RATING RATIONALE

09 Dec 2019

Chettanahalli Estate

Brickwork Ratings downgrades the rating of the Bank Loan Facilities of Rs 10.15 Crores of Chettanahalli Estate (hereinafter referred to as "Firm") and removes it from Credit Watch with Negative Implications

Particulars

Facility	Amount (Rs Crs)		Tenure	Rating*	
	Previous	Present#		Previous 31 July 2019	Present
Fund based					
Term Loan	10.00	9.75	Long Term	BWR B Credit Watch with Negative Implications	BWR D Downgraded and Removed from Credit Watch with Negative Implications
Crop Loan	0.40	0.40			
Total	10.40	10.15	Rupees Ten Crores and Fifteen Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
#Details of the bank loan facilities are available in Annexure I;

Rationale

The revision in rating takes into account the delays in servicing of the interest and principal repayment of the term loans due to its significantly deteriorated liquidity, as confirmed by the banker. The firm'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 partner of this firm.

About the Firm

Chettanahalli Estate was established as a partnership firm with Mr V G Siddhartha (Founder Chairman of Coffee Day Group), Mr S V Gangaiah Hegde, Mrs K G Vasanthi Hegde and Mrs Malavika Hegde as partners. The firm is primarily engaged in the coffee plantation business and in the selling of pepper, timber, areca, etc. The coffee estate admeasuring around 80 acres is located in Chikmagalur Dist, Karnataka. The entire green coffee produce is sold to Coffee Day Global Ltd.

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

Late Mr V G Siddhartha was the Managing Partner of this firm and held stake of 35%. Ms. Malavika Hegde (his wife) holds 10% stake along with other family members. Ability of the firm to service the defaulted debt is dependent upon the generation of cash accruals from the coffee plantation business and/or support from the partners.

Liquidity: Poor

The liquidity of the firm is poor as reflected in the delays in servicing of interest and principal repayments due to significantly deteriorated liquidity.

Financial Performance

The firm has reported operating income of Rs.0.59 crs in FY18 as against total operating income of Rs.1.35 crs in FY17. PAT was Rs. 0.18 crs in FY18 as against PAT of Rs.0.48 crs in FY17. On a provisional basis the firm has reported the revenue of Rs. 0.90 crs for FY19.

Rating History for the last three years

<table>
<tr><th>S.No</th><th>Facility</th><th colspan="5">Rating (2019)</th><th colspan="3">Rating History</th></tr>
<tr><td></td><td></td><td>Type</td><td>Amount (RsCrs)</td><td>09 Dec 2019</td><td>31 Jul 2019</td><td>18 Jan 2019</td><td>2018</td><td>17 Oct 2017</td><td>31 May 2016</td></tr>
<tr><td>1</td><td>Term Loan</td><td rowspan="2">Long Term</td><td>9.75</td><td rowspan="2">BWR D</td><td rowspan="2">BWR B Credit Watch with Negative Implications</td><td rowspan="2">Rating Not Reviewed</td><td rowspan="2">-</td><td rowspan="2">BWR B/ Stable</td><td rowspan="2">BWR B/ Stable</td></tr>
<tr><td>2</td><td>Crop Loan</td><td>0.40</td></tr>
<tr><td></td><td colspan="2">Total</td><td>10.15</td><td colspan="6">Rupees Ten Crores and Fifteen Lakhs Only</td></tr>
</table>

Hyperlink/Reference to applicable Criteria

[General Criteria](#) [Approach to Financial Ratios](#)

[Ratings Policy](#) [Manufacturing Companies](#)

[Default Recognition and Default Curing Period](#)

Analytical Contacts	Investor and Media Relations
Sunilkumar Ijarad **Senior Ratings Analyst** **Board: +91 80 4040 9940 Ext: 343** sunilkumar@brickworkratings.com **Rajee R** **Senior Director – Ratings** **Board: +91 80 4040 9940** rajee.r@brickworkraings.com	**Liena Thakur** **Assistant Vice President - Corporate Communications** **+91 84339 94686** liena.t@brickworkratings.com

Annexure I : Details of Rated Bank Loan Facilities

Bank Name	Facilities	Long Term (Rs. Cr)	Short Term (Rs. Cr)	Total (Rs. Cr)
RBL Bank	Term Loans	9.75	-	**9.75**
	Corp Loan	0.40	-	**0.40**
	Total	**10.15**	**-**	**10.15**

For print and digital media

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