

August 23, 2023

Genisys Information Systems (India) Private Limited: Long-term rating reaffirmed; short-term rating reaffirmed and withdrawn

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Cash Credit	12.00	12.00	[ICRA]BB+(Stable); reaffirmed
Short-term Fund-based – WCDL	1.20	-	[ICRA]A4+; reaffirmed and withdrawn
Short-term Interchangeable	(12.00)	-	[ICRA]A4+; reaffirmed and withdrawn
Total	13.20	12.00	

*Instrument details are provided in Annexure-I

Rationale

The reaffirmation of ratings factors in the extensive experience of the promoters of Genisys Information Systems (India) Private Limited (GISPL) in the IT industry with a strong management team and reputable client base. Further, the ratings consider the healthy geographical diversification of revenues across various service offerings like software services, Business Process Outsourcing (BPO) and consulting. The ratings also consider the healthy financial risk profile of the company with the company being debt free as on March 31, 2023, resulting in healthy debt metrics.

During FY2023, the company witnessed a revenue growth of 32.7% driven by domestic markets, mainly on the back of increased and repeat revenues from the existing customers and addition of new customers. However, GISPL witnessed decline in revenues from export markets on account of some contracts reaching end of their lifecycle in addition to unfavorable macroeconomic sentiments weighing in on incremental demand. Despite healthy revenue growth, the operating margin of the company declined by 230 bps to 9.3% during FY2023 from 11.6% in FY2022 due to the decline in contribution from export revenues, a segment which typically generates higher margins, and impact of wage inflation. Further, the revenue contribution from software services, a high-margin segment, declined in FY2023, affecting margins to some extent. Revenue growth is expected to normalise during FY2024 owing to a higher base with operating margin remaining stable at current levels.

The ratings are, however, constrained by GISPL's modest scale of operations and high competitive intensity in the IT industry with larger and established, domestic and international players, restricting its pricing flexibility. The ratings also factor the moderate customer concentration of GISPL with its top five customers accounting for ~44% of its total revenues in FY2023. The company is also exposed to foreign currency risk due to significant revenue contribution from the export market, particularly the US and the UK.

The Stable outlook on the rating reflects ICRA's expectation that GISPL will sustain its healthy financial risk profile with an adequate liquidity position.

ICRA has reaffirmed and withdrawn the rating assigned to the Rs. 1.20 crore short-term fund-based – WCDL as there is no amount outstanding against the rating instrument and to the Rs 12.0 crore short term interchangeable limit, as requested by the company. The rating withdrawn in accordance with ICRA's policy on the withdrawal of credit ratings.

Key rating drivers and their description

Credit strengths

Extensive experience and strong background of promoters in the IT industry – The Genisys Group is promoted by Mr. Ashok J Rabheru, who has over three decades of experience in the IT industry. He has worked with multinational companies previously and is also a trustee of the Duke of Edinburgh scheme.

Healthy financial risk profile – During FY2023, the company witnessed a revenue growth of 32.7% driven by domestic markets, mainly on the back of increased and repeat revenues from existing customers and addition of new customers. However, GISPL witnessed decline in revenues from export markets on account of some contracts reaching the end of their lifecycle in addition to unfavorable macroeconomic sentiments weighing in on incremental demand. Despite healthy revenue growth, the operating margin of the company declined by 230 bps to 9.3% during FY2023 from 11.6% in FY2022 due to the decline in contribution from export revenues, a segment which typically generates higher margins, along with the impact of wage inflation. Further, the revenue share of software services, a high-margin segment, declined in FY2023, affecting margins to some extent. Revenue growth is expected to normalise during FY2024 on account of a higher base with operating margin remaining stable at current levels. GISPL remained debt free as of March 31, 2023, resulting in healthy capital structure and coverage indicators. ICRA expects the healthy financial risk profile to be sustained, going forward.

Geographically diverse revenue stream across verticals, coupled with reputable customer base – The company largely derives its revenue from software services, consulting and BPO services. Also, GISPL's share of revenues from the export market remained at ~39% during FY2023. The company's key customers are PWC, KPMG, Bridgestone, Hewlett Packard, Asian Paints, Volkswagen Group, Oracle, IBM India, etc, which mitigate the counter-party credit risk to a large extent.

Credit challenges

Modest scale of operations and high competitive intensity in IT industry – GISPL's scale of operations remains modest with revenue of Rs. 105.5 crore in FY2023 (provisional). The intense competition in the IT industry due to large established domestic and international players, restricts the company's pricing flexibility and growth prospects.

Moderate customer concentration risk – GISPL's top five customers accounted for around ~44% of the total revenues in FY2023, which indicates moderate customer concentration risk. Moreover, the service contract period usually has a tenor of three years. Hence, renewal of existing contracts or timely acquisition of new clients remains critical to maintain the top line.

Exposure to foreign currency risk – GISPL derived ~39% of its overall revenue from the export markets in FY2023, which renders the company's income susceptible to foreign currency fluctuation risks. The exposure on receivables is partly mitigated by the use of foreign currency working capital borrowings.

Liquidity position: Adequate

GISPL's liquidity position remains adequate, with sufficient cash and liquid investments of Rs.18.7 crore and undrawn working capital limits of Rs. 4.1 crore as on July 31, 2023. The company has sanctioned working capital limit of Rs. 12.0 crore with average utilisation of 26.3% for the 12 months ended July 2023. The company does not have any outstanding term loans and hence does not have any repayment obligations. GISPL does not have any major capex plans during FY2024, apart from standard maintenance capex to be funded through internal accruals. Going forward, the liquidity position of the company is expected to remain adequate on the back of healthy cash accruals.

Rating sensitivities

Positive factors - ICRA could upgrade GISPL's ratings if it significantly improves its scale of operations and business profile by diversifying its client base, while maintaining healthy profitability and coverage indicators, on a sustained basis.

Negative factors – Negative pressure on the ratings could arise if there is a decline in revenues or profitability in the near term. A specific credit metric for a downgrade could be an interest coverage ratio at less than 2.5 times, on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology -Information Technology (Services) ICRA Policy on Withdrawal of Credit Ratings
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of GISPL.

About the company

Genisys Information Systems (India) Private Limited, incorporated in 2005, is an information technology company that provides software services, package implementation, consulting and BPO services. The company, headquartered in Bengaluru, is part of the Genisys Group, which is a privately held technology group comprising GISPL, Genisys Integrating Systems (India) Private Limited (GIPL), Genisys UK (one marketing and one delivery centre) and Genisys USA (one marketing office). The Group is headed by Mr. Ashok J. Rabheru, who along with his family holds the entire equity stake in the Group. The company is primarily involved in IT services and offers key services like application management, business intelligence, data warehousing, system integration, application maintenance, testing, consulting and BPO services to small, medium, and large firms, mainly in the US, India, and the UK.

Key financial indicators (audited)

GISPL Standalone	FY2022	FY2023*
Operating income	79.5	105.5
PAT	6.3	7.2
OPBDIT/OI	11.6%	9.3%
PAT/OI	7.9%	6.8%
Total outside liabilities/Tangible net worth (times)	0.8	0.5
Total debt/OPBDIT (times)	0.3	0.0
Interest coverage (times)	17.3	18.9

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes, and amortisation; Amount in Rs crore; *Provisional

Status of non-cooperation with previous CRA: ACUITE BB-/ ACUITE A4+; ISSUER NOT CO-OPERATING; as per press release dated October 26, 2022.

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as of Mar 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Aug 23, 2023	Jun 30, 2022	-	Mar 30, 2021
1 Fund Based-Term Loan	Long term	-	-	-	-	-	[ICRA]BB(Stable)
2 Fund Based-Cash Credit	Long term	12.00	0.0	[ICRA]BB+(Stable)	[ICRA]BB+(Stable)	-	[ICRA]BB(Stable)
3 Fund Based-WCDL	Short Term	1.20	-	[ICRA]A4+; withdrawn	[ICRA]A4+	-	-
4 Non - Fund Based	Short Term	-	-	-	-	-	[ICRA]A4+
5 Interchangeable	Short Term	(12.00)	-	[ICRA]A4+; withdrawn	[ICRA]A4+	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund Based- Cash Credit	Simple
Short -term Fund Based- WCDL	Simple
Short -term Interchangeable	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	Long-term Fund Based-Cash Credit	NA	NA	NA	12.00	[ICRA]BB+(Stable)
NA	Short -term Fund Based- WCDL	NA	NA	NA	1.20	[ICRA]A4+; withdrawn
NA	Short -term Interchangeable	NA	NA	NA	(12.00)	[ICRA]A4+; withdrawn

Source: Company

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

ANALYST CONTACTS

Shamsher Dewan
+91 124 4545328
shamsherd@icraindia.com

Kinjal Shah
+91 022 6114 3442
kinjal.shah@icraindia.com

Mythri Macherla
+91 80 43326407
mythri.macherla@icraindia.com

Gaurav Anand Kanade
+91 22 6114 3469
gaurav.kanade@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



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