Total Operating Income	Rs. Crs	0.00	0.00
EBITDA	Rs. Crs	(3.95)	(0.10)
PAT	Rs. Crs	(3.30)	(0.07)
Tangible Net worth	Rs. Crs	(259.70)	(294.20)
Total Debt	Rs Crs	389.00	314.00

**Key covenants of the rated facilities:** 2x Security Cover by way of pledge of shares of Coffee Day Enterprises Ltd - this has not been complied with by the company.

**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 (Sep 2019)			Rating History						
		Type	Amount (Rs Crs)	Ratings	10 Sep 2019	22 Aug 2019	31 July 2019	02Jan2019	31-Dec-2018	28-Dec-2017	19 Dec 2016
1	NCD	Long Term	128.90	<b>BWR D(CE) Removed from Credit Watch with Negative Implications</b>	<b>BWR C(CE)* Credit Watch with Negative Implications</b>	BWR BB-(SO) Credit Watch with Negative Implications	BWR BBB (SO) Credit Watch with Negative Implications	BWR A- (SO)/ Stable	Rating Not Reviewed	BWR A- (SO) /Stable	BWR A-(SO) /Stable
<b>Total</b>			<b>128.90</b>			<b>Rupees One Hundred Twenty Eight Crores and Ninety Lakhs Only</b>					

\*Rating symbol changed to BWR C(CE) in compliance with extant regulations

### Complexity levels of the Instrument

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

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

Analytical Contacts	Investor Contacts
<p>Sunilkumar Ijarad Senior Ratings Analyst M: +918884488674 B: +91 80 4040 9940 Ext: 343 sunilkumar@brickworkratings.com</p> <p>Rajee R Senior Director - Ratings B: +91 80 4040 9940 rajee.r@brickworkratings.com</p>	<p>M : +91 7738875550 B : +91 22 6745 6666 investordes@brickworkratings.com</p>
<b>1860-425-2742</b>	

**ANNEXURE I  
INSTRUMENT DETAILS**

Instrument	Issue Date	Amount (Rs Crs)	Coupon	Maturity Date	ISIN
NCD	23-Dec-2016	128.90	6% p.a (XIRR 12%)@	23-Dec-2019	INE634N07075

@Redemption premium- A rate of return (calculated on XIRR basis) of 12% on the principal amount for the period commencing from the allotment date and expiring on the date on which the debentures are being redeemed



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