

## McLeod targets sale of gardens to reduce debt

# TEA TIME

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■ Hopes to earn Rs 300-400 crore from sale

■ McLeod has 52 gardens in Assam, five in Dooars

**Calcutta:** McLeod Russel, the largest tea planter globally, has made a formal announcement to sell gardens in Assam and Dooars to pare debt.

Tea industry mandarins expect the company to put at least 10 million kg of tea production on the block, raising anything between Rs 300 crore and Rs 400 crore from the sale.

McLeod's board approval for the sale came a fortnight before the financial bid for bankrupt Assam Company closes. Nine entities have initially showed interest for Assam Company gardens, which produce 10 million kg.

Brokers for McLeod's gardens have informally approached some of the prominent players that are in the race for Assam Co, tea industry veterans said.

"There may be many sellers in the market but only three buyers: Dhunseri Tea, Luxmi Tea & MK Shah & Export," an industry source said, adding that gardens under Moran Tea, Doomdooma Tea & Margherita in Tinsukia are on the block.

Kamal Kumar Baheti, whole time director & chief financial officer of McLeod, said a merchant banker would be appointed to run the process.

He said the interest for Assam Co underscored the fact that there are many buyers for tea gardens. However, Baheti declined to put any number on McLeod's target.

"The company has a gross debt of Rs 1,000 crore on the books. We want to bring it down to half. This will be done by internal accruals and sale of gardens. As such we don't have any target on how many gardens or volume of production to be sold," Baheti told **The Telegraph**.

Even as the sale announcement was made on Wednesday it has been speculated for months as Williamson Magor Group, owned by the Brij Mohan Khaitan family, is understood to be reeling under a heavy debt burden. By paring Rs 500 crore debt, McLeod is expected to save Rs 60-70 crore annually. Baheti described the proposed sale as a strategic move which would bear fruit in the future.

The company has 52 gardens in Assam and five in Dooars, producing 67 million kg tea last year, while the African production was 30 million kg. It also bought leaf of 20 million kg from small growers.

A close look at the standalone and consolidated results published by McLeod shows how overseas operations (Africa & Vietnam) have been the bulwark of the company.

Consolidated profits stood at Rs 230.39 crore in 2017-18, while standalone profit was at Rs 67.26 crore. Given that bought leaf margins are higher by Rs 20-25 a kg, the company's own core operations appear to have made only minimal profit as tea prices remained nearly flat even as the wage bill pushed up cost by Rs 40 a kg, squeezing margins.

Baheti, however, said there should not be any impression that McLeod was taking a long-term negative call on tea production.

"Share of Indian garden production is disproportionately higher than bought leaf and overseas operation. We are rebalancing the portfolio and investing where needed," he said.

The company announced a buyback of shares with a kitty of Rs 100 crore to reward shareholders. Up to 4.35 per cent share will be bought at a price not exceeding Rs 210 per share. The McLeod stock closed at Rs 154.05, up Rs 2.10 over Tuesday's close of Rs 151.95.

**SOURCE:** <https://www.telegraphindia.com/business/mcleod-targets-sale-of-gardens-to-reduce-debt-234357>