

Genesys International Corporation Limited

September 28, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	25.00	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	5.00	CARE A3 (A Three)	Reaffirmed
Total Bank Facilities	30.00 (Rs. Thirty Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Genesys International Corporation Limited (GICL) continues to derive strength from experienced directors, established track record of the company of over 2.5 decades along with reputed customer base, presence in niche industry (Geographical Information Systems-embedded services) translating in to healthy operating margins; albeit decline in margins in FY21 (FY refers to the period April 1 to March 31) resulting into loss in FY21 due to covid-19. The ratings also favorably factors in the healthy order book position providing revenue visibility in the near to medium term and financial risk profile marked by comfortable capital structure. The above strengths are tempered by increasing competitive pressure in ITES industry along with risk related to continuous ability of the company to cop up with rapidly changing technology and retaining technically qualified personnel along with susceptibility of profit margins to volatility in foreign exchange fluctuations and customer concentration risk.

Key rating sensitivities

Positive:

- Improvement in PBILDT margin of over 20% on a sustained basis
- Improvement in Return on Capital Employed (ROCE) over 15% on sustained basis

Negative:

- Overall gearing over unity on sustained basis
- PBILDT margin declining below 10% on a sustained basis
- Substantial delay in monetization of database assets of its subsidiary

Detailed description of the key rating drivers

Key Rating Strengths

Experienced directors and established track record of the company along with reputed customer base

GICL was incorporated in 1995 and hence the company has established its operations for around two and a half decades. Mr. Sajid Malik, Chairman and managing director of the company is a chartered accountant by qualification and holding experience of more than two and a half decades in same line of business. The customers of the company contain reputed names include One of the top 5 fortune 500 company, Wipro, TATA Projects Ltd., Vindhya Telelinks Ltd., Sterlite Technologies Ltd., Reliance Corporate IT Park Ltd and many reputed private and public sector companies. The company gets regular orders from all these customers.

Comfortable capital structure

Capital structure of GICL remains robust as indicated by an overall gearing ratio of 0.05x as on March 31, 2021 [0.05x as on March 31, 2020] on account of comfortable level of Tangible Net Worth against lower debt level as on March 31, 2021. The company does not have any long term debt and has only working capital facilities. Further, the working capital borrowings were also lower as on March 31, 2021 at Rs.4.71 crore as against Rs.5.93 crore as on March 31, 2020. GICL has investments of Rs.145.05 crores in loss making subsidiary, A. N. Virtual World Tech Ltd (ANWL), and it has also provided unsecured loan to step down subsidiary VWSTPL of Rs. 14.23 crores as on March 31, 2021. The adjusted tangible net worth reduces to Rs.97.91 crores, and adjusted gearing becomes 0.14 times as on March 31, 2021. However, it is still a comfortable level. The company has raised capital in form of Compulsorily Convertible Debentures and warrants for an aggregate consideration of Rs. 27.45 crores in FY22; out of it company has received Rs. 20.59 crores in Q2FY22. The funds from the same will be utilised to manage working capital and to purchase equipment's required for new projects.

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

Healthy Order Book

GICL has outstanding order book position of around Rs. 115 crores, which is 1.41 times of TOI of FY21 denoting medium term revenue visibility. The order book consists of all the orders from reputed clientele.

Key Rating Weaknesses**Competitive nature of ITES industry**

GICL engaged into ITES (i.e. providing Geospatial Information System embedded services), which is highly competitive in nature with presence of large sized players with established marketing & distribution network. Further, ITES Sector experience continuous improvement in existing technology to perform task in better and more efficient way along with emerging of new technologies like block chain, artificial intelligence, machine learning etc. The growing competition exposes the company to typical industry risks such as ability to bag large-sized contracts for continuous cash flow along with attrition of personnel, which may result in lower growth rates. The moderate scale of operations also restricts financial flexibility to an extent, a distinct advantage enjoyed by its peers, who are established global majors.

Susceptibility of profit margins to volatility in foreign exchange fluctuations

The company exports its services to USA, UAE, Cyprus, Saudi Arabia, Ghana etc. Export constituted around 58.17% during FY21 [89.50% during FY20] of total sales of services. Majority of the company's foreign currency transactions are denominated in USD. Other foreign currency transactions entered into by the company are in GBP, Euro, Saudi Riyal, Qatari Riyal, Kuwaiti Dinar, UAE Dirham's and MUR. However, the company does not hedge its foreign exchange fluctuation risk. Hence, there is a risk of adverse movement in foreign exchange and its negative impact on profitability margins of the company.

Customer concentration risk

GICL like any other small scaled IT service firm faces customer concentration risk as top 5 customers contributes around 86% 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 can give some leverage to concentration risk faced by GICL.

Significant investment of overseas subsidiary company

GICL has substantial investment of Rs.145.05 crore (as on March 31, 2021) in Cyprus based subsidiary company named A. N. Virtual World Tech Ltd (ANWL). GICL has 59.37% Equity Stake along with other investors as Quikr Mauritius and UAE based investor, Mr. Ashish Nanda. ANWL owns and operates hyper-local search engine platform and enables its users to search and view 360-degree walkthroughs of hotels, monuments, and parks and serves customers in India. ANWL has undertaken a project of geographical mapping of around 60 to 65 cities of India, which was carried out by GICL during 2010 to 2014. ANWL is not commercially active currently but company management is planning to monetize its maps database through commencement of commercial operations in near future. Timely monetization of database assets of the subsidiary remains critical from the credit perspective. Further GICL has also provided unsecured loan to step down subsidiary Virtual World Spatial Technologies Private Limited of Rs. 14.23 crores as on March 31, 2021.

Liquidity: Adequate

The liquidity of the company is marked adequate on account of expected GCA of around Rs. 11 crores in FY22 against modest debt obligation of Rs. 3.48 crores (major portion Lease liability and small amount of car loan) in FY22. The average unutilized fund based limits is Rs. 1.25 crores for the past 12 months ending August 2021. To fund the operations GICL uses bank lines comprising cash credit Further, company has unencumbered cash balances of Rs. 13.47 crores as on September 16, 2021. The company has liquid investment to the tune of Rs. 4.92 crores as on September 16, 2021 in form of Mutual fund investment. GICL's operations are working capital intensive in nature due to high receivables days embarked inherent lag invoicing cycle. GICL majorly funds its operations through internal accruals.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook and Credit Watch to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Financial ratios – Non-Financial Sector](#)

[Short Term Instruments](#)

[Rating methodology: 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 (Rs. crore)	FY20 (A)	FY21 (A)	Q1FY22 (UA)
Total operating income	116.00	81.41	14.40
PBILDT	17.87	1.59	-3.77
PAT	5.53	-37.33	-6.16
Overall gearing (times)	0.05	0.05	NA
Interest coverage (times)	6.83	0.50	NM

A: Audited; UA: Unaudited; NA: Not available, NM: Not meaningful

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

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

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

Annexure-1: Details of Instruments/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-Cash Credit	-	-	-	15.00	CARE BBB-; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	5.00	CARE A3
Fund-based - LT-Term Loan	-	-	-	10.00	CARE BBB-; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Cash Credit	LT	15.00	CARE BBB-; Stable	-	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 Guarantees	ST	5.00	CARE A3	-	1)CARE A3 (28-Sep-20)	1)CARE A3 (26-Nov-19) 2)CARE A3 (08-Apr-19)	-
3.	Fund-based - LT-Term Loan	LT	10.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (28-Sep-20)	1)CARE BBB-; Stable (26-Nov-19) 2)CARE BBB-; Stable (08-Apr-19)	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities – Not Applicable**Annexure 4: Complexity level of various instruments rated for this Company**

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

Annexure 5: Bank Lender Details

[Click here to view Bank Lender Details](#)

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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About CARE Ratings:

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