

Rating Rationale
Ludlow Jute & Specialities Ltd

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	20.00	CARE A-; Stable [Single A Minus; Outlook: Stable]	Revised from CARE A; Negative [Single A; Outlook:Negative]
Long Term/Short Term Bank Facilities	60.00	CARE A-; Stable/CARE A2+ [Single A Minus; Outlook: Stable/ A Two Plus]	Revised from CARE A; Negative/CARE A2+ [Single A ; Outlook: Negative/ A Two Plus]
Short-term Bank Facilities	45.00	CARE A2+ [A Two Plus]	Reaffirmed
Total Facilities	125.00 (Rs. One hundred and twenty five crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the long term rating assigned to the bank facilities of Ludlow Jute & Specialities Ltd (LJSL) takes into account the significant decline in profitability in FY18 (refers to the period April 1 to March 31) which continued in H1FY19.

However, the ratings continue to draw strength from the experience of the promoters with long & satisfactory track record, presence in the export market and government support to the sector. The ratings also factor in the moderate capital structure and debt coverage indicators.

The ratings are constrained by the relatively low operating margin, stiff competition from Bangladesh in the export market and volatility associated with the raw jute prices.

Improving margins by introducing value-added jute products, securing government and export orders, deriving benefits from the modernization project and central government's stance on dilution of the Jute Packaging Material Act are the key rating sensitivities.

Detailed description of the key rating drivers***Experienced promoters with long & satisfactory track record:***

LJSL, incorporated in 1921, was taken over by the Kanoria family of Kolkata in 1977. During the last three decades, the promoters with a team of experienced professionals, successfully handled labor related problems and raw material price volatility, which has enabled the company to emerge as one of the few profitable jute manufacturing companies in India.

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications