



Reliance Jio Infocomm Limited

| Instrument | Amount | Rating |
|-----------------------------------|------------|-----------------------------|
| | Rs. Crore* | August 2015 |
| Non Convertible Debentures | 5,000 | [ICRA]AAA (Stable) assigned |

ICRA has assigned [ICRA]AAA (pronounced ICRA triple A) rating for Rs. 5,000 crore Non Convertible Debentures (NCD) of Reliance Jio Infocomm Limited (RJIL)[†]. The outlook on the rating is Stable. ICRA also has an outstanding rating of [ICRA]AAA(Stable) for Rs. 10,000 crore NCD of RJIL.

The rating reflects the strong managerial and financial support that RJIL derives from its parent Reliance Industries Limited (RIL), (rated [ICRA]A1+ and Baa2 by Moody's) which holds 99% equity stake in the company, and the strategic importance of the telecom business for RIL. The same is also substantiated by RIL's demonstrated support to RJIL in terms of sizeable capital contribution as well as its stated intent to support the company's operations and its debt obligations. Till March 31, 2015, the parent has invested Rs. 29,747.49 crore in RJIL and has also provided guarantee for Rs. 12,288 core of unsecured debt of RJIL. Also, senior level executives of RIL are present in RJIL's board, and both the companies have a common Chairman. The rating also factors in the expectation that the project cost for rolling out telecom services would be prudently funded using a combination of promoter contribution and debt, keeping reliance on debt limited.

RJIL holds sizeable spectrum across three bands namely 2300 MHz, 1800 MHz and 800 MHz. This spectrum holding of RJIL is technology neutral and hence it can be used for rolling out any technology without any regulatory restriction. This sizeable spectrum holding available for period of 15-20 years provides competitive advantage to company. The company envisages introducing voice/non-voice and other communication services through newer technologies including LTE to offer high speed data services. The company has entered into comprehensive infrastructure sharing agreements with other leading telecom service providers (telcos). This helps the company limit its upfront capex commitments and expedite network rollout.

Notwithstanding the above strengths, ICRA notes that RJIL faces considerable project execution and technology risks in its telecom venture, which includes rollout of telecom services, development of requisite ecosystem and gaining the required market share. The established track record of the parent in executing complex and long gestation projects without material time and cost overruns, though, is a mitigating factor. Also the demand for next generation services including 4G offerings is yet to be established especially viewed in light of the fact that the 3G services launched few years back are yet to pick up to the extent that the telcos would have envisaged. Apart from these, the company would face competitive pressures from other established telcos in the industry which may impact its profitability and elongate payback period.

Company Profile

RJIL (erstwhile Infotel Broadband Services Limited) is a subsidiary (99% equity stake) of (RIL). RJIL is in the process of setting a pan India communication network and the commercial operations are yet to commence. It had acquired broadband wireless access (BWA) spectrum (2300MHz band) in all the 22 telecom circles in the auction conducted by the Department of Telecommunications (DoT) in June 2010. Subsequently, it was allotted 20 MHz of BWA spectrum each in all 22 circles, for which it paid Rs. 12,848 crore. In October 2013, RJIL was awarded unified telecom licence which enabled it to offer all telecom services including voice services on a pan-India basis.

* 100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions please refer to ICRA's website www.icra.in or other ICRA rating publications



Thereafter in the auctions concluded in February 2014 RJIL acquired 78.80 MHz spectrum in 1800 MHz band across 14 telecom circles. And in the recently concluded auctions in March 2015, it has acquired 28.00 MHz spectrum in 1800 MHz band (covering six circles – four new and two top up) and 48.75 MHz spectrum in 800 MHz band (covering 10 circles).

About Parent – RIL

RIL is one of India's largest private sector enterprises. Starting with textiles in the late seventies, the company has pursued a strategy of backward and vertical integration - in polyester, fibre intermediates, plastics, other petrochemicals, petroleum refining and oil and gas exploration and production – thereby making it a highly integrated player with presence across the energy value chain. RIL enjoys global leadership in most of its businesses, being the largest polyester yarn and fibre producer in the world and among the top five to ten producers in the world in major petrochemical products. Through its group companies, RIL is involved in diversified businesses spanning retail, oil marketing and telecom services.

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