Kross Ltd

February 14, 2020

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities	40.34	**CARE BB+, Stable Issuer Not Co-Operating (Double B Plus; Issuer not cooperating)**	**Issuer not cooperating; Revised from CARE BBB-; Stable; ISSUER NOT COOPERATING*on basis of best available information**
Short term Bank facilities	10.00	**CARE A4+, Issuer Not Co-Operating (A Four Plus; Issuer Not Cooperating)**	**Issuer not cooperating; Revised from CARE A3; ISSUER NOT COOPERATING*on basis of best available information**
Total	**50.34 (Rupees Fifty crore and Thirty Four lakh 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 Ltd (KL) formerly Kross Manufacturers (I) Pvt Ltd under the 'issuer non-cooperating' category and as KL had failed to provide information for monitoring of 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. 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 deterioration in PBILDT margin in FY19 coupled with slowdown witnessed in end user auto industry in current year.

Detailed description of the key rating drivers

At the time of last rating in February 22, 2017 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 Strengths

Experienced promoters

KMIPL is promoted by Mr. Sudhir Rai, and his wife, Mrs Anita Rai. 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.

Performance in FY19 marked by increase in turnover, albeit operating profitability witnessed deterioration

Income from operation has increased from Rs. Rs.173.80crore in FY18 to Rs.231.03 crore in FY19 and PBILDT margin deteriorated from 12.56% in FY18 to 10.57% in FY19.

Moderate capital structure

Capital structure of the company remained moderate with overall gearing of 1.09x as on Mar 31, 2019.Interest coverage ratio increase from 1.94 times in FY18 to 2.48 times in FY19 on account of reduction in interest cost**.**

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)	FY18 (A)	FY19 (A)
Total operating income	173.80	231.03
PBILDT	21.83	24.41
PAT	4.94	8.79
Overall gearing (times)	1.13	1.09
Interest coverage (times)	1.94	2.48

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: NA.

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	-	-	-	5.69	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Fund-based - LT-Cash Credit	-	-	-	34.65	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Non-fund-based - ST-BG/LC	-	-	-	9.00	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3; ISSUER NOT COOPERATING* on the basis of best available information
Fund-based - ST-Standby Line of Credit	-	-	-	1.00	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3; ISSUER NOT COOPERATING* on the basis of 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 BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable; ISSUER NOT COOPERATING* on the basis of best available information	1)CARE BBB-; Stable; ISSUER NOT COOPERATING* (10-Sep-19)	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 BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable; ISSUER NOT COOPERATING* on	1)CARE BBB-; Stable; ISSUER NOT COOPERATING* (10-Sep-19)	1)CARE BBB-; ISSUER NOT COOPERATING* (31-Jul-18)	-	1)CARE BBB-; ISSUER NOT COOPERATING * (22-Feb-17)

				the basis of best available information				
3.	Non-fund-based - ST-BG/LC	ST	9.00	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3; ISSUER NOT COOPERATING* on the basis of best available information	1)CARE A3; ISSUER NOT COOPERATING* (10-Sep-19)	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 A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3; ISSUER NOT COOPERATING* on the basis of best available information	1)CARE A3; ISSUER NOT COOPERATING* (10-Sep-19)	1)CARE A3; ISSUER NOT COOPERATING* (31-Jul-18)	-	1)CARE A3; ISSUER NOT COOPERATING* (22-Feb-17)

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

***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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