

February 24, 2026

## M. K. Shah Exports Limited; Ratings Upgraded

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term – Fund-based - Term loans	104.00	50.00	[ICRA]A+(Stable); upgraded from [ICRA]A(Stable)
Long term/Short term – Fund-based- Working capital facilities^	80.50	125.00	[ICRA]A+(Stable)/[ICRA]A1; upgraded from [ICRA]A(Stable)/[ICRA]A2+
Long term/Short term – Unallocated limit	5.50	15.00	[ICRA]A+(Stable)/[ICRA]A1; upgraded from [ICRA]A(Stable)/[ICRA]A2+
<b>Total</b>	<b>190.00</b>	<b>190.00</b>	

\*Instrument details are provided in Annexure-I; ^Includes cash credit, WCDL, export packing credit

### Rationale

To arrive at the ratings, ICRA has taken a consolidated view of M. K. Shah Exports Limited (MKSEL), M. K. Shah Teas LLP (LLP) and M. K. Shah Realty (MKSR), together referred to as the Group, given the common management, operational and financial linkages and cash flow fungibility among the entities.

The upgrade of the ratings factors in the expected improvement in MKSEL's consolidated profitability and cash accruals in FY2026, following a sharp rise in FY2025. The improvement is supported by buoyant orthodox (ODX) realisation, which is expected to sustain in the near to medium term. A demand-supply mismatch for ODX teas globally emanating from a sustained lower crop in Sri Lanka, which is the largest supplier of ODX teas in the international market, has led to a sharp rise in export of ODX tea from India and thereby the prices in the domestic market. Going forward, the favourable age profile of tea bushes and MKSEL's focus on improving productivity are likely to support its cost structure.

The ratings continue to factor in the established presence of MKSEL as one of the largest producers of ODX tea in India. The consolidated capital structure remained conservative and is likely to improve further due to expected prepayment of term loans, thus reducing the company's total debt in FY2026. Deleveraging of the capital structure and improved profits are also likely to strengthen the debt coverage metrics, with expected interest coverage at 8.5 times in FY2026. MKSEL is currently entitled to receive subsidies on production of ODX tea from the Assam Government and income tax exemption on agricultural income. Besides, both MKSEL and LLP receive interest subsidy on working capital, supporting profitability. Nonetheless, the tea workers' wages were not hiked in FY2025 as well as in the current fiscal till date. Any significant wage rate hike impacting the cost structure would remain a key monitorable. Also, any potential adverse impact on the orthodox tea demands due to a deterioration in geopolitical situation in Iran, a key consuming market for ODX teas, will continue to be an important rating sensitivity.

The ratings also factor in the risks of tea being an agricultural commodity as well as the cyclicity inherent in the fixed-cost intensive nature of the industry that leads to volatility in the profits and cash flows of bulk tea producers such as MKSEL, evident from the impact of the wage hike in October 2023 on the margins. The domestic tea prices are influenced by international prices and, hence, the demand-supply situation in the global tea market, in ICRA's opinion, would continue to have a bearing on the profitability of Indian players, including MKSEL. The ratings also remain constrained by the company's sizeable financial exposure to Group entities. However, with a ramp-up of operations, adequate revenues will support the ROCE. Nevertheless, a steady level of non-operating income (rent from real estate properties, interest on capital invested in Group entities, etc.) supports MKSEL's cash accruals to some extent.

The Stable outlook on the long-term rating reflects ICRA's opinion that MKSEL's business position would remain strong, given its status as one of the largest ODX tea producers in India and its efficient operations. healthy realisation of ODX tea, the company's improving tea production and reducing debt level are likely to support its credit profile.

### Key rating drivers and their description

## Credit strengths

**Expected improvement in performance in FY2026, driven by buoyant realisations** – MKSEL’s performance has improved significantly in the current year till date, driven by a sharp rise in ODX tea prices, after a robust performance in FY2025. On a cumulative basis, the average realisations till 8M FY2026 improved by Rs. 23/kg compared to the corresponding period of the previous fiscal. While some moderation is expected during the last quarter of the fiscal owing to end of season crop, the overall weighted average realisation is expected to be around Rs. 20/kg higher compared to the previous fiscal. The higher realisation is expected to offset the crop loss in the current fiscal, to an extent. Consequently, profitability and debt protection metrics are expected to improve in the current fiscal. The favourable demand for orthodox teas is likely to support the coverage metrics in the medium term as well.

**Favourable age profile of tea bushes and operational efficiency positively impact cost structure** – MKSEL’s garden costs are largely fixed, in line with that of the industry, with labour costs accounting for a major part of the cost of production. Hence, the profitability of the bulk tea producers is highly correlated to productivity. MKSEL follows sound garden practices and continuous uprooting and fresh plantation, which ensure a favourable age profile of its bushes. Nearly 70% of the bushes are less than 50 years old, supporting productivity. In FY2021, however, MKSEL’s yield was affected by the pandemic and the yield of the acquired gardens was severely impacted by the flood in Upper Assam, pulling down the overall yield to 1,566 kg/hectare in FY2021 from 2,011 kg/hectare in FY2020. Nevertheless, MKSEL’s focus on improving the yield, particularly that of the acquired gardens, led to a significant rise in the overall yield to 2,223 kg/hectare in FY2025 from 1,939 kg/hectare in FY2022. In the current fiscal, the productivity remains in line with the last fiscal. The sustenance of high yields is likely to mitigate the risks associated with the fixed-cost nature of the industry, favourably impacting the company’s cost structure and, hence, profitability.

**Experienced promoters and established presence as one of the largest producers of ODX tea in India** – MKSEL is one of the largest ODX (orthodox) tea producers in India. The promoters have vast experience in the tea plantation sector and the export market. After the acquisition of eight tea estates from MRIL in FY2019, MKSEL’s scale of operations has increased substantially. At present, it manufactures only ODX tea with an area under cultivation of 8,460 hectares (as of FY2025) spread across 13 tea gardens in Assam compared to 2,513 hectares and five tea estates in FY2018 (prior to the acquisition). In FY2025, MKSEL’s production stood at 18.81 million kg (Mkg) and accounted for around 16% of the overall ODX tea produced in India.

In the current fiscal, MKSEL’s tea production till November 2025 stood at 16.6 Mkg vis-à-vis 17.6 Mkg during the same period in the last fiscal. The superior quality of MKSEL’s ODX tea commands a significant premium over the North Indian auction averages. In addition to sales through auction houses and private parties, MKSEL exports a portion of its produce. In this season, the entity has also started to sell through private auctions, leading to some cost savings. A major portion of the Group’s exports are routed through LLP, which procures tea from MKSEL. Additionally, tea exports through the realty entity - MKSR - supported the overall export volumes in the last fiscal.

**Conservative capital structure; improved profits and deleveraging to strengthen debt coverage indicators** – MKSEL availed a sizeable amount of long-term debt (Rs. 115 crore) to acquire gardens from MRIL in FY2019, and its working capital borrowing also increased with the scaling up of operations. However, the company’s consolidated capital structure remained conservative, reflected in a gearing of 0.3 times as on March 31, 2025. The consolidated debt level is likely to decline due to the prepayment of term loans, supported by the healthy accruals in the current fiscal. The reduction in debt and improved profits are likely to strengthen the consolidated debt coverage metrics, going forward.

## Credit challenges

**Risks of tea being an agricultural commodity and inherent cyclicity of fixed-cost intensive tea industry** – The production of tea depends on agro-climatic conditions, making it vulnerable to such risks. Moreover, most of the tea estate costs are fixed, with manpower expenses accounting for a major portion of the production cost. Given the fixed-cost intensive nature of the tea business, the yield of the gardens and the out-turn ratio (defined as black tea produced to green leaf consumed) directly impact the cost structure and, hence, the profitability of bulk tea players, including MKSEL.

**Profitability and cost structure vulnerable to wage rate hikes in the near term** – MKSEL’s operating margins had suffered in the past owing to wage rate revisions and higher bonus payouts. The basic daily wages for tea estate workers in Assam increased by Rs. 18 per manday from October 2023, which pushed up the cost of made tea by Rs. 9-10/kg. However, a sharp rise in MKSEL’s realisations offset the impact of the cost inflation to an extent. Additionally, the likely increase in wage rates in the coming fiscal is likely to adversely impact the cost structure of the bulk tea industry, including MKSEL, in the medium term and the quantum of the increase would remain the key monitorable, going forward. Any sharp hike without a commensurate

increase in realisation will adversely impact the margins and coverage metrics of the entities in the bulk tea industry.

**Realisation in domestic market remains vulnerable to export market performance of Indian teas** – Exports play a vital role in maintaining the overall demand-supply of the tea market, especially in the case of MKSEL, owing to its pure-play ODX nature of operations (ODX varieties are primarily exported). Hence, healthy export prices become crucial for maintaining auction realisations as the buyers at these auctions also eventually sell the tea in the export market itself. The volatility in the export of orthodox tea to Iran and other West Asian markets from India keeps the Indian orthodox tea prices vulnerable, exposing the Group’s overall profitability to the performance of the export market. Further, the company operates all its 13 tea estates in Assam and focuses only on the production of the orthodox variety. This exposes MKSEL to geographical as well as product concentration risks. However, the entity’s high yields and the robust demand for orthodox varieties arising from a global supply constraint (owing to continued weak production in Sri Lanka) are expected to mitigate these risks in the near to medium term. However, any potential adverse impact on the orthodox tea demands due to a deterioration in geopolitical situation in Iran, a key consuming market for ODX teas, will continue to be an important rating sensitivity.

**Sizeable investment in Group entities** – MKSEL’s investment in the Mauritius-based wholly-owned subsidiary, Vaksana Holdings (which acquired a 70% stake in a tea estate in Congo in FY2014 through step-down subsidiaries), stood at Rs. 24.6 crore (Rs. 6.0-crore equity and balance redeemable preference shares) as on March 31, 2025. The return from the investment in Vaksana Holdings has remained nil so far. The lack of commensurate returns from investments in Group entities and a sizeable capital invested for the acquisition of tea estates from MRIL in FY2019 along with muted market conditions have adversely impacted MKSEL’s consolidated ROCE in the past. Nevertheless, the ROCE is likely to improve significantly in the current fiscal, aided by a healthy operating profit and firm realisations.

### Liquidity position: Adequate

The company’s liquidity position is likely to remain Adequate. The consolidated cash flow from operations improved in FY2025 to Rs. 80.3 crore owing to a healthy increase in realisation. The cash flow from operations is expected to remain healthy in FY2026, supported by buoyant ODX prices. Its debt repayment obligation stands at around Rs. 12 crore for FY2026 but a sizeable term loan prepayment (around Rs. 40 crore) in the current fiscal would minimise the overall debt service obligation in the near-to-medium term. Further, the entity has no major capex plan, going ahead, supporting the liquidity.

### Rating sensitivities

**Positive factors** – A significant rise in the consolidated profitability and cash flows, leading to a healthy improvement in debt coverage metrics, on a sustained basis, may result in a rating upgrade.

**Negative factors** – ICRA may downgrade the ratings if the consolidated profitability and cash accruals deteriorate significantly, or if any sizeable debt-funded capex/acquisition adversely impacts the consolidated leverage and liquidity. A specific trigger for a downgrade will be consolidated interest coverage of less than 5.5 times on a sustained basis.

### Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Tea</a> <a href="#">Corporate Credit Rating Methodology</a>
Parent/group Support	Not Applicable
Consolidation/standalone	For arriving at the ratings, ICRA has consolidated the financials of MKSEL with its Group entities, M. K. Shah Teas LLP and M. K. Shah Realty (as mentioned in Annexure II), given the close business, financial and managerial linkages among them

### About the company

M. K. Shah Exports Limited, incorporated in 1992, was promoted by the Late Mukundray Shah. The company is an ODX tea producer and has 13 tea estates in Assam with 8,460 hectares of land under cultivation (as of FY2025), including eight tea estates acquired from McLeod Russel India Limited in July 2018. In 8M FY2026, MKSEL manufactured 16.6 Mkg tea vis-à-vis

17.6 Mkg in 8M FY2025 and recorded sales volume of 12.1 Mkg in 8M FY2026 from 13.8 Mkg in 8M FY2025. The full-year volumes are expected to remain similar to the last fiscal (18.81 Mkg of production in FY2025).

In July 2019, the promoters had set up M. K. Shah Teas LLP, in which MKSEL is a partner. Since then, most of the tea exports of the Group have been routed through this LLP. MKSEL sells tea to the LLP, which is finally exported, and the LLP provides advances for the same to MKSEL, thus having strong operational and financial linkages.

In FY2024, the company started tea business in its partnership entity, M. K. Shah Realty. Earlier, this entity was involved in real estate leasing and had LRD loans, which were paid off in FY2024 with support from MKSEL. The operations here are similar to the LLP entity, in which tea is bought from MKSEL and exported.

### Key financial indicators (audited)

MKSEL	Standalone		Consolidated <sup>^</sup>	
	FY2024	FY2025	FY2024	FY2025
<b>Operating income</b>	442.0	519.2	453.3	536.3
<b>PAT</b>	5.8	23.9	8.6	29.0
<b>OPBDIT/OI</b>	8.1%	10.3%	9.5%	11.7%
<b>PAT/OI</b>	1.3%	4.6%	1.9%	5.4%
<b>Total outside liabilities/Tangible net worth (times)</b>	0.7	0.7	0.7	0.7
<b>Total debt/OPBDIT (times)</b>	4.7	2.9	4.9	2.5
<b>Interest coverage (times)</b>	2.6	4.5	2.9	4.7

*PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; <sup>^</sup>ICRA estimates; Amount in Rs. crore; Source: Company, ICRA Research*

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

**Any other information: Not applicable**

### Rating history for past three years

Instrument	Type	Amount rated (Rs. crore)	Current rating (FY2026)			Chronology of rating history for the past 3 years		
			Date & rating in FY2026		Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	
			Feb 24, 2026	Jan 14, 2025	May 28, 2024	-	Mar 20, 2023	Apr 18, 2022
<b>1</b> Fund-based -Term loans	Long term	50.00	[ICRA]A+ (Stable)	[ICRA]A (Stable)	[ICRA]A (Negative)	-	[ICRA]A (Stable)	[ICRA]A- (Stable)
<b>2</b> Fund-based - Working capital facilities*	Long term/ Short term	125.00	[ICRA]A+ (Stable) /[ICRA]A1	[ICRA]A (Stable) /[ICRA]A2+	[ICRA]A (Negative) /[ICRA]A2+	-	[ICRA]A (Stable)/ [ICRA]A1	[ICRA]A- (Stable)/ [ICRA]A2+
<b>3</b> Unallocated limit	Long term/ Short term	15.00	[ICRA]A+ (Stable) /[ICRA]A1	[ICRA]A (Stable) /[ICRA]A2+	[ICRA]A (Negative) /[ICRA]A2+	-	[ICRA]A (Stable)/ [ICRA]A1	[ICRA]A- (Stable)/ [ICRA]A2+

\*Includes cash credit, WCDL, export packing credit

## Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term - Fund-based - Term loan	Simple
Long-term/Short-term - Fund-based - Working capital facilities*	Simple
Unallocated limits	Not Applicable

\*Includes cash credit, WCDL, export packing credit

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

## Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Long term – Fund-based - Term loan	Sep-2018	-	Dec-2028	45.00	[ICRA]A+ (Stable)
NA	Long term – Fund-based - Term loan	Sep-2018	-	Dec-2028	5.00	[ICRA]A+ (Stable)
NA	Long term/Short term – Fund-based -Working capital facilities*	-	-	-	125.00	[ICRA]A+ (Stable)/[ICRA]A1
NA	Long term/Short term – Unallocated limit	-	-	-	15.00	[ICRA]A+ (Stable)/[ICRA]A1

Source: Company; \*Includes cash credit, WCDL, export packing credit

[Please Click here to view details of lender-wise facilities rated by ICRA](#)

## Annexure II: List of entities considered for consolidated analysis

M. K. Shah Exports Limited	Ownership	Consolidation approach
M. K. Shah Teas LLP	15% (as on March 31, 2025)	Full Consolidation
M. K. Shah Realty	15% (as on March 31, 2025)	Full Consolidation

Source: Company

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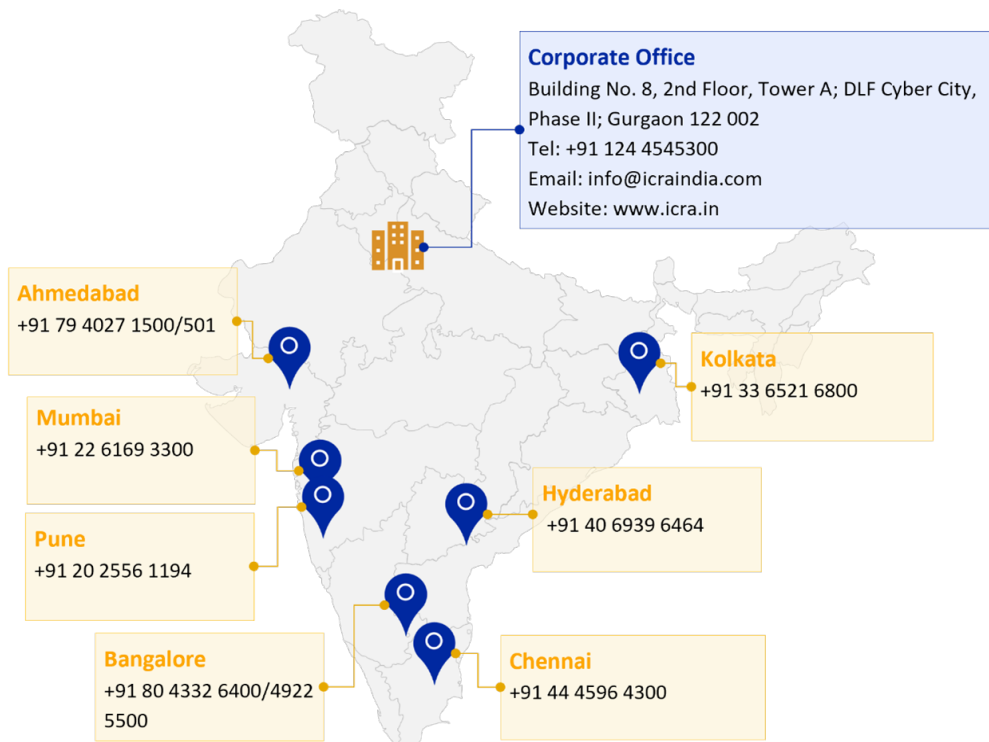


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