Final Project

"AN ANALYTICAL STUDY ON MERGER OF VODAFONE & IDEA"

Submitted to

DMSR- G. S. College of Commerce & Economics, Nagpur

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In partial fulfilment for the award of the degree of

Master of Business Administration

Submitted by

Muskan Prakash Lalwani

Under the Guidance of

Prof. Kamlesh Thote

Department of Management Sciences and Research,
G. S. College of Commerce & Economics, Nagpur
NAAC Re-Accredited "A" Grade Autonomous Institution

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CERTIFICATE

This is to certify that **"Muskan Lalwani"** has submitted the project synopsis "**AN ANALYTICAL STUDY ON MERGER OF VODAFONE & IDEA'',** towards partial fulfillment of **MASTER OF BUSINESS ADMINISTRATION** degree examination. This has not been submitted for any other examination and does not form part of any other course undergone by the candidate.

It is further certified that he/she has ingeniously completed his/her project as prescribed by DMSR - G. S. COLLEGE OF COMMERCE & ECONOMICS, NAGPUR (NAAC Reaccredited "A" Grade Autonomous Institution) affiliated to Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur.

Prof. Kamlesh Thote
(Project Guide)

Dr. Sonali Gadekar
(Co-ordinator)

Place: Nagpur

Date:

G. S. College Of Commerce & Economics,Nagpur

DECLARATION

I here-by declare that the project with title **"AN ANALYTICAL STUDY ON MERGER OF VODAFONE & IDEA''** has been completed by me in partial fulfillment of MASTER OF BUSINESS ADMINISTRATION degree examination as prescribed by DMSR - G. S. COLLEGE OF COMMERCE & ECONOMICS, NAGPUR (NAAC Reaccredited "A" Grade Autonomous Institution) affiliated to Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur and this has not been submitted for any other examination and does not form the part of any other course undertaken by me.

Place: Nagpur
Date:

Muskan Lalwani

G. S. College Of Commerce & Economics, Nagpur

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I will fail in my duty if I do not thank the Non-Teaching staff of the college for their Co-operation.

I would like to thank all those who helped me in making this project complete and successful.

Muskan Lalwani

Place: Nagpur

Date:

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CHAPTER 1
INTRODUCTION

INTRODUCTION

What is merger

A merger is a combination of companies of about the same size that results in a new company. In a merger, the two companies blend their assets and liabilities.

Mergers can involve more than one company, but most often they involve just two companie

Technically, a merger is different from an acquisition in that a merger combines the two companies' resources equally to form a new entity. In an acquisition, one company purchases another company outright and assumes its assets and liabilities so it becomes a larger company.

However, in practice these days, the term "merger" is often used to refer to an acquisition. A true merger is very rare

INTRODUCTION TO COMPANIES

Vodafone Idea Limited is India's largest telecom operator with its headquarter based in Mumbai, Maharashtra. Vodafone Idea is a pan-India integrated GSM operator offering 2G, 3G and 4G mobile services under two brands named Vodafone and Idea. Vodafone Idea also provides services including Mobile payments, IoT, advanced enterprise offerings and entertainment, accessible via both digital channels as well

as on-ground touch points, centers across the country. The company's vision is 'to create world class digital experiences to connect and inspire every Indian to build a better tomorrow'. As of July 2018, Vodafone Idea has 38.37% market share in India with 443.94 million subscribers, making it the largest mobile telecommunications network in India and second largest mobile telecommunications network in the world. Vodafone Idea has a broadband network of 340,000 sites, distribution reach of 1.7 million retail outlets. On

Type	Public
Industry	Telecommunications
Predecessor	Vodafone India Idea Cellular Limited
Founded	1995; 23 years ago
Key people	Kumar Mangalam Birla (Chairman) Balesh Sharma (Chief Executive Officer) Akshaya Moondra (Chief Financial Officer) Ambrish Jain (Chief Operations Officer)
Products	Mobile telephony, wireless broadband
Parent	Vodafone Group Aditya Birla Group

31 August 2018, Vodafone India merged with Idea Cellular, and was renamed as Vodafone Idea Limited. However, the merged entity continues using both the Idea and Vodafone brand. Currently, the Vodafone Group holds a 45.1% stake in the combined entity, the Aditya Birla Group holds 26% and the remaining shares will be held by the public. Kumar Mangalam Birla heads the merged company as the Chairman, with Mr. Balesh Sharma as the CEO.

ABOUT IDEA CELLULAR LIMITED

Idea Cellular Limited was the third largest telecom operator in India boasting of a revenue market share of around 15.9% of the Indian telecommunication industry as of Q3 2017. It is a pan-India integrated wireless mobile network operator that offers world-class 2G, 3G and 4G services to a varied segment of users. The company has its own license for : ISP - Internet Service Provider, NLD - National Long Distance and ILD - International Long Distance. The company's portfolio boasts of providing basic voice and SMS based services to high-end value services like General Packet Radio Services (GPRS). The company also dabbled in an integrated digital apps suite launching Idea Music Lounge, Idea Game Spark and Idea Movie Club, thus transforming from a pure-play mobile operator to an integrated digital solutions and services provider. The company was incorporated as Birla Communications Limited and commenced operations in 1995. The name changed to Idea Cellular Limited along with the launch of brand 'Idea' in2002. The company completely became a part of the Aditya Birla Group in 2006 when the TATA Group completely transferred their shareholdings in the company. The company has its registered office in Mumbai, Maharashtra with Mr. Himanshu Kapania being the CEO of the company until the merger. Before the merger, the company boasted of approximately 359 billion as on 31st March, 2017and a market share of 16.70%, a subscribe base of over 190 million users, and a 13% spectrum market share of 891 MHz.

ABOUT VODAFONE LIMITED

Vodafone India Limited was the second largest telecom operator in India. It was a subsidiary of the renowned Vodafone Group with a registered office in Mumbai, Maharashtra. The company is an integrated mobile network operator and offers a wide variety of services like voice, SMS, 2G, 3G and 4G services.

The company commenced operations in India in 1994 when its predecessor Hutchinson Max Telcom Limited (later known as Hutchinson Essar Limited) gained a cellular license for Mumbai from Department of Telecommunications (DoT). The Vodafone Group entered India in 2007 when it acquired Hutchinson Telecommunications International Limited's stakes in Hutchinson Essar Ltd., thereby gaining 67% control of the company and becoming Vodafone India Ltd.

The CEO of the company until the merger was Mr. Sunil Sood. Before the merger, the company profile consisted of a revenue of 435 billion in FY 2017 and a market share of 17.87%. It had a humongous subscriber base of 228 million customers and a 14% market share of spectrum of 958 MHz

THE INDIAN TELECOM SECTOR

The Indian telecommunication sector is the second largest in the world in terms of number of subscribers and users with around 1.179 billion subscribers on July 31, 2018. The major sectors of this industry include: telephone, television broadcasting and Internet spheres which employ a number of modern network and communication systems. The sector underwent huge transformation post liberalisation in the 1990s and witnessed a magnanimous growth to become one of the world's fastest growing and competitive markets.

The sector is classified into 3 segments, namely – wireline, wireless and Internet services – all of them being provided by both public and private sector entities. The public entities comprised of Mahanagar Telephone Nigam Limited (MTNL) and Bharat Sanchar Nigam Limited (BSNL), whereas the private sector contained Bharti Airtel Limited, Reliance Jio Limited, amongst others.

The major revolutionary aspects of the industry came in the form of mobile communications and launch of internet services – both of which faced lot of infrastructure problems and were unpopular due to high tariffs. Once the issues were addressed, the number of users of telecommunication services rose rapidly in leaps and bounds, thus becoming the second largest telecom consumer market after China with 1058.86 million users by 2015. The number of

Internet subscribers increased from 8.6 million in 2006 to a staggering 342.5 million at a CAGR of 78.81%.

The Indian telecom market in 2017 was further expected to grow at 10.3% YoY to reach about 103.9 billion users by 2020.

Operator	No. of GSM Subscribers (In millions)	Revenues (Rs in millions)	Market Share (%)
Bharti Airtel	251.24	965,321	24.31
Vodafone Essar	197.95	444,900	19.15
Idea	175.07	360,000	16.94
RCom	102.41	102,950	9.91
Aircel	87.09	111,640	8.43
BSNL	86.35	284,490	8.35

The top 6 players in the market in 2016 were Bharti Airtel, Vodafone India, Idea Cellular, Aircel, RCom and BSNL – with Bharti Airtel being the market leader with approximately 24.31% market share. There were other smaller players like Telenor and MTS as well.

The year 2016 marked a landmark in the history of the Indian telecom sector. The sector witnessed what now is known as the ‘consolidation’ era and a number of spectrum sharing and trading deals.

The spectrum auction took place in August 2016 with a large quantum of spectrum being made available by the Indian Government. The auction witnessed negative and muted reactions on account of high reserve prices. Only 40% of the spectrum got sold amongst the whole 2355 MHz spectrum available on 7 bands – with zero activity on the 700MHz and 900MHz bands.

The operators had to choose selectively at the auction to offer 4G services and cover gaps in their portfolio. This as well proved to be a daunting challenge because companies had to make huge investments in spectrum and network deployment. The bidding wars impacted the operators negatively by increasing their debt burden – which in turn was the cause of rising tariffs. The average revenue per user also saw a decline owing to customers inclining towards mobile apps and data services for voice calls.

The telecom sector in India had been traditionally a voice driven system. The high tariffs shifted the business model from voice to a data-centric model, with average data consumption increasing alongside an increase in usage of smartphones and content. The digital payments ecosystem was also increasing, thereby transitioning India to a digital economy. All these changes required the operators to pump cash in the system or merge with other companies to stay competitive. The regulatory framework of the industry was also a major hindrance in the smooth operations of the companies. All this ushered in the era of consolidation – the biggest player of which was Idea Cellular and Vodafone merger.

BACKGROUND OF THE MERGER

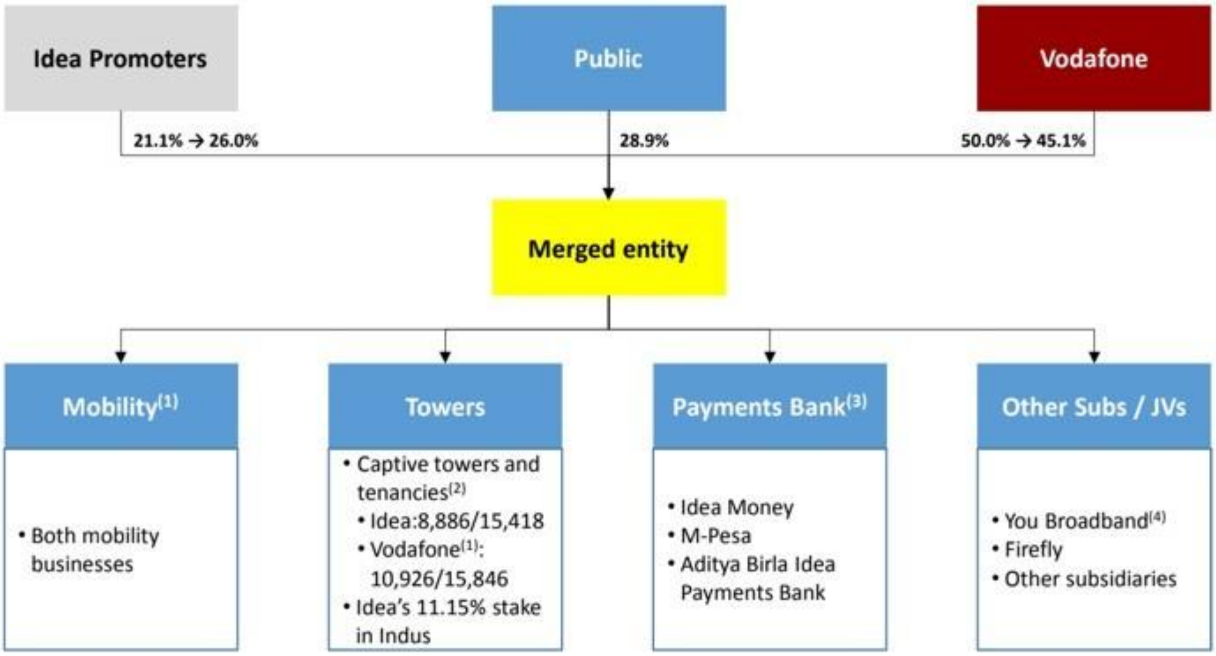
On March 20, 2017, in a game-changing move, Aditya Birla Group announced its plans to merge Idea Cellular Ltd. with Vodafone India Ltd. in a USD 23 billion deal. The entity with a combined subscriber base of more than 400 million was to oust Airtel by surpassing its subscriber base, becoming the largest telecom operator in India.

The merger is a type of **horizontal merger** with both the companies operating in the same space and industry and merging to create synergies for their capex plans and improvement of efficiencies.

The deal comprised of an equal decisive partnership between the Aditya Birla Group and Vodafone Group with strategic fit and complementary assets, creating substantial synergies and unlocking further value through monetization of their tower assets – to realise the digital India vision and provide value for all shareholders. The merger aimed at a robust spectrum profile and a first or second position in 21 circles.

In the merged entity, Vodafone Group was to have 50% share whereas the Aditya Birla Group was supposed to 25.10% stakes. Vodafone Group agreed to bring down its stakes to 45.1% by transferring 4.9% stakes to the Aditya Birla Group at a pre-agreed price of Rs. 109 per share.

The Aditya Birla Group also had the option to expand its stakes through a call option at a price of Rs. 130 per share over a period of 3 years (counted from the date of closure of the deal). The rest of the stakes were with public promoters. The companies further agreed on keeping an option to sell their stakes in Indus towers to create monetary value. Idea had 11.5% stake in the towers whereas Vodafone had 42% stakes in the same.


Idea Promoters
Public
Vodafone
21.1% → 26.0%
28.9%
50.0% → 45.1%
Merged entity
Mobility(1)
• Both mobility businesses
Towers
• Captive towers and tenancies(2)
• Idea:8,886/15,418
• Vodafone(1): 10,926/15,846
• Idea's 11.15% stake in Indus
Payments Bank(3)
• Idea Money
• M-Pesa
• Aditya Birla Idea Payments Bank
Other Subs / JVs
• You Broadband(4)
• Firefly
• Other subsidiaries

The merger completed on August 31, 2018 after a string of regulatory approvals – giving birth to **Vodafone Idea Limited** with a subscriber base of 408 million and a spectrum of 1850 MHz. The board consisted of 12 directors – 6 of them being independent directors with

Mr. Kumar Mangalam Birla appointed as Chairman and Mr. Balesh Sharma as the CEO of the merged entity.

The merged entity had a revenue market share (RMS) of 32.2% with leadership in 9 circles and a customer market share (CMS) of 41.1% with leadership in 12 circles. It boasted of over 2 lakh enterprise customers and 340,000 broadband sites pan-India connectivity with a reach of approximately 92% of the population in nearly 500000 towns and villages. It also encompassed 1.7 million retail outlets and 50000 channel partners and the widest footprint of 15000 branded stores.

- **Foreign Players willing to enter India -** India being a big market for telecom has attracted attention of many foreign players. Due to expectation of growth and profitability in Indian Telecom Sector, many foreign players entered India. As it is not easy to start afresh because of spectrum limitation and other entry barrier, the foreign players have used mergers and acquisitions to expand its footprints in India. Examples- Vodafone acquiring Hutch stake in India, Japan's NTT Docomo taking stake in Tata Teleservices.

- **Inorganic Subscriber Growth -** Telecom sector in India is quite competitive. It is difficult for smaller players to compete with biggies. The big players are also keen on acquiring the customers of smaller players as the market is getting saturated. In past 5 years, growth of customer is quite slow compared to what is was 5 years ago.Example- Reliance Communication and Aircel Merger. Below chart illustrate this.

- **Decrease Costs -** Average Revunue per User (called as ARPU) is one of the lowest in the world. In this scenario to maintain profitability it is important to cut down cost. Mergers and Acquisition helps in achieving economies of scale by reducing infrastructure costs, operational, marketing and HR Costs.

- **Rapid change in Technology -** Telecom sector has witnessed a rapid change in technology like 2G, 3G and 4G. So, to achieve economies of learning, firms are going for M&A. Indian Telecom firms are acquiring smaller companies to learn future technology like IOT.

- **Acquisition of Brand Value -** Brand Name play an important role in Indian Telecom Industry. Smaller firms can benefit a lot by merging with bigger names. Example- RCom- Sistema Merger, Rcom-Aircel & Airtel-Telenor.

- **Synergy Benefit-** Both the companies had said in their statement that the synergy would be extremely cost-effective. The estimated savings annually would go up to 14,000 crores. The savings would be in the form of both capital expenditure as well as operating costs.

Why merge?

Consolidation was inevitable, especially after 2008, when six new licenses were given to new players. The number of telecom operators grew to 12. Although, after the 2G scam surfaced a couple of years later, some of the small players pulled out of the telecom market, while others were reduced to marginal players, operating in a selected few cities. The entry of Reliance JIO sparked the inevitable. Had it not been for Reliance Jio's entry, the merger would have been delayed. Analysts wrote that "Jio's disruptive free distribution of SIM cards" served as a catalyst to the proposed merger. Jio's free service offerings have been extended to 31st March due to which many of the big players including Vodafone and Airtel have lost a vast market share. Even discounts offered by these giants are not adequate enough to stand tall against JIO. One can't simply compete with free offerings.

Shareholding Changes After Merger

Particulars	IDEA	Vodafone-Idea Post merger	Post Aditya Group Acquisition on merger from Vodafone	Post Aditya Total Acquisition from Vodafone
Promoters IDEA	42.45%	21.10%	26.00%	35.50%
Promoters Vodafone		50.30%	45.40%	35.90%
Public	57.55%	28.60%	28.60%	28.60%
Total	**100.00%**	**100.0%**	**100.00%**	**100.00%**

KEY HIGHLIGHTS OF THE PARTNERSHIP

The unique partnership and the merger is based on the strong support it draws from the two parent organisations – the Aditya Birla Group and the Vodafone Group. The partnership comes off as a strong one with the AB Group being one of India's leading conglomerates with revenues of over USD 41 billion and leadership across diverse businesses along with a global outreach in 30+ countries, and the Vodafone Group being a humongous enterprise and one of the global market leaders on IoT. The synergies of the partnership revolve around the diversified profile and global presence of AB Group and the technology standards and purchasing capability of the Vodafone Group.

A few key principles on which the deal was based are as follows:

- **Equal Partnership:** Both groups are the joint promoters of the merged entity and have equal affirmative rights on key decision-making processes
- **Separate Functioning:** Even though the entity has merged, both the entities Idea and Vodafone India would continue to function separately. Both have their own strengths and weaknesses and they plan to function separately by leveraging on the brand value of each brand to create benefits. Vodafone who has a strong urban presence and Idea with its rural and semi-urban reach, through independent functioning can dominate in their arenas and the efficiency of combined operations would be better.
- **Shareholding Equalisation:** AB group has the right to acquire additional 9.5% stakes from the Vodafone Group through a call option of Rs. 130 per share over a period of 3 years. If until 3 years, the equalisation of stakes is not achieved, Vodafone Group has to sell the excess stakes and the AB Group would then have to buy it from the open market. Until the equalisation, the decision-making rights on the excess stakes held by Vodafone would be exercised jointly by both parties in accordance with the agreement.

  Board Composition: The board comprises of 12 members with 6 independent directors and equal representation from both the groups. The Chairman of the board if Mr. Kumar Mangalam Birla and the CEO is Mr. Balesh Sharma. CEO and COO of the merged entity were decided by the 'best person for the job' method in a joint appointment by both parties. The CFO however was appointed by the Vodafone Group.

The key highlights of the combination are as follows:

- Largest telecom operator in India with largest subscriber base and highest RMS and CMS with leadership in 21 out of 22 circles
- Pan-India footprint with coverage of 1.1 billion population for mobile voice and broadband covering around 650 million users (aimed to reach at 1.1 billion) – harnessing the dominance of each entity in their own market to penetrate and have a deeper reach and brand appeal across metro, urban, semi-urban, rural and interior markets with new leadership positions in many markets.
- A wide-scale network comprising of more than 273000 GSM sites and mobile broadband network of 189000 sites – penetrating uncovered areas by releasing infrastructure and equipment in overlapping territories to expand services
- Largest spectrum portfolio comprising of 1850 MHz of spectrum across multiple bands with premium 900 MHz bands across 17 circles – enabling higher network capacity and with the current voice spectrum coming from 600Mhz to 400MHz, the freed spectrum to be utilised for expanding wireless broadband services
- Highest broadband capacity with 163 mobile broadband carriers and large fibre network of approximately 250,000 kilometres
- Extensive distribution channel through over 2 million retailers. Brand strategy to be developed to increase customer's affinity to both brands Idea and Vodafone
- Significant synergies comprising of rationalising operating expenses including network infrastructure and IT services, reduced capex expenditures due to redeployment of overlapping equipment – estimated NPV of net synergies being calculated at INR 700 billion
- Business expansion plans with evolution in digital services – providing a larger base to consumers for payment bank services, scaling up presence in Fixed Line Segment and deeper penetration in the Enterprise segment
- Reducing the debt burden on each company by unifying operations and avoiding duplication of capital expenditure. The combined entity was supposed to be highly leveraged and needed cash infusion. Both

entities decided to sell their stakes in towers and thus reduce their debts and increase their profit margins – thus having a positive impact on the valuation of the combined entity.

SWOT ANALYSIS FOR THE DEAL

STRENGTHS	WEAKENESSES
• Largest subscriber base of more than 408 million consumers • Higher spectrum of 1850 MHz leading to better network capacity and expansion of broadband plans • Improved market share both in terms of revenue and customers • Cost savings due to rationalisation of expenses owing to redeployment of networks	• Heavy debt on both entities – a debt of 1092 billion on combined entity would cause the company to invest less in data infrastructure • Functioning as two separate brands instead of one unified brand • Costly restructuring of deals with partners • Organisation restructuring – employee layoffs to strengthen
• More reach due to Vodafone's urban and Idea's rural presence • Better cash infusion due to reduced debt burden and option to monetize stakes in towers	balance sheets and change in work ethics and culture to ease the merger and cut costs will lead to reduced and demotivated manpower
OPPORTUNITIES	**THREATS**

• Better cash infusion and hence better investment in data infrastructure which could imply better network capacity and hence better services • Focus on newer technologies like 5g and other digital services – to compete with Jio and Airtel in terms of content and data-based services rather than focussing on voice-based services.	• Jio's disruptive pricing – a better data pricing solution is required or the subscriber base of Vodafone-Idea will die down • Market conditions of debt – with the spectrum being a huge burden on financials and the telecom sector having declining revenues, the company could face financial challenges • Huge investments on Jio and Airtel's parts for data infrastructure and unwillingness of Vodafone Group to invest in Indian arm could lead to lost subscriber base • Incentives by Airtel to retailers for selling plans – just like Vodafone- Idea, Airtel is also offering incentives of increased commission to retailers for selling their plans

STRATEGY FOLLOWED BY IDEA-VODAFONE

The merger or acquisition of any company definitely impacts all its stakeholders – its shareholders, promoters, investors, employees, retailers, distributors and customers. At the time of such a deal, the involved parties must make sure to create value for all the stakeholders and not penalize any particular stakeholder.

The following strategies were adopted by the two companies to facilitate smooth functioning of the merger:

1) Vodafone Group offered ‘golden handshakes’, i.e., handsome severance packages to the best-performing employees who were likely to be accommodated post-completion of merger. The huge severance package made it easy for the employees to embrace the merger without constant worries of their future with the company
2) The companies planned to reduce their debt burden and generate cash through rationalisation of tower tenancies – they had kept the option to monetize their Indus Tower stakes – this whole move expected to create a synergy of USD 10 billion
3) The treatment of employees from both partners to be done equally without any discrimination on account of controlling stakes or other issues
4) The companies decided to evolve a common work ethic and culture to focus on external battles rather than create internal turf wars due to the decision of two brands functioning separately
5) The two brands functioning separately made it easier for the two companies to operate in their strength areas and collaborate on their weakness areas – for instance the different market reach of both brands was ensured with Vodafone being dominant in urban sector and Idea in the rural sector and both of them retaining their dominance in home markets along with the added bonus of having an appeal to each other’s markets for expansion
plans
6) Retailers and distributors were offered higher incentives to sell subscription plans. The usual rate of commission was Rs. 70 – Rs. 80 for a subscription plan being sold. Post the merger, the company incentivised the retailers with a commission rate of Rs. 170 – Rs. 180 for every subscription plan sold – this being done to ensure retention of current subscribers and attracting new subscribers to choose Vodafone-Idea over other operators
7) Capex and opex plans were to be executed through redeployment of overlapping networks in unpenetrated areas to increase network expansion

BENEFITS EXPECTED OUT OF THE MERGER

The deal was made to optimize the functioning of both the companies in the face of threat of competitive pricing and increased debt burdens. In the words of Vodafone Group CEO, Mr. Vittorio Colao – "We are very complementary. Idea is strong where Vodafone is weaker. Vodafone is strong where Idea is weaker", the merged entity is expected to generate beneficial and value creating synergies in the following ways:

1) The merged entity is India's largest telecom operator with a subscriber base of more than 408 million and market share of more than 35.61% - replacing Airtel as India's largest telecom operator
2) Using brand leverage of each other due to separate functioning – both having a defined and different segment of customers and hence a wider reach as a unified brand through existing two brands
3) Measures of cash generation such as selling Indus Tower stakes could aid in reduction of Net Debt from 4.4 to 3 times of the merged company
4) Merged entity has a 1850MHz spectrum across multiple bands (Airtel having 1692MHz and Jio having 1310MHz) and thus a higher network capacity is ensured for the combined entity. The freeing of voice spectrum due to the merger is also beneficial since it could be used for expanding wireless broadband services
5) A huge broadband network of 340000 sites and 1.7 million retail outlets ensures maximum reach to the customers and end-users
6) The company to become the world's second largest telecom operator in terms of subscriber base after China Mobile Communications Ltd.
7) Rationalisation of operating expenses and capital expenditure benefits could further help in reducing the debt burden and increasing the valuation of the combined company

8) Reduced network capex due to redeployment of overlapping equipment could be beneficial in two ways:

in expanding coverage in uncovered territories and to reduce the debt burden on the companies

9) Overall consolidation to lead to a better financial health of the telecom sector in India with only 3-4 major players staying in the arena
10) A better and more robust ecosystem of towers leading to better cellular services for consumers is expected
11) Better grasp on new services like integrated digital services including voice, data, mobile payments, and fixed line offerings among other services
12) Energy savings and operational efficiencies with elimination of older GSM sites
13) Infrastructure sharing would result to lower costs
14) Lower fibre and electronic rollout required for expansion of broadband capacity

Thus, there are a lot of benefits expected out of the merger – the key being reduction in debt and costs and efficient usage of infrastructure and markets. Apart from this, the merger is expected to generate INR 140 billion annual synergy equivalent to an NPV of INR 700 billion. The equity infusion of both companies – Idea at 67.5 billion and Vodafone at 86 billion coupled with the monetization of stakes in standalone towers could provide the company a strong cash balance of INR 193 billion post payment of INR 39 billion to DoT. The additional option to monetize the Indus tower stakes can generate a cash consideration of INR 51 billion. Thus, the merger is expected to be beneficial both financially and operationally.

CURRENT SITUATION AND ANALYSIS

The company after commencement of its operations has reported financials of two quarters - Q2 FY2020 and Q3 FY2020. Following are the key highlights of the two quarters.

Q2 FY2020	Q3 FY2020

• Gross Revenue : INR 12023 crore • Net Loss: INR 4950 crore • Gross Debt: 112500 crore • Investment: 3300 crore • Total Subscriber base: 422 million • RMS: 32.2% • 2G coverage: 479187 villages • 3G+4G coverage: 253205 villages • Active Subscribers(VLR):403 million	• Gross Revenue: INR 11765 crore • Net Loss: INR 5005 crore • Gross Debt: 123660 crore • Total subscriber base: 387 million • 2G coverage: 472381 villages • 3G+4G coverage: 263915 villages • Service Areas: Pan-India(22 circles) • Prepaid Subscribers: 93.9% • 3G+4G subscribers: 108 million
• Service Areas: Pan-India (22 circles) • Geography coverage: 91.3% • Prepaid Subscriber: 94.3% • 3G+4G subscribers: 99.7 million • 2G sites: 200,000 • 3G+4G sites: 365000 • OFC footprint: 233,000 km • Telecom towers: 202,650 • ARPU: INR 88 • Minutes per user: 568 minutes • New sites added: 24,866	• Telecom towers: 198171 • ARPU: INR 89 • Minutes per user: 580 minutes • New sites added: 11123

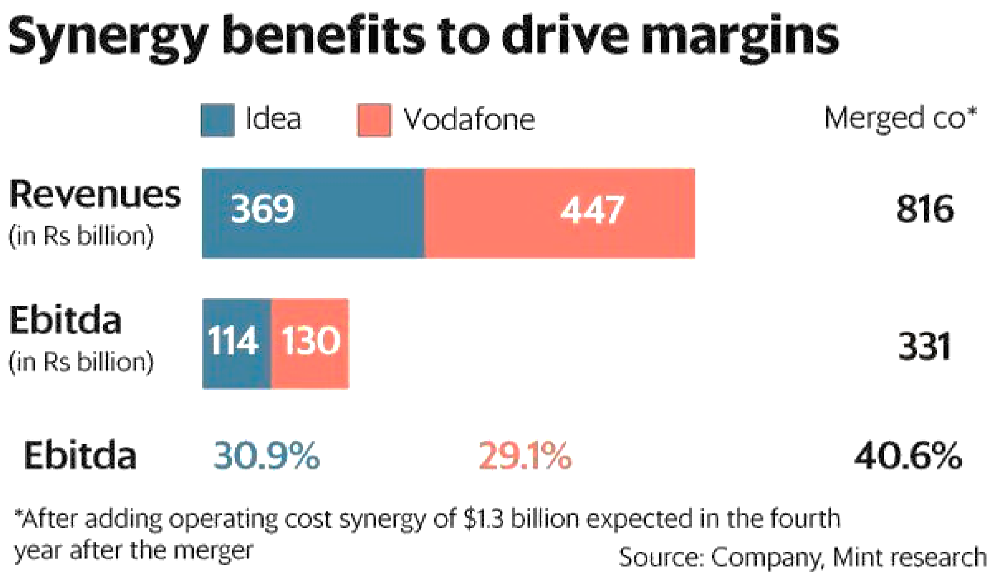
Looking at the table, we can analyse the following:

- The company has lost about 35 million subscribers in the 3 months of Q3 FY2019 which is a point of concern

- The loss has widened in the latest quarter and adds to the list of concerns for the merged entity
- The number of 2G sites have reduced implying that the company is shutting down 2G networks. On the other hand, the increase in 3G and 4G sites shows the company is focusing on data-centric services and their infrastructure
- The company has managed to arrest the declining ARPU and minutes per user and has seen a growth in the ARPU and minutes per user from Q2 to Q3
- The debt of the company has also widened which might strain its balance sheets

The board of the company also approved a rights issue of up to Rs. 25000 crore. One of the most recent news was that the company sought a moratorium on the annual spectrum payment of 10000 crore citing stress on balance sheets. The company also was in news for suggesting to the delay of 5G auction to 2020 stating the need for India-specific use cases for the next-generation technology.

Overall, the above figures can't be used for a comparative analysis since both the companies used to report their financials individually and the combined entity just had its first full- quarter reporting. The lack of a benchmark thus makes it difficult to assess the performance of the company at this point. One thing that can be deciphered from the whole scenario is that Jio has had a huge impact on the Indian telecom industry because of its aggressive pricing and the merger in itself without any unique innovation might not be able to compete with the competition. The company thus needs to find innovative pricing solutions and keep up their focus on data-centric services and not become complacent under the hat of being a market leader. The efficacy of the merger thus, still remains to be seen and a lot needs to be done by the merged entity to keep its position in the market intact.



<u>Mixed Opinions post-Merger</u>

After 7 months of Merger Economic times had done a survey to know what the opinion of employees and management post-merger was and if they were happy with this Merger. Mixed kind of opinions emerged from this survey that have been shared below -

Employee Perspective

Managing employee morale at a time of huge job losses. Vodafone-Idea let go of 4,000-5,000 employeesin the lead up to the merger in August 2018.

"The morale is quite low… The message we are getting is 'everyone's job is under threat', which is harming performance," said a senior employee of Vodafone Idea, When ET spoke to them

"Every day we come to office to hear about more pink slips…," said a mid-level employee, who has managed to retain his job post-merger.

Some employees claim the new structure is leading to so-called 'demotions' and alleged that it could bea move to shed more jobs.

Management Perspective

Higher Management didn't comment on the current employee strength and layoffs but said the people integration was progressing smoothly.

CEO said that Vodafone Idea has already realised 60% of the targeted synergies in seven months, something which typically "would have taken four years…10 circles of full integration of networks wouldn't have been possible if engineers were all not working together."

The CEO also told ET that communication with employees is a two way process, with "equal feedback", and two very clear goals were set: integrate as quickly as possible and protect market share

Benefit to customers

- Customer as a king in market due to impact on tariff prices.
- Chances of better and faster network is more.
- Network integration does not require customer to port their number.
- Also, both the companies start working on better coverage of 4G and 5G which ultimately grewthe future expectation of customer.
- Strictly adhering to quality of service (QoS) norms nationally has even set up war rooms to tracknetwork performance and minimize customer inconvenience.

Significance of the Merger for Consumers

The merger holds significance for the consumers also, as a rapid change can be expected in the market organisation and the telecom industry development.

1. The Indian telecom industry would see the domination of three telecom giants of which Vodafone-Idea would be the largest. Additionally, Bharti Airtel and Jio have been found as the dominating counterparts in the telecom industry.

2. The process of branding will be individual for both the companies have been found to have a complementary nature with respect to each othe

Feedback from Idea Employees

1. As per sources, in the new Organization Structure , a Business Analyst from Idea was put under a Vodafone employee handling IT Operations. This led to decline in his morale and after 6 months ,the Idea employee put his resignation. There were many such stories of employees quitting the merged organization due to these inappropriate reporting structures.
2. Vodafone leadership always put its applications on priority to be implemented by the Vendors. Idea applications were taken up after Vodafone applications.
3. Though Idea was very good in providing IT solutions, but Vodafone believed they are the best in the business, hence final decision to adopt IT solutions proposed by Idea were taken by Vodafone.
4. Though Idea leaders were given senior positions in the merged Organization structure , but the power to take decisions was with Vodafone.

CRITICISM AND CHALLENGES OF THE MERGER

Despite the many expectations of synergies being created and benefits being reaped out of the merger – with the company commanding the largest RMS and CMS in India, the merger is still being criticized for lack of motivation behind the combining parties and no definitive strategy in place to deal with the competition. On the face-value everything seems to be going well for the combined entity, but there are underlying challenges that the entity needs to resolve before it can actually change the dynamics of the Indian telecom sector. For the consumer, the merger might result in a negative way since lessening of competition in industry might lead to consensus among players on prices and might lead to higher prices for services in future.

1) The threat of disruptive pricing and focus on data by Reliance Jio still can have a major impact on the combined entity since the separate entities did not recover from the losses incurred due to Jio's strategies – especially if they keep their focus on voice and not data services.

2) Content never was a major revenue earner for telecom industry. However, with Jio offering content for free, the revenue of Vodafone-Idea can be dented severely.

3) Manpower – a key asset would be cut down post-merger to reduce costs and to add assets to balance sheets.

4) Not creating a separate brand might have its own challenges – how to advertise and brand the combined entity – how to define strategies to utilise resources to build communication around two brands and not one unified brand and yet leverage the synergy of combined brands.

5) In order for the companies to fulfil their main aim of creating sustainable and profitable synergies – reduction of market budgets, elimination of overlaps, consolidation of partners needs to be done which might lead to reduced services and hence declining revenues and a hit at the subscriber base.

6) The countrywide network integration could be costly due to redeployment of network in uncovered and unchartered territories as well as restructuring of long-term contracts with previous partners which might attract penalties.

7) The merged entity could lose its market share due to its unwillingness to invest in data infrastructure and spectrum, especially on part of Vodafone Group to resist investing in the Indian arm – the merged entity is behind Airtel and Jio in terms of data investments and this could hurt the performance.

Overall, there is nothing new or unique about the deal – before the merger both were fighting their own wars with Jio. The numbers post-merger remain the same as well – the ARPU, infrastructure, benefits and obstacles. Overall, both parties provided good services without having any innovation and aggressive business strategies in their initial days as well. Harmonisation of spectrum is one thing they have to look forward to post-merger, but they were doing that initially as well. The combined entity instead of being complacent about its market leader cap would have to define particular strategies and innovative data packages to its customers if it has to survive in the current market.

Relevance of Study

1. Firstly, there can be initiatives based on the renewal of price discipline for the disruptive entry by Jio has caused some serious misbalance

2. Secondly, the poor financial health of the telecom sector can be observed. And through such mergers, there will be an infusion of health and life. Since India is the fastest-growing market in terms of subscriber base.

3. Through the merger, Vodafone and Idea will overcome their debts and a large sum of credit will be infused into the system

4. The deal has also saved both the telecom companies from selling off their business. As was being planned by them initially and this would directly impact the quality of services being provided by different players in the industry

5. There will be a saving of over 60 per cent of the cost of the operation and this will aid in improving the quality and performance of the service through investments from the saved money.

CHAPTER 2
OBJECTIVE, NEED, LIMITATION OF THE STUDY

OBJECTIVE OF THE STUDY

As most of the literature covers post-merger analysis and that too not in Telecom sector so there is a need to study mergers in Telecom sector and that too of the prospective mergers. Keeping this in mind, an attempt is made to study the following objectives:

1. To analyse the impact on market revenue share, stock price and profitability of the merged company.

2. To examine the Financial challenges and synergies involved in these mergers.

3. To study the financial Aspects of Merger.

4. To get knowledge about process of Mergers.

NEED OF THE STUDY

1.The main need for the Vodafone-Idea merger is to Handel the rising dominance of Reliance Jio in the Telecom industry. As Jio announced to provide free services in the first 6 months. As a result, it started to Capture the maximum part of the market.

2.Secondly, the free services from the Jio started the price war between the companies in the telecom sector (as it in an oligopoly market structure).

LIMITATION OF THE STUDY

1. Limited Time :- We get limited time period of 45 days for the study.
2. Availability of funds:- We don’t have much fund for expenses on research.
3. Resources:- Less availability of resources.

CHAPTER 3

Review of Literature

An attempt is made to review various studies undertaken in context of Mergers and Acquisitions in India in Telecom Sector. Some of the studies are as:

Mantravedi and Reddy (2008)	Including all the diverse sectors of India, no significant variations is found in respect to effect on operating performance subsequentto mergers.
Kumar and Rajib (2007)	Majority of the studies on Mergers and Acquisitions are done taking accounting measures into considerations.
Aggarwal arid Jaffe (1996)	Designed techniques to compute the return on shareholder's equity through Mergers and Acquisitions.
George (2007)	No sufficient evidence is found regarding the time duration for which the impact of mergers and acquisitions can be observed.
Krishnamurti and Vishwanath, (2010)	There is a need to develop practical measures for analysing the performance of a merged company as the frequency, Value, Numbers of Mergers & Acquisitions in India are increasing continuously.
Dasgupta (2004)	Reforms mainly economic reforms is the most important factor in the growth of mergers in India as most of the mergers are results of economic reforms initiated since 1990s.
Kale and Singh (2005)	Observed that MNCs acquirer during 1998-2002 have earned considerably larger return in equity market compared to

	their local Indian counterparts.
Rani et al. (2010)	Found that the main objective of mergers in India during 2003–2008 was to take benefit of synergies including expansion, diversification, enhanced geographical reach, increased profitability, better technology etc.

In majority of literature in Indian context, it is found that the work is done to find the impact on profitability or on return to equity shareholders post- merger.

CHAPTER 4

RESEARCH METHODOLOGY

RESEARCH DESING

The type of research design used in the study is “Descriptive Research”. Descriptive research is a powerful research tool that permits a researcher to collect data and describe the demographics of the same with the help of statistical analysis. Thus, it is a quantitative research method.

Descriptive research is a research design that is used to investigate different phenomenon and situations. It always targets to answer questions like how the situation happen, when in terms of the time or date, where in terms of the place it happened, and what the issue or phenomenon is. The research design majorly focuses on explaining more of the population; therefore, it integrates different research methods for its success. It is a unique kind of design because there is no manipulation of the variable; rather, the researcher uses observation to measure the findings.

Descriptive research designs are used by researchers when they want to define the problem and why it exists hence the use of varied designs that are added to help the research process. The descriptive design is used in different organisations and institutions to solve the root of the problem.

HYPOTHESIS

A supposition; a proposition or principle which is suppose or taken for granted, in order to draw a conclusion or inference for proof of the in question; something not proved, but assumed for the purpose of argument, or to account for a fact or an occurrence; as, the hypothesis that head winds detain and overdue steamer. A hypothesis being a mere supposition, there are no other limits to hypotheses than those of the human imagination.

In this research the hypothesis are:

Null Hypothesis:- Merger of Vodafone and idea doesn’t lead to better financial position of company.

Alternative Hypothesis:- Merger of vodafone and idea lead to better financial position of company.

SOURCES OF DATA

1. PRIMARY DATA

2.SECONDARY DATA

1. PRIMARY DATA:-

   The Indian telecom sector is going through a transforming phase now-a-days, telecom operators are going for mergers and acquisitions to survive in the industry and many players have even existed the market due to cut-throat competition and heavy losses. Vodafone-Idea merger requires through study and analysis because this merger created a stir in the market and forced other market players to merge with big companies. All the data has been extracted from the company's audited financial reports.

2 .SECONDARY DATA:-

This paper is based on secondary data collected through TRAIsreport, COAI report,leading newspapers and Companies websites. Mainly last quarter data after Jio’s entry in the telecom sector is taken in to consideration. Future growth of the merged company in terms of profitability, Market share and stock market is analyzed by studying the experts comment and their report.

CASE STUDY ABOUT VODAFONE & IDEA MERGER

In this article we will be discussing about a huge and an unanticipated change that is being observed in the telecom industry between two telecom giants,i.e. **Vodafone India and Idea Cellular.** Idea cellular which is owned by Kumar Mangalam Birla have come forward with the proposition to merge with Vodafone India. This would result in the biggest company considering the number of subscriber base catered by both the players.

The merger will leave Bharti Airtel off its hook from being the number one from past 15 years. There are several aspects that are to be looked into while developing an understanding about the features associated with merger and the impact it would make on the consumers and the telecom industry as a whole.

CHAPTER 5

ANALYSIS & INTERPRETATION OF DATA

FINANCIAL PERFORMANCE AFTER MERGE

Comparative profit & Loss A/C for the year ending 31st Mar,2017

Particulars	MAR'17 (₹ Cr.)	MAR'16 (₹ Cr.)	% Change
Gross Sales	35,278.65	35,803.69	-1.47%
Less :Inter divisional transfers	0.00	0.00	0.00%
Less: Sales Returns	0.00	0.00	0.00%
Less: Excise	0.00	0.00	0.00%
Net Sales	35,278.65	35,803.69	-1.47%
EXPENDITURE:			
Increase/Decrease in Stock	0.00	0.00	0.00%
Raw Materials Consumed	0.00	0.00	0.00%
Power & Fuel Cost	3,009.10	2,517.66	19.52%
Employee Cost	1,625.64	1,473.52	10.32%
Other Manufacturing Expenses	16,334.11	15,857.14	3.01%
General and Administration Expenses	424.26	375.57	12.96%
Selling and Distribution Expenses	3,397.80	3,307.73	2.72%
Miscellaneous Expenses	411.49	359.48	14.47%
Expenses Capitalised	0.00	0.00	0.00%
Total Expenditure	25,202.41	23,891.10	5.49%

PBIDT (Excl OI)	**10,076.24**	**11,912.59**	-15.42%-
Other Income	244.94	183.72	33.32%
Operating Profit	**10,321.17**	**12,096.30**	-14.67%
Interest	4,040.16	1,802.22	124.18%
PBDT	6,281.01	10,294.08	-38.98%
Depreciation	7,700.02	6,223.23	23.73%
Profit Before Taxation & Exceptional Items	-1,419.00	4,070.85	-134.8%
Exceptional Income / Expenses	0.00	0.00	0.00%
Profit Before Tax	**-1,419.00**	**4,070.85**	-134.8%
Provision for Tax	-587.93	1,424.56	-141.27%
PAT	**-831.08**	**2,646.29**	-131.4%
Extraordinary Items	0.00	0.00	0.00%
Adj to Profit After Tax	0.00	0.00	0.00%
Profit Balance B/F	8,511.05	6,152.27	38.34%

Interpretation

- The comparative statement given above reveal that there has been an decrease in net sales by -1.47%.
- The other income of the company increased by 33.32% where as other expenditure is increased by 5.49%. It shows that income is greater than expenditure. So company have to maintain the same for earning high income.
- The net profit before tax is decreased by -134.8% and after tax is -131.4%.
- It is concluded that company have insufficient profit to distribute the dividend.

Comparative Balance Sheet for the year ended 31st Mar,17

Parameter	MAR'17 (₹ Cr.)	MAR'16 (₹ Cr.)	%Change
EQUITY AND LIABILITIES			
Share Capital	3,605.33	3,600.51	0.13%
Share Warrants & Outstandings			
Total Reserves	19,984.30	21,029.46	-4.97%
Shareholder's Funds	23,723.76	24,765.20	-4.21%
Long-Term Borrowings	**0.00**	**0.00**	0.00%
Secured Loans	7,856.92	3,859.86	103.55%
Unsecured Loans	43,780.91	32,044.18	36.63%
Deferred Tax Assets / Liabilities	1,679.11	2,235.73	-24.90%
Other Long Term Liabilities	1,494.18	2,768.37	-46.03%-
Long Term Trade Payables	0.00	0.00	0.00%
Long Term Provisions	331.10	335.33	-1.26%-
Total Non-Current Liabilities	**55,142.21**	**41,243.47**	33.70%
Current Liabilities			
Trade Payables	3,992.13	3,203.87	24.60%
Other Current Liabilities	12,854.49	7,705.43	66.82%
Short Term Borrowings	33.65	1,645.58	-97.96%-

Short Term Provisions	798.41	974.76	-18.09%
Total Current Liabilities	**17,678.68**	**13,529.64**	30.67%.
Total Liabilities	**96,544.65**	**79,538.31**	21.38%
ASSETS			
Non-Current Assets	**0.00**	**0.00**	0.00%
Gross Block	89,684.91	71,107.70	26.13%
Less: Accumulated Depreciation	13,559.93	6,136.40	120.98%
Less: Impairment of Assets	0.00	0.00	0.00%
Net Block	76,124.98	64,971.30	17.17%
Lease Adjustment A/c	0.00	0.00	0.00%
Capital Work in Progress	1,324.40	661.35	100.26%
Intangible assets under development	6,204.80	5,377.48	15.38%
Pre-operative Expenses pending	0.00	0.00	0.00%
Assets in transit	0.00	0.00	0.00%
Non Current Investments	2,226.60	1,666.85	33.58%
Long Term Loans & Advances	1,922.20	1,427.47	34.66%
Other Non Current Assets	1,338.03	774.92	72.67%
Total Non-Current Assets	**89,141.01**	**74,879.37**	19.05%
Current Assets Loans & Advances			

Currents Investments	4,024.71	832.85	383.25%
Inventories	54.21	85.15	-36.33%-
Sundry Debtors	1,258.10	1,136.06	10.74%
Cash and Bank	31.27	757.66	-95.87%
Other Current Assets	1,210.80	872.68	38.74%
Short Term Loans and Advances	824.57	974.55	-15.39%
Total Current Assets	**7,403.65**	**4,658.94**	58.91%
Net Current Assets (Including Current Investments)	-10,275.03	-8,870.70	15.83%
Total CA Excluding Current Investments	3,378.94	3,826.10	-11.69%
Miscellaneous Expenses not written off	0.00	0.00	0.00%
Total Assets	**96,544.65**	**79,538.31**	

INTERPRETATION

The comparative balance sheet as on two or more dates can be prepared to show the increase or decrease in various assets, liabilities and capital Such a comparative balance sheet is useful in studying the trends in business enterprise

- The comparative balance sheet of the company reveals that there has been decrease in reserve & surplus by -4.97% which shows that company has insufficient profit.
- Non current assets of the firm has increased by 19.05% where as non current abilities of the firm has increased by 33.70%
- The current investment has increased by 383.25%, sundry debtors has increased by 10.74%, other current assets increased by38,74%. It shows that the company have good point that it can reduce its short-term as well as long-term loan and advances.
- The overall financial position of the firm is satisfactory

Statement of Consolidated Cash Flows for the year ended March 31, 2017

₹ Mn

Particulars	For the year ended March 31, 2017		For the year ended March 31, 2016	
A) Cash Flow from Operating Activities				
Profit/(Loss) before Tax		(8,632.35)		42,501.28
Adjustments For				
Share in profits / (loss) of joint venture and associate	(4,218.26)		(4,216.81)	
Depreciation	49,913.76		48,045.13	
Amortisation	28,358.28		14,515.61	
Loss / (Gain) on disposal of PPE, intangible assets and non-current assets held for sale	(176.19)		(63.75)	
Finance costs (including fair value change in financial instruments)	40,410.78		20,961.50	
Interest income	(674.64)		(276.70)	
Gain on Mutual Funds (including fair value gain/(loss))	(2,394.71)		(1,854.69)	
Bad debts / advances written off	104.16		1,328.12	
Allowance for doubtful debts / advances	1,869.01		282.74	
Share based payment expenses (ESOS)	432.35		614.48	
Provision for gratuity and compensated absences	322.83		377.67	
Liabilities / provisions no longer required written back	(93.48)		(136.82)	
		113,853.89		79,576.48
Operating Profit before Working Capital Changes		105,221.54		122,077.76
Adjustments for changes in Working Capital				
(Increase)/Decrease in Trade receivables	(3,614.16)		(3,554.79)	
(Increase)/Decrease in Inventories	477.44		(355.07)	
(Increase)/Decrease in Other financial and non financial assets	(2,537.89)		(6,078.18)	
Increase /(Decrease) in Trade Payables	8,398.87		2,990.58	
Increase /(Decrease) in Other financial & non financial liabilities	4,235.74		3,017.22	
		6,960.00		(3,980.24)
Cash generated from Operations		112,181.54		118,097.52
Tax paid (including TDS) (net)		(6,808.39)		(8,611.43)
Net Cash from / (used in) Operating Activities		105,373.15		109,486.09
B) Cash Flow from Investing Activities				
Purchase of PPE & Intangible assets (including CWIP)	(53,312.81)		(71,242.71)	
Payment towards Spectrum and Licenses - Upfront payment	(66,207.00)		(58,081.99)	
Payment towards Spectrum and Licenses - Deferred payment liability	(7,181.60)		-	
Proceeds from sale of PPE, Intangible assets and AHFS	382.42		207.00	
Investment in Aditya Birla Idea Payments Bank Limited (including advance given for purchase of shares)	(173.70)		(2.45)	
Net proceeds from sale / (purchase) of Current Investment	(33,298.21)		103,911.89	
Interest received	611.40		1,318.35	
Dividend received from Joint Venture	3,622.58		-	
Net Cash from / (used in) Investing Activities		(155,556.92)		(23,889.91)

₹ Mn

	Particulars	For the year ended March 31, 2017		For the year ended March 31, 2016	
O	Cash Flow from Financing Activities				
	Proceeds from issue of Equity Share Capital under ESOS	96.85		175.10	
	Amount paid on extinguishment of Equity Shares held by P5 as per high court approved scheme	(4,550.00)		-	
	Proceeds from Long Term Borrowings	115,155.79		347.11	
	Repayment of Long Term Borrowings	(15,859.04)		(101,630.03)	
	Proceeds from Short Term Borrowings	-		14,798.09	
	Repayment of Short Term Borrowings	(15,000.00)		-	
	Payment of Dividend, including Dividend Distribution Tax	(2,598.89)		(2,598.19)	
	Payment of Interest and Finance Charges	(32,799.83)		(4,392.83)	
Net Cash from / (used in) Financing Activities			44,444.88		(93,300.75)
Net Increase / (Decrease) in Cash and Cash Equivalents			(5,738.89)		(7,704.57)
Cash and Cash Equivalents at the beginning			6,174.26		13,878.83
Cash and Cash Equivalents at the end			435.37		6,174.26

INTERPRETATION

- Cash flow statements shows how much cash comes in and goes out of the company over the year. At first glance, that sounds a kit like the income statements in that it records financial performance over a specified period.

- Above statements shows that in Mar, 16 Net cash flow from Operating Activity was Rs 109486 Approx. and it fall in Mar, 17 Rs 105373Approx

- In Mar 16 Net cash used in Investing Activity (23889) Approx and it decrease in Mar.17 Rs(155556) Approx.

- In Mar 16 Net cash used in Financing Activity (93300) Approx andit increase in Mar.17 Rs44444Approx.

<u>RATIO ANALYSIS</u>

Current Ratio:-

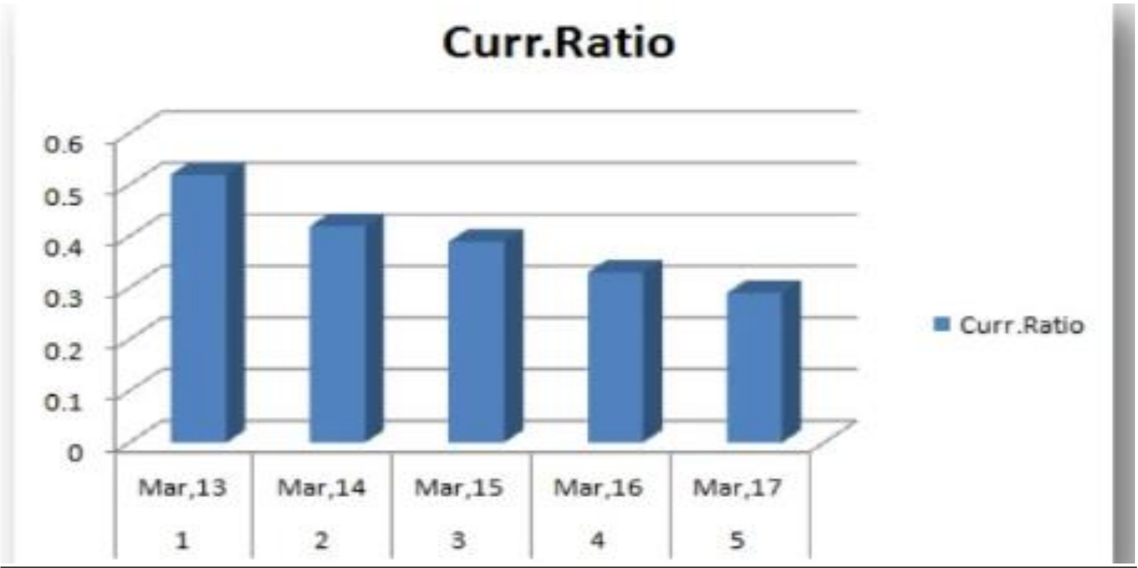
The current ratio is a liquidity and efficiency ratio that measures a firm's ability to pay off its short-term fabilities with its current assets. The current ratio is an important measure of liquidity because short-term abilities are due within the next year. This means that a company has a listed amount of time in order to raise the funds to pay for these liabilities. Current assets like cash, cash equivalents, and marketable securities can easily be converted into cash in the short term. This means that companies with larger amounts of current assets will more easily be able to pay off current liabilities when they become due without having to sell off long-term revenue generating assets.

Formula

Current ratio = current asset/current liabilities

Company data for analysis

Sr no	year	Current ratio
1	March 13	0.52
2	March 14	0.42
3	March 15	0.39
4	March 16	0.33
5	March 17	0.29



Interpretation

An ideal current ratio should be 2:1, which denotes that the current assets of a business should at least be twice of its current abilities. Current ratio of company was decreasing from 0.52 in Mar, 13 to 0.29 in Mar, 17. Therefore it can be said that the short-term financial position of the company is not satisfactory.

Gross profit ratio:-

Gross profit margin is a profitability ratio that calculates the percentage of sales that exceed the cost of goods sold. In other words, it measures how efficiently a company uses its materials and labor to produce and sell products profitably. You can think of it as the amount of money from product sales left over after all of the drect costs associated with manufacturing the product have been paid. These direct costs are typically called cost of goods sold or COGS and usually consist of raw materials and direct labor

Formula

Gross profit = total sales- cost of goods sold

Company data for analysis

Sr no	Year	Gross profit ratio
1	March 13	9.33
2	March 14	12.1
3	March 15	15.4
4	March 16	15.7
5	March 17	6.78

Interpretation

This ratio measures the margin of profit available on revenue from operation. The higher the GP ratio, the better it is. No ideal is fixed for this ratio. The GP ratio of the company has been 9.33 in Mar,13 and it is continuously increasing up to 15.7 in Mar.16 but in Mar.17 it falk up to 6.78. this means our profit get decreased, so this ratio is not sufficient to pay operating expense, interest on bans, transfer to reserve.

Net profit margin:-

The net profit margin ratio, also called net margin, is a profitability metric that measures what percentage of each dollar earned by a business ends up as profit at the end of the year. In other words, i shows how much net income a business makes from each dollar of saks. A higher margin is always better than a lower margin because it means that the company is able to translate more of its sales into profits at the end of the period. Keep in mind that margins change drastically between industries and just become one industry has a lower average margin than another doesn't mean that it is less profitable. Industries, like retailing might have a lower average margin than other industries, but they make up for it in sheer vokime of sales making them more profitable in total dollars.

Formula

Net profit margin = net profit / total revenue

Company data for analysis

Sr no	Year	Net profit margin
1	March 13	3.71
2	March 14	6.46
3	March 15	8.98
4	March 16	7.3
5	March 17	-2.35

Interpretation

This ratio helps in determining the efficient with which the affairs of a company is measured. Continuously increase in the above ratio year after is a improving condition of the business.

The net profit of Mar, 17 is -2.35 which is very less than last year. So the company is in poor condition in Mar.17. This ratio also indicates that firm has no capacity to face adverse condition such as price competition, low demand etc.

HYPOTHESIS TESTING

Interpretation

Null Hypothesis:- Merger of Vodafone and idea doesn't lead to better financial position of company.

Alternative Hypothesis:- Merger of vodafone and idea lead to better financial position of company.

From the above research study it is found that among the above hypothesis , Null hypothesis i.e "Merger of Vodafone and idea doesn't lead to better financial position of company" is found to be prove and Hence accepted .

Where , as alternative hypothesis i.e "Merger of vodafone and idea lead to better financial position of company" is rejected.

FINDINGS

- The other income of the company increased by 33.32% where as other expenditure is increased by 5.49%. It shows that income is greater than expenditure.

- The current investment has increased by383.25%, sundry debtors has increased by10.74%

- The net profit ratio of Mar.17 is -2.35 which is very less than last year. So the company is in poor condition in Mar, 17.

- It shows that there is insufficient profit in the company to distribute the dividend.

CHAPTER 6

CONCLUSION

CONCLUSION

Reliance Jio is the threat to most of the existing players in the Telecom and for surviving in the competition, number of mergers and acquisitions can take place in Telecom sector in India. There are strong chances of improvement in the operating profits of the merged companies. Merged companies can increase their presence in more circles with the better tariff plans and technology due to economies of scale. Merged companies can also fulfill TRAI compliances easily and have better spectrum. With few hurdles, if these mergers takes place, the merged companies will be better off.

- Creation of India’s largest telecommunications company with nearly 400 mn subscribers, combined RMS of 40.7% and CMS of 35.1%
- Combination a strong proposition for all stakeholders realize ‘Digital India’ vision, deliver benefit to consumers and create shareholder value
- Equal partnership between Aditya Birla Group and Vodafone Group
- Strategic fit and complementary assets pan India broadband (3G/4G) with robust spectrum profile, #1 / #2 position in 21 circles
- Significant synergies substantial cost and capex synergies with an estimated NPV of ~INR 670 billion1

CHAPTER 7
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BIBILIOGRAPHY

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