Vodafone Idea Ltd — 21 Apr 2025 Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd. (April 21, 2025)
Rating Change	**BBB- / Stable (Upgraded from BB+ / Stable)** • Moves from Speculative to Investment Grade (1 notch).
Outlook (Current vs Prev)	**Stable vs Stable**
Key Drivers of Change	1. **GoI Debt-to-Equity Conversion:** □36,950 Cr of spectrum dues converted to equity; GoI now 48.99% owner, drastically reducing FY26-28 payout pressure. 2. **Liquidity Infusion:** Raised □26,043 Cr equity (FPO + Promoters + Vendors) in 12 months, enabling immediate capex. 3. **BG Waiver:** DoT waiver of ~□24,750 Cr in Bank Guarantees improves financial flexibility and facilitates bank debt tie-ups. 4. **ARPU Recovery:** Improved from □146 (Q1FY25) to □163 (Q3FY25) via July 2024 tariff hikes; further hikes expected in FY26.
Rated Instruments	• **LT Bank Facilities:** □9,968.42 Cr
Key Observations	**Positives:** • Bank debt significantly reduced to ~□2,330 Cr (Dec 2024). • Strategic importance to GoI (ensuring a 4-player market). • Aggressive □50,000–55,000 Cr capex plan for 4G/5G rollout. **Risks:** • Massive regulatory debt: □2.15 Lakh Cr (Spectrum + AGR) still outstanding. • Continued subscriber erosion: 215M (Dec '23) to 200M (Dec '24). • Stretched Liquidity: Cash of □12,090 Cr is mostly earmarked for capex, not debt servicing.
Investor Impact	• **Dilution Risk:** GoI is now the single largest shareholder (48.99%); promoter control remains but equity is heavily diluted. • **Growth:** Capex is critical; survival is now likely, but "Alpha" depends on arresting churn in FY26. • **Leverage:** Shift from bank-led distress to sovereign-linked long-term liability management.
Agency / Cross Analysis	**Same Agency:** CARE has aggressively moved VIL up from **B+ (Nov 2023)** to **BB+ (June 2024)** and now **BBB- (April 2025)**. **Drivers of Change:** Previous reviews focused on "survival/liquidity," whereas this upgrade focuses on "business revival" and the structural shift of GoI becoming a partner rather than just a creditor. **Conclusion: Significant Improvement** in credit profile, though primarily driven by sovereign intervention rather than operational turnaround.
Final Inference	This is a **"Sovereign Safety"** signal. The upgrade to Investment Grade is a green light for banks to lend the proposed □35,000 Cr. For equity, the floor is set by GoI ownership, but upside remains capped by the massive □19k–32k Cr annual payouts starting FY26.