June 02, 2026 (Revised)

Vodafone Idea Limited: Rating upgraded to [ICRA]A- (Stable); outlook revised to Stable

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund based– Term loans	2,327.00	727.00	[ICRA]A- (Stable); upgraded from [ICRA]BBB (Positive); outlook revised to Stable from Positive
Total	**2,327.00**	**727.00**	

**Instrument details are provided in Annexure II*

Rationale

The rating upgrade is driven by a change in rating approach for Vodafone Idea Limited (VIL), wherein the entity's rating factors in support from the Aditya Birla Group (ABG; promoter group) which has further strengthened with the re-appointment of Mr. Kumar Mangalam Birla as the Chairman of the board and with the proposed equity infusion of approximately Rs. 4,730 crore through a preferential allotment of warrants to a promoter group entity in May 2026. As per the structure, 25% of the consideration is to be infused upfront, with the balance over an 18-month period. These developments reflect strong confidence in VIL's potential and long-term growth trajectory. The ABG has expressed its continued support to VIL to ensure timely debt servicing and to ensure continuity of operations and improvement in its market position. The ABG has been consistent in providing operational and financial support to VIL and will continue, going forward. Further, the Group's brand equity and market position provided VIL with assistance in Government engagement and higher financial flexibility.

ICRA takes note of recent developments pertaining to the revision and finalisation of VIL adjusted gross revenue (AGR) dues by the Government of India (GoI) and the settlement of the contingent liability adjustment mechanism (CLAM) with Vodafone Group PLC, both of which materially strengthen the company's liability profile and liquidity visibility. The Department of Telecommunications (DoT) has revised and finalised VIL's AGR dues payable between FY2036 and FY2041 at Rs. 64,046 crore, down from the earlier provisional estimate of Rs. 87,695 crore, implying a ~27% reduction. This revision significantly alleviates the company's liability burden and enhances cash flow visibility. Further, the repayment structure has been rationalised. Instead of earlier expectations of payments of ~Rs. 16,400 crore during FY2026–FY2031, VIL will now need to pay a ~Rs. 124 crore annually during FY2026–FY2031, followed by minimum payments of ~Rs. 100 crore annually during FY2032–FY2035. The residual AGR dues will be repaid over FY2036–FY2041 in six equal annual instalments of ~ Rs. 10,608 crore. Concurrently, the revised CLAM agreement with Vodafone Group PLC provides for cash inflows of Rs. 2,307 crore over the next 12 months, with the balance to be realised through the monetisation of 328-crore equity shares over a five-year period. The proceeds from such monetisation, accruing to the company as per the agreed mechanism, are expected to support capex funding requirements and provide an additional liquidity buffer.

ICRA believes that these developments will provide a push to VIL's capex plans that had been deferred due to lack of visibility on the aforesaid matters. VIL plans a Rs. 45,000-crore capex over three years (FY2027-FY2029) to expand the 4G coverage in priority circles, roll out 5G and augment the capacity. The programme will be funded by a proposed term debt of ~Rs. 25,000 crore, ~Rs. 10,000 crore non-fund based facility, internal accruals and other non-operating cash inflows including CLAM proceeds. The execution of the capex, along with an expected industry tariff rationalisation over the next 12–24 months and improving network quality, are expected to support average revenue per user (ARPU) improvement and OPBDITA[1] growth.

[1] Operating profit before depreciation, interest, tax, and amortisation

The rating continues to factor in VIL's established pan-India market position (~17% subscriber share as of December 2025) and the presence of strong promoter groups (ABG and Vodafone Group Plc), along with the GoI's strategic support — evident from the conversion of spectrum dues (Rs. 36,950 crore) into equity, taking the GoI stake to ~49% and underscoring policy intent to preserve a three private-player market. ICRA notes that the AGR freeze and the equity conversion earlier by the GoI substantiates the telecom sector's importance for the GoI and its intention to maintain a three private-player market.

While VIL's Blended ARPU remains the lowest among the private operators, given its relatively high 2G customer mix, it has been increasing gradually, rising to Rs. 174 in Q4 FY2026 from Rs. 163 in Q3FY2025 following the tariff hikes undertaken by all the telcos in July 2024. Additionally, the ARPU increase is also attributable to organic upgradation of subscribers done by the company. The Indian telecom sector is likely to witness another round of tariff hike in FY2027, which, along with an expansion of the subscriber base on the back of network improvement undertaken by VIL, is expected to boost the profitability and cash generation.

The rating remains constrained by the consistent subscriber churn faced by the company which has brought down the subscriber base to around 192.8 million as of March 31, 2026 from 215 million as of December 2023, as the capex remained muted in the past, until the successful FPO fund raise of Rs.18,000 crore in Q2FY2025. The Recent trends indicate some recovery in subscriber additions, with approximately 22,000 subscribers added in February 2026, nearly 1,00,000 in March 2026, and around 53,200 in April 2026. Further, the overall deferred payment obligations towards spectrum and AGR remain elevated with Deferred Payment Obligations of Rs. 1,20,200 crore towards spectrum and Rs. 25,254 crore towards AGR as on March 31, 2026. The elevated obligations, 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. 726 crore as on March 31, 2026, with the majority of the debt being in the form of deferred spectrum and AGR liabilities. The repayment burden for Government liabilities pertaining to spectrum due conversion and AGR relief has come down to ~Rs. 7,000 crore for FY2027, ~Rs. 15,400 crore in FY2028 and ~Rs. 27,000 crore for the period between FY2029 and FY2032. VIL's ability to tie-up bank debt to rollout the capex as per the plan, a timely support from the GoI and promoters along with a capex funding tie-up remains the key credit monitorable factors.

The Stable outlook reflects ICRA's expectations of healthy revenue and profit growth, following timely capex implementation and the possibility of a tariff hike, going forward.

Key rating drivers and their description

Credit strengths

Demonstrated support from GoI – ICRA takes note of the sustained support extended by the GoI to the telecom sector and to VIL, by converting its due of Rs.16,133 crore in February 2023 and Rs.36,950 crore in March 2025 into equity, resulting in GOI's stake of 49%. ICRA also takes note of recent developments pertaining to the revision and finalisation of VIL's AGR dues by the GoI, which materially strengthen the company's liability profile and liquidity visibility. The DoT has revised and finalised VIL's AGR dues at Rs. 64,046 crore, down from the earlier provisional estimate of Rs. 87,695 crore, implying a ~27% reduction, thereby significantly alleviating the company's liability burden and enhancing cash flow visibility. Importantly, the repayment structure has been meaningfully rationalised, with near- to medium-term outflows substantially reduced. Instead of earlier expectations of sizeable payments of ~Rs. 16,400 crore during FY2026–FY2031, VIL will now need to pay only ~Rs. 124 crore annually during FY2026–FY2031, followed by minimum payments of ~Rs. 100 crore annually during FY2032–FY2035. The residual AGR dues are to be repaid over FY2036–FY2041 in six equal annual instalments of ~Rs. 10,608 crore, as per the revised framework.

Strong support from established promoter group - VIL was formed by the merger of the erstwhile Idea Cellular Limited promoted by the Aditya Birla Group and the erstwhile Vodafone India, promoted by Vodafone Group Plc. Thus, the promoters of VIL are established business houses with multinational presence. ABG has provided continued support to VIL which has further strengthened with the re-appointment of Mr. Kumar Mangalam Birla as Chairman of the board and with the proposed equity infusion of approximately Rs. 4,730 crore through a preferential allotment of warrants to a promoter group entity in

May 2026. As Part of CLAM settlement, the Vodafone group has agreed to make payment of Rs.2,307 crore into VIL in 2026 and further earmarked 328 crore shares of VIL held by it for benefit of VIL. The sales proceeds of these shares shall be available to VIL, at its option within the period of 5 years. These developments signal strong confidence from the Aditya Birla Group and Vodafone Group in the company's long-term prospects and stability. The promoter backing has remained consistent and is expected to continue to ensure timely debt servicing.

Successful raising of 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 equity infusion by the vendors taking the total amount to around Rs. 26,000 crore in the 12 months between March 2024 to February 2025. Before the announcement of the AGR relief, the company also raised ~Rs. 3,300 via the issuance of NCDs through its subsidiary. The funds raised through the FPO and NCD indicate a positive investor sentiment. This was followed by approval for another proposed round of equity infusion from ABG through equity warrants of Rs. 4,730 crore in May 2026.

Credit challenges

Weak financial risk profile, marked by low profitability and sizeable deferred liabilities - VIL's financial risk profile continues to be weak. The overall deferred payment obligations towards spectrum and AGR remain elevated with Deferred Payment Obligations of Rs. 1,20,200 crore towards spectrum and Rs. 25,254 crore towards AGR as on March 31, 2026. The elevated obligations, along with the weak profitability metrics and negative net worth position, translated into modest debt indicators. The bank debt remains low at around Rs. 726 crore as on March 31, 2026, with majority of the debt being in the form of deferred spectrum and AGR liabilities. The repayment burden for Government liabilities pertaining to spectrum due conversion and AGR relief has come down to ~Rs. 7,000 crore for FY2027, ~Rs. 15,400 crore in FY2028 and ~Rs. 27,000 crore for FY2029 to FY2032.

Subscriber churn and lack of capex impact operational performance - VIL's ARPU improved to Rs. 174 as on March 31, 2026, compared to Rs. 163 as on December 31, 2024. However, this is still the lowest among the private telecom players in India. The company has been experiencing a decline in its customer base, which decreased to 192.8 million as of March 31, 2026 from 225.9 million as on March 31, 2023. However, recent trends indicate some recovery in subscriber additions, with approximately 22,000 subscribers added in February, nearly 1,00,000 in March, and around 53,200 in April. However, there has been growth in higher-value customers, with 4G subscribers reaching 128.9 million as on March 31, 2026.

Large capex outlay planned; debt tie-up pending - Since the equity fund-raise through FPO, the company has spent ~Rs. 18,000 crore on the capex to strengthen its 4G network and roll out 5G. The 4G population coverage has improved to 86% (as of March 2026) from 77% (March 2024). The company has also launched 5G services in all 17 priority circles where it holds the spectrum. The company is yet to tie up the bank debt and this remains a key monitorable.

Liquidity position: Adequate

VIL had free cash and bank balance of ~Rs. 3,715 crore as on March 31, 2026, which is largely earmarked for capex. The spectrum conversion into equity by the Government, the AGR relief, the CLAM settlement and recent equity infusion by the ABG Group of ~Rs. 4,730 crore are likely to support the cash flows in the near term.

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 may be downgraded if there is weakening of linkages with the Aditya Birla Group or change in support philosophy from ABG. Further, any delays in the capex rollout, thereby impacting the growth in subscriber base and revenue will also weigh on the ratings. In addition, the inability of the company to improve its revenue and profit generation and the 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	ICRA has arrived at the company's rating after factoring in support from its promoter group - Aditya Birla Group (ABG) based on the stated intent of ABG to continue to provide timely support to VIL to meet its debt servicing obligations.
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 (ABG) and Vodafone Group Plc (VGP). The company provides pan-India voice and data services across the 2G, 4G and 5G platforms. As of March 2026, the company had around 192 million subscribers and reported a blended ARPU of ~Rs. 174. 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 globally.

Key financial indicators (audited)

Vodafone Idea Limited	FY2024	FY2025	FY2026*
Operating income	42,625.2	43,510.5	44,873.0
PAT	-31,232.9	-27,385.2	34,552.0
OPBDITA/OI	39.9%	41.2%	42.3%
PAT/OI	-73.3%	-62.9%	77.0%
Total outside liabilities/Tangible net worth (times)	-2.8	-3.8	-6.4
Total debt/OPBDITA (times)	14.3	13.0	10.1
Interest coverage (times)	0.7	0.7	0.9

*Source: Company, ICRA Research; *Result; 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

	Current rating (FY2027)			Chronology of rating history for the past 3 years					
	FY2027			FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	June 02, 2026	Date	Rating	Date	Rating	Date	Rating
Fund based - Term loan	Long-term	727.00	[ICRA]A- (Stable)	Mar 04, 2026	[ICRA]BBB (Positive)	-	-	-	-
				Jan 20, 2026	[ICRA] BBB- (Stable)	-	-	-	-
				Apr 11, 2025	[ICRA] BBB- (Stable)	-	-	-	-

Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10,2026

ICRA rated Instruments fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs ($)	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(*) Includes securitisation transactions involving assignee payout, acquirer's payout.

($) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other Activities offered by ICRA fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Activity Name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.

(#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

Disclosure: SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

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 II: 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	727.00	[ICRA]A- (Stable)

Source: Company

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

Annexure III: 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	100.00	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 Idea Next – Gen Solutions Limited	100.00	Full

**- Details are as on March 31, 2026*

Corrigendum:

Document dated June 02, 2026 has been corrected with revision as detailed below:

Revision on page 4 under the Analytical Approach section

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