Quadrant Televentures Limited

May 04, 2017

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	17.22	**CARE B+; ISSUER NOT COOPERATING* (Single B Plus; ISSUER NOT COOPERATING*)**	Issuer not cooperating; Revised from CARE BB+ (Double B Plus) on the basis of best available information
Short-term Bank Facilities	24.40	**CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)**	Issuer not cooperating; Revised from CARE A4+ (A Four Plus) on the basis of best available information
Total	**41.62 (Rupees Forty One crore and Sixty Two lakh only)**		

Details of instruments/facilities in Annexure-1

As per the terms of the sanction of the 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).

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Quadrant Televentures Limited (QTL), to monitor the rating(s) vide e-mail communications/letters dated March 28, 2017; February 28, 2017; February 24, 2017; February 20, 2017; February 09, 2017; February 02, 2017; November 29, 2017; November 10, 2017 & October 25, 2017 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on QTL's bank facilities will now be denoted as **CARE B+/CARE A4; ISSUER NOT COOPERATING***.

Users of these ratings (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings assigned to bank facilities of (QTL) have been revised on account of deterioration in the financial performance of the flagship company of the Videocon Group-Videocon Industries Limited from which QTL derives regular operational & financial support. The ratings are further constrained by the weak financial risk profile of QTL, marked by negative net worth due to continued losses in the past, history of debt restructuring, geographical concentration risk and highly competitive nature of the industry with uncertainties in the regulatory environment. The ratings, however, derive strength from the increasing scale of operations of the company.

Detailed description of the key rating drivers

Key Rating Weaknesses

Deterioration in the financial risk profile of Videocon group from which QTL derives operational and financial support: 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 (VIL), has presence in varied business verticals such as oil & gas, consumer electronics and telecommunications. However, the financial risk profile of VIL deteriorated with company reporting net loss of Rs.2,186 crore on a total income of Rs.14,326 crore in FY15 (refers to the period April 1 to March 31) as compared with PAT of Rs.5,120 crore on a total income of Rs.34,571 crore in FY14 at a consolidated level. Furthermore, VIL reported cash losses of Rs.1,145 crore in FY15 as against cash profits of Rs.6,656 crore in FY14.

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

**Issuer did not cooperate; Based on best available information*

As on March 31, 2016, the total financial support from the Videocon group stood at Rs.1440 crore (Rs.1190 crore as advances and the remaining, Rs.250 crore, as unsecured loans) which increased from Rs.1167 crore, as on March 31, 2015 (Rs.917 crore as advances and the remaining, Rs.250 crore, as unsecured loans). Additionally, QTL markets its wireless services under the 'Videocon' brand name which is recognized all over India. 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).

Financial risk profile marked by growing income but continuing losses leading to negative net worth: The total operating income of the company increased by ~7% to Rs.561.12 in FY16. Though, the company achieved profits at the PBILDT level amounting to Rs.25.89 crore in FY16 (compared to losses of Rs.73.97 crore in FY15) mainly due to various cost saving measures implemented during the year, it continued to remain in losses at the net level. The company had cash losses amounting to Rs.1.41 crore in FY16, however, the same reduced from Rs.100.90 crore in FY15.
In 9MFY17 (Unaudited), the company incurred net losses amounting to Rs.103.97 crore on a total operating income of Rs.425.91 crore compared to net losses of Rs.119.92 crore on a total operating income of Rs.415.66 crore, in 9MFY16 (Unaudited).

History of debt restructuring: The debt of the company was restructured under the 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.

Highly competitive industry with regulatory uncertainties: The telecom industry in India is highly competitive as it comprises of various operators and has one of the cheapest telecom tariffs in the world with wireless subscriber base being dominated by the top three operators. Furthermore, the telecom sector in India continued to be surrounded by regulatory uncertainties and QTL remains susceptible to any adverse regulatory changes.

Analytical Approach: Standalone

Applicable Criteria
Policy in respect of Non-cooperation by issuer
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology for Service Sector Companies
Financial ratios – Non-Financial Sector
Criteria for short term instruments

Company 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 (49.47%) 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 Fixed Voice (Landline) services, DSL (Internet) services, Leased Line services and CDMA Mobile Services in the Punjab Telecom Circle (including Chandigarh and Panchkula). The company discontinued its GSM business operations from February 15, 2017.

In FY16 (refers to the period April 01 to March 31), QTL reported a total operating income of Rs.561.12 crore with a net loss of Rs.134.81 crore, as against a total operating income of Rs.523.42 crore with a net loss of Rs.239.89 crore in FY15. In 9MFY17 (Unaudited), the company incurred net losses to Rs.103.97 crore on a total operating income of Rs.425.91 crore.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

Analyst Contact:
Name: Mr Sudeep Sanwal
Tel: 0172-5171100
Mobile: 9958043187
Email: sudeep.sanwal@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	17.22	CARE B+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC	-	-	-	24.40	CARE A4; ISSUER NOT COOPERATING*

**Issuer did not cooperate; Based on best available information*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	17.22	CARE B+; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE BB+ (08-Feb-16)	1)CARE BB+ (13-Jan-15)
2.	Non-fund-based - ST-BG/LC	ST	24.40	CARE A4; ISSUER NOT COOPERATING*	-	-	1)CARE A4+ (08-Feb-16)	1)CARE A4+ (13-Jan-15)

**Issuer did not cooperate; Based on best available information*

CONTACT

Head Office Mumbai

Mr. Mehul Pandya
Cell: +91-98242 56265
E-mail: mehul.pandya@careratings.com

Mr. Saikat Roy
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

BENGALURU
Mr. Deepak Prajapati
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-9099028864
Tel: +91-80-4115 0445, 4165 4529
E-mail: deepak.prajapati@careratings.com

CHANDIGARH
Mr. Sajan Goyal
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

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