

Genesys International Corporation Limited

November 26, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating 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 Facilities	30.00 (Rupees Thirty crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of the ratings assigned to the bank facilities of Genesys International Corporation Limited (GICL) continues to derive strength from the established track record in the geographical Information system (GIS) space, ability to successfully execute projects for reputed clientele coupled with healthy operating margins, healthy order book position, comfortable capital structure, comfortable debt coverage indicators and comfortable liquidity position in FY19 (FY refers to the period April 1 to March 31).

The above strengths are partially offset by constraints such as 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 foreign exchange fluctuations and customer concentration risk.

Ability to increase its scale of operations along with getting new contracts with improvement in profitability and working capital management and monetizing database assets of subsidiary would remain key rating sensitivities.

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 since 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 chartered accountant by qualification and holding experience of more than two and a half decades in same line of business. Mr. Sohel Malik, promoter director of the company is an Engineer by qualification and associated with the company since its inception and holding healthy experience in IT & ITES related consultancy and marketing services. The customers of the company contain reputed names include One of the top 5 fortune 500 company, Wipro Ltd., Sterlite Technologies Ltd., Idea Cellular Ltd. (currently Vodafone Idea Ltd.), Reliance Corporate IT Park Ltd and many reputed private and public sector companies. The company gets regular orders from all these customers.

Consistent growth in scale of operations along with healthy profit margins

The Total Operating Income (TOI) of company grew by CAGR of 14.26% for last five years ended FY19. During FY19, the TOI of the company increased to Rs.122.09 crore as against Rs.120.59 crore during FY18 largely affected by postponement of a particular project. operating profit margin of the company marked by PBILDT margin declined to 22.30% (37.20% in FY18) due to higher employee cost as well as postponement of the particular project. Employee costs increased during FY19 – (1) Increase in employee base from 1206 in FY18 vs. 1908 in FY19 (2) Onetime expense for relocating 400 employees from Mumbai office to Hyderabad office 3) Salary increments in FY2019 (vs. NIL in FY18). During H1FY20 PBILDT margins improved to 25.50% due better execution of the project and efficient deployment of the employees. PAT margin of GICL also declined consequently due to decline PBILDT margin to 10.07% during FY19 (25.71% in FY18).

Healthy Order Book

GICL has outstanding order book position of around Rs.250.02 crore as on March 31, 2019 which is 2.05 times of TOI of FY19 denoting medium term revenue visibility. The order book mainly consists of repeat orders from reputed clientele.

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

Capital structure of GICL remained comfortable as marked by an overall gearing ratio of 0.09x as on March 31, 2019 [0.06x as on March 31, 2018] on account of comfortable level of net worth against lower total debt level as on March 31, 2019. The debt coverage indicators GICL also remained at comfortable level as marked by interest coverage ratio which remained comfortable at 9.83x during FY19 as against 18.63x in FY18 due to decline in PBILDT. Further, total debt to GCA ratio also remained at comfortable level of 1.19x as on March 31, 2019 [0.44x as on March 31, 2018], However, total debt to GCA improves to 0.78x as on March 31, 2019 if we exclude promoter loan from total debt.

Comfortable liquidity position

Current ratio improved to 2.22x as on March 31, 2019 as against 2.54x as on March 31, 2018 on account of increase in trade receivables. Working capital cycle of GICL increased to 126 days during FY19 [90 days during FY18] owing to higher collection period of 163 days in FY18 [126 days in FY18] largely affected due to GICL's invoicing and recovery policy.

Key Rating Weaknesses**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**

GICL engaged into IT enabled service (i.e. providing Geospatial Information System), which is highly competitive in nature with presence of large sized players. Also, the presence of big sized players with established marketing & distribution network results into intense competition in the industry. ITES Sector is highly competitive in nature with continuous improvement in existing technology to perform task in along with emerging technology like block chain technology, artificial intelligence etc. The growing competition exposes the company to typical industry risks such as ability to bag large-sized contracts and 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 foreign exchange fluctuations

Exports constituted 63.37% of sale during FY19 [61.03% during FY18]. However, the company does not hedge its foreign exchange fluctuation risk and hence there is a risk of adverse movement in foreign exchange and its negative impact on profitability margins.

Customer concentration risk

GICL like any other small scaled IT service firm faces customer concentration risk as top 10 customers comprise of more than 93% of sales and of which top 2 customers contributes around 65.16% of the total sales of the company. However Company has on boarded new clients, and expects client revenue base to diversify over the medium to long term.

Liquidity Indicator: Adequate

GICL's operations are working capital intensive due to long billing cycle with customers where the customers validate the data through comprehensive quality checks, and then approve the invoice, which then becomes payable with a credit period of 30 days. This leads to an average collection period of 163 days, and overall working capital cycle of 125 days. The working capital requirements of GICL are mainly financed from internal accruals, and also supported by working capital borrowing from its sole bank – State Bank of India. The working capital borrowings were also higher as on March 31, 2018 at Rs.7.99 crore as against Rs.9.98 crore as on March 31, 2019. GICL's operating cycle stood at 125 days in FY19 vis-à-vis 90 days in FY18 due to increase in collection days (163 days in FY19 vis-à-vis 126 days in FY18). The promoters also provide liquidity support to GICL if required as visible from Rs 8.76 cr of short term promoter loan on March 31, 2019, standing in company's book. GICL's capex requirements will be met out of the internal accruals.

Analytical Approach: Standalone

Applicable Criteria

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

[CARE's Policy on default recognition](#)

[Short Term Instruments](#)

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

[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 and Mr. Sohel Malik as 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)	FY18 (A)	FY19 (A)
Total operating income	120.60	122.09
PBILDT	44.87	27.23
PAT	31.00	12.20
Overall gearing (times)	0.06	0.09
Interest coverage (times)	18.63	9.83

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	15.00	CARE BBB-; Stable	1)CARE BBB-; Stable (08-Apr-19)	-	-	-
2.	Non-fund-based - ST-Bank Guarantees	ST	5.00	CARE A3	1)CARE A3 (08-Apr-19)	-	-	-
3.	Fund-based - LT-Term Loan	LT	10.00	CARE BBB-; Stable	1)CARE BBB-; Stable (08-Apr-19)	-	-	-

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.

Contact us

Media Contact

Mradul Mishra

Contact no. – +91-22-6837 4424

Email ID – mradul.mishra@careratings.com

Analyst Contact

Sumit Sharma

Contact no. : +91-22-6754 3679

Email ID: sumit.sharma@careratings.com

Business Development Contact

Ms. Meenal Sikchi

Cell: + 91 98190 09839

E-mail: meenal.sikchi@careratings.com

Ms. Rashmi Narvankar

Cell: + 91 99675 70636

E-mail: rashmi.narvankar@careratings.com

Mr. Ankur Sachdeva

Cell: + 91 98196 98985

E-mail: ankur.sachdeva@careratings.com

Mr. Saikat Roy

Cell: + 91 98209 98779

E-mail: saikat.roy@careratings.com

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