McLeod Russel India Limited

Instrument	Amount Rated	Rating Action
	In Rs. Crore	
Term Loan	170.0	Downgraded to [ICRA]AA(stable) from [ICRA]AA+(stable)
Fund-based Bank Facilities	550.0 (enhanced from Rs. 450.0 crore)	Downgraded to [ICRA]AA(stable) from [ICRA]AA+(stable)
Fund-based Bank Facilities*	200.0 (enhanced from Rs. 150.0 crore)	Downgraded to [ICRA]AA(stable) from [ICRA]AA+(stable), [ICRA]A1+ reaffirmed
Non-fund Based Bank Facilities	18.8	[ICRA]A1+ reaffirmed
Commercial Paper Programme	300.0 (enhanced from Rs. 100.0 crore)	[ICRA]A1+ reaffirmed

**fungible with LT facilities*

ICRA has revised the long-term rating assigned to the Rs. 170.0 crore[1] term loan facilities and Rs. 550.0 crore (enhanced from Rs. 450.0 crore) long-term fund-based bank facilities of McLeod Russel India Limited (MRIL) to [ICRA]AA (pronounced ICRA double A) from [ICRA]AA+ (pronounced ICRA double A plus)[2]. The outlook on the rating remains stable. ICRA has also reaffirmed the [ICRA]A1+ (pronounced ICRA A one plus) rating assigned to the Rs. 300-crore (enhanced from Rs. 100 crore) commercial paper programme, Rs. 200.0-crore (enhanced from Rs. 150.0 crore) short-term fund-based bank facilities and Rs 18.8-crore non-fund based bank facilities of MRIL. MRIL's short-term fund-based bank facilities are interchangeable with long term facilities, for which an [ICRA]AA rating has been assigned.

The revision in the long-term rating takes into account the deterioration in the financial risk profile of the company during fiscal 2015-16 (FY2016), on a standalone basis, with significant decline in operating profit and weakening of debt coverage indicators. A limited increase in realisation, failing to compensate for the steep increase in labour costs, led to a decline in operating profits. Borrowings, contracted to provide financial support to group companies, led to higher interest. The decline in profitability, combined with higher interest costs and debt levels, resulted in deteriorating debt coverage indicators. Significantly higher profits from overseas operations, however, led to an increase in operating profits on a consolidated basis. Debt coverage indicators also witnessed much lower moderation in comparison to standalone operations.

The ratings continue to favourably take into account the healthy liquidity profile, with high bank balance (including NABARD deposits), leading position among tea plantation companies in India, and premium quality of the company's teas, which fetch realisations that are higher than industry averages. Healthy cash accruals (on an absolute basis) from the plantation business, which are supplemented by considerable non-operating income, low long-term debt and a conservative capital structure also continue to support the rating as well. The ratings, however, also factor in the risks associated with tea being an agricultural commodity, which is dependent on agro-climatic conditions, as well as the inherent cyclicality of the fixed cost intensive tea industry that leads to variability in profitability and cash flows of bulk tea producers such as MRIL. ICRA notes that MRIL's considerable bought leaf operations, along with the favourable age profile of its tea bushes, mitigates the risks associated with the fixed cost intensive nature of the bulk tea industry to an extent. ICRA notes that while wage rates are scheduled to increase in FY2017 as well, higher expected production from own leaf during the year is likely to absorb the cost impact to a large extent. The extent of the impact of the above on the profits of MRIL would, however, be largely determined by the trend in tea realisations. ICRA expects tea realisations to remain firm on the back of healthy domestic demand. MRIL's overseas operations are likely to continue to report healthy profits in the current fiscal as well. As a result, ICRA expects MRIL's cash flows to remain comfortable to meet its debt repayment obligations, which remain low, given its conservative capital structure.

[1] 100 lakh = 1 crore = 10 million
[2] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

Company Profile

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. In its current form, MRIL was formed by the demerger of the bulk tea business from Eveready Industries India Ltd (EIIL) with effect from April 01, 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 at present, with the total land under tea cultivation being 33,899 hectares (Ha). MRIL has also acquired gardens 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) during CY2009-CY2014, which took the total production to around 117.5 Mkg during FY2016. MRIL is primarily a producer of CTC tea, with such tea accounting for around 96% of its total tea production.

Recent Results

During FY2016, MRIL recorded a profit after tax (PAT) of Rs. 14.57 crore on operating income of Rs. 1508.71 crore as against a PAT of Rs. 61.98 crore on operating income of Rs. 1388.13 crore in the previous year.

August 2016

For further details please contact:

Analyst Contacts:

Mr. Jayanta Roy, (Tel. No. +91-33-22876617 / 22800008)
jayanta@icraindia.com

Relationship Contacts:

Mr. Jayanta Chatterjee (Tel. No. +91-80-43326401)
jayantac@icraindia.com

© Copyright, 2016, ICRA Limited. All Rights Reserved
Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

Registered Office
ICRA Limited
1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office
Mr. Vivek Mathur
Mobile: +**91 9871221122**
Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 3rd Floor, Electric Mansion Appasaheb Marathe Marg, Prabhadevi Mumbai—400025, Board : +91-22-61796300; Fax: +91-22-24331390	**Kolkata** **Mr. Jayanta Roy** Mobile: **+91 9903394664** Email: jayanta@icraindia.com A-10 & 11, 3rd Floor, FMC Fortuna 234/3A, A.J.C. Bose Road Kolkata—700020 Tel +91-33-22876617/8839 22800008/22831411, Fax +91-33-22870728
Chennai **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 5th Floor, Karumuttu Centre 634 Anna Salai, Nandanam Chennai—600035 Tel: +91-44-45964300; Fax: +91-44 24343663	**Bangalore** **Bangalore** **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 'The Millenia' Tower B, Unit No. 1004,10th Floor, Level 2 12-14, 1 & 2, Murphy Road, Bangalore 560 008 Tel: +91-80-43326400; Fax: +91-80-43326409
Ahmedabad **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 907 & 908 Sakar -II, Ellisbridge, Ahmedabad- 380006 Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-79-25569231	**Pune** **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range Hills Road, Shivajinagar,Pune-411 020 Tel: + 91-20-25561194-25560196; Fax: +91-20- 25561231
Hyderabad **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj Bhavan Road, Hyderabad—500083 Tel:- +91-40-40676500	