



McLEOD RUSSEL  
*Believe in tea*

3<sup>rd</sup> July, 2019

The Secretary  
BSE Limited PJ. Towers,  
25<sup>th</sup> Floor, Dalal Street,  
MUMBAI-400001  
Scrip Code: 532654

The Secretary  
National Stock Exchange of  
India Ltd,  
Listing dept. Exchange Plaza,  
5<sup>th</sup> Fl. Plot No. C/1,  
G- Block, Bandra-Kurla  
Complex, Bandra (E) MUMBAI-  
400051  
Scrip Code: MCLEODRUSS

The Secretary  
The Calcutta Stock Exchange  
Limited  
7, Lyons Range  
KOLKATA-700001  
Scrip Code: 10023930

Dear Sir,

**Sub: Intimation regarding Credit Rating**

In terms of regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we write to inform you that ICRA limited has downgraded the credit rating for the long-term borrowing program of the company and also the short term rating.

We also enclose a copy of the letter and rationale received from ICRA giving details and reasons of the rating as aforesaid for your information.

Thanking You,

Yours faithfully,

**McLEOD RUSSEL INDIA LIMITED**

**DEBANJAN SARKAR**  
**COMPANY SECRETARY &**  
**COMPLIANCE OFFICER**

Encl: As Above

Registered Office :

**McLEOD RUSSEL INDIA LIMITED**

Corporate Identity Number (CIN) : L51109WB1998PLC087076

FOUR MANGOE LANE, SURENDRA MOHAN GHOSH SARANI, KOLKATA - 700 001

TELEPHONE : 033-2210-1221, 2248-9434 / 35, FAX : 91-33-2248-8114 / 6265

E-mail : administrator@mcleodrussel.com Website : www.mcleodrussel.com



**A Williamson Magor Group Enterprise**



ICRA

ICRA Limited

Ref: ICRA/KOL/RA/2019-20/153

July 01, 2019

Mr. K.K. Baheti  
Director  
McLeod Russel India Limited  
Four Mangoe Lane  
Surendra Mohan Ghosh Sarani  
Kolkata – 700 001

Dear Sir,

**Re: ICRA-assigned Credit Rating for Rs. 1031.09 crore Line of Credit of McLeod Russel India Limited (instrument details in Annexure)**

This is in reference to the periodic monitoring of ICRA assigned credit rating for the long term/ short term borrowing programme of McLeod Russel India Limited ('Your Company or You').

Please note the Rating Committee of ICRA after due consideration of the latest developments has revised the long-term rating from [ICRA]B- (pronounced ICRA B minus) to [ICRA]D (pronounced ICRA D). The short-term rating has also been revised from [ICRA]A4 (pronounced ICRA A four) to [ICRA]D (pronounced ICRA D). The ratings continue to remain on 'Issuer Not Cooperating' category.

The aforesaid ratings will be due for surveillance anytime before July 31, 2019.

The ratings as stated above are specific to the terms and conditions of the LOC as indicated to us by you. In case there is any change in the terms and conditions, or the size of the rated LOC, the same must be brought to our notice immediately. Any such change would warrant a rating review, following which there could be a change in the ratings assigned. Notwithstanding the foregoing, any change in the over-all limit of the LOC from that specified in the first paragraph of this letter would constitute an enhancement that would not be covered by or under the said Rating Agreement.

ICRA reserves the right to review and/or, revise the above rating at any time on the basis of new information or unavailability of information or such other circumstances, which ICRA believes, may have an impact on the rating assigned to you.

You are requested to furnish a monthly 'No Default Statement (NDS)' (in the format enclosed) on the first working day of every month, confirming the timeliness of payment of all obligations against the rated debt programme [interest and principal obligations for fund based as well as obligations under LOC/BG for non-fund based facility]. This is in accordance with requirements prescribed in circular dated June 30, 2017 on '*Monitoring and Review of Ratings by Credit Rating Agencies (CRAs)*' issued by the Securities and Exchange Board of India.

FMC Fortuna, A-10 & 11, 3<sup>rd</sup> Floor  
234/3A, A.J.C. Bose Road  
Kolkata 700020

Tel. : +91.33.71501100  
CIN : L74999DL1991PLC042749

Website : [www.icra.in](http://www.icra.in)  
Email : [info@icraindia.com](mailto:info@icraindia.com)  
Helpdesk : +91.124.2866928

Registered Office : 1105, Kailash Building, 11<sup>th</sup> Floor, 26 Kasturba Gandhi Marg, New Delhi - 110001. Tel. : +91.11.23357940-45

**RATING • RESEARCH • INFORMATION 26661**



ICRA

You are also requested to inform us forthwith of any default or delay in the payment of interest and/or principal against the rated debt programme, or any other debt instruments and/or borrowings of your company. Further, you are requested to keep us informed of any other developments that could have a direct or indirect impact on the debt servicing capability of your company, with such developments including, but not limited to, any proposal for re-schedulement or postponement of repayment against any dues and/or debts of your company with any lender(s) and/or investor(s).

We thank you for your kind co-operation extended during the course of the rating exercise. Please let us know if you need any clarification.

We look forward to further strengthening our existing relationship and assure you of our best services.

With kind regards,

Yours sincerely,  
for ICRA Limited

Jayanta Roy  
Senior Vice President  
[jayanta@icraindia.com](mailto:jayanta@icraindia.com)

Sumit Jhunjhunwala  
Assistant Vice President  
[sumit.jhunjhunwala@icraindia.com](mailto:sumit.jhunjhunwala@icraindia.com)



ICRA

*'No Default Statement on the Company Letter Head'*

To  
<CRA Name and Address>

Dear Sir/ Madam,

1. We hereby Confirm that as on date there are no Over dues or default on our debt obligations
2. We also confirm that in the month ended <Month and Year name>, there has been no instance of delay in servicing of our debt obligations.
3. We also confirm that there has not been any instance of devolvement of Letter of Credit in the month ended <Month and Year name>.
4. We also confirm that in the month ended <Month and Year name>, there has been no instance of delay in servicing of debt obligations guaranteed by us.
5. We also confirm that there has been no overdraft of the drawing power sanctioned by the bank for a period of more than 30 consecutive days in case of bank facilities which do not have scheduled maturity/repayment dates.
6. Details of delay/ default/ rescheduling of interest or principal as on date/ in the month ended<Month and Year name> , in any of the above case (if any):

Name of the Instrument	ISIN	Amount to be paid	Due Date of Payment	Actual Date of Payment	Remarks

Thanking You,

Yours faithfully,

<Authorized Signatory of Issuer>





ICRA

Annexure

Rated on Long Term Scale			
Facility	Amount in Rs crore	Rating	Assigned on
Fund Based Limits-CC/EPC		[ICRA]D ISSUER NOT COOPERATING	July 01, 2019
ICICI Bank	143.43		
State Bank of India	142.81		
United Bank of India	107.07		
HDFC Bank	106.54		
Allahabad Bank	61.47		
UCO Bank	41.57		
Axis Bank	20.00		
RBL Bank	20.49		
Yes Bank	12.29		
Term Loans			
ICIC Bank Limited	98.97		
HDFC Bank Limited	29.97		
RBL Bank Limited	60.00		
Yes Bank Limited	132.22		
Others	38.84		
<b>Total</b>	<b>1015.68</b>		

Rated on Long Term and Short Term Scale (facilities interchangeable)			
Facility	Amount in Rs crore	Rating	Assigned on
Fund Based Limits-EBD		[ICRA]D ISSUER NOT COOPERATING	July 01, 2019
ICICI Bank	20.49		
State Bank of India	36.47		
United Bank of India	39.45		
HDFC Bank	34.42		
Allahabad Bank	20.49		
UCO Bank	8.50		
Axis Bank	4.10		
<b>Total</b>	<b>163.92</b>		



ICRA

Rated on Short Term Scale			
Facility	Amount in Rs crore	Rating	Assigned on
Non-Fund Based Limits		[ICRA]D ISSUER NOT COOPERATING	July 01, 2019
ICICI Bank	2.62		
State Bank of India	2.62		
United Bank of India	2.05		
HDFC Bank	2.05		
Allahabad Bank	0.82		
Axis Bank	5.25		
Total	15.41		

## McLeod Russel India Limited

July 01, 2019

**McLeod Russel India Limited - Ratings downgraded to [ICRA]D; remains ISSUER NOT COOPERATING**

### Summary of Rated Instrument:

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loan	360.00	360.00	[ICRA]D ISSUER NOT COOPERATING*; downgraded from [ICRA]B-(Negative) ISSUER NOT COOPERATING*
Fund-based Bank Facilities	491.76	491.76	[ICRA]D ISSUER NOT COOPERATING*; downgraded from [ICRA]B-(Negative) ISSUER NOT COOPERATING*
Fund-based Bank Facilities**	163.92	163.92	[ICRA]D ISSUER NOT COOPERATING*; downgraded from [ICRA]B-(Negative)/[ICRA]A4 ISSUER NOT COOPERATING*
Non-fund-based Bank Facilities	15.41	15.41	[ICRA]D ISSUER NOT COOPERATING*; downgraded from [ICRA]A4 ISSUER NOT COOPERATING*
<b>Total</b>	<b>1031.09</b>	<b>1031.09</b>	

*\*Issuer did not cooperate; based on best available information; \*\*Fungible with LT facilities*

### Material Event

McLeod Russel India Limited (MRIL) has announced its annual results for FY2019 on June 29, 2019. The company reported an operating income of Rs 1719.7 crore with a net profit of Rs 38.8 crore during FY2019 as against an operating income of Rs 2055.1 crore and a net profit of Rs 219.20 crore during FY2018 on a consolidated basis. The total debt has significantly increased on account of high exposure to weak group companies, which has been largely funded by short-term debt.

### Impact of the Material Event

ICRA has downgraded the ratings on the Rs 1031.09-crore fund-based and non-fund based bank facilities of MRIL to [ICRA]D (pronounced ICRA D) from [ICRA]B-(Negative)/[ICRA]A4 (pronounced ICRA B minus/ICRA A four). The ratings continue to remain in the Issuer Not Cooperating category owing to non-submission of no default declaration.

### Rationale

The rating revision factors in MRIL's recent delays in meeting debt obligations in a timely manner. ICRA, in its earlier releases, had highlighted the continued pressure on the liquidity profile of the company owing to high financial exposure to weak group companies, which was largely funded by short-term debt, thus exposing the company to significant refinancing risks. ICRA had also earlier noted that, though the company had received a majority of the proceeds from sale of some of the tea estates, the delays in utilising such sale proceeds in debt reduction had resulted in significantly high financial leverage of the company, and the sizeable debt repayment obligations were unlikely to be met from its operational cash flows.

The previous detailed rating rationale is available on the following link: [Click here](#)



## Key rating drivers

### Credit strengths

**Being one of the largest bulk tea producers in domestic markets; geographically diversified production base –** Notwithstanding the reduction in volume post sale of some tea gardens, both in the domestic and overseas operations, MRIL continues to remain one of the largest bulk tea producers from India. The company produced around 89 mkg of tea in India during FY2018; however, after sale of 20 gardens in FY2019 and Q1 FY2020, the volume is likely to reduce to around 55 mkg. The overseas operations would make an additional 26 mkg (post sale of some gardens), taking the total consolidated production to around 81 mkg.

**High productivity and bought-leaf operations reduce risks associated with the fixed-cost intensive nature of operations to some extent -** The average realisation of MRIL's produce fetches a premium over the auction averages, indicating the good quality of teas produced. The favourable age profile of MRIL's tea bushes, with around 72% of the Indian bushes below 50 years of age, also helps record a healthy tea estate yield.

### Credit challenges

**Delay in debt-servicing owing to stretched liquidity position –** MRIL has recently delayed meeting its debt obligation in a timely manner. The tight liquidity position owing to high advances to weak group companies, its loss-making tea operations and significantly high debt repayment requirements have led to the delay in its debt servicing.

**Exposure to group companies increases the overall debt levels and puts pressure on debt coverage –** MRIL has significantly increased the financial exposure to weak group companies, from Rs 645 crore in FY2018 to Rs 1745 crore in FY2019. These advances were largely funded by short-term debt raised in MRIL's books, exposing the company to significant refinancing risks. ICRA further notes that although the company has received a majority of the proceeds from the sale of tea estates, the delay in utilising such sale proceeds in debt reduction resulted in significantly high financial leverage of the company. The considerable increase in financial expenses in FY2019 on such high debt levels adversely impacted the debt coverage indicators of the company.

**Significant deterioration in core tea operation-** Pressure on core operating profitability persists as depressed tea prices were not adequately compensating for the increase in wage costs, notwithstanding the cost-reduction initiatives taken by the company. In FY2019, the company reported significant losses at the operating levels. The performance of the overseas operations in CY2018 was also adversely impacted owing to subdued tea prices in the African market.

**Risks associated with tea for being an agricultural commodity as well as the inherent cyclicity of the fixed cost-intensive tea industry -** Tea production depends on agro-climatic conditions, which subject it to agro-climatic risks. Moreover, tea estate costs are primarily fixed with labour-related costs, which are independent of the volume produced, accounting for around 50% of the production cost. This leads to variability in profitability and cash flows of bulk tea producers such as MRIL.

### Liquidity position

MRIL's liquidity position is stretched as evidenced by the delay in it meeting its debt obligation. The high advances to weak group companies, the loss-making tea operations and a significant debt obligation resulted in tight liquidity position of the company.



## Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Entities in the Indian Bulk Tea Industry</a>
Parent/Group Support	Not applicable
Consolidation / Standalone	For arriving at the ratings, ICRA has analysed MRIL's consolidated financials comprising domestic operations as well as overseas operations through a wholly-owned subsidiary, Borelli Tea Holdings Limited, along with other stepdown subsidiaries mentioned in Annexure 2.

## About the company

McLeod Russel India Limited (MRIL), the tea plantation company of the Kolkata-based B.M. Khaitan Group, was originally incorporated as Eveready Company India Private Ltd. on May 5, 1998. MRIL was formed after the demerger of the bulk-tea business from Eveready Industries India Ltd. (EIIL) with effect from April 1, 2004. MRIL has acquired several other companies like Williamson Tea Assam in FY2006, Doom Dooma Tea Company in FY2007 and Moran Tea in FY2008. These acquisitions helped MRIL increase the number of tea estates to 53 in India with 33,723 hectares (Ha) of total land under tea cultivation. MRIL also acquired tea estates through its subsidiaries in Vietnam (three tea estates and seven factories), Uganda (six tea estates and five factories) and Rwanda (two tea estates and two factories) between CY2009 and CY2014, which took the total production to around 118 mkg on a consolidated basis in FY2018. In the recent past, MRIL has sold/signed MoUs for 20 tea estates, both in Assam and in the Dooars. MRIL is primarily a producer of CTC tea, which accounts for around 96% of the total tea production.

In FY2019, on a standalone basis, the company reported a net loss of Rs. 4.4 crore on an operating income of Rs.1309.9 crore, compared to a net profit of Rs. 67.3 crore on an operating income of Rs. 1,592.8 crore in the previous year. On a consolidated basis, the entity reported a net profit of Rs.38.8 crore in FY2019 on the back of an operating income of Rs. 1,719.7 crore against a net profit of Rs. 219.2 crore on operating income of Rs. 2,055.1 crore in the previous year.

## Key financial indicators (audited)

### Consolidated financials

	FY2018	FY2019
Operating Income (Rs. crore)	2055.13	1719.66
PAT (Rs. crore)	219.15	38.81
OPBDIT/OI (%)	8.2%	-2.8%
RoCE (%)	15.2%	12.4%*
Total Debt/TNW (times)	0.60	1.06*
Total Debt/OPBDIT (times)	6.59	Na
Interest coverage (times)	0.93	-0.14

Source: Annual Reports and financial results of Company; based on estimated total debt as break up of current portion of LT debt is not available.

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None



# Rating history for last three years:

Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Current Rating (FY2020)			Chronology of Rating History for the Past 3 Years				
				Date & Rating	Date & Rating	Date & Rating	Date & Rating in FY2019	Date & Rating in FY2019	Date & Rating in FY2019	Date & Rating in FY2018	Date & Rating in FY2017
				July 2019	June 2019	April 2019	March 2019	October 2018	June 2018	August 2017	August 2016
1 Term Loan	Long Term	360.00	NA	[ICRA]D ISSUER NOT COOPERATING	[ICRA]B- (Negative) ISSUER NOT COOPERATING	[ICRA]BBB- (Negative)	[ICRA]A (Negative)	[ICRA]AA- &	[ICRA]AA- &	[ICRA]AA (Negative)	[ICRA]AA (Stable)
2 Fund-based Bank Facilities	Long Term	491.76	NA	[ICRA]D ISSUER NOT COOPERATING	[ICRA]B- (Negative) ISSUER NOT COOPERATING	[ICRA]BBB- (Negative)	[ICRA]A (Negative)	[ICRA]AA- &	[ICRA]AA- &	[ICRA]AA (Negative)	[ICRA]AA (Stable)
3 Fund-based Bank Facilities**	Long Term/ Short Term	163.92	NA	[ICRA]D ISSUER NOT COOPERATING	[ICRA]B- (Negative)/ [ICRA]A4 ISSUER NOT COOPERATING	[ICRA]BBB- (Negative)/ [ICRA]A3	[ICRA]A (Negative) / [ICRA]A2+	[ICRA]AA- & [ICRA]A1+ &	[ICRA]AA- & [ICRA]A1+ &	[ICRA]AA (Negative) e)/ [ICRA]A1 +	[ICRA]AA (Stable)/ [ICRA]A1+
4 Non-fund-based Bank Facilities	Short Term	15.41	NA	[ICRA]D ISSUER NOT COOPERATING	[ICRA]A4 ISSUER NOT COOPERATING	[ICRA]A3	[ICRA]A2+	[ICRA]A1+ &	[ICRA]A1+ &	[ICRA]A1 +	[ICRA]A1+

& Under rating watch with developing implications;

\*\*Fungible with LT facilities



### Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	Mar, 2015 – Sep, 2017	NA	FY2020- FY2024	360.00	[ICRA]D ISSUER NOT COOPERATING
NA	Fund-based Bank Facilities	NA	NA	NA	491.76	[ICRA]D ISSUER NOT COOPERATING
NA	Fund-based Bank Facilities**	NA	NA	NA	163.92	[ICRA]D ISSUER NOT COOPERATING
NA	Non-fund-based Bank Facilities	NA	NA	NA	15.41	[ICRA]D ISSUER NOT COOPERATING

\*\*Fungible with LT facilities

Source: MRIL

### Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Borelli Tea Holdings Limited	100.00%	Full Consolidation
Phu Ben Tea Company Limited*	100.00%	Full Consolidation
McLeod Russel Uganda Limited*	100.00%	Full Consolidation
Gisovu Tea Company Limited*^	60.00%	Full Consolidation
McLeod Russel Middle East DMCC*	100.00%	Full Consolidation
McLeod Russel Africa Limited*	100.00%	Full Consolidation
Pfunda Tea Company Limited*^	90.00%	Full Consolidation

\*These are step-down subsidiaries of Borelli Tea Holdings Limited. ^in FY2019, the group has signed MoU to divest their entire stake in Gisovu Tea Company Limited and 50% of their stake in Pfunda Tea Company Limited; the remaining 50% stake was sold in current financial year



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## ANALYST CONTACTS

**Jayanta Roy**  
+91 33 7150 1120  
[jayanta@icraindia.com](mailto:jayanta@icraindia.com)

**Kaushik Das**  
+91 33 7150 1104  
[kaushikd@icraindia.com](mailto:kaushikd@icraindia.com)

**Sumit Jhunjhunwala**  
+91 33 7150 1111  
[sumit.jhunjhunwala@icraindia.com](mailto:sumit.jhunjhunwala@icraindia.com)

## RELATIONSHIP CONTACT

**Jayanta Chatterjee**  
+91 80 4332 6401  
[jayantac@icraindia.com](mailto:jayantac@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**  
Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries:

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited

### Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: [info@icraindia.com](mailto:info@icraindia.com)

Website: [www.icra.in](http://www.icra.in)

### Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

### Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 6606 9999

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