

Genesys International Corporation Limited

April 08, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating action
Long Term Bank Facilities	25.00	CARE BBB-; Stable (Triple B Minus; Outlook : Stable)	Assigned
Short Term Bank Facilities	5.00	CARE A3 (A Three)	Assigned
Total Facilities	30.00 (Rupees 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) primarily derive comfort from its experienced promoters, established track record of operations coupled with reputed clientele and its moderate order book position led revenue visibility. The ratings further, derive strength from its healthy profit margins and comfortable capital structure as well as debt coverage indicators.

The above strengths are partially offset by its moderate albeit growing scale of operations, high working capital intensity, however, largely being funded through internal accruals and susceptibility of profit margins to volatility of foreign exchange rates. The ratings also take into account its significant investment in non-operational offshore subsidiary company, its presence in competitive ITES industry along with risk related to consistent ability of the company to adapt rapidly changing technologies and retaining technically qualified personnel as being part of knowledge based industry.

Ability of GICL to increase its scale of operations along with improvement in profitability margins through execution of existing as well as new contracts and effective working capital management through rationalization of debtors would remain key rating sensitivities. Further, realization of benefits from its significant investments in subsidiary companies in time bound manner would also remain crucial for the ratings.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced directors and established track record of the company

GICL was incorporated in 1995 and has track record of its operations for more than two decades. Mr. Sajid Malik, Chairman and managing director of the company is chartered accountant by qualification, holding experience of more than two and a half decades in same line of business. Mr. Sauhel Malik, director of the company is Engineer by qualification and possesses vast experience in IT & ITES related consultancy services and marketing activities. Due to the long track record and experience in the GIS (Geographical Information System) industry, the company has developed good relationship in the market with its suppliers and customers.

Reputed clientele and moderate order Book

The clientele base of the company includes reputed names in the area of information technology, telecommunication, infrastructure and consulting entities from private and public sector companies from India and overseas. Company gets regular orders from majority of its existing customers. Further, GICL has outstanding order book of more than Rs.130 crore as on March 26, 2019 which is 1.08 times of TOI of FY18 denoting medium term revenue visibility. The order book consists of all the orders from reputed clients.

Healthy profitability margins

Operating profit margins of GICL remained healthy as marked by the PBILDT margin of 37.20% during FY18 [36.93% during FY17] owing to presence of the company in niche industry segment (i.e. GIS embedded services) along with its focus on value added technologies. Consequently, the PAT margin of GICL also remained healthy at 25.71% during FY18 [28.81% during FY17] on the back of healthy operating profit level. Further, Gross Cash Accruals (GCA) increased significantly by 40.40% and remained at healthy level of Rs.38.92 crore during FY18 as compared to Rs.27.72 crore during FY17 on account of substantial increase in TOI and PAT during FY18. Further, during 9MFY19, the TOI remained at Rs.81.52 crore with PBILDT and PAT of Rs.19.53 crore and Rs.8.83 crore respectively. The income and margins have reduced during 9MFY19 compared to FY18 mainly due to delay in commencement of work of one of the major order due to state elections in Rajasthan during December 2018.

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

Comfortable capital structure and debt coverage indicators

Owing to comfortable level of tangible net worth against lower debt levels, capital structure of GICL remained comfortable as marked by an overall gearing ratio of 0.06x as on March 31, 2018 [0.05x as on March 31, 2017] which remained low at 0.12 times even after adjusting the investments in Joint Ventures and subsidiaries from net worth of the company.

The debt coverage indicators also remained comfortable marked by an interest coverage which experienced consistent improvement since last three years and remained comfortable at 18.63x during FY18 as against 14.82x during FY17. Further, total debt to GCA also remained at comfortable level of 0.42x as on March 31, 2018 [0.47x as on March 31, 2017] owing to healthy GCA level and low debt levels.

Key Rating Weaknesses***Moderate albeit growing scale of operations***

Though the Total Operating Income (TOI) of company grew at (CAGR) of 24.31% for last four years ended FY18, it remained at moderate level. During FY18, the TOI of the company increased to Rs.120.60 crore as against Rs.79.99 crore during FY17 which is 50.77% y-o-y growth on account of increase in orders from its existing as well as addition of new clients in its portfolio.

Significant investment in overseas subsidiary company

GICL has substantial investment of Rs.144.58 crore (as on March 31, 2018) in Limassol, Cyprus based subsidiary company named A N Virtual World Tech Ltd. (AVWL) wherein Quikr India Private Limited and Mr Ashish Nanda also hold certain stake. AVWL 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 substantial database which also consists maps of 60 to 65 Indian cities maps (mapped by GICL). AVWL is not commercially active at present; however, the company management is planning to undertake commercial operations in near future. Considering significant resource allocation from GICL, realization of returns from the said investments in time bound manner would remain crucial.

Increasing competitive pressure in ITES industry along with risk related to consistent ability of the company to adept rapidly changing technologies and retaining technically qualified personnel

GICL engaged into ITES (i.e. providing GIS embedded services), which is highly competitive in nature with presence of big 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 emergence of new technologies like block chain, artificial intelligence, machine learning, internet of things 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 challenge of retaining technical personnel as being part of knowledge based industry, which may result in lower growth rates. The moderate scale of operations also restricts its financial flexibility to an extent.

Susceptibility of profit margins to volatility in foreign exchange fluctuations

The company exports its services to countries like USA, UAE, Cyprus, Saudi Arabia, Ghana etc. Export constituted around 61.03% during FY18 [74.84% during FY17] of total sales of services. Majority of the company's foreign currency transactions are denominated in USD. However, the company does not hedge its foreign exchange exposure and hence, it is exposed to adverse movement in foreign exchange rates.

Working capital intensive operations, however, majority of it is being funded through internal accruals

The operations of GICL are working capital intensive primarily due to higher receivable days which has although improved from 156 days in FY17 to 124 days during FY18, remained high. This has resulted into higher operating cycle at 90 days during FY18 as compared to 108 days during FY17. The higher collection period is on account of some sticky debtors from infrastructure and urban development segment clients. However, majority of working capital requirements are being funded through internal accruals as reflected from sanctioned working capital facility of Rs.10 crore as against its working capital gap of Rs.89.31 crore as on March 31, 2018 and Rs.59.47 crore as on March 31, 2017.

The unencumbered cash and bank balance of the company remained high at Rs.34.98 crore as on March 31, 2018 because of higher cash flow from operating activities during FY18 coupled with higher receipt of customer advances against few of its ongoing projects.

Analytical approach: Standalone

Applicable Criteria

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

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

[Rating Methodology-Service Sector Companies](#)

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

Criteria for Short Term Instruments

About the Company

Mumbai (Maharashtra) based Genesys International Corporation Limited (GICL) was incorporated in 1995 and managed by Mr. Sajid Malik and Mr. Sohel Malik which is constituted as public limited listed company. GICL is engaged into providing Geographical Information Systems (GIS) embedded services. GICL provides services to companies in industry verticals such as urban development, utilities, natural resources, disaster management, telecom, civil engineering, construction, infrastructure, and media.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	79.99	120.60
PBILDT	29.54	44.87
PAT	23.05	31.00
Overall gearing (times)	0.05	0.06
Interest coverage (times)	14.82	18.63

A: Audited

During 9MFY19 (UA), GICL has reported TOI of Rs.81.52 crore with PBILDT and PAT of Rs.19.53 crore and Rs.8.83 crore respectively as against TOI of Rs.91.98 crore with PBILDT and PAT of Rs.36.88 crore and Rs.29.94 crore respectively during 9MFY18 (UA).

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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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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 (Proposed)	-	-	-	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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	15.00	CARE BBB-; Stable	-	-	-	-
2.	Non-fund-based - ST-Bank Guarantees	ST	5.00	CARE A3	-	-	-	-
3.	Fund-based - LT-Term Loan (Proposed)	LT	10.00	CARE BBB-; Stable	-	-	-	-

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