August 10, 2023

Genisys Integrating System (India) Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	26.25	0.00	-
Long-term Fund-based – Dropline overdraft	-	7.60	[ICRA]BBB- (Stable); reaffirmed
Total	**26.25**	**7.60**	

**Instrument details are provided in Annexure-I*

Rationale

The rating reaffirmation for Genisys Integrating System (India) Private Limited (GISPL) factors in the healthy operational track record and favourable location of Genisys Park, a 0.25 million square feet (msf) commercial office space located in Whitefield, Bengaluru. The rating takes comfort from 100% occupancy of the property and strong credit profile of the tenants, which mitigates the counterparty risk to an extent. The rating notes its heathy financial risk profile, supported by low leverage and comfortable debt coverage metrics. Further, the company's debt level declined to Rs. 3.6 crore as of March 2023 (PY: Rs. 9.9 crore) with the prepayment of its dropline OD (DLOD) facility partly, driven by healthy cash flow from operations.

The rating continues to be constrained by the high tenant concentration risk with three tenants (belonging to the same business group) contributing to the entire revenues and high asset concentration risk owing to the company's dependence on a single property for its revenues. The rating is also constrained by GISPL's exposure to lease renewal risk in absence of long-term rental visibility post FY2025, which is partially offset by maturity of the current outstanding debt in March 2025. The rating factors in the absence of debt service reserve account and escrow for the current bank facility, whereby timely servicing of debt would depend on timely rent collections. However, the same is partly mitigated by healthy fixed deposits maintained with the bank amounting to Rs. 14.8 crore against the outstanding loan of Rs. 3.6 crore as on March 31, 2023.

The Stable outlook on the rating reflects ICRA's opinion that the company will benefit from the healthy occupancy, low debt levels and strong tenant profile.

Key rating drivers and their description

Credit strengths

Favourable location of the property – The commercial property is in Whitefield, Bengaluru, with many reputed companies in close proximity. The occupancy risk is mitigated to a large extent as the location is preferred by companies from diversified sectors such as IT and financial services.

Strong credit profile of the tenants – The property is leased out to three companies namely Novozymes South Asia Private Limited (NSAPL), Novo Nordisk India Private Limited (NNIPL), and Novo Nordisk Service Centre India Private Limited (NNSCIPL) having strong credit profile, which mitigates the counterparty credit risk.

Healthy occupancy levels and healthy financial risk profile – The property remains fully occupied with execution of scheduled rent escalations and the same has supported the company's profitability. Its debt protection metrics have improved due to scheduled repayment and part prepayment of ICICI dropline OD. GISPL's current leverage and debt coverage metrics also remains comfortable. Going forward, the cash flow from operations are expected to be adequate to service the debt obligations.

Credit challenges

High tenant and asset concentration risks – The tenant concentration risk is high with three tenants (belonging to the same business group) contributing to the entire revenues. The company's scale of operations remains modest with high dependence on a single property.

Absence of debt service reserve account – The company does not have an escrow mechanism or debt service reserve account for its debt facilities. As a result, timely debt servicing would depend on timely rent collections and internal financial discipline.

Exposure to lease renewal risks in medium term – The major tenant has its lease due for renewal in March 2025, which exposes the company to lease renewal risk in absence of long-term rental visibility post FY2025. Comfort can be drawn from the long association of the existing tenants of more than a decade with execution of all scheduled lease renewals and rent escalations respectively.

Liquidity position: Adequate

GISPL's liquidity position remains adequate, with a free cash balance of Rs. 14.8 crore as on March 31, 2023. The company has a repayment obligation of Rs. 3.6 crore in FY2024, which can comfortably be serviced through its estimated cash flow from operations.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if there is an improvement in long-term cash flow visibility from the property through an increase in lease expiry profile while maintaining comfortable leverage and coverage metrics.

Negative factors – Negative pressure on GISPL's rating could arise if there is a material reduction in occupancy levels or significant increase in indebtedness, leading to weakening of debt coverage metrics on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology – Lease Rental Discounting (LRD)
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered the standalone financials of GISPL

About the company

Genisys Integrating System (India) Private Limited was incorporated in 1995 and is currently involved in infrastructure management of its facility in Whitefield, Bangalore. GISPL has rented out the Whitefield premise to Novozymes South Asia Private Limited, Novo Nordisk India Private Limited and Novo Nordisk Service Centre (India) Private Limited. GISPL constructed its main building and subsequently constructed Tower I in July 2005 and Tower II in October 2009 in Whitefield, Bangalore. The total leasable area of the facility is 0.25 msf spread across 8 acres of land and is 100% leased as on date.

Key financial indicators

GISPL (Standalone)	FY2022	FY2023
	Audited	Provisional
Operating income	19.1	20.1
PAT	9.1	12.1
OPBDIT/OI	69.3%	82.3%
PAT/OI	47.4%	60.2%
Total outside liabilities/Tangible net worth (times)	1.5	0.9
Total debt/OPBDIT (times)	1.1	0.5
Interest coverage (times)	13.5	26.4

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes, and amortisation; Amount in Rs. crore
Source: Company; ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as on March 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Aug 10, 2023	June 29, 2022	-	Mar 26, 2021
1	**Term loan**	Long term	0.00	-	-	**[ICRA]BBB-(Stable)**	-	**[ICRA]BBB-(Stable)**
2	**Dropline overdraft**	Long term	7.60	3.64	**[ICRA]BBB-(Stable)**	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Term loan	Simple
Long-term Fund-based – Dropline overdraft	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Dropline overdraft**	May 2021	NA	March 2025	7.60	[ICRA]BBB-(Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis- **Not applicable**

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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