

March 04, 2026

## Vodafone Idea Limited: Rating upgraded; outlook revised to Positive

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term - Fund based - Term loan	2,327.00	2,327.00	[ICRA]BBB (Positive); rating upgraded from [ICRA]BBB- and outlook revised to Positive from Stable
<b>Total</b>	<b>2,327.00</b>	<b>2,327.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The rating upgrade reflects the recent developments pertaining to the revision of Vodafone Idea Limited's (VIL) adjusted gross revenue (AGR) dues by the Government of India (GoI) in January 2026 and the settlement of the contingent liability adjustment mechanism (CLAM) agreement with VIL's promoter, Vodafone Group PLC. Under the revised dispensation of the AGR dues, VIL will pay ~Rs. 124 crore per annum during FY2026-FY2031, followed by ~Rs. 100 crore per annum during FY2032-FY2035; the residual AGR dues will be paid over FY2036-FY2041 in six equal annual instalments. A Committee is constituted by DoT to reassess the AGR dues, the reassessed amount is to be repaid between March 2036 to March 2041 in equal annual instalments. The AGR liability has been frozen as on December 31, 2025, eliminating further interest accretion from that date. Concurrently, the revised CLAM with Vodafone Group PLC provides Rs. 2,307-crore cash in next 12 months; balance via monetisation of earmarked 328 crore equity shares of the company over next five years. The proceeds of the sale of these shares, at the instructions of a person appointed by the Company, will accrue to the company, strengthening the funding for capex and providing 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 is to 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. Execution of the capex, alongside an expected industry tariff rationalisation over the next 12-24 months and improving network quality, is expected to support ARPU improvement and OPBDITA growth.

The rating continues to factor in VIL's established pan India market position (~17% subscriber share as of September 2025) and the presence of strong promoter groups (Aditya Birla Group and Vodafone Group Plc), alongside 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 takes note of the GoI's relief on AGR dues, which materially eases VIL's payment obligations and improves the cash flow visibility. AGR freeze and the equity conversion earlier by the Government 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, it has been increasing gradually, rising to Rs. 172 in Q3 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 million as of December 2025 from 215 million as of December 2023, as the capex remained muted in the past. Further, the overall deferred payment obligations towards spectrum and AGR remain elevated with a Deferred Payment Obligations (including interest accrued but not due) of Rs. 124,877 crore towards spectrum and Rs. 80,502 crore towards AGR as of December 2025. 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. 1,126 crore as of December 2025, 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 monitorables.

The Positive outlook reflects ICRA's expectation 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 and expectations of the relief measures continuing** – ICRA takes note of the sustained support extended by the GoI to the telecom sector and to VIL, beginning with the 2021 relief package under which the GoI permitted a four-year moratorium on spectrum and AGR dues and allowed conversion of interest accrued during the moratorium into equity. VIL opted to convert Rs. 16,133 crore of interest into equity, and following the GoI's order in February 2023, the GoI's shareholding rose to ~33%. This stake subsequently came down to ~22.6% after the FPO and other equity issuances. More recently, the GoI converted spectrum dues of Rs. 36,950 crore — payable by VIL post moratorium — into equity, increasing the GoI's stake to ~49%. ICRA also takes note of the significant relief granted by the GoI on AGR dues in January 2026, which materially eases VIL's AGR payment obligations. Under the revised framework, VIL is required to pay Rs. 124 crore per annum during FY2026-FY2031 and Rs. 100 crore per annum between FY2032 and FY2035. A Committee is constituted by DoT to reassess the AGR dues, the reassessed amount is to be repaid between March 2036 to March 2041 in equal annual instalments. Importantly, the AGR liability has been frozen as on December 31, 2025, providing improved visibility of future obligations and supporting VIL's cash flow profile.

**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 conversion of some dues of the vendors into equity, 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.

**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. As of December 31, 2025, Company's Deferred Payment Obligations (including interest accrued but not due) of Rs. 124,877 crore towards spectrum and Rs. 80,502 crore towards AGR. Debt from the banks and financial institutions stood at Rs. 1,126 crore as on December 31, 2025. The debt metrics remain weak because of negative net worth owing to losses. The repayment burden for Government liabilities due to spectrum due conversion and AGR relief has come down to ~Rs. 7,000 crore for FY2027, ~Rs. 15,400 crore in FY2028 and a combined ~Rs. 27,000 crore for the period between FY2029 and FY2032.

**Subscriber churn and lack of capex impacts operational performance** - VIL's ARPU improved to Rs. 172 as on December 31, 2025, compared to Rs. 163 as on December 31, 2024. However, this is still the lowest among the private telecom players in India. Moreover, VIL is continuously losing its subscriber base to competitors, from 199.8 million as of Q3 FY2025 to ~192 million as of Q3 FY2026. However, 4G/5G subscriber base witnessed improvement from ~126 million in Q3FY2025 to ~128.5 million in Q3FY2026. As on September 30, 2025, the company's subscriber market share stood at 17%, as per TRAI<sup>1</sup> reports.

**Large capex outlay planned; debt tie-up remains pending** - Since the equity fund-raise through FPO, the company has spent ~Rs. 16,000 crores on the capex to strengthen its 4G network and roll out 5G. The 4G population coverage has improved from 77% (As on March 2024) to 85.5% (as on December 2025). 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– Stretched

VIL had free cash and bank balance of ~Rs. 6,963 crore as on December 31, 2025, which is largely earmarked for capex. The spectrum conversion into equity by the Government, the AGR relief and the CLAM settlement is likely to support the cash flows in 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 could be revised downwards in case of any delays in the capex rollout, thereby impacting the growth in subscriber base and revenue. Further, the inability of the company to improve its revenue and profit generation and the delays in debt tie-up will be a credit negative.

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<sup>1</sup>Telecom Regulatory Authority of India

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Telecom Services</a>
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, promoted by the Aditya Birla Group (ABG) and Vodafone Group Plc (VGP). The company provides pan-India voice and data services across the 2G, 3G and/or 4G platforms. As of December 2025, the company had around 192 million subscribers and reported a blended ARPU of ~Rs. 172. 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)

Vodafone Idea Limited	FY2024	FY2025	H1FY2026*
Operating income	42,625.2	43,510.5	22,217.2
PAT	-31,232.9	-27,385.2	-12,132.3
OPBDITA/OI	39.9%	41.2%	41.8%
PAT/OI	-73.3%	-62.9%	-54.6%
Total outside liabilities/Tangible net worth (times)	-2.8	-3.8	-3.3
Total debt/OPBDITA (times)	14.3	13.0	11.9
Interest coverage (times)	0.7	0.7	0.9

Source: Company, ICRA Research; \* Unaudited numbers; All ratios are as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDITA: 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	Type	Amount rated (Rs. crore)	Current rating (FY2026)		Chronology of rating history for the past 3 years							
			Mar 04, 2026	Date	FY2026		FY2025		FY2024		FY2023	
					Rating	Date	Rating	Date	Rating	Date	Rating	Date
Fund based - Term loan	Long term	2,327.00	[ICRA]BBB (Positive)	Apr 11, 2025	[ICRA] BBB- (Stable)	-	-	-	-	-	-	
				Jan 20, 2026	[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 (Positive)

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	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 December 31, 2025

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