

# IMPACT ON AIRTEL AND VODAFONE WITH EFFECT TO LAUNCH OF RELIANCE JIO

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**ABSTRACT:** *Telecom industry in recent years have undergone a huge transformation which is evident from the huge increase in the number of users and data consumption. The main reason behind the growth of telecom industry lately is because of the introduction of Reliance Jio, a strategic unit of Reliance Industries by providing calls and data at free of cost for their subscribers. The new entrant in the market has affected the market competition, which lead the competitors to change their strategies and bring down their costs for the service offered by them. To study these changes, data of Bharti Airtel and Vodafone Idea have been taken from sources and the overall all impact on the market on basis of profitability have been taken into consideration.*

**Index Terms- Reliance Jio, Bharti Airtel, Vodafone**

## I.INTRODUCTION

India being the second populous country in the globe has also grabbed the title as the country with the second largest telecommunication network in the world. Indian telecommunication network has 1.19 billion subscribers. The industry has faced tremendous changes and is thriving to satisfy its increasing subscribers list. In order to make India move on a growing path, Government has launched a scheme which is the National Digital Communication Policy in 2018. The industry is prone to frequent changes and up gradation in technology and the demand of the public, with all these effects all major players from all over the world are investing their money in this sector and efforts to gain huge profits are being strategically planned. The Government laid industrial policies are having liberal effects allowing the investors to make decisions that help them to attain profits. Telecom industry is a service based industry in which various services like SMS, MMS, Video call, Voice call, Internet etc are provided by the telecom operators. The changes in technology has gone to another level where 3G has become 4G and various research are being carried out to introduce 5G as soon as possible. These changes have affected various apps and their usage has come down. The combination of smartphone and Internet has changed the competitive statistics in the market. There are many players in the Indian Telecommunication Market like Bharati Airtel, Vodafone Idea, Bharat Sanchar Nigam Limited (BSNL), Jio etc. The industry has a barrier for new entrants and those divesting the business, it requires huge amount of physical and manpower resources as their main investments. The customers expectations are increasing day by day and only the service provider with the best quality can survive the competition among the current players.

## II.OBJECTIVE

To examine the impact on Bharati Airtel and Vodafone Idea with effect to entry of Reliance Jio.

## III. RESEARCH METHODOLOGY

The research design of the project is descriptive and analytical. It has been studied on the basis of existing financial information. The analysis were made by using secondary data obtain from the annual report of the company, for the period from 2013-2014 to 2017-2018 with reference to textbooks and journals and websites. Tool used in this project is Profitability Ratios.

#### IV. REVIEW OF LITERATURE

*Thomas Joy and Sumeet Bhal (2018)* in their study on “Disruption by Reliance Jio in telecom industry” have analyzed the disruption caused by Reliance Jio in the industry by collection of data from Telecom Regulatory Authority of India (TRAI). Their study had concluded that Reliance Jio has marginalized small players like Aircel, Telenor etc and customer perception has changed as they have changed the consumption pattern. They have arrived logically by conveying that Strategies devised by jio has been successful.

*Pankaj Sharma (2017)* in his study about “Reliance Jio: Impact on Indian telecom market” was to analyze the various services rendered by jio i.e. Jio money, 4G data services, jio-fi hotspots etc. along with other dominant players in Indian market like Airtel, Vodafone Idea etc. According to his study the Reliance Jio will occupy as a strong player in the market.

#### V. ANALYSIS OF PROFITABILITY RATIO

The ability of the company is evaluated by using profitability ratios to compare the generated income, its expenses and other cost associated with the generation of income during a particular period. Final result of the company is represented by this ratio. Profitability ratios are a class of financial metrics that are used to assess a business's ability to generate earnings relative to its associated expenses. For most of these ratios, having a higher value relative to a competitor's ratio or relative to the same ratio from a previous period indicates that the company is doing well.

##### 5.1 Return on Equity

This ratio measures Profitability of equity fund invested the company. It also measures how profitably owner's funds have been utilized to generate company's revenues. A high ratio represents better the company is.

$$\text{Formula: } \frac{\text{Profit after Tax}}{\text{Net worth}}$$

Where, Net worth = Equity share capital + Reserve and Surplus

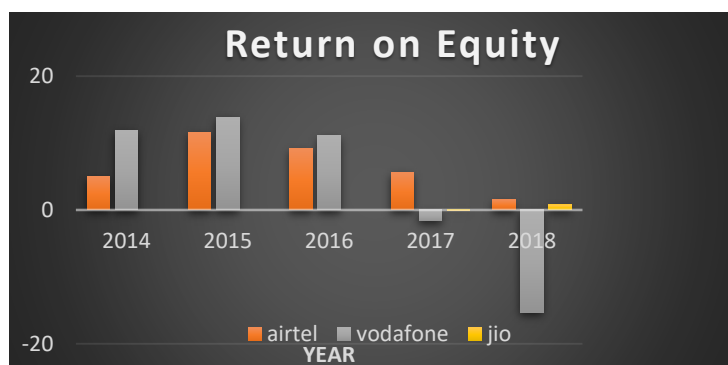
*Table 5.1-RETURN ON EQUITY*

YEAR	AIRTEL	VODAFONE	JIO
2014	5.05%	11.91%	-
2015	11.62%	13.87%	-
2016	9.1%	11.09%	-
2017	5.63%	-1.62%	-0.04%
2018	1.58%	-15.33%	0.75%

##### Interpretation

Return on equity for Vodafone Idea in the year 2014 is 11.91% and has been decreased to -15.33% in the year 2018 after launch of jio. Return on equity for Bharati Airtel has been decreased from 5.05% in 2014 and increased to 13.87% in 2015 to 1.58% in the year 2018.

*Chart -5.1*



## 5.2 Return on Capital Employed

This ratio computes percentage return in the company on the funds invested in the business by its owners. A high ratio represents better the company is.

$$\text{Formula: } \frac{\text{Net Operating Profit}}{\text{Capital Employed}} \times 100$$

Where, Capital Employed = Equity share capital+ Reserve and Surplus+ Debentures+ long-term Loans

Capital Employed = Total Assets – Current Liability

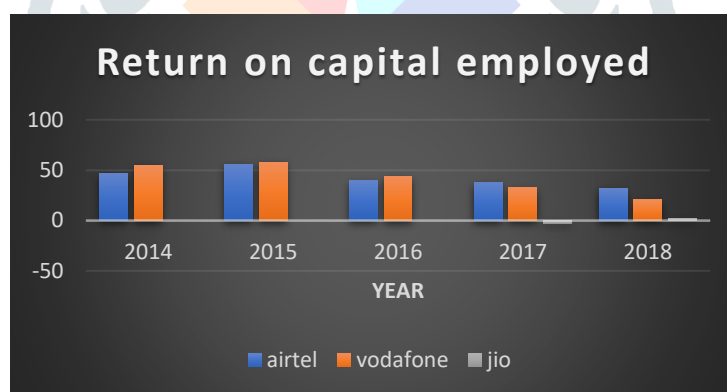
*Table 5.2-Return on capital employed*

YEAR	AIRTEL	VODAFONE	JIO
2014	46.91%	55.04%	-
2015	55.99%	58.13%	-
2016	39.46%	43.5%	-
2017	37.8%	32.56%	-2.46%
2018	31.99%	20.61%	2.13%

### Interpretation

Return on capital employed of Vodafone Idea has decreased from 55.04% in 2014 to 20.61% in 2018. Return on capital employed of Bharati Airtel has decreased from 46.91% in 2014 to 31.99% in 2018.

*Chart-5.2*



## 5.3 Return on Assets

This ratio measures the earning per rupee of assets invested in the company. A high ratio represents better the company is

$$\text{Formula: } \text{Net Profit} \div \text{Total Assets}$$

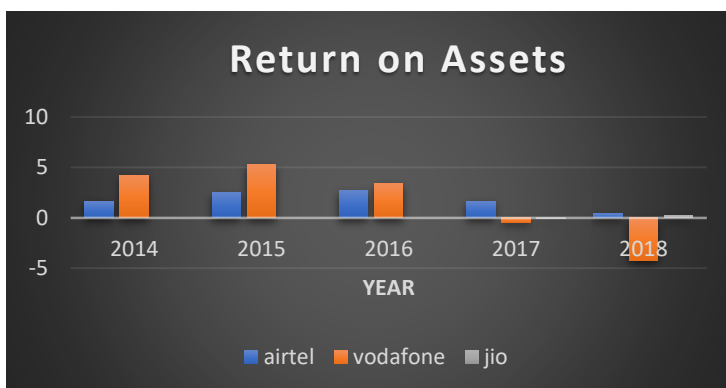
*Table5.3-Return On Assets*

YEAR	AIRTEL	VODAFONE	JIO
2014	1.65%	4.23%	-
2015	2.53%	5.28%	-
2016	2.69%	3.4%	-
2017	1.63%	-0.41%	-0.02%
2018	0.44%	-4.23%	0.28%

**Interpretation**

Return on total assets of Vodafone has been decreased from 4.23% in 2014 to -4.23% in 2018. Return on assets of Airtel has been decreased from 1.65% in 2014 to 0.44% in 2018.

chart-5.3



**5.4 Gross Profit Ratio**

The marginal profit of the company is measured using gross profit. This ratio is also used to measure the segment revenue. A high ratio represents the greater profit and it's good for the company.

Formula:  $\frac{\text{Gross Profit}}{\text{Sales}} \times 100$

Gross Profit = Sales + Closing Stock – (op stock + Purchases + Direct Expenses)

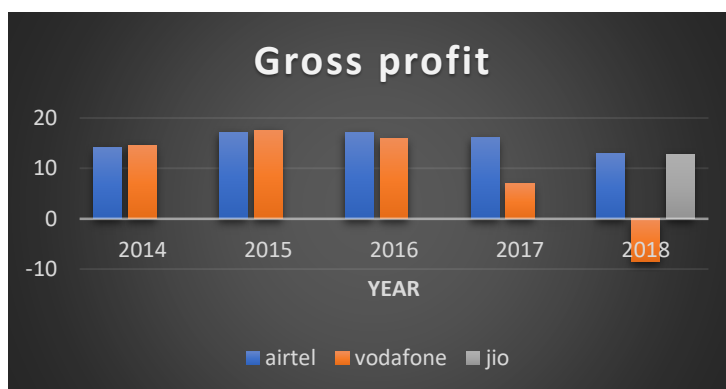
Table 5.4-Gross Profit Ratio

YEAR	AIRTEL	VODAFONE	JIO
2014	14.14%	14.61%	-
2015	17.23%	17.62%	-
2016	17.13%	15.97%	-
2017	16.16%	6.95%	0%
2018	12.93%	-8.49%	12.85%

**Interpretation**

Gross profit of Vodafone has decreased from 14.61% in 2014 to -8.49% in 2018. Gross profit of Airtel has been decreased from 14.14% in 2014 to 12.93% in 2018.

Chart-5.4



### 5.5 Net Profit Ratio

This ratio measures the company’s overall profitability taking into consideration all the direct and indirect costs. The positive return of the company is represented by a high ratio.

Formula:  $\frac{\text{Net Profit}}{\text{sales}} \times 100$

Net Profit = Gross profit+ Indirect Income -Indirect Expense

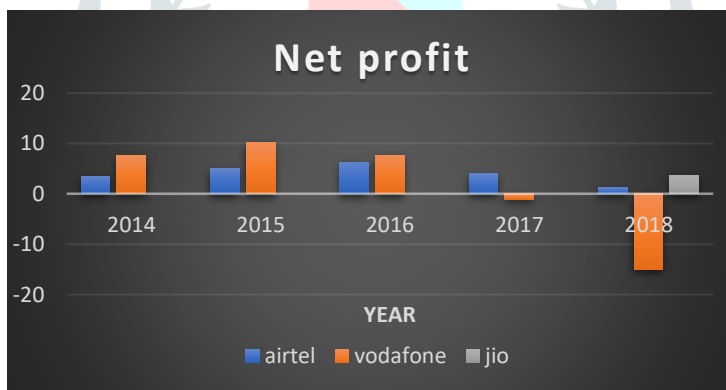
Table 5.5-Net Profit

YEAR	AIRTEL	VODAFONE	JIO
2014	3.52%	7.54%	-
2015	5.02%	10.22%	-
2016	6.3%	7.63%	-
2017	3.98%	-1.13%	0%
2018	1.31%	-14.99%	3.59%

### INTERPRETATION

Net profit of Vodafone has been decreased from 7.54% in 2014 to -14.99% in 2018. Net profit of Airtel decreased from 3.52% in 2014 to 1.31% in 2018.

Chart-5.5



### VI. Conclusion

The entry of Reliance Jio had a great impact on the Bharti Airtel and Vodafone Idea, Which were the top two chart holders before the launch of Jio by the reliance industries. Even though Bharati Airtel is holding on to number one spot with Jio behind it, the changes it had to undergo to survive the threat of new entrant in the market were on a dynamic pace.

### References

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