

Ratings



Pursuant to SEBI notifications, CRISIL Limited (CRISIL) has transferred its Ratings business to its wholly owned subsidiary, CRISIL Ratings Limited (CRISIL Ratings), with effect from December 31st 2020. Any reference to CRISIL in the documents published by the Ratings division of CRISIL, such as Rating Rationales, Credit Rating Reports, Press Releases, Criteria, Methodology, FAQs, Policies and Disclosures, shall henceforth refer to CRISIL Ratings.

Rating Rationale

April 30, 2018 | Mumbai

Gloster Limited

Long-term rating upgraded to 'CRISIL A+/Stable'; short-term rating reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.150 Crore
Long Term Rating	CRISIL A+/Stable (Upgraded from 'CRISIL A/Positive')
Short Term Rating	CRISIL A1 (Reaffirmed)

Rs.50 Crore Commercial Paper	CRISIL A1 (Reaffirmed)
------------------------------	------------------------

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has upgraded its rating on the long-term bank facilities of Gloster Limited (Gloster; part of the Gloster group) to '**CRISIL A+/Stable**' from 'CRISIL A/Positive', and reaffirmed the short-term rating and commercial paper at 'CRISIL A1'.

The upgrade reflects better-than-expected performance, as seen in higher operating profitability and adequate liquidity. Improvement in operating margin is likely to sustain over the medium term as a result of gradual modernisation of capacities and hence better operational efficiencies; and increased contribution of value-added products that give better realisation. Operating margin improved to 16.2% in the nine months of fiscal 2018, against 14.5% in fiscal 2017 and 11.4% in fiscal 2016.

Higher profitability led to estimated cash accrual of Rs 55 crore in fiscal 2018 (Rs 33 crore in fiscal 2016), while controlled working requirement resulted in sizeable liquidity (Rs 100 crore as on March 31, 2018). Hence, dependence on bank limit in the 12 months ended February 2018 has been minimal, thereby enhancing financial flexibility. However, utilisation of liquid funds will remain a key rating sensitive factor.

The ratings reflect the Gloster group's established presence in the jute industry, supported by its diversified product portfolio and healthy relationship with customers; efficient working capital management; and strong financial risk profile because of large network, low gearing, robust debt protection metrics, and comfortable liquidity. These strengths are partially offset by

exposure to risks related to the regulated nature of the jute industry and to easy availability of cheaper substitutes, and susceptibility of operating profitability margin to volatility in raw jute prices.

Analytical Approach

For arriving at the ratings, CRISIL has combined the business and financial risk profiles of Gloster and its two wholly owned subsidiaries, Gloster Lifestyle Ltd and Gloster Specialities Ltd. This is because all these entities, collectively referred to as the Gloster group

Key Rating Drivers & Detailed Description

Strengths

*** Established presence in the jute industry, supported by diversified product portfolio**

Gloster group manufactures jute & jute blended products, with continued focus on value-added segments. The group's product profile can be broadly classified into hessian, yarn, traditional jute products, and value-added products such as floor covering, geotextiles, processed decorative and industrial fabrics, food-grade quality jute cloth and bags, agro-textiles, furnishing fabrics, lifestyle products, made ups as woven and non-woven, jute nets and mats, fabrics treated for fire retardancy, microbial attacks as well as hydrocarbon-free jute bags. The company has also added new products- laminated jute fabrics, cotton treated for different end use functionalities, coated fabrics for soft luggage, coated molleton fabrics, yarns and non-woven products of certified organic jute. The company acts as a one-stop shop for all kinds of jute products available in the market. The group also exports its products to countries across the globe; the management introduces new products from time to time to keep pace with the changing demand.

*** Strong financial and liquidity risk profile:**

Networth is estimated to have increased to Rs 250 crore as on March 31, 2018, from Rs 121 crore as on March 31, 2015, backed by steady accretion to reserves, sizeable revenue, and healthy profitability. Also, financial policy is conservative, with peak gearing over the three years ended March 2016 being low at 0.69 time because of healthy accrual and low debt-funded capital expenditure (capex; for technology upgrade and replacement of old machinery); which is generally funded through internal accrual.

Weakness

*** Exposure to risk related to the regulated nature of the jute industry, and easy availability of cheaper substitutes**

The domestic jute industry is highly regulated by the government, especially in key areas such as jute pricing and sales. Minimum support price (MSP) for raw jute announced by the Cabinet Committee on Economic Affairs to prop up jute prices and ensure security for farmers varies from state to state and with jute variety, thereby affecting end-price of jute products.

Also, government, under the aegis of the Jute Packaging Material (Compulsory use in Packaging Commodities) Act (JPMA), 1987, has made it mandatory to use only jute bags for packaging sugar and food grains for consignments of 26-100 kilogrammes (kg); this regulation is the key growth driver for the jute industry. Consumer packs of 25 kg and below, and packing of food grains and sugar for export are exempted from this act. However, the conditions of the Act are often diluted because of availability of substitutes in the form of plastic bags, which are 30-50% cheaper than jute bags. Besides, government occasionally also permits reuse of jute sacks for storage of food grains, thus affecting sales of new jute sacks. Additionally, government is the largest consumer of jute sacks in the domestic market, accounting for nearly 60% of overall offtake.

Outlook: Stable

CRISIL believes the Gloster group will maintain its established market position in the jute industry over the medium term on the back of its diversified and value-added product portfolio and established ties with customers. The outlook may be revised to 'Positive' in case of a substantial and sustained improvement in scale of operations and operating profitability margin, while maintaining strong financial risk profile. The outlook may be revised to 'Negative' if operating profitability drops

sharply or capital structure and liquidity weaken because of large, debt-funded capex or any regulatory change in the jute sector.

About the Company

Incorporated in 1992, Gloster manufactures jute products including value added diversified products. Its factory is at Bauria, Howrah (West Bengal). Gloster, promoted by the Bangur family, is listed on the Bombay Stock Exchange; the company's operations are managed by a professional team reporting to the Chairman, Mr. Hemant Bangur. Gloster manufactures conventional jute products like hessian, sacking, twine and yarn and is the pioneer in the area of manufacturing woven and non-woven fabrics, Jute geo textiles and value added products for interior decoration and packaging of industrial and agricultural products. Apart from the traditional products the company has also forayed into manufacturing lifestyle products including shopping and promotional bags under 'Gloster Lifestyle' brand.

Key Financial Indicators

Particulars	Unit	2017	2016
Revenue	Rs. Cr.	491.5	422.0
Profit After Tax	Rs. Cr.	46.6	25.5
Profit Margin	%	9.2	5.9
Adjusted Debt/Adjusted Net worth	Times	0.20	0.69
Interest coverage	Times	23.48	11.46

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL complexity levels are assigned to various types of financial instruments. The CRISIL complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size	Rating Assigned with Outlook
NA	Cash Credit	NA	NA	NA	77	CRISIL A+/Stable
NA	Long Term Loan	NA	NA	June 2017	1.66	CRISIL A+/Stable
NA	Working Capital Demand Loan	NA	NA	NA	13	CRISIL A+/Stable
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	34.34	CRISIL A+/Stable
NA	Bank Guarantee	NA	NA	NA	4	CRISIL A1
NA	Letter of Credit	NA	NA	NA	20	CRISIL A1
NA	Commercial Paper	NA	NA	7-365 days	50	CRISIL A1

Annexure - Rating History for last 3 Years

Current				2018 (History)		2017		2016		2015		Start of 2015
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Commercial Paper	ST	50.00	CRISIL A1			10-04-17	CRISIL A1	14-03-16	CRISIL A1	06-11-15	CRISIL A1	--

								12-01-16	CRISIL A1	28-08-15	CRISIL A1	
										12-06-15	CRISIL A1	
										22-05-15	CRISIL A1	
Fund-based Bank Facilities	LT/ST	126.00	CRISIL A+/Stable			10-04-17	CRISIL A/Positive	14-03-16	CRISIL A/Stable	06-11-15	CRISIL A/Stable	CRISIL A/Stable/CRISIL A1
								12-01-16	CRISIL A/Stable	28-08-15	CRISIL A/Stable	
										12-06-15	CRISIL A/Stable	
										22-05-15	CRISIL A/Stable/CRISIL A1	
Non Fund-based Bank Facilities	LT/ST	24.00	CRISIL A1			10-04-17	CRISIL A1	14-03-16	CRISIL A1	06-11-15	CRISIL A1	CRISIL A1
								12-01-16	CRISIL A1	28-08-15	CRISIL A1	
										12-06-15	CRISIL A1	
										22-05-15	CRISIL A1	

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	4	CRISIL A1	Bank Guarantee	4	CRISIL A1
Cash Credit	77	CRISIL A+/Stable	Cash Credit	77	CRISIL A/Positive
Letter of Credit	20	CRISIL A1	Letter of Credit	20	CRISIL A1
Long Term Loan	1.66	CRISIL A+/Stable	Long Term Loan	1.66	CRISIL A/Positive
Proposed Long Term Bank Loan Facility	34.34	CRISIL A+/Stable	Proposed Long Term Bank Loan Facility	34.34	CRISIL A/Positive
Working Capital Demand Loan	13	CRISIL A+/Stable	Working Capital Demand Loan	13	CRISIL A/Positive
Total	150	--	Total	150	--

Links to related criteria[CRISILs Approach to Financial Ratios](#)[CRISILs Bank Loan Ratings - process, scale and default recognition](#)[Rating criteria for manufacturing and service sector companies](#)[CRISILs Bank Loan Ratings](#)**For further information contact:**

Media Relations	Analytical Contacts	Customer Service Helpdesk
Saman Khan Media Relations CRISIL Limited D: +91 22 3342 3895 B: +91 22 3342 3000 saman.khan@crisil.com	Arvind Rao Director - CRISIL Ratings CRISIL Limited D:+91 22 4097 8278 arvind.rao@crisil.com	Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301 For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com
Naireen Ahmed Media Relations CRISIL Limited D: +91 22 3342 1818 B: +91 22 3342 3000 naireen.ahmed@crisil.com	Argha Chanda Associate Director - CRISIL Ratings CRISIL Limited D:+91 33 4011 8210 Argha.Chanda@crisil.com	For Analytical queries: ratingsinvestordesk@crisil.com
Jyoti Parmar Media Relations CRISIL Limited D: +91 22 3342 1835 B: +91 22 3342 3000 jyoti.parmar@crisil.com	Toshita Mukherjee Rating Analyst - CRISIL Ratings CRISIL Limited D:+91 33 4011 8229 Toshita.Mukherjee@crisil.com	

Note for Media:

This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper / magazine / agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL. However, CRISIL alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites, portals etc.

About CRISIL Limited

CRISIL is a leading agile and innovative, global analytics company driven by its mission of making markets function better. We are India's foremost provider of ratings, data, research, analytics and solutions. A strong track record of growth, culture of innovation and global footprint sets us apart. We have delivered independent opinions, actionable insights, and efficient solutions to over 1,00,000 customers.

We are majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit www.crisil.com

Connect with us: [TWITTER](#) | [LINKEDIN](#) | [YOUTUBE](#) | [FACEBOOK](#)

About CRISIL Ratings

CRISIL Ratings is part of CRISIL Limited ("CRISIL"). We pioneered the concept of credit rating in India in 1987. CRISIL is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI"). With a tradition of independence, analytical rigour and innovation, CRISIL sets the standards in the credit rating business. We rate the entire range of debt instruments, such as, bank loans, certificates of deposit, commercial paper, non-convertible / convertible / partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 24,500 large and mid-scale corporates and financial institutions. CRISIL has also instituted several innovations in India in the rating business, including rating municipal bonds, partially guaranteed instruments and microfinance institutions. We also pioneered a globally unique rating service for Micro, Small and Medium Enterprises (MSMEs) and significantly extended the accessibility to rating services to a wider market. Over 1,10,000 MSMEs have been rated by us.

CRISIL PRIVACY NOTICE

CRISIL respects your privacy. We use your contact information, such as your name, address, and email id, to fulfil your request and service your account and to provide you with additional information from CRISIL and other parts of S&P Global Inc. and its subsidiaries (collectively, the "Company") you may find of interest.

For further information, or to let us know your preferences with respect to receiving marketing materials, please visit <https://www.crisil.com/en/home/privacy-and-cookie-notice.html>. You can view the Company's Customer Privacy at <https://www.spglobal.com/corporate-privacy-policy>.

Last updated: April 2016

DISCLAIMER

This disclaimer forms part of and applies to each credit rating report and/or credit rating rationale that we provide (each a "Report"). For the avoidance of doubt, the term "Report" includes the information, ratings and other content forming part of the Report. The Report is intended for the jurisdiction of India only. This Report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the Report is to be construed as CRISIL providing or intending to provide any services in jurisdictions where CRISIL does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this Report does not create a client relationship between CRISIL and the user.

We are not aware that any user intends to rely on the Report or of the manner in which a user intends to use the Report. In preparing our Report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the Report is not intended to and does not constitute an investment advice. The Report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind or otherwise enter into any deal or transaction with the entity to which the Report pertains. The Report should not be the sole or primary basis for any

investment decision within the meaning of any law or regulation (including the laws and regulations applicable in the US).

Ratings from CRISIL Rating are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities / instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL assumes no obligation to update its opinions following publication in any form or format although CRISIL may disseminate its opinions and analysis. CRISIL rating contained in the Report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the Report should rely on their own judgment and take their own professional advice before acting on the Report in any way.

Neither CRISIL nor its affiliates, third party providers, as well as their directors, officers, shareholders, employees or agents (collectively, "CRISIL Parties") guarantee the accuracy, completeness or adequacy of the Report, and no CRISIL Party shall have any liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the Report. EACH CRISIL PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the Report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. CRISIL's public ratings and analysis as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any) are made available on its web sites, www.crisil.com (free of charge). Reports with more detail and additional information may be available for subscription at a fee – more details about CRISIL ratings are available here: www.crisilratings.com.

CRISIL and its affiliates do not act as a fiduciary. While CRISIL has obtained information from sources it believes to be reliable, CRISIL does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and / or relies in its Reports. CRISIL keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of the respective activity. As a result, certain business units of CRISIL may have information that is not available to other CRISIL business units. CRISIL has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL has in place a ratings code of conduct and policies for analytical firewalls and for managing conflict of interest. For details please refer to: <https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html>

CRISIL's rating criteria are generally available without charge to the public on the CRISIL public web site, www.crisil.com. For latest rating information on any instrument of any company rated by CRISIL you may contact CRISIL RATING DESK at CRISILratingdesk@crisil.com, or at (0091) 1800 267 1301.

This Report should not be reproduced or redistributed to any other person or in any form without a prior written consent of CRISIL.

All rights reserved @ CRISIL