Quadrant Televentures Limited

Ratings

Facilities	Amount # (Rs. crore)	Ratings[1]	Remarks
Long- term Bank Facilities	17.22	CARE BB+ (Double B Plus)	Assigned
Short-term Bank Facilities	1.00	'CARE BBB' (Triple B)/ 'CARE A3+' (A Three Plus)	Revised from 'CARE BBB-' (Triple B Minus)/ 'CARE A3' (A Three)
Total	**41.62**		

As per the terms of the sanction of bank debt, the Videocon group shall make all the necessary arrangements of funds as may be required for the smooth operations of Quadrant Televentures Limited (QTL), to meet the capital expenditure requirement of the company for the future and any shortfall in cash flows during the currency of the loans. The bank facilities availed by QTL are backed by personal guarantees of Mr V.N. Dhoot and Mr P.N. Dhoot (the promoters of the Videocon group).

Rating Rationale

The ratings of Quadrant Televentures Limited (QTL) are constrained by the weak financial risk profile of the company marked by negative net worth due to continued losses in the past, history of debt restructuring, geographical concentration risk with license only for the Punjab circle (including Chandigarh and Panchkula) and highly competitive nature of the industry with uncertainties in the regulatory environment. The ratings, however, derive strength from the regular operational & financial support derived from the strong strategic promoter- Videocon group, and increasing scale of operations of the company.

Going forward, the ability of QTL to profitably scale-up its operations and continued financial & operational support of the strategic investor (the Videocon group) shall remain the key rating sensitivities.

Background

QTL was incorporated in August 1946 by the name- The Investment Trust of India Limited (ITIL). The name of the company was changed to HFCL Infotel Limited (HIL) in May 2003. In August 2009, the ownership of HIL was transferred to the Videocon group, subsequent to which, the company was rechristened as QTL. Currently, the Videocon group holds majority stake (53.36%) in QTL through an entity promoted by it.

QTL is a Unified Access Services (UAS) Licensee in the Punjab Telecom Circle comprising of the state of Punjab, Chandigarh and Panchkula. The company started its operations as a fixed line service provider under the brand name 'Connect' in the year 2000. It was later granted UAS License in the Punjab Telecom Circle (including Chandigarh and Panchkula) in 2003 subsequent to which it launched its CDMA based mobile services under the brand name 'Ping' (from September 2007) and GSM-based mobile services in March 2010. Currently, QTL is providing GSM Mobile Services, Fixed Voice (Landline) services, DSL (Internet) services, Leased Line services and CDMA Mobile Services in the Punjab Telecom Circle (including Chandigarh and Panchkula).

Credit Risk Assessment

Financial risk profile marked by growing income but continuing losses leading to negative networth

Even though the scale of operations of QTL has remained small mainly on account of its presence in a single circle, the income has grown at a healthy CAGR of approximately 20% in the FY12-14 (refers to the period from April 01 to March 31) period led mainly by the growth seen in the GSM and broadband subscriber base. On a year-on-year basis, the GSM and broadband subscriber base increased by 19% and 17%, respectively, leading to an increase of 17% in the overall subscriber base of the company for FY14. QTL had a total subscriber base of 1.99 million subscribers as on March 31, 2014. The company had a market share of 7% in wireless segment and 17% in the wire-line segment in the Punjab region, which has increased steadily in the past [6% and 16%, respectively, as on December 31, 2013; Source- TRAI (Telecom Regulatory Authority of India)]. Furthermore, the Average Revenue Per User (ARPU) for the GSM services has also improved steadily over the years to touch Rs.102 in FY14 from Rs.67 in FY13. However, due to constrained margins on the back of high competition coupled with high operational expenses mainly because of the launch of GSM services, QTL incurred continuous losses at the net level which has led to negative networth of the company.

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and other CARE publications*

The stressed financial position of QTL continued in Q1FY15 (Unaudited) also with the company earning total income of Rs.117.7 crore (Rs.92.1 crore in the same period last year) and net loss of Rs.61.43 crore (net loss of Rs.37.8 crore in the same period last year).

History of debt restructuring

The debt of the company was restructured under Corporate Debt Restructuring (CDR) mechanism in March 2004 and subsequently in June 2005. However, due to continued losses and liquidity problems, QTL again approached its lenders for rework of the earlier sanctioned restructuring package, which was approved by the CDR Empowered Group in August 2009. In-line with the last approved CDR terms, the Videocon group was inducted as the new strategic investor and subsequently a new management team was set-up. As on date, the company has complied with all the conditions pertaining to the CDR package. Furthermore, the interest obligations and other business needs of the company are being met through regular fund infusion by the Videocon group in the form of advances.

Operational and financial support derived from the Videocon group

After taking over the reins of the business in 2009, the Videocon group has regularly supported QTL to fund its capex and other operational needs. The Videocon group, through its flagship company-Videocon Industries Limited (rated 'CARE A/CARE A1'), has presence in varied business verticals such as oil & gas, consumer electronics and telecommunications. It is one of the largest consumer electronics & home appliances company in India and has one of the largest glass shell manufacturing facility in India at a single location. As on March 31, 2014, the total financial support derived by QTL from the Videocon group stood at Rs.935 crore (increased from Rs.746 crore as on March 31, 2013). Additionally, QTL markets its wireless services under the 'Videocon' brand name which is recognized all over India. The company pays a fixed fee to Videocon (Rs.2.0 lakh/quarter) for use of its brand name. Furthermore, the bank facilities availed by QTL are secured by personal guarantees of Mr V.N. Dhoot and Mr P.N. Dhoot (promoters of the Videocon group).

Highly competitive industry with regulatory uncertainties

As per TRAI, for the quarter ended March 31, 2014, India had a mobile subscriber base of approximately 933 million with overall teledensity of approximately 75%, which provides room for further growth. Furthermore, there has been improvement in the operational parameters, including ARPU and MoU (minutes of usage), of the telecom operators in the past. The ARPU for GSM and CDMA services have increased at approximately 8% and approximately 10%, respectively, on a year-on-year basis in the quarter ended March 2014. The total MoU for GSM per subscriber per month has increased from Rs.379 in QE December 2013 to Rs.389 in QE March 2014, while for the CDMA subscribers; MOU has increased from Rs.272 in QE December 2013 to 275 in QE March 2014. However, the telecom sector in India continues to remain highly competitive with each telecom circle having 7-8 operators. Furthermore, the sector had been mired by regulatory uncertainties in the past and QTL remains susceptible to any adverse changes in the regulations going forward.

Financial Performance

(Rs. Cr)

For the period ended / as at March 31,	2012 (12m, A)	2013 (12m, A)	2014 (12m, A)
Working Results			
Total operating income	282.84	338.54	408.70
PBILDT	-30.98	17.70	-105.21
Interest	28.12	28.06	27.30
Depreciation	120.17	121.83	126.78
PBT	-179.16	-135.68	-261.16
PAT (after deferred tax)	-179.16	-135.68	-261.16
Gross Cash Accruals	-58.99	-13.86	-134.38
Financial Position			
Equity Share Capital	612.26	612.26	612.26
Networth	-1111.25	-1216.75	-1447.29
Total capital employed	-94.03	-231.42	-498.14
Key Ratios			

Growth			
Growth in Total operating income (%)	-	19.69	20.72
Growth in PAT (after D.Tax) (%)	-	Nm	Nm
Profitability			
PBILDT/Total income (%)	-10.95	5.23	-25.74
PAT (after deferred tax)/ Total income (%)	-63.34	-40.08	-63.90
ROCE (%)	Nm	Nm	Nm
Solvency			
Long-term Debt Equity ratio (times)	Nm	Nm	Nm
Overall gearing (times)	Nm	Nm	Nm
PBILDT/Interest (times)	Nm	Nm	Nm
Term debt/GCA (years)	Nm	Nm	Nm
Total debt/GCA (years)	Nm	Nm	Nm
Liquidity			
Current Ratio (times)	0.12	0.12	0.09
Quick Ratio (times)	0.12	0.12	0.09
Turnover			
Average collection period (days)	66	57	43
Average creditors (days)	127	101	72
Average inventory (days)	3	2	1
Operating cycle (days)	-59	-42	-27

Nm – Not meaningful

Details of Facilities Rated

1. Long-term facilities

1.A. Fund-based Limits (Rs. crore)

Sr. No.	Name of Bank	Fund-based Limits		
		Cash Credit	Others	Total Fund-based Limits
1.	Punjab National Bank	5.17	-	5.17
2.	HDFC Bank Limited	4.83	-	4.83
3.	Bank of India	7.22	-	7.22
	TOTAL	**17.22**		**17.22**

Total Long-term facilities (1) = Rs.17.22 crore

2.Short-term facilities

2.A. Non-fund-Based Limits

Sr. No.	Name of Bank	Non-fund-Based Limits		
		LC/BG*	Others	Tenure as per sanction letter
1.	Punjab National Bank	15.25	-	-
2.	Oriental Bank of Commerce	9.15	-	-
	TOTAL	**24.40**	**-**	**-**

** LC= Letter of Credit; BG=Bank guarantee*

Total Short-term facilities (2)= Rs.24.40 crore

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(This follows our brief rational for entity published on 13 January 2015)

Disclaimer:

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