



Rating Rationale

30 Nov 2022

Crown Solutions India Private Limited

Brickwork Ratings reaffirms/assigns the long term rating for the Bank Loan Facilities of Rs.15.08 Crores of Crown Solutions India Private Limited

Particulars:

Facility**	Amount (Rs Cr)		Tenure	Rating* [@]	
	Previous	Present		Previous (26 August 2021)	Present
Fund Based Secured OD	8.90	10.00	Long Term	BWR BB+/Stable Reaffirmation	BWR BB+/Stable Reaffirmation
Fund Based Working Capital Term Loan GECL GECL 2.0		2.19 1.24 1.65	Long Term	NIL	BWR BB+/Stable Assignment
Total	8.90	15.08	Rupees Fifteen Crores and Eight lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities provided in Annexure-I

@This rating pertains to an existing assignment received prior to 6 October 2022.

Rating Action/Outlook

BWR has essentially relied upon the audited financial statements of Crown Solutions India Pvt.Ltd. up to FY22, projected financial statements for FY23&FY24, publicly available information clarifications provided by the entity's management.

BWR reaffirms the ratings of Crown Solutions India Pvt.Ltd. based on the extensive experience of the promoter, established track record, reputed clientele base and moderate financial risk profile. However, the rating continues to be constrained by the modest scale of operations, long average collection period, customer concentration risk and intense competition in a highly fragmented industry.



The Stable outlook indicates the low likelihood of a rating change over the medium term. BWR believes that the company's business risk profile would remain unchanged over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

KEY RATING DRIVERS

Credit Strengths-:

Experienced management and established track record of the company :

CSIPL has an experienced management team, led by Mr. Suresh Kumar Nair with around three decades of experience in the IT industry. The company has been in the IT consulting business since 2002 and has a presence in multiple verticals viz. Human resource management, Payroll services, Consulting & Executive search. It has a reputed client base primarily across the IT sector. The company has established a strong relationship with its clients and receives repeat business from them. Tata Consultancy Services, HP, Wipro, Capgemini are some of their clients.

Credit Risks-:

Moderate financial risk profile:

The tangible Net Worth of the company stood at 29.23 times in FY22. ISCR is adequate at 2.79 times in FY22. DSCR has improved to 1.56 times in FY22 from 0.96 times in FY21. The company's Net Profit Margin and Operating Profit Margin were 3.95 % and 11.14% respectively in FY22.

Moderate scale of operations with customer concentration risk:

Total Operating Income of the company was Rs.50.80 Crs in FY20 and it was marginally declined to Rs.48.06 Crs due to the then prevailing COVID-19 pandemic. However, the revenue of the company has improved to Rs.89.95 crs. in FY22. The company's offerings are concentrated to a particular vertical viz. contractual staffing in (mostly) only the IT sector thus exposing its revenues to concentration risk. The top three customers account for ~80% of revenues in FY21 /FY22. The company operates in a highly fragmented industry and loss of any one of its top customers could adversely impact its revenue over the medium term. However, this risk is mitigated to some extent as the company has long-standing relationships with its clientele and has been able to bag repeat orders.

High receivable days : The average collection period has remained elongated in the past 3 years between 120-140 days due to delays in payments from certain clients in the IT sector. There is a need to improve the receivable cycle.

Presence in a highly competitive industry : Entry Barriers in the industry are low on account of limited capital and technology requirement and also low differentiation in the end product leading to intense competition and limiting the pricing power resulting in low profitability.



Regulatory Risk Related to IT Industry : A change in laws or regulations made by the government can increase the cost of operating a business or change the competitive landscape

Analytical Approach And Applicable Rating Criteria

BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Sensitivities

The ability of the Company to improve its scale of operations profitably, strengthen its capital structure and ensure timely collection of its receivables are the key rating sensitivities. The company to note the current scenario prevailing globally in respect of lay off and attrition etc. and initiate necessary steps to insulate the same.

Positive: The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement.

Negative: The rating may be downgraded if the revenues go down and profit margins show lower than expected figures.

Liquidity Position: Adequate : The current ratio is adequate at 1.61 times as on 31 Mar 2022. Cash and cash equivalents were comfortable at Rs.2.26 Crs in FY22 as against Rs.4.20 Crs in FY21. Net cash accruals to total debt was low at 0.25 times as on 31st March 2022. The average working capital utilization of the company stood at 50-75 % from May 2022 to October 2022. Timely realization of receivables and need-based enhancement of working capital facilities is important for smooth operations.

About the company

CSIPL, incorporated in 2002, is a provider of IT solutions and also a service company providing technology solutions, talent sourcing and human resource management solutions to Fortune 1000 companies. The company is headquartered in Chennai, Tamil Nadu and have operations and branches across diverse locations such as Bangalore, Hyderabad. The company provides IT solutions & consulting services primarily to the IT sector in India and also has diversified into other IT sector projects segments like FSI, Healthcare, Retail, Telecom, Hospitality, E-governance, etc. Mr. Suresh Kumar Nair and Ms. Sangeetha CS are the Directors.



Key Financial Indicators (in Rs. Cr)

Key Parameters	Units	31 March 2022	31 March 2021
Result Type		Audited	Audited
Total Revenue	Rs. Cr	89.95	48.06
EBITDA	Rs. Cr	10.02	6.23
PAT	Rs. Cr	3.55	1.00
Tangible Net Worth	Rs. Cr	29.23	25.68
Total Debt/TNW	Times	0.71	1.18
Current Ratio	Times	1.61	2.13

Key Covenants of the Instrument/Facility Rated

The terms of sanction include standard covenants normally stipulated for such facilities.

Status of Non-Cooperation with Previous CRA -: NIL

Rating History for the last three years (including withdrawal and suspended)

Facilities	Current Rating (2022)			Rating History			
	Tenure	Amount (Rs.Crs)	Rating	26Aug2021	31Mar21	2020	16Dec2019
<u>Fund Based</u> Overdraft	Long Term	10.00	BWR BB+/Stable Reaffirmation	BWR BB+/Stable (Upgrade)	BWR BB/Stable (Downgrade /ISSUER NOT COOPERATING*)		BWR BB+/Stable Reaffirmation
Working Capital Term Loan		2.19	BWR BB+/Stable Assignment	-	-	-	-
GECL		1.24		-	-	-	-
GECL 2.0		1.65		-	-	-	-
Total		15.08	Rupees Fifteen Crores and Eight lakhs Only				

*Term Loan o/s as on 31 st Oct'22 . The bank facilities of the company have been taken over from Canara Bank by HSBC Bank Ltd. during FY22.

** Rating advisory published on 19 Sep 2022

Complexity Levels Of The Instruments

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Services Sector](#)

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Crown Solutions India Private Limited ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (Rs. Cr)	Short Term (Rs. Cr)	Total (Rs. Cr)
1	HSBC Bank Ltd.	Secured OD-Sanctioned	10.00	-	10.00
2		Working Capital Term Loan-Out-standing	2.19	-	2.19
3		GECL-Sanctioned	1.24	-	1.24
		GECL 2.0-Out-standing	1.65	-	1.65
	TOTAL (Rupees Fifteen Crores and Eight lakhs Only)				15.08



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