

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
SETTLEMENT ORDER No. SO/MC/RM/2021-22/6414

On the Settlement Application No. 6414/2021

Submitted by

1. **M/s. Coffee Day Enterprises Ltd. (PAN: AADCC3995L)** having address at – No. 23/2, Coffee Day Square, Vittal Mallya Road, Bengaluru, Karnataka – 560001

In the matter of M/s. Coffee Day Enterprises Ltd.

1. Securities and Exchange Board of India (hereinafter be referred to as, '**SEBI**') initiated adjudication proceedings under Section 15A(b) and 15HB of the SEBI Act, 1992 (hereinafter be referred to as, '**SEBI Act**'), against M/s. Coffee Day Enterprises Ltd., (**Noticee/ Applicant**) for the alleged violations of Regulations 18(3), 30(2), 30(6) 33(2)(c), 33(3)(c)(i), and 33(3)(h) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "**LODR Regulations**"), read with Para A of Part C of Schedule II, Para A of Part A of Schedule III of LODR Regulations, read with provisions of SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2019/140 dated November 21, 2019, SEBI Circular No. CIR/CFD/CMD/4/2015 dated September 9, 2015 and SEBI Circular No. CIR/CFD/CMD1/114/2019 dated October 18, 2019.
2. SEBI appointed the undersigned as Adjudicating Officer (hereinafter referred to as "AO") vide order dated December 31, 2020 to inquire into and adjudge under section 15A(b) and 15HB of the SEBI Act, the aforesaid alleged violations against the Noticees. The appointment of the AO was communicated vide order dated June January 5, 2021.

3. Show Cause Notice No. EAD-5/MC/ST/1740/2021 dated January 21, 2021 (hereinafter be referred to as, the “**SCN**”) was served upon the Noticees under Rule 4(1) of the Adjudication Rules to show cause as to why an inquiry should not be held and penalty not be imposed against them under Section 15A(b) and 15HB of SEBI Act for the aforesaid alleged violations.
4. The details of allegations levelled against the Noticees in the SCN are summarized as below:
5. No limited review report was placed before the board of directors at its meetings dated November 13, 2019 and January 29, 2020 wherein the financial results for the quarters ending June 30, 2019 and September 30, 2019 were approved, respectively. Noticee therefore was alleged to be in violation of Regulation 33(2)(c) of LODR Regulations.
6. The company submitted unaudited financial results for the quarters ended June 30, 2019 and September 30, 2019, but the same were not subjected to limited review by its statutory auditors. Noticee was, therefore, alleged to be in violation of Regulations 33(3)(c)(i) and 33(3)(h) of LODR Regulations.
7. Mr. Sanjay Nayar resigned as non-executive director from the board of directors of the company *vide* his letter dated November 11, 2019. However, the information regarding change in director (resignation of Mr. Nayar) was disclosed on November 13, 2019 post acceptance of his resignation by the board of directors of the company. Since the change (resignation) occurred on November 11, 2019, the company exceeded the 24 hour timeline provided under regulation 30 for disseminating the same to the stock exchanges. Noticee was, therefore, alleged to be in violation of Regulations 30(2) and 30(6) of LODR read with sub-para 7 of Para A of Part A of Schedule III of LODR Regulations.
8. There was delay of 2 days in making the disclosure dated January 9, 2020 regarding default on payment of interest/ repayment of principal amounts on loans for the quarter ended December 31, 2019. Noticee was, therefore,

alleged to be in violation of Regulation 30(2) of LODR read with sub-para 6 of Para A of Part A of Schedule III of LODR read with Para 3 (C2) of SEBI circular no. SEBI/HO/CFD/CMD1/CIR/P/2019/140 dated November 21, 2019.

9. On January 23, 2020, company had disclosed to the stock exchanges that they entered into the Definitive Agreement to sell Way2Wealth Securities Private Limited, including its certain subsidiaries to Shriram Ownership Trust ("**sale of Way2Wealth**") subject to the closing conditions and required statutory approvals. However, the details of sale of Way2Wealth as stipulated in the SEBI circular No.CIR/CFD/CMD/4/2015 dated September 09, 2015 were not disclosed by the company.
10. On enquiry, company claimed that the details of sale of Way2Wealth were emailed to stock exchange on January 31, 2020. However, NSE clarified that the company did not file the details on the dedicated NEAPS portal of filing for dissemination. Subsequently, company informed that it uploaded the details of sale of Way2Wealth to the stock exchanges on August 31, 2020 and the same was not uploaded earlier as the company was about to intimate after getting final approvals from the statutory regulators and completion of sale process.
11. As details required to be furnished under the aforesaid SEBI circular pertains to the expected date of completion of sale/disposal, the disclosure of the details was required to be made without waiting for approvals or sale completion. Hence, the Noticee was alleged to be in violation of Regulations 30(2) and 30(6) of LODR read with sub-para 1 of Para A of Part A of Schedule III of LODR read with para A(1)(1.4) of Annexure-1 of SEBI circular no. CIR/CFD/CMD/4/2015 dated September 09, 2015.
12. Company in its disclosure dated July 18, 2020 to the stock exchanges regarding resignation of BSR & Co. (hereinafter referred to as "**auditor**"), disclosed the reason for the resignation of auditor was as commercial considerations. Auditor's resignation letter was not disclosed by the company. Auditor's resignation letter contained detailed reasons of

resignation which were required to be disclosed under point no. 4 of the format of information. By not disclosing Auditor's resignation letter, the Noticee failed to completely disclose the format of information and the detailed reasons of resignation as stipulated in the aforesaid provisions.

13. *Vide* email dated July 28, 2020, SEBI advised the company to disseminate the auditor's resignation letter to the stock exchanges. Accordingly, the same was disseminated by the company to the stock exchanges on July 30, 2020 after a delay of 12 days, exceeding the timeline of 24 hours as stipulated under Regulation 30(6) of LODR.
14. Noticee was, therefore, alleged to be in violation of Regulations 30(2) and 30(6) of LODR Regulations read with sub-para 7A of Para A of Part A of Schedule III of LODR Regulations read with Para 6(C)(i) of SEBI Circular No. CIR/CFD/CMD1/114/2019 dated October 18, 2019.
15. The company's Audit Committee, in its meeting held on July 17, 2020, deliberated upon the concerns raised by the auditor with respect to the resignation. However, the company failed to make disclosure to the stock exchanges of the views of the Audit Committee as required under para 6(C)(iii) of SEBI Circular No. CIR/CFD/CMD1/114/2019 dated October 18, 2019.
16. Noticee therefore was, alleged to be in violation of Regulation 18(3) of LODR read with sub-para (7) of Para A of Part C of Schedule II of LODR Regulations read with Para 6(C)(iii) of SEBI Circular No. CIR/CFD/CMD1/114/2019 dated October 18, 2019..
17. BSR & Co., resigned as statutory auditor of the company on July 17, 2020 without issuing limited review / audit report for the quarters ending September 30, 2019, and December 31, 2019, March 31, 2020 and June 30, 2020. The company failed to ensure compliance with the issuance of limited review/ audit report for such quarters by the statutory auditor.

18. Noticee therefore was, alleged to be in violation of Regulation 18(3) of LODR read with sub-para (2) of Para A of Part C of Schedule II of LODR Regulations read with Para 6(A) of SEBI Circular No. CIR/CFD/CMD1/114/2019 dated October 18, 2019.
19. Subsequent to issuance of the SCN, application dated February 18, 2021 was received from the Noticee for settlement under SEBI (Settlement Proceedings) Regulations, 2018.
20. The Applicants were called for a meeting with the Internal Committee of SEBI (hereinafter be referred to as, the "IC") on April 30, 2021. Pursuant to IC meeting, the Applicants, vide letter dated May 07, 2021 submitted revised settlement terms.
21. The matter was placed before the High Powered Advisory Committee (hereinafter be referred to as, the "HPAC") on August 09, 2021. The recommendation of the HPAC was approved by a Panel of the Whole Time Members of the SEBI on August 23, 2021 and the same was communicated to the Applicants on August 23, 2021.
22. Thereafter, M/s. Coffee Day Enterprises Ltd made a payment of Rs.69,06,250/- (Rupees Sixty Nine Lakh Six Thousand Two Hundred Fifty only) towards settlement amount by way RTGS Fund transfer on August 27, 2021 as per the settlement terms approved by the Panel of Whole Time Members.
23. In view of the aforesaid, in exercise of powers conferred under Section 15JB of the SEBI Act read with Regulation 23(1) of the SEBI (Settlement Proceedings) Regulations, 2018, it is hereby ordered that pending adjudication proceedings initiated against M/s. Coffee Day Enterprises Ltd under the aforesaid SCN dated January 21, 2021, are hereby disposed of.

24. This order is without prejudice to the rights of SEBI to take enforcement actions including restoring or initiating the proceedings in respect to which this settlement order was passed against the Applicant, if :
- i. any representations made by the Applicant in the present settlement proceedings are subsequently found to be untrue; or
 - ii. the Applicant breach any of the clauses/conditions of undertakings/waivers filed during the present settlement proceedings.
25. This settlement order passed on this 09th day of September 2021 shall come into force with immediate effect.
26. In terms of Regulation 25 of SEBI (Settlement Proceedings) Regulations, 2018, a copy of this order is being sent to the Applicants / Noticees and for publication on the website of SEBI.

Date: September 09, 2021

Place: Mumbai

**MANINDER CHEEMA
ADJUDICATING OFFICER**