



Press Release
Ludlow Jute & Specialities Limited
February 07, 2025
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	102.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	28.00	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	130.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 102 Cr. bank facilities and short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 28 Cr. bank facilities of Ludlow Jute & Specialities Limited. The outlook is '**Stable**'.

Rationale for rating

The rating draws comfort from the change in management to Kankaria group from Kanoria group as of September 2024 and moderate working capital cycle, existence of the company in the jute industries since more than five decades, however these strengths are partly offset by declining revenues and operating profitability, average financial risk profile, stretched liquidity and regulated nature of industry.

About the Company

West Bengal – Based, Ludlow Jute & Specialities Limited was incorporated in 1979. The company is engaged in manufacturing Jute and Jute products. It has its facility located at Howrah, West Bengal. Recently in September 2024, the company was acquired by Kolkata based Kankaria Group from erstwhile Delhi based Kanoria group.

The directors of the company are Mr. Parimal Gunvantrai Ajmera, Mr. Sanjay Kumar Agarwal, Mr. Anand Agarwal, Mrs. Sruti Sukul and Mr. Ashish Chandrakant Agrawal.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Ludlow Jute & Specialities Limited to arrive at the rating.

Key Rating Drivers

Strengths

Change in Management

Since 1977, the company was being managed by the Kanoria family- Mr S.S. Kanoria, the promoter along with his son and experienced professionals. Recently in September 2024, the company was acquired by Kolkata based Kankaria Group. In the past, there have been instances that the present management has converted loss making units

to profit making companies. The present directors of the company are Mr. Parimal Gunvantrai Ajmera, Mr. Sanjay Kumar Agarwal, Mr. Anand Agarwal, Mrs. Sruti Sukul and Mr. Ashish Chandrakant Agrawal. The company is into manufacturing of jute and jute products. It also has presence in exports markets which contributed about 14% of their revenues in FY 24.

The company also faced labour unrest, the factory was shut for a period of 45 days starting September 2024-November 2024, but with the onset of the present management i.e Kankaria group , the productions were resumed.

Acuite believes that the recent change in management will be key monitorable going forward.

Moderate working capital cycle

The operations of the company have an intensive working capital as reflected by GCA days of 129 days as on March 31, 2024 as compared to 114 days as on March 31, 2023. The inventory days stood at 95 days as on March 31, 2024 as compared to 91 days as on March 31, 2023. The debtor days stood at 26 days as on March 31, 2024 as compared to 16 days as on March 31, 2023. The creditor days stood at 74 days as on March 31, 2024 as compared to 47 days as on March 31, 2023 due to stretching of creditors. Acuite believes that working capital requirements are expected to remain moderate over the near to medium term.

Weaknesses

Decline in Revenues and operating profitability due to industry dynamics-

The revenues had declined to Rs. 475.97 Cr. as on March 31, 2024 as compared to Rs. 546.96 Cr. as on March 31, 2023 due to lower offtake of jute bags by the Food Corporation of India (FCI) and State Procuring Agencies (SPAs) which led to lower sales volume as well as decline in realisation. The operating profitability has decreased to 0.17 percent as on March 31, 2024 as compared to 3.18 percent as on March 31, 2023 majorly due to less orders albeit fixed establishment expenses. As of H1FY25, the company has been able to attain a turnover of Rs. 153.99 Cr. and is operating at EBDITA loss due to plaguing issues of raw material pricing and lower off-takes. Furthermore, in Q3,FY25 production was shut down due to labour unrest. However, with the change in management, operations were resumed in November 2024.

In addition, The Company has an order book of Rs.35.63 Cr. to be executed in near term. Furthermore, the MSP price of jute products has been revised by Jute Commissioner of India vide a notification in November 2024, which is expected to improve the company's profitability.

Average financial risk profile

The financial risk profile of the company average marked by comfortable net worth, moderate gearing and comfortable debt protection metrics. The tangible net worth stood at Rs. 165.11 Cr. as on March 31, 2024 as compared to Rs. 177.05 Cr. as on March 31, 2023 due to accretion of reserves. Kankaria Group has already infused Rs.57.80 Cr. Intercompany Deposits (ICD) between September 2024 and January 2025 through their investment companies which aids the liquidity of the group. Gearing stood at 0.73 times as on March 31, 2024 compared to 0.68 times in FY2023. The interest coverage ratio stood at 0.09 times as on March 31, 2024 compared to 2.43 times as on March 31, 2023. The debt service coverage ratio stood at 0.36 times as on March 31, 2024 as compared to 1.01 times as on March 31, 2023. The debt was repaid by elongating the credit suppliers payments. The TOL/TNW stood at 1.20 times as on March 31, 2024 as compared to 1.07 times as on March 31, 2023. Acuite believes that the company's financial risk profile will remain average in the near to medium term.

Regulated nature of the industry

The jute industry is regulated in nature. This impedes jute 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 per 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). Although the Jute Commissioner of India, there has been a revision in pricing of jute products in November 2024 which is expected to improve the turnover and profitability of jute manufacturers over the medium term. But the lack of control in the hands of the manufacturers exposes them to a regulatory risk.

Rating Sensitivities

Movement in revenues and operating profitability

Working capital cycle

Improvement in debt protection metrics

Liquidity Position

Stretched

The liquidity is stretched marked by negative cash accruals of Rs. (3.66) Cr. as on March 31, 2024 as against long term debt repayment of Rs. 7.29 Cr. over the same period. The shortfall has been paid through stretching creditor payments. The cash accruals are expected to be negative in FY25, however, the shortfall in debt repayment obligations have been met out by stretching creditors as well as infusion of ICDs by investment companies of the Kankaria group. The Kankaria group has infused about Rs. 57.80 Cr. upto January 2025. The cash and bank balances stood at Rs. 0.41 Cr. as on March 31, 2024 as compared to Rs. 1.65 Cr. as on March 31, 2023. The current ratio stood stable at 0.93 times as on March 31, 2024 as compared to 1.11 times as on March 31, 2023. The fund-based utilization for eight months ended, November 24 is 75%. Acuite believes that going forward the liquidity position of the company will improve marginally in the medium term and with stable resumption of operations .

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	475.97	546.96
PAT	Rs. Cr.	(12.54)	1.34
PAT Margin	(%)	(2.63)	0.24
Total Debt/Tangible Net Worth	Times	0.73	0.68
PBDIT/Interest	Times	0.09	2.43

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History:Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Central Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.50	Simple	ACUITE A3 Assigned
Central Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	30.00	Simple	ACUITE BBB- Stable Assigned
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	14.00	Simple	ACUITE BBB- Stable Assigned
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE BBB- Stable Assigned
Central Bank of India	Not avl. / Not appl.	Covid Emergency Line.	30 Mar 2022	Not avl. / Not appl.	01 Mar 2028	4.47	Simple	ACUITE BBB- Stable Assigned
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	18 Jan 2021	Not avl. / Not appl.	01 Jul 2025	0.71	Simple	ACUITE BBB- Stable Assigned
Yes Bank Ltd	Not avl. / Not appl.	Covid Emergency Line.	06 Feb 2021	Not avl. / Not appl.	01 Feb 2026	1.20	Simple	ACUITE BBB- Stable Assigned
Yes Bank Ltd	Not avl. / Not appl.	Covid Emergency Line.	02 Mar 2022	Not avl. / Not appl.	01 Jun 2028	4.72	Simple	ACUITE BBB- Stable Assigned
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	8.00	Simple	ACUITE A3 Assigned
Central Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	16.50	Simple	ACUITE A3 Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	8.94	Simple	ACUITE BBB- Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	24 Sep 2021	Not avl. / Not appl.	01 Jul 2028	6.12	Simple	ACUITE BBB- Stable Assigned
Yes Bank Ltd	Not avl. / Not appl.	Term Loan	22 Nov 2017	Not avl. / Not appl.	01 Mar 2025	1.84	Simple	ACUITE BBB- Stable Assigned
Yes Bank Ltd	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE BBB- Stable Assigned

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Vedika Lahoti Associate Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

About Acuité Ratings & Research

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