

Genesys International Corporation Limited

September 28, 2020

Ratings

Facilities	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 Facilities	30.00 (Rupees Thirty crore only)		

Details of 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 FY20 (FY refers to the period April 1 to March 31) and loss reported in Q1FY21 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, debt coverage and liquidity indicators.

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.

Rating Sensitivities

Positive Factors

- Improvement in PBILDT margin of over 25% on a sustained basis
- Improvement in Return on Capital Employed (ROCE) over 15% on sustained basis

Negative Factors

- 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, 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.

Healthy profit margins; albeit decline in margins in FY20 and loss reported in Q1FY21 due to covid-19;

The Total Operating Income (TOI) of company grew by CAGR of 13.06% for last five years ended FY20. During FY20, the TOI of the company marginally declined to Rs.116.00 crore as against Rs.122.09 crore during FY19. PBILDT margin declined to 15.41% (22.30% in FY19) hampered by fixed operating cost borne by company for which it could not book revenue due to delay in booking of revenue on account of covid-19. Further, during Q1FY21 the company reported a loss of Rs.26.47 crore on a TOI of Rs.4.57 crore, as the company continued to incur expenditure largely in the nature of salary & other fixed cost but couldn't book corresponding revenue due to covid-19.

Healthy Order Book

GICL has outstanding order book position of around Rs.135.67 crore which is 1.17 times of TOI of FY20 denoting medium term revenue visibility. The order book consists of all the orders from reputed clientele.

¹Complete 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 marked by an overall gearing ratio of 0.03x as on March 31, 2020 [0.09x as on March 31, 2019] on account of accretion of profits to networth; albeit at a lower level in FY20 coupled with reduced reliance on external borrowing. The debt profile of the company primarily comprises of the working capital borrowings. Further, the working capital borrowings were also lower as on March 31, 2020 at Rs.5.93 crore as against Rs.9.98 crore as on March 31, 2019. PBILDT interest coverage although declined on a YoY basis in FY20, however continued to remain at comfortable levels of 6.83x during FY20 (9.83x in FY19). Further, total debt to GCA ratio improved to 0.57x as on March 31, 2020 [1.19x as on March 31, 2019] led by lower working capital borrowings and repayment of short term loan availed from promoters.

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 the services to USA, UAE, Cyprus, Saudi Arabia, Ghana etc. Export constituted around 89.50% during FY20 [63.33% during FY19] of total sales of services. However, the company is not hedging 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 2 customers contributes around 94.97% 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, 2020) 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. 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. AVWL 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. AVWL 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. 12.81 crore in FY20.

Liquidity Indicator: adequate

GICL reported cash flow from operations of Rs.31.03 crore and a Gross Cash Accruals (GCA) of Rs.15.38 crore during FY20, however, GICL reported negative gross cash accruals of Rs.17.07 crore during Q1FY21 due to impact of covid-19. GICL's operations remain working capital intensive in nature due to high receivables days embarked inherent lag invoicing cycle. GICL's operating cycle stood at 162 days in FY20 vis-à-vis 125 days in FY19 due to increase in collection days (210 days in FY20 vis-à-vis 163 days in FY19). The average utilization of the limit decreased from 86% during the 12 months ended September 2019 to 70% during the 12 months ended August 2020. As against this the company has no scheduled repayment of term loan barring some vehicle loans. The liquidity comfort is also drawn from the fact that the company had unencumbered cash and cash equivalent of Rs.8 crore as on September 21, 2020.

Analytical Approach: Standalone**Applicable Criteria**

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

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

[Short Term Instruments](#)

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

[Rating methodology: Service Sector Companies](#)

[CARE's Policy on Liquidity Analysis of Non-Financial Sector Entities](#)

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)	FY19 (A)	FY20 (A)	Q1FY21
Total operating income	122.09	116.00	4.57
PBILDT	27.23	17.87	(23.22)
PAT	12.30	5.53	(26.47)
Overall gearing (times)	0.09	0.03	NA
Interest coverage (times)	9.83	6.83	NM

A: Audited, NA: Not available, NM: Not meaning ful

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	15.00	CARE BBB-; Stable	-	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 (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 (26-Nov-19) 2)CARE BBB-; Stable (08-Apr-19)	-	-

Annexure 3: 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

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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