Kross Limited
(erstwhile Kross Manufacturers (I) Pvt Ltd)

July 31, 2018

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long-term Bank Facilities	40.34	**CARE BBB-; ISSUER NOT COOPERATING* (Triple B Minus; Issuer Not Cooperating)**	**Issuer Not Cooperating, Based on best available information**
Short term Bank facilities	10.00	**CARE A3; ISSUER NOT COOPERATING* (A Three; Issuer Not Cooperating)**	**Issuer Not cooperating, Based on best available information**
Total	**50.34 (Rupees Fifty crore and Thirty Four lakh Only)**		

Details of facilities in Annexure-1

Detailed Rationale

CARE has been seeking information from Kross Limited (KL; erstwhile Kross Manufacturers (I) Pvt Ltd) to monitor the ratings vide e-mail communications/letters dated April 30, 2018, July 25, 2018 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

The ratings on KL's bank facilities will now be denoted as **CARE BBB-/ CARE A3; ISSUER NOT COOPERATING.**

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

The ratings take into account the experience of the promoters, long relationship with reputed clientele, improvement in financial performance in FY17 (refers to the period from April 01 to March 31) and its moderate capital structure. The above ratings are however, constrained by its small size of operation, customer concentration risk and capital intensive nature of business.

Detailed description of the key rating drivers

At the time of last rating on February 22, 2017, the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies, etc):

Key Rating Strengths

Experienced promoters

KMIPL 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

KMIPL 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.

Improvement in financial performance in FY17

The total operating income of the company has witnessed improvement from Rs.136.65 crore in FY16 to Rs.142.50 crore in FY17. The PBILDT level and margin also improved slightly in FY17 compared to FY16. The PAT margin improved due to improved PBILDT level. The Interest coverage ratio and TD/GCA also witnessed improvement.

Moderate capital structure

The Management has infused equity to the tune of Rs.6.64 crore during FY17 whereas the total debt level decreased due to scheduled repayment of long term debt. Hence the capital structure of the company improved with the overall gearing improving from 1.32x as on March 31, 2016 to 1.14x as on March 31, 2017.

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

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*

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

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

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

Analytical Approach: Standalone

Applicable Criteria

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

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)	FY17 (A)	FY16 (A)
Total Operating Income	142.50	136.65
PBILDT	18.48	17.05
PAT	3.88	3.24
Overall gearing ratio (times)	1.14	1.32
Interest coverage (times)	2.03	1.94

A: Audited

Status of non-cooperation with previous CRA: ICRA has suspended its rating vide its press release dated October 29, 2015 on account of ICRA's inability to carry out a rating surveillance in the absence of the requisite information from the company.

Any other information: Not Available

Rating History (Last three years): Please refer Annexure-2

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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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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	-	-	March 2019	5.69	CARE BBB-; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT-Cash Credit	-	-	-	34.65	CARE BBB-; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-BG/LC	-	-	-	9.00	CARE A3; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - ST-Standby Line of Credit	-	-	-	1.00	CARE A3; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

*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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	5.69	CARE BBB-; ISSUER NOT COOPERATING* Based on best available information	-	-	1)CARE BBB-; ISSUER NOT COOPERATING* (22-Feb-17)	1)CARE BBB- (16-Feb-16)
2.	Fund-based - LT-Cash Credit	LT	34.65	CARE BBB-; ISSUER NOT COOPERATING* Based on best available information	-	-	1)CARE BBB-; ISSUER NOT COOPERATING* (22-Feb-17)	1)CARE BBB- (16-Feb-16)
3.	Non-fund-based - ST-BG/LC	ST	9.00	CARE A3; ISSUER NOT COOPERATING* Based on best available information	-	-	1)CARE A3; ISSUER NOT COOPERATING* (22-Feb-17)	1)CARE A3 (16-Feb-16)
4.	Fund-based - ST-Standby Line of Credit	ST	1.00	CARE A3; ISSUER NOT COOPERATING* Based on best available information	-	-	1)CARE A3; ISSUER NOT COOPERATING* (22-Feb-17)	1)CARE A3 (16-Feb-16)

*Issuer did not cooperate; based on best available information

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CIN - L67190MH1993PLC071691