

## Kross Limited

September 10, 2019

Rating

| Facilities/Instruments     | Amount (Rs. crore)                                                  | Rating <sup>1</sup>                                                                                                    | Rating Action                                                                      |
|----------------------------|---------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| Long term Bank Facilities  | 40.34                                                               | <b>CARE BBB-;Stable,<br/>ISSUER NOT COOPERATING<br/>(Triple B Minus; Outlook: Stable,<br/>Issuer Not Cooperating*)</b> | <b>Issuer Not<br/>Cooperating.<br/>Based on Best<br/>Available<br/>Information</b> |
| Short term Bank facilities | 10.00                                                               | <b>CARE A3<br/>ISSUER NOT COOPERATING<br/>(A three; Issuer Not Cooperating*)</b>                                       |                                                                                    |
| <b>Total</b>               | <b>50.34<br/>(Rupees fifty crore and<br/>thirty four lacs only)</b> |                                                                                                                        |                                                                                    |

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated July 31,2018, 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. KL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter dated August 20,2019. 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).***

### Detailed description of the key rating drivers

*At the time of last rating in July 31,2018 the following were the rating strengths and weaknesses (updated for information available from Registrar of Companies and interaction with banker).*

#### 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 FY18

Income from operation has witness improvement from Rs.142.50 crore in FY17 to Rs.174.17 crore in FY18. PBILDT also improved from Rs.18.48 cr. in FY17 to Rs.22.13 cr. in FY18. The PAT margin improved due to improved PBILDT level. The Interest coverage ratio slightly deteriorated in FY18 due increase in interest cost.

##### Moderate capital structure

Overall gearing of KL is 1.15x as on 31 March, 2018 remained in same line as on 31 March, 2017 due to increase in total debt together with the increase in net worth. TDGCA also remained in same line at 6.32x as on 31 March,2018 due to increase in GCA together with increase in long term debt.

#### 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

KMIPL'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.

**Analytical approach:** Standalone

### Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook and Credit Watch](#)

[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](#)

### 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) | FY18 (A) |
|------------------------------|---------|----------|
| Total operating income       | 142.50  | 174.17   |
| PBILDT                       | 18.48   | 22.13    |
| PAT                          | 3.88    | 4.94     |
| Overall gearing (times)      | 1.14    | 1.15     |
| Interest coverage (times)    | 2.03    | 1.97     |

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 Applicable

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

### 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 19      | 5.69                          | CARE BBB-; Stable; ISSUER NOT COOPERATING*<br>Issuer not cooperating; Based on best available information |
| Fund-based - LT-Cash Credit            | -                | -           | -             | 34.65                         | CARE BBB-; Stable; ISSUER NOT COOPERATING*<br>Issuer not cooperating; Based on best available information |
| Non-fund-based - ST-BG/LC              | -                | -           | -             | 9.00                          | CARE A3; ISSUER NOT COOPERATING*<br>Issuer not cooperating; Based on best available information           |
| Fund-based - ST-Standby Line of Credit | -                | -           | -             | 1.00                          | CARE A3; ISSUER NOT COOPERATING*<br>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 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019        | Date(s) & Rating(s) assigned in 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017        |
| 1.      | Fund-based - LT-Term Loan              | LT              | 5.69                           | CARE BBB-; Stable; ISSUER NOT COOPERATING*<br>Issuer not cooperating; Based on best available information | -                                         | 1)CARE BBB-; ISSUER NOT COOPERATING* (31-Jul-18) | -                                         | 1)CARE BBB-; ISSUER NOT COOPERATING* (22-Feb-17) |
| 2.      | Fund-based - LT-Cash Credit            | LT              | 34.65                          | CARE BBB-; Stable; ISSUER NOT COOPERATING*<br>Issuer not cooperating; Based on best available information | -                                         | 1)CARE BBB-; ISSUER NOT COOPERATING* (31-Jul-18) | -                                         | 1)CARE BBB-; ISSUER NOT COOPERATING* (22-Feb-17) |
| 3.      | Non-fund-based - ST-BG/LC              | ST              | 9.00                           | CARE A3; ISSUER NOT COOPERATING*<br>Issuer not cooperating; Based on best available information           | -                                         | 1)CARE A3; ISSUER NOT COOPERATING* (31-Jul-18)   | -                                         | 1)CARE A3; ISSUER NOT COOPERATING* (22-Feb-17)   |
| 4.      | Fund-based - ST-Standby Line of Credit | ST              | 1.00                           | CARE A3; ISSUER NOT COOPERATING*<br>Issuer not cooperating; Based on best available information           | -                                         | 1)CARE A3; ISSUER NOT COOPERATING* (31-Jul-18)   | -                                         | 1)CARE A3; ISSUER NOT COOPERATING* (22-Feb-17)   |

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

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### Disclaimer

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