April 11, 2025

Vodafone Idea Limited: [ICRA]BBB- (Stable) rating assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long term – Fund-based – Term loans	2,327.00	[ICRA]BBB- (Stable); assigned
Total	**2,327.00**	

**Instrument details are provided in Annexure I*

Rationale

The assigned rating factors in Vodafone Idea Limited's (VIL) established position in the Indian mobile services market with its pan-India presence, a subscriber market share of around ~18% as of December 2024, and the presence of promoter groups - the Aditya Birla Group (ABG) and the Vodafone Group Plc - along with a shareholding of 22.60% of the Government of India (GoI) as on December 31, 2024. ICRA takes note of the GoI's latest conversion of spectrum dues worth Rs. 36,950 crore into equity, which resulted in increase its stake in VIL to ~49%, which substantiates the telecom sector's importance for the GoI and its intention to maintain a three-private player market. After the conversion of the spectrum liabilities into equity, the company is expected to raise bank debt which will help it undertake capex to strengthen its 4G network and rollout the 5G network. This, in turn, will curtail the subscriber churn, which along with expectations of tariff hikes in the future, will raise the ARPU levels and, thus, improve the OPBDITA generation. However, the AGR dues remain large and ICRA expects the GoI to consider providing additional reprieve to VIL in some form, the contours of which would evolve.

The rating also takes cognisance of the large equity fund-raise of Rs. 26,000 crore undertaken over the past 12 months between March 2024 to February 2025 including a follow-on public offer (FPO) of Rs. 18,000 crore from institutional and retail investors, conversion of optionally convertible debentures (OCD) into equity of Rs. 1,600 crore, preferential issue to Nokia and Ericsson of Rs. 2,458 crore, preferential issuance of Rs. 2,075 crore to the ABG Group and Rs. 1,910 crore to Vodafone Group Plc.

While VIL's ARPU remains the lowest among the private operators, it has been increasing, rising to Rs. 163 in Q3 FY2025 from Rs. 145 in Q3 FY2024 following the tariff hikes undertaken by all the telcos in July 2024. The Indian telecom sector is likely to witness another round of tariff hike in FY2026, which, along with an expansion of the subscriber base on the back of network improvement undertaken by VIL, is expected to boost the profit generation.

VIL plans to undertake a capex of Rs. 50,000 – 55,000 crore over the next three years, to be funded by the equity raised as mentioned above along with the proposed term debt of Rs. 25,000 crore and the balance through internal accruals. The capex will be towards expanding the 4G population coverage, 5G launch in key geographies and capacity expansion. VIL plans to increase its 4G coverage in 17 priority circles. The company continues to engage with lenders for tie-up of bank debt. A timely tie-up of the debt and implementation of the proposed capex without delay will be crucial for the company to improve its network and improve the cash flow.

The rating remains constrained by the consistent subscriber churn faced by the company which has brought down the subscriber base to around 200 million as of December 2024 from 215 million as of December 2023, amid as the capex remained muted in the past. Further, the overall deferred payment obligations towards spectrum and AGR remain elevated with a gross debt of around Rs. 2.14 lakh crore as of December 2024. The elevated debt, along with the weak profitability metrics and negative net-worth position, has translated into modest debt indicators. The bank debt remains low at around Rs. 2,330 crore as of December 2024, with the majority of the debt being in the form of deferred spectrum and adjusted gross revenue (AGR) liabilities. Majority of these liabilities are currently under a moratorium till September 2025, as per the reform package offered by the GoI in 2021. Once this period gets over, the repayment burden for the Government liabilities will increase to around Rs. 30,000 crore for FY2026 and further to Rs. 42-43,000 crore per annum, going forward. However, after the latest conversion of spectrum dues into equity, these obligations have been reduced to Rs. 19,000 crore for FY2026, Rs. 23,000 crore for FY2027 and Rs. 32,000 crore for FY2028. These annual payments include around Rs. 16,500 crore of AGR dues for which the company is in discussions with the GoI for some payment relief. A timely support from the GoI remains a key credit monitorable.

The Stable outlook reflects ICRA's expectation of adequate Government support for the repayment of AGR dues, besides the profit growth from the possibility of a tariff hike, going forward.

Key rating drivers and their description

Credit strengths

Demonstrated support from GoI and expectations of the relief measures continuing – The GoI offered a relief package to the telecom sector in 2021 under which it allowed a 4-year moratorium on spectrum and AGR dues. It also offered to convert the interest during the moratorium into equity, along with the conversion of dues post the moratorium into equity. VIL opted for the conversion of Rs. 16,133-crore interest into equity and GoI passed the order in February 2023. Following this equity conversion, the GoI shareholding in VIL stood at around 33%. The GoI's stake came down to around 22.6% following the FPO and the other equity rounds. However, the GoI has recently converted some of the spectrum dues which VIL had to pay post the moratorium, amounting to Rs. 36,950 crore, to equity which has resulted in increase in its stake in VIL to around 49%. Further, ICRA expects the GoI support to continue that will help VIL manage the AGR payables going forward as well.

Successful raising of equity funds from market and promoters - VIL successfully raised Rs. 18,000 crore from the capital markets through a follow-on public offer (FPO) in April 2024. Further, ABG infused Rs. 2,075 crore, and the Vodafone Group Plc infused Rs. 1,910 crore, apart from the conversion of some dues of the vendors into equity, taking the total quantum to around Rs. 26,000 crore in the 12 months between March 2024 to February 2025. The fund raised through the FPO indicates the positive investor sentiment and the proceeds of the funds will primarily be used to enhance the capex intensity to enable VIL to strengthen its 4G coverage and roll out 5G in select cities. This capex will help the entity in arresting the subscriber churn, thereby translating into subscriber growth. The rise in the subscriber base, along with the expected tariff hikes in the future, will help improve the revenue generation and profitability.

Established promoter group - VIL was formed by the merger of erstwhile Idea Cellular Limited promoted by the Aditya Birla Group and erstwhile Vodafone India, promoted by Vodafone Group Plc. Thus, the promoters of VIL are established business houses with multinational presence. ABG is led by Kumar Mangalam Birla, who is on the board of VIL, and also holds some stake in VIL in his personal capacity.

Credit challenges

Weak financial risk profile, marked by low profitability and sizeable deferred liabilities - VIL's financial risk profile continues to be weak. The payment obligations to the Government stood at Rs. 2.14 lakh crore as on December 31, 2024, comprising deferred spectrum payment obligations of around Rs. 1.44 lakh crore and adjusted gross revenue (AGR) liability of around Rs. 70,000 crore. Debt from the banks and financial institutions stood at Rs. 2,330 crore as on December 31, 2024. With negative net worth owing to losses, the debt metrics remained weak.

The total liabilities remain elevated and the payment towards these after the end of the moratorium in September 2025 will increase to Rs. 30,000 crore in FY2026, followed by Rs. 42-43,000 crore annually, thereafter. However, post the conversion of Rs. 36,950-crore dues into equity, the payables have come down to around Rs. 19,000 crore in FY2026 and to Rs. 23,000 crore in FY2027, of which a major chunk is in the form of AGR dues, the relief on which is yet to come. These annual payments include around Rs. 16,500 crore of AGR dues for which the company is in discussions with the GoI for some payment relief.

Subscriber churn and lack of capex impacts operational performance - VIL's ARPU improved to Rs. 163 as on December 31, 2024, compared to Rs. 145 as on December 31, 2023. However, this is still the lowest amongst the private telecom players in India. Moreover, VIL is continuously losing its subscriber base to competitors, from 215 million as of Q3 FY2024 to around 200 million as of Q3 FY2025. As on December 31, 2024, the company's subscriber market share stood at 18%, as per TRAI reports, down from 19.3% as on December 31, 2023.

Large capex outlay planned; debt tie-up remains pending - In the last 3-4 years, the company's capex intensity has remained very low, which has resulted in continuous high churn in the subscriber base. While the company has completed the equity fund-raise through the FPO for the required capex for strengthening its 4G network and rolling out 5G, it is yet to tie up the bank debt and this remains a key monitorable.

Liquidity position: Stretched

VIL had a free cash and bank balance of ~Rs. 12,090 crore as on December 31, 2024, which is largely earmarked for capex. The upcoming payments towards deferred liabilities and AGR dues remain elevated even after the recent conversion of spectrum liabilities into equity, which will keep the cash flows under pressure. While the estimated near-term cash flow position appears stretched, ICRA expects VIL to receive some further reprieve on the AGR dues from the GoI.

Rating sensitivities

Positive factors – The rating could be upgraded in case of a significant scale-up in the company's revenues and profitability.

Negative factors – The rating could be revised downwards in case of any delays or lower-than-expected Government support for the near-term deferred liabilities. Further, the inability of the company to improve its revenue and profit generation and delays in debt tie-up will be a credit negative.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Telecom Services
Parent/Group support	Not applicable
Consolidation/Standalone	ICRA has considered the consolidated financials of the entity for arriving at the rating

About the company

Vodafone Idea Limited is a pan-India telecom service provider, which is promoted by the Aditya Birla Group and Vodafone Group Plc. The company provides pan-India voice and data services across the 2G, 3G and/or 4G platforms. As of December 2024, the company had around 200 million subscribers and reported a blended ARPU of ~Rs. 163. ABG is a large Indian conglomerate with presence across various industries and geographies. VGP is a large telecommunications service provider, having mobile and fixed network operations across various geographies internationally.

Key financial indicators (Audited)

VIL	FY2023	FY2024	H1FY25*
Operating income	42,159.7	42,625.2	21,440.5
PAT	-29,301.6	-31,232.9	-13,607.8
OPBDIT/OI	39.7%	39.9%	40.8%
PAT/OI	-69.5%	-73.3%	-63.5%
Total outside liabilities/Tangible net worth (times)	-3.8	-2.8	-3.1
Total debt/OPBDIT (times)	14.2	14.3	14.3
Interest coverage (times)	0.7	0.7	0.7

*Source: Company, ICRA Research; * Unaudited numbers; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years							
	Type	Amount rated (Rs. crore)	Apr 11, 2025	FY2026		FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term loans	Long term	2,327.00	[ICRA]BBB- (Stable)	-	-	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund-based – Term loans	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	**Term loans**	NA	NA	FY2027	2,327.00	[ICRA]BBB- (Stable)

Source: Company

[*Please click here to view details of lender-wise facilities rated by ICRA*]

Annexure II: List of entities considered for consolidated analysis:

Company name*	VIL ownership*	Consolidation approach*
Vodafone Idea Manpower Services Limited	100.00	Full
Vodafone Idea Business Services Limited	100.00	Full
Vodafone Idea Communication Systems Limited	74.00	Full
Vodafone Idea Shared Services Limited	100.00	Full
You Broadband India Limited	100.00	Full
Vodafone Foundation	100.00	Full
Vodafone Idea Telecom Infrastructure Limited	100.00	Full
Vodafone Idea Technology Solutions Limited	100.00	Full
Vodafone M-Pesa Limited	100.00	Full
Firefly Networks Limited	50.00	Proportionate
Aditya Birla Idea Payments Bank Limited	49.00	Proportionate

**- Details are as on December 31, 2024.*

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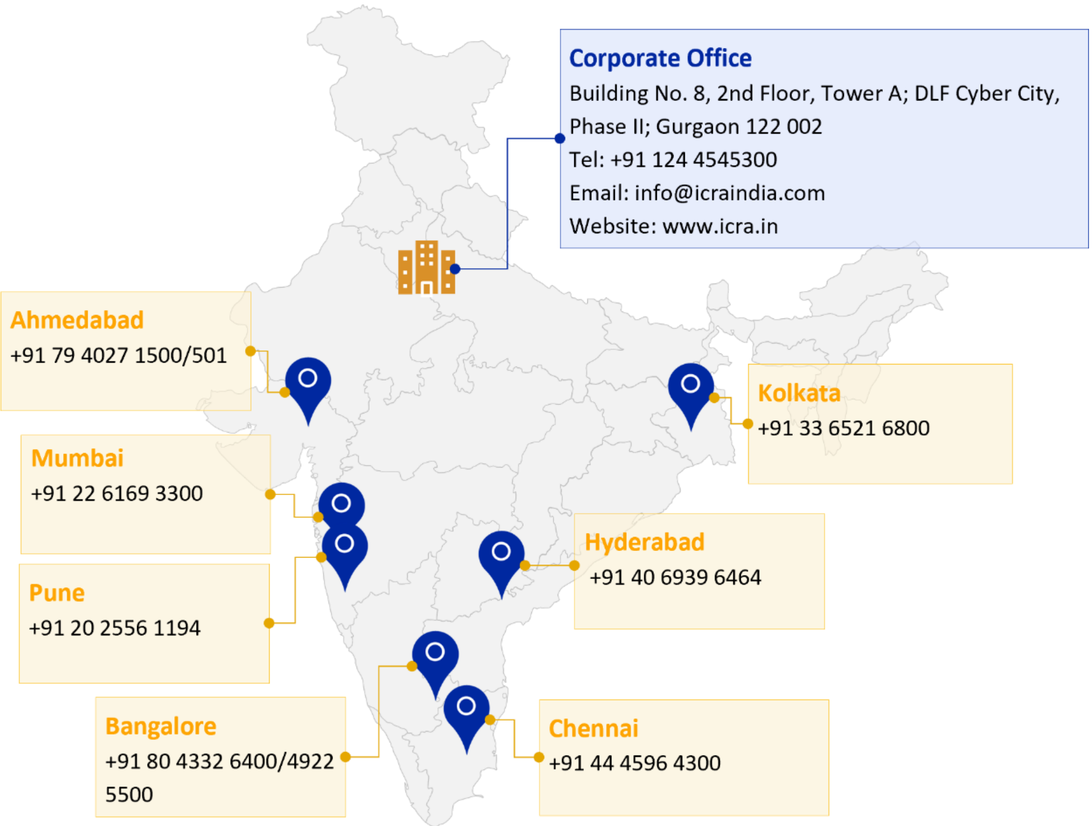

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