

Genesys International Corporation Limited

November 23, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	30.00	CARE BBB; Stable (Triple B; Outlook: Stable)	Revised from CARE BBB-; Stable (Triple B Minus; Outlook: Stable)
Short Term Bank Facilities	20.00	CARE A3+ (A Three Plus)	Revised from CARE A3 (A Three)
Total Bank Facilities	50.00 (₹ Fifty Crore Only)		

Details of instruments/facilities in Annexure-1.

Detailed Rationale & Key Rating Drivers

The upgrade in the rating considers the recent fund raise by the company which adds liquidity cushion and the ability of the company to deploy such funds in developing its 3D content service segment and for enhancing its data coverage capacity. CARE expects that the said development is expected to aid the company in increasing both its top line as well as profitability in the coming years.

The rating continues to derive comfort from experienced management, its long track record of operations and its reputed customer base with presence in niche industry (Geographical Information Systems-embedded services). On performance front, the company has shown improvement in FY22 as well as 1HFY23 in terms of both revenue and profitability at PBILDT levels. The rating remains constrained by continuing losses at PAT level over the past few years and customer concentration risk.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Improvement in PBILDT margin of over 26% on a sustained basis.
- Improvement in scale of operations by sustaining the revenue above Rs. 300 crores.

Negative factors – Factors that could lead to negative rating action/downgrade:

- Adjusted overall gearing over 1.5x on sustained basis.
- PBILDT margin declining below 15% on a sustained basis.
- Company reporting PAT level losses.

Detailed description of the key rating drivers

Key rating strengths

Recovery in revenue and mid-term revenue visibility:

The recovery in revenue is reflected from GICL's TOI of FY22 at Rs. 121.08 crores (FY21: Rs. 79.64 crores; FY20: Rs. 114.24 crores), wherein the company has surpassed the pre-covid total operating income (TOI). With unrestricted mobility, the company was able to book 52% revenue growth in FY22 vis-à-vis 30% revenue de-growth observed in FY21 due to covid led disruption. The sustainability of this performance is reflected in 1HFY23 as well, wherein total revenue achieved by the company stood at Rs.80.08 crores (H1FY21: Rs. 45.16 crores).

Increasing urbanisation and government's thrust on Digital Infrastructure and other initiatives are expected to trigger the demand for geospatial technology. Also, to capture this demand, company has increased its focus more on 3D mapping. As on October 30, 2022, the company has an order book of Rs. 200.00 crores (1.65x of FY22's revenue) and L1 order of Rs. 400.00 crores (3.30x of FY22's revenue).

Rebound in profitability in FY22 & Q1FY23: GICL's PBILDT margin has rebounded to 28.35% in H1FY23 (1HFY22: 8.75%; FY22: 24.02%; FY21: 0.23%) given the recovery in top line. FY21 was an exceptional year given the fixed obligations in terms of manpower cost and project cost remaining stable against the dwindling revenue. Going forward, with company's focus on 3D content service, its capacity building in terms of latest equipment's which will be beneficial in terms of high coverage and collection of data and GICL's ability to bag high orders, will aid the company in improving the profitability in near to mid-term.

Continuance of comfortable capital structure: The overall capital structure continues to remain comfortable with overall gearing remaining below unity in FY22 at 0.38x (FY21: 0.15x). Term loan remain to be absent in the company. As on date, the debt profile of the company comprises of only working capital facility and lease liability. As per the management, GICL's capital expenditure will be funded by funds raised by the entity in Q1FY23, thus enabling the company to continue its comfortable gearing in mid-term. The said fund raise will further help in reduction of the overall gearing ratio going forward.

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

Raised funds to support the 3D content service segment and overall operations: GICL has raised funds of Rs. 255.00 crores, which is majorly scheduled to be deployed in building its capacity and developing 3D segment. Company has incurred Rs.30.00 crores as on October 31, 2022, and is in process of completing total capex of Rs.100.00 crores by March 2023. To continue developing the 3D segment, around Rs.20.00 crores to Rs.25.00 crores of capital expenditure would be incurred in FY24 & FY25. The benefit of this capex would lead to economies of scale thus driving the margins. Out of the total funds raised, Rs.198 crores have been received till date and remaining is scheduled to be received in FY24. GICL has invested around Rs.74.00 crores via increasing its equity stake in its subsidiary companies and have initiated monetising the asset in one of the subsidiaries, i.e. A.N.Virtual Worldtech Limited. The order flow has started in the said subsidiary from Q1FY23.

Key rating weaknesses

Continued PAT level losses in FY22:

GICL continues to book losses in FY22 at Rs. 39.69 crores (FY21: 51.79 crores) on account of exceptional loss related to provision for impairment against the intangible asset of its subsidiary and goodwill impairment. During FY21, the losses were account of both exceptional losses and lower top line impacted due to pandemic. The exceptional losses are, however, non-cash in nature. Given the PAT level profit reflected in H1FY23, management of GICL expects FY23 to be profitable year. Hence, PAT level profit remains to be key monitorable in near term.

Customer concentration risk:

GICL like any other small, scaled IT service firm faces customer concentration risk as top 10 customers contributes more than 90% of the total sales of the company. However, Company is expected to receive regular orders from all the top 10 clients of the company, which gives some leverage to concentration risk faced by GICL. The customer concentration risk is mitigated to some extent given the marquee clients of the company and the long-standing relationship with them over the years.

Liquidity: Adequate

GICL's adequate liquidity is reflected by Rs. 255.00 crores of funds raised during 1HFY23. The company currently has cash and cash equivalent of Rs. 66.25 crores as of November 08, 2022 available in form of fixed deposit and mutual funds. In addition to this, the company has no term loan and has repayment obligation of only Rs. 3.97 crores and Rs. 4.09 crores in FY23 & FY24 which is towards vehicle loan and lease liability. GCA for FY 22 stood at Rs 22.43 crores and is expected to cross Rs. 40.00 crores for FY 23. The company's average utilization for the last twelve months ended September 30, 2022, stood at 70% out of sanctioned fund-based limit of Rs. 10.00 crores.

Analytical approach: Consolidated. GICL has increased its stake in both of its subsidiaries to 98% and 100% in A N Virtual World Tech Ltd and Virtual World Spatial Technologies Private Limited. Accordingly, the analytical approach has been changed to a consolidated approach from the standalone approach taken in previous year. The list of subsidiaries considered for consolidation is listed in Annexure- 6

Applicable criteria

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Service Sector Companies](#)

About the company

Mumbai (Maharashtra) based Genesys International Corporation Limited (GICL) was incorporated in 1995 and managed by Mr. Sajid Malik as a public limited company. GICL engaged into providing Geospatial Information Systems (GIS) primarily involving digitization 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 located at Mumbai, Maharashtra.

Brief Financials (₹ crore)	31-03-2021 (A)	31-03-2022 (A)	H1FY23 (UA)
Total operating income	79.64	121.09	80.08
PBILDT	0.18	29.08	22.70
PAT	-51.79	-39.69	5.20
Overall gearing (times)	0.15	0.38	NA
Interest coverage (times)	0.04	11.15	20.64

A: Audited; UA: Unaudited; NA: Not available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

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 along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	20.00	CARE BBB; Stable
Fund-based - LT-Cash Credit		-	-	-	10.00	CARE BBB; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	20.00	CARE A3+

Annexure-2: Rating history for the 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	20.00	CARE BBB; Stable	-	1)CARE BBB; Stable (28-Sep-21)	1)CARE BBB; Stable (28-Sep-20)	1)CARE BBB; Stable (26-Nov-19) 2)CARE BBB; Stable (08-Apr-19)
2	Non-fund-based - ST-Bank Guarantee	ST	20.00	CARE A3+	-	1)CARE A3 (28-Sep-21)	1)CARE A3 (28-Sep-20)	1)CARE A3 (26-Nov-19) 2)CARE A3 (08-Apr-19)
3	Fund-based - LT-Cash Credit	LT	10.00	CARE BBB; Stable	-	1)CARE BBB; Stable (28-Sep-21)	1)CARE BBB; Stable (28-Sep-20)	1)CARE BBB; Stable (26-Nov-19) 2)CARE BBB; Stable (08-Apr-19)

*Long term/Short term.

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

Annexure-4: Complexity level of various instruments rated for this company

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

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Annexure-6: Name of the companies consolidated with GICL

Sr. No.	Subsidiary	Shareholding
		As on March 31, 2022
1	A N Virtual World Tech Ltd	98%
2	Virtual World Spatial Technologies Private Limited	100%

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

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