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McLeod flavour for Luxmi

Sambit Saha | Jun 07, 2018 00:00 IST



Rudra Chatterjee: Selective buyer

Calcutta: Luxmi Tea has picked up four gardens - located in the Moran area of Assam's Dibrugarh - from McLeod Russel for a consideration of Rs 141 crore.

The gardens have a combined crop of 4 million kg per annum, valuing the deal at Rs 350 per kg, tad ahead of the industry benchmark.

Explaining the company's strategy, Rudra Chatterjee, director of Luxmi Group, which also owns the marquee Makaibari tea estate in Darjeeling, said, "Luxmi Group is not a general buyer of tea gardens. We are selective."

"We have bought into only the best tea growing geographies and Moran certainly is among one of the best tea growing regions of Assam. They are good gardens. And they do not come to the market often," Chatterjee said.

The tea estates offloaded by the Khaitan's of McLeod are Moran, Lepetkatta, Attabarie and Sepon, spread over 2,000 hectares of land, employing 5,000 workers. The transaction will be subject to receiving necessary approvals and completion of due diligence.

On the completion of the deal, Luxmi Tea will have a portfolio of 20 million kg of tea. The last acquisition it made was in Rwanda, Africa. Production from the overseas asset will start from 2020, adding 1 million kg of crop every year.

The newly bought gardens contributed Rs 88 crore turnover to McLeod, accounting for 5.6 per cent of the 2017-18 topline.

The back-to-back deals - McLeod sold 8 gardens to M.K. Shah Exports for Rs 331 crore on Tuesday - has raised Rs 472 crore for the Khaitans who are keen to bring down the debt of the company. The company is still looking for buyers for the Dooars gardens in Bengal.

Worries remain

Chatterjee, who comes from a family of planters of three generations, said the transactions could not wish away the fact that north Indian tea gardens were facing structural problems.

"The tea industry is hit by climate changes and employee benefit costs. The balance sheets of all organised Indian tea producers look vulnerable to any small changes either on the cost or price side. Though we are buying these gardens, we are only cautiously optimistic," he said.