

Reliance Jio Infocomm Limited

October 03, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	46,700	CARE AAA; Stable	Reaffirmed
Short-term bank facilities	3,300	CARE A1+	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

Ratings assigned to bank facilities and instruments of Reliance Jio Infocomm Limited (RJIL) continue to factor in its market-leading position in Indian telecom and broadband market with a large spectrum holding, leading to consistent improvement in operating performance, since commencement of its commercial operations, which also continued in FY24 (refers to April 1 to March 31) and Q1FY25. Ratings also derive comfort from RJIL's comfortable capital structure and strong liquidity.

RJIL's strong and resourceful ultimate parent – Reliance Industries Limited (RIL, rated 'CARE AAA; Stable/CARE A1+'), holding majority shareholding in RJIL through its subsidiary, Jio Platforms Limited (JPL), and strategic importance of digital services business vertical in RIL group's future growth plans, further underpin its ratings.

Above rating strengths largely offset RJIL's exposure to inherent risks owing to its presence in highly regulated telecom sector and competitive business environment. In last few years, RJIL has acquired large quantum of spectrum to provide 5G services in India and has incurred large-size capital expenditure for 5G deployment across the country. Timely and 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:

- 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 and broadband market with its improving operating performance shall lead to sustenance of its strong credit profile.

Detailed description of key rating drivers:

Key strengths

Leadership position in the Indian telecom sector

RJIL has been able to steadily grow its subscriber base resulting in 489.7 million subscribers on Jio's telecom network as on June 30, 2024 against 439.3 million subscribers as on March 31, 2023. In wireless telecom segment, RJIL has a leading market share of around 41% as on July 31, 2024, per 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 in FY20. In broadband segment as well, RJIL has a leading market share of around 52% as on July 31, 2024.

Large and liberalised spectrum holding

RJIL's total spectrum footprint has increased significantly from 1,732 MHz to 26,801 MHz (uplink and downlink) through acquisition of spectrum, for 20 years, at a total consideration of ₹87,947 crore and ₹974 crore via auction conducted by the Department of Telecommunication in July 2022 and June 2024 respectively. RJIL has its spectrum holding in 700 MHz, 800 MHz, 1800 MHz, 2,300 MHz, 3300 MHz and 26 GHz bands across 22 telecom circles. This spectrum footprint ensures availability of spectrum in all three bands (low-band, mid-band, and high-band) across the country. This spectrum holding can be used for rolling out technology without any regulatory restriction. This and access to extensive fibre infrastructure and fiberised towers should enable the company to deliver services with faster speeds, lower latency, and enhanced coverage in dense areas.

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

Strong and resourceful parentage

RJIL is the telecom arm of the Reliance group. RIL held 66.43% equity stake in RJIL as on June 30, 2024 through Jio Platforms Limited. RJIL derives significant comfort and flexibility from its strong and resourceful ultimate parent, RIL, which is India's largest private sector enterprise with businesses across energy, materials value chain, and leadership position in consumer-facing Indian retail and telecom sectors. RIL is the flagship company of the Reliance (Mukesh D. Ambani) group. RJIL's management is represented by Board of Directors comprising eminent personalities with vast experience in their respective fields.

Significant importance of telecom venture in overall group strategy of RIL

RIL has made large investments in its telecom venture (RJIL), which is treated as a key business segment for Reliance group. Moreover, there is significant synergy between the group's digital services business with its retail and media business. RJIL's day-to-day operations are closely monitored by RIL's management, and both entities also have common Board members. RIL group intends to further cement its leadership position in its consumer-facing businesses, in which its telecom venture, RJIL, plays a major role.

Strong operating performance leading to consistent growth in revenue and profitability

RJIL reported a total operating income (TOI) of ₹100,119 crore in FY24 and ₹26,478 crore in Q1FY25, up by 10% Y-o-Y. This improvement was mainly due to continued addition of customers, extensive data, and voice usage aided by its PAN-India distribution network of over one million retailers and focus on postpaid, FTTH, and enterprise segments. The company reported PBILDT margin of 52.40% and 52.57% in FY24 (51.50% in FY23) and Q1FY25, respectively, primarily due to continued traction on data and voice usage per customer and significant cost efficiencies. RJIL's average revenue per user (ARPU) continued to improve from ₹178.8 per month in Q4FY23 to ₹181.7 per month in Q1FY25.

Post PAN-India rollout of its 5G services by December 2023, RJIL undertook tariff hike of 13%-25% across its plans. RJIL's ARPU is expected to gradually strengthen, in the medium term, aided by monetisation of its 5G services.

Comfortable capital structure

RJIL has incurred large capex of around ₹2 trillion, for rollout of 5G network, funded through deferred payment liabilities, term debt and internal accruals. RJIL's capital structure remained comfortable, despite substantial addition of term debt and deferred payment liabilities of ₹80,082 crore post spectrum purchase in July 2022, aided by strong equity capital base. Consequently, overall gearing, remained comfortable at 0.80x as on March 31, 2024 (0.81x as on March 31, 2023). RJIL's leverage is expected to improve gradually, on the back of monetisation of its 5G services and limited capex requirements, in the medium term.

Liquidity: Strong

RJIL's strong liquidity is marked by strong cash accruals against repayment obligations with respect to its term debt and deferred liabilities. 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 ₹8,416 crore as on August 31, 2024 and large unutilised bank limits. Being a part of the Reliance group, it has superior financial flexibility.

Key weaknesses

Exposure to inherent regulatory risks and intense competition in Indian telecom sector

The company is exposed to competitive and regulatory risks associated with Indian telecom industry. Despite significant consolidation of market position of major players, 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 investment incurred to rollout 5G service

RJIL has incurred large capex of around ₹2 trillion to roll-out its 5G services across the country, funded through deferred payment liabilities, long tenor debt, and internal accruals. RJIL acquired 5G spectrum across bands for a total value of ₹87,947 crore in July 2022. RJIL opted for 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. Accordingly, timely monetisation of these investments along-with adequate returns on the same will be a key monitorable in the medium term.

Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Mobile Service Provider](#)

[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 telecom market in India. RJIL is a wholly-owned subsidiary of JPL, which in turn is majority held by RIL (66.43% stake as on June 30, 2024). RJIL has built a world-class all-IP data network with latest 4G LTE/5G technology. This network can be easily upgraded to support even more data, as technologies advance to 6G and beyond. Apart from telecom network, the company has worked with partners to set-up an eco-system of devices, applications, and content.

Brief Financials (₹ crore)	FY23 (A)	FY24 (A)	Q1FY25 (UA)
Total operating income	90,786	100,119	26,478
PBILDT	46,753	52,467	13,920
PAT	18,207	20,466	5,445
Overall gearing (times)	0.81	0.80	NA
Interest coverage (times)	11.41	13.01	12.64

A: Audited; UA: Unaudited; NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Covenants of rated instrument/facility: Annexure-3

Complexity level of 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)	INE110L14SE3	13-08-2024	7.19%	08-11-2024	1,000	CARE A1+
	INE110L14SE3	12-08-2024	7.19%	08-11-2024	500	
	INE110L14SE3	13-08-2024	7.19%	08-11-2024	200	
	INE110L14SF0	22-08-2024	7.22%	14-11-2024	75	
	INE110L14SF0	22-08-2024	7.22%	14-11-2024	200	
	INE110L14SG8	22-08-2024	7.22%	07-11-2024	500	
	INE110L14SI4	23-08-2024	7.22%	22-11-2024	2,000	
	INE110L14SH6	26-08-2024	7.22%	25-11-2024	750	
	INE110L14SH6	26-08-2024	7.22%	25-11-2024	200	
	INE110L14SH6	29-08-2024	7.22%	25-11-2024	150	
	INE110L14SH6	30-08-2024	7.22%	25-11-2024	250	
	INE110L14SJ2	03-09-2024	7.22%	03-12-2024	1,000	
	INE110L14SJ2	03-09-2024	7.22%	03-12-2024	150	
	INE110L14SJ2	03-09-2024	7.22%	03-12-2024	500	
	INE110L14SJ2	05-09-2024	7.22%	03-12-2024	250	
	INE110L14SK0	06-09-2024	7.26%	06-12-2024	500	
	INE110L14SK0	06-09-2024	7.26%	06-12-2024	200	
	INE110L14SK0	06-09-2024	7.26%	06-12-2024	250	
	INE110L14SK0	06-09-2024	7.26%	06-12-2024	200	

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
	INE110L14SK0	06-09-2024	7.26%	06-12-2024	100	
	INE110L14SK0	06-09-2024	7.26%	06-12-2024	100	
	INE110L14SK0	06-09-2024	7.26%	06-12-2024	100	
	INE110L14SK0	06-09-2024	7.26%	06-12-2024	100	
	INE110L14SK0	06-09-2024	7.26%	06-12-2024	250	
	INE110L14SK0	06-09-2024	7.26%	06-12-2024	200	
	INE110L14SK0	06-09-2024	7.26%	06-12-2024	500	
	INE110L14SK0	06-09-2024	7.26%	06-12-2024	100	
	INE110L14SL8	09-09-2024	7.26%	09-12-2024	200	
	INE110L14SL8	09-09-2024	7.26%	09-12-2024	700	
	INE110L14SL8	09-09-2024	7.26%	09-12-2024	500	
	INE110L14SL8	10-09-2024	7.26%	09-12-2024	200	
	INE110L14SL8	10-09-2024	7.26%	09-12-2024	500	
	INE110L14SL8	11-09-2024	7.26%	09-12-2024	300	
	Proposed	-	-	-	22,275	
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	5,569	CARE AAA; Stable
Fund-based - LT-Term loan	-	-	-	January 2029	8,250	CARE AAA; Stable
Fund-based - LT-Working capital limits	-	-	-	-	17,058	CARE AAA; Stable
Fund-based - ST-Daylight Overdraft Credit Facility	-	-	-	-	3,300	CARE A1+
Non-fund-based - LT-BG/LC	-	-	-	-	15,823	CARE AAA; Stable

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Term loan	LT	8,250	CARE AAA; Stable	-	1)CARE AAA; Stable (12-Dec-23) 2)CARE AAA; Stable (03-Oct-23) 3)CARE AAA; Stable (20-Apr-23)	1)CARE AAA; Stable (04-Oct-22)	1)CARE AAA; Stable (05-Oct-21)
2	Commercial paper-Commercial paper (Standalone)	ST	35,000	CARE A1+	-	1)CARE A1+ (12-Dec-23) 2)CARE A1+ (03-Oct-23)	1)CARE A1+ (04-Oct-22)	1)CARE A1+ (05-Oct-21)
3	Debentures-Non-convertible debentures	LT	5,000	CARE AAA; Stable	-	1)CARE AAA; Stable (12-Dec-23) 2)CARE AAA; Stable (03-Oct-23)	1)CARE AAA; Stable (04-Oct-22)	1)CARE AAA; Stable (30-Dec-21)
4	Debentures-Non-convertible debentures	LT	5,000	CARE AAA; Stable	-	1)CARE AAA; Stable (12-Dec-23) 2)CARE AAA; Stable (03-Oct-23)	1)CARE AAA; Stable (04-Oct-22)	-
5	Fund-based - LT-Working capital limits	LT	17,058	CARE AAA; Stable	-	1)CARE AAA; Stable (12-Dec-23) 2)CARE AAA; Stable (03-Oct-23) 3)CARE AAA; Stable (20-Apr-23)	-	-
6	Fund-based - LT-External commercial borrowings	LT	5,569	CARE AAA; Stable	-	1)CARE AAA; Stable (12-Dec-23) 2)CARE AAA; Stable (03-Oct-23) 3)CARE AAA; Stable (20-Apr-23)	-	-
7	Non-fund-based - LT-BG/LC	LT	15,823	CARE AAA; Stable	-	1)CARE AAA; Stable (12-Dec-23) 2)CARE AAA; Stable (03-Oct-23) 3)CARE AAA; Stable (20-Apr-23)	-	-
8	Fund-based - ST-Daylight Overdraft Credit Facility	ST	3,300	CARE A1+	-	1)CARE A1+ (12-Dec-23)	-	-

LT: Long term; ST: Short term

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

Annexure-4: Complexity level of 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	Fund-based - ST-Daylight overdraft credit facility	Simple
7	Non-fund-based - LT-BG/LC	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of 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 clarifications.

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