



Press Release

Quadgen Wireless Solutions Private Limited (QWSPL)

April 29, 2020

Rating

Sr. No.	Instrument/ Facility	Amount (INR Crore)	Rating Assigned	Rating Action
1	Long Term/Short Term Facility-Bank Guarantee [Sub Limit-LC/CC/WCDL/Purchase Bills & Sales Bills discounting]	220.00	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)/ IVR A3 (IVR A Three)	Assigned
2	Short Term Facility-Letter of Credit [Sub Limit-BG/CC/WCDL]	130.000	IVR A3 (IVR A Three)	Assigned
Total		350.00		

Details of facilities are in Annexure 1

Rating Rationale

The rating derives strength from extensive experience of promoters and key managerial personnel, healthy order book positions, Y-o-Y improvement in revenue & EBITDA margin, Comfortable capital structure with healthy debt protection metrics, Diversified geographical presence through different product profile and Funding support from promoters The rating however is constrained by Removal of Corporate Guarantee from the erstwhile holding company, Elongated operating Cycle, Client Concentration Risk and Competition from major players in the Industry

Key Rating Sensitivities:

➤ Upward Rating Factor:

Improvement in working capital cycle

Reduction in client concentration

Sustained improvement in debt protection parameters



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➤ **Downward Rating Factor:**

Decline in operating income& EBITDA Margin

Any deterioration in debt protection metrics and/or elongation of working capital cycle.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Extensive years of experience of promoters andKey ManagerialPersonnel

Mr. Chunduru Sambasiva Rao, Mr. Srialahasti Mallik Vagvala are main promoters of the company. They have combined experience of almost four decades in telecommunication and wireless solution industry. Mr.Dhananjay Joshi, CEO of QWSPL has served as Ex. COO of Bharti Infratel & Ex VP at Ericsson India Private Ltd and has managed 100 k towers with multiple tenants. Other key managerial personnel like Mr. Satish Benarji and Mr. Surendra Shenoy 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 March end, Quadgen has an unexecuted order book amounting to Rs. 1344.80 cr. (Including Supply, Installation, Commissioning (SIC) and Operation & Maintenance (O&M)) which is 5.88 times as compared to the revenues of FY19 amounting to Rs. 227.11cr. Most of the SIC orders are to be executed over the next 2 years, providing a short to medium revenue visibility. However, O&M revenue will be split in the time horizon of upto 7 years. Their major projects (BSNL, Bhubaneswar Smart city) are in final stages of execution and it is expected to generate major margins as supply part is already over. Quadgen has several opportunities under Wi-Fi, smart city and fiber grid projects in the Indian market.

Y-o-Y improvement in revenue & EBITDA margin

There has been a constant improvement in the performance of the Company in terms of growthin revenue and EBITDA margin from FY17 to FY19. The revenue had increased to Rs.227.11crore in FY19 (FY18:Rs. 52.84crore, FY17: Rs10.17 Crore,) with a CAGR growth of 372.66% from FY17 to FY19. Improvement in revenue attributed to increased orders &



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scheduled execution of the orders. EBITDA margins are improving continuously in the last three years and improved from -29.95% in FY17 to 7.85% in FY19. The lower EBITDA margin till FY18 is majorly because of higher employee cost in proportion to revenue. As the company had recruited the workforce as they were expecting surge in the orders & execution from FY19 onwards. The employee cost to sales % come down to 13.11% in FY19 from 47.50% in FY17. As per the provisional FY20 financials revenue & EBITDA margins were Rs.205.00 crore & 13% respectively.

Comfortable capital structure, healthy debt protection metrics

Company's capital structure remained comfortable as on the past two account closing dates ending FY19. Total outside Liabilities/ Adjusted net worth was comfortable at 2.40x in FY19 (FY18:1.22x). Interest coverage Ratio was at 18.50x (80.70x).

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

Liquidity is supported by infusion from promoters in the form equity. In FY 20 MasTec acquired Quadgen Wireless Solution Inc. USA (Quadgen USA) business against which promoters have got around ~100 Mn US\$ part of which they are infusing in Indian business in tranches.

Key Rating Weaknesses

Removal of Corporate Guarantee from the erstwhile holding company

Quadgen USA was a holding company of QWSPL. Quadgen USA has been acquired by MasTec, Inc in September, 2019. Prior, to acquisition, Quadgen USA has provided irrevocable and unconditional corporate guarantee for the bank credit facility of QWSPL. Post-acquisition, the corporate guarantee towards the bank facility has been removed.



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Elongated operating Cycle

The operations of QWSPL are working capital intensive on account of stretched receivable days. As on Mar, 2019 debtor days stood at 133 days. The company has a long receivable period linked to completion of milestones, resulting in an elongated working capital cycle. Quadgen India builds, owns, operates, maintains, sells and markets Wi-Fi services on carrier overlay partnership with BSNL. As on 31st March, 2019 around, Rs. 61.94 crores receivables were due from one of the major client BSNL. Though, recently Government has supported BSNL to clear dues and Quadgen has received ~14.00 Cr in November, 2019 and ~16.00 Cr in March, 2020 and it is expecting to receive pending receivable to be cleared by April-May 2020.

Client Concentration Risk

In FY19, the top five clients of the company constituted around 94% of its total revenue with the contribution of its top two clients being 61%. 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

QWSPL faces stiff competition from large industry 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.

Analytical Approach & Applicable Criteria:

- Standalone
- Rating Methodology for service sector companies
- Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

Liquidity is adequate, characterised by gross cash accruals of Rs. 13.75 crore in FY19, supported by an above unity current ratio of 1.22x and Quick ratio of 1.17x. The average



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utilization of working capital bank limit during the last 12 months ended February- 2020, stood low at about 55.48%.

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 partnership with BSNL. 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)

INR in Crore		
For the year ended / As on	31-Mar-18 (A)	31-Mar-19 (A)
Total Operating Income	52.84	227.11
EBITDA	1.62	17.82
PAT	-9.91	-0.66
Total Debt	0.00	21.31
Tangible Net Worth	24.22	56.06
EBIDTA Margin (%)	3.06	7.85
PAT Margin (%)	-17.65	-0.29
Overall Gearing ratio (x)	0.00	0.27

** Classification as per Infomerics' standards*

Details of Non Co-operation with any other CRA: CRISIL in its press Release dated May 03, 2019 has continued the rating under Issuer Not Cooperating status on account of non-submission of relevant information

Any other information: N.A.



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Rating History for last three years:

Name of Instrument/ Facility	Current Rating (Year: 2020-21)			Rating History for the past 3 years		
	Type	Amount outstanding (INR Crore)	Rating	Rating assigned in 2019-20	Rating assigned in 2018-19	Rating assigned in 2017-18
Bank Guarantee [Sub Limit-LC/CC/WCDL /Purchase Bills & Sales Bills discounting]	Long Term/ Short Term	220.00	IVR BBB-/ Stable Outlook/A3	--	--	--
Letter of Credit [Sub Limit-BG/CC/WCDL]	Short Term	130.00	IVR A3	--	--	--
	Total	350.00				

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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's



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long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Sr. No.	Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
1	Long /Short Term Facility-Bank Guarantee [Sub Limit- LC/CC/WCDL/Purchase Bills & Sales Bills discounting]	--	--	Upto 24 months	220.00	IVR BBB-/ Stable Outlook/IVR A3
2	Short Term Facility-Letter of Credit [Sub Limit- BG/CC/WCDL]	--	--	Revolving	130.000	IVR A3
Total					350.00	