

FUNDAMENTAL AND TECHNICAL ANALYSIS OF BHARTI AIRTEL AND RELIANCE COMMUNICATION

Lakshmitha N¹

Vidyashree N²

B.Com F&A, Department of Professional Studies, Christ University, Karnataka, India

Dr. Kavitha Jayakumar³

Department of Commerce, Christ University, Karnataka, India

ABSTRACT

In this paper the fundamental and technical analysis of two companies of telecommunication industry is done to analyze which company is best for an investor to invest. The fundamental analysis is done to know about the BHARTI AIRTEL and RELIANCE COMMUNICATION'S economic, industrial, and company performance. In the industrial analysis the telecommunication industry is analyzed with Porters five force model to know the favor-ability and the end result of which company is best to invest through overall comparison of AIRTEL and RELIANCE from fundamental analysis. Technical analysis is based on moving average of the company. The main assumption is that investor has limited funding and average risk taking ability and is interested to invest in only one company. The analysis is undertaken to find which company whether AIRTEL or RELIANCE communication is better for the investor to invest in, and make their decision.

Keywords: Porters Five Force Analysis, Moving Averages, Investment decision.

INTRODUCTION

Telephone industry and internet service providers plays a crucial role in the evolution of mobile communication. Telecom sector is said to be center of growth and innovation. It allows us to share ones thought, speak and do business with necessarily anyone, regardless of where in the world they might be. Telecom making companies make all this happen. According to the estimate Indian

telecom industry contribute 6.5% of India's GDP. According to estimate telecom directly and indirectly provides 4 million employment to people.

REVIEW OF LITERATURE

1. (Business, 2017) This article talks about how Airtel tries to attract the customers of reliance communication after Anil Ambani declared that the R.com will be shutting down 2G services by the end of November. So Bharti Airtel has swooped into grab the subscribers of Reliance communication. In its ad "Airtel welcomes Reliance communication customers", "Switch to India's fastest network without changing your number enjoy unlimited calling and lots of data. Call 1800-103-1111." It shows how Bharti Airtel is trying to attract R.com customers.
2. (Rark, 2007) This paper mainly studies about how evident profitability can be studied using technical analysis. The paper generally the literature into two groups 1. Early and 2. Modern according to the characteristic. Early study indicate that technical trending strategies are profitable in foreign exchange market and future market but not in stock market. Modern studies that technical trending strategies consistently generate economic profit.
3. (Zun & Zhou, 2009) In this research paper the usefulness technical analysis with moving average for an asset allocation. It reviews that when the stock prices are predictable technical analysis adds value to the commodity.
4. (Grundy, 2006) this review studies about how porter five force model could be much developed by interrelating it with other tools such as PEST growth drives. It also talks about why the management is not taking up Porters five force model because it is more theoretical people are backing for using it and it is taken up in a innovative way. How easy is to analyze the use of porter's analysis.

RESEARCH DESIGN

SCOPE OF STUDY: We have considered two companies from telecommunication industry to analyze the performance of the companies.

1. Airtel
2. Reliance communication.

STATEMENT OF PROBLEM: The difficulties faced by an investor is, to know which company is best for investment. The best decision will make an investor stand in the favorable part and if the decision fails there will be unfavorable situation for him. Thus in this paper by conducting fundamental and technical analysis we are finding which company is suitable for investing to earn best result.

SOURCE OF DATA: Secondary data has been taken for the purpose of this research paper.

WEBSITE:

<http://www.google.com>

<http://www.google.com>

<http://www.topstockresearch.com>

<http://www.moneycontrol.com>

LIMITATION OF THE STUDY:

1. Only two companies of telecom industry are selected for analysis.
2. For technical analysis only 10 days moving average is considered which does not give a complete picture of performance of the company.
3. Research is only company wise investment.
4. The results are not certain but only probable.

METHOD OF ANALYSIS

FUNDAMENTAL ANALYSIS: It is the examination of the underlying forces that affect the wellbeing of the economy, industry groups, and companies. The ultimate goal is to derive a forecast and profit from future movements.

The aspects of fundamental analysis are:

1. The analysis of economy as whole.
2. The analysis of an industry.
3. The analysis of individual company.

ECONOMIC ANALYSIS: India is the world's second largest telecommunication market. India's telecommunication market is expected to experience future growth, the revenue from the telecom equipment sector are expected to grow US\$26.38 billion by 2020. According to the estimate, Indian telecom industry contribute 6.5% of India's GDP, according to estimate the telecom industry directly and indirectly provides 4 million employments to people. Foreign direct investment of telecom industry was expected to be 74% but now it has been increased to 100%. Government of India is coming with a new telecom policy with respect to technological advancement in the sector over past few years.

INDUSTRIAL ANALYSIS: To companies' industry obviously influence the outlook for the company.

PORTERS FIVE FORCE INDUSTRY ANALYSIS: Porters five force model is determined for long term profitability and is a reality check to see it, an industry is attractive enough to enter or not. If all of those forces are **high**, then the industry is **less favorable** to enter. Before entering an industry, one firm should check whether those forces is **low**, so it is **favorable** for the firm to enter.

Porters five force industry analysis are:

1. Industry rivalry
2. Threat of substitutes
3. Bargaining power of buyers
4. Bargaining power of suppliers
5. Barriers to entry

The analysis of Porters five force for the Telecom industry:

INDUSTRY RIVARLY: The competition to the telecom industry is very **high** it is concentrated on market share and structure. There are more than 15 players in the market Airtel, Vodafone, Idea, R.Com etc. Airtel is market leader and Reliance is market challenge.

THREAT OF SUBSITUTE: The threat from substitute is **moderate**. It is based on buyer propensity to substitute, relative prices, performance of substitute. Threat from substitute is telecom industry.

BARGAINING POWER OF BUYERS: The bargaining power of buyers are **high**. Buyers switching cost is low and ability to backward integration is low and pricing sensitivity is high. Not much intermediaries between the producer and the consumer. Less likely to have backward integration and hence low buyer power.

BARGAINING POWER OF SUPPLIERS: The bargaining power of suppliers are **low**. Size and concentration on suppliers relative to product is low. The buyer switching cost is low, information is high, supplier ability to forward integrate is low.

BARRIERS TO ENTRY: Threat of entry is low. Access to optical fiber network declining ARPU, government and legal barriers, retaliation by established producers, are the reasons for low barriers to entry.

The above analysis concludes that the telecommunication industry is **favorable**. Because as highlighted in the above analysis most of the forces shows **low**, which is more favorable.

COMPANY ANALYSIS: It is a method of evaluating a security in an attempt to access its intrinsic value by examining related economic financial and other qualitative and quantitative factors.

Ratio analysis of Bharti Airtel and Reliance communication as on March 2018

PARTICULARS	BHARTI AIRTEL	RELIANCE COMMUNICATION
Current ratio	0.49	0.64
.Debt equity ratio	0.64	3
Long term debt ratio	0.53	1
Inventory turnover ratio	8517.94	34.86
Debtors turnover ratio	14.25	1.35
Fixed asset turnover	0.51	0.93
Total asset turnover	0.57	0.06
Gross profit margin	8.86	2.86
Net profit margin	0.14	442.40
Return on capital employed	2.96	0.17
EPS	0.20	35.68

CONCLUSION OF COMPANY ANALYSIS: From the ratio analysis we can know that Bharti Airtel performance as a company is better than reliance communication.

FUNDAMENTAL ANALYSIS CONCLUSION: From the above conducted analysis we can analyze that the performance of the telecom industry is good and favorable. Through the company analysis we analyze that the performance of Bharti Airtel is good than the

Reliance communication, hence keeping in mind of fundamental analysis, an investor can invest in Bharti Airtel to earn better return.

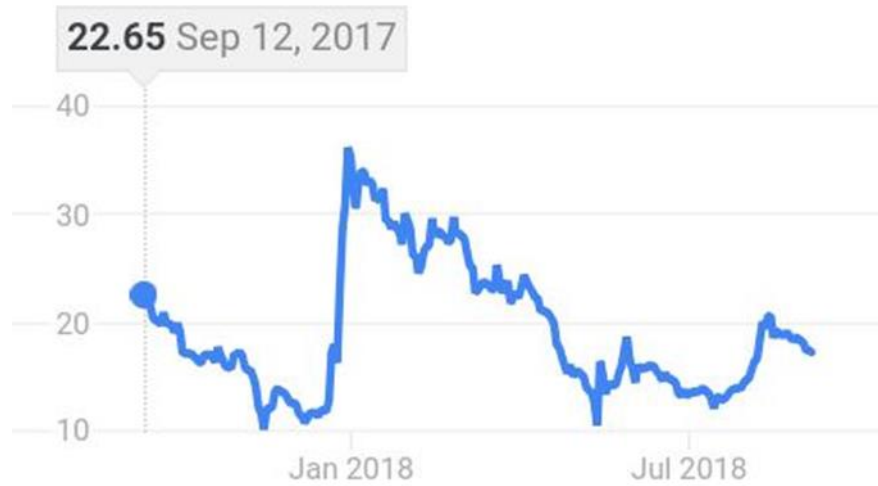
TECHNICAL ANALYSIS: Technical analysis is used for evaluation and identification of trading opportunities by analyzing the statistics acquired from trading activity, such as price movement and volume.

MOVING AVERAGES: A moving average is one of the important tool used in technical analysis that helps in smooth outprice action by filtering out “noise” from random price fluctuation. The common tools in moving averages are: 1) identifying the direction of the trend, 2) determining the support level and resistance level.

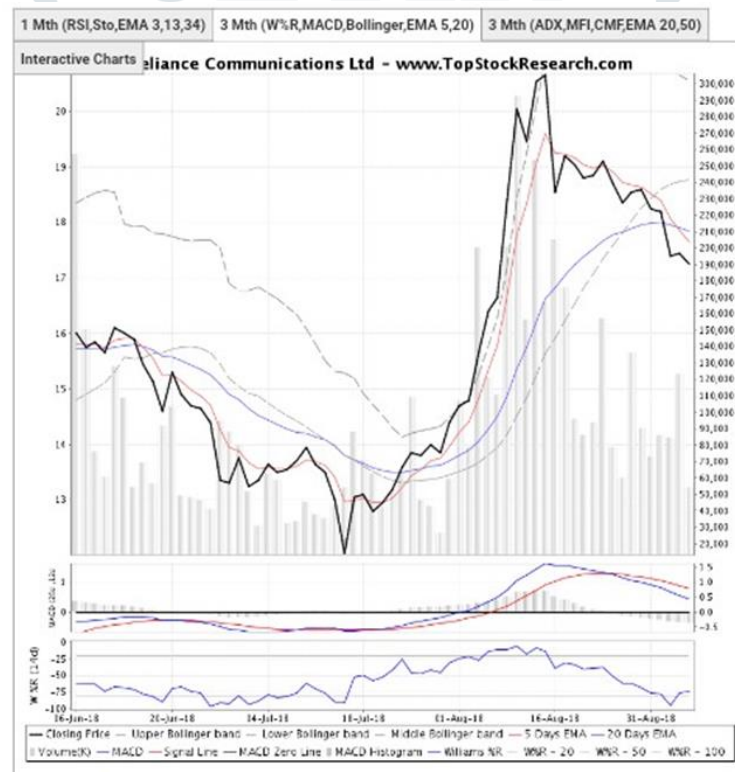
MOVING AVERAGES OF RELIANCE COMMUNICATION:

DATE	CLOSING PRICE
AUGUST 21	18.80
AUGUST 23	18.85
AUGUST 24	19.10
AUGUST 27	18.7
AUGUST 28	18.35
AUGUST 30	18.6
AUGUST 31	18.25
SEPTEMBER 04	17.40
SEPTEMBER 05	17.45
SEPTEMBER 06	17.25

$$18.80+18.85+19.10+18.70+18.35+ 18.60+18.25+17.40+17.45+17.25 = 18.275$$



RELIANCE COMMUNICATION 2017-2018 GRAPH



RELIANCE COMMUNICATION MOVING AVERAGE GRAPH

Moving averages of Bharti Airtel

DATE	CLOSING PRICE
AUGUST 21	367.25
AUGUST 23	369.25
AUGUST 24	368.50
AUGUST 27	378.35
AUGUST 28	376.45
AUGUST 30	382.60
AUGUST 31	383.35
SEPTEMBER 4	377.75
SEPTEMBER 5	372.60
SEPTEMBER 6	372.25

$$367.75+369.25+368.50+378.35+376.45+382.60+383.35+377.75+372.60+372.25 = 374.885$$



BARATI AIRTEL YEARLY GRAPH 2017-2018



BARATI AIRTEL MOVING AVERAGE GRAPH

TECHNICAL ANALYSIS CONCLUSSION: From the above technical analysis we can analyze that, Bharti Airtel is better in its share price and is better for investor to invest in it. Reliance communication is currently going down in its share price hence investor can take up Bharti Airtel.

FINAL CONCLUSSION: From the above conducted fundamental and technical analysis we can conclude that it is best for the investor to invest in Bharti Airtel rather than Reliance communication because, the performance of Airtel is favorable. And investing in it will earn a good return to the investor.

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