

**Press Release**  
**FORT GLOSTER INDUSTRIES LIMITED**  
**August 20, 2024**  
**Rating Reaffirmed**



Product	Quantum (Rs. Cr)	Long Term Rating	St
Bank Loan Ratings	364.00	ACUITE AA-   Negative   Reaffirmed   Stable to Negative	-
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 364.00 Cr. proposed bank facilities of Fort Gloster Industries Limited (FGIL). The outlook is revised from 'Stable' to 'Negative'.

**Rational for reaffirmation and revision in the outlook**

The revision of outlook reflects the deterioration of business risk profile for Q1 FY 25 due to substantial decline in the overall demand of jute products and will continue to impact for the next quarters. However, it is expected to recover from last quarters of this financial year and same will remain a key monitorable.

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. 867.61 Cr. as on 31st March 2024 as against Rs. 815.86 Cr. a year earlier. Debt to Equity ratio stood low at 0.22 times in FY 2024. Group generated cash accruals of Rs. 62.7 crore for FY 2024 as against nil obligation. However, the rating is constrained on account of moderate working capital operations and volatility in the prices of raw materials.

**About the 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. The company is based in West Bengal.

**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 Limited (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 Group 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 group 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. 867.61 Cr. as on 31st March 2024 as against Rs. 815.86 Cr. a year earlier. The 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 0.22 times in FY 2024 as against 0.09 times in FY 23. Debt Protection Metrics (i.e. DSCR & ISCR) stood at 25.73 & 31.05 times in FY 2024 against 43.87 & 51.97 times for FY 23 respectively. Total outside liabilities to total net worth (TOL/TNW) stood at 0.41 times as on FY 2024 vis-à-vis 0.27 times as on FY 2023. The Net Cash Accruals to Total debt stood at 0.32 times as on FY 2024 against 1.23 times for FY 2023.

#### Business diversification plan

The group is planning to enter into industrial cable business through FGIL. The group had acquired FGIL from NCLT (National Company Law Tribunal) 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 Q4FY25. 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**

The working capital operations are moderate as gross current assets (GCA) of 136 days in FY 2024 as compared to 114 days in FY 2023. High Working capital requirement is on account of high Inventory Days which stood at 97 days in FY 24 (87 days in FY 23). Debtor days stood at 23 days in FY 2024 as against 20 days in FY 23.

### **Rating Sensitivities**

1. Substantial improvement in profitability margins along with sustained revenue growth
2. Any unwarranted regulatory changes
3. 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. Company generated cash accruals of Rs. 62.70 crore for FY 2024 as against absence of debt obligation of the same year. Current Ratio stood at 1.96 times as on 31 March 2024 as against 2.88 times in the previous year. Cash and Bank Balances of company stood at Rs 8.08 crore.

### **Outlook - Negative**

Acuité has revised the outlook to Negative from Stable, on account of deterioration in business risk profile and slight elongation of working capital operations. The outlook may be revised to stable, if the group shows improvement in its business risk profile while maintaining the historical trend on profitability levels. The rating may be downgraded in case of higher-than expected decline leading to further deterioration of financial & business risk profile from the current levels or further elongation in working capital cycle.

### **Other Factors affecting Rating**

None.

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	648.55	717.26
PAT	Rs. Cr.	24.35	54.39
PAT Margin	(%)	3.75	7.58
Total Debt/Tangible Net Worth	Times	0.22	0.09
PBDIT/Interest	Times	31.05	51.97

### 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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
20 Mar 2024	Proposed Long Term Bank Facility	Long Term	75.00	ACUITE AA-   Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	289.00	ACUITE AA-   Stable (Assigned)
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	364.00	ACUITE AA-   Negative   Reaffirmed   Stable to Negative

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

Sr.No.	Company Name
1	Gloster Limited
2	Gloster Lifestyle Limited
3	Gloster Specialities Limited
4	Gloster Nuvo Limited
5	Network Industries Limited
6	Fort Gloster Industries Limited

## Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 <a href="mailto:mohit.jain@acuite.in">mohit.jain@acuite.in</a>  Kartik Arora Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:kartik.arora@acuite.in">kartik.arora@acuite.in</a>	Varsha Bist Associate Vice President-Rating Administration Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### 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.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.