

**Annexure II**  
**Brief Rationale**

**CARE reaffirms the ratings assigned to the Bank Facilities of  
Ludlow Jute & Specialities Ltd.**

**Ratings**

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Remarks
Long-term Bank Facilities	4.57 (reduced from 6.39)	CARE A (Single A)	Reaffirmed
Long /Short term Bank facilities	30	CARE A/CARE A2+ (Single A / A Two Plus)	Reaffirmed
Short-term Bank Facilities	45	CARE A2+ (A Two Plus)	Reaffirmed
<b>Total Facility</b>	<b>79.57</b> <b>(Rupees Seventy Nine crore and Fifty Seven lakh only)</b>		

**Rating Rationale**

The ratings assigned to the bank facilities of Ludlow Jute & Specialities Ltd (LJSL) continue to draw strength from the experience of the promoters with long & satisfactory track record, continuous development of innovative jute products to command premium in the export market and government support to the sector. The ratings, however, continue to be constrained by the labour intensive operations and labour problems associated with the industry, stiff competition from Bangladesh in the export market and volatility associated with the raw jute prices.

The ratings also factor in the improvement in profitability in 9MFY16, though there was a decline in FY15 (refers to the period April 1 to March 31) and deterioration in capital structure. Improving margins by introducing value-added jute products, securing government and export orders, maintaining cordial labour relations and central government's stance on dilution of the Jute Packaging Material Act are the key rating sensitivities.

**Background**

LJSL, incorporated in 1921, is engaged in manufacturing and selling of jute products, with an aggregate installed capacity of 67,500 MTPA at its unit in Howrah, West Bengal. In 1977, LJSL

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

NB:

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was taken over by the Kolkata-based Kanoria group, having major interest in chemicals, textiles and jute. Kanoria Chemicals & Industries Ltd. (rated CARE AA-/A1+) is the flagship company of the group.

In FY15, LJSL reported a net loss of Rs.4.35 crore (PAT of Rs.2.68 crore in FY14) on a total operating income of Rs.233.35 crore (Rs.275.62 crore in FY14). In 9MFY16, the company reported PAT (after provision for deferred taxation) of Rs.5.04 crore on total operating income of Rs.250.47 crore.

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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