



Press Release

Quadgen Wireless Solutions Private Limited (QWSPL)

July 28, 2021

Ratings:

(INR Crore)

Instrument / Facility	Amount	Ratings	Rating Action
Long Term/ Short Term Facility - Bank Guarantee [Sub Limit LC/CC/WCDL /Purchase Bills & Sales Bills discounting]	110.00 (Reduced from 220.00)	IVR BB+/ Stable Outlook; IVR A4+ (IVR Double B Plus with Stable Outlook; IVR Single A Four Plus)	Revised
Short Term Facility Letter of Credit [Sub Limit BG/CC/ WCDL]	130.00	IVR A4+ (IVR Single A Four Plus)	Revised
Proposed Long Term/Short Term Facility - Bank Guarantee	110.00	IVR BB+/ Stable Outlook; IVR A4+ (IVR Double B Plus with Stable Outlook; IVR Single A Four Plus)	Assigned
Total	350.00		

Details of Facilities are in Annexure 1

Detailed Rationale:

The revision in the rating to the bank facilities of Quadgen Wireless Solutions Private Limited (QWSPL) reflects overall decline in the financial performance of the company in FY21. The decline was majorly attributed to headwinds arises out of ongoing Covid-19 pandemic & subsequent lockdowns.

Further the ratings continue to derive strength from its extensive experience of promoters and key managerial personnel, healthy order book position, expected improvement in financial profile, geographical presence through different product profile and funding support from promoters. However, the rating strengths are partially offset by elongated operating cycle, client concentration risk and competition from major players in the industry, technology obsolescence risk.

Key Rating Sensitivities:

Upward Factors:

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

Downward Factors:

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



Press Release

Key Rating Drivers with detailed description

Key Rating Strengths:

Extensive of 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 March end, Quadgen has an unexecuted order book amounting to INR 722.04 Crore (Including Supply, Installation, Commissioning (SIC)) which is 3.57 times of FY21 revenue. 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. The O&M orders will start post completion of Supply + I&C orders. Company has O&M contract worth INR 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.

Expected Improvement in financial profile:

There has been an improvement in the performance of the Company in terms of growth in revenue from FY20. The revenue had increased to INR 202.41 Crore in FY21 from INR 152.89 Crores in FY20 with CAGR of 40.01% in the last four years ended FY21. However, the company had reported a negative EBITDA of INR 5.17 Crore in FY21 against INR 5.89 Crore in FY20. The decline was majorly attributed to headwinds arises out of Covid-19 pandemic & subsequent lockdowns. The Company's capital structure remained comfortable with tangible net-worth amounting to INR 76.67 Crore. Company do not have any major long-term repayment obligations. The debt protection metrics and debt coverage indicators deteriorated and stood modest with Interest coverage ratio stood at negative 0.39x in FY21 as against



Press Release

0.44x in FY20. The decline in the interest coverage is on account of subdued financial performance in FY21.

However, overall performance is expected to improve in FY22 as the company is scouting for new customers domestically as well as abroad and also have a moderate size of orders to execute.

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 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 operating Cycle:

The operations of QWSPL are working capital intensive on account of stretched receivable days. As on Mar 2021, overall debtor days stood at 377 days. The company has a long receivable period linked to completion of milestones, resulting in an elongated working capital cycle.

Client Concentration Risk:

In FY21, the top five clients of the company constituted around 99.60% of its total revenue with the contribution of its top two clients being 95.80%. 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, technology obsolescence risk.

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. Any adverse



Press Release

technological changes would have an adverse impact on the revenues of company. In spite of 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 Companies.

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity – Adequate

The company has not generated sufficient cash flows from operation in FY21. However, regular infusion of funds by the promoters and various sub limits to main sanction bank limits had supported the company to manage the operations. The overall utilisation of the limits (fund based + non-fund based) remains moderate during the last 12 months ended 31st May 2021. The current ratio stood at 1.47 times as on 31st March 2021. Moving 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 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 Crore)

For the year ended/ As On	31-03-2020	31-03-2021
	(Audited)	(Provisional)
Total Operating Income	152.89	202.41
EBITDA	5.89	(5.17)
PAT	(21.87)	(19.63)
Total Debt	156.98	152.63



Press Release

Tangible Net-worth	84.20	76.67
<u>Ratios</u>		
EBITDA Margin (%)	3.85	(2.55)
PAT Margin (%)	(14.06)	(9.27)
Overall Gearing Ratio (x)	1.86	1.99

Status of non-cooperation with previous CRA: Nil

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (Apr/07/2020)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Long Term/ Short Term Facility- Bank Guarantee [Sub Limit LC/CC/WC DL/Purchase Bills & Sales Bills discounting]	Long Term/ Short Term	110.00	IVR BB+/ Stable; IVR A4+	IVR BBB-/Stable	--	--
2.	Short Term Facility Letter of Credit [Sub Limit BG/CC /WCDL]	Long Term	130.00	IVR A4+	IVR A3	--	--



Press Release

3	Proposed Long Term/Short Term Facility - Bank Guarantee	Short Term	110.00	IVR BB+/ Stable; IVR A4+	--	--	--
---	---	------------	--------	--------------------------	----	----	----

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.

Name and Contact Details of the Rating Team:

Name: Rushabh Shah

Tel.: (022) 6239 6023

Email: rpshah@infomerics.com

Mr. Amit Bhuwania

Tel.: (022) 6239 6023

Email: abhuwania@infomerics.com

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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors



Press Release

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/Short Term Facility - Bank Guarantee [Sub Limit LC/CC/ WCDL /Purchase Bills & Sales Bills discounting]	--	--	--	110.00	IVR BB+/ Stable; IVR A4+
Short Term Facility Letter of Credit [Sub Limit BG/CC/ WCDL]	--	--	--	130.00	IVR A4+
Proposed Long Term/Short Term Facility - 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/quadgen-wireless-lenders-28july21.pdf>)

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

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr. No.	Instrument	Complexity Indicator
1	Long Term/Short Term Facility - Bank Guarantee [Sub Limit LC/CC/ WCDL /Purchase Bills & Sales Bills discounting]	Simple
2	Short Term Facility Letter of Credit [Sub Limit BG/CC/ WCDL]	Simple
3	Proposed Long Term/Short Term Facility - Bank Guarantee	Simple

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.