

A Comparative Analysis of Financial Performance Of Vodafone-Idea Ltd And Bharti Airtel Ltd

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ABSTRACT:

Finance is the life blood for everyone. Every economic activity needs finance. Every company prepares finance statement for decision-making. Decision for smooth work, effective utilization of every resource and accomplish objective. Every company will interest in their financial situation. For this all we try this analysis and give a recommendation to the company's managers as well as to investors also. For this study we used various kinds of ratios for analysis. This paper titled "A COMPARATIVE ANALYSIS OF FINANCIAL PERFORMANCE OF VODAFONE-IDEA LTD AND BHARTI AIRTEL" tried to find Indian leading telecommunication company's financial situation in last three years.

Keywords: Finance, Financial Performance, Analysis.

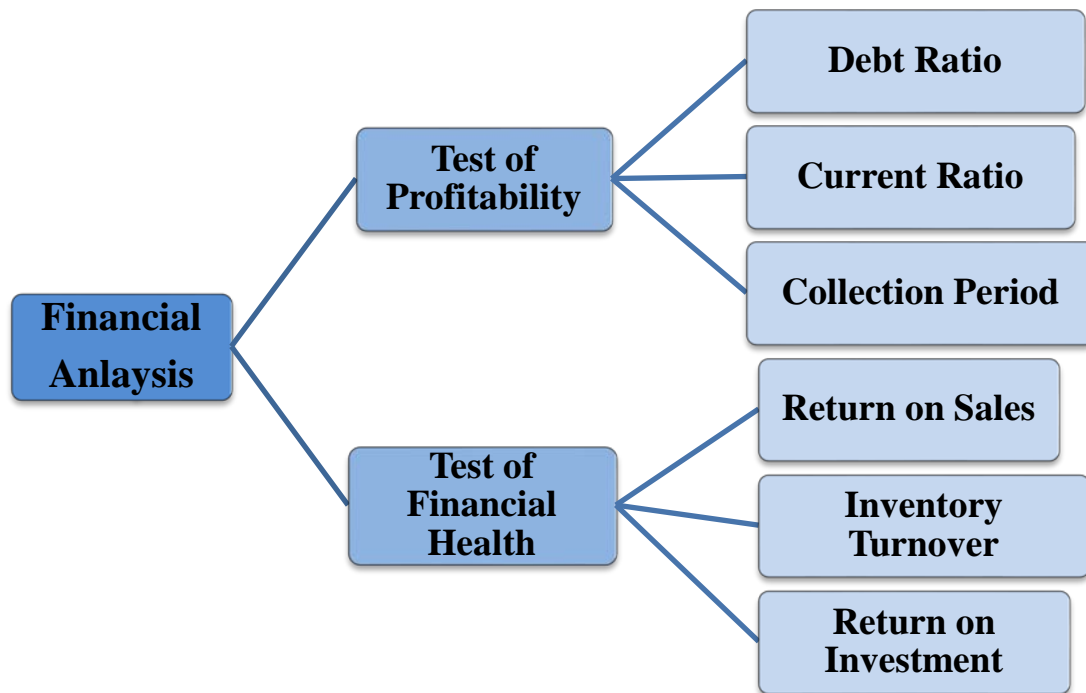
1. INTRODUCTION

Success depends on financial situation of the company. Every company prepares their balance sheet and profit and loss accounts. This statement gave a detailed view about expenditure and income about last financial year. In balance sheet we can show assets balance, liabilities on the last date of last accounting period. For making this statements management used various tools and this is called financial statement. This statement is basically collection of the data.

These studies also useful for investors who think about invest in this both company. This paper gave a basic idea and direction about this both India's best telecommunication companies.

- What is Financial Analysis?

Financial analysis is the process of evaluate businesses, projects, budgets, and other finance-related transactions to find out their performance and appropriateness. Usually, financial analysis is used to analyze whether an entity is steady, solvent, liquid, or profitable enough to warrant a monetary investment. Financial analysts Mostly examine a company's financial statements like the income statement, balance sheet, and cash flow statement.



(Source:-www.fourweekmba.com)

❖ **Types of Financial Analysis:-**

- Horizontal Analysis
- Vertical Analysis
- Tend Analysis
- Liquidity Analysis
- Solvency Analysis
- Profitability Analysis
- Scenario & Sensitivity Analysis
- Variance Analysis
- Valuation Analysis
- FP & A Analysis

2. COMPANY PROFILE

For this comparative study we a have selected total two leading telecommunication companies.

1. Vodafone-Idea Limited
2. Bharti Airtel Limietd

1. VODAFONE-IDEA LIMITED



- **Founded** 31 August 2018

-	Type	Public
-	Traded as	BSE: 532822, NSE: IDEA
-	Headquarters	Mumbai
-	Key people	Kumar Mangalam Birla (Chairman), Ravinder Takkar (CEO)
-	Revenue	378,236 million (US\$5.3 billion) (2019)
-	Number of employees	13,520 (2019)
-	Website	www.vodafoneidea.com

2. **BHARTI AIRTEL**



-	Founded	7 July 1995
-	Type	Public
-	Traded as	BSE: 532454 NSE: BHARTIARTL
-	Headquarters	Bharti Crescent, 1, Nelson Mandela Road, New Delhi
-	Key people	Sunil Bharti Mittal (Chairman), Gopal Vittal(MD, CEO)
-	Revenue	875,390 million (US\$12 billion) (2020)
-	Number of employees	19,405 (2020)
-	Website	www.airtel.com

3. **RESEARCH METHODOLOGY**

3.1 ***TIME PERIOD***

- i.e. 2016-17 to 2018-19

3.2 ***OBJECTIVES OF THE STUDY***

- Following are the basic objective of this study
 1. To understand the policies of Vodafone- Idea Ltd and Bharti Airtel Ltd.
 2. To know the financial position of the Vodafone- Idea Ltd and Bharti Airtel Ltd.
 3. To know the financial strength of Vodafone- Idea Ltd and Bharti Airtel Ltd.
 4. To the financial weakness of Vodafone- Idea Ltd and Bharti Airtel Ltd.

3.3 ***SOURCES OF DATA COLLECTION***

For this paper we have use secondary data in type. We mostly collected data from selected companies' balance sheet and profit and loss account. We use official website of selected companies. We also use other website like moneycontrol.com, investopedie.com, NSE-BSE official website etc.

3.4 ***ANALYSIS TOOLS***

For this study we used various types of ratios for analysis like

- Net Profit Margin
- Current Ratio
- Debt Ratio
- Return on Assets
- Return on Net worth/Equity

3.5 LIMITATION OF STUDY

- Limited period type of study
- Could not enough for predict future
- This study only useful for short term decision
- Only 5 ratios used for the data analysis

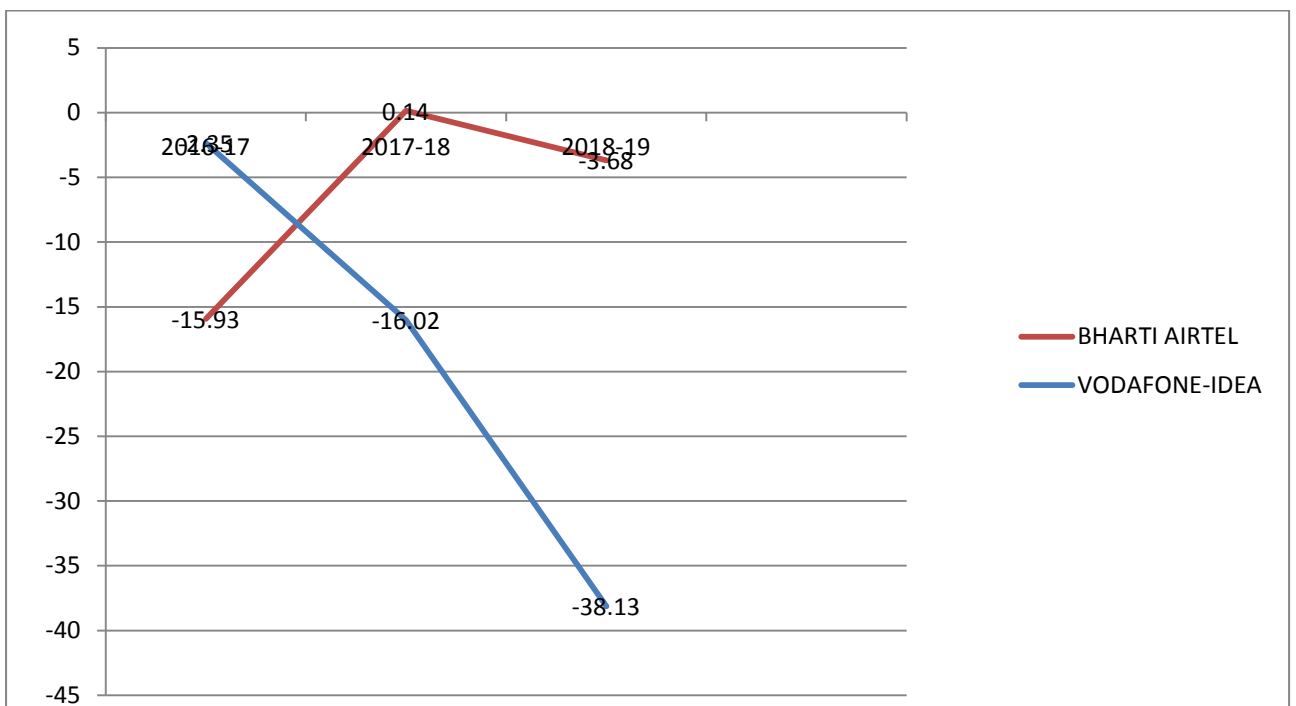
4. DATA ANALYSIS

1. Net Profit Margin:

$$\text{Net Profit Margin} = \frac{\text{Gross Profit}}{\text{Net Sales}}$$

YEAR	VODAFON-IDEA LTD	BHARTI AIRTEL LTD
2016-17	-2.35	-15.93
2017-18	-16.02	0.14
2018-19	-38.13	-3.68

(Source:-www.moneycontrol.com)



INTERPRETATION

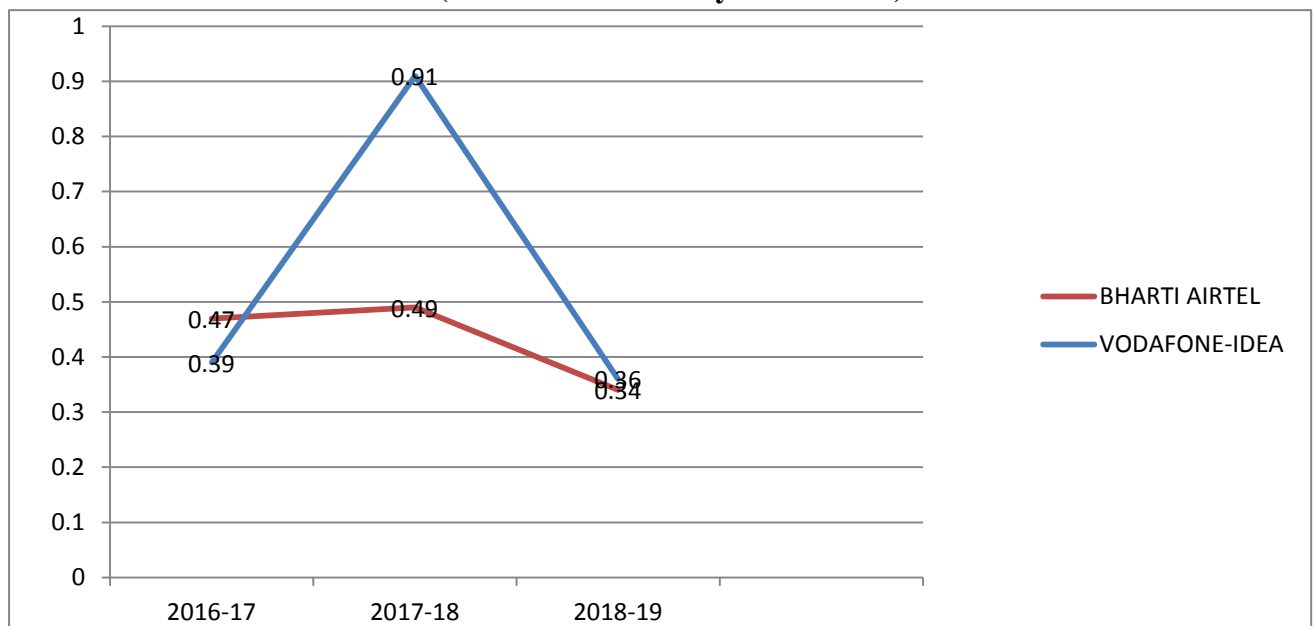
After calculating net profit margin ratio clearly show that both companies need to improve their performance. If we compare both of them Vodafone-Idea Ltd need to better perform compare to Bharti airtel Ltd.

2. Current Ratio:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

YEAR	VODAFON-IDEA LTD	BHARTI AIRTEL LTD
2016-17	0.39	0.47
2017-18	0.91	0.49
2018-19	0.36	0.34

(Source:-www.moneycontrol.com)



INTERPRETATION

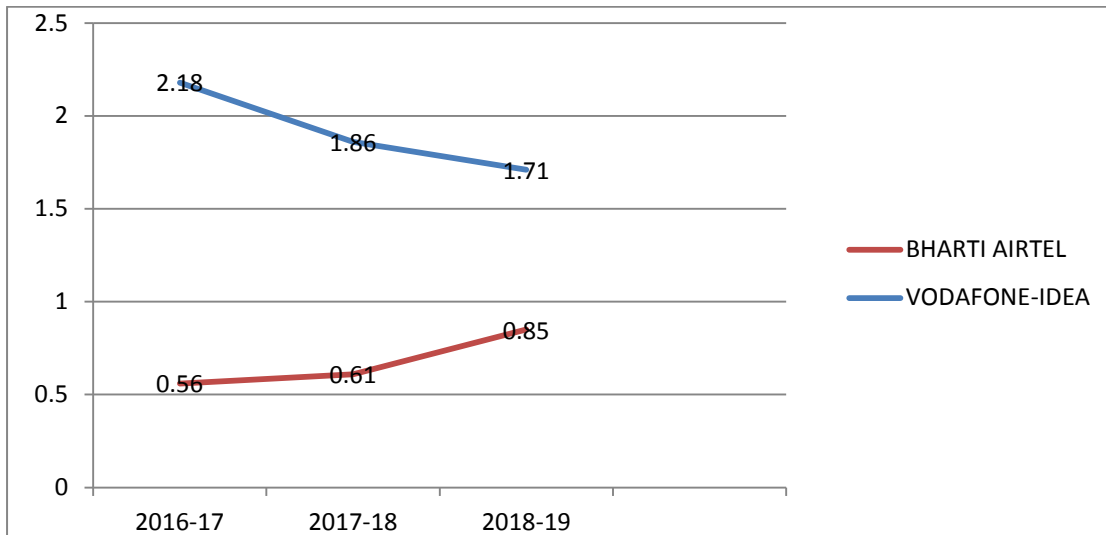
In current ratio we can see that in 2016-17 Vodafone-Idea Ltd current ratio is 0.37 and Airtel ratio is 0.47 that way airtel perform better than Vodafone-Idea Ltd but in next year 2017-18 Vodafone-Idea perform their best (0.91) in compare to Airtel(0.49). In 2018-19 again Vodafone-Idea Decline their performance (0.36) but perform well in compare to Airtel(0.34) performance.

3. Debt Ratio:-

$$\text{Debt Ratio} = \frac{\text{Debt}}{\text{Total Assets}}$$

YEAR	VODAFON-IDEA LTD	BHARTI AIRTEL LTD
2016-17	2.18	0.56
2017-18	1.86	0.61
2018-19	1.71	0.85

(Source:-www.moneycontrol.com)



INTERPRETATION

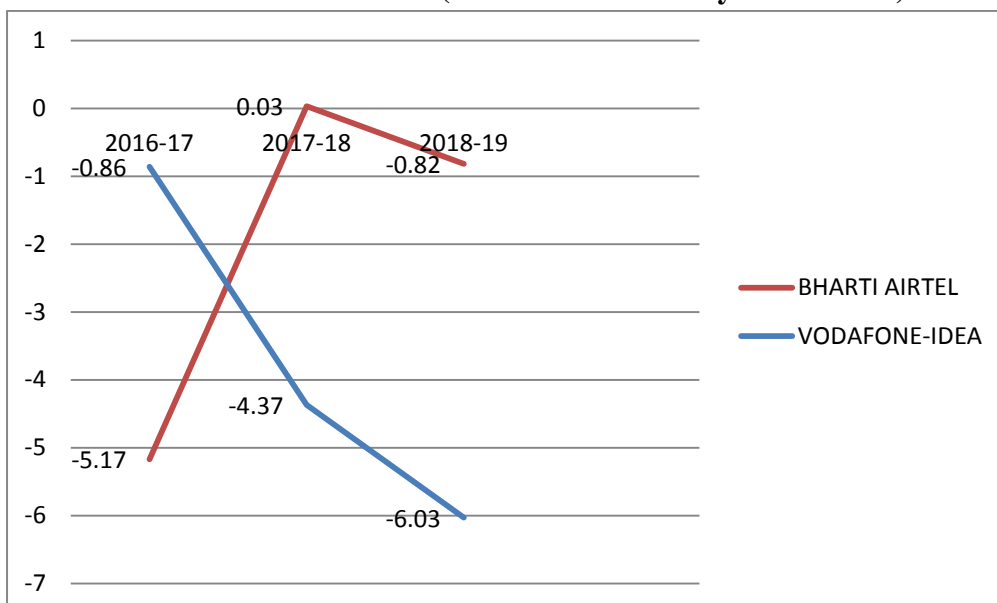
Above table and chart give a Debt Ratio of Vodafone-Idea Ltd Na Bharti Airtel in the years 2016-17 to 2018-19. As we see that in 2016-17 Vodafone-Idea's Debt ratio is 2.18 and Airtel's is 0.56, 2017-18 Vodafone-Idea's Debt ratio is 1.86 and Airtel's is 0.61 and in 2018-19 Vodafone-Idea's Debt ratio is 1.71 and Airtel's is 0.85. Both companies will need to improve their debt ratio in next few years for competitive advantage.

4. Return on Assets:

$$\text{Return on Assets} = \frac{\text{Net Income}}{\text{Total Assets}}$$

YEAR	VODAFON-IDEA LTD	BHARTI AIRTEL LTD
2016-17	-0.86	-5.17
2017-18	-4.37	0.03
2018-19	-6.03	-0.82

(Source:-www.moneycontrol.com)



INTERPRETATION

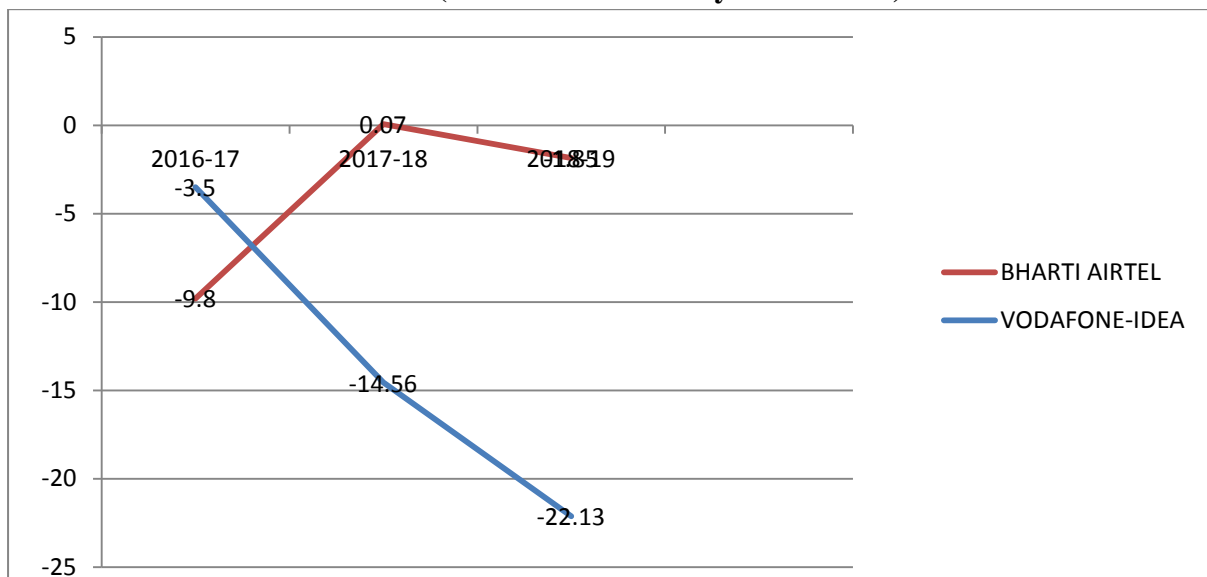
Above table and chart indicate that from 2016-17 to 2018-19 Vodafone-Idea Ltd perform e very poor in ROA. Airtel also need to improve their performance in ROA. But compare to Vodafone-Idea, airtel perform well in ROA. In 2016-17 Vodafone-Idea’s ROA is -0.86 on the other hand Airtel’s ROA is -5.17, in 2017-18 Airtel’s ROA is 0.03 and Vodafone-Idea’s ROA is -4.37 and in 2018-19 Vodafone-Idea’s ROA is -6.03 and Airtel’s ROA is -0.82.

5. Return on Networth/Equity:

$$\text{Return on Networth/Equity} = \frac{\text{Net Income}}{\text{Average Shareholders' Equity}}$$

YEAR	VODAFON-IDEA LTD	BHARTI AIRTEL LTD
2016-17	-3.50	-9.80
2017-18	-14.56	0.07
2018-19	-22.13	-1.85

(Source:-www.moneycontrol.com)



INTERPRETATION

Above Table find the Return on Network or Return on Equity of Vodafone-Idea Ltd and Airtel to the year of 2016-17 to 208-19. As we see that in 2016-17 both companies ROE is -3.50 and -9.80, 2017-18 ROE is -14.56 and 0.07 and in 2018-19 ROE is -22.13 and -1.85. Overall performance of both companies is not good for investor. Both companies need to improve their performance to attract more investor’s in near future.

5. CONCLUSION

Better finance position is one of the biggest advantages of every company. For that companies’ management needs to make effective strategy to maximum utilization of resources and manpower. Every investors before invest in any company analyze the company’s financial position. We tried

our best to make analysis to India's lading two big telecommunication companies. Vodafone-Idea Ltd and Airtel Bharti Ltd is one of the biggest competitors in Indian market. In this both companies huge numbers of investors invest their money. We try to give them clear picture to which company better perform in last three years (2016-17 to 2018-19). In this study we find that both companies need to improve their performance in near future. However, we also find that in this three years Bharti Airtel perform Ltd. well in compare to Vodafone-Idea Ltd. But this performance of Airtel is not enough for this competitive market and for attract more investors. After this study we conclude that both companies need to make effective strategy and utilize their resources in effective manner.

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