

Press Release

Genisys Information Systems India Private Limited

28 March, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 16.50 Cr
Long Term Rating	SMERA BB/Stable
Short Term Rating	SMERA A4+

*Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (**read as SMERA double B**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 16.50 crore bank facilities of Genisys Information Systems (India) Private Limited (GISIPL). The outlook is '**Stable**'.

Established as a proprietorship concern in 1985, GISPL, part of the Genisys group, was reconstituted as a private limited company in 2005. Promoted by Mr. Ashokumar J. Rabheru and Mrs. Harshida A. Rabheru, the company is engaged in providing software services, consulting and business process outsourcing (BPO). The other group companies include Genisys Software Limited (UK) and Genisys Software Limited (USA).

List of key rating drivers and their detailed description

Strengths:

Established presence in the information technology industry, experienced promoter

GSIPL has been part of the information technology industry for more than three decades. The company offers key services including application management, business intelligence (BI), data warehousing, system integration to name a few to small, medium as well as large firms in USA, India and UK. Around 74 percent of the revenue is derived from software services, 15 percent from consulting and remaining 11 percent from BPO business for FY2017. The established operational track record has helped the company maintain long standing relations with reputed customers including Asian Paints Limited, Oracle India Private Limited, IBM India Private Limited, Siemens Product Lifecycle Management Software Inc. The company also benefits from the extensive experience of its promoter, Mr. Ashokumar J. Rabheru, a Nuclear Physicist who possesses more than four decades of experience in the I. T. industry. The senior management is supported by an experienced team of professionals.

Going forward, SMERA expects the company to maintain its business risk profile on account of extensive experience of the promoter and a diversified and reputed customer base.

Moderate financial risk profile and comfortable liquidity profile

The financial risk profile of the group is moderate marked by comfortable gearing and debt protection metrics. The gearing stood at 1.13 times as on 31 March, 2017 as against 0.61 times in the previous year. The total debt of Rs. 10.71 crore as on 31 March, 2017 includes long term borrowing of Rs. 4.41 crore and short term borrowing of Rs. 6.30 crore. The Interest Coverage Ratio stood at 3.08 times for FY2017 and Debt Service Coverage Ratio (DSCR) of 1.32 times for FY2017. The Return on Capital Employed is comfortable at 15.86 percent for FY2017 as against 18.85 percent for FY2016. The tangible networth of the group stood at Rs. 9.44 crore as on 31 March, 2017 as against Rs. 11.99 crore in the previous year. The decline in networth is on account of high dividend payout in FY2017. Further, the company has maintained comfortable liquidity profile with average cash credit limit utilisation at 64 percent for the last six months ended as on 31 October, 2017.

Weaknesses:

Uneven trend in revenue in an intensely competitive Information Technology Industry

GSIPL reported uneven revenue trend with operating income of Rs. 43.29 crore for FY2017 as against Rs. 38.52 crore in FY2016 and Rs. 41.55 crore for FY2017. The fluctuating revenue trend is mainly on account of project based nature of operations. The revenue tends to decline in the events where one or two major project are completed and meanwhile the company takes longer than expected time to acquire new customers; thereby adversely impacting the revenue of the company.

The company faces stiff competition in the IT industry from established domestic and international players. GSIPL derives around 79 percent revenue from its top five customers in India, US and UK. This exposes the company to order cyclical risk. However, as informed by the management, the company reported revenue of Rs. 28.43 crore during April, 2017 to October, 2017.

Susceptibility of profitability to fluctuations in forex rates

The company reported EBITDA margin of 7.85 percent in FY2017 as against 6.00 percent in FY2016 and 7.44 percent in FY2017. The fluctuating profitability is mainly due to fluctuating revenue trend. The company incurs a heavy fixed cost (employee cost) which adversely affects profitability. Further, the company derives around 55 percent of its revenue from US and UK markets. Hence, the profitability is exposed to fluctuations in forex rates. However, the company partially hedges its forex exposure with a forward cover of Rs. 36.00 crore.

Analytical approach:

SMERA has consolidated the business and financial risk profile of Genisys Information Systems India Private Limited.

Outlook: Stable

SMERA believes that GSIPL will continue to maintain a Stable outlook and benefit over the medium term owing to its experienced management and established presence in the IT industry. The outlook may be revised to 'Positive' if the company registers significant growth in revenue while maintaining its profitability and liquidity profile. Conversely, the outlook may be revised to 'Negative' if the company registers lower-than-expected revenue or profitability resulting in deterioration in the financial risk profile or liquidity profile due to higher than expected working capital borrowings.

About the Rated Entity -Key Financials

Particulars	Unit	FY17 (Provisional)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	43.29	38.52	41.55
EBITDA	Rs. Cr.	3.40	2.31	3.09
PAT	Rs. Cr.	1.22	1.70	1.41
EBITDA Margin	(%)	7.85	6.00	7.44
PAT Margin	(%)	2.82	4.42	3.39
ROCE	(%)	15.86	18.85	14.87
Total Debt/Tangible Net Worth	Times	1.13	0.61	1.02
PBDIT/Interest	Times	3.08	4.13	3.42
Total Debt/PBDIT	Times	3.15	3.17	3.39
Gross Current Assets (Days)	Days	85	164	143

Applicable Criteria

- Service Entities - <https://www.smera.in/criteria-service.htm>
- Default Recognition - <https://www.smera.in/criteria-deafult.htm>
- Application of Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years: Not Applicable

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	N.A.	N.A	N.A.	9.00	SMERA BB/Stable
Term Loan	N.A.	N.A	N.A.	0.03	SMERA BB/Stable
Term Loan	N.A.	N.A	N.A.	2.90	SMERA BB/Stable
Bank Guarantee	N.A.	N.A	N.A.	0.78	SMERA A4+
Proposed Fund based	N.A.	N.A	N.A.	3.79	SMERA BB/Stable

Note on complexity levels of the rated instrument:
<https://www.smerra.in/criteria-complexity-levels.htm>
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ABOUT SMERA

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