

# Financial Performance on Reliance vs Idea

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## **Abstract:**

India has the second largest user base in the world with over 1.2 billion users. Due to the large population of the country, there are many niche brands in the competitive telecom industry. Many businesses have left the industry due to difficult business conditions. Today it is running some companies like Airtel, Reliance Jio, BSNL, Idea etc. Its strongest and newest competitor, Reliance Jio, joined the fray on 5 September 2016. As Jio Prime offers free internet service to its customers, Reliance Jio has gained the largest market share, forcing its rivals to reduce their data prices. , When Reliance first went live, it offered new customers a welcome package that included 4GB of internet access every day. The additional features of JIO's data bundles have attracted customers of all ages and professions. As a result of all the above, the average monthly user revenue for other telcos in the Indian telecom industry declined by 42%. JIO's impact is real. Two major telecom companies, Vodafone and Idea have merged to reduce the influence of Jio. Both businesses experienced declining sales. On 31 August 2018, they merged to form Vodafone Idea Ltd. Which will now compete directly with Reliance Jio.

**Communication, collaboration and dialogue are key concepts.**

## **INTRODUCTION**

Be it in 2003 or 2016, Reliance has a history of dramatically raising its status quo. The above introduction is really great for different telecom industry. Since 2003, no one has had to worry about the expensive packaging issues associated with active self-dialing calls, regardless of their calling status or financial situation. In an effort to boost their spirits and convince their minds that what they are getting is laudable and sufficient, Mr. Mukesh Ambani has recently solved the problem of overwhelming customers with various services and perks. However, useful sharing has many benefits and can be profitable.

As part of his efforts to ensure the effective implementation of his pragmatic strategy, Mukesh Ambani donated nearly \$500 million. 150000. BWA spectrum is available in every conceivable telecom circle thanks to RIL's quick decision to spend \$4800 million on Infotel Broadband in 2010. Reliance Jio bid \$13,672 million in the spectrum auction that ended on October 6, 2016. Instead of 269.2 MHz of wireless spectrum. The Group's actions resulted in the allocation of spectrum in the 800 MHz, 1800 MHz and 2300 MHz bands across the country's 22 revenue bands. Anil Ambani-led Reliance Communications and Reliance Jio have teamed up to expand 850 MHz bandwidth. Jio thus revitalized its base to compete strongly with other players in the market.

It was enough to change how everyone now viewed their own efforts and achievements. On September 5, 2016, JIO launched its services including cheapest data rates and unlimited free voice calls for life. JIO aims to effectively expand its customer base by offering the best service packages to its customers as compared to the existing packages. As of October 2016, there were 218.42 million broadband users in the country, with 200 million mobile phone users connected to the Internet, according to TRAI data. JIO has

undoubtedly contributed to this expansion. This clearly shows that the man of the future will develop a digital India by constantly honing his hand-made creativity instead of relying only on traditional methods. Jio has finally started a price war with these systematic and organized building blocks and market methodologies, which is witnessing the decline in popularity of other market players.

Over the past decade, India has overtaken China as the world's second largest telecom market. American technology is now ahead of Indian technology in terms of hardware. By the end of the next financial year, the contribution of the telecom sector to the GDP is expected to increase from 6.5% to 8.2%. The industry has flourished due to India's large number of ancillary industries and businesses. They have proven to be valuable allies for the Indian Telco industry. The Government of India has established the Communications Regulatory Authority of India to regulate all communications related functions in the country. India's telecom industry has a strong social and economic base that helps bridge the digital divide between urban and rural areas. One of the ways in which India's telecom industry has helped develop the country's economy is through e-governance. The above data shows how important the telecom industry is to the expansion of India's overall economy. Reliance Industries is one of the best companies in the country. The Mumbai-based company was the first in the country to do so; It is ranked 148th on the Fortune 500 list and has a market capitalization of over \$100 billion. In addition to the energy, petrochemical, textile, pharmaceutical and telecommunication sectors, the company has entered new markets. Reliance Jio was made possible by the company's unwavering presence in the telco industry. In 2007, British mobile service provider Vodafone made its debut in India. Thanks to creative marketing techniques, this business initially gained a large share, but the success was short-lived. Idea Cellular Limited is one of the leading mobile phone providers in India. It was established in 1995 and is a subsidiary of Aditya Birla. It is the third largest in terms of population. The company has been very effective in expanding its customer base in the competitive market for telecommunications services by providing excellent service, but has not been able to lower prices for customers.

According to the literature survey, Jio has many opportunities to improve its competitive strategies considering the market situation and the quality of products offered by other competitors. (Singh, 2017). The empirical study used SWOT analysis to assess the impact of Reliance Jio on the Indian telecom industry. According to Haque (2017), who compared different plans and found a correlation with subscription ratio, the data would likely overstate the possibility. As a result, we expect to pay a substantial fee for content and image distribution.

It will be very difficult for smaller players in the market to gain significant market share, concluding how Jio has created and affected the balance in the mobile industry (Satyanarayana et al., 2017). At the level of mergers and acquisitions among other market players to establish and maintain a dominant position in the industry. The only option is to openly cooperate with the opponents. Some believe that if the Indian telecom industry goes back to its roots and reconnects with its consumers, the problems can be solved. (Sharma, 2017) examines market profitability, security, competition and cooperation. The investigation primarily focused on major regulatory amendments in the Indian telecom sector. (Bora, 2017). It also discusses the changes made by its biggest rivals Vodafone and Airtel in their corporate plans. It is finished. (Manrique and Ballester, 2017) Several studies have been conducted on the relationship between company financial performance and environmental performance in developed countries. Below is a collection of expert opinion: Although this effect is less pronounced for companies in developed countries, where only short-term corporate financial performance is considered, companies that perform better in terms of corporate environmental performance also tend to do better. Conditions for corporate financial

performance during economic downturns. Saad M. and Zhengge (2016) found the following effects on financial performance of organizational variables such as liquidity, power, asset utilization, market share and firm size. Service Businesses: There is an urgent need to develop a specific model that looks at the relationship between organizational relationships and business success.

For Egyptian listed companies, researchers looked at how corporate governance (CG) practices affected company performance, per-stock trading, and per-stock prices. (Tamer Mohammad Shahwan, 2016). By then, Jio had started a price war with other players dropping their prices. 2. Literature Review Considering the current competitive environment of the market and the potential of products offered by other players, Jio has several opportunities to strengthen its competitive strategies. (Singh, 2017). The empirical study used SWOT analysis to assess the impact of Reliance Jio on the Indian telecom industry. Data is the new oil that will fuel the prospect ruthlessly, according to Haq (2017), who compared different schemes and found a correlation with subscription share. As a result, we expect to pay significant amounts for content and image distribution. Observing how Jio has affected the balance in the mobile sector, it has been concluded that it has an impact (Satyanarayana et al., 2017) and it will be very difficult for smaller players in the market to gain significant market share. on the extent of mergers and acquisitions among other market players to create and maintain a dominant position. The only other option is to openly cooperate with the adversaries. Some believe that the Indian telecom industry can overcome its challenges if it returns to its roots and reconnects with its consumers. (Sharma, 2017) explores market profitability, security, competition and cooperation. The investigation mainly focused on key regulatory amendments in the Indian telecom sector. (Bora, 2017). It also discusses the changes made by its biggest rivals Vodafone and Airtel to their corporate plans. This is done. (Manrique & Ballester, 2017) Several studies have been conducted in industrialized countries on the relationship between the financial success of a company and the corporate environment. Below is a summary of expert opinion: For companies in developed countries, where only short-term corporate financial performance is considered, this effect is less pronounced, while companies that perform better in terms of corporate environmental performance also perform better. conditions of corporate financial performance during economic downturns. Saad M. and Zhengze (2016) found the following significant effects in their study of organizational variables such as liquidity, leverage, asset utilization, market share and firm size on financial performance of service firms: It looks at the relationship between relationships and professional success. (Tamer Mohamed Shahwan, 2016) examines the effectiveness of corporate governance (CG) practices in listed companies in Egypt and their impact on company performance and financial distress in an emerging market context such as Egypt. To establish a link between customer needs and service provider support in the form of a service package, Singh and Pangrikar (2013) examined customers' perceptions and attitudes toward their current service provider. The findings of the study suggest that Pune will benefit greatly from 4G and if used wisely and boldly, it can have a huge impact on India's economy and IT sector as well. So if 4G networks offer better content, users will upgrade. To better support customers, these services require more bandwidth, more complex high-volume data storage, and better customization options. We cover 4G's features, benefits after activation, impact on India, adoption challenges and next steps. (Muvva et al., 2012). Deloitte published a 2011 report on the impact of 4G technology on business collaboration and economic growth. (Nigam and Siljerud, 2006) Some have focused on environment-enhancing technologies such as femtocells and picocells designed to meet the needs of mobile users in homes, public spaces and workplaces, providing networks for mobile users. Roaming or in longer service areas.

A study by Raza, D. (2015) on the financial performance of the Indian telecom industry used Bharat Sanchar Nigam Limited and Bharti Airtel as comparative examples. The communication sector is one of the major factors affecting development in India and other regions. The financial data of both the companies were analyzed and compared and it was found that Bharti Airtel is ahead of BSNL.

A sudden and unexpected change in the attitudes and behavior of consumers has been reported as a result of Reliance Jio's entry into the major market. Major service providers in the industry are discussing mergers and acquisitions as a result of the uncertainty. Small companies can neither expand nor shut down due to current market constraints, he added.

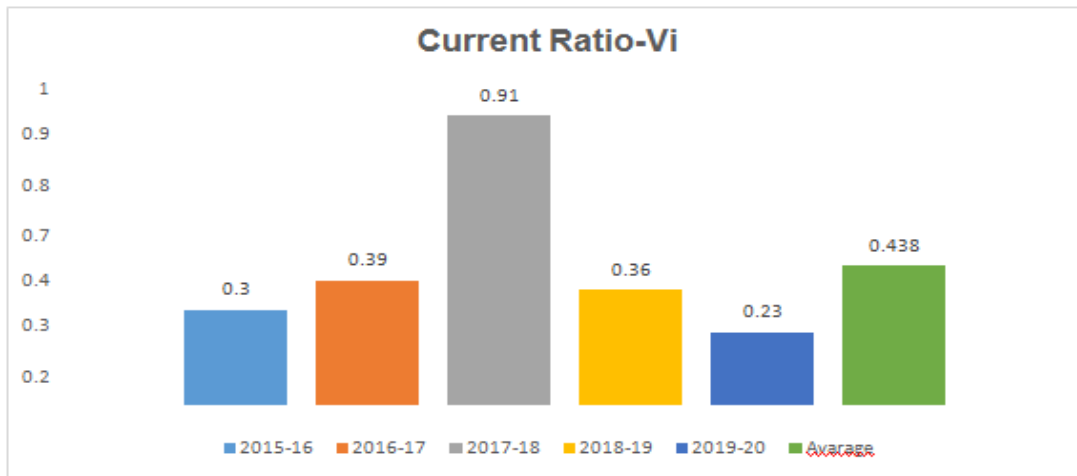
Chopra, S. and Chawla, P. Assess the potential for intellectual property development and innovation in the Indian telecom industry in 2018. If domestic Indian telecom companies have to compete globally and play a more prominent role in the telecom value chain, they need to consider the evolution of the telecom industry as a whole. The researchers argue that India's regulatory objectives should be changed to focus more on the development and protection of intellectual property to encourage investment to create new technological skills. R&D Tripathi & Jaypee in its 2020 research rated the volatility of several Indian equity mutual funds. According to experts, ten out of fifteen funds performed well in a market with significant volatility. The scientist found that before buying one should consider the risk factors associated with the fund. Investors will find the survey results very useful as they choose which businesses and properties to buy in the future.

### **A gap in literature**

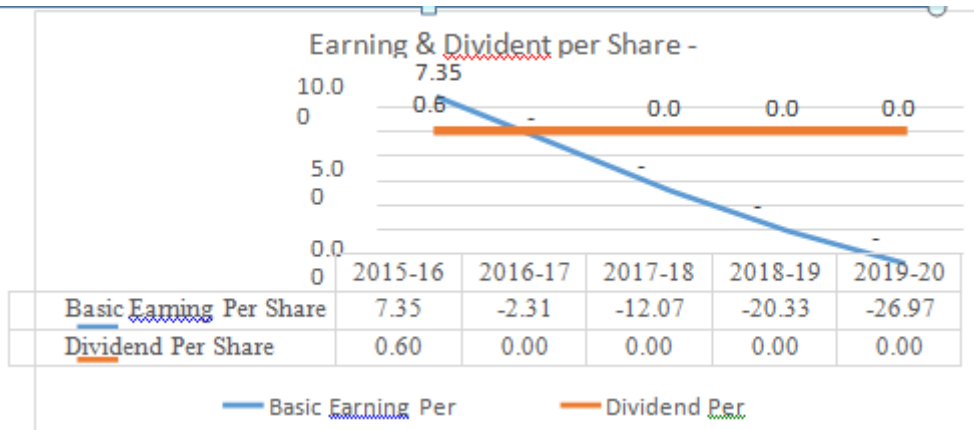
But an investigation has been done to see how Jio will affect other mobile companies. While the results of the technical advantage and SWOT analysis are mixed, today's research is unique in how Jio will impact the financial performance of key industry players.

**Methods:** The primary source of this study was secondary data. Journals, press releases, academic articles, research articles and other online sources were used to compile the data. The main focus of the study is the JIO impact as a result of changes in the Indian telecom industry. The decision allowed other mobile service providers like Vodafone and Idea Cellular Limited to continue with their business as usual. These companies have planned to merge to save from the JIO wave which will drive them out of the market. To fully understand the impact of Jio on the Indian telecom industry? To study the impact of Jio impact on competitors in the wake of recent Vodafone-Idea mobile merger.

**DATA ANALYSIS-VODAFONE-IDEA (Vi)**

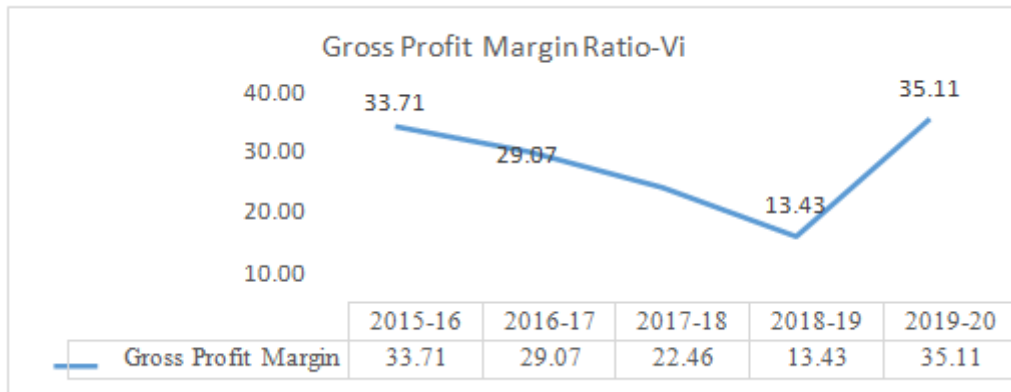


Above chart explain the Current Ratio of Vodafone. It can be analysed that in the year of 2015- 16, it was 0.3, in 2016-17 current ratio was 0.39. In the year of 2017-18, company have highest current ratio equal to 1(0.91). In the further year 2018-19 (0.36), and 2019-20 (0.23) current Ratio of company drop significantly. Which indicate that company does not have enough current capital to pay-off its current liabilities.

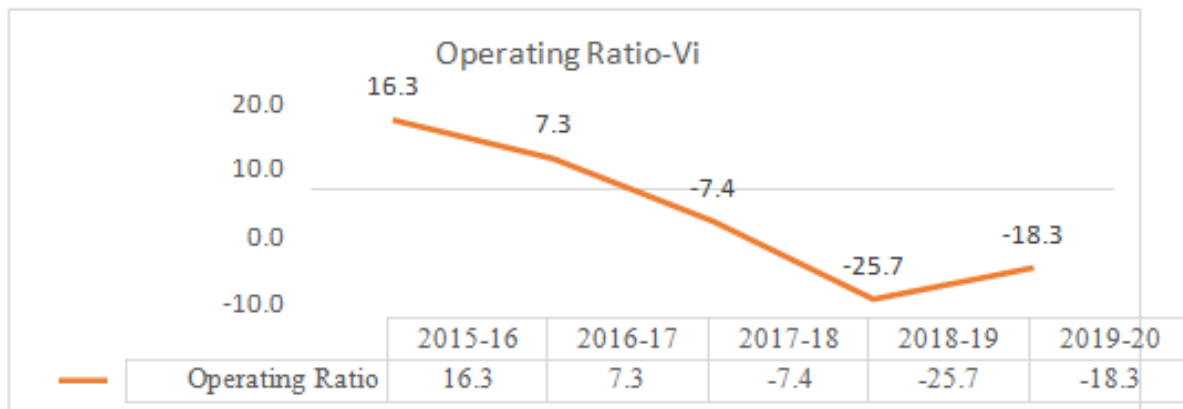


Above chart explain the earning per share ratio of Vi. It can be observed that in the year of 2015-16, Vi has positive earnings (7.35%) per share, where as in the year of 2016-17, earning per share fall to -2.31%, further in the year of 2017-18 it was -12.07%, in the year of 2018-19 earning per share was -20.33 and in the year of 2019-20 it was least earning and remain - 26.97%.

Regarding the dividend per share, in the year of 2015-16, dividend paid was 0.60% of per share, where as in coming year 2016-17-18-19-20, it remain zero (0%) share.

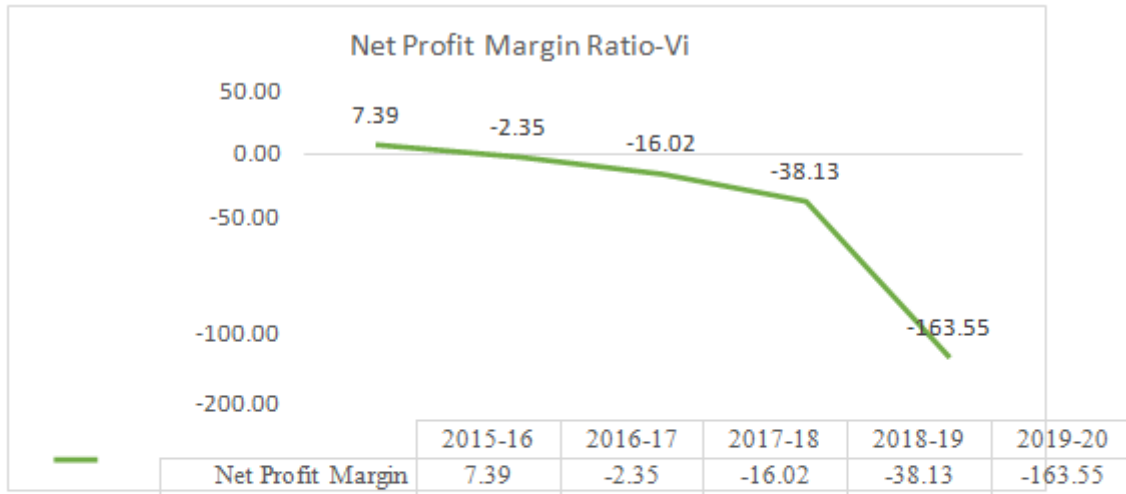


Above chart explain the gross profit margin ratio of  $V_i$ . It can be observed that in the year of 2015-16,  $V_i$  has GPMR of (33.71%) per share, where as in the year of 2016-17, GPM fall to 29.07%, further in the year of 2017-18 it was 22.46%, in the year of 2018-19 gross profit margin was 13.43% and in the year of 2019-20 Gross Profit margin increased rapidly up to 35.11%.

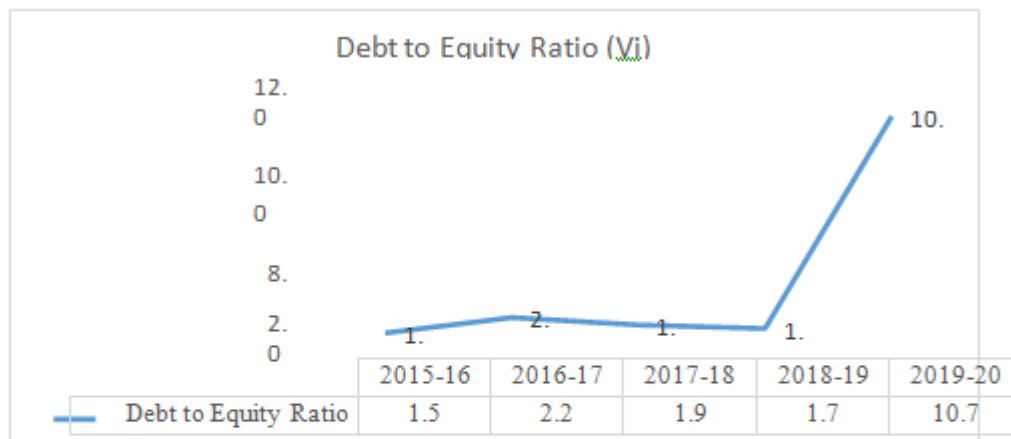


Above chart explain the operating ratio of  $V_i$ . It can be observed that in the year of 2015-16,  $V_i$  has operating ratio at (16.3%), where as in the year of 2016-17, operating ratio fall to 7.3%, further in the year of 2017-18 it was -7.4%, in the year of 2018-19 operating ratio was -25.7% and in the year of 2019-20 operating ratio increased up to -18.3%.

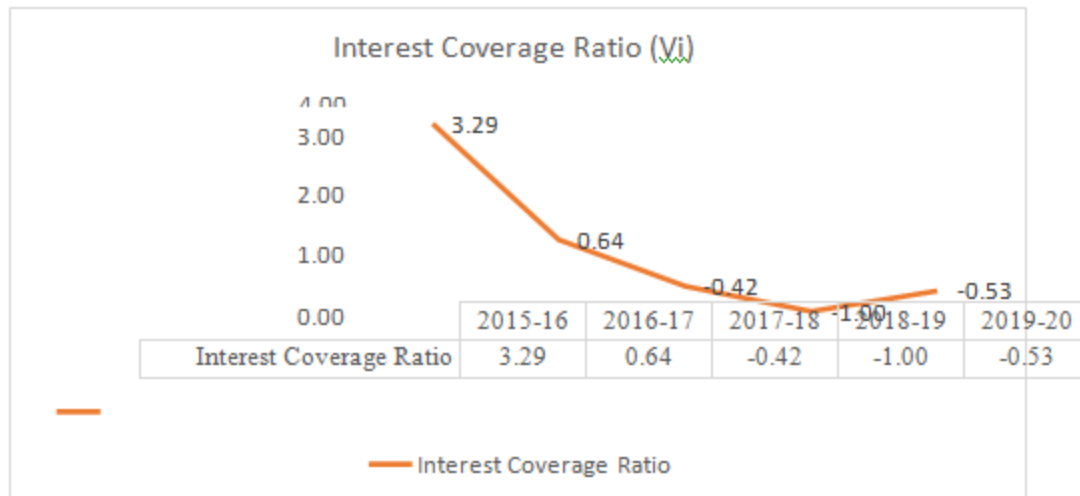




Above chart explain the Net profit margin ratio of  $V_i$ . It can be observed that in the year of 2015-16,  $V_i$  has NPMR of (7.39%), where as in the year of 2016-17, NPM fall to -2.35%, further in the year of 2017-18 it was -16.02%, in the year of 2018-19 net profit margin was - 38.13% and in the year of 2019-20 Net Profit margin decreased rapidly up to -163.55%. Above data indicate that  $V_i$  India's net profit margin is falling year on year since 2015-16. -



Above chart explain the debt to equity ratio of  $V_i$ . It can be observed that in the year of 2015- 16,  $V_i$  has debt to equity ratio 1.5%, where as in the year of 2016-17, debt to equity ratio was 2.2 %, further in the year of 2017-18 it was 1.9%, in the year of 2018-19 debt to equity ratio was 1.7% and in the year of 2019-20 debt to equity ratio increase to 10.7%. Which indicate that company is having high debt to equity.



Above chart explain the interest coverage ratio of  $V_i$ . It can be observed that in the year of 2015-16,  $V_i$  has interest coverage ratio 3.29%, where as in the year of 2016-17, interest coverage ratio was 0.64 %, further in the year of 2017-18 it was -0.42%, and in the year of 2018-19 interest coverage ratio was -1.0% and in the year of 2019-20 interest coverage ratio was -0.53%.

### **FINDINGS AND CONCLUSION**

- The study revealed that the actual profitability of the company had decreased.
- The total gross margin of the company is 26.76% which is considered very reasonable.
- Gross business income has been declining since 2016-17. Moreover, this negative result has increased significantly over the past three years.
- Net profit margin changed the most during the research period.
- Usually low profitability is evident by comparing the profit with "net worth" and "working capital" invested in the company.
- Return on capital employed during the five-year study period was generally negative.
- The company's decline in profits over the past five years has led to the depletion of all reserves. Therefore, management should monitor management processes.
- The firm's liquidity has significantly decreased during the research period. A company's current liabilities are greater than its current assets. A small amount of current assets remained during the survey.
- For the past four years, the school has neither announced nor paid a bonus due to limited learning outcomes.

The firm previously lost a tenth of its market value due to trading losses.

- Checking a company's debt ratio is one way to determine its viability. A small amount gives better results. However, he received external funding to continue working during his studies.
- A large amount of debt was purchased in 2019-20. Business interest has increased due to this financing. This borrowing has a negative impact on the company's profitability and the company's ability to pay interest has declined over the last three years of the study. This indicates a job failure.



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