Kross Limited

March 10, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	40.34	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB+; Stable; (Double B Plus; Outlook: Stable)
Short Term Bank Facilities	10.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE A4+; (A Four Plus)
Total Bank Facilities	**50.34 (Rs. Fifty Crore and Thirty-Four Lakhs Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated February 14, 2020, placed the rating(s) of Kross Limited. (KL) under the 'issuer non-cooperating' category as KL had failed to provide information for monitoring the rating and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. KL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter dated February 02, 2021. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The rating has been revised on account of deterioration in financial performance in FY20 as against FY19 and unavailability of adequate information thereby leading to the uncertainty around its credit risk.

Detailed description of the key rating drivers

At the time of last rating in February 14, 2020 the following were the rating strengths and weaknesses (updated for information available from Registrar of Companies).

Key Rating Weakness

Small size of operation

The size of the company's operation is relatively small in comparison to the players operating in the auto-component industry.

Concentration risk

KL derived around 91% of its total sales from its top 5 customers in FY15 (as against 94% in FY14), resulting in high customer concentration risk.

Capital intensive nature of business

KL's operation is capital intensive in nature as it has to continuously incur cost for maintenance capex and technological up gradation. Furthermore, the company's operation is also working capital intensive in nature.

Key Rating Strenghts

Experienced promoters

KL is promoted by Mr Sudhir Rai, and his wife, Mrs Anita Rai, age. Mr Sudhir Rai, Managing Director, is a diploma holder in business administration and has experience of about two decades in auto ancillary segment.

Long relationship with reputed clientele
KL supplies to various automobile OEMs present across the country. Although the company commenced business as a supplier solely to Tata Motors Ltd (TML), it has diversified its client portfolio over the years, which ensures stability of the revenue stream in the future.

Performance in FY20 marked by decline in turnover, albeit operating profitability margin remained at similar level
Income from operations declined from Rs.231.03 cr. in FY19 to Rs.160.68 cr. in FY20. Though on absolute level PBILDT declined, PBILDT margin stood at 10.28% in FY20 as against 10.57% in FY19. Due to reduction in PBILDT level, PAT margin also declined from 3.81% in FY19 to 1.22% in FY20. Accordingly, interest coverage ratio also deteriorated from 2.48x in FY19 to 1.71x in FY20.

Moderate capital structure
Capital structure of the company remained moderate with overall gearing of 1.12x as on Mar 31, 2020 as against 1.09x as on Mar 31, 2019.Due to reduction in GCA in FY20, Total Debt/GCA also deteriorated from 4.70x as on Mar 31, 2019 to 9.89x as on Mar 31, 2020.

Analytical approach: Standalone

Applicable Criteria
Policy in respect of Non-cooperation by issuer
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Financial ratios – Non-Financial Sector
Criteria for Short Term Instruments
CARE's methodology for manufacturing companies
CARE's methodology – Auto Ancillary Companies
Liquidity Analysis of Non-Financial Sector Entities

About the Company
KL, incorporated in May 1991, was promoted by Mr. Sudhir Rai and his wife Mrs. Anita Rai. The company commenced operations in 1993 and was initially engaged in manufacturing of crosses and spiders as an ancillary to TATA Motors. Later the company diversified into automobile parts (axle shafts, coupling flanges, tractor parts, etc.) for commercial vehicles as well as tractors. It has three manufacturing plants including a forging unit in Jamshedpur.

Brief Financials (Rs. crore)	FY19(A)	FY20 (A)
Total operating income	231.03	160.68
PBILDT	24.41	16.52
PAT	8.79	1.95
Overall gearing (times)	1.09	1.12
Interest coverage (times)	2.48	1.71

A:Audited

Status of non-cooperation with previous CRA: India Ratings has placed the rating of the company under issuer non-cooperating vide press release dated January 06, 2021.

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instruments/facilities: Not Applicable

Complexity level of various instruments rated by this company: Annexure-3

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	2019	5.69	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	34.65	CARE BB; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC	-	-	-	9.00	CARE A4; ISSUER NOT COOPERATING*
Fund-based - ST-Standby Line of Credit	-	-	-	1.00	CARE A4; ISSUER NOT COOPERATING*

**Issuer did not cooperate; Based on best available information*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	5.69	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (14-Feb-20) 2)CARE BBB-; Stable; ISSUER NOT COOPERATING* (10-Sep-19)	1)CARE BBB-; ISSUER NOT COOPERATING* (31-Jul-18)	-
2.	Fund-based - LT-Cash Credit	LT	34.65	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (14-Feb-20) 2)CARE BBB-; Stable; ISSUER NOT COOPERATING* (10-Sep-19)	1)CARE BBB-; ISSUER NOT COOPERATING* (31-Jul-18)	-
3.	Non-fund-based - ST-	ST	9.00	CARE A4; ISSUER NOT	-	1)CARE A4+; ISSUER NOT	1)CARE A3; ISSUER NOT COOPERATING*	-

	BG/LC			COOPERATING *		COOPERATING * (14-Feb-20) 2)CARE A3; ISSUER NOT COOPERATING * (10-Sep-19)	(31-Jul-18)	
4.	Fund-based - ST-Standby Line of Credit	ST	1.00	CARE A4; ISSUER NOT COOPERATING *	-	1)CARE A4+; ISSUER NOT COOPERATING * (14-Feb-20) 2)CARE A3; ISSUER NOT COOPERATING * (10-Sep-19)	1)CARE A3; ISSUER NOT COOPERATING* (31-Jul-18)	-

Annexure 3: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Fund-based - ST-Standby Line of Credit	Simple
4.	Non-fund-based - ST-BG/LC	Simple

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:
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