September 30, 2024

Crown Worldwide Private Limited: Rating reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loan	20.00	39.86	[ICRA]A (stable); Reaffirmed/assigned for the enhanced amount.
Proposed Term Loan	-	180.14	[ICRA]A (stable); Assigned
Total	**20.00**	**220.00**	

**Instrument details are provided in Annexure-I*

Rationale

The rating reaffirmation on the bank lines of Crown Worldwide Private Limited (CWPL) reflects the expectation of a steady improvement in top line, along with the maintenance of healthy operating margins. This is driven by the company's strong records management business and its efforts to move into value-added business segments to enhance its earnings profile. CWPL reported a top line of Rs. 204.8 crore in CY2023 and Rs. 108.6 crore in H1 CY2024, a YoY growth of only 4.3% and 3.5%, respectively, following the healthy revenue growth of 25% in CY2022 due to pent-up demand after the Covid-19 pandemic, which has since normalised.

Further, the operating margins witnessed a dip in CY2023 to 22.3% and 20.1% in H1 CY2024 over 24.4% in CY2022 owing to subdued demand from the relocation business and underutilisation of new warehouses. The company is planning a debt-funded capex of Rs. 250-300 crore over CY2024-25 for capacity enhancements related to warehouse construction and increase its service offerings. The debt protection metrics are expected to moderate from CY2023 levels owing to debt-funded capex plans related to the expansion. However, the same is expected to improve over the medium term. Hence, CWPL's ability to scale up and garner commensurate returns from its planned capex will remain monitorable.

The rating also continues to consider the proven track record of its operations in the record management segment and relocation business, its reputed customer profile and stable revenue model, backed by predictable cash flows from contracts and attached brand premium. Moreover, strong support from its parent, Crown Worldwide Holdings Limited (CWHL), which operates within the same line of businesses, with demonstrated financial support in the form of equity infusions since CWPL's inception provides further comfort.

The rating, however, is constrained by CWPL's moderate scale of operations and concentrated revenue profile, as most of its revenue is generated from the record management services. Further, the business remains capital intensive, necessitating capex related to warehousing needs and working capital-intensive business due to elongated collection cycle leading to high NWC/OI of 22% in CY2023. The business is also exposed to renewal risk of key customers in the records management business; although its established track record and the stickiness associated with the nature of its business provide comfort.

The Stable outlook on CWPL's ratings reflects ICRA's opinion that it will continue to benefit from its parentage, sound business model and established relationships with its customers.

Key rating drivers and their description

Credit strengths

Part of larger Crown Worldwide Holdings Limited, with demonstrated track record of support – CWPL is a 100% subsidiary of CWHL, headquartered in Hong Kong. Crown Group was established in 1965 and has been operating in the relocation and records management business for almost six decades. CWHL operates through various subsidiaries spread across various geographies. ICRA derives comfort from the financial support CWHL has extended to CWPL since its inception in the form of equity infusions; and expects the same to continue, as and when needed. CWHL has also provided corporate guarantees and comfort letters to banks for CWPL's borrowings.

Proven track record of operations – The company was incorporated in 1996 and has a proven track record of operations in record management services, relocations and world mobility services. The company has around 28 warehouses (owned/ leased) across India. CWPL has developed strong relationships with its customers over the years, which ensures repeat business.

Stable business model, ensuring strong customer association – The records management business is a stable business as it necessitates customers from banking/ corporate sectors to store large amounts of documents over long periods. This ensures strong customer association and lends longer revenue visibility.

Strong financial risk profile – The financial risk profile of CWPL is strong and characterised by comfortable capital structure and coverage metrics, as indicated by gearing of 0.2 times as on December 31, 2023 (0.1 times as on December 31, 2022), total debt/ OPBDITA of 0.9 times (0.3 times in CY2022) and interest coverage of 30.1 times (46.8 times in CY2022) in CY2023. Moreover, the company has maintained healthy operating profit margins of 20-25% over the years, which is expected to be at similar range going forward. The operating margins witnessed a dip in CY2023 to 22.3% and 20.1% in H1 CY2024 over 24.4% in CY2022 owing to subdued demand from relocation business and underutilisation of new warehouses. With new customer addition and movement into value-added services, the margin profile is expected to improve from H1 CY2024 and is expected to remain range-bound between 22-24% in the near-to-medium term.

Credit challenges

High working capital and capital-intensive nature of business – The company has a high working capital requirement depicted by the high NWC/OI of 22.1% in CY2023, although, decreased from 27.3% in CY2022. Further, the business is capital-intensive on account of capex related to warehousing needs, which is mandated to support its growth plans. CWPL is planning a debt-funded capex of Rs. 250-300 crore over CY2024-25 for capacity enhancements related to warehouse construction and to increase its service offerings. The project capex is expected to be completed within Q4 CY2025 – Q1 CY2026.

Although, in CY2024 and CY2025, the debt protection metrics are expected to moderate from CY2023 levels owing to debt-funded capex plans related to the expansion, the debt protection metrics are expected to improve once returns from the capex start to flow in. Despite the capex aiding in capacity enhancement, CWPL's ability to scale up and garner commensurate returns from it and ensure timely commencement of the project without any cost overrun will remain monitorable. The RoCE has remained range-bound and is expected to be under pressure in the near term, given the large capex envisaged in the next 18 months.

Moderate scale of operations and concentrated revenue profile – The company's scale of operations remains moderate with the top line of Rs. 204.8 crore in CY2023 and Rs. 108.6 crore in H1 CY2024, a YoY growth of only 4.3% and 3.5%, respectively, following the healthy revenue growth of 25% in CY2022. This is due to pent-up demand after the pandemic, which has since normalised. In addition, ~74% of its revenue is generated from record management services, exposing it to a concentrated revenue profile. Relocations business accounted for 17% of its total revenue in CY2022, followed by 5% from global mobility, 3% from workspace solutions and 1% from fine art segments. Revenue growth is expected to continue owing to the relatively strong records management business and premium service offerings.

Renewal risk for key customers in records management business – The company is exposed to renewal risk for key customers in its records management business, generating 74% of its total revenues, and generally involves a tenure of 3-10 years. However, ICRA derives comfort from CWPL's diverse clientele and established relationship with customers, which ensure a level of stickiness in the business and mitigate the risk to an extent.

Liquidity position: Adequate

The liquidity position is adequate, supported by free cash of Rs. 59.6 crore as on June 30, 2024, net cash accruals of Rs. 40.8 crore as on December 31, 2023 and Rs. 17.2 crore as on June 30, 2024, and stable cash flow from operations. In addition, the company has a working capital sanctioned limit of Rs. 10 crore, which remained largely unutilised over the years. Against this, CWPL has a repayment obligation of ~6.7 crore in FY2024. The company is expected to incur a capex of Rs. 250 - 300 crore in the next 18 months, which is expected to be funded by additional term loans, internal accruals and existing cash and liquid investments.

Rating sensitivities

Positive factors – ICRA could upgrade CWPL's ratings if the company demonstrates a notable increase in its scale of operations and maintains healthy operating margins, leading to the strengthening of its return indicators and liquidity profile. The improvement in the parent company's credit profile could also be a positive rating trigger.

Negative factors – Pressure on CWPL's ratings could arise if there is a material decline in revenues, or profitability margins adversely impacting the debt coverage metrics. Any large debt-funded capex or any stretch on working capital requirement, posing a stretch on liquidity or moderation in coverage indicators on a sustained basis will also be a negative rating trigger. Moderation in the credit profile of the parent company and/ or weakening in linkages with the parent company could also be a negative trigger.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Parent Company: Crown Worldwide Holdings Limited We expect CWPL's parent, CWHL, to be willing to extend financial support to CWPL, should there be a need.
Consolidation/Standalone	Standalone

About the company

The Crown Worldwide Group, headquartered in Hong Kong, provides a range of logistics and related services, with presence across 45 countries. Services include international and domestic household goods shipments, global mobility, immigration, departure, destination and setting in services, fine art storage and transportation, hard and soft copy records management and storage, freight forwarding, third-party distribution, wine storage, office fit-outs and commercial relocation.

Incorporated in 1996, CWPL, a 100% subsidiary of CWHL is one of the leading players in the records management and relocation business. The company's services include document scanning and imaging, document management, digital transformation and secure destruction. It also offers relocation services, including home search, immigration services, packing, shipping, storage, pet relocation, orientation, school search, and intercultural and language training. The company provides both domestic as well as international relocation services. Its workplace facility manages logistical movements, primarily serving the requirements of commercial clients. In addition, the company offers storage services for fine arts, such as paintings, sculptures and historically significant, high-value artefacts.

Key financial indicators (audited)

	CY2022	CY2023	H1 CY2024*
Operating income	196.3	204.8	108.6
PAT	29.4	26.9	10.1
OPBDIT/OI	24.4%	22.3%	20.1%
PAT/OI	15.0%	13.1%	9.3%
Total outside liabilities/Tangible net worth (times)	0.3	0.3	0.4
Total debt/OPBDIT (times)	0.3	0.9	1.0
Interest coverage (times)	46.8	30.1	14.9

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore*

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				Sept 30, 2024	Aug 18, 2023	-	-
1	**Term loans**	Long term	39.86	**[ICRA]A (stable)**	**[ICRA]A (Stable)**	-	-
2	**Proposed Term Loan**	Long term	180.14	**[ICRA]A (stable)**	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Term loan	Simple
Proposed Term Loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Long-term –Fund based – Term Loan**	July 2022	NA	November 2028	14.14	[ICRA]A (Stable)
NA	**Long-term –Fund based – Term Loan**	August 2018	NA	August 2025	8.62	[ICRA]A (Stable)
NA	**Long-term –Fund based – Term Loan**	March 2023	NA	March 2029	17.10	[ICRA]A (Stable)
NA	**Proposed Term Loan**	NA	NA	NA	180.14	[ICRA]A (Stable)

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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