# Reliance Jio Infocomm Limited

October 04, 2022

**Ratings**

| Facilities | Amount (₹ crore) | Ratings[1] | Rating Action |
|---|---|---|---|
| **Long-term bank facilities** | 50,000 | **CARE AAA; Stable (Triple A; Outlook: Stable)** | **Reaffirmed** |
| **Total facilities** | **50,000 (₹Fifty thousand crore only)** | | |
| **Non-convertible debentures** | 10,000 | **CARE AAA; Stable (Triple A; Outlook: Stable)** | **Reaffirmed** |
| **Commercial paper issue** | 35,000 | **CARE A1+ (A One Plus)** | **Reaffirmed** |
| **Total instruments** | **45,000 (₹ Forty-five thousand crore Only)** | | |

Details of facilities/instruments in Annexure-1

## Detailed rationale and key rating drivers

The ratings assigned to the bank facilities and instruments of Reliance Jio Infocomm Limited (RJIL) continue to factor in the strong and resourceful ultimate parent of the company – Reliance Industries Limited (RIL, rated 'CARE AAA; Stable/CARE A1+'), holding majority shareholding in RJIL through its subsidiary, Jio Platforms Limited (JPL). The ratings are further underpinned by the importance of the digital services business vertical within the Reliance Group's future growth plans, pan-India unified license available to RJIL along-with a large spectrum holding, a well laid out business model of the company as well as improved financial and operating performance since commencement of its commercial operations. The ratings also take into consideration the growth in its 4G mobile broadband subscriber base, which has enabled the company to attain a leadership position in the sector. Its comfortable profitability, robust capital structure and strong liquidity further underpin its ratings.

The above rating strengths largely offset the exposure of RJIL to the inherent revenue risks owing to its presence in the highly regulated telecom sector as well as exposure to competitive business environment.

RJIL has recently acquired the largest quantum of spectrum to provide 5G services in India, whereby large size capex is expected to be incurred for 5G deployment across the country in coming 2-3 years' period. Timely monetisation from these large investments, will be a key monitorable.

## Rating sensitivities

**Positive factors – Factors that could lead to positive rating action/upgrade:** Not applicable

**Negative factors – Factors that could lead to negative rating action/downgrade:**

- Any significant change in the ownership of RJIL (i.e., decline in RIL's ownership below 51%).
- Any change in the Reliance group's strategy that could impact RJIL's project implementation and growth plans or undermine its strategic importance for the group.

## Detailed description of the key rating drivers

**Key rating strengths**

**Financially strong and resourceful parentage:** RJIL derives significant comfort and flexibility from the resourcefulness and financial strength of its ultimate parent, RIL. RIL is India's largest private sector enterprise with businesses across the new energy and materials value chain, along with O2C and a significant and growing presence in consumer-facing retail and telecom sectors. RIL is the flagship company of the Reliance (Mukesh D. Ambani) group. It is the first Indian private sector company to feature in Fortune Global 500 list of 'World's Largest Corporations' and has been consistently featuring in it for the last 15 consecutive years. Recently, it ranked among the world's top 100 companies on this list. RJIL's management is represented by the Board of Directors comprising eminent personalities with vast experience in their respective fields.

**Significant importance of the telecom venture in the overall group strategy of RIL:** RIL has made large investments in its telecom venture (RJIL), which is treated as a key business category for the Reliance group. Moreover, there is lot of synergy between the group's digital services business with its retail as well as media business.

[1]Complete definitions of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications.

Furthermore, the day-to-day operations of RJIL are closely monitored by RIL's management and both the entities also have common Board members. The RIL group intends to further cement its leadership position in its consumer facing businesses, in which its telecom venture, i.e., RJIL, plays a major role.

**Large and liberalised spectrum holding:** RJIL's total spectrum footprint has increased significantly from 1,732 MHz to 26,768 MHz (uplink and downlink) through acquisition of spectrum for a total consideration of ₹87,946 crore via the auction conducted by the Department of Telecommunication in July 2022. The average life of RJIL's spectrum is about 8 to 20 years.
This spectrum footprint ensures availability of the spectrum in all the three bands (low-band, mid-band and mmWave) across the country and enhances the network capacity at optimal capital and operating expenditure levels. This spectrum can be used for rolling out any technology without any regulatory restriction.

**Leadership position in the Indian telecom sector:** There has been a steady growth in the subscriber base of RJIL. As on June 30, 2022, there were approximately 419.90 million subscribers on the Jio network vis-à-vis approximately 410.20 million subscribers on March 31, 2022. In terms of wireless subscriber base, RJIL has a leading market share of 36.23% (as on July 31, 2022) as per the latest TRAI report. RJIL is the market leader in 16 out of 22 telecom circles in the country based on revenue market share and continues to be the industry leader in terms of network capacity and performance. The Average Revenue Per User (ARPU) for Q1FY23 improved to ₹175.70 per month from ₹167.60 per month in Q4FY22. The company had also launched its Fibre-to-the-home (FTTH) Jio Fiber broadband service during FY20 (refers to the period April 1 to March 31), which had more than 7 million users as on June 30, 2022. During Q1FY23, the private telecom players acquired spectrum to deploy 5G services, which should help to further strengthen the ARPU in the near future. Post the recent auction, RJIL has spectrum in all the three bands and across all the 22 circles in the country. This coupled with access to extensive fibre infrastructure as well as fiberised towers and presence of spectrum in the premium 700 MHz band should enable the company to deliver services with faster speeds, lower latency and enhanced coverage in dense areas. In the near-to-medium term, subscriber retention as well as continued subscriber addition while improving ARPU would be the key monitorables.

**Improved financial performance with comfortable capital structure; albeit likely to moderate going forward:** RJIL reported a total operating income (TOI) of ₹76,977 crore in FY22 and ₹21,873 crore in Q1FY23, up by 10% and 22%, respectively, on a Y-o-Y basis. This improvement was mainly due to continued addition of customers, extensive data and voice usage aided by its pan-India distribution network of over 1 million retailers and efficient use of its widespread 4G reach and VoLTE technology, ramp-up of its wireline services as well as tariff hikes undertaken in the second half of FY22. The company reported a net profit of ₹14,817 crore in FY22 and ₹4,335 crore in Q1FY23 primarily due to continued traction on customer usage and revenues, significant cost efficiencies along-with lower finance costs upon prepayment of large amount of deferred payment liabilities during FY22. The overall gearing as on March 31, 2022, although increased yet remained comfortable at 0.47x compared with 0.25x as on March 31, 2021, due to increase in debt as well as deferred payment liabilities pertaining to the spectrum bought in March 2021. During FY22, RJIL prepaid ₹30,791 crore of deferred spectrum liabilities pertaining to the earlier years except for spectrum acquired in March 2021, which would result in significant savings in the finance costs. Going forward, the company is expected to incur significant amount of incremental capex to roll-out 5G services across the country which is likely to result in moderation in its leverage over the medium-term.

**Liquidity:** Strong

The strong liquidity of RJIL is reflected by an overall gearing of 0.47x (including deferred payment liabilities and accrued interest thereon as a part of total debt) as on March 31, 2022, which also provides sufficient gearing headroom to raise additional debt for its capex. The company as on March 31, 2022, had cash and cash equivalents (including liquid investments) of ₹781 crore. The company has demonstrated healthy revenues and superior profitability since its launch, and the same is expected to demonstrate steady improvement even going forward. Furthermore, being a part of the Reliance group, it also has superior financial flexibility.

**Key rating weaknesses**

**Exposure to inherent regulatory risks and intense competition in the Indian telecom sector:** The company is exposed to the competitive as well as regulatory risks associated with the Indian telecom industry. Although the company has been gaining market share since its launch, it continues to face intense competitive pressure present in the sector. Sustained increase in the market share at reasonable ARPU levels would remain a key monitorable in the long term.
The Union Cabinet on September 15, 2021, approved the reforms for the telecom sector and announced the broad contours of the revival package. Through these reforms, the Government of India (GoI) has tried to address the liquidity woes of the telecom sector.

**Large size investments to roll out 5G service:** RJIL acquired 5G spectrum across various bands for a total value of ₹87,946 crore in July 2022, which is required to be paid over a tenor of 20 years in equated yearly installments. RJIL is also likely to carry out sizeable capex to roll-out 5G services across the country over the next 2-3 years. This is likely to be funded by a mix of internal accruals and longer tenor debt. Accordingly, timely monetisation of these investments along-with adequate returns on the same will be a key monitorable in the long term.

**Analytical approach:** Standalone. CARE Ratings Ltd. has also taken in to consideration the strategic importance of the entity for the RIL (ultimate parent) group's consumer businesses as well as the financial support from the parent group, which is expected to continue, if needed.

### Applicable criteria

Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
CARE's Policy on Default Recognition
Liquidity Analysis of Non-financial sector
Rating Methodology- Notching by factoring linkages Parent Sub JV Group
Financial ratios-Non- Financial Sector
Rating Methodology - Mobile Service Providers
Criteria for Short Term Instruments

### About the company

RJIL was incorporated in 2007 with the objective of becoming a pan-India service provider for the telecom market in India. RJIL currently is a wholly-owned subsidiary of JPL, which in turn is majority held by RIL (66.43% stake as on March 31, 2022). RJIL has built a world-class all-IP data network with latest 4G LTE technology. This network can be easily upgraded to support even more data, as technologies advance to 5G and beyond. Apart from the network, the company has worked with partners to set-up an eco-system of devices, applications and content.

| Brief Financials of RJIL-Standalone (₹ crore) | FY21 (A) | FY22 (A) | Q1FY23 (Prov.) |
|---|---|---|---|
| TOI | 69,888 | 76,977 | 21,873 |
| PBILDT | 30,973 | 37,679 | 10,964 |
| PAT | 12,015 | 14,817 | 4,335 |
| Overall gearing (times) | 0.25 | 0.47 | NA |
| Interest coverage (times) | 7.94 | 8.51 | 11.00 |

**A:** Audited; Prov.: Provisional; NA – Not available; Financials classified as per CARE Ratings' standards.

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: Not applicable**

**Rating history for last three years:** Please refer Annexure-2

**Covenants of rated instruments/facilities:** Not applicable

**Complexity level of various instruments rated for this company:** Annexure-3

**Annexure-1: Details of instruments/facilities**

| Name of the Instrument | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned along with Rating Outlook |
|---|---|---|---|---|---|---|
| Fund-based/Non-fund-based-Long term | - | - | - | - | 50000.00 | CARE AAA; Stable |
| Debentures-Non-convertible debentures | INE110L08078 | 05-01-2022 | 6.20 | 05-01-2027 | 5000.00 | CARE AAA; Stable |
| Proposed Non-convertible debentures | - | - | - | - | 5000.00 | CARE AAA; Stable |
| Commercial paper-Commercial paper (Standalone) | INE110L14QW9 | 28-06-2022 | 5.39 | 27-09-2022 | 1500.00 | CARE A1+ |
| | INE110L14QW9 | 28-06-2022 | 5.39 | 27-09-2022 | 250.00 | |
| | INE110L14QY5 | 29-07-2022 | 5.88 | 28-10-2022 | 100.00 | |
| | INE110L14QY5 | 02-08-2022 | 5.88 | 28-10-2022 | 500.00 | |
| | INE110L14QY5 | 02-08-2022 | 5.88 | 28-10-2022 | 200.00 | |
| | INE110L14QY5 | 02-08-2022 | 5.88 | 28-10-2022 | 500.00 | |
| | INE110L14QY5 | 03-08-2022 | 5.88 | 28-10-2022 | 250.00 | |
| | INE110L14QX7 | 08-08-2022 | 5.88 | 31-10-2022 | 1250.00 | |
| | INE110L14QX7 | 05-08-2022 | 5.88 | 31-10-2022 | 600.00 | |
| | INE110L14QX7 | 05-08-2022 | 5.88 | 31-10-2022 | 100.00 | |
| | INE110L14QX7 | 05-08-2022 | 5.88 | 31-10-2022 | 450.00 | |
| | INE110L14QX7 | 05-08-2022 | 5.88 | 31-10-2022 | 50.00 | |
| | INE110L14QX7 | 05-08-2022 | 5.88 | 31-10-2022 | 500.00 | |
| | INE110L14QX7 | 05-08-2022 | 5.88 | 31-10-2022 | 50.00 | |
| | INE110L14QX7 | 05-08-2022 | 5.88 | 31-10-2022 | 1000.00 | |
| | INE110L14QX7 | 05-08-2022 | 5.88 | 31-10-2022 | 1000.00 | |
| | INE110L14QZ2 | 09-09-2022 | 5.92 | 06-12-2022 | 500.00 | |
| | INE110L14QZ2 | 12-09-2022 | 5.92 | 06-12-2022 | 500.00 | |
| | INE110L14RC9 | 12-09-2022 | 5.92 | 12-12-2022 | 500.00 | |
| | INE110L14RC9 | 12-09-2022 | 5.92 | 12-12-2022 | 200.00 | |
| | INE110L14RC9 | 12-09-2022 | 5.92 | 12-12-2022 | 200.00 | |
| | INE110L14RC9 | 12-09-2022 | 5.92 | 12-12-2022 | 75.00 | |
| | INE110L14RC9 | 12-09-2022 | 5.92 | 12-12-2022 | 25.00 | |
| | INE110L14RB1 | 14-09-2022 | 5.92 | 14-12-2022 | 150.00 | |
| | INE110L14RB1 | 14-09-2022 | 5.92 | 14-12-2022 | 100.00 | |
| | INE110L14RB1 | 14-09-2022 | 5.92 | 14-12-2022 | 50.00 | |
| | INE110L14RB1 | 14-09-2022 | 5.92 | 14-12-2022 | 50.00 | |
| | INE110L14RB1 | 14-09-2022 | 5.92 | 14-12-2022 | 15.00 | |
| | INE110L14RB1 | 14-09-2022 | 5.92 | 14-12-2022 | 10.00 | |
| | INE110L14RB1 | 14-09-2022 | 5.92 | 14-12-2022 | 50.00 | |
| | INE110L14RA3 | 15-09-2022 | 5.92 | 15-12-2022 | 150.00 | |
| | INE110L14RA3 | 15-09-2022 | 5.92 | 15-12-2022 | 50.00 | |
| | INE110L14RA3 | 15-09-2022 | 5.92 | 15-12-2022 | 50.00 | |
| | INE110L14RC9 | 21-09-2022 | 6.26 | 12-12-2022 | 1500.00 | |
| | INE110L14RC9 | 21-09-2022 | 6.26 | 12-12-2022 | 200.00 | |
| | Proposed | - | - | 7-364 days | 22325.00 | |

## Annexure-2: Rating history of last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 | Date(s) and Rating(s) assigned in 2020-2021 | Date(s) and Rating(s) assigned in 2019-2020 |
| 1 | Debentures-Non-convertible debentures | LT | - | - | - | - | 1)Withdrawn (25-May-20) | 1)CARE AAA (CE); Stable (20-Dec-19) |
| 2 | Fund-based - LT-Term loan | LT | - | - | - | - | 1)Withdrawn (08-Oct-20) | 1)CARE AAA; Stable (20-Dec-19) |
| 3 | Fund-based/Non-fund-based-Long term | LT | 50000.00 | CARE AAA; Stable | - | 1)CARE AAA; Stable (05-Oct-21) | 1)CARE AAA; Stable (08-Oct-20) | 1)CARE AAA; Stable (20-Dec-19) |
| 4 | Commercial paper-Commercial paper (Standalone) | ST | 35000.00 | CARE A1+ | - | 1)CARE A1+ (05-Oct-21) | 1)CARE A1+ (08-Oct-20) | 1)CARE A1+ (20-Dec-19) |
| 5 | Debentures-Non-convertible debentures | LT | - | - | - | - | 1)Withdrawn (25-May-20) | 1)CARE AAA; Stable (20-Dec-19) |
| 6 | Debentures-Non-convertible debentures | LT | - | - | - | - | 1)Withdrawn (25-May-20) | 1)CARE AAA; Stable (20-Dec-19) |
| 7 | Debentures-Non-convertible debentures | LT | - | - | - | - | 1)Withdrawn (25-May-20) | 1)CARE AAA; Stable (20-Dec-19) |
| 8 | Debentures-Non-convertible debentures | LT | - | - | - | - | 1)Withdrawn (25-May-20) | 1)CARE AAA; Stable (20-Dec-19) |
| 9 | Debentures-Non-convertible debentures | LT | - | - | - | - | 1)Withdrawn (25-May-20) | 1)Provisional CARE AAA (CE); Stable (20-Dec-19) |
| 10 | Debentures-Non-convertible debentures | LT | 5000.00 | CARE AAA; Stable | - | 1)CARE AAA; Stable (30-Dec-21) | - | - |
| 11 | Debentures-Non-convertible debentures | LT | 5000.00 | CARE AAA; Stable | | 1)CARE AAA; Stable (30-Dec-21) | - | - |

* Long term/Short term

## Annexure-3: Complexity level of various instruments rated for this company

| Sr. No. | Name of Instrument | Complexity Level |
|---|---|---|
| 1 | Commercial paper-Commercial paper (Standalone) | Simple |
| 2 | Debentures-Non-convertible debentures | Simple |
| 3 | Fund-based/Non-fund-based-Long term | Simple |

## Annexure-4: Bank lender details for this company

To view the lender wise details of bank facilities please click here

**Note on complexity levels of the rated instruments:** CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

**Contact us**

**Media contact**
Name: Mradul Mishra
Phone: +91-22-6754 3596
E-mail: mradul.mishra@careedge.in

**Analyst contact**
Name: Hardik Shah
Phone: +91-79-4026 5620
E-mail: hardik.shah@careedge.in

**Relationship contact**
Name: Saikat Roy
Phone: +91-22-6754 3404
E-mail: saikat.roy@careedge.in

**About CARE Ratings Limited:**

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.



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