Major Report Project on

Impact of Merger and Acquisition on Financial Performance: A study of Vodafone - Idea Merger

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CERTIFICATE

This is to certify that Miss Priyanka Bhalla (2024/DMBA/172) has submitted the major research project titled “Impact of Merger and Acquisition on Financial Performance: A study of Vodafone - Idea Merger” under the guidance of Dr. Chandan Sharma as a part of Master of Business Administration (MBA) curriculum Delhi School of Management, New Delhi during the academic year 2025-26.

Dr. Chandan Sharma
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DECLARATION

I, **Priyanka Bhalla**, student of **MBA (2024–2026 batch)** of Delhi School of Management, Delhi Technological University, hereby declare that the Major Research Project on **"Impact of Merger and Acquisition on Financial Performance: A Study of Vodafone-Idea Merger"** is an original work submitted by me as partial fulfilment of the requirement for the award of the degree of Master of Business Administration and has been carried out by me under the guidance of **Dr. Chandan Sharma.**

The research findings presented herein are based upon my own effort and analysis. All the information and data used in this report are true and authentic to the best of my knowledge and belief.

This work has not been submitted to any other University or Institution for the award of any degree, diploma, or certificate.

(Priyanka Bhalla)

Roll No: **24/DMBA/172**
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ACKNOWLEDGEMENT

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I would like to thank everyone including my professors, peers and friends who have helped me directly or indirectly in completion of my research work.

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With sincere appreciation,

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Executive Summary

This study examines the impact of the Vodafone-Idea merger on the financial performance the companies before and after the merger. The study focuses on selected profitability, liquidity, and leverage ratios to assess changes in financial performance following consolidation.

The study uses secondary financial data obtained from sources including Moneycontrol, Capitaline, Screener, annual reports, and company filings. Financial ratios were calculated the selected pre-merger and post-merger periods and compared to identify changes in profitability, liquidity, and financial risk.

The analysis includes gross profit margin, operating profit margin, net profit margin, return on equity, current ratio, quick ratio, debt-to-equity ratio, and interest coverage ratio. Graphical analysis is used to examine trends, while a paired-sample t-test is applied determine whether the observed changes in financial performance are statistically significant.

The findings indicate that merger was followed by changes across several financial indicators. However, the statistical results do not establish a significant overall difference in financial performance at the 5% significance level. The study therefore provides an assessment of the financial outcomes of the Vodafone-Idea merger based the ratios and period covered.

Table of Contents

1. INTRODUCTION……..…..…..….1

1.1 Background…….…..……..5
1.2 Problem Statement……12
1.3 Objective of the study ……..…..……...12
1.4 Scope of the Study……13

2. LITERATURE REVIEW……..…….14

3. RESEARCH METHODOLOGY……..…….16

4. ANALYSIS, DISCUSSION AND RECOMMENDATION……..…….19

4.1 Data collection……..…….19
4.2 Data analysis……..……27
4.3 Finding and Recommendations……..…..……...31
4.4 Limitations……..……..…….39

5. CONCLUSION……..……40

6. REFERENCE……..….41

7. BIBLIOGRAPHY……...44

1.INTRODUCTION

The environment of current businesses is undergoing significant changes driven by increased competition, globalization, and rapid technological advancements. In response to these shifts—and challenges such as declining capital value and growing shareholder expectations companies must adapt by rethinking how they manage aging business models, ownership structures, and operational strategies. One effective approach to address these issues is corporate restructuring.

- Reduces competitive pressure
- Leverages scale to drive costs down
- Boosts overall profitability
- Maximizes resource use and sharpens management practices
- Generates more revenue with minimal additional capital
- Opens doors to new international markets
- Signals proactive, opportunity-seeking strategy
- Builds up the company's economic clout

In the last few years, there has been increased significance of mergers and acquisitions owing to fast digitalization, availability of 5G technology, data usage, and increasing competition in all industries, particularly the telecommunication sector in India.

Wherein two or more firms merge together through the legal entity of one already existing company, it is termed an absorption merger. While on the other hand, if one business acquires another (usually having a controlling stake), it is called an acquisition. Consolidation can be of three types – Horizontal, Vertical and Conglomerate merger. Horizontal integration takes place when firms from the same industry combine. However, the case of vertical merger, we have two kinds firms merging together.

But where there is a related line of business, it is called conglomerate merger.

Motive behind M&A are following by Patrick A. Gaughan: Author of "*Mergers, Acquisitions, and Corporate Restructurings*," –

1) When firms need to develop faster than through internal development allows, the options for them are either increasing their market penetration or entering new markets altogether. When developing new competencies requires considerable time and investment on part of the firm, it is often better for it to pursue M&A and take advantage of the existing infrastructure or technologies of another organization. By buying a business that already operates in the targeted product or geography segments, a company can accelerate its growth and generate shareholder value much faster.

2) The increased profit margin results from complementation of strengths, efficiency optimization, and cost advantages associated with larger scale.

3) The expansion strategy which involves mergers with companies operating in unrelated industries is employed when firms seek to diversify their risks. Such type of M&A deals is called conglomerate merger.

4) By merging with a profitable company, a firm experiencing losses can utilize its carried-forward losses against the profits of the entire company.

5) Greater market control - the resulting company increases its control over the market by reducing the number of its competitors, which gives it more bargaining power.

6) Synergistic financial gains – combining forces unlocks cost efficiencies and revenue boosts, delivering advantages such as:
    a. In case if the company is difficult grow inside, they combine or purchase other companies.
    b. Deploying surplus cash - If the company can use excessive funds and lack internal opportunities for growth, it is impossible the company to grow outside the merger and acquisition.

c. Depth capacity – The company receives stability of cash flows, which can give greater debt and reduced the risk of bankruptcy.
d. Reduce finance costs.

Mergers and Acquisitions Planning

As a result mergers and acquisitions, companies often achieve greater financial stability, which enhances their creditworthiness and allows them to secure funding at lower interest rates. For an M&A strategy to succeed, accurate valuation is essential. Equally important are steps such as strategic planning, identifying and evaluating potential target companies, conducting thorough financial assessments, and effectively integrating the acquired business-

1) **Planning -** The first phase of merger and acquisitions is planning. The planning phase comprises of conducting an analysis of the trends of the industry as well as identifying the target companies. In this phase, the acquirer undertakes extensive data collection on the target firm regarding issues like market share, capital structure, profitability, operations and corporate culture. The phases of the planning process are -

a. **Strategy -** In this case, the acquirer should identify its strategic objectives, for example, diversification or market expansion among others and assess the strengths and weaknesses of the firm to determine if the acquisition makes sense.

b. **Approaches -** The second thing that the firm needs to consider is the approach it will use to effect the acquisition, for instance, friendly approach or strategic alliance among others.

2) **Verification -** The aims of acquiring a firm include attaining market power, attaining leadership in the industry, increasing profit, achieving economies of scale, growing fast and managing efficiently. The acquirer begins the process of target identification. After the identification of the prospective targets, the next thing to do is shortlisting them.

1) **Financial Evaluation** - The third stage in the M&A process is financial evaluation. This stage involves a thorough assessment of the target company using the data and

information gathered in earlier phases. It also essential to assess its market position, organizational culture, employee capabilities, technological strengths, and important competencies. In recent years, telecom companies have also focused on evaluating digital infrastructure capabilities, spectrum assets, and network expansion opportunities during acquisition decisions. This evaluation ensures that the acquisition aligns with strategic objectives and minimizes future risks.

2) **Integrated** - Five rules specified by Peter Drucker (1981) for the integrated process are:
    - The acquiring and acquired companies should share common goals—such as technology, markets, or capabilities—so they can leverage synergies.
    - Technical assessment should be done to ensure the target company technologies can be used effectively by acquiring firm.
    - The acquiring company must respect the target company's products and customer base to maintain brand integrity and customer loyalty.
    - The acquiring company should give clear direction, processes, and leadership to help acquired company complete the process smoothly.
    - Consistent internal communication—such as guidelines, reports, and shared progress is important throughout the integration process to ensure alignment and transparency.

1.1 Background

Table 1.1 presents the trend of merger and acquisition activity in India 1996 to 2026. The Indian M&A market has experienced significant fluctuations over the years due to economic reforms, globalization, technological advancement, and changing business strategies. For instance, 2022 experienced the highest deal value of USD 135.30 billion through 1,491 deals, signifying high restructuring and investments. Although the number of deals decreased in 2023 due to economic uncertainties in the world, recovery

began in 2024 and 2025. The expected trend in 2026 shows continued growth both the number of deals and the total valuetransactions due to the adoption of digital transformation, foreign investments, and collaboration.

Artificial intelligence, cloud technologies, and digital communication have facilitated the rise in M&A activity in the telecom and tech industry.

Table 1.1: M&A Deals in India Since 1996

Mergers & Acquisitions India

Category	Numbers	Value (Billion USD)
1996	115	1.60
1997	127	1.59
1998	156	1.49
1999	395	4.48
2000	892	11.67
2001	709	5.04
2002	582	7.95
2003	706	6.32
2004	763	7.74
2005	1,254	36.24
2006	1,449	34.33
2007	1,510	56.40
2008	1,402	48.63
2009	1,294	41.10
2010	1,330	59.52
2011	1,046	35.38
2012	1,072	36.55
2013	959	31.80
2014	1,087	31.47
2015	1,257	51.30
2016	1,316	52.02
2017	1,547	68.36
2018	1,494	64.30
2019	1,147	46.20
2020	939	40.70
2021	1,391	69.70
2022	1,491	135.30
2023	1,217	27.33
2024	1,370	28.44
2025	1,896	56.42
2026* (Projected)	2,020	60.50

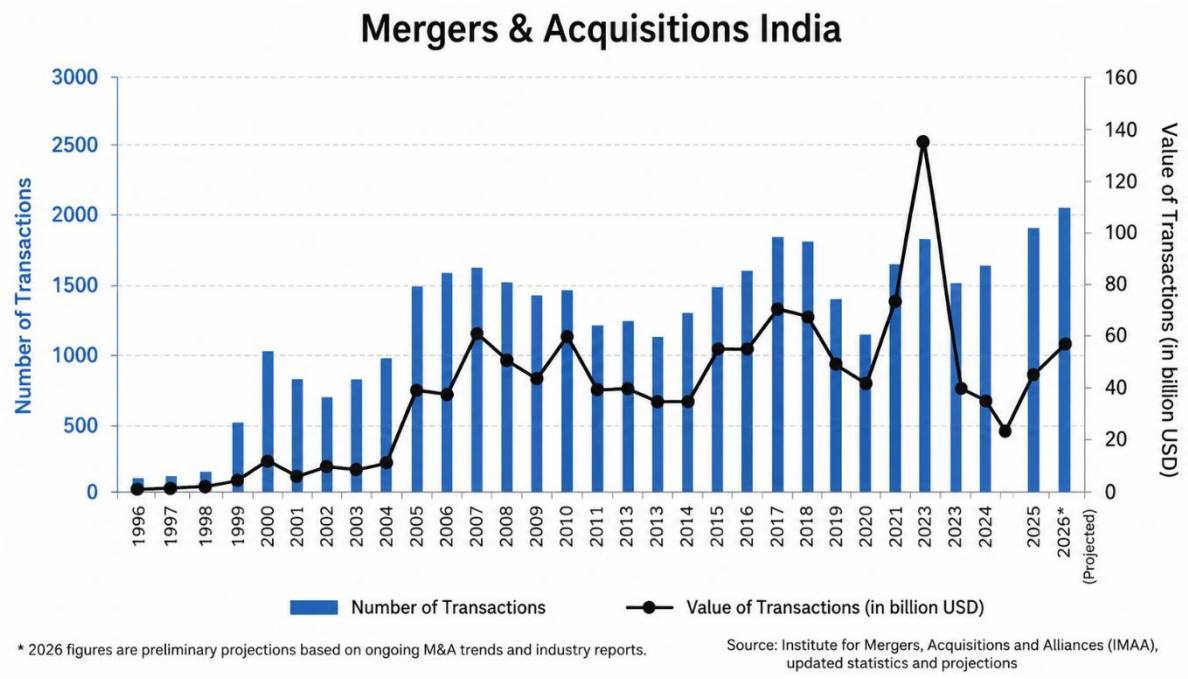
*2026 figures are based on industry estimates and ongoing market trends.

(Source: https://imaa-institute.org)

The data indicates that merger and acquisition activity India has expanded considerably over the last three decades. A substantial increase in both the number and value of

transactions can be observed after 2005, mainly due to liberalization policies, increasing foreign direct investment, and rapid industrial growth. The sudden increase in the value of transactions in 2022 indicates a high degree of confidence among investors and the restructuring of corporations on a large scale. Though there was a decrease in the values of transactions in 2023, there are some positive figures for 2024, 2025, and even projections for 2026. It is clear that the Indian corporate world still considers mergers and acquisitions significant.

Figure 1.1: Mergers and Acquisitions within India since -1996



(Source: https://imaa-institute.org)

The graph depicts the fact that India's market of mergers and acquisitions has grown tremendously in the past three decades. Growth in terms both number of deals and their value post-2005 is an indication of increased investor confidence, corporate consolidation, and better economic times. The peak that is witnessed in 2022 is due to major strategic deals and restructuring taking place in industries like telecom, technology, infrastructure, and banking. Though the market experienced a decline during 2023 and 2024 due to global

economic pressures and inflationary concerns, the recovery visible in 2025 and projected growth for 2026 suggest that merger acquisition activity in India continues to remain an important strategy for business expansion, competitive advantage, and long-term sustainability.

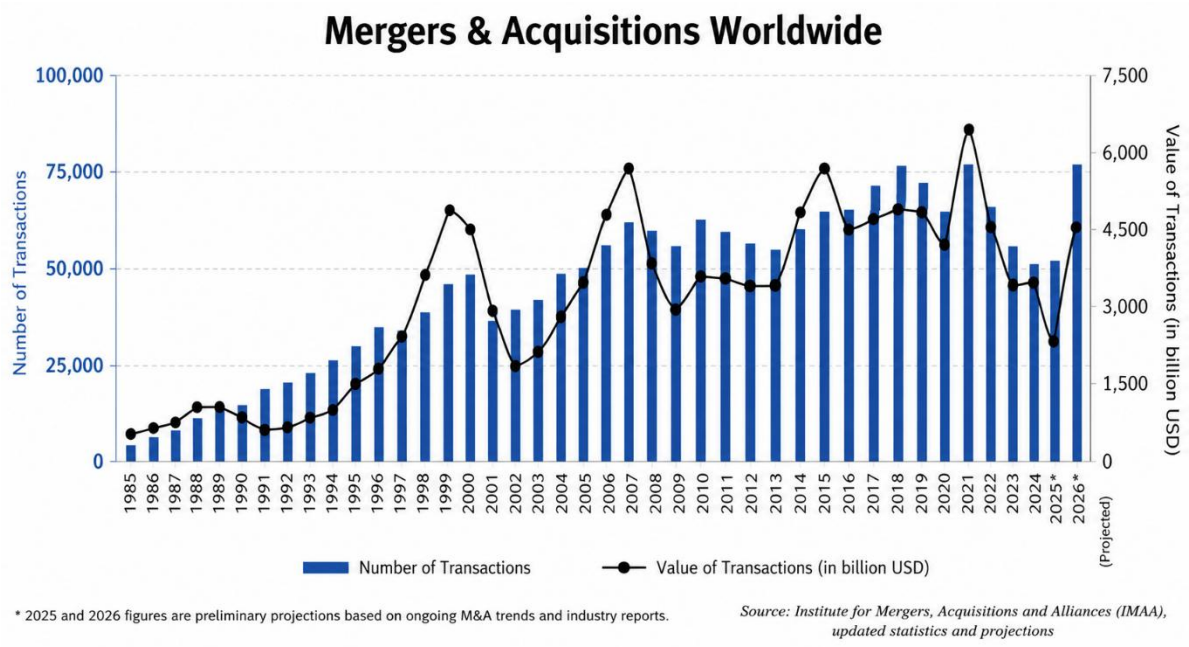
Mergers & Acquisitions in telecommunication industries

The telecommunications industry in India is one of the most competitive in the world, having the second highest number of subscribers with 1.18 billion customers as of January 31, 2022. Additionally, it has the second highest data volume of internet traffic of 750 million. This industry is one of the important pillars of the economic and technological development of India. This network serves as the foundation of India's Digital India project, filling the connectivity gap in the rural areas. This industry can be classified into three broad segments namely wireless services, fixed-line telephony, and internet access. Annual growth rate is estimated at 10.3%. The major wireless companies include Airtel, Vodafone, Reliance Jio, Idea, Aircel, and BSNL. Competition has been tough that many players had a hard time coping with the low-cost, high-volume business model of Jio.

The Indian telecom industry witnessed further technological development up to 2026 with the launch of 5G, increased data usage, and stiff competition in the market. The Vodafone Idea company also engaged in activities such as fund-raising and expanding their networks.

For the year 2021, mergers and acquisitions globally reached a record of 58,308 deals having a total value of $5,235 billion. In contrast, in 2019, there were 712 deals worth $77 billion, which fell to 611 deals (having a total value of $218 billion) in 2020 – a decrease in deal count mainly attributed to the effect of the coronavirus outbreak on the economy. Merger and acquisition activities in the telecommunications sector have faced significant changes over the years due to technological advancements, reforms, and digitalization. Mergers and collaborations have been the main objective of telecom firms worldwide with the purpose of growing their market share and efficiency.

Figure 1.2: World-wide M&A deals - Telecommunication industries



Source: https://imaa-institute.org

The chart presents the global pattern of mergers and acquisitions in the period 1985-2026 (projected). There have been quite a few changes throughout the years in the number and total value of mergers and acquisitions, as they were affected by global economic climate changes, technological advancement, regulation changes, as well as the restructuring of companies. One of the reasons why there been such increase in the number of transactions after the end of the 1990s is globalization and cross-border investments. The years 2000, 2007, 2015, and 2021 saw a high level of economic growth and investor confidence. Even though mergers and acquisitions temporarily slowed down during financial crises and economic uncertainty, the projections for 2025 and 2026 show their importance for further expansion and digital transformation.

Table 1.2: World-wide M&A deals - Telecommunication industries

Mergers & Acquisitions in Telecommunication Sector

Category	Numbers	Value (Billion USD)
1985	2,676.00	347.00
1986	4,228.00	435.00
1987	5,279.00	506.00
1988	7,440.00	777.00
1989	10,135.00	758.00
1990	10,814.00	540.00
1991	14,722.00	397.00
1992	14,102.00	400.00
1993	14,772.00	516.00
1994	16,816.00	624.00
1995	20,278.00	1,039.00
1996	24,310.00	1,217.00
1997	26,227.00	1,824.00
1998	30,218.00	2,678.00
1999	33,132.00	4,116.00
2000	39,783.00	3,623.00
2001	31,047.00	1,866.00
2002	27,201.00	1,242.00
2003	29,573.00	1,411.00
2004	32,953.00	2,145.00
2005	36,025.00	2,794.00
2006	41,407.00	4,023.00
2007	47,455.00	4,920.00
2008	45,173.00	3,075.00
2009	40,710.00	2,187.00
2010	44,844.00	2,750.00
2011	43,976.00	2,668.00
2012	41,480.00	2,533.00
2013	39,568.00	2,536.00
2014	43,847.00	3,960.00
2015	48,052.00	4,779.00
2016	49,991.00	3,646.00
2017	53,302.00	3,777.00
2018	56,382.00	3,939.27
2019	53,594.00	3,893.91
2020	47,307.00	3,268.49
2021	58,308.00	5,235.65
2022	50,763.00	3,383.79
2023	39,603.00	2,495.06
2024	36,067.00	2,626.89
2025 (Mar 31)	9,367.00	911.63
2025	37,468.00	3,646.51
2026	41,250.00	3,980.75

*2026 figures are based on industry estimates and ongoing M&A trends.

(Source: https://imaa-institute.org)

1.2 Problem Statement

Established firms may find it difficult to retain their market position when faced with challenges from new entrants. In order to survive and compete effectively in the market environment, firms may decide to merge or acquire other firms. Not only do such actions increase competitive advantage for firms, but they also offer cost benefits, efficiency gains, and opportunities to obtain technologies and resources that help them increase revenues without making large capital investments. This, in turn, facilitates market penetration into foreign countries and increases economic power.

This research focuses on the performance of Vodafone-Idea after merging, with the merger being an example of reorganization due to privatization, deregulation, and increased competition the Indian telecom industry. As an M&A decision may influence the financial situation and capital structure of the firm in question, the effect should be analyzed carefully.

1.3 Objective of the Study

The key aim of this research is to measure the effects of the merger between Vodafone and Idea on their financial performances. The specific objectives of this study include:

1. To examine Vodafone's financial performance before the merger.
2. To examine the financial performance of Idea Cellular before the merger.
3. To examine the financial performance of Vodafone Idea Ltd. after the merger.
4. To compare the profitability, liquidity and leverage ratios of the two companies before and after the merger.
5. To establish if the difference between financial performances of the tw companies is statistically significant through a paired-sample t-test. Evaluating Idea's financial performance before consolidation

1.4 Scope of the Study

The present study will examine the impact of Vodafone Idea merger on the financial performance of the merging companies. The analysis of profitability, liquidity, and leverage ratios for the firms is presented with the help of the financial information available from the time prior to the merger to after the merger. The study will include the financial information available till March 2026.

2. LITERATURE REVIEW

This literature review covers the relevant literature related to M&A with special reference to the telecom industry:

In the last 20 years, the literature related to merger and its impact on the financial well-being and market environment in telecom has been investigated. Bedi (2012) conducted an analysis of five telecom companies in India that underwent mergers during 2000-2010 by analyzing profitability, liquidity, and solvency ratios along with paired sample testing. This study reported improvement in liquidity position while no change in the payment ability ratio was observed.

Soni (2021) studied the post-merger integration of Idea and Vodafone, discussing the strategic reasons that led to the merger as well as its significance to the Indian telecommunications sector. Among the factors discussed in the paper include network consolidation and cost savings. The relevance of this study is that it forms the basis of discussion regarding the background information concerning the merger, whereas this current study will evaluate the consequences of the merger from the perspectives of financial performance ratios. Panigrahi & Joshi (2019) have done another study analyzing the integrated company's performance and its market position. Studies in the telecom sector have increasingly been done recently concerning the impact of digital revolution, development of 5G networks, and stiff competition in the sector.

Wilcox et al. (2009) analyzed 40 telecom mergers and acquisitions transactions for 89 partner firms, hypothesizing about diversification effects, deal valuations, and firm size impacts. They found related acquisitions to be profitable from a market value perspective, as well as concluded that there could be benefits of large and small firm combinations.

Valuation methods are extensively covered in the literature. Comparison studies (see, e.g., Aydin 2015) compare discounted cash flow method with market-based and income valuation methods, showing that DCF gives more accurate synergies evaluations. Best appraisal practices require proper asset evaluation and understanding of the business processes.

There are issues inherent to cross-sector and cross-border mergers and acquisitions as well: The impact of post-merger performance in India’s oil & gas sector was assessed

by Jay & Ramesh (2010), whereas Ashu et al. (2011) found that Indian companies entering cross-border acquisitions face increased leverage and liquidity issues because of lack of familiarity with the culture and market.

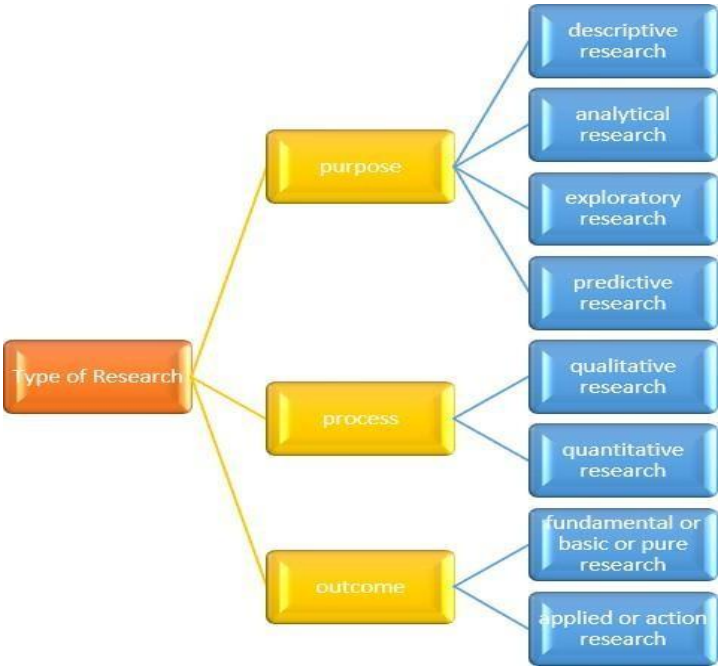
Lastly, Anuradha & Manisha (2017) used two-way ANOVA to contrast M&A in the telecom industry with M&A in the services sector, proving that industry-specific differences greatly affect changes in profitability and liquidity. This literature helps us assess the Vodafone-Idea merger case study from a variety of perspectives.

3. RESEARCH METHODOLOGY

This research will use an analytical quantitative case approach. The main aim the research is the assessment of the effect that the merger between Vodafone and Idea will have on their financial performance. The research methodology should be built upon the problem. Problem plays an extremely vital role in any research. The research should be systematically solved either scientifically or indirectly and directly through certain practical problems. As it can be seen, future opportunities of research should be effective. They are all characteristics of research. This research should be clearly and accurately determined the reasons for the selected decision and election, while other research should be evaluated.

This research is quantitative as it makes use of numerical data drawn from financial statements and ratio analysis. This research is also analytical, as it analyzes the financial trends and performance indicators. Moreover, it utilizes case study approach, where Vodafone – Idea merger serves as an example of a merger in the telecommunication industry. Such research does not control variables and makes use of frequency, mean, and statistics. Analytical studies were analyzed based on supplementary data. Analysis, being one of the types of studies, is used on the basis of easily accessible information.

Figure 3.1: Different types of Research



(Source: Marketing Research: An Applied Orientation, 6th Edition (2009))

In this research, both the qualitative and quantitative research methods are used. While the qualitative method helps understand the underlying motivations and behavior of the participants in the research, quantitative method helps collect numerical information from large samples to test the hypotheses.

Analytical research, on the other hand, attempts to find out the reasons for certain occurrences, whereas fundamental (or basic) research focuses on developing new or testing theories.

The following is the process of research:

1. Literature review: In this research, the literature from the field of merger and acquisition in telecommunication industry including performance evaluation through financial ratios (profitability, liquidity, solvency, and efficiency) and the effect of Jio's entrance in the market on Indian telecommunication companies was reviewed.

2. Working hypotheses: In this research, it was hypothesized that the merger of Vodafone and Idea will help improve financial performance.

3. To assess whether the Vodafone–Idea merger produced measurable changes in financial health, we'll use a pre-post comparison design based on key ratios.

- **Independent variable:** Merger status (pre-merger vs. post-merger periods)
- **Dependent variables**
- **Net profit margin**
- **Current ratio**
- **Return on assets (ROA)**
- **Debt-to-equity ratio**
- **Asset turnover ratio**

2. **Collection of data:** As soon as the sample design is determined, you must start with data collection. Data collection was done using the secondary data which includes the Data collected for 5 years before the merger and post-merger financial data up to March 2026., Audited financial statements of Vodafone and Idea, Annual reports and company filings, Public financial databases and investor presentations. The data was collected from annual reports, Screener.in, Moneycontrol Vodafone Idea investor presentations to ensure inclusion of the latest financial developments.

3. **Execution of the project:** The research was executed by calculation of selected financial ratios for each year in the pre- and post-merger periods, Tabulation and graphical representation of data, Application of the paired t-test using excel to test the significance of observed changesn the financial performance, Interpretation of p-values to accept or reject the null hypothesis**.**

4. **Interpretation:** Result of the paired t-test are analyzed for the effectiveness of the merger. If the p-value is less than 0.05, the null hypothesis is rejected, indicating a

statistically significant difference between the pre- and post-merger performance. If the p-value is greater than 0.05, the null hypothesis is not rejected.

4. ANALYSIS, DISCUSSION AND RECOMMENDATION

4.1 Data Collection

All the information needed for the study will be collected from secondary sources such as Screener.in to ensure accuracy and relevancy. We shall use ratio scale measurements for analyzing the following three analytical categories:

1. **Profitability Ratios**

   Assess the effectiveness of management in generating profits out of sales and assets.

2. **Liquidity Ratios**

   Assesses the relationship between the short-term assets and short-term liabilities.

3. **Leverage Ratios**

   Measures the relative amount of debt as compared to equity financing.

Analysis of these ratios helps us to find the strength and weaknesses in the performance and financial position of management..

Profitability Ratio

Profit is defined as the diff between the total revenues and expenses during a particular period of time. Since profit is considered very important in the management objectives, the management always measures the profitability of their business through two types of ratios:

1. **Sales-based margins**
   - **Gross-Profit Margin**
   - **Operating Profit Margin**
   - **Net Profit Margin**
2. **Investment-based returns**

- **Return-Equity (ROE):** Indicates the profitability of shareholder's money.
- **Return-Capital Employed (ROCE):** Indicates the prfitability of total capital utilized.

Comparing gross margin with net margin helps you identify the cost trend; if gross margin increases while net margin declines (or remains constant), operating expenses must be absorbing profits. Also, if there is a declining gross margin possibly due to increased costs or low sales, it is indicative of declining net profit unless costs decline. In addition, ratios such as ROA, ROE, and ROCE indicate the proficiency of a company in generating profits from its assets and equity.

Table 4.1: Profitability ratio formulas:

Ratios	Formulas
Profitability Ratios	
Gross Profit Margin	Gross Profit / Sales
Operating Margin	Operating Profit / Sales
Net Profit Margin	Net Profit/ Total Revenue
Return on Net Worth/Equity	Net Income / Share Holder's equity

(Source: Financial Management 12th edition (2007))

Liquidity Ratio

Liquidity refers to the ability of the firm to satisfy its short-term financial obligations. Low liquidity could lead to problems in paying off current liabilities, whereas too much liquidity could be indicative of inefficiency in resource utilization. Liquidity is evaluated using the below two major ratios:

- Quick ratio takes a conservative approach by considering only those assets as current assets which can be readily convertible into cash and does not take inventory into account.

These ratios have to be analyzed in conjunction with operating conditions of the firm as the liquidity situation reported may also depend upon other factors like management of receivables and inventory.

Table 4.2: Liquidity Ratios

Ratios	Formullas
Liquidity Ratios	
Current Ratio	Current Assets / Current Liabilities
Quick Ratio	Current Assets - Inventories/ Current Liabilities

(Source: Financial Management 12th edition (2007))

Leverage Ratio

The use of leverage ratios is helpful in knowing how much a business depends on borrowing to fund its operations. These ratios also help in understanding the financial risk of the business and the level at which it is able to meet its long-term commitments. Coverage ratios also help in analyzing this aspect.

Table 4.3: Leverage Ratios

Ratios	Formullas
Leverage Ratios	
Debt to Equity	Total debt / Total shareholder's equity
Interest Coverage Ratio (%)	EBITDA / Interest

(Source: Financial Management 12th edition (2007)

The information related to the finances from five years before the merger to up to eight years after the merger was gathered in order to determine the financial effect of the merger in the long term. Information till March 2026 has been collected in order to determine the financial performance of the company in the long run. The information has been extracted for determining the ratio analysis parameters.

Vodafone Financial Performance data

Table 4.4: Vodafone Profit & Loss Statement

Vodafone - Profit and Loss Statement					
	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17
Sales	22407	26519	31571	35949	35576
Expenses	16439	18237	20771	24281	25348
Operating Profit	5969	8282	10800	11668	10227
OPM %	0.27	0.31	0.34	0.32	0.29
Other Income	131	247	497	641	746
Interest	1045	966	1060	1803	4010
Depreciation	3478	4519	5304	6256	7827
Profit before tax	1577	3044	4933	4250	-863
Tax %	0.36	0.35	0.35	0.36	-0.54
Net Profit	1011	1968	3193	2728	-400
EPS in Rs	0.93	1.8	2.7	2.3	-0.34
Dividend Payout %	0.1	0.07	0.07	0.08	0

(Source: Screener, last accessed on 1/05/2026)

Vodafone Balance Sheet

Table 4.5: Vodafone Balance Sheet

Vodafone - Balance Sheet					
	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17
Equity Capital	3,314	3,320	3,598	3,601	3,605
Reserves	10,989	13,205	19,429	19,950	21,127
Borrowings	14,046	20,637	26,859	40,541	55,055
Other Liabilities	8,029	9,396	10,580	16,034	16,881
Total Liabilities	36,378	46,557	60,467	80,126	96,668
Fixed Assets	29,160	29,602	35,540	65,190	76,763
CWIP	881	11,419	5,141	6,040	7,535
Investments	1,028	216	11,527	3,471	6,378
Other Assets	5,309	5,321	8,260	5,425	5,991
Inventories	73	68	71	107	59
Trade receivables	960	801	979	1,142	1,314
Cash Equivalents	143	188	1,554	769	83
Loans n Advances	527	314	261	98	93
Other asset items	3,606	3,950	5,395	3,308	4,443
Total Assets	36,378	46,557	60,467	80,126	96,668

(Source: Screener, last accessed on 1/05/2026)

Idea Financial Performance data shown below

Table 4.6: Idea Balance Sheet

Idea Cellular - Balance Sheet					
	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17
Total Noncurrent assets(A)	330,890	440,632	427,070	756,285	890,721
Total Current assets (B)	363,780	465,574	156,077	44,969	76,325
Total Assets (A+B)	694,670	906,206	583,147	801,254	967,046
Total equity(A)	143,033	165,250	210,742	235,504	247,322
Total non-current liabilities (B)	140,316	213,632	180,117	409,863	549,110
Total current liabilities (C)	363,780	465,574	192,287	155,887	170,615
Total Equity and Liabilities (A+B+C)	647,129	844,456	583,146	801,254	967,047

(Source: : Screener, last accessed on 1/05/2026)

Idea Profit & Loss Statement

Table 4.7: Idea Profit & Loss Statement

Idea Cellular - Profit and Loss Statement					
	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17
Revenue from operations	224,074	264,320	315,709	359,494	355,757
Other income	502	869	4,697	2,131	3,069
TOTAL INCOME	224,576	265,189	320,406	361,625	358,826
Total Expenditure	164,531	181,852	207,592	239,818	252,995
PROFIT/(LOSS) BEFORE TAX	15,773	30,442	49,325	42,501	-8,632
PROFIT/(LOSS) AFTER TAX	10,109	19,678	31,929	27,281	-3,997

(Source: : Screener, last accessed on 1/05/2026)

Vodafone-Idea Financial Performance data

Table 4.8: Vodafone-Idea Profit & Loss statement

Vodafone - Idea Profit and Loss Statement

	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
Sales	28,279	37,092	44,958	41,952	38,516	42,177	42,652	43,571
Expenses	22,224	32,976	30,042	25,006	22,547	25,424	25,580	25,523
Operating Profit	6,054	4,116	14,916	16,946	15,968	16,753	17,072	18,049
OPM %	21%	11%	33%	40%	41%	40%	40%	41%
Other Income	703	1,789	-36,964	-19,563	363	354	917	1,100
Interest	4,847	9,545	15,393	17,998	20,981	23,354	25,766	24,543
Depreciation	8,409	14,536	24,356	23,638	23,584	23,050	22,634	21,973
Profit before tax	-6,499	-18,175	-61,797	-44,253	-28,234	-29,298	-30,410	-27,368
Tax %	-36%	-20%	20%	0%	0%	0%	3%	0%
Net Profit	-4,168	-14,604	-73,878	-44,233	-28,245	-29,301	-31,238	-27,383

(Source: Screener.in and Vodafone Idea Annual Reports)

(Source: Screener, last accessed on 1/05/2026)

Vodafone-Idea Balance Sheet

Table 4.9: Vodafone-Idea Balance Sheet

Vodafone - Idea Balance Sheet

	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
Equity Capital	4,359	8,736	28,735	28,735	32,119	48,680	50,120	71,393
Reserves	22,903	50,899	-22,756	-66,963	-94,084	-123,039	-154,287	-141,713
Borrowings	57,985	125,940	114,996	201,720	213,761	237,766	243,809	233,229
Other Liabilities	13,264	44,078	105,942	39,986	42,233	43,836	45,355	34,946
Total Liabilities	98,511	229,652	226,918	203,478	194,029	207,243	184,997	197,855
Fixed Assets	79,692	177,800	185,836	167,490	156,819	156,255	140,125	141,320
CWIP	3,585	5,103	1,138	606	364	17,876	18,189	18,212
Investments	7,290	8,239	1,979	4	5	6	0	0
Other Assets	7,944	38,511	37,964	35,378	36,841	33,105	26,683	38,323
Total Assets	98,511	229,652	226,918	203,478	194,029	207,243	184,997	197,855

(Source: Screener.in and Vodafone Idea Annual Reports)

(Source: Screener, last accessed on 1/05/2026)

4.2 Data Analysis

Once the numbers are collected, the next step would be to interpret them. The ratios will be used for trend analysis, while the paired sample statistics will be used to check whether there is any significance between before and after the merger.

We frame our paired-sample test around these propositions:

- **Null hypothesis (H_0):** The merger had no measurable effect on the acquirer's financial metrics.
- **Alternative hypothesis (H_1):** The merger brought about a significant change in those metrics.

1. First, we examine Vodafone's pre-merger performance by calculating its key profitability, liquidity, and leverage ratios over the pre-merger period before consolidation.

4.10: Vodafone Ratios

Vodafone Ratios					
	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17
Profitability Ratios					
Gross Profit Margin (%)	31.36	27.13	26.86	25.71	27.40
Operating Margin (%)	27.96	7.00	4.65	4.45	7.82
Net Profit Margin (%)	0.96	154.52	13.62	-9.82	-13.22
Return on Net worth/Equity (%)	-2.67	-5.67	8.65	-5.67	-2.67
Liquidity Ratios					
Current Ratio(%)	0.74	0.99	0.69	0.84	1.00
Quick Ratio (%)	2.00	1.00	0.53	0.84	1.00
Leverage Ratios					
Debt to Equity (%)	0.57	0.41	0.52	0.67	0.63
Interest Coverage Ratios (%)	0.00	1.26	1.52	0.00	0.00

(Source: Screener, last accessed on 1/05/2026)

1) **Financial performance of Idea Cellular before the merger:** The table presents the profitability, liquidity, and leverage ratios of Idea Cellular for the pre-merger period.

Table 4.11: Idea Ratios

Idea Cellular Ratios					
	Mar-13	**Mar-14**	**Mar-15**	**Mar-16**	**Mar-17**
Profitability Ratios					
Gross Profit Margin (%)	5.80	9.95	13.67	11.13	5.83
Net Profit Margin (%)	3.70	6.45	8.85	7.27	-2.37
Return on Net worth/Equity (%)	7.06	11.90	13.86	11.58	-1.16
Liquidity Ratios					
Current Ratio (%)	1.00	1.00	0.89	0.29	0.45
Quick Ratio (%)	1.00	1.00	0.88	0.28	0.45
Leverage Ratios					
Debt to Equity (%)	0.86	0.58	1.57	2.15	2.09
Interest Coverage Ratio (%)	2.66	4.95	5.72	3.33	0.68

(Source: Screener, last accessed on 1/05/2026)

2) **Comparative financial analysis of Vodafone and Idea before the merger:** The following analysis compares the profitability, liquidity, and leverage ratios of Vodafone and Idea during the pre-merger period.

Table 4.12 Vodafone-Idea Ratios

Vodafone & Idea Merger Ratios

	20-Mar	21-Mar	22-Mar	23-Mar	24-Mar	25-Mar
Profitability Ratios						
Gross Profit Margin (%)	29.65	22.60	12.87	35.48	40.80	41.31
Operating Margin (%)	7.65	-7.10	-26.31	-18.69	-15.53	-6.48
Net Profit Margin (%)	-2.30	-15.87	-39.90	-165.11	-105.98	-62.85
Return on Net worth/Equity (%)	-1.61	-15.28	-24.48	-1235.44	0.00	0.00
Liquidity Ratios						
Current Ratio (%)	0.45	0.94	0.34	0.17	0.21	0.56
Quick Ratio (%)	0.44	0.94	0.34	0.17	0.21	0.56
Leverage Ratios						
Debt to Equity (%)	2.09	2.09	1.82	16.11	-4.12	-2.79
Interest Coverage Ratios (%)	0.68	-0.42	-1.03	-0.55	-0.36	-0.12

(Source: Moneycontrol, Screener.in and Vodafone Idea Annual Reports)

(Source: Screener, last accessed on 1/05/2026)

3) Interpretation of results obtained from the paired t-test.

Table 4.13: Paired T-test Result

t-Test: Paired Two Sample for Means		
	Post-Merger	**Pre-Merger**
Mean	-31.955625	6.760125
Variance	6034.801329	46.927215
Observations	8	8
Pearson Correlation	0.233847	
Hypothesized Mean Difference	0	
df	7	
t Stat	-1.410415	
P(T<=t) one-tail	0.100636	
t Critical one-tail	1.894579	
P(T<=t) two-tail	0.201273	
t Critical two-tail	2.364624	

(Source: Own analysis)

The paired t-test produced a two-tailed p-value of 0.201273, which is greater than the 0.05 significance level. Therefore, the null hypothesis is not rejected. The results indicate that the observed difference in financial performance between the pre-merger and post-merger periods is not statistically significant.

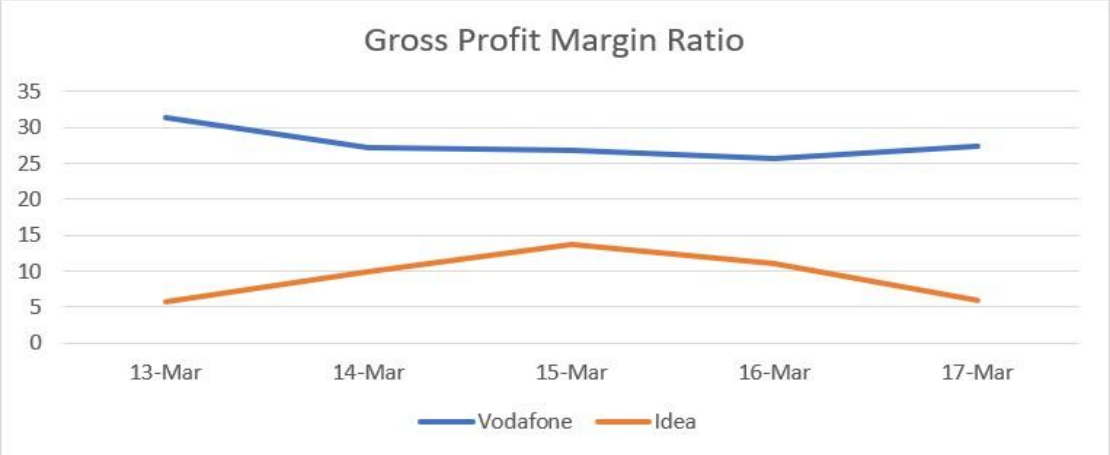
4.3 Finding and Recommendations

The analysis compares the performance of Vodafone and Idea before the merger with the performance of Vodafone Idea after the merger. The comparison covers profitability, leverage, and liquidity ratios. The graphical analysis presents the movement of these ratios during the pre-merger and post-merger periods.

Gross Profit Margin

This metric shows how good the firm is at managing production expenses and making profit from its sales.

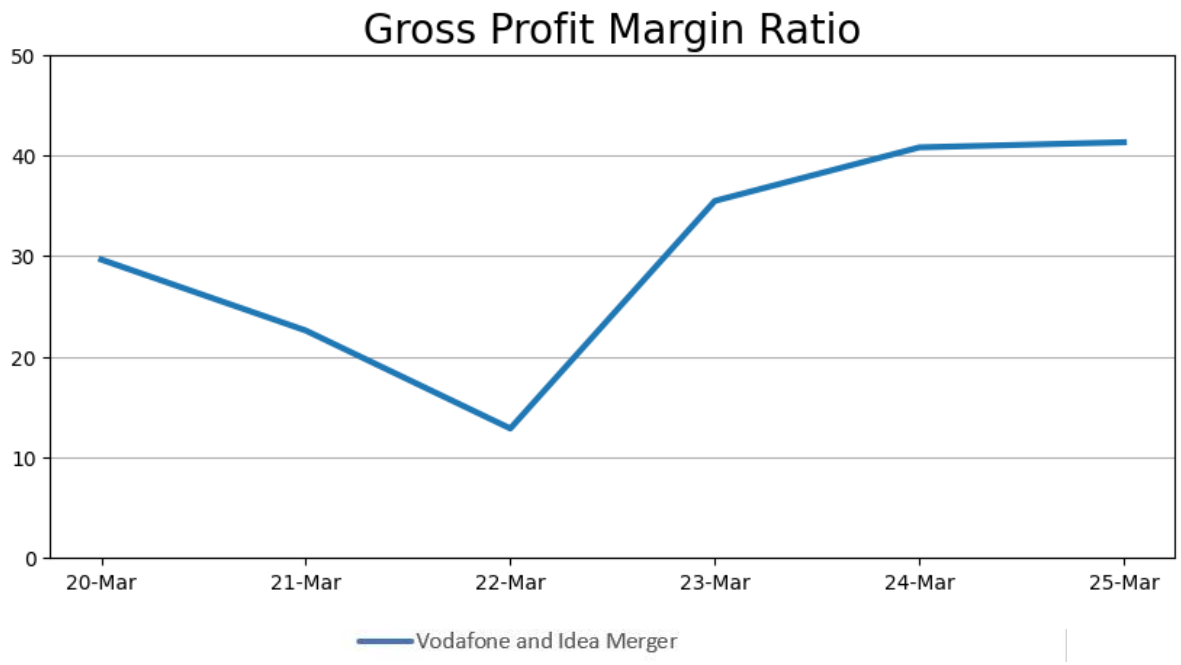
Figure 4.3: Gross Profit Margin (Pre-merger)



(Source: Own analysis)

The graph shows that Vodafone maintained a higher gross-profit margin than Idea throughout pre-merger period, indicating comparatively stronger gross profitability.

Figure 4.4: Gross Profit Margin Ratio (Post-merger)



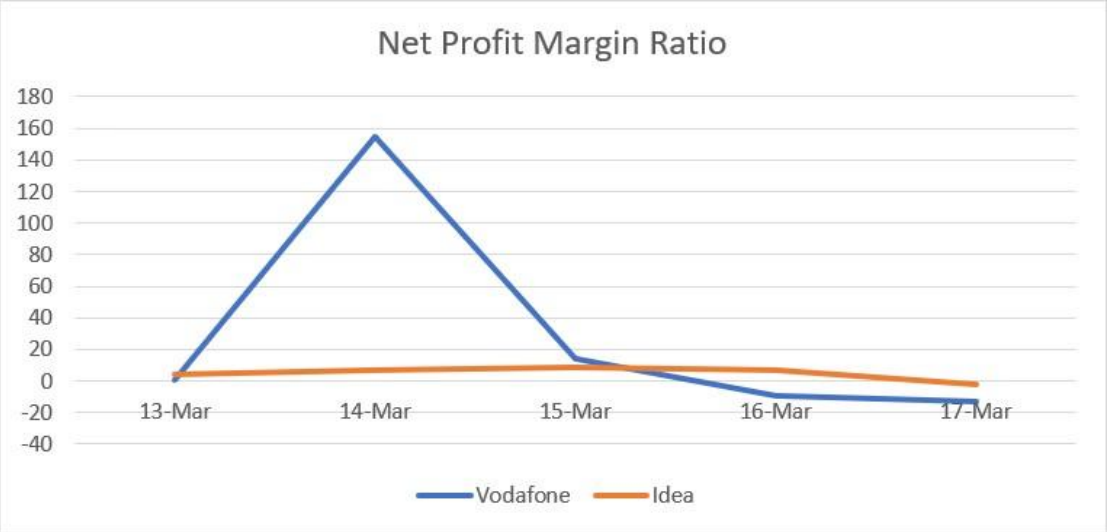
(Source: Own analysis)

However, there is a sudden drop in the gross margin for Vodafone-Idea post the merger in the graph below, suggesting that the margin had initially decreased following the merger. Over time, however, the margin slowly improved.

Net Profit Margin

The Net Profit Margin is computed as the net income divided by total sales, which shows how well a business converts its sales into net income.

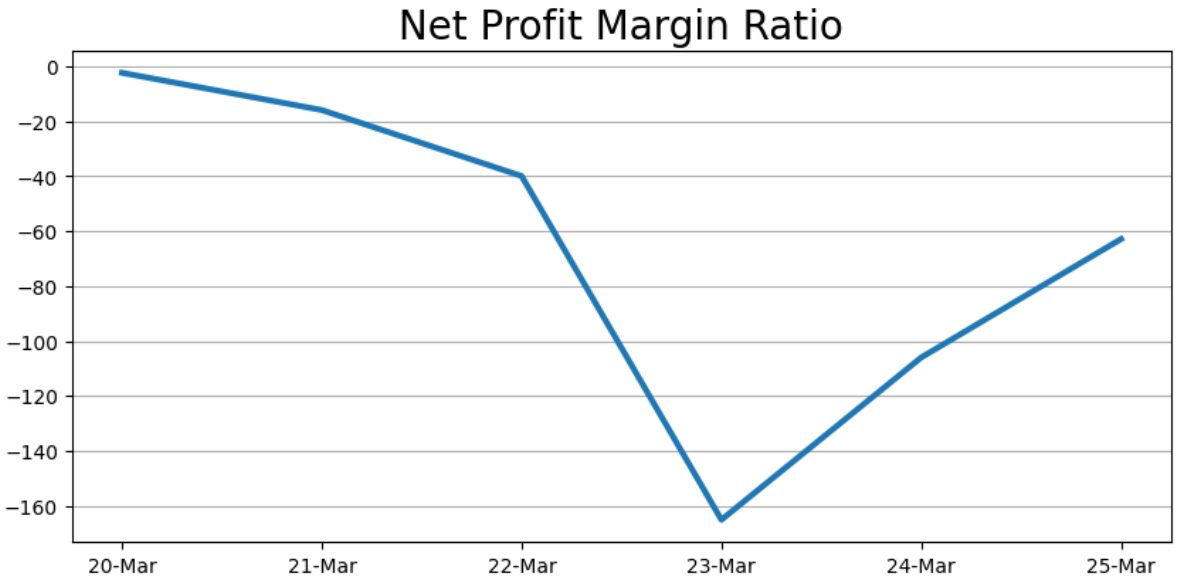
Figure 4.5: Net Profit Margin Ratio (Pre-merger)



(Source: Own analysis)

Before the acquisition, Vodafone had considerable volatility in its net profit margin from 2013 to 2017, whereas Idea had consistent net margin figures during the same period.

Figure 4.6: Net Profit Margin Ratio (Post-merger)



(Source: Own analysis)

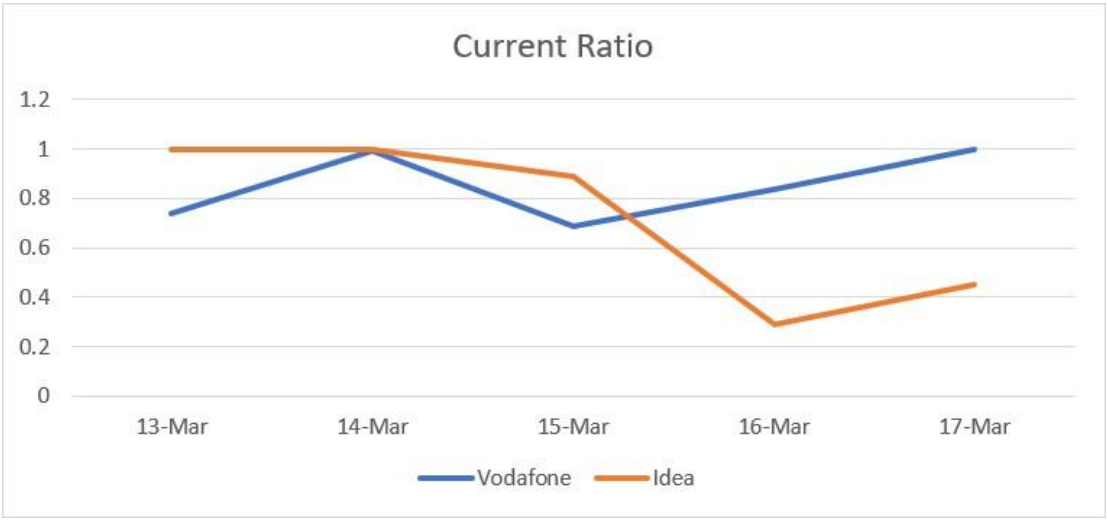
The post-merger net profit margin has remained negative for much of the study period. This indicates financial strain and operational costs. Yet gradual improvements are noticeable in the latter years.

Current and Quick Ratio

Current ratio and quick ratio measure liquidity at slightly different levels:

- **CURRENT RATIO:** Compares total short-term assets with total short-term liabilities. The larger the ratio, the more cushion to meet future payables. It's encouraging for creditors.
- **QUICK RATIO:** Disregards inventory and other slow-moving assets; looks at only cash and cash equivalents, rceivables, and marketable securites. A quick ratio of 1.0 or greater indicates you can settle obligations without selling any inventory.

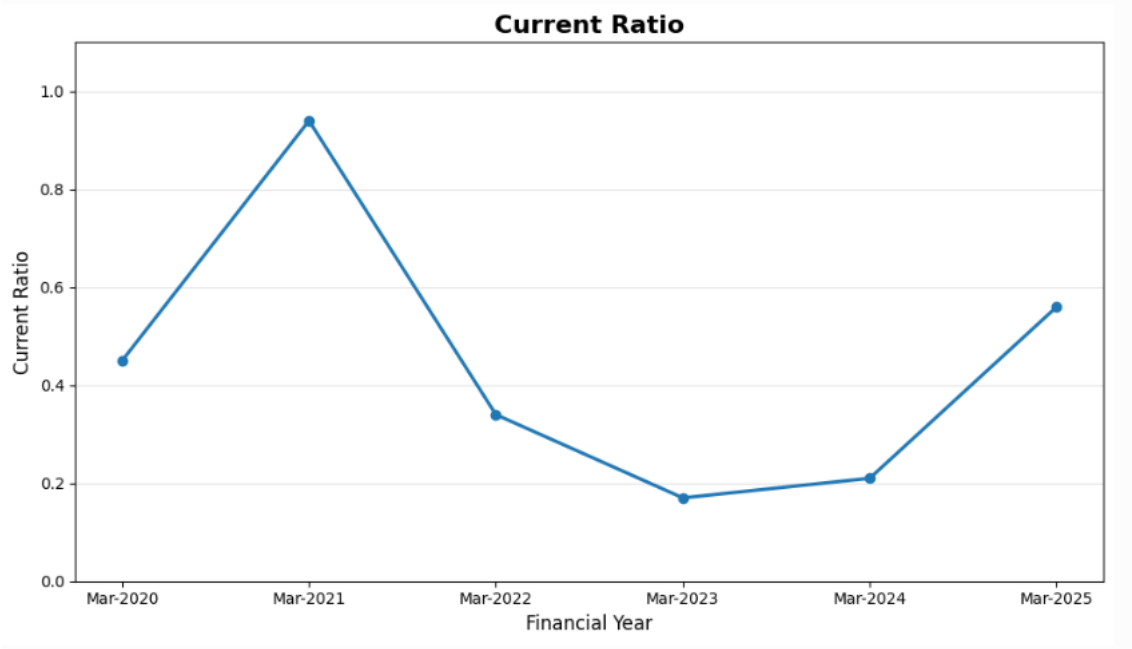
Figure 4.7: Current ratio (Pre- merger)



(Source: Own analysis)

Before the merger, the current ratio of Idea was declining on an annual basis between 2013 to 2017, whereas Vodafone always had adequate asset to pay off its liabilities.

Figure 4.8: Current Ratio (Post-merger)



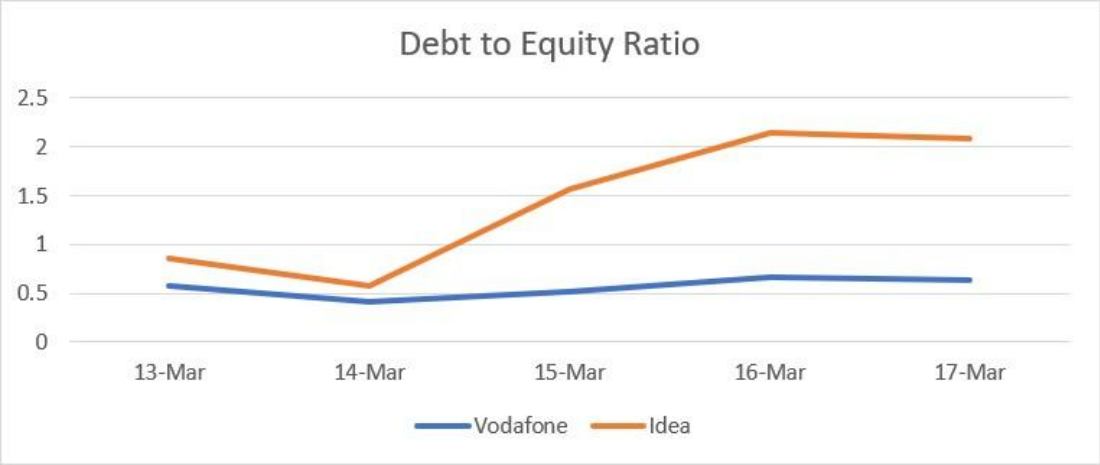
(Source: Own analysis)

The post-merger current ratio of Vodafone-Idea was relatively low throughout much of the research period, which suggests that the company faced liquidity issues.

Debt to Equity Ratio

Debt equity ratio indicates the maximum level at which a firm relies on debts for financing its assets.

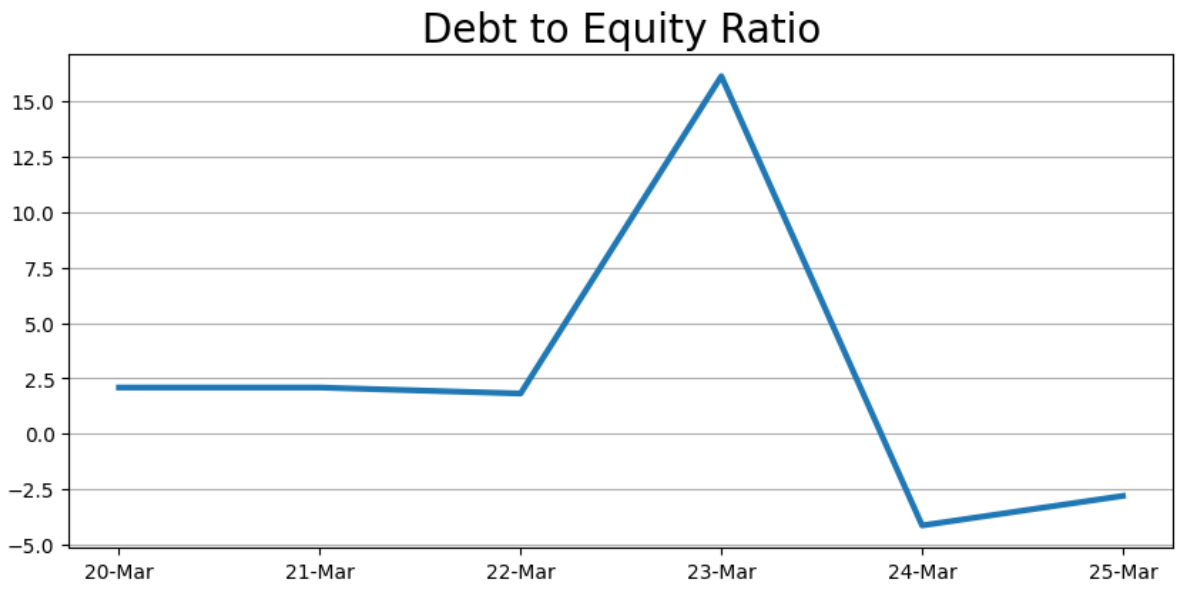
Figure 4.9: Debt to Equity Ratio (Pre-merger)



(Source: Own analysis)

Before the merger, the debt-equity ratio for Vodafone remained constant, whereas for Idea, the ratio kept increasing over the years, suggesting dependence on loans.

Figure 4.10: Debt-Equity Ratio (Post-merger)



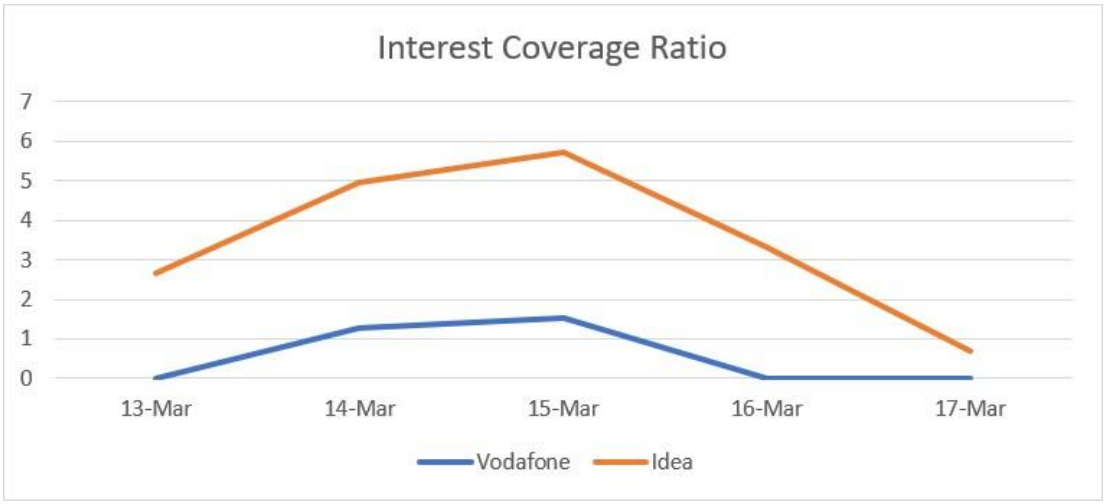
(Source: Own analysis)

The debt/equity ratio did not change much during the early years after the merger, but rose steeply in 23-Mar and turned negative subsequently due to the negative net worth of the firm.

Interest Coverage Ratio

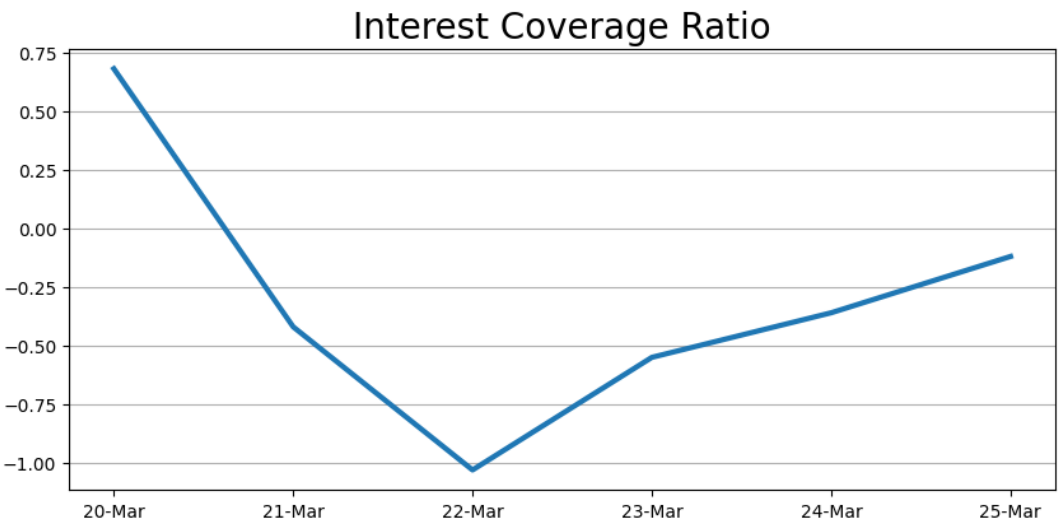
A higher ratio generally reflects a stronger capacity to service interest expenses, while a low or negative ratio may indicate financial pressure.

Figure 4.11: Intrest Coverage Ratio (Pre-merger)



The chart shows that Idea Cellular had a higher interest coverage ratio than Vodafone during the pre-merger period, indicating a relatively stronger ability to meet its interest obligations.

Figure 4.12 : Intrest Coverage Ratio (Post-merger)



(Source: Own analysis)

After the merger, Vodafone-Idea's interest coverage ratio remained negative during most of the study period, indicating difficulty in covering interest obligations from operating earnings. However, slight improvement is visible in the later years.

Hypotheses Testing

To assess Vodafone-Idea's post-merger performance, we conducted a paired-sample t-test comparing the selected pre-merger and post-merger financial periods. Table 4.13 presents the test results. Since the p-value exceeds the 0.05 significance level, the null hypothesis is not rejected. This shows that there is no significant difference in the financial performance of the company before and after the merger

4.4 Limitation

1. The research takes into consideration the historical financial performance trends which would have continued without any interruption, without considering such interruptions as the COVID-19 effect.
2. The scope of this study is confined to just five years, while the general literature on the subject matter advises taking a long-term view of the effects of the mergers.

5. CONCLUSION

India's telecom market is intensely competitive, with every operator vying for market share. Faced with mounting rivalry and the entry of new players, Vodafone and Idea merged to secure economic gains unattainable on their own. Such consolidations deliver cost savings, operational efficiencies, tax advantages, and enhanced market valuation—provided the deal's benefits outweigh its expenses. Our analysis—using ratio metrics and paired-sample t-tests—shows that while Vodafone-Idea saw higher absolute profits post-merger, operating and net margins initially dipped, suggesting integration costs outpaced revenues. Liquidity remained strong overall, but leverage rose as the combined firm financed growth through debt. Interest coverage weakened briefly before improving, and the statistical analysis indicates that these changes are not statistically significant. In sum, the merger's synergies may take time to fully materialize. Though there's no dramatic upside right away, the combined entity is well-positioned for long-term efficiency gains, improved operational coordination and gradual financial stabilization in the long run.

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