

# Vodafone Idea stock ends 2% up after Brickwork revises rating of Rs2,500cr NCDs

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**The outlook was kept as negative.**

Brickwork Ratings had revised the rating for the NCD issues aggregating Rs2,500cr of Vodafone Idea to 'BWR B' from the previous 'BWR BB-'. The outlook was kept as negative.

In its rating rationale, Brickwork said that the revision of the "rating for the NCD Issue of Vodafone Idea on account of a continuous delay in the fundraising exercise impacting the company's liquidity position and considerable deterioration in the performance of the company in Q1FY22."

Brickwork added that the modification plea filed by the company with the Supreme Court (SC) to allow corrections for computational errors has been rejected by the SC providing no relief to the company. While VIL has filed a review petition in this regard, the outcome is uncertain. VIL has substantial amounts of debt maturing in FY22 (including the NCDs rated by BWR) and raising adequate funds promptly is imperative for timely servicing this debt. Additionally, the company's spectrum payments and the first tranche of AGR liabilities will also become due in the coming few months, making the availability of necessary funds all the more critical.

Further, Brickwork has said that the downgrade reflects a substantial decline in the company's subscriber base (VIL lost 12.40 million subscribers during Q1 FY22) and ARPU (further reduced to Rs. 104 in Q1 FY22 from Rs. 107 in Q4 FY21). The 4G subscriber base of the company, which was increasing QoQ till Q4 FY21, has also witnessed a decline in Q1 FY22 indicating the increased amount of stress on the company. While the EBITDA has shown improvement over the past few quarters on account of the realisation of synergy benefits and cost-cutting measures adopted by the company, it continues to remain lesser than the financial costs.

"VIL has also been urging the Government for setting up of floor tariffs for the sector to improve its viability but no concrete development has taken place in this regard. The company has been vocal about the need for a tariff hike but has not been able to take any major action in this regard due to the high competitive intensity in the sector. VIL has increased the prices for some of the plans, however, a meaningful impact will only come once the prices are increased across all plans and categories," Brickwork added.