

1. Aim

2. Analysis

a. When, What

On 20th March, 2017 Board of Directors of Vodafone India and Idea jointly announced the merger between Vodafone India and Aditya Birla's Idea Cellular.

Approval of the merger was given by Department of Telecommunication in July 2018. The National Company Law Tribunal gave the final approval to the Vodafone-Idea merger on August 30, 2018. On 31st August 2018, the merger was completed.

Vodafone will have 45.1% stake in the combined company. This is after transferring a 4.9% stake at Rs 110 per share to Aditya Birla Group for Rs 3,900 crore in cash. Aditya Birla Group will then own 26% of the combined company. The remaining 28.9% will be owned by Idea shareholders. The Birla Group will have the right to buy additional 9.5% stake from Vodafone over the next 4 years. This is to ensure that both the companies have an equal stake in the new company.

The two companies agreed to merge their operations with a swap ratio of 1:1. This suggests that operationally, it is a merger of two equals

b. Why (AGR, Jio)

- control the rising of Jio (which first came out in 2016) in the telecom sector. In the initial phase for almost seven months, Jio announced free service to its user. As the telecom business in India is an oligopoly (An oligopoly is a market characterized by a small number of firms who realize they are interdependent in their pricing and output policies. The number of firms is small enough to give each firm some market power) market structure the free service of Jio brought price war between the other companies. So, as a result, it's started occupying the maximum part of the market.

Reliance Jio was launched in September 2016 and in less than 3 months, the company was able to acquire 50 million customers. The numbers doubled to 100 million within

170 days of it started offering services. And, the average subscriber addition per day was more than 6 lakh.

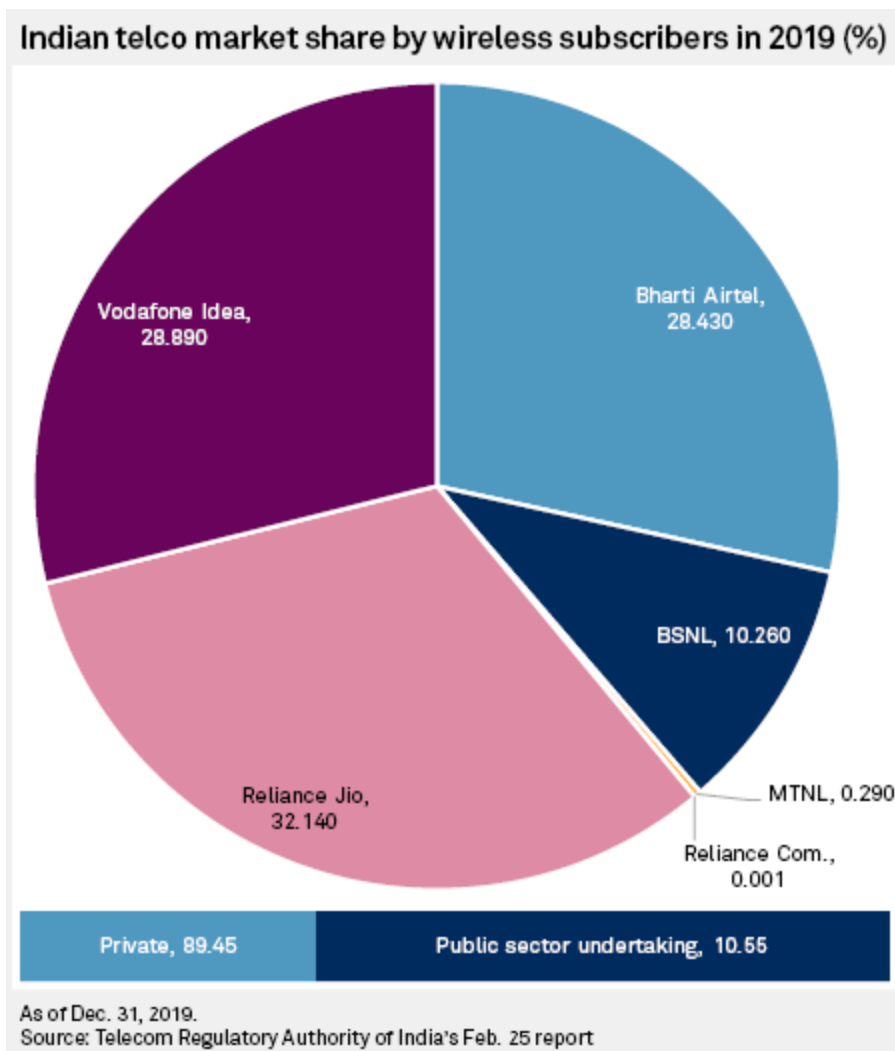
(Jio plus points)

The operator offered voice calls free for life to its subscribers. The second disruption was crystal-clear tariff plans. However, the biggest disruption was offering data services the way and the price that was hitherto unheard of. When Jio launched its services, data cost in India, be it 3G or 4G, was around Rs.250 per 1 GB. Jio, in a single stroke, brought down this price to 30 GB for Rs.300, or around Rs.10 per 1 GB.

- to make the biggest telecom network in India with the most elevated client base in India.

c. Expectations vs Reality(meme)

Before the merger, a market shares of **18.16%** of Vodafone India with 20,46,80,000 customers and a market share of 16.9% of Idea Cellular Ltd with 19,05,10,000 customers was surveyed.



(idea- live transforming of the graph)

d. Market stats then and now(sentiment)

The Vodafone Idea share reached the low of Rs. 3.4 in Feb 2020. Back then, the uncertainty around the survival of the company was at its peak. In the later months after the AGR judgment, the share price has been rising. It was earlier expected that the Share price can break free and easily touch Rs. 20 target, but in the recent months it has been range-bound in the Rs. 8 to 12 price band. There is strong resistance at Rs. 12. Considering the company has sailed through the worst time, we are positive about the outlook for the company. It is not going to be easy for the third largest telecom operator considering its weak balance sheet, and amount of debt, AGR dues. However, if Vodafone Idea is able to have a strong partner/investor, some relief from the court or Govt of India, then it can see a turnaround.

e. future(rumors, predictions, possibility of bankruptcy)

The path ahead is not easy; as they still face Jio and its aggressive pricing strategy. The company has lost market share, talent pool, and most importantly the trust of its users by not caring much about the business for the last 2-3 years.

WHY IT MAY NOT GO BANKRUPT?

- The rebranding to Vi from Vodafone-Idea shows that the company is serious and wants to splurge money to regain the lost brand glory.
- Pay part AGR dues before the 23rd January deadline. ViL can pay upto Rs. 4000 crore to show the court and government that they have the intent to stay afloat and do business.
- they are planning to sell the data centers and optic fiber business along with an 11% stake in the Indus Towers to raise money.
- Also, the cash flow for the company has improved as they have increased the rates by up to 40%.
- As of 23rd July, 2021: [Vodafone Idea](#) (Vi) will collaborate with [Cisco](#) to improve its existing [4G network](#) and, in the future, [5G](#) use cases for offering better quality experience for its customers.

The company announced that it would work with [Cisco](#) to design and build a cost-efficient network architecture to drive greater speed to market as it taps opportunities in 4G, 5G, Cloud, and IoT.

WHY IT MAY GO BANKRUPT?- THE AGR ISSUE

- AGR is the basis on which the [Department of Telecom](#) calculates levies charges payable by operators. Basically, it is a metric calculated from a company's gross revenues and is used to determine the levy that will be imposed on the telecom's income.
- So, how much do the telcos owe?

[Vodafone Idea](#) AGR dues as fixed by [DoT](#) are Rs 58,200 crore (the highest among all telecom companies). Of this, Vodafone has so far managed to pay only Rs 7,900 crore. According to government estimates, [Bharti Airtel](#) owes Rs 43,780 crore of AGR dues, of which the company has paid Rs 18,004 crore. Tata Teleservices has paid about Rs 4,197 crore and the balance amount due is about Rs 12,601 crore.

precarious financial position where it has adjusted gross revenue (AGR) of Rs 58,400 crore and has debt of Rs 1.8 lakh crore,

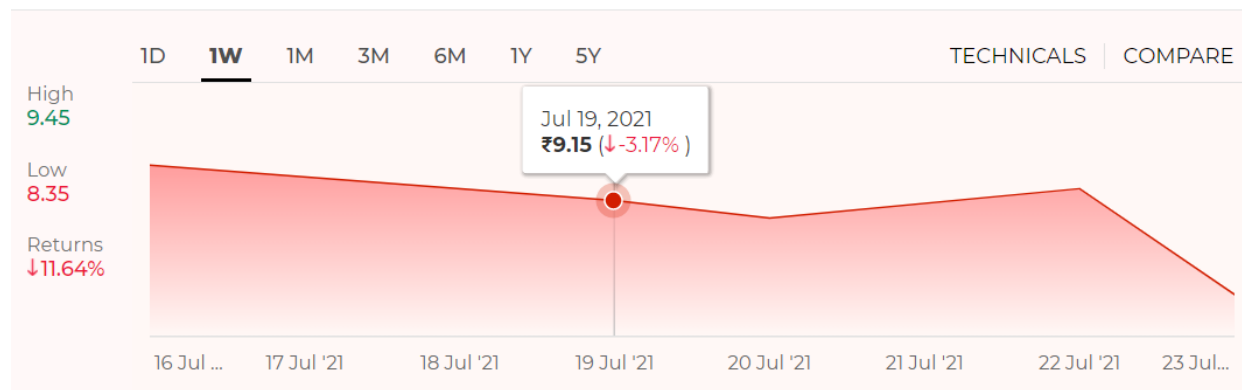
- Timeline of AGR Developments:

A. On 19th July 2021:

the Supreme court heard the counsels from Telecom operators (VI, Airtel, and Tata Teleservices), on the application that AGR dues recalculation should be done to remove arithmetic and calculation errors made by DOT while calculating the operator's respective AGR dues.

The Supreme Court Bench heard the case and reserved it for further order. It is positive news for Shareholders and the company even if there is a bleak chance of reduction in AGR dues.

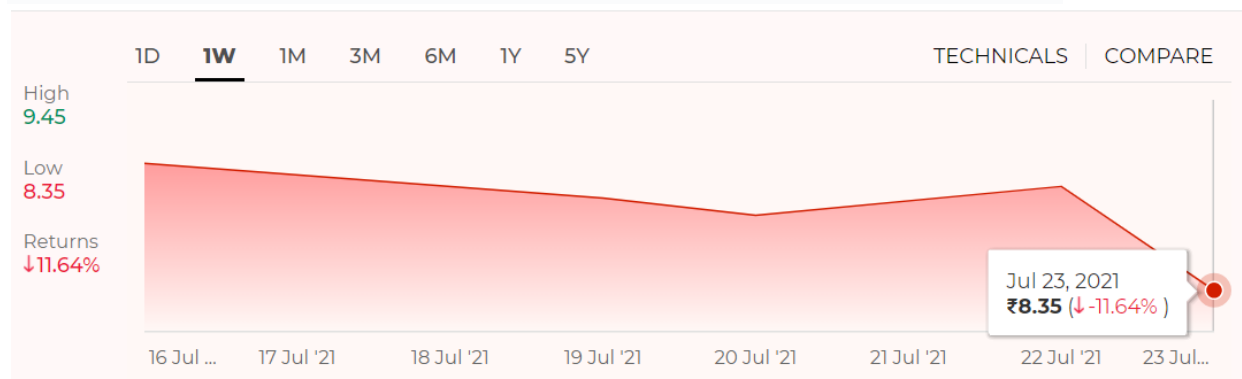
IMPACT ON MARKET:

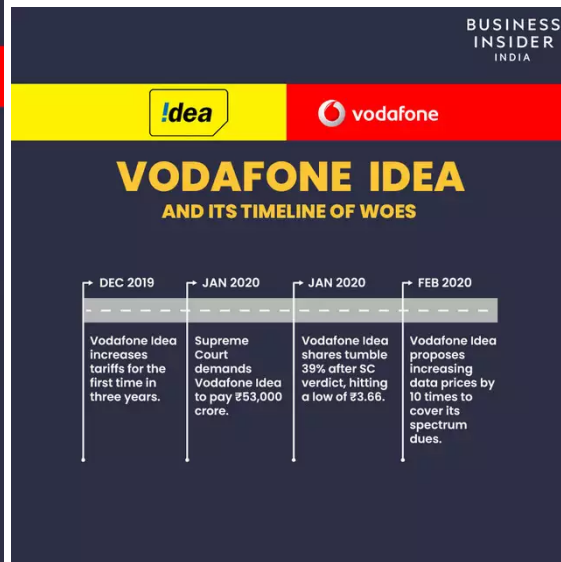


B. ON 23rd July 2021:

The Supreme Court on Friday rejected the appeal by Vodafone Idea, Bharti Airtel and Tata Teleservices NSE -4.91 % to allow correction of errors in the telecom department's adjusted gross revenue (AGR) calculations, dealing a big blow

IMPACT ON MARKET:





f. (what they could have done(merger with airtel?/ no merger), what they can do now, what if jio hadn't come at all?

On the spot:(

3. Conclusion