Mergers and Acquisitions in the Telecom Industry

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Abstract

This white paper describes the merger and acquisition and hedging of the investment portfolio. This report complements and strengthens our customers. Identify traditional talents and employment practices. This article looks at trends in the telecommunications industry.

Keywords: mergers and acquisitions, investment portfolio, supplementation, reinforcement, traditional employment.

INTRODUCTION

Mergers and Acquisitions (M & A) is a way to buy, sell, divide and combine many companies and similar institutions that help companies grow quickly in their sector or country of origin in terms of strategic management. Or without creating new sites, affiliates, other groups of children or joint ventures. Mergers and acquisitions can be defined as a type of restructuring involving some reorganization to ensure growth or positive value. Industry or sector integration occurs when large mergers and acquisitions activities concentrate the resources of a wide range of SMEs on large firms, such as those that occurred in the automotive industry between 1910 and 1940.

Acquisition

The argument or argument is that another business or other business entity buys a business or business. These purchases may represent 100% or so of the assets or interest of the acquired company. Integration occurs when two companies come together to form a new business.

Statement of the problem

Short-term financial benefits are not realized and long-term benefits may be a valid reason for mergers or acquisitions. The merger was surrounded by employee bonuses, debt additions and mandatory hand-to-hand complications. The success of the acquisition proved very difficult to achieve, but various studies have shown that 50% of the acquisitions failed. The argument process is very complex in several dimensions that affect the results.

"Acquisition" usually means buying a small business as a larger company. Sometimes, however, a small business acquires control of a
large, long-term business and retains its name for the merged entity.

The overall net effect of M & A transactions is positive. Almost all studies report positive returns to investors from merged buyers and target companies. This means that M & A will create economic value by transferring assets to a more efficient management team.

There are also various structures used to take control of the assets of the company.

**Field of research**

The M & A process itself is multifaceted, depending on the type of merging company. Horizontal mergers generally occur between two companies in the same industry. An example of a horizontal merger is that the health system buys another health care system. Vertical mergers are purchases made by commercial suppliers. In the same example above, an example of a vertical purchase is when a health care system purchases an ambulance service from a service provider. Vertical purchasing is designed to reduce overhead costs and economies of scale(2). Mergers and acquisitions of large corporations is the third type of mergers and acquisitions process that manages the merger between the two companies.

**Limitations of mergers and acquisitions**

The limits of mergers and acquisitions (M & A) are determined by the short- and long-term strategic perspectives of new and acquiring companies. This is due to a number of factors including market conditions, differences in corporate culture, acquisition costs and changes in financial health around acquisitions.

**Industry Profile**

Communication is the cornerstone of the modern economy and has the ability to influence our social development in economic, social and political terms. It is one of the building blocks of any national infrastructure. It is recognized as one of the main areas of our society.

**Telecommunications industry**

The telecommunications industry is one of the fastest growing industries in all countries. Over the last decade, particularly over the past five years, India has experienced impressive growth in the telecommunications sector(3). India currently has 863.32 million telecom subscribers, with 85690 mobile subscribers and 34.73 fixed subscribers. The telemetry density of India is now 70.89%. Today, India has the second largest network in the world and is experiencing unprecedented growth in every country in the world.

The telecommunications sector has been one of the most dynamic sectors of the Indian economy over the past four years. This was due to the intensification of competition, the lowering of tariffs and the simplification of the political environment.

IDEA Cellular Ltd is the leading GSM mobile service provider in India with 72 million IDEA subscribers. The company is a pan-Indian integrated GSM operator covering the country's telephony environment and is responsible for NLD and ILD operations. They provide world-class mobile services tailored to different segments of mobile users. The company is Aditya Birla Group Company providing Blackberry, Datacard, Mobile TV and High Value-added and Packet Radio Service (GPRS) service for voice telephony services and SMS (Short Message Service) to these Games. Their subsidiaries include SwinderSinghSatara and Co Ltd, Aditya Birla Telecom Ltd., Idea Cellular Ltd Services, Ideal Infrastructure Cellular Services Ltd., Idea Cellular Infrastructure Towers Ltd. and Carlos Tours Ltd. IDEA
Cellular Ltd. was founded in 1995 by Birla Communications Ltd.

**Spice Communication Limited**

Spice is a limited liability company incorporated on March 28, 1995 under the name of Modicom Network Private Limited. Since the spices were considered a public company pursuant to section 43 of the Indian Companies Act of 1956 on April 1, 1999, its name was changed to Modicom Network Limited. Spice used its current name on December 3, 1999, through a new corporate foundation certificate. April 30, 2008 Current Spice is the holds 440 million subscribers with a 1.7% market share in India are the second and fifth to pass over the telecommunications service provider in Punjab and Karnataka (Karnataka) circle spices Listed on Bombay Stock Exchange Limited and Limited Stockon on July 19, 2007.

(Spice or SCL) Spice Communications Limited, a cellular company on March 28, 1995 under the name 'Private Limited Modicum Network' was established as a private limited company. The company currently offers mobile phone services in Punjab and Karnataka. Postpaid and pre-paid to the Company a variety of services, radio, calling, entertainment, contest, infotainment, telephone management services, short message service, dialing, GPRS, incoming call blocking, background music, spice emergency services, DND, Spice Mail, BID (The VIP number is Spice TV). The company is under the control of Idea Cellular during the recent acquisition of Idea.

**Context of acquisition**

Idea Cellular will own 40.8% of Spice Communications' promotional group (fashion group) in FY 08 per Rs share. In addition, we paid Rs544cr for a non-competitive rate to the Spice sponsor group. According to the Securities Act of India, the idea is to take a 20% stake in Spice Communications (Telecom Malaysia, initially holding 39.3% of Spice Communications) with Telecom Malaysia International (TMI) and its affiliates and related parties. Idea and Spice's Board of Directors approved the merger of Spice and Idea and determined Idea's 49-week exchange ratio for 100 weeks of Spap. Idea proposed to sell 46,473 TMI preferred shares at a price of $ 15,696 per share, representing 14.99% of Idea's equity allocation.

**BhartiAirtel**

As India's leading private telecommunications provider, it has a presence in the 23 telecommunications industries. BhartiAirtel is widely regarded as India's largest provider of telecommunication services on an annual basis and offers fixed and mobile wireless services using GSM technology in all telecom industries, as well as broadband and wireless services, telephony in 94 cities. All these services are offered under the brand name "Airtel". As we know, BhartiAirtel is licensed to operate a telecommunications company in Sri Lanka and Seychelles. In January 2010, we acquired Warid Telecom, a $ 3 million subscriber based in Dhaka, Bangladesh, for $ 300 million.

BhartiAirtel Limited is a global telecommunications company present in 20 countries in Asia and Africa. The company, headquartered in New Delhi, India, is one of the world's four largest mobile service providers in terms of subscribers. India offers products that include enterprise services including 2G, 3G and 4G wireless, mobile commerce, wireline, broadband DSL, IPTV, DTH and national and international long distance services. carriers. The rest of the region offers 2G, 3G wireless services and mobile commerce. BhartiAirtel has 277 million customers at the end of December 2013.
ZAIN

Zain was founded in 1983 as the first mobile operator in Kuwait. It is a public company engaged in the provision of mobile communications and data services such as the operation, purchase, delivery, installation, management and maintenance of mobile phone and paging systems in Kuwait and 21 countries of the Middle East North Africa. Its wholly owned subsidiary includes; Mobile Telecommunications Company Lebanon (MTC) LLC, Lebanon and Sudan Mobile Phone (Zain) Ltd. (Sudan).

ZAIN AFRICA

A subsidiary that holds Zain shares. He has a subsidiary in the Netherlands and has been involved in the African affairs of Zain. The company was originally acquired by Zain in 2005 under the name of Celtel and renamed Zain International BV. BhartiAirtel was acquired through BhartiAirtel Netherlands BV.

Zain Group is a mobile telecommunications company established in Kuwait in 1983 under the name of MTC or Mobile Telecommunications Company and renamed Zain in 2007. Zain has a commercial presence in eight countries in the Middle East and North Africa. More than 6,000 employees are employed. [3] The group's CEO is Scott Gegenheimer, who was appointed in December 2012.

In March 2010, Bharti acquired Zain's mobile business in 15 African countries through the second-largest merger abroad since the acquisition of Corus in 2007 by Tata Steel. I signed a contract. BhartiAirtel is a $10.7 billion African company in Kuwait. Airtel is the fifth wireless operator in the world with a subscriber base(6). Airtel announced that its revenue for the fourth quarter of 2010 was $3.2 billion, up 53% from the previous year. The newly acquired Zain Africa division donated $911 million. However, net income decreased by 41% from $470 million in 2009 to $291 million in 2010. This is due to the fact that India's spectrum charges have increased by $188 million and increased by $160 million.

A comparison of financial performance before and after Idea Cell's financial merger showed an increase in the average value of all selected performance standards, but no statistically significant decrease was observed.

All profitability ratios increase after the merger, which positively affects operational performance.

Gross profit margin: The percentage of total income that the company has had since the cost occurred. Shifting to emerging markets, lack of operational capacity, market volatility and marginal pressure contribute to lower profit margins for the telecommunications industry. This resulted in a decrease in N.P.M. 7.3%, after the merger

R.O.I: The value of the positive average difference means bankruptcy of shareholders because of inefficient management policies and intense competition in the telecommunications industry.

R.O.E: R.O.E. Up to 19.23 percent of pre-merger. It is. Measures the efficiency of use of S.H.F. The negative average difference in management reflects the fact that executives have been penalized for profitable opportunities with higher returns.

PE: Measures a company's return on capital. There was a 7.6% increase over pre-merger. This is due to strategic investment decisions. The management team has been successful in providing the minimum return on capital
employed by sound financial investment decisions.

**Leverage ratio**: Debt-equity ratio: Measures the relationship between the capital provided by the creditor and the amount provided by the shareholder. It increased by 1.10% compared to before merger. This indicates that management has failed to generate capital from internal sources and has failed to access financial markets. The analysis shows that claims against third parties have increased compared to before the merger. The debt ratio is 1.89 (post-merger), suggesting that the borrower's interest is not safe and has an increased probability of bearing future losses.

**Total Capital**: Represents the total responsibility for the total capital and capital structure of the corporation. The chart clearly shows that there is a decline in capital relative to before the merger.

**Capital Market Ratio:**

**E.P.S**: E.P.S. represents the profitability of the company from the point of view of the shareholder. The average difference in amounts is 0.535%, indicating a decrease in E.P.S. This means that the company does not improve from the point of view of shareholders after the merger.

**Physical education Percentage**: This represents the amount that the market is willing to pay for the profits of the business.

It increased 19.0% over pre-merger. This indicates that the market has a higher belief in the future of the idea cell. After the acquisition, the P / E ratio showed a positive trend reflecting the high percentage paid by investors.

**Profitability report**: A comparison of the company's financial performance prior to the merger shows that the average value of all selected performance standards has decreased, but the decrease is not statistically significant.

After the merger, the profitability ratio decreases, which negatively affects the operating performance.

**Gross profit on sales**: gross margin on the percentage of the total income that the company holds after making the payment. Here G.P.M. And 12.29% less than before the merger. This indicates that management can not control costs.

The transition to emerging markets, lack of operational capacity, increased market volatility and marginal pressure contribute to telecom profit margins. These external factors, as well as the internal factors that influence the reduction of N.P.M, are the same as operational inefficiencies and non-strategic management decisions. This resulted in a decrease in N.P.M. 15.38%.

**ROI**: Measures the effectiveness of investments or compares the effectiveness of other investments. There was an increase of 2.89% over the pre-merger. This demonstrates that executives have made smart investment decisions to bring cash flow to the business.

**R.O.E.**: 17.39% decrease compared to pre-merger. The average difference in quantity indicates that the return on equity is decreasing. This shows that there is a lack of effort to find profitable opportunities that can generate more revenue.

**PE**: Measures a company's return on capital. There was a decrease of 14.61% compared to before the merger. This is due to non-strategic investment decisions. Management was unable to achieve the minimum return on invested capital due to incomplete financial investment decisions.
Leverage ratio: Debt-equity ratio: Measures the relationship between the capital provided by the creditor and the amount provided by the shareholder. There was a 0.95% increase over pre-merger. This indicates that management has failed to generate capital from internal sources and has not been able to access the debt market.

Total capitalization: Represents the total long-term debt of the company's capital structure and all types of capital. The chart clearly shows that pre-merger capital increased by 54,309 crR.

Capital Market Ratio:

E.P.S: E.P.S. represents the profitability of the company from the point of view of the shareholder. The average difference of the negative represents -16.56%, that is to say E.P.S. This means that the company has improved from the point of view of shareholders after the merger.

Physical education Rate: This represents the amount that the market is willing to pay for the profits of the business.

This clearly shows that management has managed to gain market confidence. The market is paid more for a positive E.P.S over the years. The P / E ratio is a positive trend reflecting the lower price paid by investors for reported EPS. Investor expectations and market valuations are collected by the company for profitability.

BP Rate: This ratio compares the Company's share price to the book value. The positive mean difference of 1.193% indicates a decrease from pre-merger. Lower the P.B. Indicates the determination of the price of the action. A lower p / b ratio results in higher magnetic recovery. This contradictory result is due to the fact that the market price of the stakes has dropped due to the low investor confidence in the future performance of the company and the quality of the profits.

Summary of the report

The result is a holistic view of the mergers and acquisitions of bhartiairtel, Idea Cellular and Zy Line Telecom. The idea of acquiring spice communication and making cells changes the mindset of Indian communications. Ideas Cellular transactions show very significant changes in net income. Ideas Cellular transactions clearly indicate the impact of mergers and acquisitions on the company's operational performance.

Acquisition of seasonal communication by idea cell Clearly assess the impact of mergers and acquisitions on shareholders. The chart clearly shows that there is a decline in capital relative to before the merger. This implies a negative impact on shareholders.

Idea The analysis of cellular and spice communication shows that the market value of the company has increased compared to before the merger. Idea Trading revolutionized the telecom industry in India and the idea gained an 11.5% market share in the telecommunications industry. BhartiAirtel is one of the largest in terms of external reconstruction and has revolutionized the communications sector in India by defeating Safari in South Africa.

BhartiAirtel aims to be the world's leading telecommunications operator. This agreement represents a significant change in operational performance and pre-merger results. After the merger, the performance of the Company's assets will be used as calculated above.

This agreement is supported by the government for cross-border M & A. After closing, we were the only company in the world to grow by 13%. The structure of BhartiAirtel is the way in which
transactions are taxed (the Netherlands offers various incentives within the tax system, including tax exemptions) Earnings per share decreased due to the split. The debt ratio is not very important because this trading company had exceptional debt.

After the episodes of Airtel and Zain, there has been growth in the Indian telecommunications industry, but at the same time a price war has erupted in the sector (since 2011, the prices of all Indian telecom companies have dropped significantly). Airtel demonstrates that a business sector will provide or provide a benchmark across the industry if it demonstrates market leadership.

After the merger, BAL's operating profit went from an average of 0.258 to 0.334. The graph shows that Airtel works well in South Africa. In the case of net income, there is a slight decrease in interest payments for minority shareholders.

Statistical analysis shows that Airtel has used its assets more efficiently since the merger, and that the average pre-merger asset return was 128.1, increased to 131.4 after the merger and turned out to be true on the graph. Efficiency can increase by 0.40%.

The debt ratio shows a growing trend that interprets the acquirer as having acquired more debt after the merger. The earnings per share in the BAL represents negative results. In other words, the historical BAL had an average of 38.34 per share, but the statistical results after the acquisition represent 16.33 shares, mainly because of the stock splits. In 2012, BAL increased its number of shares by dividing its shares from 10 to 5. As a result, earnings per share decreased.

Before and after the merger between Airtel and Zain, the weekly market shows volatility. This was observed in the standard deviation analysis of both companies. Wireless subscriptions in the telecommunications sector in India reached 38.5% between 2008 and 2013. India's telecommunications industry revenues increased by 5.89% between 2008 and 2013. BhartiAirtel strengthens its leadership in India with a 19.4% market share.

Conclusion

The study analyzed the acquisition of Spice Communications by Idea Cellular. We examined the merger effect of the two companies' shareholders by comparing pre-merger financial ratios with stock price movements. The results do not support the fact that a value is created for the shareholders of the merged entity. Looking at the period around the announcement date, you can see that negative excess returns dominate the market. In addition, the difference in profitability can not be caused solely by the announcement of a merger. There are also external factors that affect your organization.

This study will be added to the M & A literature. There have been mergers and acquisitions in the telecommunications sector in India, but our research has not yet been conducted in this area. This white paper will help readers better understand the issues and benefits associated with acquisition. If we resume, it will include a domestic player, which will help us better understand the Indian scenarios. There was almost no limit to the research conducted in this paper.

The first limitation of this study is that we did not take into account the external economic conditions to analyze the assets of the shareholders. Excess profits can be attributed to external factors that affect the share price of the target or bidder company and, as such, it can be concluded that acquisitions or mergers will maximize shareholder value. The models used
depend heavily on the market value and shareholders are likely to overestimate the stock. The study did not take into account other factors that could affect shareholder returns, such as payment instruments (equities, cash), international diversification, motives for mergers and market characteristics.

In terms of financial performance, the long-term impact of the merger can be analyzed over time. Finally, this study can not be generalized because it can not be justified on the basis of a single case study.

This study shows that the merger has added enough value to the shareholders as well as to the company. The selected sample shows that the merger-merger adds value to the merging company, which is reflected in the performance of the merging company. The stock price of the company rose after the merger and the company's market capitalization also increased.

This study shows that companies can use mergers as tools for competition as well as for growth. This study showed that synergy was found when the samples were selected. Companies can use mergers as a tool to increase their market share, reduce competition or improve performance. The study concludes that acquiring companies will use resources more effectively after mergers. This may be why the company is making a straight line to acquire another business and find the pleasure of buying.

The selected case studies are one of the largest transnational M & A sampling companies in which they are based in more than 15 countries. This study shows a significant positive change both in target companies and in acquiring companies. This is supported by the fact that the company you choose can now become a global leader in your area. This shows that this kind of mergers and acquisitions can lead a national leader to become a global magnate.

This study shows that BAL has many opportunities to use the industry of reference. The merged company has earned more operating profits, showing that Indian companies have more opportunities to get out of India. BAL's net profit has also increased, but it is not very important in relation to operating profit. Although BAL's debt ratio was low prior to the Zain acquisition, the acquisition of South African company Zain increased its debt ratio. This indicates that BAL pays more attention to corporate bonds, which reduces net income.

BAL's asset performance analysis shows that Zain Telecom is already making the best use of its assets after the merger because it has already established a base in terms of infrastructure (since the infrastructure is a fixed capital for telecommunications industry).

This study has proven that the merger creates value for shareholders and businesses. But we cannot conclude that all mergers add value to the business. There are many mergers where the company does not benefit from the merger. While this study shows that a merger creates value for both the company and its shareholders, this may not always be the case.

**Suggestion**

Studies show that BALs may be lacking in the BAL because they show positive results and good strategic steps to achieve the goals in a short period of time. Airtel pays more than the city to get Zain, $ 10.7 billion, which is too expensive for Airtel. As Airtel rushed out of this deal, if he had waited, he would have had a chance at a cheaper rate that could add to the benefits of Airtel and existing shareholders.
Airtel's market capitalization is good, but not as expected. Zain's clients have left for cultural reasons. Although Airtel operates in South Africa under the name of Zain, it has failed to gain the trust of local subscribers in South Africa. This can only be useful if the merging company has a supporting role, but immediately after the acquisition of Zain, Airtel transferred Airtel's management to South Africa without the assistance of Zain and its management. He is responsible for its operation. If Airtel paid 50% of its equity interest and a cash consideration of 50%, it would have tax advantages. Idea Cellular has not yet harnessed the potential of the Indian rural market. Idea Cellular needs to spread its network wherever we can meet Bharti-Airtel by providing better service to our customers.

**References:**


