

Vodafone Idea Limited

January 07, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating1	Rating Action
Fund based Bank Facilities	13,825.81 (increased from 13,745.25)	CARE B+; Credit watch with Negative Implications [Single B Plus; Credit watch with Negative Implications]	Continues to be on Credit watch with Negative Implications
Non- Fund based Bank Facilities	23,737.06 (reduced from 23,925.00)	CARE B+; Credit watch with Negative Implications [Single B Plus; Credit watch with Negative Implications]	Continues to be on Credit watch with Negative Implications
Total	37,562.87 (Rs. Thirty-Seven Thousand Five Hundred Sixty-Two Crore and Eighty-Seven Lakhs Only)		
Non-Convertible Debenture (NCD) issues	7,500.00 (Rupees seven thousand five hundred crore only)	CARE B+; Credit watch with Negative Implications [Single B Plus; Credit watch with Negative Implications]	Continues to be on Credit watch with Negative Implications

CARE continues to place long-term ratings of Vodafone Idea Limited (VIL) on credit watch with Negative Implications on account of ongoing evaluation of fund raising option towards network expansion and payment of Adjusted Gross Revenue (AGR) dues from FY22 onwards.

CARE continues to monitor the developments pertaining to fund raising by VIL and will take appropriate rating action based on the outcome of the same.

Detailed Rationale & Key Rating Drivers

The reaffirmation of long-term rating to bank facilities and instruments of VIL continues to be constrained by prevalent intense competition in Indian Telecom industry impacting VIL's operational performance, moderate financial risk profile. Further, Hon'ble Supreme Court pronounced judgement on AGR dues payable by VIL to DoT. Going forward the ability of the company to raise fund towards network expansion and payment of Adjusted Gross Revenue (AGR) dues from FY22 onwards remains key rating monitorable.

However, the rating continues to derive strength from established promoter groups.

Rating Sensitivities

Positive rating sensitivities

- Improvement of overall of financial risk profile of the company on sustained manner

Negative rating sensitivities

- Any moderation of VIL's financial risk profile and debt coverage indicators

Detailed description of the key rating drivers

Key Rating Weaknesses

Judgement by Hon'ble Supreme Court on AGR dues payable by VIL to DoT

Hon'ble Supreme Court in its ruling on September 01, 2020 directed telecom companies to pay 10 percent of total AGR dues by March 31, 2021 and balance amount in annual installments commencing from April 01, 2021 upto March 31, 2031 payable by March 31 of every succeeding financial year. The AGR dues for VIL aggregated to Rs.58,250 crore upto FY2016-17 on basis of preliminary assessment by DoT. VIL has already paid Rs. 7,854 crore towards AGR due to DoT as on date. Further, on September 04, 2020, the Board of Directors of VIL approved the raising of funds through (1) issue of equity shares or securities convertible into equity shares, Global Depository Receipts, American Depository Receipts, foreign currency convertible bonds, convertible debentures, warrants, composite issue of non-convertible debentures and warrants entitling the warrant holder(s) to apply for equity shares or a combination thereof up to an aggregate amount of Rs. 150 billion by way a public issue, preferential allotment, private placement, qualified institutions placement or through any other permissible mode in one or more tranches; and (2) issuance of unsecured and / or secured, non-convertible debentures up

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

to an aggregate amount of Rs. 15,000 crore, by way of public offering or private placement basis or otherwise, in one or more tranches. However the total raising of funds shall not exceed Rs. 25,000 crore. The company is currently evaluating various fund raising options. Going forward the ability of the company to raise fund to support its operation and yearly payments of AGR dues remains key rating monitorable.

Prevalent intense competition in Indian Telecom industry impacting VIL's operational performance

Revenue of the company marginally dipped in H1FY21 as compared to H1FY20 despite increase in tariff in December, 2019 due to prevalent intense competition in Indian Telecom industry leading to lower ARPU levels. ARPU for Q2FY21 was Rs. 119 as compared to Rs. 107 in Q2FY20. The subscriber base declined to 271.8 million in Q2FY21 from 279.8 million in Q1FY21. However, the gross additions improved with gradual reopening of retail stores. The subscriber churn increased to 2.6% as compared to 2.0% in Q1FY21) on account of revival of economic activity post lifting up of COVID-19 restrictions. However, PBILDT levels improved in H1FY21 as compared to H1FY20 on account of implementation of cost optimization plan.

Moderate financial risk profile of the company

VIL continues to report moderate financial risk profile in H1FY21. The loss of the company dipped to Rs. 32,678 crore in H1FY21 as compared to Rs. 55,795 crore in H1FY20 on account of lower provisioning of AGR dues as per judgement of Hon'ble Supreme Court.

Consequently, to higher level of losses in H1FY21 the networth of the company got eroded. As on March 31, 2020 networth of VIL was Rs. 5,979.90 crore. Further, the independent auditor's report on quarterly and year to date unaudited consolidated financial results of the company mentions material uncertainty on going concern of the company. Gross debt (excluding lease liabilities) as of September 30, 2020 was Rs. 1,15,941.50 crore, including deferred spectrum payment obligations due to the Government of Rs. 92,310 crore.

Key Rating Strengths

Established promoter groups

VIL is a part of Aditya Birla Group (ABG) and Vodafone Group Plc (VGP). Aditya Birla Group is one of the largest and oldest corporate houses in India with multinational presence. ABG led by Mr. Kumar Mangalam Birla has leading presence across several sectors including metals, cement, telecom, financial services, textiles and other manufacturing industries in the country. The group's operations span over 36 countries. VGP is one of the world's largest telecommunications companies and provides a range of services including voice, messaging, data and fixed communications. VGP has mobile operations in 24 countries, partners with mobile networks in 42 more, and fixed broadband operations in 19 markets.

VIL's operations are handled by team of experienced and professionally qualified personnel headed by Mr. Ravinder Takkar as Managing Director and Chief Executive Officer.

Industry Outlook:

The Indian Telecom sector has been witnessing a lot of volatility for the past few years. The sector has seen intensified competition which has also resulted in consolidation among the players. The increase in the subscriber addition of larger operators is primarily due to exit of the smaller players. However, the increase in subscribers has not brought proportionate incremental revenue to the telcos on account of intense competition in the sector which had led to limited scope for increasing the tariffs. Development of new technologies and the rapid change in technology had led to increased challenges for the players with regards to return on investments in the current technology and additional investments in the new technology. However, the Digital India programme promoted by the government, increase in usage of e-wallets and banking applications are expected to increase the usage of mobile data consumption in the coming years.

Liquidity analysis:

Liquidity- Poor

Cash and cash equivalent (excluding margin deposits) as on September 30, 2020 stood at Rs. 1,430 crore. The total debt servicing obligation for period October 01, 2020 to March 31, 2021 is around Rs. 1,780 crore. Going forward the adequacy of available funds to meet debt obligations remains to be seen. With negative networth of the company as on September 30, 2020 there is very limited headroom for the company to incur any capital expenditure and raise funds to support operation of the company.

Analytical approach: Consolidated

Applicable Criteria

[CARE's Policy on Default Recognition](#)

[Criteria on assigning Outlook and credit watch to Credit Ratings](#)

[Rating Methodology: Consolidation](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Rating Methodology - Mobile Service Providers](#)

[Financial ratios - Non-Financial sector](#)

About the Company

Vodafone Idea Limited is an Aditya Birla Group (ABG) and Vodafone Group partnership. Vodafone Group owns 44.39% stake and ABG owns 27.66% stake as on September 30, 2020 in VIL.

With pan-India operation, the company is one of the largest telecom operator providing voice, data, enterprise and other value added services across 22 service areas. As on September 30, 2020 subscriber base of the company stood at 271.80 mn with 4G subscriber base of 106.10 million.

Aditya Birla Group is India's one of the largest conglomerate having its presence across 35 countries. Vodafone Group is one of the world's largest telecommunications companies having mobile operations across 24 countries, partners with mobile networks in more than 42 markets, and fixed broadband operations in around 19 markets.

Brief Financials (Rs. crore) (Consolidated)	FY19 (Audited)*	FY20 (Audited)*
Total operating income	37311.10	46050.30
PBILDT	4334.90	16008.60
PAT	-14603.90	-73878.10
Overall Gearing	2.11	23.73
Interest Coverage	0.45	1.04

*Financials are reclassified as per CARE 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

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN no	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - LT-Bank Guarantees/Letter of Credit	-	-	-	-	23,737.06	CARE B+ (Under Credit watch with Negative Implications)
Term Loan-Long Term	-	-	-	June 30, 2026	13,825.81	CARE B+ (Under Credit watch with Negative Implications)
Debentures-Non Convertible Debentures	INE669E08250	December 13, 2016	7.57%	December 13, 2021	1,500.00	CARE B+ (Under Credit watch with Negative Implications)
Debentures-Non Convertible Debentures	INE669E08268	January 04, 2017	7.77%	January 04, 2022	1,000.00	CARE B+ (Under Credit watch with Negative Implications)
Debentures-Non Convertible Debentures	INE669E08276	January 17, 2017	7.77%	January 17, 2022	500.00	CARE B+ (Under Credit watch with Negative Implications)
Debentures-Non Convertible Debentures	INE669E08284	January 27, 2017	8.04%	January 27, 2022	2,000.00	CARE B+ (Under Credit watch with Negative Implications)
Debentures-Non Convertible Debentures	INE669E08292	January 31, 2017	8.03%	January 31, 2022	500.00	CARE B+ (Under Credit watch with Negative Implications)
Debentures-Non Convertible Debentures	INE669E08300	February 14, 2017	8.03%	February 14, 2022	500.00	CARE B+ (Under Credit watch with Negative Implications)
Debentures-Non Convertible Debentures	INE669E08318	September 03, 2018	10.90%	September 02, 2023	1,500.00	CARE B+ (Under Credit watch with Negative Implications)

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Non-fund-based - LT-BG/LC	LT	23737.06	CARE B+ (Under Credit watch with Negative Implications)	1)CARE B+ (Under Credit watch with Negative Implications) (24-Aug-20) 2)CARE BB- (Under Credit watch with Negative Implications) (28-May-20)	1)CARE BB- (Under Credit watch with Negative Implications) (17-Feb-20) 2)CARE BBB- (Under Credit watch with Negative Implications) (22-Nov-19) 3)CARE A- (Under Credit watch with Negative Implications) (30-Oct-19) 4)CARE A; Negative (08-Aug-19) 5)CARE A+; Negative (10-Jun-19)	1)CARE AA-; Negative (21-Feb-19) 2)CARE AA-; Negative (15-Feb-19) 3)CARE AA; Negative (26-Nov-18) 4)CARE AA; Negative (13-Nov-18) 5)CARE AA; Negative (26-Sep-18) 6)CARE AA; Negative (11-Sep-18) 7)CARE AA (Under Credit watch with Developing Implications) (03-Jul-18) 8)CARE AA (Under Credit watch with Developing Implications) (08-Jun-18)	1)CARE AA+ (Under Credit watch with Developing Implications) (14-Dec-17) 2)CARE AA+ (Under Credit watch with Developing Implications) (10-Nov-17)
2.	Term Loan-Long Term	LT	13825.81	CARE B+ (Under Credit watch with Negative Implications)	1)CARE B+ (Under Credit watch with Negative Implications) (24-Aug-20) 2)CARE BB- (Under Credit watch with Negative Implications) (28-May-20)	1)CARE BB- (Under Credit watch with Negative Implications) (17-Feb-20) 2)CARE BBB- (Under Credit watch with Negative Implications) (22-Nov-19) 3)CARE A- (Under Credit watch with Negative Implications) (30-Oct-19) 4)CARE A; Negative	1)CARE AA-; Negative (21-Feb-19) 2)CARE AA-; Negative (15-Feb-19) 3)CARE AA; Negative (26-Nov-18) 4)CARE AA; Negative (13-Nov-18) 5)CARE AA; Negative (26-Sep-18) 6)CARE AA; Negative (11-Sep-18) 7)CARE AA (Under Credit	1)CARE AA+ (Under Credit watch with Developing Implications) (14-Dec-17) 2)CARE AA+ (Under Credit watch with Developing Implications) (10-Nov-17)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
						(08-Aug-19) 5)CARE A+; Negative (10-Jun-19)	watch with Developing Implications) (03-Jul-18) 8)CARE AA (Under Credit watch with Developing Implications) (08-Jun-18)	
3.	Fund-based - LT-Bank Overdraft	LT	-	-	1)Withdrawn (28-May-20)	1)CARE BB- (Under Credit watch with Negative Implications) (17-Feb-20) 2)CARE BBB- (Under Credit watch with Negative Implications) (22-Nov-19) 3)CARE A- (Under Credit watch with Negative Implications) (30-Oct-19) 4)CARE A; Negative (08-Aug-19) 5)CARE A+; Negative (10-Jun-19)	1)CARE AA-; Negative (21-Feb-19) 2)CARE AA-; Negative (15-Feb-19) 3)CARE AA; Negative (26-Nov-18) 4)CARE AA; Negative (13-Nov-18) 5)CARE AA; Negative (26-Sep-18) 6)CARE AA; Negative (11-Sep-18) 7)CARE AA (Under Credit watch with Developing Implications) (03-Jul-18) 8)CARE AA (Under Credit watch with Developing Implications) (08-Jun-18)	1)CARE AA+ (Under Credit watch with Developing Implications) (14-Dec-17) 2)CARE AA+ (Under Credit watch with Developing Implications) (10-Nov-17)
4.	Debentures-Non Convertible Debentures	LT	6000.00	CARE B+ (Under Credit watch with Negative Implications)	1)CARE B+ (Under Credit watch with Negative Implications) (24-Aug-20) 2)CARE BB- (Under Credit watch with Negative Implications)	1)CARE BB- (Under Credit watch with Negative Implications) (17-Feb-20) 2)CARE BBB- (Under Credit watch with Negative Implications)	1)CARE AA-; Negative (15-Feb-19) 2)CARE AA; Negative (26-Nov-18) 3)CARE AA; Negative (13-Nov-18) 4)CARE AA;	1)CARE AA+ (Under Credit watch with Developing Implications) (10-Nov-17)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
					Implications) (28-May-20)	Implications) (22-Nov-19) 3)CARE A- (Under Credit watch with Negative Implications) (30-Oct-19) 4)CARE A; Negative (08-Aug-19) 5)CARE A+; Negative (10-Jun-19)	Negative (11-Sep-18) 5)CARE AA (Under Credit watch with Developing Implications) (03-Jul-18) 6)CARE AA (Under Credit watch with Developing Implications) (08-Jun-18)	
5.	Commercial Paper	ST	-	-	-	1)Withdrawn (08-Aug-19) 2)CARE A1+ (10-Jun-19)	1)CARE A1+ (15-Feb-19) 2)CARE A1+ (26-Nov-18) 3)CARE A1+ (13-Nov-18) 4)CARE A1+ (11-Sep-18) 5)CARE A1+ (Under Credit watch with Developing Implications) (03-Jul-18) 6)CARE A1+ (Under Credit watch with Developing Implications) (08-Jun-18)	1)CARE A1+ (Under Credit watch with Developing Implications) (10-Nov-17)
6.	Debentures-Non Convertible Debentures	LT	1500.00	CARE B+ (Under Credit watch with Negative Implications)	1)CARE B+ (Under Credit watch with Negative Implications) (24-Aug-20) 2)CARE BB- (Under Credit watch with Negative Implications) (28-May-20)	1)CARE BB- (Under Credit watch with Negative Implications) (17-Feb-20) 2)CARE BBB- (Under Credit watch with Negative Implications) (22-Nov-19) 3)CARE A- (Under Credit watch with Negative	1)CARE AA-; Negative (15-Feb-19) 2)CARE AA; Negative (26-Nov-18) 3)CARE AA; Negative (13-Nov-18) 4)CARE AA; Negative (11-Sep-18) 5)CARE AA (Under Credit watch with Developing	-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
						Implications) (30-Oct-19) 4)CARE A; Negative (08-Aug-19) 5)CARE A+; Negative (10-Jun-19)	Implications) (23-Aug-18)	
7.	Non-fund-based - ST-BG/LC	ST	-	-	-	1)Withdrawn (08-Aug-19) 2)CARE A1+ (10-Jun-19)	1)CARE A1+ (21-Feb-19) 2)CARE A1+ (15-Feb-19) 3)CARE A1+ (26-Nov-18) 4)CARE A1+ (13-Nov-18) 5)CARE A1+ (26-Sep-18)	-
8.	Fund-based - ST-Term loan	ST	-	-	-	1)Withdrawn (08-Aug-19) 2)CARE A1+ (10-Jun-19)	1)CARE A1+ (21-Feb-19) 2)CARE A1+ (15-Feb-19) 3)CARE A1+ (26-Nov-18) 4)CARE A1+ (13-Nov-18) 5)CARE A1+ (26-Sep-18)	-
9.	Fund-based - ST-Term loan	ST	-	-	-	1)Withdrawn (10-Jun-19)	1)CARE A1+ (21-Feb-19)	-

Annexure-3: List of subsidiaries, associates and joint ventures of VIL getting consolidated (list as on September 30, 2020)

S.No.	Name of the company	% shareholding of VIL
2	Vodafone M-Pesa Limited	100.00%
3	Vodafone Idea Manpower Services Limited (formerly Idea Cellular Services Limited)	100.00%
4	Vodafone Idea Business Services Limited (formerly Vodafone Business Services Limited)	100.00%
5	Vodafone Idea Communication Systems Limited (formerly Mobile Commerce Solutions Limited)	100.00%
6	Vodafone Idea Shared Services Limited (formerly Vodafone India Ventures Limited)	100.00%
7	Vodafone Idea Technology Solutions Limited (formerly Vodafone Technology Solutions Limited)	100.00%
9	You Broadband India Limited	100.00%
10	Vodafone Foundation	100.00%
11	Vodafone Telecom Infrastructure Limited (formerly Vodafone Towers Limited)	100.00%
12	You System Integration Private Limited	100.00%
13	Connect (India) Mobile Technologies Private Limited	100.00%
14	Indus Tower Limited [^]	11.15%
15	Firefly Networks Limited [^]	50.00%
16	Aditya Birla Idea Payments Bank Limited*	49.00%

[^]-Joint Ventures * -Associate

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Debentures-Non Convertible Debentures	Simple
2.	Non-fund-based - LT-BG/LC	Simple
3.	Term Loan-Long Term	Simple

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.

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