Reliance Jio Infocomm Limited

October 3, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	50,000	CARE AAA; Stable	Reaffirmed
Non-convertible debentures	5,000	CARE AAA; Stable	Reaffirmed
Non-convertible debentures	5,000	CARE AAA; Stable	Reaffirmed
Commercial paper	35,000	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities and instruments of Reliance Jio Infocomm Limited (RJIL) continue to factor in pan-India unified license available to RJIL and a large spectrum holding along-with market-leading position in the telecom & broadband market leading to consistent improvement in operating performance, since commencement of its commercial operations, which also continued during FY23 (refers to the period April 1 to March 31) and Q1FY24. The ratings also derive comfort from RJIL's comfortable capital structure and strong liquidity.

Furthermore, 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) along with the importance of the digital services business vertical within the Reliance group's future growth plans, further underpin RJIL's ratings.

The above rating strengths largely offset the exposure of RJIL to the inherent risks owing to its presence in the highly-regulated telecom sector as well as exposure to competitive business environment. During FY23, RJIL has acquired the large quantum of spectrum to provide 5G services in India and is also incurring large-size capital expenditure (capex) for 5G deployment across the country by December 2023. Timely & adequate monetisation from these large investments, will be a key monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Not applicable

Negative factors:

- Deterioration in the credit profile of RIL and weakening of strategic importance of RJIL to the RIL group.
- Significant decline in return on capital employed (ROCE) on a sustained basis arising from weakening of its business risk profile.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that RJIL's leadership position in the Indian telecom & broadband market with its improving operating performance shall lead to sustenance of its strong credit profile.

Detailed description of the key rating drivers:

Key strengths

Leadership position in the Indian telecom sector

There has been a steady growth in the subscriber base of RJIL. As on June 30, 2023, there were approximately 448.5 million subscribers on the Jio's telecom network vis-à-vis approximately 410.2 million subscribers on March 31, 2022. In terms of wireless subscriber base, RJIL has a leading market share of around 38% as on June 30, 2023 as per the latest Telecom Regulatory Authority of India (TRAI) report, and continues to be the industry leader in terms of network capacity and performance. The company had also launched its Fibre-to-the-Home (FTTH) Jio Fiber broadband service during FY20. RJIL also has leading market share of around 52% as on June 30, 2023 in broadband segment. 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.

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 ₹87,947 crore via the auction conducted by the Department of Telecommunication in July

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

2022. RJIL acquired 25,036 MHz of spectrum in 700 MHz, 800 MHz, 1800 MHz, 3300 MHz and 26 GHz band across the 22 telecom circles for a period of 20 years. The average life of RJIL's spectrum holding is about 7 to 18 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.

Strong and resourceful parentage
RJIL is the telecom arm of the Reliance group. RIL held 66.43% equity stake in RJIL as on March 31, 2023 through Jio Platforms Limited. RJIL derives significant comfort and flexibility from its strong and resourceful ultimate parent, RIL. RIL is India's largest private sector enterprise with businesses across the new energy and materials value chain, along with 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. 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 a lot of synergy between the group's digital services business with its retail as well as media business. 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.

Strong operating performance leading to consistent growth in revenue and profitability
RJIL's Average Revenue Per User (ARPU) continued to improve from ₹167.6 per month in Q4FY22 to ₹180.5 per month in Q1FY24. RJIL reported a total operating income (TOI) of ₹90,786 crore in FY23 and ₹24,127 crore in Q1FY24, up by 18% and 10%, 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, focus on postpaid & enterprise segments along with ramp-up of its wireline services. The company reported PBILDT margin of 51.50% and 52.48% in FY23 (48.95% in FY22) and Q1FY24 respectively, primarily due to continued traction on data & voice usage per customer along with significant cost efficiencies. Amidst RJIL's plan to rollout 5G network on a pan-India basis by December 2023, its APRU is expected to strengthen further in the medium term.

Comfortable capital structure; albeit likely to moderate going forward
RJIL's capital structure remained comfortable, despite substantial addition of deferred payment liabilities of ₹80,082 crore post spectrum purchase in July 2022, aided by strong equity capital base. Consequently, the overall gearing, although moderated, remained comfortable at 0.81x as on March 31, 2023 (0.47x as on March 31, 2022). RJIL is expected to incur total capex of ₹2 trillion, which includes the acquired spectrum for ₹87,947 crore and balance towards setting up of 5G infrastructure, being funded largely through internal accruals along with term debt & capital creditors. RJIL has a plan to rollout 5G network on a pan-India basis by December 2023. Consequently, its leverage is expected to moderate in the near term on the back of the expedited rollout of 5G network.

Liquidity: Strong
RJIL's strong liquidity is marked by strong cash accruals vis-à-vis its term debt repayment obligations. RJIL has demonstrated healthy revenues and superior profitability since its launch, and the same is expected to demonstrate steady improvement going forward. It had cash and liquid investments of ₹1,037 crore as on March 31, 2023. RJIL has an adequate gearing headroom to avail addition debt to fund its planned capex. Furthermore, being a part of the Reliance group, it also has superior financial flexibility.

Key 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. Despite significant consolidation of market position of major players, the industry continues to remain competitive, underlined by inability of telecom companies to raise tariff adequately, despite incurring substantial investment on rapid technological upgrades. Consequently, further growth in RJIL's market share at reasonable ARPU levels would remain a key monitorable in the long term.

Large size investments to roll out 5G service

RJIL acquired 5G spectrum across various bands for a total value of ₹87,947 crore in July 2022. RJIL opted for the deferred payment option and paid an upfront amount of ₹7,865 crore and balance of ₹80,082 crore is payable in 19 equated annual instalments which commenced from August 2023 at ROI of 7.20% p.a. RJIL has been incurring sizeable capex to roll-out its 5G services across the country by December 2023 which is being funded through long tenor debt and internal accruals. Accordingly, timely monetisation of these investments along-with adequate returns on the same will be a key monitorable in the medium term.

Applicable criteria

Policy on Default Recognition
Rating Outlook and Credit Watch
Mobile Service Provider
Factoring Linkages Parent Sub JV Group
Financial Ratios – Non-financial Sector
Liquidity Analysis of Non-financial Sector Entities
Short Term Instruments

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Telecommunication	Telecommunication	Telecom - Services	Telecom - Cellular & Fixed line services

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, 2023). 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. The company is expected to roll out its 5G network by December 2023. Apart from the network, the company has worked with partners to set-up an eco-system of devices, applications and content.

Brief Financials (₹ crore)	FY22 (A)	FY23 (A)	Q1FY24 (UA)
Total operating income	76,977	90,786	24,127
PBILDT	37,679	46,753	12,663
PAT	14,817	18,207	4,863
Overall gearing (times)	0.47	0.81	NA
Interest coverage (times)	8.51	11.41	13.04

A: Audited UA: Unaudited; NA: Not Available; Note: 'the above results are latest financial results available'

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 instrument/facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

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
Commercial paper-Commercial paper (Standalone) #	Proposed	-	-	-	35,000	CARE A1+
Debentures-Non-convertible debentures	INE110L08078	05-01-2022	6.20	05-01-2027	5,000	CARE AAA; Stable
Debentures-Non-convertible debentures	Proposed	-	-	-	5,000	CARE AAA; Stable
Fund-based - LT-External commercial borrowings	-	-	-	June 2028	4,420	CARE AAA; Stable
Fund-based - LT-Term loan	-	-	-	January 2029	10,225	CARE AAA; Stable
Fund-based - LT-Working capital limits	-	-	-	-	6,641.51	CARE AAA; Stable
Non-fund-based - LT-BG/LC	-	-	-	-	28,713.49	CARE AAA; Stable

 # No commercial paper issue o/s as on Sept. 30, 2023

Annexure-2: Rating history for the 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 2023-2024	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
1	Debentures-Non-convertible debentures	LT	-	-	-	-	-	1)Withdrawn (25-May-20)
2	Fund-based - LT-Term loan	LT	-	-	-	-	-	1)Withdrawn (08-Oct-20)
3	Fund-based - LT-Term loan	LT	10225.00	CARE AAA; Stable	1)CARE AAA; Stable (20-Apr-23)	1)CARE AAA; Stable (04-Oct-22)	1)CARE AAA; Stable (05-Oct-21)	1)CARE AAA; Stable (08-Oct-20)
4	Commercial paper-Commercial paper (Standalone)	ST	35000.00	CARE A1+	-	1)CARE A1+ (04-Oct-22)	1)CARE A1+ (05-Oct-21)	1)CARE A1+ (08-Oct-20)
5	Debentures-Non-convertible debentures	LT	-	-	-	-	-	1)Withdrawn (25-May-20)
6	Debentures-Non-convertible debentures	LT	-	-	-	-	-	1)Withdrawn (25-May-20)

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	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
7	Debentures-Non-convertible debentures	LT	-	-	-	-	-	1)Withdrawn (25-May-20)
8	Debentures-Non-convertible debentures	LT	-	-	-	-	-	1)Withdrawn (25-May-20)
9	Debentures-Non-convertible debentures	LT	-	-	-	-	-	1)Withdrawn (25-May-20)
10	Debentures-Non-convertible debentures	LT	5000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (04-Oct-22)	1)CARE AAA; Stable (30-Dec-21)	-
11	Debentures-Non-convertible debentures	LT	5000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (04-Oct-22)	-	-
12	Fund-based - LT-Working capital limits	LT	6641.51	CARE AAA; Stable	1)CARE AAA; Stable (20-Apr-23)	-	-	-
13	Fund-based - LT-External commercial borrowings	LT	4420.00	CARE AAA; Stable	1)CARE AAA; Stable (20-Apr-23)	-	-	-
14	Non-fund-based - LT-BG/LC	LT	28713.49	CARE AAA; Stable	1)CARE AAA; Stable (20-Apr-23)	-	-	-

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial paper-Commercial paper (Standalone)	Simple
2	Debentures-Non-convertible debentures	Simple
3	Fund-based - LT-External commercial borrowings	Simple
4	Fund-based - LT-Term loan	Simple
5	Fund-based - LT-Working capital limits	Simple
6	Non-fund-based - LT-BG/LC	Simple

Annexure-5: Lender details

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

Note on the complexity levels of the rated instruments: CARE Ratings 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.

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About us:

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