Kross Manufacturers (India) Pvt Ltd

February 22, 2017

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 CO-OPERATING)**	ISSUER NOT COOPERATING
Short-term Bank Facilities	10.00	**CARE A3; ISSUER NOT COOPERATING (A Three; ISSUER NOT CO-OPERATING)**	ISSUER NOT COOPERATING
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 Manufacturers (I) Pvt Ltd (KMIPL) to monitor the ratings vide e-mail communication/letter dated September 5, 2016, October 24, 2016, December 12, 2016 and February 2, 2017 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. **In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating**. In line with the extant SEBI guidelines CARE's rating on KMIPL'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.

Detailed description of the key rating drivers

At the time of last rating in press release dated February 16, 2016 the following were the rating strengths and weaknesses:

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.

Stable financial performance in FY15, but witnessed improvement in 9MFY16

KMIPL's total operating income grew by 3.04% y-o-y in FY15 as increase in demand from commercial vehicle segment offset the impact of slowdown from farm equipment segment. The PBILDT margin declined from 13.94% in FY14 to 13.44% in FY15 mainly due to increase in selling expense.

Moderate financial risk profile with tight liquidity position

Overall gearing slightly improved from 2.40x as on March 31, 2014 to 2.35x as on Mar 31, 2015, and further improved to 1.86x as on December 31, 2015. Total debt/GCA remained relatively stable at 11.08x as on March 31, 2015, and slightly improved to 10.04x as on December 31, 2015.

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

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

KMIPL 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 followed: 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]

Company Background

Kross Manufacturers (I) Pvt. Ltd. (KMIPL), incorporated in May 1991, was promoted by Mr. Sudhir Rai and his wife Mrs. Anita Rai. The company commenced operations in 1993 and is engaged in manufacturing of 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.

Status of non-cooperation with previous CRA:

ICRA has suspended its rating vide 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: NIL

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.

Annexure 1: Details of 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
Fund-based - LT-Cash Credit	-	-	-	34.65	CARE BBB-; ISSUER NOT COOPERATING
Non-fund-based - ST-BG/LC	-	-	-	9.00	CARE A3; ISSUER NOT COOPERATING
Fund-based - ST-Standby Line of Credit	-	-	-	1.00	CARE A3; ISSUER NOT COOPERATING

Annexure 2: Rating History:-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based - LT-Term Loan	LT	5.69	CARE BBB-; ISSUER NOT COOPERATING	-	1)CARE BBB- (16-Feb-16)	1)CARE BBB- (10-Dec-14	1)CARE BB+ (09-Oct-13)
2.	Fund-based - LT-Cash Credit	LT	34.65	CARE BBB-; ISSUER NOT COOPERATING	-	1)CARE BBB- (16-Feb-16)	1)CARE BBB- (10-Dec-14)	1)CARE BB+ (09-Oct-13)
3.	Non-fund-based - ST-BG/LC	ST	9.00	CARE A3; ISSUER NOT COOPERATING	-	1)CARE A3 (16-Feb-16)	1)CARE A3 (10-Dec-14)	1)CARE A4+ (09-Oct-13)
4.	Fund-based - ST-Standby Line of Credit	ST	1.00	CARE A3; ISSUER NOT COOPERATING	-	1)CARE A3 (16-Feb-16)	1)CARE A3 (10-Dec-14)	-

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