

McLeod may settle with IL&FS

SAMBIT SAHA

Calcutta: The promoters of McLeod Russel India, India's largest bulk tea producer, are closing in on an out-of-court settlement with IL&FS Infrastructure Debt Fund to avoid insolvency proceeding against the company.

The Khaitan family of Calcutta, the promoters of McLeod, have been in negotiations with IL&FS ever since the tea planter was admitted to the corporate insolvency resolution process (CIRP) by the Calcutta bench of the National Company Law Tribunal on February 10.

Sources said talks have made progress and a deal may be reached soon. The CIRP process has been stayed by the

CASE STUDY

- IL&FS Debt Fund lent Rs 253cr to two holding companies of the Khaitan family in 2017
- McLeod had entered into 'shortfall agreement' with the ILF&S fund
- The two companies defaulted, leading to IBC petition against McLeod

National Company Appellate Law Tribunal, Delhi, after the Khaitans moved the higher legal forum challenging the lower tribunal order.

The legal reprieve, although temporary, allowed the Khaitans to reach out to

IL&FS and chalk out a deal. The matter will come up for hearing on Tuesday at the NCLAT. The Khaitans may have offered some land assets as part of the deal, sources cited above, added.

The insolvency case pertains to a Rs 252.66-crore loan that IL&FS Debt Fund had lent to two of the holding companies of the Khaitan family — Babcock Borsig and Williamson Magor & Co Ltd in 2017.

McLeod had executed a 'shortfall undertaking' in favour of IL&FS Infra Debt Fund in relation to the loan. The two promoter group companies had defaulted in servicing the debt obligations, leading to IL&FS filing a petition against the tea producer under the Insolvency & Bankruptcy Code.

There has been instances in the past when the Khaitans saved the company from going under. In 2021, McLeod was dragged to the CIRP by Techno Electric & Engineering. However, the Khaitans settled with the creditor.

"McLeod is the last big asset that the Khaitans continue to control. It is understandable that they would go a long way to retain it," said a source familiar with the matter.

Over the course of the last two years, the Khaitans have lost control of two other operating companies, Eveready Industries India and McNally Bharat Engineering Co Ltd.

While the Burman family of Dabur is now in control of Eveready, McNally is going through a CIRP process.