



Merger of Vodafone and idea cellular

¹ *Joshi Shubham Ashokbhai*, ² *Belim Mohammad Shakil*, ³ *Dr. DipakGaywala*.

¹ M.B.A. student, ² M.B.A. student, ³ Assistant Professor.

¹ Parul institute of management & Research

Parul university Waghodia, Vadodara, India.

ABSTRACT :

Vodafone and Idea announced their merger in 2017, which made a huge impact on the Indian telecom sector. This was a major consequence to counter Jio's dominance in the industry which backed other major players to take precarious steps to maintain their stand in the Indian telecom market. Vodafone India was the second-largest player of the Indian Telecom Industry in terms of subscriber base, who have huge amount of subscribers in most of Urban area while Idea Cellular Limited has the third largest subscriber base in India and having large number of subscriber in rural area. Idea Cellular was a subsidiary of Aditya Birla Group. This merger did not only create a telecom giant but has had wide-ranging implications for the industry, services, the staff, and consumers as well as it pushed more merger moves in the telecom sector. In this paper, the current scenario of the Indian telecom market is also analysed to understand where Vodafone-Idea stands today.

Key words: Merger, Telecom Sector of India , Vodafone , Idea

I.INTRODUCTION

On March 20, 2017, India's third-largest telecommunications company, Idea Cellular (Idea), announced US \$ 23 billion, to merge with the world's second-largest company, Vodafone India Limited (Vodafone), to build India's most lucrative company estimated at US \$ 12.5 billion Vodafone Idea Ltd. (Vi) was created by merger of Vodafone India Ltd. And (excluding its interest in Indus Towers) with Idea Cellular Ltd. on 31 August 2018 which became one of the leading telecommunications operators in India offering voice, data ,enterprise services ,and other value added services in twenty-two circles. It has total 1,768.4MHz of spectrum across difference frequency bands out of which 1,738.4MHz spectrum is liberalised and can be used towards deployment of any technology (2G ,3G ,4G or 5G.Virecently acquired 23.6MHz of spectrum in March 2021auction. The company offers Voice and Data services on 2G,3Gand4G technologies across 22 service are as in India .With its large spectrum portfolio to support the growing demand for data and voice ,the company is committed to deliver delightful customer experiences and contribute to wards creating a truly Digital India by enabling millions of citizens to connect and build a better tomorrow. The company is developing world-class infrastructure to introduce newer and smarter technologies ,making both retailed enterprise customers future with innovative offerings, conveniently accessible through an ecosystem of digital channels as well as extensive on the ground presence.

II.OBJECTIVE:

- To examine the merger between Vodafone India and Idea and the specifics of their deal.
- To analyze the impact of the merger on both entity.

III . RESEARCH METHODOLOGY

In this Research the methodology section outline the plan and method that how the study is conducted. This includes data and its sources and many things which are covered in the secondary research methodology. So, we mentioned below the detailed information about it

Secondary data: The source of secondary data is journals, articles, research papers, online sites, website any many more sources which are available on online or offline platform.

IV. LITERATURE REVIEW

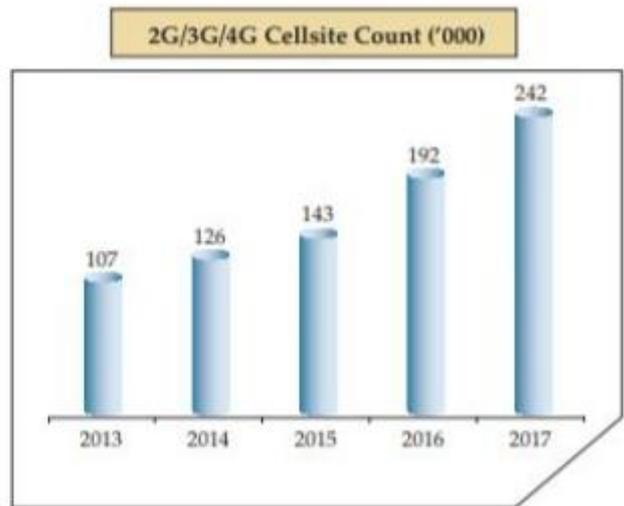
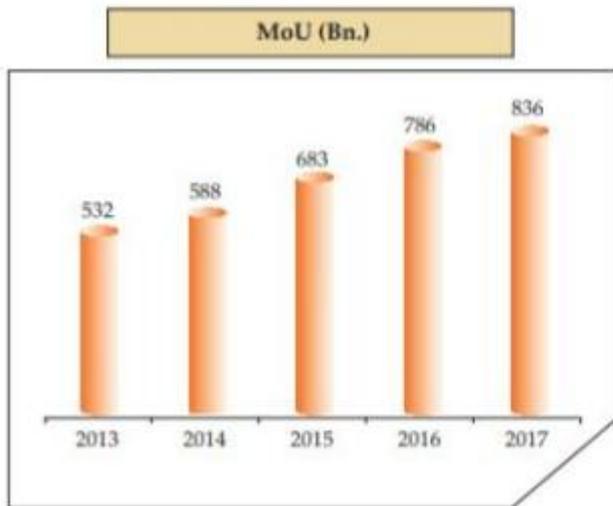
1. **CMA(Dr.)Ashok Panigrah, NMIMS University, 15 Jan 2020** The research paper identifies impact of post-merger which reflects That merger has caused more mergers and acquisitions of other telecom companies. The assets of Telenor India and Reliance Communication were bought by Bharti Airtel. Tata Teleservices customers have started migrating to the Airtel network under an Intra Circle Roaming (ICR) arrangement. Various initiatives have been taken by the merger entity like renewal of price due to troublesome entry of Reliance Jio which caused some serious imbalance. The huge number of subscriber base in India has made India the fastest growing market and with the merging of huge telecom players it will endow the telecom sector with health and life. The merger provided support in overcoming the debt of Idea Cellular and Vodafone India and large sum of credit will be infused in the joint venture. Impact of merger could be observed in various service providers in terms of quality of service in telecom sector. This impact could also be observed on the savings, synergies and the spectrum in rapid growth. Cost and capex synergies is created for both companies which is estimated to be around 10\$ billion after integration cost. The major cost and capex synergies would be around network infrastructure, savings in energy costs, operational efficiencies, service centres, lower maintenance expenses. The merger has reduced the operation cost incurred to about 60% of the total cost which will aid in improving the quality and performance of the service provided by the company.
2. **Prof. Jignesh Vidani , L. J. Institute of Management Studies** The research paper identifies impact of post merger which reflects the pre-merger strategies of both brands under which they analyses ZooZoo strategy of Vodafone and many more. The case which this paper will discuss is the case of the merger of Vodafone with Idea. We all are aware that Vodafone acquired Hutch and entered into the Indian Telecom sector where we saw changes in its services and advertising campaign from Pug to ZooZos to love couples to Bala and her wife to the last one Christmas song. The campaign has always focused on its high network range as well as best services at a minimal cost. After the 4G network the company's campaign also focused on the high speed internet services with exciting data packages at cheaper rates. As per the deal structure, Vodafone and Aditya Birla Group will hold 50 percent and 21.1 percent respectively in the combined entity. The case will throw light on the merger of the Vodafone with Idea creating a best synergy effect to capture the market share. The Case will also highlight major advertising campaigns of the Vodafone and strategy behind them.
3. **Naman Jain and Sai Srinivas Reddy ,Alliance University,School of Law and Alliance University-Alliance University** The research paper identifies this merger with the Companies Act of 2013 regarding mergers and acquisitions and their impact on mergers and acquisition. .The document focuses on the largest merger of Idea Cellular with Vodafone India under the Companies Act 2013, which led to the emergence of the largest subscriber telephone company in India, replacing Airtel .which had the largest client in the last 15 years. Based on an analysis of the financial performance and share prices of the merged entity Vodafone Idea Ltd. However, it appears that the merger did not have a very positive impact. The likely reason could be fierce competition in the telecommunications industry, which has almost slowed down companies to make huge profits. Since the Idea Cellular and Vodafone India merger is a recent event ,the post-merger data only covers a few month.
4. **W. Kittilaksanawong, Sinduja K and aswamy, 12 November 2018** The research paper identifies Synopsis The Indian telecom market was witnessing a fierce price war, especially from an aggressive entry of a new player Reliance Jio Infocomm Limited (Jio) with a predatory pricing strategy. To react to the increasingly intense rivalry and maintain top positions, the second and third largest telecom operator like Vodafone India and Idea Cellular Limited (Idea) decided to merge together. The combined entity would become the largest wireless carrier in India. Was the merger the right competitive strategy for Vodafone India and Idea to fight against the wars? What synergies could the merger bring about? Given Vodafone India and Idea agreed to maintain their respective brands after the merger, would the two brands compete and cannibalize each other's market share? As the Indian telecom industry was undergoing the liberalization of airwaves, how should the merged entity overcome potential regulatory hurdles? If this mega merger went through, what could be the impacts on the Indian telecom industry? If not, how should the companies move forward with the competition?
5. **Sarita Agarwal, 3 February 2020** The research paper focuses on calculating the Altman's Z score for bankruptcy prediction for the Telecom Service Provider Industry in India. The modified Z score for non-manufacturing companies is used for analysis. All the four telecom service providers is considered for analysis.The Z scores for three preceding years is calculated and analyzed. The research paper states that BSNL is in the gray zone with a Z score of 2.65 as on 31.3.18. But since the Z score dropped from 2017 to 2018 and unavailability of 2019 annual report and the proposed merger of BSNL with MTNL, the survival of BSNL becomes doubtful. Bharti Airtel Limited and Vodafone- Idea Limited are in Financial Distress. However, Reliance Jio Infocomm Z score has shown an improvement in 2018-19 which gives a positive signal.

V. FINDINGS

Pre-Merger situation of Idea Cellular



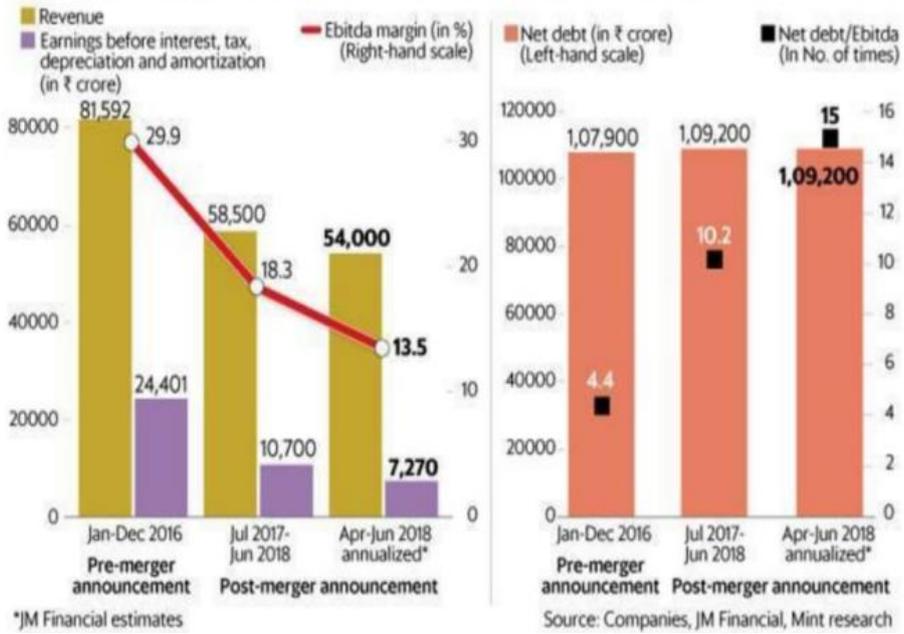
*April 2016 to December 2016



Post-Merger Situation

Diminishing returns

The Vodafone-Idea combine's Ebitda has fallen to about a third of the levels at the time of the merger announcement, and has made leverage ratios go haywire.



Average Revenue Per User from

Operators	Mar-16	Sep-16	Mar-17	Sep-17	Mar-18	Sep-18	Mar-19	Sep-19	Mar-20
Airtel	194	188	158	145	116	101	123	128	154
Vodafone Idea Ltd. (VIL)						92	89	108	109
Idea	179	173	142	132	105				
Vodafone Jio	177	171	142	132	105				
Jio				156	137	132	126	120	131

This data can be easily copy pasted into a Microsoft Excel sheet

[PRINT](#)**Vodafone Idea Limited**

Previous Years »

Standalone Balance Sheet

	in Rs. Cr.				
	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17
	12 mths	12 mths	12 mths	12 mths	12 mths
EQUITIES AND LIABILITIES					
SHAREHOLDER'S FUNDS					
Equity Share Capital	28,735.40	28,735.40	8,735.60	4,359.30	3,605.33
Total Share Capital	28,735.40	28,735.40	8,735.60	4,359.30	3,605.33
Reserves and Surplus	-66,479.10	-19,799.70	54,702.00	26,161.30	20,118.43
Total Reserves and Surplus	-66,479.10	-19,799.70	54,702.00	26,161.30	20,118.43
Employees Stock Options	36.10	65.60	66.90	80.20	0.00
Total Shareholders Funds	-37,707.60	9,001.30	63,504.50	30,600.80	23,723.76
NON-CURRENT LIABILITIES					
Long Term Borrowings	157,415.50	96,280.40	104,402.90	56,940.80	51,637.83
Deferred Tax Liabilities [Net]	0.00	0.00	0.00	307.90	1,679.11
Other Long Term Liabilities	17,525.10	28,178.40	11,029.60	3,166.30	1,494.18
Long Term Provisions	26.10	329.30	339.20	308.00	331.10
Total Non-Current Liabilities	174,966.70	124,788.10	115,771.70	60,723.00	55,142.21
CURRENT LIABILITIES					
Short Term Borrowings	73.00	154.20	4,120.70	21.70	33.65
Trade Payables	13,166.70	11,480.40	12,674.30	3,548.90	3,992.13
Other Current Liabilities	52,590.20	83,416.00	36,944.80	7,034.50	12,854.49
Short Term Provisions	42.40	46.30	37.10	21.80	16.17
Total Current Liabilities	65,872.30	95,096.90	53,776.90	10,626.90	16,896.44
Total Capital And Liabilities	203,131.40	228,886.30	233,053.10	101,950.70	95,762.42
ASSETS					
NON-CURRENT ASSETS					
Tangible Assets	52,367.70	60,705.20	49,341.10	24,454.30	22,188.52
Intangible Assets	109,854.20	119,353.30	127,320.30	55,230.80	53,936.46
Capital Work-In-Progress	534.30	859.80	2,332.50	651.30	1,324.40
Intangible Assets Under Development	6.30	96.60	2,744.30	2,934.00	6,204.80
Fixed Assets	162,762.50	181,014.90	181,738.20	83,270.40	83,654.18
Non-Current Investments	288.50	4,504.00	6,662.40	6,843.40	2,226.60
Deferred Tax Assets [Net]	0.00	0.00	8,935.10	0.00	0.00
Long Term Loans And Advances	0.00	0.00	0.80	2.40	2.58
Other Non-Current Assets	21,164.50	21,547.20	16,431.70	2,194.90	3,257.65
Total Non-Current Assets	184,215.50	207,066.10	213,768.20	92,311.10	89,141.01
CURRENT ASSETS					
Current Investments	0.00	454.80	6,689.00	5,612.90	4,024.71
Inventories	0.00	0.00	0.00	33.90	54.21
Trade Receivables	2,440.80	2,919.10	3,308.10	887.40	1,258.10
Cash And Cash Equivalents	2,013.80	2,533.80	784.40	22.20	31.27
Short Term Loans And Advances	555.60	842.10	1,339.60	2.00	2.06
Other Current Assets	13,905.70	15,070.40	7,163.80	3,081.20	1,251.07
Total Current Assets	18,915.90	21,820.20	19,284.90	9,639.60	6,621.41
Total Assets	203,131.40	228,886.30	233,053.10	101,950.70	95,762.42
OTHER ADDITIONAL INFORMATION					
CONTINGENT LIABILITIES, COMMITMENTS					
Contingent Liabilities	25,053.50	18,156.60	40,573.60	17,374.50	25,012.69
CIF VALUE OF IMPORTS					
EXPENDITURE IN FOREIGN EXCHANGE					
Expenditure in Foreign Currency	3,948.60	6,817.00	4,794.60	0.00	0.00
REMITTANCES IN FOREIGN CURRENCIES FOR DIVIDENDS					
Dividend Remittance In Foreign Currency	-	-	-	-	-
EARNINGS IN FOREIGN EXCHANGE					
FOB Value Of Goods	-	-	-	-	-
Other Earnings	2,440.00	1,765.20	1,061.10	-	-
BONUS DETAILS					
Bonus Equity Share Capital	-	-	-	-	-
NON-CURRENT INVESTMENTS					
Non-Current Investments Quoted Market Value	-	-	-	-	-
Non-Current Investments Unquoted Book Value	288.50	4,504.00	-	-	2,226.60
CURRENT INVESTMENTS					
Current Investments Quoted Market Value	-	-	-	-	-
Current Investments Unquoted Book Value	-	-	-	-	-

Source : Dion Global Solutions Limited

Vodafone Idea Limited Standalone Balance Sheet	in Rs. Cr.				
	Mar 16 12 mths	Mar 15 12 mths	Mar 14 12 mths	Mar 13 12 mths	Mar 12 12 mths
EQUITIES AND LIABILITIES					
SHAREHOLDER'S FUNDS					
Equity Share Capital	3,600.51	3,597.84	3,319.63	3,314.32	3,308.85
Total Share Capital	3,600.51	3,597.84	3,319.63	3,314.32	3,308.85
Reserves and Surplus	21,164.69	18,292.30	12,264.72	10,705.58	9,625.69
Total Reserves and Surplus	21,164.69	18,292.30	12,264.72	10,705.58	9,625.69
Total Shareholders Funds	24,765.20	21,890.14	15,584.35	14,019.90	12,934.54
NON-CURRENT LIABILITIES					
Long Term Borrowings	35,904.04	16,006.49	17,143.88	10,574.40	8,612.16
Deferred Tax Liabilities [Net]	2,235.73	1,609.08	1,531.05	1,023.12	562.74
Other Long Term Liabilities	2,768.37	1,174.89	1,397.27	826.65	451.91
Long Term Provisions	335.33	282.07	216.71	201.89	138.96
Total Non-Current Liabilities	41,243.47	19,072.52	20,288.90	12,626.05	9,755.77
CURRENT LIABILITIES					
Short Term Borrowings	1,645.58	151.39	609.36	705.04	1,526.01
Trade Payables	3,203.87	2,970.18	2,634.37	2,431.59	2,970.38
Other Current Liabilities	7,705.43	13,292.74	4,684.87	4,520.11	3,791.03
Short Term Provisions	91.63	298.87	186.51	123.97	6.33
Total Current Liabilities	12,646.52	16,713.18	8,115.10	7,780.70	8,293.75
Total Capital And Liabilities	78,655.18	57,675.84	43,988.35	34,426.65	30,984.05
ASSETS					
NON-CURRENT ASSETS					
Tangible Assets	20,963.36	17,898.05	18,296.72	17,685.95	16,893.82
Intangible Assets	44,007.94	14,215.86	7,727.39	8,252.60	6,849.44
Capital Work-In-Progress	661.35	5,079.45	11,380.12	843.43	633.27
Intangible Assets Under Development	5,377.48	0.00	0.00	0.00	0.00
Fixed Assets	71,010.13	37,193.35	37,404.24	26,781.97	24,376.53
Non-Current Investments	1,666.85	1,646.61	1,641.21	1,637.71	1,636.81
Long Term Loans And Advances	2.50	3,890.67	2,829.23	3,001.87	2,582.40
Other Non-Current Assets	2,199.89	0.00	0.00	0.00	0.00
Total Non-Current Assets	74,879.37	42,730.63	41,874.67	31,421.55	28,595.74
CURRENT ASSETS					
Current Investments	832.85	11,167.50	0.00	929.60	0.00
Inventories	85.15	58.30	48.74	54.51	52.94
Trade Receivables	1,136.06	932.19	769.69	915.68	807.55
Cash And Cash Equivalents	757.66	1,541.94	139.53	115.74	134.19
Short Term Loans And Advances	1.66	1,139.12	1,152.26	988.73	1,391.86
Other Current Assets	962.44	106.17	3.47	0.84	1.77
Total Current Assets	3,760.32	14,945.21	2,113.68	3,005.10	2,388.31
Total Assets	78,655.18	57,675.84	43,988.35	34,426.65	30,984.05
OTHER ADDITIONAL INFORMATION					
CONTINGENT LIABILITIES, COMMITMENTS					
Contingent Liabilities	25,478.46	54,236.32	14,957.68	13,528.90	5,505.48
CIF VALUE OF IMPORTS					
Capital Goods	0.00	1,319.56	1,357.18	1,286.37	1,191.87
EXPENDITURE IN FOREIGN EXCHANGE					
Expenditure In Foreign Currency	0.00	445.19	508.87	481.56	375.24
REMITTANCES IN FOREIGN CURRENCIES FOR DIVIDENDS					
Dividend Remittance In Foreign Currency	-	28.48	19.81	-	-
EARNINGS IN FOREIGN EXCHANGE					
FOB Value Of Goods	-	-	-	-	-
Other Earnings	-	485.49	382.61	297.03	148.68
BONUS DETAILS					
Bonus Equity Share Capital	-	-	-	-	-
NON-CURRENT INVESTMENTS					
Non-Current Investments Quoted Market Value	-	-	-	-	-
Non-Current Investments Unquoted Book Value	1,666.85	1,646.61	1,641.21	1,637.71	1,636.81
CURRENT INVESTMENTS					
Current Investments Quoted Market Value	-	-	-	-	-
Current Investments Unquoted Book Value	832.85	11,167.50	-	929.60	-

Source : Dion Global Solutions Limited

VI. CONCLUSION

After analysing all Facts and Testimonials we can conclude that the Merger of V! is Partially successful.

Reason for partially successful

- After merger of v! it becomes largest entity of Indian telecom sector with around 40% of market share in telecom industry of India.
- Due to merger that company can survive in that kind of cut thought competition
- Due to that merger company still maintaining its number 5th position in telecom sector of world.
- After becoming India's biggest merged entity still it's CEO Mr. Birla have to request to Government of India to acquire their share in that entity.

REFERENCES

1. CMA(Dr.)Ashok Panigrah, NMIMS University, 15 Jan 2020; https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3496463
2. Prof. Jignesh Vidani , L. J. Institute of Management Studies; https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3839444
3. Naman Jain and Sai Srinivas Reddy ,Alliance University,School of Law and AllianceUniversity-AllianceUniversity; https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3852147
4. W. Kittilaksanawong, Sinduja K and aswamy, 12 November 2018; <https://www.semanticscholar.org/paper/Vodafone-Idea-merger%3A-emergence-of-a-telecom-giant-Kittilaksanawong-Kandaswamy/f40cf8abbcb4384eca6bc51eb9c52e0978a54320>
5. Sarita Agarwal, 3 February 2020; <https://www.semanticscholar.org/paper/An-Analysis-of-Indian-Telecom-Service-Provider-by-Agarwal/d69e37b9ccfaa9f99044ca5bd0440d6a952bf7e8>