

Merger of Vodafone and Idea – A Case Study

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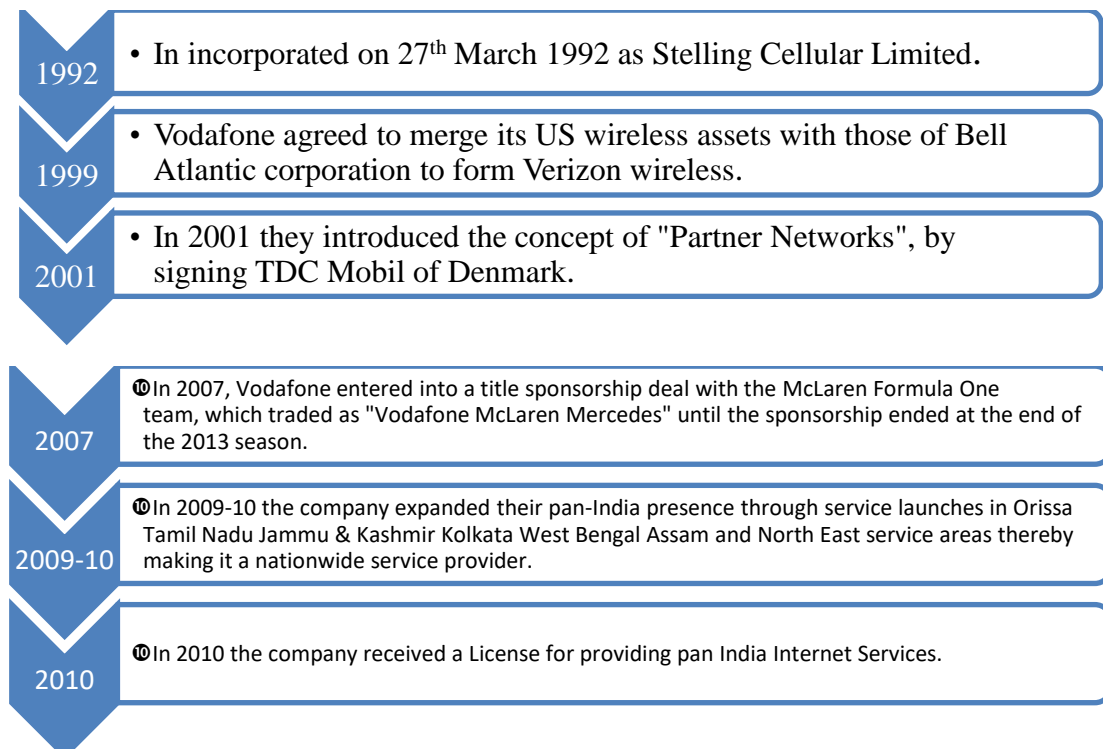
ABSTRACT

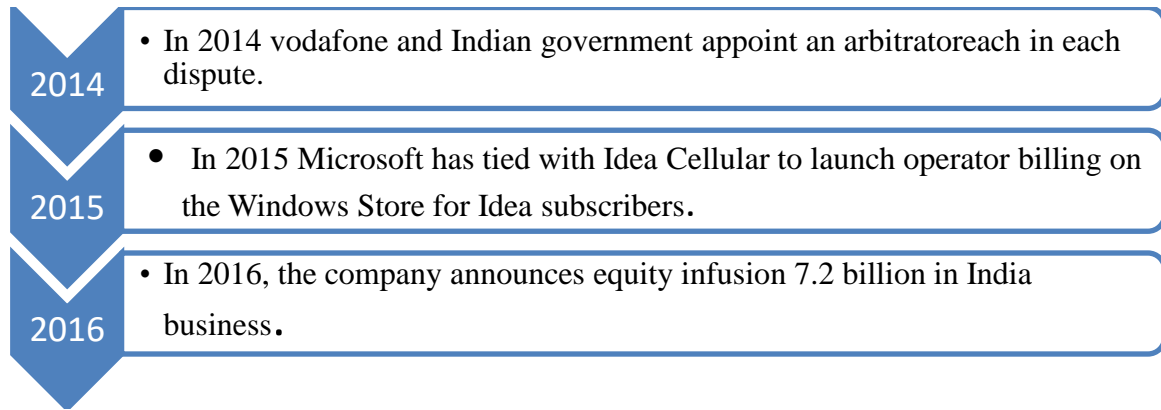
In 2017 Vodafone and Idea has announced the merger, In India telecom sector had a great impact. Aditya Birla Group made a subsidiary with Idea cellular. This merger has shown that in the telecom sector they had not only create a telecom giant but the merger has had deep connections with their consumers. In India Vodafone was second largest player in respect of subscribers' base of the Telecom Industry while In India, Idea Cellular Limited was the third largest subscribers' base. The goal of the merger is to create India's largest telecom network with the highest level of customer care. Oligopolistic market had a control over the telecom sector and the two organizations confronting solid rivalry from other two significant speculators, Bharti- Airtel and Reliance's Jio. Current structure in the market of telecom sector has examined to appreciate where the Vodafone-Idea today's attitude.

ABOUT VODAFONE

Vodafone Mobile Services Limited (VMSL) was incorporated on 27th March 1992 as Stelling Cellular Limited under the Companies Act, 1956, in the state of Tamil Nadu. Later it was shifted to the state of Maharashtra (Mumbai). It is a wholly owned subsidiary company of Vodafone India Limited. Further, Vodafone India Limited (VIL) was incorporated on 21st February 1992 as Hutchison Max Telecom Private Limited under the Companies Act, 1956 in the state of Punjab. Later it was shifted to the state of Maharashtra (Mumbai). The Vodafone Parent Group, one of the world's major telecommunications conglomerates, owns 100% of VIL. In India after Airtel Vodafone was second largest player in respect of subscriber base of the Telecom Industry while In India.

VODAFONE ROADMAP



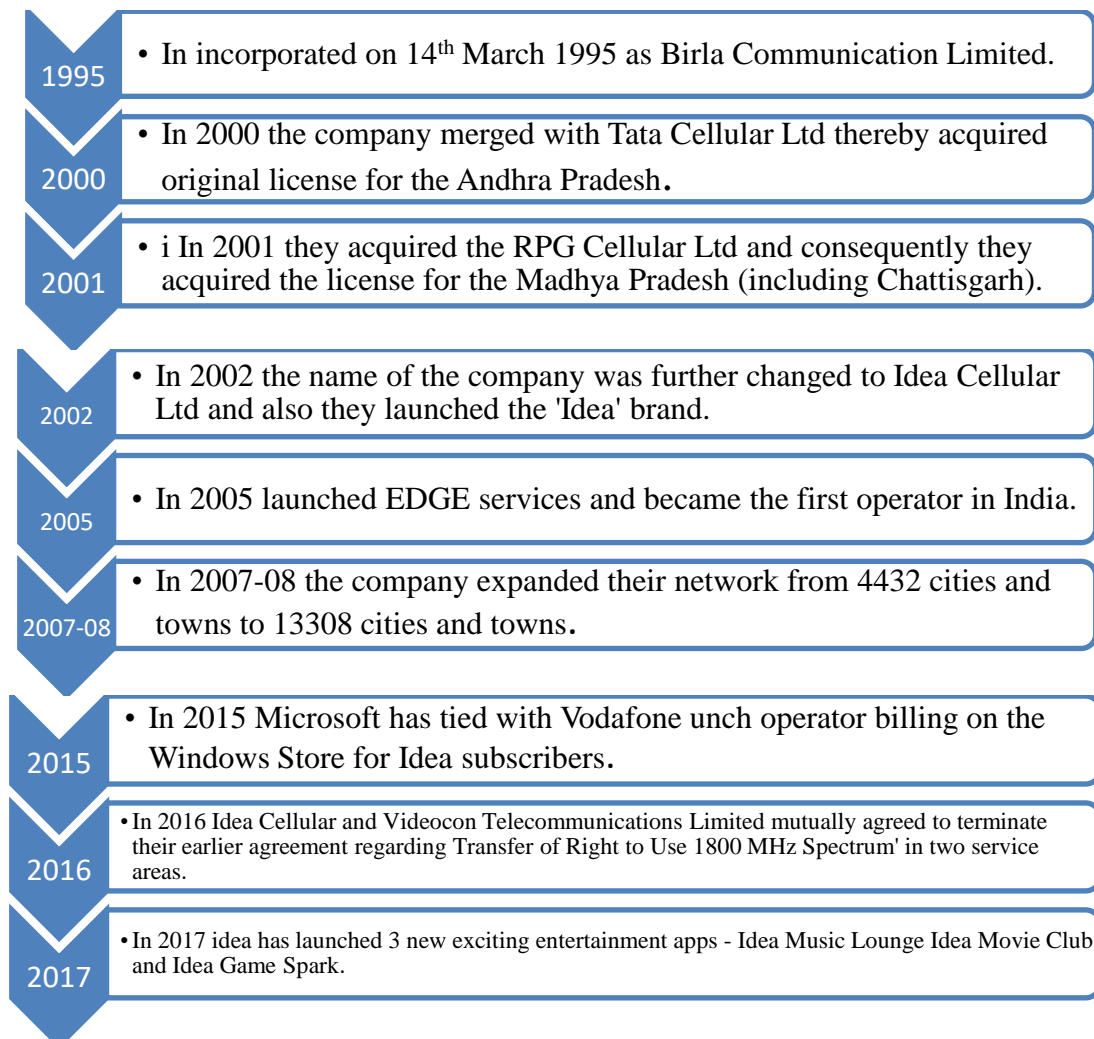


ABOUT IDEA

Idea Cellular Limited (ICL) was founded on March 14, 1995, as Birla Communication Limited, in Maharashtra, India, under the Companies Act, 1956. Later it was shifted to the state of Gujarat. ICL also hold pan-India unified Access Services / Unified Licence, National Long Distance, International Long Distance and Internet Services Provider Licences. In India the largest business groups, ICL is a part of Aditya Birla group. Both Vodafone and Idea are first and foremost committed in the business to provide mobile and fixed, services to consumer and customers.

IDEA ROADMAP

The following is the roadmap of the journey of the Idea from its incorporation to its merger with the Vodafone.



On 31st Aug 2018, the National Company Law Tribunal (NCLT) affirmed the merger with Vodafone Group (involving Vodafone Mobile Services Limited (VMSL) and Vodafone India with Aditya-Birla Group's Idea Cellular and it is announced as Vodafone Idea Limited.

RATIONALE BEHIND THE MERGER

The followings are few of the reasons behind most of the mergers which were also the reason for the merger of Vodafone and Idea.

- For economies of scale
- For increasing market share of the company
- For reducing competition
- For increasing shareholders value
- For diversifying risk
- For synergy benefits

CHALLENGES FACED BY THE COMPANIES IN MERGER PROCEEDINGS

Reliance Jio Entry

The announcement that Jio would enter the telecoms sector was a major setback for telecommunications workers who were already facing significant financial difficulties and debt. Jio has been in business for almost six years and received the pan-India 4G spectrum in 2010. The 4G network's testing phase began in December 2015.

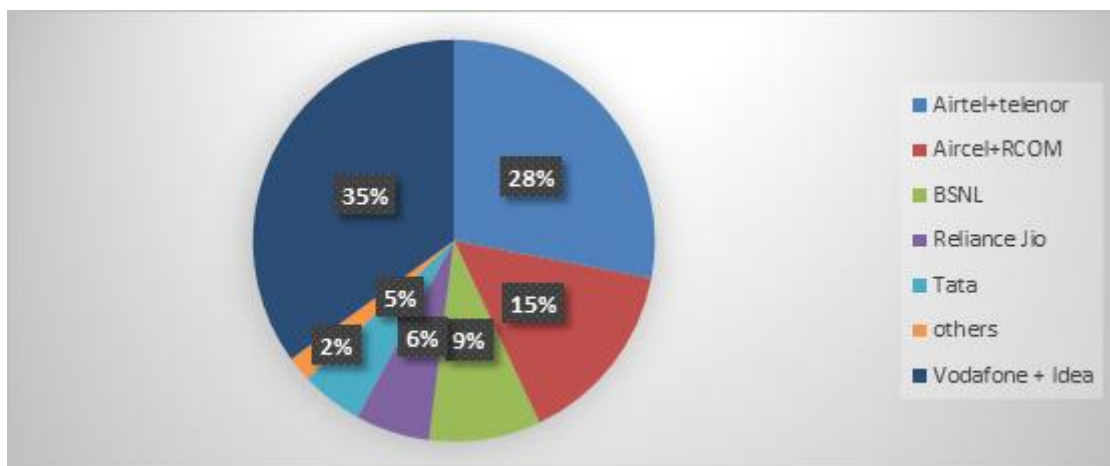
Sky-high operating costs

Vodafone-stock Idea's was listed for Rs 23.41 (October 1, 2018). Investors who purchased shares in the company's rights issuance at the ostensibly inexpensive price of Rs 12.50 (at the time) have lost approximately half of their money.

Market Challenges

The combination was not favourably received by the markets. Following the news, Idea's pricing range began to decline. The share price declined from Rs.97.70 on March 20, 2017 to Rs.81.80 on September 6, 2017. It would be comparable to a three-legged race with Usain Bolt, according to analysts. To put it another way, battling for two separate brands against two huge firms (Airtel and Jio) could be a challenging task. The merger was significant, though, because it offered support to the two companies, who were both struggling to stay afloat in their respective industries. With the combined resources, only the two largest brands will be able to compete (Jio and Airtel).

POST-CONSOLIDATION MARKET SHARE:



Source: <https://ijclp.com/mergers-and-acquisition-in-telecom-industry-a-case-study-on-vodafone-india-and-idea-merger/>

From the above we can see the highest market share just after the merger was of Vodafone and Idea which is having 35% after that Airtel and Telenor having share of 28%.

CONCLUSION

Vodafone-Idea has decades of experience in the sector and is well-versed in the deployment of new technology. With the 4G switch, however, Jio's readily available 4G infrastructure swarmed both. For voice calls, the carrier uses traditional technology, whereas Jio has been using VoLTE (voice over LTE) since the beginning.



This gives Jio a significant advantage in terms of call quality, as well as lower operating costs. Furthermore, Jio was the first operator in India to offer fully free phone calls as part of the 4G data package. Vodafone-India couldn't do so right now without incurring significant operating costs.

The integration of Vodafone India's network with Idea's network has also been a bumpy road. Multiple outages have occurred, with customers reporting frequent call dropouts, slow data transfers, and poor coverage. Vodafone India used to be known for its strong reach and better product, but that is no longer the case.

Airtel, on the other hand, has switched its goal and now seeks to enhance its ARPU rather than add consumers. Airtel tops the standings with an average download speed of 8.7 Mbps, followed by Jio at 6.3 Mbps, according to OpenSignal. Vodafone and Idea (as distinct entities) had download speeds of 5.9 and 5.4 megabits per second, respectively.

It can be concluded that the merger was ill-advised and unfocused. They ended up concentrating their difficulties rather than fixing each other's. To avoid an exodus, the corporation should focus on gaining the hearts of loyal customers right now, but it's too busy focusing on network integration.

They also manage two major brands under one roof. These factors actually raise operating expenses, and there is no efficiency to be realised.

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