



Press Release

Quadgen Wireless Solutions Private Limited

October 11, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Facility – Cash Credit/ WCDL	25.00	IVR BBB- / Stable (IVR Triple B Minus with Stable outlook)	Revised	Simple
Short Term Facility – LC/ BG	124.00	IVR A3 (IVR A Three)	Revised	Simple
Long Term/ Short Term- CC/ WCDL/ LC/ BG	200.00	IVR BBB- / Stable; IVR A3 (IVR Triple B Minus with Stable outlook; IVR A Three)	Revised	Simple
Proposed Long Term / Short Term Bank Facility	1.00	IVR BBB-/ Stable; IVR A3 (IVR Triple B Minus with Stable outlook; IVR A Three)	Revised	Simple
Total	350.00	(Three Hundred and Fifty Crore Only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The revision of the ratings assigned to the bank facilities of Quadgen Wireless Solutions Private Limited (QWSPL) is on account of the improved financial profile due to large proportion of direct QWSPL's contracts to the overall revenue (63% for FY23) as well as higher proportion of high margin overseas contracts. During FY20-21, QWSPL has transferred the contract of T-Fiber project to Sterlite Technologies Limited (STL) on back-to-back basis where all the liabilities would be borne by STL and QWSPL will be only earn pass through profits on transferring of proceeds from Telangana Government to STL. It further 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, and client concentration risk, competition from major players in the industry and technology obsolescence risk.



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Key Rating Sensitivities:

Upward Factors

- Sustained improvement in revenue and achievement of profitability as per projections resulting in sustained improvement in financial profile.
- Sustained improvement in collection period.

Downward Factors

- Any decline in revenue and profitability resulting in deterioration in overall credit profile.
- Any further deterioration in receivable days resulting in pressure on 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. Srialahasti 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.

Diversification of order book and scope in domestic and international market:

IVR notes that India will witness investment of USD15bn on private digital network and USD70bn on 5G rollout and USD6bn on domestic market for digital India project. As per management, QWSPL is diversifying its activities by concentrating on high margins, international project, and proportion of international projects to the overall revenue is expected to be around 50% by FY25. During FY23-24, QWSPL has signed agreements worth USD51bn with various international companies for OSP (Outside Plant) design and implementation, which is expected to execute in next two years.



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Improved financial profile:

QWSPL's financial profile improved in FY23 as compared to FY22 reflected by positive EBITDA and PAT as compared to losses at EBITDA and PAT levels during FY22; despite declined in revenue.

Revenue has declined by 10% in FY23 as compared to FY22 and stood at Rs.314.96 crores, while EBITDA margins have improved to 11.83% as compared to losses due to higher proportion of high margins own contracts as compared to FY22. FY22's majority of the revenue was consisting of T-Fibre project where QWSPL earned only pass through margins. IVR expects EBITDA margins to improve further with high margins overseas contracts.

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 TANFINET project. 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

Moderate Credit Profile expected to improve further from FY24 onwards:

QuadGen's credit profile has significantly improved during FY23 with TOL/TNW improved to 8.84x as compared to 9.66x with improvement in profitability. QWSPL's total liabilities of Rs.534.96 crores at the end of FY23 of which creditors amounting to Rs.449 crores are pertaining to T-Fiber Project which has been transferred to Sterlite Technologies Limited, adjusted for this TOL/TNW stood at 3.3x at the end of FY23. TOL/TNW is expected to improve further as T-Fibre project is expected to be complete by December 23, as 85% of the work related to T-Fibre has been completed as on June 23. IVR has also received an undertaking from the promoter who is also the holder of optionally convertible preference shares amounting to Rs.40.78 crores that these shall not be redeemed and will be converted to equity shares



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upon or before maturity. After adjusting this for as quasi equity TOL/ATNW stands at 5.54x as against the reported TOL/TNW of 8.84x in FY23.

Elongated operating Cycle albeit improving:

The operations of QWSPL are working capital intensive on account of stretched receivable days. As on Mar 2023, overall debtor days stood at 437 days (FY22: 278 days). Out of the total receivables of Rs.424 crores at the end of FY23, Rs.230 crores are from T-Fibre project. However, if we exclude this then total debtors would account for Rs.194 crores and adjusted debtor's days would be 194 days as against reported days 437 days in FY23. As Quadgen's strategy is to shift from governments project to overseas project, working capital is set to improve from FY24 onwards.

Client Concentration Risk

During FY23, the top five clients of the company constituted ~99% of its total revenue with the contribution of its top two clients being 85%. IVR notes that QWSPL has diversifying its client base and signed the agreements with international customers, hence customer concentration is likely to decline from FY25 onwards.

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](#)

Liquidity – Adequate



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Regular infusion of funds by the promoters and various sub limits to main sanctioned bank limits as well as elongation 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 low at 35% while the same for non-fund-based limits remained high at 95% during the last 12 months ended July 31, 2023. The current ratio stood at 1.18 times as on 31st March 2023. The unencumbered cash and bank balance as on 31-Mar-2023 is Rs. 4.36 Crore.

About the Company

QWSPL 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)	
	2022	2023
	Audited	Audited
Total Operating Income	346.37	312.76
EBITDA	-16.80	36.99
PAT	-36.04	18.43
Total Debt	127.58	131.20
Tangible Net Worth	62.30	80.75
EBITDA Margin (%)	-4.85	11.83
PAT Margin (%)	-10.35	5.85
Overall Gearing Ratio (x)	2.05	1.62

* Classification as per Infomerics` standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:



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Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (October 27, 2022)	Date(s) & Rating(s) assigned in 2021-22 (July 28, 2021)	Date(s) & Rating(s) assigned in 2020-21 (April 29, 2020)
1.	Cash Credit/ WCDL	Long Term	25.00	IVR BBB- / Stable	IVR BB+/ Stable	IVR BB+/ Stable	IVR BBB- / Stable
1.	LC/ BG	Long Term/ Short Term	124.00	IVR A3	IVR BB+/ Stable; IVR A4+	IVR BB+/ Stable; IVR A4+	IVR BBB- / Stable; IVR A3
2.	CC/ WCDL/ LC/ BG	Short Term	200.00	IVR BBB- / Stable; IVR A3	IVR A4+	IVR A4+	IVR A3
3.	Proposed Bank Facility	Long Term/ Short Term	1.00	IVR BBB-/ Stable; IVR A4+	IVR BB+/ Stable; IVR A4+	IVR BB+/ Stable; IVR A4+	IVR BBB- / Stable; IVR A3

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

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ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR. Crore)	Rating Assigned/ Outlook
Long Term Facility – Cash Credit/ WCDL	--	--	--	25.00	IVR BBB- / Stable
Short Term Facility – LC/ BG	--	--	--	124.00	IVR A3
Long Term/ Short Term- CC/ WCDL/ LC/ BG	--	--	--	200.00	IVR BBB- / Stable; IVR A3
Proposed Long Term / Short Term Bank Facility	--	--	--	1.00	IVR BBB-/ Stable; IVR A3

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

Annexure 3: Facility wise lender details



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<https://www.infomerics.com/admin/prfiles/len-Quadgen-oct23.pdf>

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

Annexure 5: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

