

**Press Release**

**Gloster Limited**

**March 27, 2023**

**Rating Reaffirmed**



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	116.00	ACUITE AA-   Stable   Reaffirmed	-
Bank Loan Ratings	34.00	-	ACUITE A1+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	150.00	-	-

**Rating Rationale**

Acuite has reaffirmed the **long-term rating of ACUITE AA-' (read as ACUITE double A minus) and the short term rating of ACUITE A1+ (Read as Acuite A One Plus)** on the Rs 150.00 Cr bank facilities of Gloster Limited (Golster). The outlook is **'Stable'**.

**Rating Rationale**

The rating continues to reflect Gloster group's healthy business risk profile along with strong operational performance during the last two financial years. The group has an established presence in the jute industry supported by its long operational track record, wide product profile, dominant market share and diversified geographical presence in both domestic and the export markets. The rating also factors in the group's robust financial risk profile marked by healthy net worth and conservative capital structure. While the company has followed a conservative financial policy in the past the leverage levels are likely to moderate over the medium term, as the group has undertaken a large expansion plan in GNL (Gloster Nuvo Ltd) to enhance its production capacity which was earlier expected to be operational by Q4FY23 but presently the phase I commissioning date is extended to Q3FY24 as the company faced difficulties in procuring plant and machinery from Thailand. Additionally, its foray into the bag business is likely to lead to additional cost of Rs 17 Cr. Currently, the group is expected to take a loan of Rs 300 Cr for the completion of these projects. Therefore, going forward group's ability to maintaining the financial risk profile without any further time and cost overruns of the capex will be a key rating monitorable. Further the group has a robust liquidity position as reflected from its strong accruals and high cash & bank balances. These rating strengths are however, partially offset by the agriculture based and the regulated nature of jute industry.

**About Company**

Gloster Limited was incorporated in 1923 as Kettlewell Bullen & Company Ltd. In 1954, the company was acquired by Kolkata based Bangur family. The jute division was demerged into a separate entity and renamed as Gloster Limited in 1992. The company is engaged in the manufacture of various kind of jute & jute allied products such as hessian, yarn, sacking woven & non-woven jute geo textiles, treated fabric-rot proof, fire retardant, hydrocarbon free jute bags, Jute leno fabrics and lifestyle products such as floor covering, furnishing, fabrics etc. The company has also added new technical products namely bags & madeup, laminated jute fabrics etc. The manufacturing unit is located in Howrah, West Bengal. Currently, the company is managed by Mr. Hemant Bangur who is the Executive Chairman.

## About the Group

Gloster Nuvo Ltd was formed in January 2020 to set up an integrated jute mill at Bauria, Howrah. The project cost for setting the mill is around Rs 313 Cr which will be funded through Rs 233 Cr of external debt and remaining Rs 80 Cr from promoter contribution.

## Analytical Approach

### Extent of Consolidation

- Full Consolidation

### Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has consolidated the business and financial risk profiles of Gloster Ltd (Gloster), Gloster Lifestyle Limited (GLL), Gloster Specialties Limited (GSL), Gloster Nuvo Limited (GNL), Network Industries Limited (NIL) and Forte Gloster Industries Limited (FGIL). The consolidation is in view of GLL, GSL, NIL, GNL and FGIL being fully owned subsidiaries of Gloster.

## Key Rating Drivers

### Strengths

#### Sound business profile marked by vintage and strong market position

Gloster Limited has an operational record of around hundred years as the company is operational since 1923. In 1954, Kolkata based Bangur family acquired the company. The group caters to both domestic and overseas markets such as USA, European Union, Middle East countries, Australia, Japan among others. The company has three major product segments namely Hessian & sacking, Yarn, and diversified jute products. Government sacking contributes nearly 30 percent of total revenue which is a regulated business. The group has wide product profile which caters to various industries such as FMCG, Agricultural products, Fashion Textile etc. The current management has more than six decades of experience in the jute business.

The group has registered a revenue of Rs 752 Cr in FY22 as against Rs 502 Cr in FY21 because of the growth in both sale volume and average realization of jute products. In FY22, the domestic market contributes to around 70 percent of revenue and remaining 30 percent from overseas markets. Part of domestic market is governed by Jute Packaging Material Act, 1987 which states 100 percent of food grains and 20 percent of sugars need to be compulsorily packed in jute bags. Such a regulatory framework has been supportive of the jute industry and mitigates the offtake risk. In 9MFY23, the group has reported a revenue of Rs. 531.88 crore.

The group has undertaken a large expansion plan in GNL to enhance its production capacity. In Phase I, group will add a capacity of 92 tons per day envisaging a capex of Rs 252 Cr. which was earlier expected to be operational by Q4FY23 but currently the phase I commissioning date is extended to Q3FY24 as the company faced difficulties in procuring plant and machinery from Thailand. In Phase II, the group will add another capacity of 46 tons per day involving a capex of Rs 61 Cr. The capacity in Phase II is expected to be operational by Q4FY24. The entire capex programme will be funded through a mix of debt and equity in 3:1 ratio. Acuité expects the group to record healthy revenue growth over the medium term backed by capacity addition and healthy order flow from the overseas markets.

### Robust financial metrics

The financial risk profile of the group is marked by high net worth, negligible gearing ratio and strong debt protection metrics. The net worth of the group has improved to Rs 784 Cr in FY2022 from Rs. 686 Cr in FY2021. The gearing of the group was negligible at 0.01 times as on March 31, 2022 as compared to 0.04 times as on March 31, 2021. The group has low dependence on debt as reflected from its minimal utilization of fund based limits. TOL/TNW stood at 0.22 times in FY22 as against 0.23 times in FY21. Interest coverage ratio (ICR) stood strong at 108 times in FY2022 as against 48 times in FY2021. Net Cash Accrual/Total debt stood healthy at 9.62 times in FY22 as against 3.04 times in FY21. Acuité believes that the financial risk profile of the group will remain robust over the medium term despite their debt funded capex plans, given its strong cash accruals.

### Business diversification plan

The group is planning to enter into industrial cable business through FGIL. The group had acquired FGIL from NCLT against a consideration of Rs 72 Cr. The group had undertaken a capex plan of Rs 79 Cr to upgrade and modernize the manufacturing facility of FGIL. This will diversify the group's overall business profile and improve the revenue mix.

### **Foray into the bag business**

On land owned by FGIL, Gloster Ltd plans to set up a bag facility with a daily capacity of 1 lac bags for a capex of 17 crores, to be funded by bank loans totalling 8.6 crores and promoter contributions totaling 8.40 crores. The project should be finished by Q4FY24. As the management is the same, the group is developing the jute project on the surplus land owned by FGIL; FGIL will construct the infrastructure, which subsequently would be leased out to Gloster Ltd, Group is expected to earn Rs 300 Cr/year in revenue from this project.

### **Weaknesses**

#### **Agriculture-based Industry**

Jute is an agricultural product, and its supply is highly dependent on weather conditions. The dependency leads to variations in prices and quality from season to season. Considering raw material cost is a major component of the total cost, any price rise affects the profitability of jute companies.

#### **Working capital intensive operations**

The group has high working capital intensity as evident from its high gross current asset (GCA) days of 103 days in FY22 as 171 days in the previous year. The high GCA days are due to high inventory days because of seasonal availability of raw jute. However, in FY22 there is a decline in inventory days to 82 days from 132 days in FY21 because of shortage of raw jute. Debtor days stood comfortable at 15 days in FY22 as against 23 days in FY21. Acuite believes that the operations of the group will continue to be working capital intensive over the medium term.

#### **Rating Sensitivities**

Timely completion of planned capital expenditure

Substantial improvement in profitability margins along with sustained revenue growth

Any unwarranted regulatory changes

#### **Material Covenants**

None

#### **Liquidity Position**

##### **Strong**

The company has superior liquidity profile as reflected from low utilization of its fund based limits which stood at 18 percent during last 9 months ended December 2022. The company maintained high unencumbered cash & cash equivalent of around Rs 63 Cr as on 31 March 2022. The net cash accruals of the company stood strong at around Rs. 99.64 Cr. in FY2022 as against Rs 74 Cr in FY21. The current ratio of the company stood comfortable at 4.25 times as on March 31, 2022 as against 3.34 times as on March 31, 2021. However, working capital requirement of the company is high as reflected from its GCA days of 103 days in FY22 as against 171 days in FY21. Acuite expects the liquidity position of the company to remain strong in spite of major debt funded capex plans due to high cash & bank balance and steady accruals.

#### **Outlook: Stable**

Acuite believes that the Gloster group will benefit over the medium term from the promoters' vast experience in the business of jute products and robust financial risk profile. The outlook may be revised to 'Positive' if the group sustains their revenue growth with sustained improvement in profit margin. Conversely, the outlook may be revised to 'Negative' if the group witnesses significant deterioration in financial risk profile or liquidity profile due to higher than expected debt led capex plan.

## Other Factors affecting Rating

None

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	752.31	502.67
PAT	Rs. Cr.	65.28	41.26
PAT Margin	(%)	8.68	8.21
Total Debt/Tangible Net Worth	Times	0.01	0.04
PBDIT/Interest	Times	107.66	48.12

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

None

## Any Other Information

None

## Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

## Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite'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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Jun 2022	Letter of Credit	Short Term	10.00	ACUITE A1+ (Assigned)
	Letter of Credit	Short Term	3.00	ACUITE A1+ (Assigned)
	Proposed Cash Credit	Long Term	17.00	ACUITE AA-   Stable (Assigned)
	Bank Guarantee	Short Term	1.00	ACUITE A1+ (Assigned)
	Bank Guarantee	Short Term	5.00	ACUITE A1+ (Assigned)
	Cash Credit	Long Term	20.00	ACUITE AA-   Stable (Assigned)
	Cash Credit	Long Term	34.00	ACUITE AA-   Stable (Assigned)
	Cash Credit	Long Term	16.00	ACUITE AA-   Stable (Assigned)
Cash Credit	Long Term	15.00	ACUITE AA-   Stable (Assigned)	

Cash Credit	Long Term	5.00	ACUITE AA-   Stable (Assigned)
Cash Credit	Long Term	9.00	ACUITE AA-   Stable (Assigned)
Letter of Credit	Short Term	4.00	ACUITE A1+ (Assigned)
Letter of Credit	Short Term	11.00	ACUITE A1+ (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE A1+   Reaffirmed
Yes Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A1+   Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE AA-   Stable   Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	34.00	ACUITE AA-   Stable   Reaffirmed
Yes Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	16.00	ACUITE AA-   Stable   Reaffirmed
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE AA-   Stable   Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE AA-   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE AA-   Stable   Reaffirmed
ICICI Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE A1+   Reaffirmed
Yes Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	11.00	ACUITE A1+   Reaffirmed
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE A1+   Reaffirmed
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A1+   Reaffirmed
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	17.00	ACUITE AA-   Stable   Reaffirmed



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### About Acuité Ratings & Research

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