ICRA

Giesecke & Devrient India Pvt. Ltd.

Instrument	Amount Rated (Rs. Crore)	Rating Action
Working Capital Limits	74.00	[ICRA]BBB+ (Stable) assigned
Unallocated	4.00	[ICRA]BBB+ (Stable) assigned
Non Fund Based Limits	125.00 (revised from 105.00)	[ICRA]BBB+(Stable)/[ICRA]A2 (revised from [ICRA]A-(Stable)/[ICRA]A2+)

ICRA has revised its long term rating for Rs. 125 Cr. (enhanced from Rs. 105 Cr.) non fund based limits of Giesecke & Devrient India Pvt. Ltd. (G&D)[†] to [ICRA]BBB+ (pronounced ICRA triple B plus) from [ICRA]A- (pronounced ICRA A minus) and its short term rating to [ICRA]A2 (pronounced ICRA A two) from [ICRA]A2+ (pronounced ICRA A two plus). ICRA has also assigned a long term rating of [ICRA]BBB+ (pronounced ICRA triple B plus) to the Rs. 74 Cr. fund based working capital limits and Rs. 4 Cr. unallocated limits of G&D. The outlook on the long term rating is 'Stable'.

The revision in ratings take into account the deterioration in the financial risk profile as reflected by decline in profitability and return indicators and tightening of liquidity position during FY16 and YTD FY17. There has been a decline in operating income primarily owing to lower number of orders in the bank note processing systems segment. The operating and net profitability indicators have been impacted during FY16 owing to SAP installation for which a major cost has been expensed and amortisation of goodwill acquired due to transfer of business from a related entity. Moreover the rating also factors in the delay in receipt of payments from its customers, most of which are commercial banks. High amount of receivables coupled with moderate inventory levels has resulted in high working capital requirements for G&D. These funding requirements have been mainly met through higher creditor levels and drawdown of external working capital debt.

However, the ratings continue to factor in the strong support to G&D from its ultimate parent in Germany i.e. G&D Gmbh as well as the diversified offerings of the company comprising bank note processing systems segment, smart cards segment as well as a software segment. The rating continues to derive comfort from the reputed customer profile of the company along with adequate demand potential for the BPS segment primarily driven by Reserve Bank of India's continuous focus to increase compliance in the banking system. ICRA also draw's comfort from the comfortable capital structure as reflected by a gearing of 0.40 times as on FY16 end and the presence of fund based working capital limits which provide adequate cushion.

Going forward, the ability of the company to receive payments from its customers, improve profitability margins and ensure timely debt servicing would be the key rating sensitivities.

Company Profile
Giesecke & Devrient India Private Limited, established in 2001, is primarily engaged in the business of offering banknote processing systems (BPS), SIM cards for mobile communications, payment cards for banks and other financial institutions and IT consulting. The company also operates a development centre in Pune, wherein it employs more than 100 specialists and provides software solutions in the fields of telecommunications. G&D's business can be primarily segmented into three segments viz. BPS, cards and software. Under its Smart card segment, the company is engaged into personalization and supply of payment cards for banks (both magnetic stripe and EMV cards) as well as manufacturing of SIM cards (for mobile communications).

Recent Results
In 2015-16 (provisional) G&D reported a net profit of Rs. 5.23 crore on an operating income of Rs. 353.5 crore, as against a net profit of Rs. 23.35 crore on an operating income of Rs. 455.29 crore in the previous year.

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[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

For further details, please contact:
Analyst Contacts:
Mr. Sabyasachi Majumdar (Tel. No. +91 124 4545304)
sabyasachi@icraindia.com

Relationship Contacts:
Mr. Jayanta Chatterjee (Tel. No. +91-80-43326401)
jayantac@icraindia.com

ICRA

Registered Office
ICRA Limited
1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office
Mr. Vivek Mathur
Mobile: +**91 9871221122**
Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai
Mr. L. Shivakumar
Mobile: +**91 9821086490**
Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata
Mr. Jayanta Roy
Mobile: **+91 9903394664**
Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai
Mr. Jayanta Chatterjee
Mobile: +**91 9845022459**
Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore
Bangalore
Mr. Jayanta Chatterjee
Mobile: +**91 9845022459**
Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004,10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad
Mr. L. Shivakumar
Mobile: +**91 9821086490**
Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-79-25569231

Pune
Mr. L. Shivakumar
Mobile: +**91 9821086490**
Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range Hills Road, Shivajinagar,Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231

Hyderabad
Mr. Jayanta Chatterjee
Mobile: +**91 9845022459**
Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500