



25 August 2023

National Stock Exchange of India Limited
"Exchange Plaza",
Bandra - Kurla Complex,
Bandra (E),
Mumbai – 400 051

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001

Dear Sirs,

Sub: Disclosure under Regulation 30 – Revision in Credit Rating

Ref: "Vodafone Idea Limited" (IDEA / 532822)

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, it is hereby informed that Care Ratings Limited (CARE), has reaffirmed its rating and revised the outlook assigned to the Long Term Bank Facilities and Non-Convertible Debentures from 'Positive' to 'Stable' as per the rating rationale uploaded on its website yesterday (i.e. on 24.08.2023).

The revised credit rating is as under:

Credit Rating Agency	Type of Credit Rating	Rating / Outlook	Rating Action
CARE	Long Term Bank Facilities	CARE B+ (Outlook : Stable)	Reaffirmed Outlook revised from Positive to Stable
	Short Term Bank Facilities	CARE A4	Reaffirmed
	Non-Convertible Debentures	CARE B+ (Outlook : Stable)	Reaffirmed Outlook revised from Positive to Stable

The above is for your information and dissemination to the members. The report received from the credit rating agency is enclosed herewith.

Thanking you,

Yours truly,

For **Vodafone Idea Limited**

Pankaj Kapdeo
Company Secretary

Encl: as above

Vodafone Idea Limited

August 24, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	12,203.00 (Reduced from 15,946.00)	CARE B+; Stable	Reaffirmed; Outlook revised from Positive
Short-term bank facilities	2,000.00	CARE A4	Reaffirmed
Non-convertible debentures	1,500.00	CARE B+; Stable	Reaffirmed; Outlook revised from Positive

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has revised the outlook assigned to the long-term bank facilities and instruments of Vodafone Idea Limited (VIL) from 'Positive' to 'Stable' acknowledging delay in fund raising from investors and financial institutions against the envisaged timelines, while the ratings have been reaffirmed.

The ratings factor in the experienced management team, pan-India telecom presence with high brand recognition supported by a stable outlook for the Indian telecommunications industry, stance of the promoter groups [i.e., the Aditya Birla group (ABG) and the Vodafone group Plc (VGP)] in assisting the entity and majority shareholding (33.14% as on June 30, 2023) of the Government of India through the Department of Investment and Public Asset Management.

Furthermore, the ratings take cognisance of the receipt of commitment from a promoter group entity confirming direct or indirect financial support to the extent of ₹2,000 crore to address impending obligations of the company arising out of any cash flow mismatch.

The ratings, however, remain underpinned by VIL's deteriorated financial risk profile, wherein, the tangible net-worth has eroded, its constantly declining subscriber base and delay in raising funds - both debt and equity, thereby dampening its efforts to gain market share through expansion of 4G services and timely rollout of 5G services.

Furthermore, the ratings take into account the company's exposure to the inherent regulatory risks of the industry and the intensely competitive business environment. Going forward, the ability of the company to raise funds to address the existing strain in liquidity and undertake capex to implement 5G to augment the subscriber base and consequent traction in revenues will be key rating monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Successful tie-up of debt from banks/FIs and infusion of equity aiding sustainability.

Negative factors

- Significant delay in fund raising plans (including debt and equity infusion) thereby weakening VIL's financial risk profile.
- Significant impact in revenue on account of erosion in subscriber base.

Analytical approach: Consolidated

List of subsidiaries and associated entities getting consolidated:

S.No.	Name of the company	% shareholding as on June 30, 2023
1	Vodafone Idea Manpower Services Limited	100.00%
2	Vodafone Idea Business Services Limited	100.00%
3	Vodafone Idea Communication System Limited	100.00%
4	Vodafone Idea Shared Services Limited	100.00%
5	You Broadband India Limited	100.00%
6	Vodafone Foundation	100.00%
7	Vodafone Idea Telecom Infrastructure Limited	100.00%
8	Vodafone Idea Technology Solutions Limited	100.00%
9	Connect India Mobile Technologies Private Limited*	100.00%
10	Vodafone M-Pesa Limited	100.00%
11	Firefly Networks Limited^	50.00%

^ Joint Venture; *Merged with VICSL

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

Outlook: Stable

The outlook for the bank facilities of VIL has been revised from 'Positive' to 'Stable' due to delay in raising funds from investors and financial institutions against the envisaged timelines resulting in postponement of implementing revival plan. However, the 'Stable' outlook is on the expectation of continuous support from the promoter groups and infusion of funds by way of equity and long-term debt funds, which will provide liquidity support to VIL, implement 5G roll out to augment the subscriber base and improve revenue visibility.

Detailed description of the key rating drivers**Key weaknesses****Weak financial risk profile of the company**

VIL's financial risk profile continued to be weak in FY23 (refers to the period April 2022 to March 2023). The total operating income of the company surged by 9.5% from ₹38,509 crore from FY22 to ₹42,160 crore supported by increase in 4G subscriber resulting in change in subscriber mix, increase in tariff plans despite witnessing decline in overall subscriber base by 7% from 243.8 mn as of Q4FY22 to 225.9 mn as of Q4FY23. Yet the company made losses at profit after tax (PAT) level of ₹29,301 crore in FY23 as compared to ₹28,245 crore in FY21 which has further eroded its network.

The fall/dip in the subscriber base continued through Q1FY24 and VIL incurred losses of ₹7,840 crore at PAT level as against ₹7297 crore for the corresponding period of previous year, while the operating income has been stable at ₹10,655 crore as against ₹10,410 crore for the corresponding quarter. This is largely attributed to change in subscriber mix with migration of more users to 4G.

Furthermore, the independent auditor's report on audited consolidated financial results of the company mentions the ability to continue as a going concern is dependent on raising additional funds as required, successful negotiations with lenders and vendors for continued support and generation of cash flow from operations that it needs to settle its liabilities as they fall due.

The total gross debt (excluding lease liabilities and including interest accrued but not due) stood at ₹2,11,760 crore, comprising deferred spectrum payment obligations of ₹1,33,740 crore (including ₹17,260 crore towards spectrum acquired in the recent spectrum auction) and adjusted gross revenue (AGR) liability of ₹66,860 crore payable to the Government of India (GoI) and debt from banks and financial institutions of ₹9,500 crore followed by Optionally Convertible Debentures (OCD) amounting to ₹1,600 crore as on June 30, 2023.

Delay in fund-raising plan leading to strain in liquidity

VIL had planned raising of funds from the promoters/FIIs and long-term debt from lenders for capex related to the 4G expansion and roll-out of 5G services, in a bid to arrest the declining subscriber base and augment it further, in Q1FY24. However, there has been delay in fructification of the same beyond the envisaged timelines which has led to cash flow mismatches. The company faces impending bulky payment obligations in Q2FY24 towards 5G spectrum instalment, bank debt and OCDs, while the current level of cash generation is insufficient thereby resulting in liquidity strain.

In order to meet the obligations due in Q2FY24, the company has postponed 5G spectrum instalment payment by availing the grace period under the regulatory provisions and is also likely to restrict and renegotiate payment terms with opex creditors. This apart, the company has received communication from a promoter group entity confirming that in the event of any fund requirement for meeting its impending payment obligations by VIL, it shall provide direct or indirect financial support to the extent of ₹2,000 crore.

CARE Ratings believes that a long term-financing plan is of immediate requirement to VIL in order to address the existing liquidity strain arising from cashflow mismatches, implement 5G to augment the subscriber base and improve revenues, and thus timely infusion of funds continues to be a key rating monitorable.

Judgement by Hon'ble Supreme Court on AGR dues payable by VIL to the Department of Telecommunications (DoT)

Hon'ble Supreme Court in its ruling on September 01, 2020 directed telecom companies to pay 10% of total AGR dues by March 31, 2020 and balance amount in annual instalments commencing from April 01, 2021 upto March 31, 2031 payable by March 31 of every succeeding financial year. Furthermore, on July 23, 2021, the Hon'ble Supreme Court dismissed the applications filed by major TSPs, including VIL, raising the issue of alleged errors in the calculation in the figure of AGR related dues payable by them. The company had filed a review petition with the Hon'ble Supreme Court, on August 10, 2021, for considering to hear the modification application on correction of manifest / clerical / arithmetic errors in the computation of AGR demands. As on August 10, 2023, the matter is sub-judice.

Persistent competitive intensity in Indian Telecom industry impacting VIL's operational performance

The ARPU for VIL improved to Rs 139 as on June 30,2023, as compared to Rs 128 as on June 30,2022, the improvement is primarily driven by increase in 4G subscriber base by 4 Mn for the corresponding period resulting in change in subscriber mix and increase in tariff plan. However, the VIL is continuously losing its subscriber base to its competitors, which has declined by 7.9% to 221.4 Mn as of Q1FY24 from 240.4 Mn as of Q1FY23. As of March 31, 2023, the subscriber market share of the Company stands at 20.7% as per TRAI Subscription Report, which has declined from 22.8% as on March 31,2022. Based on Gross Revenue, the VIL market share declined from 19.5% to 18.1% for the above said period.

Key strengths**Established promoter group**

VIL is a part of ABG and VGP. ABG is one of the largest and oldest corporate houses in India with multinational presence. Led by Kumar Mangalam Birla, ABG 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 and fixed network operations in 22 countries and partners with mobile networks in 47 more, and fixed broadband operations in various markets.

VIL's operations are handled by a team of experienced and professionally qualified personnel headed by Akshaya Moondra as the Chief Executive Officer. Furthermore, Ravinder Takkar, the Non-Executive Chairman of the Board of VIL, has over 30 years of experience, which includes 28 years with VIL.

Conversion of interest dues by GOI

The company has availed the one-time opportunity in exercising the 4-year deferment of spectrum auction instalment and AGR dues. In this regard, based on the directive of GOI dated February 3,2023, the company has converted ₹16,133 crore of NPV of the interest amount in to shares, thereby GOI holds 33.44% as on February 7,2023. In view of the above development, it paves way for VIL to explore bank finance and or any other negotiations with creditors, new strategic investors etc. However, the ability of the company to raise equity, additional debt or refinance the existing debt from lenders or markets is viewed critical from credit perspective.

Industry outlook

The outlook of telecom sector is expected to be stable supported by an increasing rural penetration, growth in broadband subscribers and roll-out of 5G services which will lead to improvement in Average Revenue per Users (ARPU). The government has also taken major reforms to improve the profitability of the telecom operators which will provide the requisite cash flows to support growth.

During September 2021, the GoI announced major reforms for the telecom sector to address the liquidity issue of the telecom service providers (TSPs), encourage investment and to promote healthy competition in the industry. The DoT, vide its communication dated October 14, 2021, provided various options to VIL w.r.t the reforms package, including the opportunity to defer the payment of spectrum instalment and AGR and related dues for a period of 4 years and to exercise the option of paying interest for the 4 years of deferment on the deferred obligations by way of conversion into equity. VIL subsequently opted for the deferment of spectrum auction instalment dues and AGR and related dues for 4 years. It also opted for the conversion of interest related to these deferred obligations into equity and the same has been implemented during February 2023.

Other structural and procedural reforms announced by the GoI have also improved the liquidity position of VIL. As on March 31, 2023, around ₹17,200 crore bank guarantees (including ₹14,700 crore spectrum instalment guarantees) have been released by the DoT.

Liquidity: Poor

VIL had free cash & bank balances of ₹250 crore as on June 30, 2023, and the obligations for the balance period of FY24 stands at ₹8,605 crore. Despite the company resorting to minimal capex, deferring O&M creditor payments and utilization of short-term loans, the current level of cash generation is insufficient to meet debt servicing obligations, thereby liquidity remains poor. However, the articulation of the promoter entity's support to the extent of ₹2,000 crore is expected to address any impending obligations of the company arising out of any cash flow mismatches.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks:

VIL has been adopting various solutions/approaches to ensure that its networks are run in an energy efficient manner. The company's primary focus remains on reducing energy costs and minimizing environmental impact of its operations. The company's sustainability journey is complimented with its corporate responsibility agenda which is directed towards addressing some of India's critical social and developmental challenges in both rural and urban communities using the inherent potential and reach of the mobile technology and platform and reducing the environmental impact with increasing preference and usage of digital.

Applicable criteria

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non-financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Mobile Service Provider](#)

[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry classification

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

VIL is an ABG and VGP partnership. VGP owns 32.29% stake and ABG owns 18.07% stake as on June 30, 2023, in VIL. Department of Investment and Public Asset Management, Government of India holds about 33.14% as on June 30, 2023. With pan-India operations, the company is one of the largest telecom operators providing voice, data, enterprise and other value-added services across 22 service areas.

ABG is one of India's largest conglomerates having its presence across 40 countries. VGP is one of the world's largest telecommunications companies having mobile and fixed network operations in 17 countries and, partners with mobile networks in 46 more and fixed broadband operations in various market.

Brief Financials (Consolidated) (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	Q1FY24 (UA)
Total operating income	38,509	42,160	10,656
PBILDT	15,962	16,735	4,157
PAT	-28,245	-29,301	-7,840
Overall gearing (times)	NM	NM	NM
Interest coverage (times)	NM	NM	NM

A: Audited UA: Unaudited; NM: Not meaningful

Note: The financials have been reclassified as per CARE Ratings' standards

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - ST-Term loan	-	-	-	31-08-2023	2,000.00	CARE A4
Debentures-Non-Convertible Debentures	INE669E08318	03-09-2018	10.90%	02-09-2023	1,500.00	CARE B+; Stable
Non-fund-based - LT-BG/LC	-	-	-	-	5,995.00	CARE B+; Stable
Term Loan-Long Term	-	-	-	30-06-2026	6,208.00	CARE B+; Stable

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	Non-fund-based - LT-BG/LC	LT	5995.00	CARE B+; Stable	-	1)CARE B+; Positive (16-Mar-23) 2)CARE B+; Stable (31-Jan-23)	1)CARE B+; Stable (01-Feb-22) 2)CARE B- (CW with Negative Implications) (13-Aug-21)	1)CARE B+ (CW with Negative Implications) (07-Jan-21) 2)CARE B+ (CW with Negative Implications) (24-Aug-20) 3)CARE BB- (CW with Negative Implications) (28-May-20)
2	Term Loan-Long Term	LT	6208.00	CARE B+; Stable	-	1)CARE B+; Positive (16-Mar-23) 2)CARE B+; Stable (31-Jan-23)	1)CARE B+; Stable (01-Feb-22) 2)CARE B- (CW with Negative Implications) (13-Aug-21)	1)CARE B+ (CW with Negative Implications) (07-Jan-21) 2)CARE B+ (CW with Negative Implications) (24-Aug-20) 3)CARE BB- (CW with Negative Implications) (28-May-20)
3	Fund-based - LT-Bank Overdraft	LT	-	-	-	-	-	1)Withdrawn (28-May-20)
4	Debentures-Non Convertible Debentures	LT	1500.00	CARE B+; Stable	-	1)CARE B+; Positive (16-Mar-23) 2)CARE B+; Stable (31-Jan-23)	1)CARE B+; Stable (01-Feb-22) 2)CARE B- (CW with	1)CARE B+ (CW with Negative Implications) (07-Jan-21)

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
							Negative Implications) (13-Aug-21)	2)CARE B+ (CW with Negative Implications) (24-Aug-20) 3)CARE BB- (CW with Negative Implications) (28-May-20)
5	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (01-Feb-22) 2)CARE B- (CW with Negative Implications) (13-Aug-21)	1)CARE B+ (CW with Negative Implications) (07-Jan-21) 2)CARE B+ (CW with Negative Implications) (24-Aug-20) 3)CARE BB- (CW with Negative Implications) (28-May-20)
6	Fund-based - ST-Term loan	ST	2000.00	CARE A4	-	1)CARE A4 (16-Mar-23) 2)CARE A4 (31-Jan-23)	1)CARE A4 (01-Feb-22)	-

*Long term/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	Debentures-Non-Convertible Debentures	Simple
2	Fund-based - ST-Term loan	Simple
3	Non-fund-based - LT-BG/LC	Simple
4	Term Loan-Long Term	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.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

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