IDBI Trusteeship Services Ltd
CIN : U65991MH2001GOI131154

June 11, 2019

Vodafone Idea Limited (erstwhile IDEA CELLULAR LIMITED): CARE revises rating for Non-Convertible Debenture issues from existing rating of CARE AA-; Negative to CARE A +; Negative.

Credit Analysis & Research Limited ("CARE") has revised its rating on the Non-Convertible Debenture issues from existing rating of CARE AA-; Negative (Double A Minus; Outlook Negative) **to CARE A+; Negative (Single A Plus; Outlook Negative)** of Vodafone Idea Limited (erstwhile IDEA Cellular Limited).

Credit Rating Agency	Type of Credit Rating	Existing Rating/Outlook	Revised Rating/Outlook
CARE	Non-Convertible Debentures	CARE AA- (Double A Minus; Outlook Negative)	CARE A+ (Single A Plus; Outlook Negative)

Please find attached herewith the Press Release from CARE for perusal and record.

This is for your information and records.

For IDBI Trusteeship Services Limited

Sd/-

Authorized Signatory

Regd. Office : Asian Building, Ground Floor, 17, R. Kamani Marg, Ballard Estate, Mumbai - 400 001.
Tel. : 022-4080 7000 • Fax : 022-6631 1776 • Email : itsl@idbitrustee.com • response@idbitrustee.com
Website : www.idbitrustee.com

Vodafone Idea Limited
June 10, 2019

Ratings

Facilities/Instruments	**Amount (Rs. crore)**	**Ratings[1]**	**Remarks**
Long term Bank Facilities (Term Loan)	13,998.34 (reduced from 14,001.00)	**CARE A+ ; Negative (Single A Plus; Outlook : Negative)**	**Revised from CARE AA- ; Negative (Double A Minus; Outlook: Negative)**
Long-term Bank Facilities (Fund based)	822.00 (reduced from 1,292.00)		
Long-term Bank Facilities (Non-fund based)	19130.18 (enhanced from 18630.18)		
Short-term Bank Facilities (Fund based)	355.00	**CARE A1+ (A One Plus)**	**Reaffirmed**
Short-term Bank Facilities (Non-fund based)	22,159.83 (enhanced from 12,887.17)		
Short-term Bank Facilities (Term loan) #	-	-	**Withdrawn**
Total Bank Facilities	**56,465.35 (Rupees Fifty Six Thousand Four Hundred Sixty Five Crore Thirty Five lakhs only)**		
Non-Convertible Debenture (NCD) issue	8,401 (Rupees Eight Thousand four hundred and one crore only)	**CARE A+ ; Negative (Single A Plus; Outlook : Negative)**	**Revised from CARE AA- ; Negative (Double A Minus; Outlook: Negative)**
Commercial Paper (CP) Issue	2,000 (Rupees Two Thousand crore only)	**CARE A1+ (A One Plus)**	**Reaffirmed**

Details of instruments/facilities in Annexure-1
 # the company has provided No dues certificate furnished by lenders to CARE.

Detailed Rationale & Key Rating Drivers

The revision in ratings assigned to the bank facilities/instruments of Vodafone Idea Limited (VIL) is on account of moderation of operational and financial performance of the company in FY19 (refers to April 01, to March 31,). The company's operation continues to be impacted by prevalent high competition in Indian mobile telephone service industry.

However, the ratings continue to derive strength from the strong sponsor (i.e., Aditya Birla Group and Vodafone Group PLC) support exhibited through infusion of funds in the company by way of rights issue amounting to Rs. 24,999.79 crore (Rs. 17920.72 crore from promoters and balance from public), expected business synergies with merger of Vodafone India and Idea Cellular Limited, and pan-India telecom presence with high brand recognition (i.e. Idea and Vodafone). The ratings also take into consideration the proposed deleveraging measures by VIL through monetization of assets and sale of stake in Indus Towers.

The rating strengths continue to be offset by continual high debt level, declining trend of subscriber base, regulatory risk and prevalent intense competition in Indian Telecom industry.

Ability of VIL to maintain its operational performance amidst prevalent competition in industry and fructification of envisaged deleveraging measures remains key rating sensitivities.

Outlook: Negative

The negative outlook continues to factor the moderation of operational performance amidst intense prevalent competition in Indian telecom Industry.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

The outlook may be revised to Stable in case VIL is able to withstand the competition in a more resilient manner and demonstrate improvement in operational and financial performance indicators.

Detailed description of the key rating drivers
Key Rating Weaknesses
Moderation of operational and financial performance of the company in FY19: The Company has continued to report losses at PAT level. The losses have widened to Rs. 14,056 crore during FY19 as against Rs. 4,781 crore in FY18 mainly on account onetime expense related to integration and squeeze in margins due to intense competition. The interest coverage ratio as well as total debt to GCA continued to remain vulnerable at 0.52x and – 33.06 x as on March 31, 2019 (PY: 1.18x and 59.43x as on March 31, 2018). VIL has high quantum of debt levels majority of which is in the form of deferred payment loan from DOT (Department of Telecom) availed for acquiring spectrum. However, the repayments are scheduled over a longer period of time. The proceeds received from rights issue has been partly used to repay the outstanding short term loan of Rs. 6,043 crore and balance will be used to repay the spectrum debt and other long term liabilities which will help to deleveraged the stretched balance sheet of VIL. Moreover expected realization from the monetization of stake in Indus Towers Limited and fibre assets will further reduce the debt level to a certain extent.

Intense competition impacting the Key performance indicators: The total operating Income of VIL grew by 35% from Rs. 28,035 crore in FY18 to Rs. 37,932 crore in FY19 mainly due to realization of synergy on account of merger of Vodafone and Idea. However, the subscriber base is continued to fall due to intense competition faced after the entry of new telecom player in the Indian telecom segment offering services at low cost, the competition in the industry has intensified leading to decline in realizations. The introduction of minimum recharge plan of Rs. 35 for 28 days has resulted in decline in subscriber's base as "incoming only" and "Low ARPU" customers migrated their spending from multiple SIMs to single SIM or shifted to other telecom players, as a result the subscriber base declined to 334.1 mn in Q4 FY 19 vs 387.2 mn in Q3 FY 19. However, the ARPU improved from Rs. 89 (Q3) to Rs. 104 (Q4)

Regulatory risk: The telecom sector in India is also surrounded by regulatory uncertainties and VIL remains susceptible to adverse regulatory changes. In October, 2017, the government reduced the interconnect usage charges for domestic calls from 14 paise to 6 paise and international calls from 53 paise to 30 paise has adversely impacted profitability of large incumbent players. The ability of VIL to mitigate these risks is a key rating factor.

Key Rating Strengths
***Strong sponsors exhibiting continual financial support*:** Vodafone Idea is a part of Aditya Birla group and Vodafone Group Plc. Aditya Birla group is one of the largest and oldest corporate houses in India and well-known across the entire globe. The group, led by Mr. Kumar Mangalam Birla who is also the Chairman of VIL, enjoys a leading presence across several sectors including metals, cement, telecom, financial services, textiles and other manufacturing industries in the country. The group's operations span over 36 countries.
Vodafone Group is one of the world's largest telecommunications companies and provides a range of services including voice, messaging, data and fixed communications. Vodafone Group has mobile operations in 25 countries, partners with mobile networks in 46 more, and fixed broadband operations in 18 markets. By virtue of being a part of the Aditya Birla Group and Vodafone Group, VIL has qualified, professional and experienced management team with significant experience in the telecom sector. VIL Board of Directors comprises of 12 Directors (including 6 Independent Directors) constituted, with Mr. Kumar Mangalam Birla as the Chairman. Moreover, VIL enjoys strong financial flexibility being a prominent company of the Aditya Birla Group and Vodafone Group Plc.
VIL has successfully raised Rs. 24,999.79 crore from the rights issue from its existing shareholders including promoters (i.e. Vodafone Group and the Aditya Birla Group) in month of May 2019. The proceeds received from rights issue has been partly used to repay the outstanding short term loan of Rs. 6,043 crore and balance will be used to repay the spectrum debt and other long term liabilities which will help to deleverage the stretched balance sheet of VIL.

Pan-India player with strong brand recognition: VIL had a subscriber base of over 334.1 million as on March 31, 2019. VIL has Broadband network (3G+4G) with over 371,922 broadband sites covering 836 million Indians and voice network with over 192,580 unique GSM sites to cover over 1.08 billion Indians (89.5% population coverage). Further, VIL had wide distribution reach with over 1.5 million retailers and ~8000 branded stores to service customers. Both Vodafone and Idea brands, which have strong consumer affinity across metro, urban, rural and deep interior markets, will continue to operate separately.

Highly favorable business synergies with Vodafone India: VIL has 1849.6 MHz of total spectrum holding across bands out of which 1,714.8 MHz spectrum is liberalized and can be used towards deployment of any technology (2G, 3G, 4G or 5G). VIL's majority of the licenses expire by 2032 to 2035 thereby laying foundation for growth of business. The spectrum profile and infrastructure of VIL may lead to better customer experience even as both the companies integrates and optimizes their network in a phased manner across circles. The management expects to complete integration of all 22 circles by June 2020. As a result of focus on accelerating network integration, the company has removed surplus equipment on 24,000 sites out of the total 67,000 co-located sites. Additionally, it has also exited ~9,900 low utilization sites. Both initiatives have yielded cost savings for the company to a certain extent. In view of the above, the timeliness of integration and realization of expected synergies are key rating monitorable.

Industry outlook: The Indian Telecom sector has been witnessing a lot of volatility for the past few years. The sector has seen intensifying competition which has also resulted in consolidation among the players. The increase in the subscriber addition of larger operators is primarily due to exit of the smaller players. However, the increase in subscribers have not brought proportionate incremental revenue to the telecom players on account of intense competition in the sector which had led to limited scope for increasing the tariffs. Development of new technologies and the rapid change in technology had led to increased challenges for the players with regards to return on investments in the current technology and additional investments in the new technology. However, the Digital India programme promoted by the government, increase in usage of e-wallets and banking applications are expected to increase the usage of mobile data consumption in the coming years.

Liquidity:

The company had unencumbered cash and & cash equivalent of Rs.7,373 crore as at March 31, 2019 (PY: Rs.4,547 crore) as against the annual debt repayment obligation of Rs. 16,927 crore for FY20 reflecting paucity of fund to meet the aforesaid mentioned debt obligation. However, balance available from the issue of rights shares is sufficient to meet debt repayment obligations for FY20. Also, the unutilized working capital limits also provides cushion to meet any contingencies. Furthermore, being part of Aditya Birla group and Vodafone group, VIL enjoys substantial financial flexibility. Moreover expected realization from the monetization of stake in Indus tower and fibre assets may further enhance the liquidity profile of the company.

Analytical approach:
Standalone

Applicable Criteria
Rating Methodology - Infrastructure Sector
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Financial ratios - Non-Financial sector
Rating methodology- Factoring Linkages

About the Company

Vodafone Idea Limited (VIL, erstwhile Idea Cellular Limited) is an Aditya Birla Group (ABG) and Vodafone Group partnership. Idea Cellular Limited was merged with Vodafone on August 31, 2018 (effective date). Vodafone Group owns 44.39% stake and ABG owns 27.18% stake as on March 31, 2019 in VIL. VIL is the third largest telecom operator in India, having pan-India operations, offering voice, data and other value added services (VAS) across all 22 service areas in India. It has overall subscriber base of 334.1 million, with broadband subscriber base of 110.2 million as on March 31, 2019. Aditya Birla Group is India's one of the largest conglomerate having its presence across 35 countries. Vodafone Group is one of the world's largest telecommunications companies has mobile operations in 25 countries, partners with mobile networks in 46 more, and fixed broadband operations in 18 markets.

Brief Financials (Rs. crore)&	FY18 (Audited)	FY19* (Audited)$
Total operating income	28,035	37,932
Profit Before Interest Lease Depreciation Tax (PBILDT)	5,871	4,952
Profit After Tax (PAT)	-4,781	-14,056
Overall Gearing	2.36	1.64
Interest Coverage (PBILDT)	1.18	0.52

**Based on abridge financials published by VIL.*
$ Financials of Vodafone group have been considered from the effective date of merger i.e. August 31, 2018
&The financials are reclassified as per CARE standards.

Status of non-cooperation with previous CRA: : Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - LT-Bank Guarantees	-	-	-	19130.18	CARE A+; Negative
Term Loan-Long Term	-	-	June 30, 2026	13998.34	CARE A+; Negative
Fund-based - LT-Bank Overdraft	-	-	-	822.00	CARE A+; Negative
Non-fund-based - ST-BG/LC	-	-	-	22159.83	CARE A1+
Fund-based - ST-Term loan	-	-	-	355.00	CARE A1+
Fund-based - ST-Term loan	-	-	-	0.00	Withdrawn
Debentures-Non Convertible Debentures	October 31, 2012	9.45%	October 31, 2019	396.00	CARE A+; Negative
Debentures-Non Convertible Debentures	December 13, 2016	7.57%	December 13, 2021	1,500.00	CARE A+; Negative
Debentures-Non Convertible Debentures	January 4, 2017	7.77%	January 04, 2022	1,000.00	CARE A+; Negative
Debentures-Non Convertible Debentures	January 17, 2017	7.77%	January 17, 2022	500.00	CARE A+; Negative
Debentures-Non Convertible Debentures	January 27, 2017	8.04%	January 27, 2022	2,000.00	CARE A+; Negative
Debentures-Non Convertible Debentures	January 31, 2017	8.03%	January 31, 2022	500.00	CARE A+; Negative
Debentures-Non Convertible Debentures	February 14, 2017	8.03%	February 14, 2022	500.00	CARE A+; Negative
Debentures-Non Convertible Debentures	February 8, 2017	8.12%	February 08, 2024	5.00	CARE A+; Negative
Debentures-Non Convertible Debentures	September 3, 2018	10.90%	September 02, 2023	1500.00	CARE A+; Negative
Proposed Debentures-Non Convertible Debentures	-	-	-	500.00	CARE A+; Negative
Commercial Paper	-	-	7 days to 364 days	2000.00	CARE A1+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Non-fund-based - LT-Bank Guarantees	LT	19130.18	CARE A+; Negative	-	1)CARE AA-; Negative (21-Feb-19) 2)CARE AA-; Negative (15-Feb-19) 3)CARE AA; Negative (26-Nov-18) 4)CARE AA; Negative (13-Nov-18) 5)CARE AA; Negative (26-Sep-18) 6)CARE AA; Negative (11-Sep-18) 7)CARE AA (Under Credit watch with Developing Implications) (03-Jul-18) 8)CARE AA (Under Credit watch with Developing Implications) (08-Jun-18)	1)CARE AA+ (Under Credit watch with Developing Implications) (14-Dec-17) 2)CARE AA+ (Under Credit watch with Developing Implications) (10-Nov-17)	1)CARE AA+ (Under Credit watch with Developing Implications) (24-Mar-17) 2)CARE AA+ (Under Credit watch with Developing Implications) (10-Mar-17) 3)CARE AA+ (Under Credit watch with Developing Implications) (06-Feb-17) 4)CARE AA+; Negative (25-Jan-17) 5)CARE AA+ (15-Jul-16)
2.	Term Loan-Long Term	LT	13998.34	CARE A+; Negative	-	1)CARE AA-; Negative (21-Feb-19) 2)CARE AA-; Negative (15-Feb-19) 3)CARE AA; Negative (26-Nov-18) 4)CARE AA; Negative (13-Nov-18) 5)CARE AA; Negative (26-Sep-18) 6)CARE AA; Negative	1)CARE AA+ (Under Credit watch with Developing Implications) (14-Dec-17) 2)CARE AA+ (Under Credit watch with Developing Implications) (10-Nov-17)	1)CARE AA+ (Under Credit watch with Developing Implications) (24-Mar-17) 2)CARE AA+ (Under Credit watch with Developing Implications) (10-Mar-17) 3)CARE AA+ (Under Credit watch with Developing Implications)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
						(11-Sep-18) 7)CARE AA (Under Credit watch with Developing Implications) (03-Jul-18) 8)CARE AA (Under Credit watch with Developing Implications) (08-Jun-18)		(06-Feb-17) 4)CARE AA+; Negative (25-Jan-17) 5)CARE AA+ (15-Jul-16)
3.	Fund-based - LT-Bank Overdraft	LT	822.00	CARE A+; Negative	-	1)CARE AA-; Negative (21-Feb-19) 2)CARE AA-; Negative (15-Feb-19) 3)CARE AA; Negative (26-Nov-18) 4)CARE AA; Negative (13-Nov-18) 5)CARE AA; Negative (26-Sep-18) 6)CARE AA; Negative (11-Sep-18) 7)CARE AA (Under Credit watch with Developing Implications) (03-Jul-18) 8)CARE AA (Under Credit watch with Developing Implications) (08-Jun-18)	1)CARE AA+ (Under Credit watch with Developing Implications) (14-Dec-17) 2)CARE AA+ (Under Credit watch with Developing Implications) (10-Nov-17)	1)CARE AA+ (Under Credit watch with Developing Implications) (24-Mar-17) 2)CARE AA+ (Under Credit watch with Developing Implications) (10-Mar-17) 3)CARE AA+ (Under Credit watch with Developing Implications) (06-Feb-17) 4)CARE AA+; Negative (25-Jan-17) 5)CARE AA+ (15-Jul-16)
4.	Debentures-Non Convertible Debentures	LT	6401.00	CARE A+; Negative	-	1)CARE AA-; Negative (15-Feb-19) 2)CARE AA; Negative (26-Nov-18) 3)CARE AA;	1)CARE AA+ (Under Credit watch with Developing Implications) (10-Nov-17)	1)CARE AA+ (Under Credit watch with Developing Implications) (24-Mar-17) 2)CARE AA+

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
						Negative (13-Nov-18) 4)CARE AA; Negative (11-Sep-18) 5)CARE AA (Under Credit watch with Developing Implications) (03-Jul-18) 6)CARE AA (Under Credit watch with Developing Implications) (08-Jun-18)		(Under Credit watch with Developing Implications) (06-Feb-17) 3)CARE AA+ (Under Credit watch with Developing Implications) (06-Feb-17) 4)CARE AA+; Negative (25-Jan-17) 5)CARE AA+ (26-Dec-16) 6)CARE AA+ (06-Dec-16) 7)CARE AA+ (15-Jul-16)
5.	Commercial Paper	ST	2000.00	CARE A1+	-	1)CARE A1+ (15-Feb-19) 2)CARE A1+ (26-Nov-18) 3)CARE A1+ (13-Nov-18) 4)CARE A1+ (11-Sep-18) 5)CARE A1+ (Under Credit watch with Developing Implications) (03-Jul-18) 6)CARE A1+ (Under Credit watch with Developing Implications) (08-Jun-18)	1)CARE A1+ (Under Credit watch with Developing Implications) (10-Nov-17)	1)CARE A1+ (Under Credit watch with Developing Implications) (24-Mar-17) 2)CARE A1+ (Under Credit watch with Developing Implications) (06-Feb-17) 3)CARE A1+ (25-Jan-17) 4)CARE A1+ (15-Jul-16)
6.	Debentures-Non Convertible Debentures	LT	2000.00	CARE A+; Negative	-	1)CARE AA-; Negative (15-Feb-19) 2)CARE AA; Negative (26-Nov-18)	-	-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
						3)CARE AA; Negative (13-Nov-18) 4)CARE AA; Negative (11-Sep-18) 5)CARE AA (Under Credit watch with Developing Implications) (23-Aug-18)		
7.	Non-fund-based - ST-BG/LC	ST	22159.83	CARE A1+	-	1)CARE A1+ (21-Feb-19) 2)CARE A1+ (15-Feb-19) 3)CARE A1+ (26-Nov-18) 4)CARE A1+ (13-Nov-18) 5)CARE A1+ (26-Sep-18)	-	-
8.	Fund-based - ST-Term loan	ST	355.00	CARE A1+	-	1)CARE A1+ (21-Feb-19) 2)CARE A1+ (15-Feb-19) 3)CARE A1+ (26-Nov-18) 4)CARE A1+ (13-Nov-18) 5)CARE A1+ (26-Sep-18)	-	-
9.	Fund-based - ST-Term loan	ST	-	-	-	1)CARE A1+ (21-Feb-19)	-	-

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*