

An Analytical study on Mergers and Acquisitions in Indian Telecom Industry

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Abstract : The aim of this research paper is to analyse the mergers and acquisitions trends in Indian Telecom Industry. In this research paper an attempt is made to understand and analyse the number of mergers and acquisition activities in the context of Indian telecom industry. In the beginning, an overview of Indian telecom industry is given followed by benefits and limitations for mergers and acquisitions in telecom industry. The basic idea here is to understand the trends in mergers and acquisitions in India in general and telecom sector in particular.

IndexTerms - Mergers and Acquisitions, Trends in M& A for telecom industry, Telecom subscriber base.

I. INTRODUCTION

Organisations are growing concerns. As they grow in number of years of existence, these companies would like to expand and diversify their business. Profit maximisation and increase in the customer base are the other objectives of the companies. Competition and complexities are the known evils on the way to growth and survival of organisations. The companies have realised the ill effects of competition and benefits of cooperation. Mergers and acquisitions are the better ways to create synergy for the companies. The basic purpose of mergers and acquisitions include gaining economies scale, reduction in overall cost of operations, providing goods and services at an affordable price.

II. THEORETICAL FRAMEWORK

ABOUT INDIAN TELECOM INDUSTRY

India is in second rank in terms of number of telecom subscription. In the coming years many telecom companies would target rural population as 70 percent of Indian population is in rural areas. National Digital Communication Policy of the central government would attract investment of about US \$ 100 billion and expected to create over 4 million jobs in the coming years. Ever increase in number of subscribers, the sector has attracted FDI worth US\$ close to 32 billion from April 2000 till date. Following table shows the number of telecommunication subscriptions from 2008 to 2017.

Data and Sources of Data

The data required for the study is collected from Telecom Statistics India 2017 and EY analysis of Thomson ONE Data. The research is purely descriptive and based on secondary data.

Population and Sample

Initially the data is collected on Indian telecom industry to understand potentiality of telecom industry and private and public sectors market share. The sample includes all the merger deals of 54 companies that took place in India in the financial years 2015-2017.

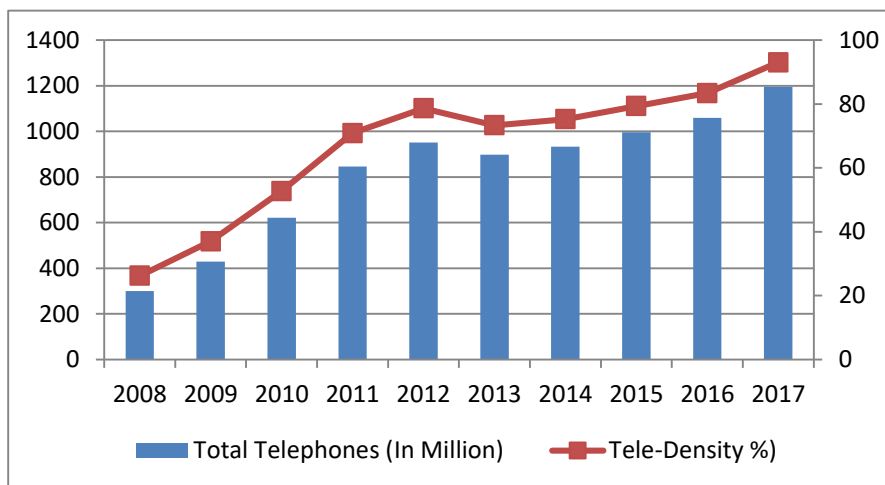
Statistical tools

To analyze the data descriptive statistics, tables and graphs are used. The purpose of this is to know the trends during the merger period.

Table 1: Total Telephone subscriptions and Tele-density in the country

At the End of March	Total Telephones (In Million)	Tele-Density (%)
2008	300.49	26.22
2009	429.72	36.98
2010	621.28	52.73
2011	846.33	70.89
2012	951.35	78.66
2013	898.02	73.32
2014	933.02	75.23
2015	996.13	79.36
2016	1059.33	83.4
2017	1194.99	93.01

Source: Telecom Statistics India 2017



Graph 1: Total Telephone subscriptions and Tele-density in the country

From the data given Table 1, it is evident that the number of subscribers from 300 million in 2007 has touched approximately 1200 million by 2017. This indicates the potentiality of telecom sector in our country.

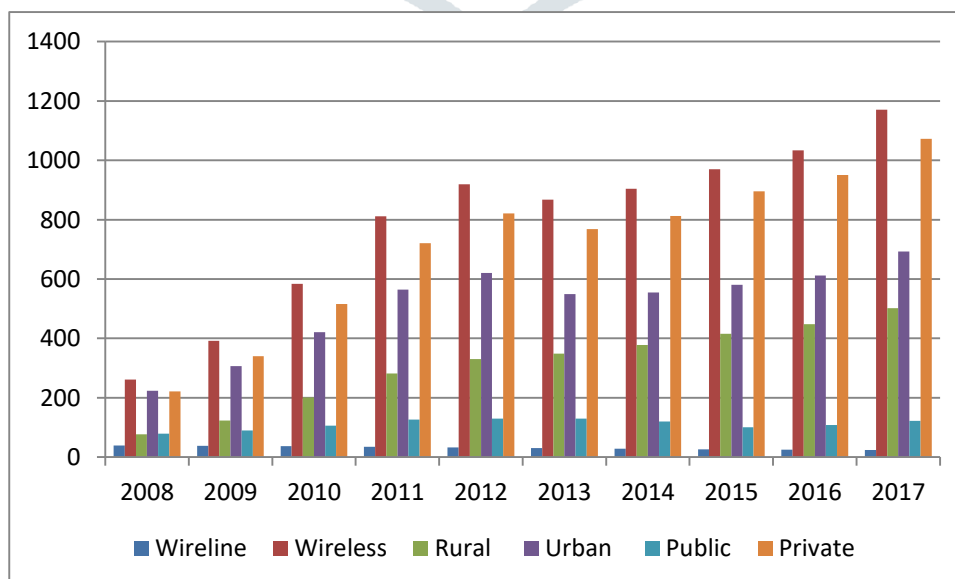
The flowing table shows areas wise performance of telecom subscriptions in our country

Table 2: Telecom Subscription in million (Overall)

	Wire line	Wireless	Rural	Urban	Public	Private
2008	39.41	261.08	76.50	223.99	79.55	220.94
2009	37.96	391.76	123.51	306.21	89.55	340.18
2010	36.96	584.32	200.77	420.51	105.87	515.41
2011	34.73	811.60	282.29	564.04	126.00	720.33
2012	32.17	919.17	330.83	620.52	130.27	821.08
2013	30.21	867.81	349.21	548.80	130.11	767.91
2014	28.50	904.52	377.78	555.23	120.05	812.96
2015	26.59	969.54	416.08	580.05	100.34	895.79
2016	25.22	1034.11	447.77	611.56	108.65	950.68
2017	24.40	1170.59	501.81	693.18	122.18	1072.81

Source: Telecom Statistics India 2017

Graph 2: Telecom Subscription in million (Overall)



From the data given in Table 2, it is observed that the number of subscriptions in both rural and urban areas have shown increasing trend. When compared to public subscription of telecom connections, private connections are dominating year on year. By the end of 2017, private subscriptions have crossed 1000 million. This indicates the rapid progress of private players in telecom industry.

III. BENEFITS OF MERGERS AND ACQUISITIONS FOR TELECOM COMPANIES

Following are the major benefits of mergers and acquisitions in telecom companies in India

- Improvement in the quality of service:** Due to the financial muscle, after merger, the company will be in a better position to utilise spectrum and provide better services to the subscribers. Merged company can increase coverage and call drop can be reduced
- Lower cost to consumers:** Due to the economies of scale provided by the merger, companies will be in a position to provide services at competitive prices.
- Free Roaming to customers:** As the merged company has its own spectrum, the company may offer free roaming facility to its customers. This would hugely benefit subscribers who travel more frequently outside the state and the country.
- Better infrastructure:** The merged company will be in a position to possess better infrastructure. This enables the company to operate more efficiently, that further increases customer base for the company.
- Reduction in operating cost:** Cost of operation of the merged company will considerably come down because of the removal of duplicate operations.
- Diversified services:** After merger, the company would be in a position to diversify its services into different geographical areas. The company would be in a better position to offer innovative services to its customers.
- Easy monitoring:** Regulatory authorities would also find it easy to monitor these companies as there will be very few operators.

IV. GENERAL TRENDS IN MERGERS AND ACQUISITIONS IN INDIA

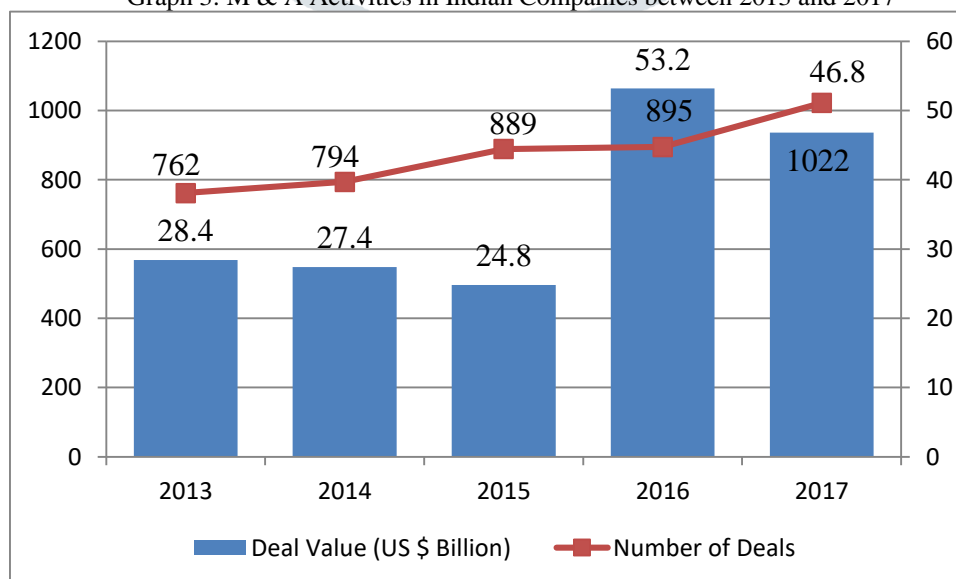
Over the past five years, there has been tremendous increase in mergers and acquisition activities in our country. The following table shows the number and volume of M and A activities during 2013 to 2017

Table 3: Number of M & A Activities in Indian Companies

Year	Deal Value (US \$ Billion)	Number of Deals
2013	28.4	762
2014	27.4	794
2015	24.8	889
2016	53.2	895
2017	46.8	1022

Source: EY analysis of Thomson ONE Data

Graph 3: M & A Activities in Indian Companies between 2013 and 2017



From Table 3 it is observed that the number of M & A activities has shown declining trend between 2013 and 2015. There was an enormous increase in number and volume of deals during 2016. However, the number and volume of M & A activities came down in the year 2017

V. RESULTS AND DISCUSSION

Trends in Mergers and Acquisitions in Indian Telecom Industry

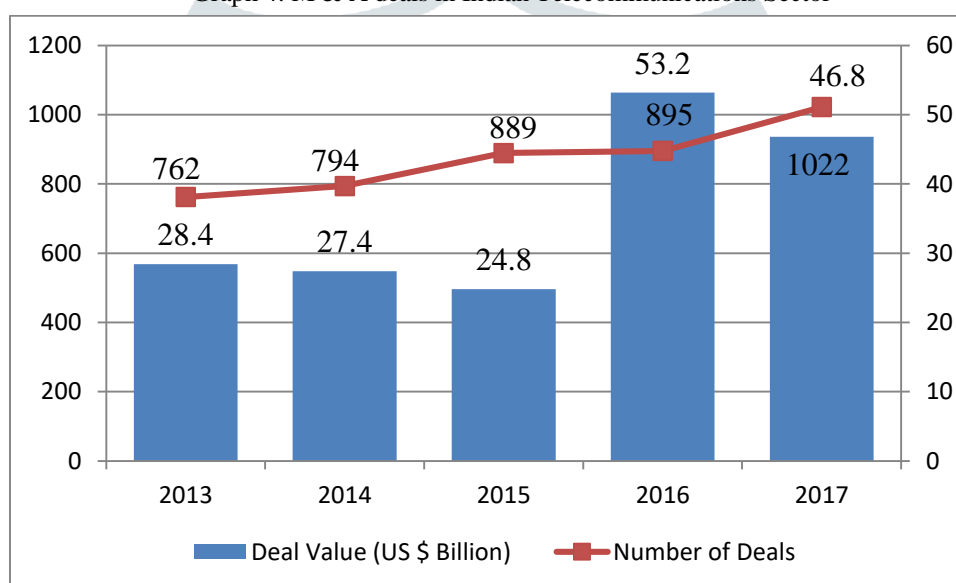
Though the concept of M and A is in existence since 1988, the mergers and acquisition wave become popular since 2015. The following tables shows the number of deals and the deal size of M & A in Indian Telecom Industry

Table 4: M & A deals in Indian Telecommunications Sector

Year	Deal Value (US \$ Million)	Number of Deals
2015	2978	14
2016	2750	19
2017	14693	19

Source: EY analysis of Thomson ONE Data

Graph 4: M & A deals in Indian Telecommunications Sector



From the data it is observed that the mergers and acquisition activities was not considerable during 2015 and 2016. During 2017, though the number of mergers and acquisition activities were only 19, in terms of volume it showed enormous upward trend.

VI. FINDINGS

Following are the findings of the study

1. More number of M & A deals took place during 2017. Though the deal value was less compared to the previous year, there were more than 1000 deals in that year
2. Number of telecom subscribers increased constantly from 2008 to 2017.
3. It is observed that the private operators have better market share compared to public service providers
4. Though the merger wave is a known phenomenon in India, 2017 showed remarkable trend in M & A activities in Indian telecom sector

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