



Press Release

Quadgen Wireless Solutions Private Limited

October 27, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term/ Short Term Facility – Bank Guarantee (Sub Limit LC/CC/WCDL/ Purchase Bills & Sales Bills discounting]	110.00	IVR BB+/ Stable; IVR A4+ (IVR Double B Plus with Stable Outlook; IVR A Four Plus)	Reaffirmed	Simple
Short Term Facility Letter of Credit (Sub Limit BG/CC/ WCDL)	130.00	IVR A4+ (IVR A Four Plus)	Reaffirmed	Simple
Proposed Long Term / Short Term Facility – Bank Guarantee	110.00	IVR BB+/ Stable; IVR A4+ (IVR Double B Plus with Stable Outlook; IVR A Four Plus)	Reaffirmed	Simple
Total	350.00 (Three Hundred and Fifty Crore Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Quadgen Wireless Solutions Private Limited (QWSPL) continues to draw comfort from its extensive experience of promoters and key managerial personnel, healthy order book position, geographical presence through different product profile and funding support from promoters.

However, the ratings strengths are partially offset by elongated collection period, weak financial risk profile despite increase in scale of operations, client concentration risk, competition from major players in the industry and technology obsolescence risk.



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Key Rating Sensitivities:

Upward Factors

- Substantial and sustained improvement in revenue & profitability leading to overall improvement in debt protection metrics.

Downward Factors

- Any significant decline in revenue and/or profitability impacting the debt protection metrics or liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of promoters and Key Managerial Personnel:

Mr. Chunduru Sambasiva Rao, Mr. Srikalahasti Mallik Vagvala are main promoters of the company. They have combined experience of almost four decades in telecommunication and wireless solution industry. Mr. Satish Benarji, CEO of QWSPL has served as Ex. Regional VP Sales, Tellabs, Ex. Motorola and Co-founded a mobile payments startup launched in Singapore named 1st mobile wallet. Other key managerial personnel like Mr. Kartik S who has also vast experience of working in network designing, implementation, optimization, and network management of large scale cellular, small cell and Carrier WiFi networks.

Healthy order book position

As on September 06, 2022, Quadgen has an unexecuted order book amounting to Rs. 722 Crore (Including Supply, Installation, Commissioning (SIC)) which is 2.07 times of FY22 revenue. Most of the SIC orders are to be executed over the next 2 years, providing a short to medium term revenue visibility. However, O&M revenue will be split in the time horizon of upto 7 years. Their major projects (T-Fibre, BSNL, Bhubaneswar Smart city) are in final stages of execution, and it is expected to generate high margins as supply part is already over. The O&M orders will start post completion of Supply + I&C orders. Company has O&M contract worth Rs. 411.00 Crore in hand. The company is also exploring several opportunities under Wi-Fi, smart city and fiber grid projects in the Indian market.



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Geographical presence through different product profile

QWSPL has widened its geographical presence by managing digital networks for Wi-Fi Hotspots in Pan India. Currently it is executing fiber grid projects in Andhra Pradesh & Telangana and Smart City projects for Bhubaneswar. QWSPL majorly works with government agency and fiber grid projects (Major chunk of the current order book) are funded by Universal Service Obligation Fund (USOF) ensuring timely payments.

Funding support from promoters

The Company benefits from the financial support extended by need-based fund infused by the promoters in the form of unsecured loans and equity to meet the working capital requirements, funding any ongoing or future capital expenditure plans. Going forward, the promoters are also expected to infuse funds to meet the funding requirement of business expansion.

Key Rating Weaknesses

Elongated collection period

The operations of QWSPL are working capital intensive on account of stretched receivable days. As on 31st March 2022, overall debtor days stood at 287 days (FY21: 329 days). The company has a long receivable period linked to completion of milestones, resulting in an elongated collection period. However, the stretched creditor period on account of back to back arrangement with creditors supports the same which has resulted in negative operating cycle.

Weak financial risk profile despite increase in scale of operations

There has been an improvement in the performance of the Company in terms of growth in revenue from FY21. The revenue has increased Y-o-Y by 73% i.e. from Rs. 202.18 Crore in FY21 to Rs. 349.06 Crore in FY22. However, the company has reported operating loss of Rs. 4.43 Crore in FY22 (FY21: operating loss of Rs. 13.49 Crore). The operating loss was majorly attributed to headwinds arising out of Covid-19 pandemic & subsequent lockdowns that disrupted project execution. Further, the company's net loss reduced from Rs. 25.93 Crore in FY21 to Rs. 15.22 Crore in FY22 while the cash losses reduced from Rs. 22.32 Crore in FY21 to Rs. 13.95 Crore in FY22.



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The Company's capital structure further deteriorated in FY22 with overall gearing deteriorating from 2.17 times as on March 31, 2021 to 2.82 times as on March 31, 2022 due to decline in tangible net worth from Rs. 70.37 Crore in FY21 to Rs. 55.21 Crore in FY22 mainly due to net loss incurred in FY22. Company does not have any long-term debt repayment obligations. The debt protection metrics and debt coverage indicators remained weak with Interest coverage ratio at negative 0.33x in FY22 as against negative 1.03x in FY21. The interest coverage is weak on account of operating losses incurred in FY22. Further, total debt to GCA was also weak on account of cash losses incurred in FY22. However, overall performance is expected to improve in FY23 as the company is scouting for new customers domestically as well as abroad and also have a moderate size of orders to execute which are expected to improve its income profile and profitability going forward. Further, the company has reported PAT of Rs. 3.54 crore on TOI of Rs. 96.13 crore in 5MFY23.

Client Concentration Risk

In FY22, the top five clients of the company constituted ~99% of its total revenue with the contribution of its top two clients being 97.78%. Same trend has been observed in previous years as well. The concentration risk is too high for the company with too much dependence on small group of clients.

Competition from major players in the industry along with technology obsolescence risk.

QWSPL faces stiff competition from large industry players impacting its pricing flexibility; in addition to the ability of the company to acquire new customers also. Company's modest scale of operations restricted its operational and financial flexibility to an extent. Any adverse technological changes would have an adverse impact on the revenues of company. In spite facing stiff competition, QWSPL has won the bids for the smart city and fiber grid projects.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Service Sector Company](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria of assigning Rating Outlook](#)



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Liquidity – Adequate

Regular infusion of funds by the promoters and various sub limits to main sanctioned bank limits as well as stretching of creditors on account of back-to-back arrangement with creditors has supported the company to manage the operations rendering the liquidity of the company adequate. The average utilisation of the limits (fund based) remained high at 94% while the same for non-fund based limits remained moderate at 57% during the last 12 months ended 30th September 2022. The current ratio stood at 1.21 times as on 31st March 2022. The unencumbered cash and bank balance as on 31-Mar-2022 is Rs. 6.63 Crore. Going forward achieving the projection and generation of the operational cash flows will be key for improvement of liquidity.

About the Company

Quadgen Wireless Solutions Private limited is a private limited company incorporated in 2007. Quadgen India initially started as a back-end support to its erstwhile holding company (Quadgen USA) and later diversified into Wi-Fi and smart city business. Quadgen India builds, owns, operates, maintains, sells and markets Wi-Fi services on carrier overlay. Quadgen India is also a maintenance service provider (MSP) partner to global Master System integrators (MSIs) for smart city and fibre grid projects. The company also offers system integration (SI) and MSP for Wi-Fi/data centre/ optical NW/ collaboration/ RAN optimization and cyber security domains.

Financials (Standalone):

For the year ended*/ As on	(Rs. Crore)	
	2021 Audited	2022 Provisional
Total Operating Income	202.18	349.06
EBITDA	-13.49	-4.43
PAT	-25.93	-15.22
Total Debt	152.69	155.43
Tangible Net Worth	70.37	55.21
EBITDA Margin (%)	-6.67	-1.27
PAT Margin (%)	-12.36	-4.30
Overall Gearing Ratio (x)	2.17	2.82

* Classification as per Infomerics` standards

Status of non-cooperation with previous CRA: Not Applicable



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Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (July 28, 2021)	Date(s) & Rating(s) assigned in 2020-21 (April 29, 2020)	Date(s) & Rating(s) assigned in 2019-20
1.	Bank Guarantee	Long Term/ Short Term	110.00	IVR BB+/ Stable; IVR A4+	IVR BB+/ Stable; IVR A4+	IVR BBB-/ Stable; IVR A3	--
2.	Letter of Credit	Short Term	130.00	IVR A4+	IVR A4+	IVR A3	--
3.	Proposed – Bank Guarantee	Long Term/ Short Term	110.00	IVR BB+/ Stable; IVR A4+	IVR BB+/ Stable; IVR A4+	IVR BBB-/ Stable; IVR A3	--

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Bank Guarantee	-	-	-	110.00	IVR BB+/ Stable; IVR A4+
Letter of Credit	-	-	-	130.00	IVR A4+
Proposed Bank Guarantee	-	-	-	110.00	IVR BB+/ Stable; IVR A4+

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details <https://www.infomerics.com/admin/prfiles/Lender-QWSPL-271022.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.