Genesys International Corporation Limited (Revised)

September 10, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	60.00 (Enhanced from 30.00)	CARE BBB; Stable	Reaffirmed
Short-term bank facilities	40.00 (Enhanced from 20.00)	CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities of Genesys International Corporation Limited (GICL) factor in continued healthy order book reflecting revenue visibility of 2.72x as that of FY24 revenue. The company's experienced management and long track record of operations benefits it in the eligibility criteria for winning more project orders. Given the y-o-y capex for 2D and 3D data compilation, being majorly funded by equity and internal accruals, the company's overall debt position is low, hence ratings continue to remain supported by comfortable leverage. Adequate liquidity due to improvement in gross cash accruals (GCA) and low leverage support ratings. The company continues to increase its exposure in other countries, resulting in positive impact on the order book.

However, ratings continue to remain constrained by the company's stretched collection period as majority customers are government bodies. Though there is no significant risk associated with cash flow from these bodies, however, collection period remains a constraining factor. There continues to be customer concentration risk for the company.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improving scale of operations by sustaining revenue over ₹300 crore and sustained earnings before interest, taxation, depreciation, and amortisation (EBITDA) margin over 30%.
- Improving in cash flow from operations on a sustained basis.
- Improving collection period to below 150 days

Negative factors

- Adjusted overall gearing over 1.5x on sustained basis.
- Significantly declining revenue and profit before interest, lease rentals, depreciation, and taxation PBILDT) margin on a sustained basis.
- Significant write-offs and deteriorating collection period to over 220 days.

Analytical approach: Consolidated

GICL has two subsidiaries, with common management and similarity in nature of business. These subsidiaries aids GICL in diversifying geographies. Accordingly, the analytical approach continues to remain consolidated. Subsidiaries considered for consolidation is listed in Annexure- 6

Outlook: Stable

The stable outlook reflects the increasing usage of geospatial services as reflected by GICL's comfortable order book ensuring the stability in operations.

Detailed description of key rating drivers:

Key strengths

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Sustainable improvement in performance; expected high growth rate in medium term

Increasing demand for geospatial data in multiple sectors such as infrastructure, telecom, urban planning and monitoring, and logistics, among others, is expected to drive GICL's performance in the coming years. Rising demand supported the company in bagging multiple orders in the last two years. With the company's ongoing development in 2D and 3D segment, its performance is expected to substantially improve from FY25 onwards. The company's increasing focus in the automotive segment is further expected to support its revenue. The company's plan to increase expand its export orders, especially in Saudi Arabia, is further expected to boost its performance.

GICL's scale of operations is moderate, as reflected by its total operating income (TOI) of ₹198.93 crore in FY24 (FY23: ₹184.27 crore). The company's TOI grew by single digit 8% and was restricted by unbilled revenue of ₹96.23 crore, for which work was completed. The company's TOI stood at ₹55.76 crore in Q1FY25. As the company's is involved right from data collection to data processing, the company's operating margin continues to remain healthy at 36.60% in Q1FY25 (FY24: 41.16%; FY23: 33.53%; Q1FY24: 16.79%).

Established track record of operations and experienced management

The company has a long track record of operations of over two decades. Sajid Malik, Chairman and Managing Director of the company is a chartered accountant and holds experience of over 25 years in the same line of business. GICL's proven track record in mapping enables it to bag more orders.

Continuance of healthy order book; expected to improve further

GICL's order book continue to remain comfortable at ₹541.59 crore, 2.72x of FY24's revenue. CARE Ratings Limited (CARE Ratings) expects the order book to further improve in coming years, given the rising demand for geospatial data and the company's developmental plans to meet demand. Per the management, the order book is expected to improve significantly in FY26, post completing its 2D data mapping.

Continuance of comfortable debt metrics and coverage indicators

Despite the company's plan to enhance its working capital limits, its overall gearing is expected to remain comfortable, given its y-o-y accruals supporting net worth. The company's long-term borrowing is low in overall debt profile. Overall gearing stood continues to remain below unity at 0.15x as on March 31, 2024 (As on March 31, 2023: 0.13x). With improved profitability and comfortable debt levels, interest coverage continues to remain comfortable at 19.55x in FY24 (FY23: 21.37x).

Key weaknesses

Continuance of high collection period and customer concentration risk

Majority revenue is contributed by the project-based model, where the government continues to remain the primary client; thus, collection period is expected to remain elongated in coming years as well. In FY24, working capital stood at 120 days due to high collection period above 200 days. Of the total receivables, 20% have been due for over one year as on June 30, 2024. As recovery has been observed, significant instances of bad debts are unlikely. The company also plans to increase its revenue contribution from subscription model, which will gradually improve its working capital cycle, however it will take few years. The company's on-going development regarding capex of 2D and 3D data is expected to be completed by FY27. Post this, there will be a shift in the business model, where the company aims to improve its revenue contribution gradually from subscription model to ~40%. This will improve its collection period.

The customer concentration risk continues to remain high given that top ten customers contribute ~99% towards total revenue in Q1FY25 (FY24: 71%; FY23: 82%).

Competitive nature of ITES industry and tender-based government contracts

GICL is engaged in ITES (providing GIS embedded services), which is highly competitive with presence of big players with established marketing and distribution network. Growing competition exposes the company to typical industry risks such as ability to bag large-sized contracts for continuous cash flow and challenge of retaining technical personnel as it is a knowledge-based industry, which may result in lower growth rates. The company's revenue profile is exposed to risks related to tender0based government projects and their successful and timely execution.

Liquidity: Adequate

The company's liquidity is adequate with gross cash accruals (GCA) expected to remain above ₹80.00 crore in FY25 and coming years. GCA stood at ₹78.53 crore in FY24 (FY23: ₹53.78 crore). Against this healthy GCA, the company has principal bank debt obligation (vehicle and equipment loan) of only ₹9.55 crore in FY25 & FY26 as the overall long-term debt is low. GICL's average maximum utilisation of working capital facility is ~85% for 12-months ended June 30, 2024. This is due to elongated collection cycle as major orders are issued from government bodies. The company is in process the to enhance the working capital limits. The company's free cash and cash equivalents stood at ₹26.64 crore as on June 30, 2024.

Applicable criteria

Consolidation
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Service Sector Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Information technology	Information technology	IT - services	IT enabled services

Mumbai (Maharashtra)-based GICL was incorporated in 1995 and managed by Sajid Malik as a public limited company. GICL is engaged in providing Geospatial Information Systems (GIS) primarily involving digitisation of maps, and conversion of paper-based drawings to the digital platform. GICL provides services to companies in industry verticals such as urban development, utilities, natural resources, disaster management, telecom, civil engineering, construction, infrastructure, and media. The company is listed on the Bombay Stock Exchange and the National Stock Exchange. GICL is ISO 9001:2000 certified company, with its head office at Mumbai, Maharashtra.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total operating income	184.27	198.93	55.76
PBILDT	62.81	89.07	20.41
PAT	14.93	21.61	5.30
Overall gearing (times)	0.13	0.15	NA
Interest coverage (times)	21.37	19.55	9.51

A: Audited UA: Unaudited; NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	20.00	CARE BBB; Stable
Fund-based - LT-Cash Credit		-	-	-	40.00	CARE BBB; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	40.00	CARE A3+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	20.00	CARE BBB; Stable	-	1)CARE BBB; Stable (30-Oct-23)	1)CARE BBB; Stable (23-Nov-22)	1)CARE BBB-; Stable (28-Sep-21)
2	Non-fund-based - ST-Bank Guarantee	ST	40.00	CARE A3+	-	1)CARE A3+ (30-Oct-23)	1)CARE A3+ (23-Nov-22)	1)CARE A3 (28-Sep-21)
3	Fund-based - LT-Cash Credit	LT	40.00	CARE BBB; Stable	-	1)CARE BBB; Stable (30-Oct-23)	1)CARE BBB; Stable (23-Nov-22)	1)CARE BBB-; Stable (28-Sep-21)

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	A N Virtual World Tech Ltd	Full	Subsidiary with 97.73% shareholding.
2	Genesys Middle East Limited	Full	Subsidiary with 100% shareholding.

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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