Vodafone Idea Ltd — 26 Dec 2024 Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd.
Rating Change	**CARE BB+ / CARE A4+** (Reaffirmed; maintains the multi-notch upgrade achieved in June 2024 from B+).
Outlook (Current vs Previous)	**Stable vs Stable**
Key Drivers of Change	• **Equity Infusion:** Successful raise of **₹26,113 Cr** (incl. ₹18,000 Cr FPO, ₹2,075 Cr from ABG, and proposed ₹1,980 Cr from VGP) provides immediate capex and liquidity buffer. • **ARPU Growth:** Increased from **₹146 (Q4FY24)** to **₹156 (Q2FY25)** following July tariff hikes; expected to rise further with a projected FY26 hike. • **De-leveraged Bank Debt:** Significant reduction in bank exposure to **₹3,246 Cr**, though sovereign debt remains massive. • **Sovereign Support:** GoI holds **23.15%** stake; critical expectations of further debt-to-equity conversion in FY26/27.
Rated Instruments	• **LT-BG/LC:** ₹6,067.22 Cr
Key Observations	• **(+) Strategic Backing:** Dual support from Aditya Birla Group and Vodafone Group Plc + GoI as the largest shareholder. • **(+) Margin Improvement:** PBILDT margins rose to **41.62%** in Q2FY25 (vs 40.15% in FY24). • **(-) Subscriber Churn:** Base declined **3.6%** in 6 months (to 205M in Q2FY25); market share dropped to **18.4%**. • **(-) Liability Burden:** Total Govt obligations (Spectrum/AGR) stand at ~**₹2.12 Lakh Cr**. • **(-) Leverage:** Total Debt/PBILDT is a stressed **14.29x** (H1FY25). • **(-) Capex Risk:** Massive **₹50,000–55,000 Cr** outlay planned; success depends on tying up **₹25,000 Cr** in new bank debt.
Investor Impact	• **Growth:** High execution risk; subscriber loss must be arrested via 5G rollout to justify valuation. • **Margins:** Positive trajectory due to tariff hikes, but offset by high interest costs (Interest Coverage: **0.72x**). • **Dilution Risk:** Significant. Potential for further GoI equity conversion of interest/dues in FY26/27. • **Leverage:** Bank debt is manageable, but sovereign debt creates a "going concern" dependency on GoI policy.
Agency / Cross Analysis	**Same Agency (CARE):** Rating remains "Stable" following the massive June 2024 upgrade. The agency has pivoted from "survival risk" to "execution monitorable." **Financial Alignment:** Rating reflects the mismatch between a robust PBILDT margin (40%+) and a deeply negative Net Worth/PAT Loss (**₹13,608 Cr** in H1FY25). **Conclusion: Improvement in Liquidity** but **Stagnation in Credit Quality** until bank debt tie-up is finalized.
Final Inference	**Real Improvement in Liquidity, but Equity remains a turnaround bet.** The "BB+" reflects a bridge period: the FPO saved the company from immediate default, but the equity value is tied to the successful deployment of ₹50k Cr capex to stop the subscriber bleed before the moratorium ends in FY26.