Rating Rationale

Genesis IT Innovations Ltd.

31 May 2018

Brickwork Ratings upgrades the ratings for the Bank Loan Facilities of ₹13.00 Crores of Genesis IT Innovations Ltd.

Particulars

Facility	Previous Rating Limits (₹ Crores)	Present Rating Limits (₹ Crores)	Tenure	Previous Rating (April 2017)	Present Rating[1]
Fund Based **Cash Credit**	**7.00**	**7.00**	**Long Term**	BWR B+ (BWR Single B Plus) (Outlook: Stable)	**Upgraded to BWR BB-** (Pronounced BWR Double B Minus) (Outlook: Stable)
Term Loan	**1.98**	**1.00**			
Non Fund Based **Bank Guarantee**	**1.00**	**1.00**	**Short Term**	BWR A4 Pronounced BWR A Four)	**Reaffirmed at** BWR A4 (Pronounced BWR A Four)
Letter of Credit (ILC/FLC)	**4.00**	**4.00**			
Total	**13.98**	**13.00**	**INR Thirteen Crores Only**		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Ratings: Upgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of Genesis IT Innovations Limited up to FY17 and provisional financials for FY18 and information and clarifications provided by the Company.

The rating continues to factor, established track record and promoters' experience in AV solutions, reputed clientele, substantial revenue growth in FY18 and improved capital structure and debt protection metrics. However, the rating is constrained by modest scale of operations, working capital intensive nature of operations, stretched receivables, exchange rate risk due to import of the AV equipment, fragmented sector and stiff competition.

Going forward the ability of the Company to sustain its revenue growth, improve profitability and manage working capital efficiently shall be the key rating sensitivities.

Description of Key Rating Drivers:

Experience of promoters:

The company is managed by Mr. Parthasarathy Madhiraju, who has vast experience in domain for more than two decades. Such a long presence in the industry has helped the company to establish strong relationships with its suppliers and customers.

Reputed Clientele:
The client base of the entity consists of reputed multinational players like Capgemini, Cushman & Wakefield, Northern Trust Bank, Quest Global Engineering, Bosch Ltd etc. which reduces the risk of default.

Improvement in topline and operational performance:
The revenue of the company has grown by 55.29% during FY18 and also improved its operating profit margin to 13.25% in FY18 (provisional) by reducing its cost of goods. The company has ₹18.37 crores of outstanding orders.

Improved Financial risk profile:
Improvement in the earning and the overall gearing level at 1.37 times as on FY18 (provisional) has resulted in the debt protection metrics of the company being comfortable.

Competitive and fragmented industry:
Highly competitive sector with intense competition from several organised and unorganised players and higher credit period given indicates limited bargaining power.

Forex fluctuation risks:
Susceptibility of the profitability margins to volatility of prices of the digital equipment and foreign exchange fluctuations due to the AV equipment being imported.

Analytical Approach
For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: ***Stable***
BWR believes the **Genesis IT Innovations Ltd.** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term.

About the Company
Genesis IT Innovations Limited was established in the year 1998 and was operating under the name Sibcom Techno Private Limited till the year 2000. In the year 2000 the name was changed to Genesis IT Innovations Limited. The operations of the Company include supplying and installation of the digital equipment and providing annual maintenance services to its clients. Mr. Parthasarathy Madhiraju, Mr. Shylakumar Balu and Mr. Uma Raju are the Directors of the company.

Company Financial Performance
Net sales from operations was at ₹39.56 crores in FY17 against ₹41.75 crores in FY16. The net profit of the Company was at ₹0.80 crores in FY17 as against ₹1.10 crores in FY16.

Rating History for the last three years

Sl. No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	06-Apr-2017	08-Mar-2016	21-Jan-2015
	Fund Based	Long Term	8.00	BWR BB-	BWR B+	BWR B+	BWR B
	Non Fund Based	Short Term	5.00	BWR A4	BWR A4	BWR A4	BWR A4
	Total		**13.00**	**₹ Thirteen Crores Only**			

Status of non-cooperation with previous CRA (if applicable)-
Any other information

Key Financial Indicators

Key Parameters	Units	2016	2017
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Cr	41.75	39.53
EBITDA	₹ Cr	2.82	1.72
PAT	₹ Cr	1.10	0.80
Tangible Net worth	₹ Cr	7.74	8.54
Total Debt/Tangible Net worth	Times	2.18	1.46
Current Ratio	Times	0.79	0.68

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Services Sector**
- **Short Term Debt**

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
Vipula Sharma *DGM-Ratings* analyst@brickworkratings.com	media@brickworkratings.com
	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media
The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings
Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.