



Press Release
Fort Gloster Industries Limited
March 20, 2024
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	289.00	ACUITE AA- Stable Assigned	-
Bank Loan Ratings	75.00	ACUITE AA- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	364.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE AA-**' (read as **ACUITE double A minus**) on the Rs 75.00 Cr. proposed bank facilities of Fort Gloster Industries Limited (FGIL). The outlook is '**Stable**'

Further, Acuite has assigned the long-term rating of **ACUITE AA-**' (read as **ACUITE double A minus**) on the Rs 289.00 Cr. proposed bank facilities of Fort Gloster Industries Limited (FGIL). The outlook is '**Stable**'

Rationale for Rating Reaffirmation

The rating reaffirmation takes into account the healthy financial risk profile and adequate liquidity Position. Financial risk profile of the group is healthy marked by low gearing, strong net worth & coverage indicators. The Total Tangible net worth stood at Rs. 815.86 Cr. as on 31st March 2023 as against Rs. 784.33 Cr. a year earlier. Debt to Equity ratio stood low at 0.09 times in FY 2023. Interest coverage ratio stood comfortable at 51.97 times for FY2023 and Debt Service coverage ratio stood strong at 43.87 times for FY2023. Group generated cash accruals of Rs. 90 crore for FY2023 as against nil obligation. Current Ratio stood at 2.88 times as on 31 March 2023. Cash and Bank Balances of Group stood at Rs 10.22 crore Operating revenue of the group stood at Rs 461.41 crore in 9M FY 24 as against Rs 531.88 crore in 9M FY 23 which is ~13 percent lower which is on account of volatility of price(volume sale remains more or less same). Operating margin stood at 12.17 percent in 9M FY24 as against 16.88 percent in 9M FY23.

The rating is constrained on account of high working capital requirement of operations and Dip in 9M FY 24. Acuite believes that the group's ability to grow its scale of operations and profitability while maintaining a healthy capital structure remains a key rating indicator

About Company

Gloster Limited had acquired Fort Gloster Industries Limited(FGIL) in FY21 from NCLT . Fort Gloster Industries Limited is engaged in manufacturing of industrial cable. Currently FGIL is a non operational entity.FGIL is in capex mode for four different lines of cable out of which two lines are expected to be operationalised by end of FY 24 and rest two by end of December 24. Company is being managed by Mr. Ajay Kumar Agarwal who is director of the company and has decades of experience in the industry.

About the Group

Gloster Limited has following fully owned subsidiaries.Together with these subsidiaries Gloster Limited is referred as Gloster Group.

Gloster Lifestyle Limited(GLL), Gloster Specialities Limited(GSL), Gloster Nuvo Limited(GNL),
Network Industries Limited(NIL) and Fort Gloster Industries Limited(FGIL)

Unsupported Rating
Not Applicable

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 Specialities Limited (GSL), Gloster Nuvo Limited (GNL), Network Industries Limited (NIL) and Fort 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 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. 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.

Financial Risk Profile

Financial risk profile of the group is healthy marked by low gearing, strong net worth & coverage indicators. The Total Tangible net worth stood at Rs. 815.86 Cr. as on 31st March 2023 as against Rs. 784.33 Cr. a year earlier. Increase in net worth is on account of Profit accretion.

Group follows conservative leverage policy marked by its low gearing. Debt to Equity ratio stood at 0.09 times in FY 2023 as against 0.01 times in FY 22. Interest coverage ratio stood comfortable at 51.97 times for FY2023 as against 107.66 times in FY2022. Debt Service coverage ratio stood strong at 43.87 times for FY2023 as against 39.97 times in FY2022.

Total outside liabilities to total net worth (TOL/TNW) stood at 0.27 times as on FY2023 vis-à-vis 0.22 times as on FY2022. Debt-EBITA stood at 0.67 times as on 31st March 2023 as against 0.07 times as on 31st March 2022. The Net Cash Accruals to Total debt stood at 1.23 times as on FY2023 and 9.62 times for FY2022. Interest coverage ratio stood comfortable at 51.97 times for FY2023 as against 107.66 times in FY2022. Debt Service coverage ratio stood strong at 43.87 times for FY2023 as against 39.97 times in FY2022.

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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 35 crore to be funded by bank loans totalling 10 crore and rest internal funding. 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

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 operations

Group has improved yet high working capital requirements as evident from gross current assets (GCA) of 114 days in FY2023 as compared to 103 days in FY2022. High Working capital requirement is on account of high Inventory Days and receivable days. Inventory days stood at 87 days in FY 23 (82 days in FY22). Debtor days stood at 20 days in FY2023 as against 15 days in FY 22

Rating Sensitivities

Timely completion of planned capital expenditure

Substantial improvement in profitability margins along with sustained revenue growth

Any unwarranted regulatory changes

Timely completion and effective leveraging of capex resulting into positive improvement and scale of operations

Liquidity Position

Adequate

Group has adequate liquidity marked by net cash accruals to its maturing debt obligations, current ratio, cash and bank balance. Group generated cash accruals of Rs. 90 crore for FY2023 as against nil obligation. Current Ratio stood at 2.88 times as on 31 March 2023 as against 4.25 times in the previous year. Cash and Bank Balances of group stood at Rs 10.22 crore. Further Group has fixed deposits of Rs 19.15 crore for FY 23.

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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	717.26	752.31
PAT	Rs. Cr.	54.39	65.28
PAT Margin	(%)	7.58	8.68
Total Debt/Tangible Net Worth	Times	0.09	0.01
PBDIT/Interest	Times	51.97	107.66

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

Not Applicable

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, Acuité 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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 Dec 2023	Proposed Long Term Bank Facility	Long Term	75.00	ACUITE AA- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	75.00	ACUITE AA- Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	289.00	ACUITE AA- Stable Assigned

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Gloster Limited
 Gloster Lifestyle Limited(GLL)
 Gloster Specialities Limited(GSL)
 Gloster Nuvo Limited(GNL)
 Network Industries Limited(NIL)
 Fort Gloster Industries Limited(FGIL)

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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