

Ludlow Jute & Specialities Limited

March 27, 2025

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long-term / Short-term bank facilities	-	-	Reaffirmed at CARE BB+; Stable / CARE A4+ and removed from Rating Watch with Developing Implications; Stable outlook assigned and Withdrawn
Long-term bank facilities	-	-	Reaffirmed at CARE BB+; Stable and removed from Rating Watch with Developing Implications; Stable outlook assigned and Withdrawn
Short-term bank facilities	-	-	Reaffirmed at CARE A4+ and removed from Rating Watch with Developing Implications and Withdrawn

Details of facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited had placed the ratings of LJSL on credit watch with developing implications in August 2024 following the announcement by the company on the stock exchange stating that the promoter of LJSL had entered into an agreement with Panchjanya Distributors Private Limited (part of Kolkata based Kankaria group) to sell its entire stake of 67.20% in LJSL and pending clarity of the impact of the same on the credit profile of the company.

CARE Ratings has now removed the rating watch with developing implications and reaffirmed the ratings post completion of the transaction with transfer of entire stake of promoter holding in LJSL comprising of 67.20% to Panchjanya Distributors Private Limited.

CARE Ratings Ltd. has reaffirmed, removed the rating watch with developing implications and withdrawn the outstanding ratings of 'CARE BB+; Stable/CARE A4+' [Double B Plus; Outlook: Stable/ A Four Plus] assigned to the bank facilities of Ludlow Jute & Specialities Limited (LJSL) with immediate effect. The above action has been taken at the request of LJSL and 'No Objection Certificate' received from the banks that have extended the facilities rated by CARE Ratings Ltd.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that the entity shall sustain its moderate financial risk profile over the medium term.

Detailed description of key rating drivers:

Key weaknesses

Moderation in financial performance in FY24 and 9MFY25

The total operating income (TOI) of the company witnessed a de-growth of 13% in FY24 compared with FY23 due to lower orders from Government in FY24 leading to lower sales volume. Also, export demand remained muted in FY24. The PBILDT margin declined in FY24 to 0.05% on account of significant increase in other expenses. The company incurred cash loss of Rs.8.98 crore vis-à-vis debt repayment obligation of around Rs.7.4 crore in FY24. The cash loss and debt repayment obligation was met out of stretching of creditors by the company.

During 9MFY25, the company reported TOI of Rs.206.11 crore as against Rs. 347.99 crore in 9MFY24. The significant decline is on account of lower orders from Government. Further, there was some labour issue in the factory which led to closure of the factory for more than a month impacting the performance of the company in Q3FY25. Decline in revenue coupled with increase in raw jute prices led to company incurring operating loss of Rs.1.98 crore in 9MFY25.

Moderate capital structure and debt protection metrics

The capital structure of the company witnessed moderation with overall gearing deteriorating from 0.68x as on March 31, 2023, to 0.73x as on March 31, 2024. Moderation in overall gearing has been on account of reduction in net worth due to incurring of losses, while debt levels remained stable. The interest coverage has also deteriorated from 2.30x in FY23 to 0.03x in FY24, due to decline in operating profit.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Risk of raw jute price volatility

LJSL procures raw jute domestically and imports from Bangladesh. The company is exposed to raw material price fluctuations, and it accounted for ~58% of cost of sales in FY24 (~62% of cost of sales in FY23). The price of raw jute, being an agricultural product, is volatile since it depends on the vagaries of nature and crop economics. However, the impact of raw-material price fluctuation on profitability is limited to an extent of three months for Government sales (from the date of order) as Government considers three months weighted average prices of raw jute while calculating the rate for procuring jute bags.

Foreign exchange fluctuation risk

LJSL is moderately exposed to foreign exchange fluctuation risk since it also exports a sizeable quantity; and revenue from exports has been in the range of around 19%-23% of the total revenue over the past 3 years. However, the company enters into forward contracts for the foreign exchange exposure, thereby mitigating the foreign exchange fluctuation risk to an extent.

Labour intensive nature of operations

The jute industry is highly labour-intensive, entailing high employee expenses. LJSL's employee expense continued to account for around 17% to 21% of cost of sales during FY21-FY24. Although the industry faces production issues due to absenteeism, LJSL has managed to keep it under control. LJSL is strategically trying to reduce its dependency on the existing labour requirement per tonne of finished jute products by installing modernised looms and spinning mills.

Working capital intensive nature of operation

LJSL's operation is working capital intensive in nature due to the seasonal nature of the product. During the harvesting season, the company needs to have an ample stock of raw materials. Once harvested, the raw materials are stored for later use resulting in an increase in the inventory holding period. A standard credit period needs to be provided to its customers in view of the general practice in the jute industry. However, the labour needs to be paid immediately (which is a high-cost component in jute manufacturing companies) thereby increasing working capital needs. The collection period has slightly increased from 20 days in FY23 to 22 days in FY24 while inventory period has increased from 82 days in FY23 to 97 days. The average creditors period also increased from 27 days in FY23 to 40 days in FY24 due to stretching of creditors. Consequently, the operating cycle of the company increased from 75 days in FY23 to 79 days in FY24.

Regulated nature of the industry

The regulatory nature of the industry does not allow the manufacturers to control the pricing as per the demand and supply. The jute industry is highly regulated in nature as the government determines the minimum support prices of jute crops for each crop year and custom duty, taxes, etc., on jute and related products. They are completely dependent on the government, who undertakes the pricing for the raw materials (in case of supply to government institutions). The lack of control in the hands of the manufacturers exposes them to a regulatory risk.

Key strengths**Experienced promoters with long and satisfactory track record**

LJSL, incorporated in 1921, was earlier part of Kolkata based Kanoria group. The company was taken over by the Kolkata based Kankaria group from Kanoria group in 2024. The Kankaria group has been in the similar line of business for nearly 5 decades. The Kankaria group has infused funds of more than Rs.30 crore in LJSL for the company to meet its debt obligations and working capital requirements, post its takeover.

Development of innovative products for export market

LJSL with its R&D team has developed innovative jute products such as cotton bagging, soil saver, webbing, jute mesh/scrim, jute felt, horticultural range, carpet backing etc. LJSL continues to export yarn, webbing, scrim and other value-added products to Italy, Turkey, Belgium, Saudi Arabia, Canada, some states in the US and Germany. It enjoys an established position in the export market driven by product innovativeness and quality.

Relatively low counter-party payment risk

LJSL's major customers in the domestic market include the Director General of Supplies & Disposals, the Food Corporation of India, among others, assuring a steady stream of revenue. Supplies to government institutions have accounted for roughly 55%-70% of net sales over the last three-and-a-half years (FY21-H1FY24). Government orders provide revenue and price visibility as jute bag prices in India are fixed on a price formula of the Tariff Commission of 2001, wherein any sudden increase in variable costs (i.e. raw-material, labour and power) may be passed-on to the government institutions with a lag. Furthermore, part of the export sales is backed by letter of credit and advance payments resulting in mitigation of counter party payment risk to an extent.

Liquidity: Stretched

The company incurred cash loss of Rs.8.98 crore in FY24 and further, Rs.5.94 crore in 9MFY25. The cash loss was earlier funded out of stretching of creditors and increase in working capital limit utilisation which was later managed out of funds infused by new promoters to the tune of more than Rs.30 crore in Q3FY25. The average utilisation of fund-based limits stood at around 95% during the last 12 months as confirmed by the lenders. In FY25, the company has debt repayment obligation of around Rs.9.41 crore and the same is expected to be met out of ICDs to be received from group entities/ promoters in the current year.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Forest Materials	Paper, Forest & Jute Products	Jute & Jute Products

LJSL, incorporated in 1921, is engaged in the manufacturing and selling of jute products, with an aggregate installed capacity of 67,500 MTPA at its unit in Howrah, West Bengal. In 2024, LJSL was taken over by the Kolkata-based Kankaria group, having major interest in diversified jute products.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	546.57	475.64	206.11
PBILDT	17.00	0.37	-1.98
PAT	1.35	-12.54	-13.08
Overall gearing (times)	0.68	0.73	NA
Interest coverage (times)	2.30	0.04	-0.23

A: Audited; UA: Unaudited; NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT/ST-CC/Packing Credit		-	-	-	0.00	Withdrawn
Fund-based - ST-Bill Discounting/ Bills Purchasing		-	-	-	0.00	Withdrawn
Non-fund-based - ST-Bank Guarantee		-	-	-	0.00	Withdrawn
Non-fund-based - ST-Letter of credit		-	-	-	0.00	Withdrawn
Term Loan-Long Term		-	-	March 2028	0.00	Withdrawn

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT/ST-CC/Packing Credit	LT/ST	-	-	1)CARE BB+; Stable / CARE A4+ (27-Mar-25) 2)CARE BB+ / CARE A4+ (RWD) (09-Sep-24) 3)CARE BB+ / CARE A4+ (RWD) (27-Aug-24) 4)CARE BB+; Stable / CARE A4+ (16-Aug-24)	1)CARE BBB; Stable / CARE A3+ (07-Feb-24)	1)CARE A-; Stable / CARE A2+ (06-Jan-23)	1)CARE A-; Stable / CARE A2+ (25-Feb-22) 2)CARE A-; Stable / CARE A2+ (07-Feb-22)
2	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	-	-	1)CARE A4+	1)CARE A3+	1)CARE A2+	1)CARE A2+

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
					(27-Mar-25) 2)CARE A4+ (RWD) (09-Sep-24) 3)CARE A4+ (RWD) (27-Aug-24) 4)CARE A4+ (16-Aug-24)	(07-Feb-24)	(06-Jan-23)	(25-Feb-22) 2)CARE A2+ (07-Feb-22)
3	Non-fund-based - ST-Letter of credit	ST	-	-	1)CARE A4+ (27-Mar-25) 2)CARE A4+ (RWD) (09-Sep-24) 3)CARE A4+ (RWD) (27-Aug-24) 4)CARE A4+ (16-Aug-24)	1)CARE A3+ (07-Feb-24)	1)CARE A2+ (06-Jan-23)	1)CARE A2+ (25-Feb-22) 2)CARE A2+ (07-Feb-22)
4	Non-fund-based - ST-Bank Guarantee	ST	-	-	1)CARE A4+ (27-Mar-25) 2)CARE A4+ (RWD) (09-Sep-24) 3)CARE A4+ (RWD) (27-Aug-24)	1)CARE A3+ (07-Feb-24)	1)CARE A2+ (06-Jan-23)	1)CARE A2+ (25-Feb-22) 2)CARE A2+ (07-Feb-22)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
					4)CARE A4+ (16-Aug-24)			
5	Term Loan-Long Term	LT	-	-	1)CARE BB+; Stable (27-Mar-25) 2)CARE BB+ (RWD) (09-Sep-24) 3)CARE BB+ (RWD) (27-Aug-24) 4)CARE BB+; Stable (16-Aug-24)	1)CARE BBB; Stable (07-Feb-24)	1)CARE A-; Stable (06-Jan-23)	1)CARE A-; Stable (25-Feb-22) 2)CARE A-; Stable (07-Feb-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT/ ST-CC/Packing Credit	Simple
2	Fund-based - ST-Bill Discounting/ Bills Purchasing	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple
4	Non-fund-based - ST-Letter of credit	Simple
5	Term Loan-Long Term	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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