MERCATOR
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Ref: ML/SE/2018-19/2

October 5, 2018

To,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001
Scrip Code: 526235

To,
National Stock Exchange of India Ltd.
Exchange Plaza, Plot no. C/1, G Block,
Bandra-Kurla Complex
Bandra (E), Mumbai - 400 051.
Scrip Code: MERCATOR

Dear Sir,

Sub: Revision in Credit Rating

This is to inform you that Care Ratings Limited (CARE) has revised the Company's rating for long-term bank facilities and short-term bank facilities as below:

i. Long-term bank facilities - Term Loan revised from 'BBB' Outlook Negative to 'D'
ii. Long-term bank facilities - Cash Credit revised from 'BBB' Outlook Negative to 'C' Outlook Stable
iii. Long-term bank facilities - Letter of Credit revised from 'BBB' Outlook Negative to 'C' Outlook Stable
iv. Short-term bank facilities - Revised from A3 to A4

As per CARE, *"The revision in the rating assigned to the bank facilities [serial no. (i) above] of Mercator Ltd. (ML) is on account of ongoing delays/defaults in debt servicing on the terms loans rated by CARE, due to cash flow mismatch. Consequently ratings of other bank facilities were also revised.*

The delays/default is ongoing since September 2018. As per the management, the delays/default on the term loans is on account of temporary cash flow mismatch arising primarily due to non-disbursal of sanctioned limits pending fulfilment of conditions precedent to the disbursal."

As per CARE, the ability of the Company to ramp up production in oil segment and raise funds as envisaged on oil asset to meet the cash flow mismatch, and continue deploying its shipping assets at remunerative rates so that there is an improvement in profitability will be the key rating sensitivities.

The Company would like to highlight here that it has commenced production in its oil blocks (Jyoti-1 discovered well) in September 2018. The Company is targeting to commence

Mercator Limited

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production from Jyoti-2 discovered well in Q3 FY 2019 which is expected to scale up total production in excess of 1000 barrels per day. It also expects to increase its production to around 5,500 barrels per day by Q4 FY 2019. Current discoveries are expected to generate average annual free cash flows in excess of about INR 200 Cr. from FY 20. The oil asset has nominal debt thereby providing a substantial room for the Company to raise liquidity. The Company has initiated discussions to raise additional funding against the oil asset to fund residual capex requirements and cure the short term liquidity mismatch in the Group and expects the same to get completed within 2-3 months.

We would like to state that over the years, the Company has reduced consolidated debt by 55% from Rs. 3,886 Crores in FY15 to Rs. 1,761 Crores in FY18. During this period, the Company not only ramped up operations in coal business but also made significant progress in Oil & Gas Blocks and brought it to production. The Company shall continue to focus on balance sheet deleveraging.

We would like to assure our stakeholders that the Company is committed to resolve and honor the repayment of all the outstanding dues of Mercator Limited to the respective Banks and regularize the account status at the earliest.

Thanking You

Yours Faithfully,
For **Mercator Limited**

Mercator Limited

Sangeetha Pednekar
Company Secretary

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