Reliance Jio Infocomm Limited

January 05, 2018

Summary of Rated Instrument:

Instrument	Rated Amount (Rs. crore)	Rating Outstanding
Non-convertible Debenture (NCD) Programme	23,000	[ICRA]AAA(Stable)

Material Event

Reliance Jio Infocomm Limited (RJIL) has announced that it has signed definitive binding agreements with Reliance Communications Limited (RCom) and its affiliates for the acquisition of RCom's wireless spectrum, tower, fiber and media convergence node (MCN) assets. The assets being acquired include: a) 122.4 MHz of 4G spectrum in the 800/900/1800/2100 MHz bands, b) Over 43,000 towers, c) around 1,78,000 route KMs of fiber with pan India footprint and d) 248 MCNs, covering ~5 million sqft used for hosting telecom infrastructure. The deal consideration comprises primarily cash payment and includes transfer of deferred spectrum installments payable to the Department of Telecommunication (DoT).

Impact of the Material Event

The rating remains unchanged at the earlier rating of [ICRA]AAA(Stable) as the company is expected to fund the acquisition in judicious mix of debt and equity with funding support from its parent Reliance Industries Limited (RIL), (rated [ICRA]AAA(Stable)/[ICRA]A1+ and Baa2 by Moody's) which holds 99.44% equity stake in RJIL.

The rating continues to factor in the strong managerial and financial support that RJIL derives from its parent RIL, which is 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 financial obligations. The rating also takes into consideration the pace at which company has garnered subscribers reaching 138.6 million as on September 30, 2017 since starting its services on September 5, 2016. High consumption of voice and data services by the RJIL's customer base and the gradual ramp up in its tariff levels till now (including the recent hike in October, 2017) are key positives for the company's ability to ramp up ARPUs. However, ICRA notes that given the significant competitive pressures from other established telecom operators (telcos), it would be challenging for the company to continue the pace of subscriber addition while looking to improve its ARPU. This along with exploration of newer revenue streams would be critical for the company to achieve reasonable returns on the sizeable investments that have been made, and which would continue to weigh down the profitability in the medium term.

The previous detailed rating rationale is available on the following link: Click here

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