Kross Limited

September 10, 2019

Rating

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities	40.34	**CARE BBB-;Stable, ISSUER NOT COOPERATING (Triple B Minus; Outlook: Stable, 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*)**	
Total	**50.34 (Rupees fifty crore and thirty four lacs only)**		

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 Strenghts

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* Issuer not cooperating; Based on best available information
Fund-based - LT-Cash Credit	-	-	-	34.65	CARE BBB-; Stable; 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 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* 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* 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* 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* 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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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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.

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