



# How VG Siddhartha Is Freeing Up Pledged Mindtree Shares

Sajeet Manghat

Published on: March 22 2019, 2:42 PM

Last Updated on: March 22 2019, 2:42 PM

VG Siddhartha, founder of Coffee Day Group, is raising Rs 3,000 crore through non-convertible debentures to free up his stake in Mindtree pledged with lenders to ultimately sell it to Larsen & Toubro Ltd.

Standard Chartered Bank, the arranger to the issue, will have two escrow accounts, according to the terms of the issue rated by **Brickworks Rating**. The proceeds of the debt issue will be maintained in the first account to revoke the pledged Mindtree shares offered as a collateral to multiple lenders and investors.

The freed-up Siddhartha and Coffee Day-owned shares will then be sold to L&T after the approval of lenders, and the proceeds will be held in the second escrow account. Upon completion, the amount in this account will be used to repay the non-convertible debentures.

Siddhartha is selling 20.32 percent in Mindtree to pare Rs 6,500-crore debt of the group's flagship Coffee Day Enterprise Ltd. L&T is buying the stake at Rs 980 per share as part of its hostile bid for Mindtree. India's largest engineering company plans to spend close to Rs 10,700 crore in a three-step deal to buy 66 percent in the software services provider even as it faces resistance from co-founders of Mindtree.

## NCD Issue Sensitive To Mindtree Share Price

Coffee Day Group entity Tanglin Retail Developments Pvt. Ltd. will issue the non-convertible debentures.

According to the terms of the issue:

- The Rs 3,000-crore NCD will have a tenor of one year and a month, and a coupon rate of 15 percent.
- The issue will be secured against Mindtree shares worth at least one-time the value of NCDs, and a pledge on 49 percent of Coffee Day Global Ltd., the operator of Café Coffee Day chain.
- Any breach in the cover of Mindtree shares needs to be topped up within five days. In case the deal is called off, the cover will be 1.1x after seven days and 1.23x after 45 days.
- The issue also has secured unconditional and irrevocable corporate guarantee by Coffee Day Global and a personal guarantee by Siddhartha.
- The issuer will have to maintain at all times interest worth at least three months in a separate account for the entire duration of the debentures.

**The issue is sensitive to timely approvals of the Competition Commission of India and other relevant authorities, and successful completion of the share-purchase deal, Brickwork Ratings said in its March 19 report. It's also exposed to price volatility of Mindtree shares since the cover to be maintained is one time at a price of Rs 925-950 apiece, the ratings agency said.**

L&T Chief Financial Officer Shankar Raman had said that the company expects the CCI approval within 30-45 days.