

**Annexure
Rating Rationale
Ludlow Jute & Specialities Limited**

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	32.41 (Reduced from 34.48)	CARE A-; Stable (Single A Minus; Outlook: Stable)	Reaffirmed
Long-term / Short-term Bank Facilities	65.00	CARE A-; Stable / CARE A2+ (Single A Minus; Outlook: Stable / A Two Plus)	Reaffirmed
Short-term Bank Facilities	45.00	CARE A2+ (A Two Plus)	Reaffirmed
Total Facilities	142.41 (Rs. One hundred forty two crore and forty one lakh only)		

Details of facilities/instruments in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the Bank Facilities of Ludlow Jute & Specialities Ltd (LJSL) continue to derive strength from experienced promoters with long & satisfactory track record, satisfactory capacity utilization (CU) albeit moderation in during H1FY21, improvement in financial performance of the company in FY20 (refers to the period April 1 to March 31) albeit moderation witnessed in H1FY21, development of innovative products for export, low counterparty payment risk. Operations were affected by the lockdown imposed by the government due to COVID-19 pandemic, as the mills were shut down until mid-May 2020. The production resumed in May 2020 and gradually ramped up to pre-lockdown levels by Q2FY21.

The ratings, however, remain constrained by moderation in debt protection metrics, risk of raw jute price volatility, foreign exchange fluctuation risk, labour intensive nature of operations, working capital intensive nature of operation, regulatory nature of the industry and stiff competition.

Key rating sensitivities

Positive Factors

- Increase in the sale of value-added products leading to sustained improvement in PBILDT margin above 8% and PAT margin above 4%.

Negative Factors

- PBILDT margin below 3% on sustained basis and GCA below Rs.6 crore.
- Further deterioration in operating cycle above 90 days.

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