

52,852.27 -123.53 (0.23%) ↓ today

26 Jul, 3:40 pm IST · Disclaimer

1D

5D

1M

6M

YTD

More

53,100

53,000

52,900

52,800

FINSEARCH

How bankruptcy, insolvency, mergers and acquisitions affect the stock market
:D

12:00 pm

3:00 pm

Open

52,985.26

Prev close

High

53,103.42

Prakriti Shetty

Low

52,783.63

52-wk high

Kartikey Gupta

52-wk low

Vaishnavi Agnihotri

Shivangi Sharma

Made with ❤

CONTENTS OF THIS PROJECT

Here's what you'll find in this **presentation** :

1. A brief overview of the topics : Bankruptcy, Insolvency, Merger and Acquisition and what role do they play in determining the conditions of stock market. This provides basic information regarding the terms.
2. A very deep insight into the **IDEA VODAFONE MERGER CASE STUDY**, Touching all the aspects of it. It includes a detailed description of the conditions that paved the way for the merger, how the merger saved the two companies, and comparison of economic conditions before and after the merger.
3. A hypothetical analysis of what could have been the standings of the two companies if the merger would not have taken place, along with pointing out the rights and wrongs and giving our own suggestions about what the companies could have done to improve their conditions.
4. Finally, concluding it with stats and wrapping up by providing few lessons to be taken up by this Case Study.

LET'S GIVE YOU A BRIEF DESCRIPTION OF THE JARGON FIRST :)

BANKRUPTCY

Bankruptcy is a legal process through which people or other entities who cannot repay debts to creditors may seek relief from some or all of their debts.



INSOLVENCY

Insolvency is the state of being unable to pay the debts, by a person or company, at maturity. There are two forms: cash-flow insolvency and balance-sheet insolvency.



MERGER

A merger is an agreement that unites two existing companies into one new company.



ACQUISITION

An acquisition is when one company purchases most or all of another company's shares to gain control of that company.





We'll input
foreign
tech and
acquire
45% share

VI

India's 3rd largest
tele company will
have 29.1% share

TABLE OF CONTENTS

01

AIM

What do we want to do
with our case study :|

02

ANALYSIS

What did we do after
choosing the topic :D

03

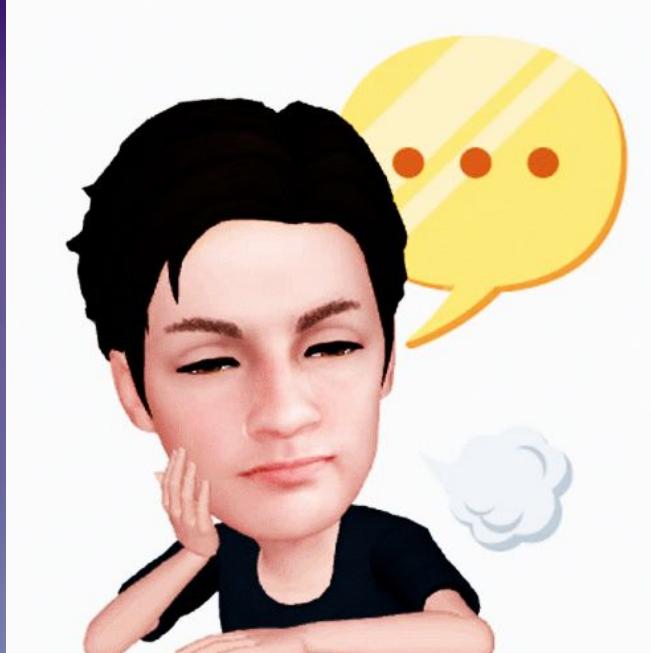
SUGGESTIONS

This is where we analysed
hypothetical scenarios made
by us:)

04

CONCLUSION

Final summary and
Wrapping up our detailed
presentation :P



01

AIM

Welcome to our decision making arena :P

WHAT WE AIM TO DO IN OUR PROJECT

Our primary aim is to explore the field of finance, and what better way to do that than a case study!

Through the Vodafone Idea merger case study, we plan to start off with a basic understanding of what happened, and a timeline of events.

We then aim to delve into the mathematical and statistical aspect, by analysing the stock market's behaviour over the years.

Finally, we wish to conclude with our personal opinions, and views about the future of the firm



02

ANALYSIS



FLOW OF ANALYSIS:

A. WHEN, WHAT

Sequence of events

D. MARKET STATS
THEN AND NOW

What's the scenario today

C. EXPECTATIONS VS
REALITY

Did the merger go
exactly as per plan?

B. WHY

Possible reasons for the
merger

FUTURE

Possibilities, Bankruptcy?

WHAT ACTUALLY HAPPENED

Merger of Equals:

On 20th March, 2017, Vodafone India and Aditya Birla's Idea Cellular announced their merger.

Vodafone was to have a 45.1% stake in the combined company, while Aditya Birla Group owned 26%.

The remaining 28.9% will be owned by Idea shareholders.

The Birla Group would have the right to buy additional 9.5% stake from Vodafone over the next 4 years.

WHEN DID IT HAPPEN :D



5th September, 2016

Reliance Jio becomes publicly available and starts disrupting the telecom industry



20th March, 2017

Vodafone Idea and Aditya Birla's Idea Cellular jointly announced a merger



July 2018

DoT gave its approval for the merger



30th August, 2018

NCLT gave its final approval for the same

WHY IT OCCURRED?

As per our analysis, the merger had four very basic and deep reasons :

1. THE ENTRY OF JIO IN THE TELECOM MARKET

With the entry of Reliance Jio on 5th September 2016, the Telecom Sector suffered a huge disruption.. In the initial phase for almost seven months, Jio announced free service to its user.

Jio offered voice calls free for life to its subscribers. The second disruption was crystal clear tariff plans. But the biggest game changer was the affordability of data services to the Indian middle class. Jio brought down the price of 1GB data from roughly around 250-300 to 10.

The telecom business in India is an oligopoly. The free services of Jio brought a price war between the companies, and jio started occupying a maximum share of the market

2. HIGH DEBTS

Both the companies owe a high amount of debts and loans. Idea Vodafone in total has 1 lakh crores of loans from banks. Also with the decision on AGR Dues in 2019, The companies has about 53000 crores of debt

3. EXPANSION

After the merger, the resources of both the companies got combined and they had far larger probability to expand their domain.

4. BROADENING USER BASE

By the merger, the number of subscribers of both idea and vodafone added up.

EXPECTATION

Largest market share (~35%) in the telecom industry

Expanded user base

Regular and organised payment of debts

*Expectation



*Reality



REALITY

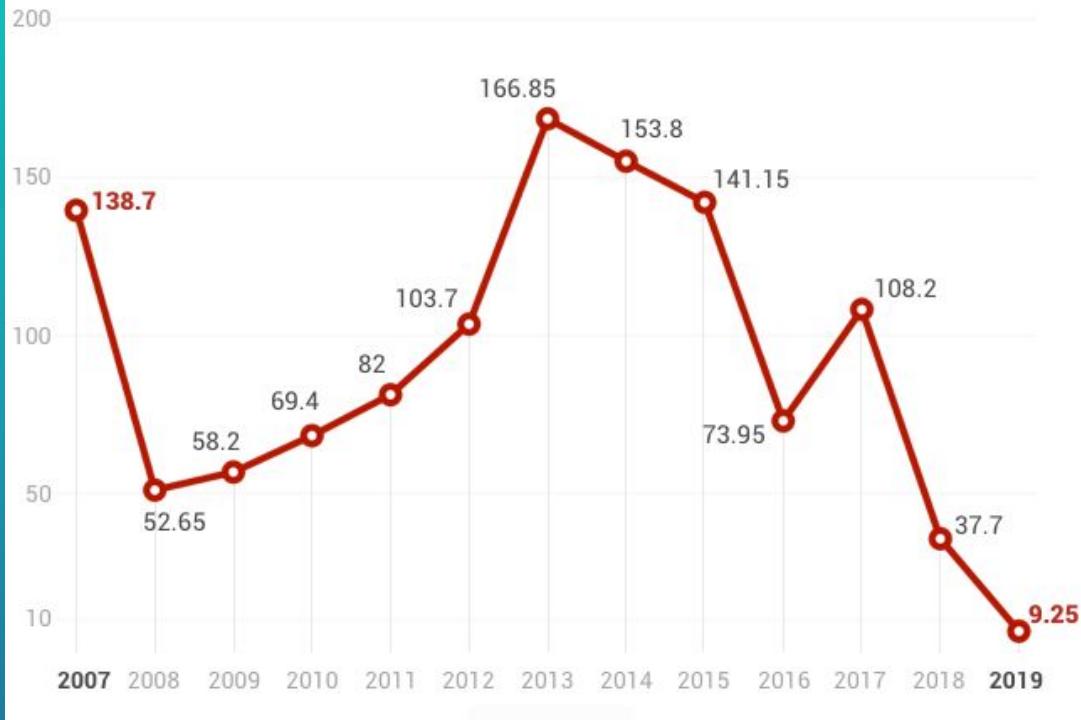
Third largest market share as of 2020 (~26%)

User base got divided due to arrival of Jio

The loan repayment was not practiced well.

MARKET STATS OVER THE YEARS

Vodafone Idea Falls To Lowest In 12 Years



MARKET STATS THEN:





PRESENT CONDITION OF VI

- The third-largest telecom operator needs to pay AGR dues of Rs 58,254 crore while it had self-assessed the amount at Rs 21,533 crore. The telco has paid only Rs 7,854 crore.
- Shares of Vodafone Idea opened 10% lower after reports widening of net loss and inability to generate cash flow and raise funds. The company has reported a net loss of ₹7,022 crore in March quarter 2021 as against net loss of ₹4,532 crore in December quarter 2020.
- Troubled Vodafone Idea's mobile subscriber base shrunk by 42.8 lakh users in May, to 27.7 crore users.
- The Vodafone Idea share reached the low of Rs. 3.4 in Feb 2020. 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.



There is not all bad about the merger :) indeed there is some good

- Vodafone Idea gave the highest upload speed in May with 6.7 Mbps according to data released by the Telecom Regulatory Authority of India (TRAI) for May 2021
- Vi announced its collaboration with Cisco to simplify and automate its network to support 4G and offer a better-quality experience for its consumer, retail, and enterprise customers.
- Vodafone Idea has announced a partnership with IBM and has selected IBM's open source on big data platform, based on Hadoop technology, which would be used at scale across the telco's network.



THEN

31%

AIRTEL

29%

OTHERS

19%

VODAFONE

16%

IDEA



NOW

32%

AIRTEL

9%

OTHERS

21%

VI

38%

JIO



FUTURE: POSSIBILITIES

- The Department of Telecommunications (DoT) is concerned about Vodafone Idea's ability to meet its upcoming statutory payment obligations, with officials warning that the latest Supreme Court ruling has put a big question mark on the debt-laden telco's survival.
- As per Deutsche Bank's report dated 27th July, the only viable solution for India to keep Vi is for the government to convert its debt into equity, preferably while merging it with BSNL, and then providing it a clear commercial mandate based on profitability targets and incentives. This would keep the company alive in the backdrop of the Supreme Court dismissing the telecom company's application for recomputation of adjusted gross revenue (AGR) dues.
- "The vast majority of Vi's debt is spectrum and AGR obligations, and the company will need to take on 5G spectrum at some point too. Private investors are extremely unlikely to save the company, given successive governments seeing telecom capital as something to target."

- The telecom department is also “cognisant” of the company’s ratings downgrades as a result of which some of its lenders had asked for increase of interest rates and additional margin money or security against existing facilities.
- It may be noted that the Supreme Court had given the three telecom providers a 10-year-timeline to pay their outstanding AGR dues to the government in 10 instalments. The telcos had been ordered to pay the balance AGR due to amounts by March 31, 2031.
- The new development contrasts the initial plans of VIL’s promoters, who were looking to raise funds by bringing in financial investors. But even after several rounds, the fundraising has not been successful, putting a question mark on the telco’s survival.



WILL IT BECOME BANKRUPT?

September 2020:

The company was unable to meet its fundraising target of 250 billion rupees, with investors reluctant to lend to the cash strapped firm.



A. 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

Timeline of AGR Developments:

A. On 19th July 2021:

the Supreme court heard the counsels from Telecom operators (V!, 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.



WILL IT NOT?

- *Though, the end of July 2021 brought in some good news for Vi.* It received approval from the government for raising upto Rs 15,000 crore via the foreign direct investment route. The fund raiser plan is critical as it will give teleco enough ammunition to pay statutory dues, invest in the network and pay for recently bought spectrum. Vi posted a net loss for the fiscal fourth quarter widened to Rs 6985.1 crore from Rs 4540.8 crore in the previous three-month period, hurt by an exceptional loss.
- They are planning to sell the data centers and optic fiber business along with an 11% stake in the Indus Towers to raise money.
- 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.
- It seems some fund managers believe the company will come out of the crisis successfully. The government has said in the past that it wants to maintain the three-private-player structure in the telecom sector, but has not shown any willingness to relent on the AGR dues.



03

PERSONAL VIEWS

SOME HYPOTHETICAL ASPECTS :D

Here we'll come across some aspects which didn't happen actually but what would have been the conditions of two companies if these things would have taken place.

DISCLAIMER : WE HERE PRESENT OUR OWN PERSONAL LEARNINGS, THAT HOW WE WOULD HAVE DEALT WITH THE SITUATIONS FACED BY THE MERGER. WE NEVER INTEND TO HARM ANYONE'S VIEW.

WHAT IF :

- **JIO had not come ?**

JIO was one of the main reasons behind the merger. JIO completely changed the market share statistics and business strategies. It transformed the revenue base from voice calls to data network. Before coming of JIO, 4G tech was not so well established in India. Income of JIO created pressure on companies to have 4G spectrum. Due to their cheap services and higher connectivity, User base started shifting towards JIO.

If JIO's arrival didn't came into being, there was no strong reason to compel the companies to merge. They would have competed as the 3rd and 4th telecom companies as before the arrival of JIO there was no monopoly in the telecom sector. JIO's arrival created a lot of competition and ultimately two competitors got united and became one.

- **MERGER DID NOT OCCUR?**

The condition is such that Vodafone Idea still remain as 2 companies and the merger did not happen. In such a case, The survival of the two companies would be more uncertain. The subscriber base would have been further divided and contributed very less to the revenue. Moreover, they would not have had proper resources to even survive the competition and AGR's burden. So, though the statistics after merger are not very appealing and transformational, but indeed it has helped the two companies to become the third largest Telecom company and maintain its existence.

- **MERGER WITH AIRTEL?**

Now the question arises why only Idea - Vodafone? Why not Airtel - Vodafone/ Airtel-Idea? If anyone of the two companies would have merged with Airtel, which was the leading telecom company before the arrival of JIO and 2nd largest after JIO. So indeed the companies would have gained if they would have paired up with airtel, but there are also some negative points. Firstly, there would be no 1:1 companionship, Airtel would surely play the role of Big Brother and it was possible that airtel acquired the companies! This would act as a loss of individuality of the companies.



ME JUMPING TO CONCLUSIONS

04

CONCLUSION

In conclusion,

We tried our best to touch upon various aspects of the Vodafone- Idea deal-

Right from the **timeline of events**, to the **possible reasons for it**, the **market stats** then and now, and a few observations we made that panned out as **expectations vs reality**, we tried to include it all.

At the end, we even incorporated some of our **personal views**. We started off by the current **news** round the rounds and our inferences through those, and then even discussed a bit on **hypothetical scenarios** that might've changed the situation the firm is in, now. We hope we've put up a fair presentation of our work over the past month!

OUR TEAM



**VAISHNAVI
AGNIHOTRI**



**KARTIKEY
GUPTA**



**SHIVANGI
SHARMA**



**PRAKRITI
SHETTY**

RESOURCES

- <https://www.indiatoday.in/technology/news/story/-vodafone-idea-partners-with-cisco-to-support-4g-and-5g-user-experience-1818524-2021-06-23>
- <https://telecom.economictimes.indiatimes.com/news/two-of-indias-top-fund-managers-betting-on-vodafone-ideas-revival/84545948>
- <https://www.indiatoday.in/business/story/agr-case-setback-for-vodafone-idea-bharti-airtel-and-tata-teleservices-as-sc-dismisses-plea-for-recomputation-1831635-2021-07-23>
- <https://telecom.economictimes.indiatimes.com/news/as-payments-loom-survival-of-vodafone-idea-at-risk-dot-officials/84697770>
- <https://telecom.economictimes.indiatimes.com/news/vodafone-idea-says-fund-raising-talks-continue/84379656>
- <https://telecom.economictimes.indiatimes.com/news/no-end-to-vodafone-idea-woes-analysts-stay-bearish-stock-slates/84054873>
- <https://telecom.economictimes.indiatimes.com/news/vodafone-idea-headed-for-a-financial-crisis-needs-urgent-cash-infusion-analysts/84015189>
- <https://telecomtalk.info/vodafone-idea-5g-use-cases-partnerships-imc/315615/>

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THANKS!



Open
High
Low

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52,783.63

Prev
52-wk
52-wk

This is
my
thank you
dance!

