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"A FINANCIAL IMPACT OF MERGER ANALYSIS On VODAFONE IDEA"

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ABSTRACT

This article takes a look at the Indian telecom market as it is right now to make sense of Vodafone-Idea's current position; the merger did more than just make a telecom behemoth; it has far-reaching consequences for the company, its services, its staff, and its customers. Merger rumours between Vodafone and Idea shook up India's telecom industry in 2017. This is adopt drastic measures just to stay afloat. At the same time that Idea Cellular Limited became a part of the Aditya Birla Group, Vodafone India surpassed Idea Cellular Limited to become the number two telecom operator in India by user base. This study mainly focuses on the merger deal that was reached between Idea Cell and Vodafone India. On March 20, 2017, the two sides officially announced the $23 billion agreement.

KEY WORDS: Vodafone, Idea, Merger, Post-Merger Analysis Of Financial Statements.

INTRODUCTION

With the help of business solicitors, a huge corporate operation known as a merger or acquisition (M&A) unites two formerly separate companies into one united legal entity. The primary goal of many mergers and acquisitions is to boost long-term performance and shareholder value via the realisation of substantial operational synergies. With its meteoric rise, India's telecom industry has become a leading subsector of the country's service economy. Simultaneously, industrialization in India has led to the formation of multiple partnerships. Vodafone India, a wholly owned part of the Vodafone Group, started operations in 1994, following its predecessor Hutchison Telecoms's successful acquisition of the pitted licence for Dubai. In May 2007, Vodafone Plc acquired a majority stake in Hutchinson Essa. In September 2007, the Vodafone brand was introduced to the Indian market. From a starting point of 31 million, Vodafone India has expanded its behaviour over all 22 telecom circles in India, serving over 210 million consumers.

In contrast, Idea Cellular, which is affiliated with the Adina Bela Group, is the first Indian company to operate on a really global scale. Idea is a leading integrated radio sideband hustler that offers an ISP licence, 2G, 3G, and 4G services, as well as national and international NLD and ILD operations. Idea is among the top three dynamic operators in India, with a current foodstuff share of 19% and yearly sales of USD 5 billion. Among carriers globally, Idea ranks first with about 200 cardinal users, indicating a strong contributor base for single nation operations.

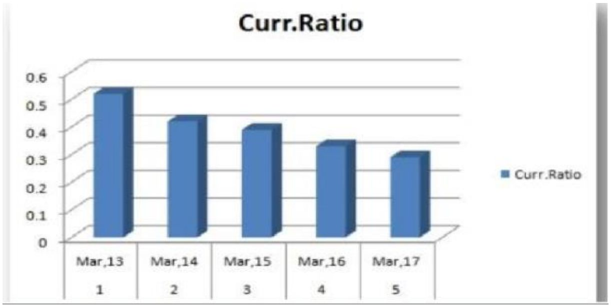
A merger occurs when two or more companies decide to join forces to form a bigger entity. For the benefit of the owners of both companies, the combined business will work to maximise profits by cutting operational expenditures, taking advantage of synergies, and increasing profits. Telecom companies are increasingly integrating their strategies, as seen most recently with the merger of Idea Cellular and Vodafone India. If they merged, they could increase efficiency, take advantage of economies of scale, and strengthen their position in the market. The combined company can also expand its food offerings, broaden its renovation services, and capitalise on new opportunities in the ever-changing telecom sector. A primary objective of mergers is to release value for shareholders.

LITERATURE REVIEW

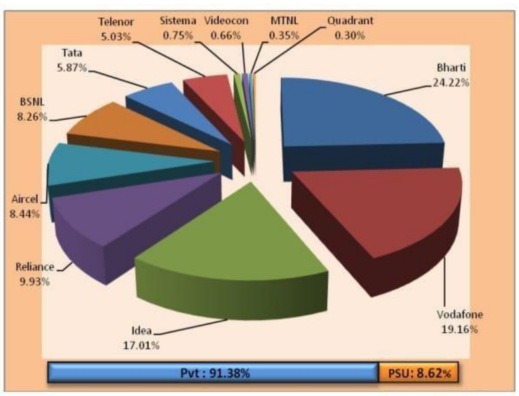
The merger of Vodafone India and Idea Cellular is both a major event in the telecom sector and a source of legitimate concern regarding its potential financial consequences. To help illuminate the monetary effects of the Vodafone Idea merger, this literature review gathers key findings from prior studies. Shri Krishna Marti and Vishwanath (2010) emphasised the significance of developing rigorous criteria to assess the efficiency of merged businesses. Given the increasing tendency of consolidation in India's telecom business, their research emphasises the significance of stringent rules to avoid mergers.

Dasgupta states in his 2004 paper that the primary cause of the surge in mergers in India is the country's changing economic landscape. Following the implementation of economic liberalisation policies in the 1990s, mergers and acquisitions like the one involving Vodafone and Idea have grown increasingly prevalent in India's economy. In her 2007 book, "The Dean, Ms. Agatha," Dewan focuses on the financial performance of acquiring businesses in India after a merger.Using data from 2000 to 2006, the study compares fiscal execution before and after mergers, shedding light on the influence of the Vodafone Idea merger on fiscal measures. Researchers V. K. Shoshana and N. Deep investigated in 2011 whether bank mergers achieved their stated objectives. Using statistical tests to evaluate the relationship between professed unifying goals and actual results, their research provides a model for evaluating the sustainability of the successor to the Vodafone Idea merger in terms of accomplishing its strategic goals. The acquiring company's execution is handled by Vermilion and Rau following a merger (Vermilion & Rau 1988). Their findings suggest that merging companies may have experienced short-term underperformance following the merger, with different companies experiencing different semi-permanent repercussions.

This research elucidates the gains and losses that Vodafone and Idea experienced as a result of their



operational merger. The significance of industry-specific factors in determining post-merger profitability was highlighted in 2004 by G. Koontz Coontz's



Research on the financial effects of mergers and acquisitions on the shareholders of acquiring corporations. This investigation has proven that accurately estimating the monetary effects of the Vodafone Idea merger requires in-depth understanding of the dynamics of the telecom manufacturing sector.

Looking at results from the future: While many studies have focused on the immediate financial outcomes of mergers, very few have examined the long-term performance trajectories of combined businesses. Further research into the deal's monetary effects over the long term might reveal if the Vodafone-Idea merger was profitable for shareholders.

While studies have debated market-specific factors in assessing post-merger performance, the telecom industry requires more targeted research. The financial ramifications of the Vodafone-Idea merger could be better understood by delving into the specific dynamics, challenges, and opportunities of the telecom manufacturing sector.

RESEARCH MATHODOLOGY

In the Indian telecom sector, where Airtel was leading the pack before the merger of Vodafone and Idea, there were three competitors. Airtel topped the percentage with a commanding 24.22% of the market, noted in addition to Idea (17.01%) and Vodafone (19.16%). A first-rate transaction occurred in this circumstance because of Jio's access. The growth allowed a new competitor, Jio, to enter the market. Almost instantly following the debut of their ambitious strategy of offering free services and tempting bargains, they attained a remarkable 9.93% market share. This bitter feud caused the already faltering market shares of the affiliated companies, Idea and Vodafone, to plummet even further. Considering this, it appeared that the merging of Vodafone and Idea was a prudent choice to enhance their market share and compete more effectively with the forceful newcomer.

The financial status of the company is first summarised in the study. Following that, we will do analysis using the Ratio, Dupont, and Att-Z-scores.

DATA ANALYSIS

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.

FINDINGS

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The business saw a 33.32% increase in other income and a 5.49% increase in other expenditures. It has been demonstrated that income exceeds expenditure.

March 2017's net profit ratio of -2.35 is much lower than last year's figure. Consequently, the company is in a precarious position as of March 17th.

This means that dividend payments are not justified by the company's earnings.

RESEARCH OBJECTIVE

Important business indicators include the merger's predicted financial impact on revenue, profitability, and market share according to Vodafone.

- Considering the short-term and long-term effects.
- The integration study provides practical recommendations for stakeholders to consider.
- In order to clarify the merger and provide avenues for further research.
- Expanding upon earlier studies on M&A activity in the telecom sector

CONCLUSION

Attempting to address Jio's market disruption, Vodafone India and Idea Cellular merged for $23 billion in 2017. Problems with merger and Jio's dominance thwarted the merged company's intentions to increase competition and reap financial rewards. Achieving success in a dynamic market depends on being prosperous, managing costs effectively, and having good long-term strategies.

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