

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics



Master's Thesis

**Assessment of Financial Position and Performance of
Chosen Global Companies Operating in
Telecommunication Industry**

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DIPLOMA THESIS ASSIGNMENT

Dhaval NileshKumar Patel

Economics and Management

Thesis title

Assessment of the Financial Position and Performance of the Chosen Global Companies in the Telecommunication Industry

Objectives of thesis

The aim of this diploma thesis is to assess and compare the financial position and performance of the chosen companies operating in the telecommunication industry by analyzing the companies' financial statements with focus on the representation and changes of the reported assets, liabilities, expenses, revenues and cash-flow for a chosen period and to identify the potential financial problems and the most significant factors influencing the profit from the companies' and the industry point of view.

Methodology

Methodology for the literature overview is based on data collection from the relevant legal framework, specialized publications and other written or online sources. The practical part of the thesis will be based on the information gained from the published annual reports of the chosen companies. Vertical and horizontal analysis and ratio analysis of the financial statements will be used to assess the financial position and performance of the companies and to prepare the practical part of the thesis. The methods of analysis, synthesis, comparison and deduction will be used to formulate the conclusions of the thesis.

The proposed extent of the thesis

60-80

Keywords

financial statements, financial position, balance sheet, assets, liabilities, equity, financial performance, income statement, expenses, revenues, profit, financial analysis, cash-flow, telecommunication industry

Recommended information sources

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Declaration

I declare that I have worked on my master's thesis titled "Assessment of Financial Position and Performance of Chosen Global Companies Operating in Telecommunication Industry" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the master's thesis, I declare that the thesis does not break any copyrights.

In Prague on date of submission

Acknowledgement

I would like to thank my supervisor Ing. Enikő Lőrinczová, Ph.D. for her valuable guidance and feedback throughout this thesis.

Assessment of Financial Position and Performance of Chosen Global Companies Operating in Telecommunication Industry

Abstract

The purpose of this diploma thesis is to analyse and evaluate the financial position and performance of selected global companies, Bharti Airtel Limited and Vodafone Idea Limited, operating in the telecommunication industry in India and global market for the period of 5 years from 2019 to 2023. The thesis will engage with quantitative analysis such as vertical and horizontal analysis of financial statements. The thesis will also employ financial ratio analysis, which is widely used tool for measuring and comparing financial position and performance of companies operating in either the same or distinct region, segment, industry or market. The thesis will focus on the representation and changes of the reported assets, liabilities, expenses, revenues and profit for the chosen period in order to identify the potential financial problems and the most significant factors influencing the profit. Both companies improved their profitability over time after the impact of AGR verdict by honourable Supreme Court of India, with higher gross profit and operating profit margins. However, Vodafone Idea struggled to generate net profits, continuously reporting losses, and faced difficulty in attaining sustained profitability majorly due to rising finance costs and lose of customers. Bharti Airtel is well-positioned for continued development and innovation, thanks to its strong financial position and significant investments in sophisticated technology. Vodafone Idea's future prospects are questionable, demanding strategic reform and financial stability to reestablish competitiveness and sustainability. AGR verdict by honourable Supreme Court of India proven to be major reason of impacting profit of both these companies due to sudden major liability arisen to be paid for which provisions against these contingent liabilities were not considered in the books of accounts over a period.

Keywords: financial statements, financial analysis, financial position, balance sheet, assets, liabilities, equity, financial performance, Income statement, expenses, revenues, profit, Telecom, Telecommunication

Hodnocení finanční pozice a výkonnosti vybraných globálních společností působících v telekomunikačním průmyslu

Abstrakt

Cílem této diplomové práce je analyzovat a zhodnotit finanční pozici a výkonnost vybraných světových společností Bharti Airtel Limited a Vodafone Idea Limited působících v telekomunikačním průmyslu v Indii a na globálním trhu za období 5 let od roku 2019 do roku 2023. Práce se bude zabývat kvantitativní analýzou jako je vertikální a horizontální analýza finančních výkazů. V práci bude také využita poměrová analýza, která je široce používaným nástrojem pro měření a srovnávání finanční pozice a výkonnosti společností působících ve stejném nebo odlišném regionu, segmentu, odvětví nebo trhu. Práce se zaměří na zobrazení a změny vykazovaných aktiv, pasiv, nákladů, výnosů a zisku za zvolené období s cílem identifikovat potenciální finanční problémy a nejvýznamnější faktory ovlivňující zisk. Obě společnosti zlepšily svou ziskovost v průběhu času po dopadu verdiktu AGR čestného Nejvyššího soudu Indie, s vyšším hrubým ziskem a provozními ziskovými maržemi. Vodafone Idea se však snažila generovat čisté zisky, neustále vykazovala ztráty a čelila potížím při dosahování trvalé ziskovosti, zejména kvůli rostoucím finančním nákladům a ztrátě zákazníků. Bharti Airtel má dobrou pozici pro neustálý vývoj a inovace díky své silné finanční pozici a značným investicím do sofistikovaných technologií. Budoucí vyhlídky Vodafone Idea jsou sporné, vyžadují strategickou reformu a finanční stabilitu k obnovení konkurenceschopnosti a udržitelnosti. Verdikt AGR ze strany ctihodného Nejvyššího soudu Indie se ukázal být hlavním důvodem dopadu na zisk obou těchto společností kvůli náhlému velkému závazku, který má být zaplacen, za který nebyly rezervy na tyto podmíněné závazky za určité období zohledněny v účetních knihách.

Klíčová slova: účetní závěrka, finanční analýza, finanční situace, rozvaha, aktiva, pasiva, vlastní kapitál, finanční výkonnost, Výkaz zisků a ztrát, náklady, výnosy, zisk, Telekomunikace, Telekomunikace

Table of content

1. Introduction	7
2. Objectives and Methodology	9
2.1 Objectives.....	9
2.2 Methodology	9
3. Literature Review	13
3.1 Indian Accounting System	13
3.1.1 Companies Act, 2013	14
3.1.2 Income Tax Laws	14
3.2 Mandatory financial statements in India	14
3.2.1 Statement of Financial Position – Balance Sheet	14
3.2.2 Statement of Profit and Loss or Income Statement	16
3.2.3 Statement of Changes in Equity	16
3.2.4 Statement of Cash Flows	17
3.2.5 Notes to Accounts.....	18
4. Practical Part	19
4.1 Introduction of Vodafone Idea Limited	19
4.2 Introduction - Airtel: A Global Indian Brand	21
4.3 Analysis of Financial Position of Vodafone Idea Ltd.....	22
4.3.1 Horizontal Analysis of Balance Sheet of Vodafone Idea Ltd.....	23
4.3.2 Vertical Analysis of Balance Sheet of Vodafone Idea Ltd.....	25
4.4 Analysis of Financial Performance of Vodafone Idea Ltd.....	28
4.4.1 Horizontal Analysis of Income Statement of Vodafone Idea Ltd	28
4.4.2 Vertical Analysis of Income Statement of Vodafone Idea Ltd.....	29
4.5 Financial Ratio Analysis of Vodafone Idea Ltd.....	30
4.6 Analysis Financial Position of Bharti Airtel Ltd.....	35
4.6.1 Horizontal Analysis of Balance Sheet of Bharti Airtel Ltd.....	35
4.6.2 Vertical Analysis of Balance Sheet of Bharti Airtel Ltd	38
4.7 Analysis Financial Performance of Bharti Airtel Ltd	41
4.7.1 Horizontal Analysis of Income Statement of Bharti Airtel Ltd.....	41
4.7.2 Vertical Analysis of Income Statement of Bharti Airtel Ltd	42
4.8 Financial Ratio Analysis of Bharti Airtel Ltd.....	42
5. Results and Discussion	49
5.1 Comparison of Financial Statements of Airtel & Vi.....	49
5.1.1 Comparison of Financial Position of Airtel & Vi	49
5.1.2 Comparison of Financial Performance of Airtel & Vi.....	50
5.1.3 Factors influencing the Profit	52
5.2 Comparison of Financial Ratios of Airtel & Vi	53
6. Conclusion	60

7. References 62
8. List of pictures, tables, graphs, and abbreviations..... 64
 8.1 List of pictures..... 64
 8.2 List of tables 64
 8.3 List of graphs..... 64
 8.4 List of abbreviations 65
Appendix..... 66

1. Introduction

Telecommunications has revolutionized the world in many ways. It has connected the world and changed the way people connect and communicate. Telecommunication is largely driven by advancement in technology. Telecommunication industry emerging every year with new innovations and services. The growth of the telecommunications industry has been driven by several factors, including the increasing demand for connectivity and the rise of mobile devices. Additionally, advancements in technology such as 5G networks, Internet of Things (IoT) devices, and artificial intelligence (AI) are enabling new services and applications that were once unimaginable.

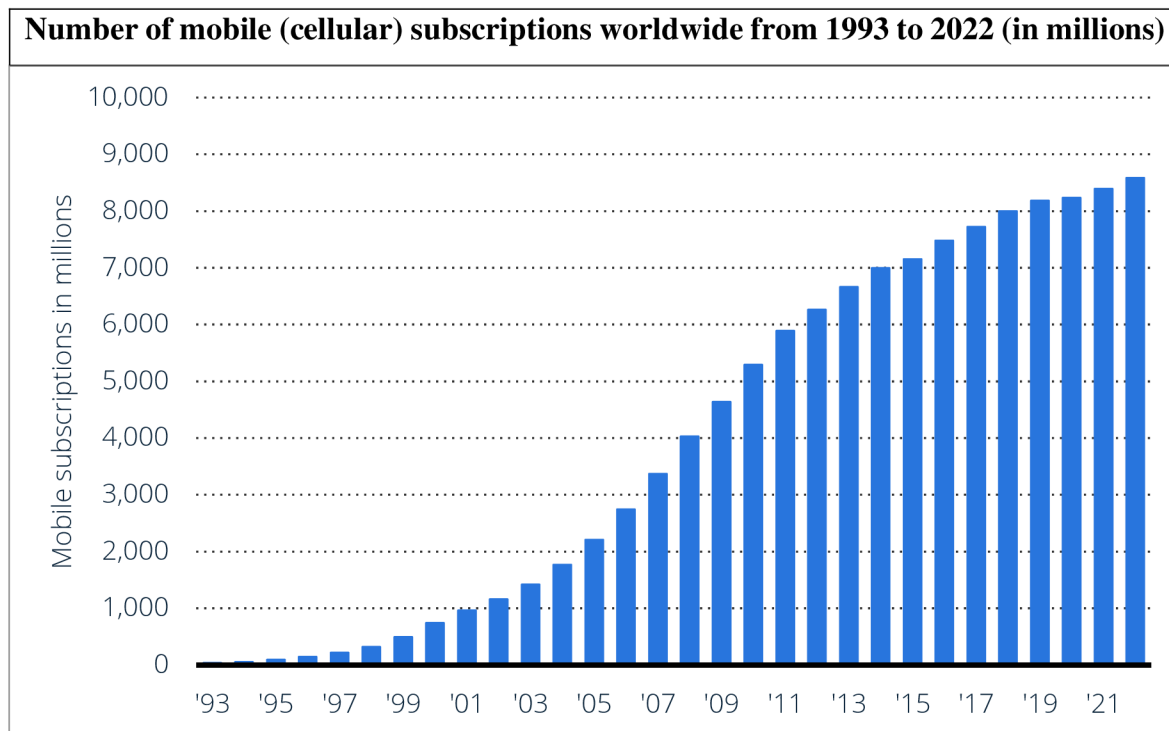
The telecommunications sector provides important digital infrastructure, which is essential to the global economy. It facilitates the adoption of digital solutions by businesses and governments and establishes connections amongst global stakeholders. This facilitates the flow of information, concepts, and services across international borders. In 2021, the market for telecom services was estimated to be worth USD 1741.27 billion worldwide. By 2030, it is anticipated to have grown at a compound annual growth rate (CAGR) of 5.2% to reach USD 2747.94 billion (2022–2030). (Research, 2021). The world's leading telecoms regulator, the International Telecommunication Union (ITU), forecasts that in 2023, there will be over 9 billion active mobile cellular subscriptions globally, demonstrating how commonplace mobile communication is in contemporary culture (ITU, 2023).

Fifth generation (5G) wireless technology deployment is one of the most revolutionary advances in the telecoms sector. Unprecedented speed, capacity, and connectivity are anticipated from 5G networks, opening the door for technologies like augmented reality (AR), the Internet of Things (IoT), and driverless cars (GSMA Intelligence, 2023). Furthermore, network infrastructure has been completely transformed using virtualization and cloud-based services, allowing telecom operators to improve service delivery's scalability, agility, and affordability (Deloitte, 2022).

However, the telecommunications business faces several problems and turmoil. Intense rivalry, regulatory challenges, and cybersecurity threats all pose substantial risks to the stability and profitability of global telecom carriers (McKinsey & Company, 2022). Furthermore, the emergence of over-the-top (OTT) content providers and alternative communication platforms has transformed consumer behaviour and revenue sources, undermining traditional business models in the telecommunications sector (PwC, 2021).

Despite these problems, the telecommunications industry continues to play an important role in global economic growth and social development. Telecommunications infrastructure is critical in promoting equitable and sustainable development, from enabling remote work and telemedicine to bridging the digital gap in underserved regions (World Bank, 2021)

Chart 1 Number of mobile subscriptions worldwide from 1993 to 2022 (in MN)



Source(s): ITU. (February 15, 2023). Number of mobile (cellular) subscriptions worldwide from 1993 to 2022 (in millions) [Graph]. In *Statista*. Retrieved November 11, 2023, from <https://www.statista.com/statistics/262950/global-mobile-subscriptions-since-1993/>

2. Objectives and Methodology

2.1 Objectives

The goal of this diploma thesis is to analyse and compare the financial statements of chosen global companies operating in the telecommunication industry for the period of 5 years from 2019 to 2023 with focus on changes of the reported assets, liabilities, expenses, revenues, and cash-flow. To assess the performance of companies and identify the most significant factors influencing the profit of these companies.

Research Questions:

1. How do the financial performance indicators, such as revenue growth and profit margins, compare between chosen companies, and what factors contribute to these differences?
2. What issues do the chosen companies face affect generating profits from business during the period of 2019 to 2023?
3. How has the financial position of selected companies changed during the period of 2019 to 2023?
4. How has the customer acquisition and churn rates of chosen companies influenced their financial positions and profitability?

2.2 Methodology

The methodology employed in this diploma thesis aims to provide a comprehensive framework for assessing the financial position and performance of selected global companies operating in the telecommunications industry in India for the period from 2019 to 2023. This thesis is based on secondary data gathered from various official sources. Secondary source of information used for this thesis is because, financial statements published by companies are the only source of information which can be used to determine ability of the company to finance its capital requirement, and purchase required assets and utilise the assets in producing goods or services at optimum level to generate maximum profits and overall value creation. On the other side, it is not possible to connect with top management of these big corporate companies and get the information directly. It is also a challenge to get primary

information from these companies due to market competition and business strategies cannot be shared in open forums or else it can be harmful for their business.

Data Collection:

Gather financial data and relevant information for the selected companies from multiple sources, including annual reports, financial statements, regulatory filings, and reputable financial databases. Ensure the consistency and reliability of data sources to maintain the integrity of the analysis.

Financial Analysis:

This diploma thesis will employ various analytical methods to analyse gathered financial data and relevant information for the selected companies. Conduct analysis of the financial position and performance of the chosen companies using horizontal and vertical analysis of financial statements. Compute selected ratios to get insights on the performance of the management in operating these companies effectively.

Horizontal analysis is a financial analysis technique used to analyse changes in financial statement items between multiple accounting periods to identify changes in the financial position. In case of a balance sheet, horizontal analysis compares the amounts of assets, liabilities, and equity items from one period to another, expressed as both absolute dollar amounts and percentage changes. In case of Income Statement, horizontal analysis compares the amounts of revenues, expenses and profits from one period to another, it can also be compared in absolute values and percentage changes.

$$\text{Horizontal Analysis (\%)} = \frac{\text{Amount in Comparison Year} - \text{Amount in Base Year}}{\text{Amount in Base Year}} \times 100$$

$$\text{Horizontal Analysis (Dollar)} = \text{Amount in Comparison Year} - \text{Amount in Base Year}$$

(A Manager's Guide to Finance & Accounting, n.d.)

(Horizontal Analysis, n.d.)

Vertical analysis, it is a tool of financial analysis where each line item is demonstrated as a percentage of a base value within the statement. In case of balance sheet, each asset line item will be presented as a percentage of Total Assets, each liability line item will be presented as a percentage of Total Liability and same fundamental will also apply to equity as well. In case of income statement, each line item will be stated as a percentage of gross sales. This method helps in relative comparison of items on the statement itself. It may help in comparing relative changes in terms of its base value. For example, which cost has risen over the period relative to sales and how much it is impacting on net income. (A Manager's Guide to Finance & Accounting, n.d.)

Financial Ratios:

Ratios are mainly used to derive meaningful information from financial statements of a company and compare its performance internally over a period and externally to its peer companies in the market. Ratios are used by various stakeholders such as internal management, investor, and financial institutions. There are numerous financial ratios grouped into liquidity ratios, solvency ratios, profitability ratios, efficiency ratios, coverage ratios and market prospect ratios. (Lessambo, F. I. ,2018)

Below some of the selected ratios to be used for the objective of this thesis.

1) Current ratio = Current assets / Current liabilities

It measures a company's ability to pay off short-term liabilities with current assets.

2) Debt to equity ratio = Total liabilities / Shareholder's equity

It calculates the weight of total debt and financial liabilities against shareholders' equity.

3) Interest coverage ratio = Operating income / Interest expenses

It shows the coverage of operating income to pay interest expenses.

4) Asset turnover ratio = Net sales / Average total assets

It measures a company's ability to generate sales from assets.

5) Operating margin ratio = Operating income / Net sales

It compares the operating income of a company to its net sales to determine operating efficiency.

6) Return on assets ratio = Net income / Total assets

It measures company's efficiency in using its assets to generate profit.

7) Return on equity ratio = Net income / Shareholder's equity

It measures company's efficiency in using its equity to generate profit.

(Lessambo, F. I. ,2018)

This thesis will employ Horizontal and vertical analysis of balance sheet to analyse position of the company, and income statement to analyse performance of the company for the period 2019 to 2023. It will also use the selected ratios to do comparison both internally over a period and externally with peer companies in telecommunication market selected in this thesis.

3. Literature Review

The literature review of this thesis focuses on theoretical background and characteristics of financial statements and selected financial ratios used for analysis. Financial Analysis is the tool to do comparison of various financial transactions, income, expenditure, and various ratios to assess business performance. By using various financial indicators, it can be compared and identified how the company is operating in the market and performing as compared to industry average or its peer companies. Literature review also focuses on Indian Accounting Standards used for preparation of financial statements used for analysis in practical part of this thesis. In the complex world of business, financial statements are the key means of communication between an organisation and its stakeholders. These statements, which include the statement of financial position, income statement, cash flow statement, and statement of changes in equity, give a comprehensive assessment of a company's financial health and performance (Ravshanovna, 2024).

3.1 Indian Accounting System

The Indian accounting system is a comprehensive framework that governs the recording, reporting, and disclosure of financial information by entities operating in India. Rooted in principles of transparency, accuracy, and accountability, the Indian accounting system serves as a vital tool for stakeholders, including investors, regulators, creditors, and government agencies, to make rational judgements and assess the financial health of organisations. (Accounting Standards, 2022)

Key features of the Indian accounting system include adherence to Generally Accepted Accounting Principles (GAAP), Indian Accounting Standard (abbreviated as Ind-AS) issued by Accounting Standard Board (ASB), a body constituted in 1977 under the Institute of Chartered Accountants of India (ICAI). These Accounting Standards (AS) are aligned with international accounting standards, primarily converged with International Financial Reporting Standards (IFRS) since 2011. This convergence enhances comparability and transparency of financial statements, facilitating cross-border investments and global competitiveness of Indian companies. (Accounting Standards, 2022)

The Indian accounting system encompasses various statutory regulations and regulatory bodies, including the Companies Act, 2013, Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI), and Ministry of Corporate Affairs (MCA). These entities prescribe reporting requirements, disclosure norms, and compliance obligations for entities operating in different sectors and industries.

3.1.1 Companies Act, 2013

The Companies Act, 2013, mandates specific reporting requirements for companies registered in India. It prescribes the format and content of financial statements, disclosure norms, and corporate governance practices. The Act also establishes regulatory bodies such as the Ministry of Corporate Affairs (MCA) and the Securities and Exchange Board of India (SEBI) to oversee compliance with statutory provisions and protect the interests of investors and other stakeholders.

3.1.2 Income Tax Laws

The Income Tax Act, 1961, governs the taxation of income generated by businesses in India. Tax accounting principles and reporting requirements may differ from financial accounting standards, necessitating adjustments and reconciliations between financial statements and tax returns. Compliance with tax laws requires accurate and timely reporting of income, expenses, deductions, and tax liabilities, as well as adherence to prescribed filing deadlines and disclosure requirements.

3.2 Mandatory financial statements in India

- Balance Sheet
- Statement of Profit and Loss or Income Statement
- Statement of Changes in Equity
- Statement of Cash flows
- Notes to Accounts

3.2.1 Statement of Financial Position – Balance Sheet

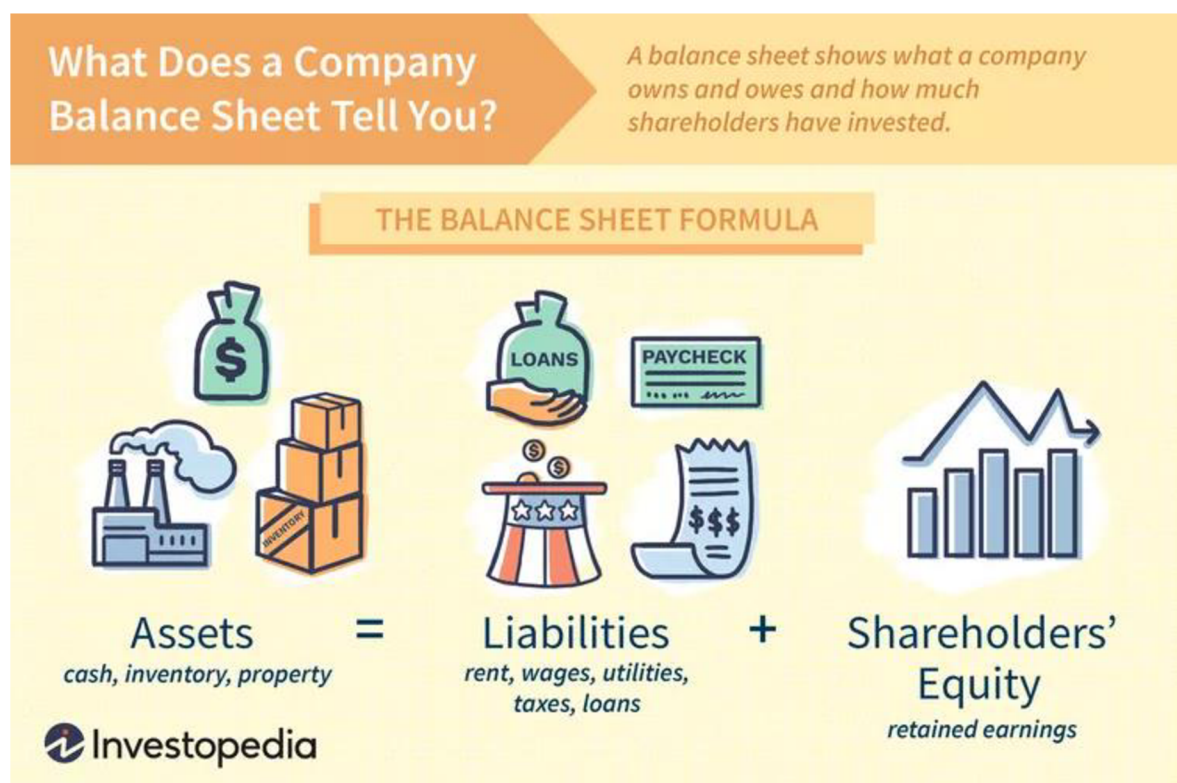
A balance sheet is an important financial statement that provides a snapshot of a company's financial position as at a specific date. It provides stakeholders, including investors, creditors, and managers, with insight into a company's assets, liabilities, and equity. It

provides information about company's financial position and ability to bring and utilize its capital in business. In the case of India, the Accounting Standards Board (ASB) plays an important role in setting financial reporting standards, ensuring transparency, comparability, and reliability. Balance sheet includes Equity, Liabilities and Assets. (Robinson, T. R. ,2020).

Key Components of the Balance Sheet under Ind AS:

According to Indian Accounting Standards, the balance sheet consists of three major components: assets, liabilities, and equity. Assets consist of current assets, non-current assets, and other financial assets. Liabilities include current liabilities, non-current liabilities, and provisions. Equity is the remaining interest in the entity's assets after removing obligations. (Accounting Standards, 2022) (A Manager's Guide to Finance & Accounting, n.d.). The balance sheet reflects the financial position at a precise moment in the recent past. The term "balance sheet" is derived from the equation $\text{Assets} = \text{Liabilities} + \text{Shareholders' Equity}$. (YOUNG, 2019)

Picture 1 The Balance Sheet Formula



Source: Theresa Chiechi {Copyright} Investopedia, 2019.

3.2.2 Statement of Profit and Loss or Income Statement

The Profit and Loss Statement (P&L), often known as the Income Statement, is a fundamental financial statement that summarises a company's revenue, expenses, and net profits or losses during a given period (MAYNARD, 2017). The income statement outlines the financial outcomes of a business's operations over an extended period. It provides insight into company's ability to generate revenues using its assets and meeting or controlling expenses to achieve profitability for the investors. (Robinson, T. R. ,2020).

Key Components of the Profit and Loss Statement under Ind AS:

The P&L statement under Ind AS includes revenues, expenses, gains, and losses incurred by an entity during a reporting period. Revenues and expenses can be further bifurcated into operating and non-operating. Revenues and expenses directly related to business operations are classified as operating, such as, cost incurred to generate sales of goods and services. Non-operating revenues and expenses can be exemplified as profit or loss on sale of retired assets or any other financial charges. (Accounting Standards, 2022) (A Manager's Guide to Finance & Accounting, n.d.)

3.2.3 Statement of Changes in Equity

The Statement of Changes in Equity (SOCE) is a key financial statement published by a firm that provides stakeholders with information on the changes in its equity over a given period. It supplements other financial statements such as the balance sheet, income statement, and cash flow statement by providing a complete picture of a company's financial condition, performance, and cash flow. (Financial Statements, Investopedia 2024)

Important Elements of the statement of changes in equity:

- a. Opening Balance of Equity - represents the equity position at the beginning of the reporting period, which is carried forward balance from previous reporting periods closing balance of equity.
- b. Changes in Equity – it arises due to various transactions, such as, Net Income or Loss, Dividends and Other Comprehensive Income.

- c. Closing Balance of Equity - representing the equity position at the end of the reporting period. It is calculated by adding up the opening balance of equity and the changes in equity during the period.

(Financial Statements, Investopedia 2024)

3.2.4 Statement of Cash Flows

The Statement of Cash Flows (SCF) is an important financial statement that shows a company's cash inflows and outflows over a given period. It is a significant instrument for interested parties, including investors, creditors, and management, to evaluate a company's liquidity, operating performance, and financial flexibility. It shows from where the cash is coming and where it is being spent. Cashflow statement is reported in three sections, 1) Cashflow from operating activities, 2) Cashflow from investing activities, and 3) Cashflow from financing activities of a company. (Lessambo, F. I. ,2018)

1) Cashflow from operating activities:

This section depicts the cash generated and spent during the routine business operations to sell goods or services. Ideally, any company who is financially stable should have a positive cash flow from its operating activities.

2) Cashflow from investing activities:

A good management wisely use surplus cash generated from operating activities to purchase assets or business growth and expansion. Cashflow in or out on investment activities whether it is for a long term, or a short term are reported under this section. This section may be negative if the company is in expansion phase and investing high amount of cash for future growth.

3) Cashflow from financing activities:

This section of cashflow provides insight on how the company is financial its operations. It is important for any company to maintain balance between debt and equity finance. High debt may result in higher cash loss from business due to interest liability on debt. This section may also be negative if company it utilizing surplus cash generated from operating activities to payback its debt.

(Lessambo, F. I. ,2018)

3.2.5 Notes to Accounts

"Notes to Accounts" are an integral part of financial reporting under Indian Accounting Standards (Ind AS) and provide additional details and explanations about the information presented in the primary financial statements. These notes accompany the balance sheet, income statement, statement of changes in equity, and statement of cash flows, enhancing transparency, clarity, and understanding of a company's financial position, performance, and cash flows. (Accounting Standards, 2022)

Disclosure Requirements:

Ind AS prescribe detailed disclosure requirements to ensure that financial statements provide a true and fair view of the company's financial position and performance. The "Notes to Accounts" section serves as a platform for disclosing information that may not be readily apparent from the primary financial statements. (Accounting Standards, 2022)

Accounting Policies:

One of the main components of "Notes to Accounts" is the disclosure of significant accounting policies adopted by the company in computation, recording and reporting financial transactions in financial statements. This helps the users of financial statements in interpretation and understanding reported numbers and compare them with prior periods and its peer company's financial statements. (Accounting Standards, 2022)

Significant Accounting Estimates and Judgments:

Ind AS requires the disclosure of contingent liabilities and commitments that could have a significant influence on the company's financial situation and performance. This includes prospective legal claims, commitments, and other obligations that are not classified as liabilities but may impact future cash flows. (Accounting Standards, 2022)

Other Disclosures:

The "Notes to Accounts" may have other additional disclosures by management to ensure that financial statements present true and fair view principle.

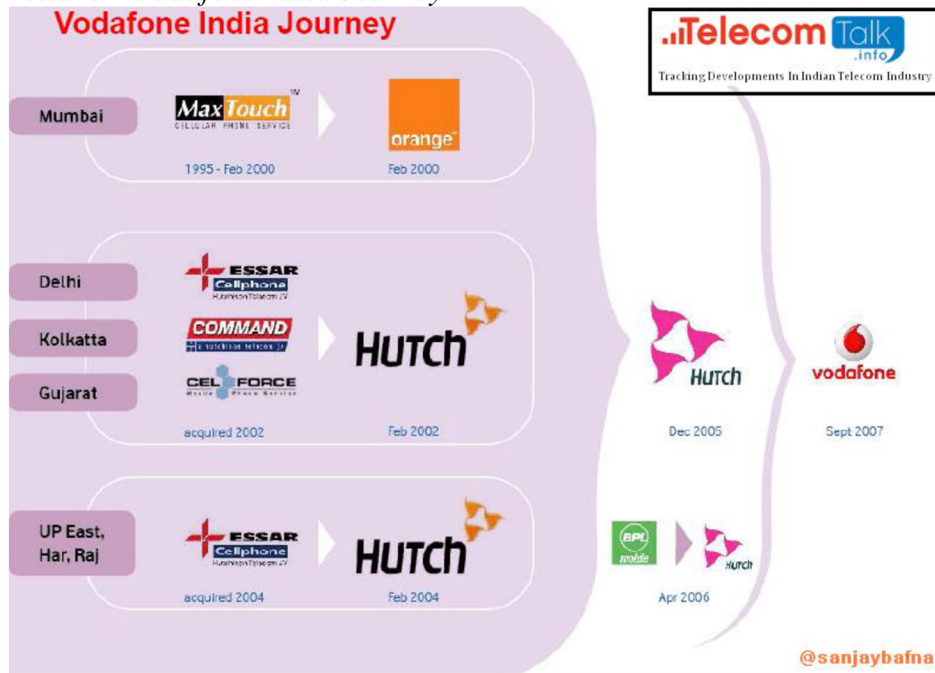
4. Practical Part

This part of the thesis deals with analysis of financial statements of selected companies, **Vodafone Idea Limited** (operating under brand name “Vi”) and **Bharti Airtel Limited** (operating under brand name “Airtel”) which are registered under telecommunication services in India and operating in Global markets as well. Horizontal and vertical analysis to get insight of Financial Position (depicted by Balance Sheet) and Financial Performance (depicted by Income Statement) of selected companies will be performed and calculate selected financial ratios in this chapter of practical part of thesis.

4.1 Introduction of Vodafone Idea Limited

Vodafone Group Plc, a UK based company, entered Indian market by acquiring a controlling interest of 67% in Hutch Essar in 2007. In September 2007, Vodafone Brand was first launched in India. Vodafone’s customer base had increased around 550%, from 30 million to around 164 million customers in 2014 since it was launched in 2007. It became truly pan-Indian business, operating in all 22 circles and providing employment to nearly 100,000 people directly and indirectly across the country. Vodafone continued to invest heavily in building network, and it has built more than 95,000 base stations, totalling it to over 120,000 to extend the coverage around 83% of the country in 2014. (TelecomTalk, 2014)

Picture 2 Vodafone India Journey



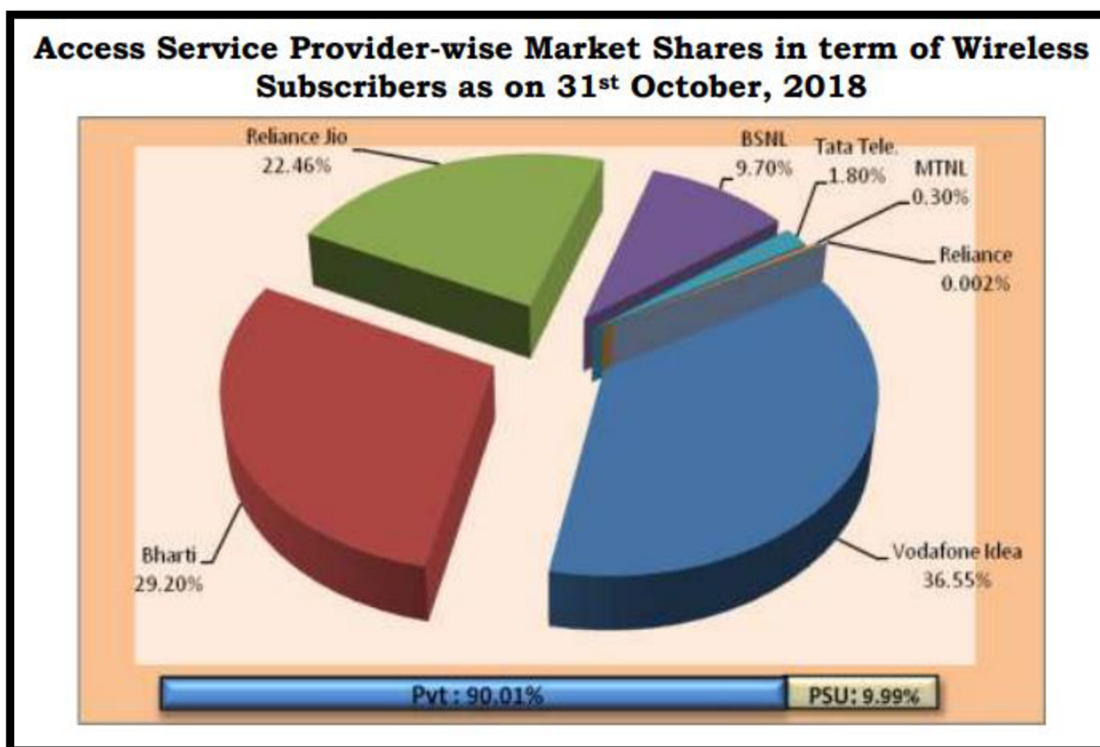
Source: (TelecomTalk, 2014)

In March 2014, Vodafone completed the acquisition of indirect equity interests in Vodafone India Limited held by Analjit Singh and Neelu Analjit Singh from Piramal, taking its stake to 89.03% of Vodafone India Limited. Vodafone acquired the remaining 10.97% from Piramal Enterprises Limited. (Vodafone Acquires 100% of Vodafone India, n.d.)

Merger of Vodafone India and Idea: creating the largest telecom operator in India:

On 20th March 2017, Vodafone Group announced that it will merge Vodafone India business with Idea Cellular Ltd, third largest operator, and form a new company to become largest operator of India with a subscriber base of around 270 million and biggest market share of around 37%. Vodafone India and Idea Cellular Ltd merged on 31st August 2018 to form a new company, Vodafone Idea Ltd and later they announced a new brand name “Vi”.

Picture 3 Market Share in term of Wireless Subscribers as on 31st October 2018

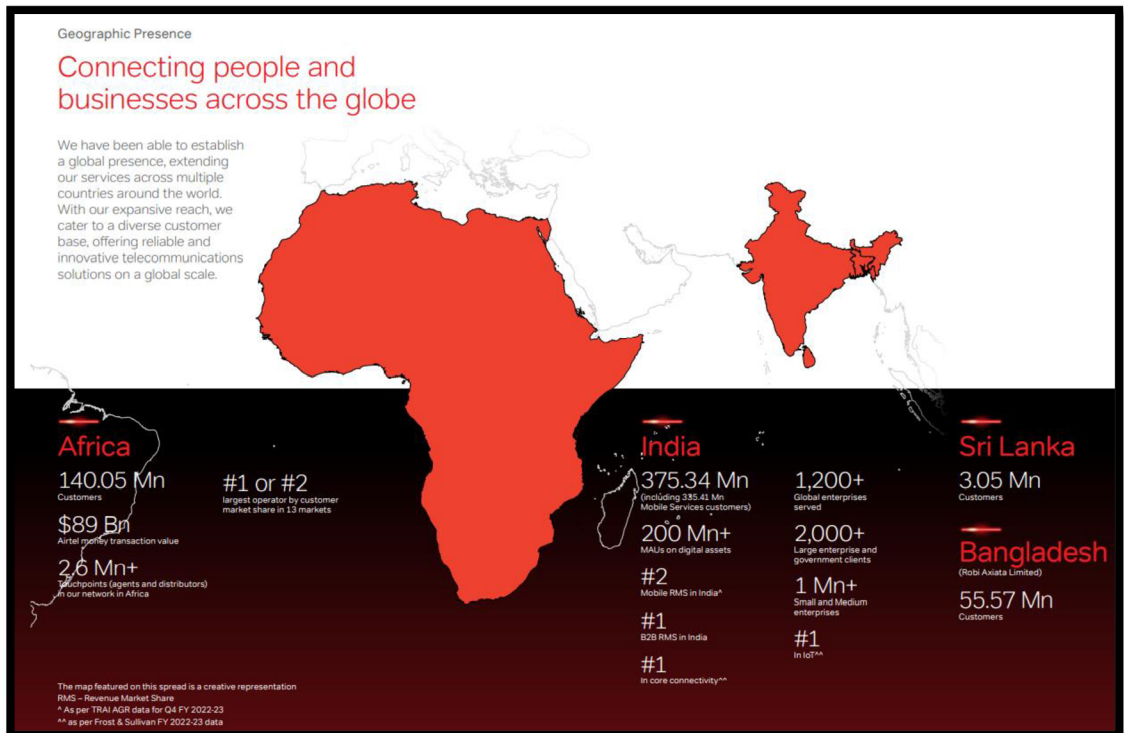


Source: (Telecom Subscriptions Reports, 2018)

4.2 Introduction - Airtel: A Global Indian Brand

Bharti Airtel Limited, known as Airtel, is an Indian global telecommunications service provider headquartered in New Delhi. Airtel, founded in 1995, is a large worldwide telecommunications company that operates in 18 countries across Asia and Africa with over 500 million subscriber base. Furthermore, it is India's second largest cellular network service provider in terms of subscriber numbers. As of December 2022, Bharti Airtel controls more than 34% of India's rural telecom market. It has a significant presence in metropolitan India as well. (Airtel. Statista, Jan 2024)

Picture 4 Snapshot of Company's Presence Worldwide



Source: Company Annual Report - https://www.airtel.in/airtel-annual-report-2022-23/pdf/Airtel_IR_2022-23.pdf

In addition to its popular mobile services with 335 million subscriber base, Bharti Airtel offers tele media and digital television services to its customers. The subscriber base for all its services is constantly increasing across the country. As of fiscal year 2022, Bharti Airtel had roughly 15.9 million subscribers in India for its digital TV services. Bharti Airtel's diverse offerings and ever-increasing user base have brought

it to the forefront of Indian brand recognition. Bharti Airtel's brand value was estimated to be around 7.5 billion US dollars in 2023. Airtel has a significant presence in the Indian market, where it offers mobile data services, digital television, software, and cloud services to the country's fastest growing market. (Airtel. Statista, Jan 2024)

4.3 Analysis of Financial Position of Vodafone Idea Ltd

In this chapter of the thesis, will do analysis on financial position represented by balance sheet of Vodafone Idea Ltd for the period 2019 to 2023 with the use of horizontal and vertical analysis. Further, also compute selected ratios to get insight on financial position of Vodafone Idea Ltd over a selected period of 5 years.

4.3.1 Horizontal Analysis of Balance Sheet of Vodafone Idea Ltd

Horizontal analysis of balance sheet of Vodafone Idea Ltd will help to compare how it is changing over a period of 5 years from 2019 to 2023. It will represent how company management is able to manage its assets and liabilities.

Table 1 Horizontal analysis of Assets (Vodafone Idea Ltd)

Horizontal Analysis - Vodafone Idea Ltd - Consolidated Statement of Financial Position (in INR Millions)								
Particulars	2019-20	%	2020-21	%	2021-22	%	2022-23	%
Assets								
Non-current assets								
Property, plant and equipment	1,60,587	32.0%	-87,409	-13.2%	-39,377	-6.8%	61,884	11.5%
Capital work-in-progress	-13,172	-55.8%	-4,419	-42.4%	-2,757	-46.0%	-236	-7.3%
Investment property	-12	-1.8%	-660	-100.0%	0	0.0%	0	0.0%
Goodwill on consolidation	-36	-100.0%	0	0.0%	0	0.0%	0	0.0%
Other Intangible assets	-80,175	-6.3%	-95,392	-8.0%	-67,341	-6.1%	-67,518	-6.5%
Intangible assets under development	-26,477	-96.5%	-903	-93.5%	341	541.3%	175357	43405.2%
Investments	-54	-0.4%	-15,203	-99.7%	12	29.3%	5	9.4%
Financial assets								
Long term loans to employees	-6	-75.0%	-2	-100.0%	0	0.0%	0	0.0%
Other non-current financial assets	72,095	695.8%	-5,134	-6.2%	11,169	14.4%	9	0.0%
Deferred tax assets (net)	-1,03,365	-100.0%	3	15.0%	37	160.9%	75	125.0%
Other non-current assets	-20,233	-13.0%	595	0.4%	-23,959	-17.7%	-8,114	-7.3%
Total non-current assets (A)	-10,848	-0.5%	-2,08,524	-9.9%	-1,21,875	-6.4%	1,61,462	9.1%
Current assets								
Inventories	-17	-40.5%	-19	-76.0%	17	283.3%	140	608.7%
Financial assets								
Current investments	-62,540	-93.2%	-4,548	-100.0%	0	0.0%	0	0.0%
Trade receivables	-2,057	-6.2%	-5,873	-19.0%	-631	-2.5%	-2,799	-11.5%
Cash and cash equivalents	-4,720	-56.0%	-205	-5.5%	11,029	314.8%	-12,244	-84.3%
Bank balance	21,442	1448.8%	-4,260	-18.6%	1,772	9.5%	-14,168	-69.3%
Loans to joint venture and others	-10	-52.6%	0	0.0%	-9	-100.0%	0	0.0%
Other current financial assets	22,353	3287.2%	-20,916	-90.8%	-1,361	-64.3%	-362	-47.9%
Current tax assets	0	0.0%	0	0.0%	6,031	0.0%	-6,031	-100.0%
Other current assets	10,413	14.6%	9,302	11.4%	11,165	12.3%	5,645	5.5%
Total current assets (B)	-15,136	-8.3%	-26,519	-15.9%	28,013	20.0%	-29,819	-17.7%
Assets classified as held for sale (AHFS) (C)	-1,815	-100.0%	653	100.0%	-653	-100.0%	493	0.0%
Total Assets (A+B+C)	-27,799	-1.2%	-2,34,390	-10.3%	-94,515	-4.6%	1,32,136	6.8%

Source: Own processing based on statement of financial position of Vodafone Idea Ltd

Above table depicts movement of assets over a period of 2019 to 2023 for Vodafone Idea Ltd. Property, Plant and Equipment increased in 2020 by 32% as compared to 2019 but then it kept on decreasing year on year till 2022. It was again increased by 11.5% in 2023 as compared to 2022. Capital work in progress has been in constant pressure and kept on reducing year on year, it was decreased by 55.8% in 2020, 42.4% in 2021, 46% in 2022 and 7.3% in 2023 as compared to previous years. Total non-current assets have seen very high reduction in 2020 to 2022 and again seen improvement in 2023. Current Assets has also reflected the same phenomenon. Current Investment wiped out from balance sheet between 2019 to 2021. This reflects that the company has been in very high pressure to maintain its financial position.

Table 2 Horizontal analysis of Equity & Liabilities (Vodafone Idea Ltd)

Horizontal Analysis - Vodafone Idea Ltd - Consolidated Statement of Financial Position (in INR Millions)								
Particulars	2019-20	%	2020-21	%	2021-22	%	2022-23	%
Equity and Liabilities								
Equity								
Equity share capital	1,99,998	228.95%	0	0.00%	33,834	11.77%	1,65,609	51.56%
Other equity	-7,36,547	-144.71%	-4,42,079	194.27%	-2,71,202	40.50%	-2,89,552	30.78%
Total equity (A)	-5,36,549	-89.97%	-4,42,079	-739.27%	-2,37,368	62.09%	-1,23,943	20.00%
Liabilities								
Non-current liabilities								
Financial liabilities								
Loans from banks and others	-80,847	-48.37%	-21,433	-24.84%	-36,483	-56.26%	-19,012	-67.03%
Deferred payment obligations	-378	-0.04%	6,32,784	72.19%	2,21,836	14.70%	1,52,405	8.80%
Lease Liabilities	1,64,109	100.00%	-54,565	-33.25%	4,781	4.36%	1,36,287	119.21%
Trade payables	-2,020	-23.27%	-5,392	-80.96%	-416	-32.81%	206	24.18%
Other non-current financial liabilities	12,583	12.92%	-46,689	-42.46%	5,186	8.20%	-1,838	-2.68%
Long term provisions	-46	-1.33%	-3,005	-87.84%	-32	-7.69%	-149	-38.80%
Deferred tax liabilities (net)	-433	-91.93%	-16	-42.11%	-22	-100.00%	-	0.00%
Other non-current liabilities	376	8.88%	-230	-4.99%	689	15.73%	-708	-13.96%
Total non-current liabilities (B)	93,344	8.06%	5,01,454	40.06%	1,95,539	11.15%	2,67,191	13.71%
Current liabilities								
Financial liabilities								
Short term borrowings	-40,885	-99.22%	2,28,626	71001.86%	-79,279	-34.63%	-26,710	-17.85%
Lease Liabilities	1,04,421	100.00%	134	0.13%	9,554	9.14%	-2,921	-2.56%
Trade payables	-8,852	-7.00%	15,123	12.86%	-1,058	-0.80%	3,665	2.78%
Other current financial liabilities	-31,232	-10.28%	-1,39,398	-51.12%	6,290	4.72%	13,951	9.99%
Other current liabilities	3,92,707	565.05%	-3,98,215	-86.16%	12,027	18.79%	993	1.31%
Short term provisions	114	30.08%	-35	-7.10%	-220	-48.03%	-90	-37.82%
Total current liabilities (C)	4,16,273	76.87%	-2,93,765	-30.67%	-52,686	-7.93%	-11,112	-1.82%
Liabilities classified as held for sale (D)	-867	-100.00%	-	0.00%	-	0.00%	-	0.00%
Total Equity and Liabilities (A+B+C+D)	-27,799	-1.21%	-2,34,390	-10.33%	-94,515	-4.64%	1,32,136	6.81%

Source: Own processing based on statement of financial position of Vodafone Idea Ltd

Above table depicts movement of equity and liabilities over a period of 2019 to 2023 for Vodafone Idea Ltd. Equity Share Capital has increased in 2020 due to allotment of rights issue but Total Equity has been negative and kept on increasing negatively due to losses added in retained earnings and reported under other equity. Company has been constantly reporting losses and this has negatively impacted shareholders equity with the highest impact of 739% in the year 2021 as compared to 2020. Non-current liabilities had also significantly rose year over year with a maximum impact of 40% in the year 2021 as compared to 2020 due to deferred payment obligations.

4.3.2 Vertical Analysis of Balance Sheet of Vodafone Idea Ltd

Vertical analysis of balance sheet of Vodafone Idea Ltd will help in comparing relative changes in terms of its base value over a period of 5 years from 2019 to 2023. It will represent how company management is able to manage its assets and liabilities.

Table 3 Vertical analysis of Assets (Vodafone Idea Ltd)

Vertical Analysis - Vodafone Idea Ltd - Consolidated Statement of Financial Position (in INR Millions)										
Particulars	2019	%	2020	%	2021	%	2022	%	2023	%
Assets										
Non-current assets										
Property, plant and equipment	5,02,526	21.88%	6,63,113	29.22%	5,75,704	28.29%	5,36,327	27.64%	5,98,211	28.87%
Capital work-in-progress	23,587	1.03%	10,415	0.46%	5,996	0.29%	3,239	0.17%	3,003	0.14%
Investment property	672	0.03%	660	0.03%	0	0.00%	0	0.00%	0	0.00%
Goodwill on consolidation	36	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Other Intangible assets	12,74,767	55.50%	11,94,592	52.64%	10,99,200	54.02%	10,31,859	53.18%	9,64,341	46.53%
Intangible assets under development	27,443	1.19%	966	0.04%	63	0.00%	404	0.02%	175761	8.48%
Investments	15,298	0.67%	15,244	0.67%	41	0.00%	53	0.00%	58	0.00%
Financial assets		0.00%		0.00%		0.00%		0.00%		0.00%
Long term loans to employees	8	0.00%	2	0.00%	0	0.00%	0	0.00%	0	0.00%
Other non-current financial assets	10,362	0.45%	82,457	3.63%	77,323	3.80%	88,492	4.56%	88,501	4.27%
Deferred tax assets (net)	1,03,385	4.50%	20	0.00%	23	0.00%	60	0.00%	135	0.01%
Other non-current assets	1,55,099	6.75%	1,34,866	5.94%	1,35,461	6.66%	1,11,502	5.75%	1,03,388	4.99%
Total non-current assets (A)	21,13,183	92.00%	21,02,335	92.65%	18,93,811	93.07%	17,71,936	91.32%	19,33,398	93.29%

Current assets										
Inventories	42	0.00%	25	0.00%	6	0.00%	23	0.00%	163	0.01%
Financial assets										
Current investments	67,088	2.92%	4,548	0.20%	0	0.00%	0	0.00%	0	0.00%
Trade receivables	33,000	1.44%	30,943	1.36%	25,070	1.23%	24,439	1.26%	21,640	1.04%
Cash and cash equivalents	8,428	0.37%	3,708	0.16%	3,503	0.17%	14,532	0.75%	2,288	0.11%
Bank balance	1,480	0.06%	22,922	1.01%	18,662	0.92%	20,434	1.05%	6,266	0.30%
Loans to joint venture and others	19	0.00%	9	0.00%	9	0.00%	0	0.00%	0	0.00%
Other current financial assets	680	0.03%	23,033	1.02%	2,117	0.10%	756	0.04%	394	0.02%
Current tax assets	0	0.00%	0	0.00%	0	0.00%	6,031	0.31%	0	0.00%
Other current assets	71,260	3.10%	81,673	3.60%	90,975	4.47%	1,02,140	5.26%	1,07,785	5.20%
Total current assets (B)	1,81,997	7.92%	1,66,861	7.35%	1,40,342	6.90%	1,68,355	8.68%	1,38,536	6.68%
Assets classified as held for sale (AHFS) (C)	1,815	0.08%	0	0.00%	653	0.03%	0	0.00%	493	0.02%
Total Assets (A+B+C)	22,96,995	100.00%	22,69,196	100.00%	20,34,806	100.00%	19,40,291	100.00%	20,72,427	100.00%

Source: Own processing based on statement of financial position of Vodafone Idea Ltd

Above table depicts distribution of each asset out of total assets over a period of 2019 to 2023 for Vodafone Idea Ltd. Total Non-current assets are major portion of total assets, from which Property, Plant and Equipment has increased from 21.88% in the year 2019 to 28.87% in the year 2023 whereas the major proportion of this is in other intangible assets which consist of spectrum allocated to company for telecommunication operations. This shows the major proportion of investment of a company is attributed to spectrum as a major asset required to operate in business.

Table 4 Vertical analysis of Equity & Liabilities (Vodafone Idea Ltd)

Vertical Analysis - Vodafone Idea Ltd - Consolidated Statement of Financial Position (in INR Millions)										
Particulars	2019	%	2020	%	2021	%	2022	%	2023	%
Equity and Liabilities										
Equity										
Equity share capital	87,356	3.80%	2,87,354	12.66%	2,87,354	14.12%	3,21,188	16.55%	4,86,797	23.49%
Other equity	5,08,992	22.16%	-2,27,555	-10.03%	-6,69,634	-32.91%	-9,40,836	-48.49%	12,30,388	-59.37%
Total equity (A)	5,96,348	25.96%	59,799	2.64%	-3,82,280	-18.79%	-6,19,648	-31.94%	-7,43,591	-35.88%
Liabilities										

Non-current liabilities										
Financial liabilities										
Loans from banks and others	1,67,126	7.28%	86,279	3.80%	64,846	3.19%	28,363	1.46%	9,351	0.45%
Deferred payment obligations	8,76,903	38.18%	8,76,525	38.63%	15,09,309	74.17%	17,31,145	89.22%	18,83,550	90.89%
Lease Liabilities	-	0.00%	1,64,109	7.23%	1,09,544	5.38%	1,14,325	5.89%	2,50,612	12.09%
Trade payables	8,680	0.38%	6,660	0.29%	1,268	0.06%	852	0.04%	1,058	0.05%
Other non-current financial liabilities	97,381	4.24%	1,09,964	4.85%	63,275	3.11%	68,461	3.53%	66,623	3.21%
Long term provisions	3,467	0.15%	3,421	0.15%	416	0.02%	384	0.02%	235	0.01%
Deferred tax liabilities (net)	471	0.02%	38	0.00%	22	0.00%	-	0.00%	-	0.00%
Other non-current liabilities	4,235	0.18%	4,611	0.20%	4,381	0.22%	5,070	0.26%	4,362	0.21%
Total non-current liabilities (B)	11,58,263	50.43%	12,51,607	55.16%	17,53,061	86.15%	19,48,600	100.43%	22,15,791	106.92%
Current liabilities										
Financial liabilities										
Short term borrowings	41,207	1.79%	322	0.01%	2,28,948	11.25%	1,49,669	7.71%	1,22,959	5.93%
Lease Liabilities	-	0.00%	1,04,421	4.60%	1,04,555	5.14%	1,14,109	5.88%	1,11,188	5.37%
Trade payables	1,26,486	5.51%	1,17,634	5.18%	1,32,757	6.52%	1,31,699	6.79%	1,35,364	6.53%
Other current financial liabilities	3,03,946	13.23%	2,72,714	12.02%	1,33,316	6.55%	1,39,606	7.20%	1,53,557	7.41%
Other current liabilities	69,499	3.03%	4,62,206	20.37%	63,991	3.14%	76,018	3.92%	77,011	3.72%
Short term provisions	379	0.02%	493	0.02%	458	0.02%	238	0.01%	148	0.01%
Total current liabilities (C)	5,41,517	23.58%	9,57,790	42.21%	6,64,025	32.63%	6,11,339	31.51%	6,00,227	28.96%
Liabilities classified as held for sale (D)	867	0.04%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Total Equity and Liabilities (A+B+C+D)	22,96,995	100.00%	22,69,196	100.00%	20,34,806	100.00%	19,40,291	100.00%	20,72,427	100.00%

Source: Own processing based on statement of financial position of Vodafone Idea Ltd

Above table depicts distribution of each equity or liability out of total equity and liability over a period of 2019 to 2023 for Vodafone Idea Ltd. Total Equity has moved from 25.96% to -35.88% between 2019 to 2023, which depicts erosion of shareholders equity due to constant losses reported by the company. Non-current liabilities have drastically increased

from 2019 to 2023 at 106.92% from 50.43% due to issue of deferred payment obligations which rose to 90.89% from 38.18% in 2023 from 2019 respectively. This has been a concern of overburden on company's financial position.

4.4 Analysis of Financial Performance of Vodafone Idea Ltd

In this chapter of the thesis, will focus on analysis on financial performance represented by income statement of Vodafone Idea Ltd for the period 2019 to 2023 with the use of horizontal and vertical analysis. Further, also compute selected ratios to get insight on financial performance of Vodafone Idea Ltd over a selected period of 5 years.

4.4.1 Horizontal Analysis of Income Statement of Vodafone Idea Ltd

Horizontal analysis of income statement of Vodafone Idea Ltd will help to compare how it is changing over a period of 5 years from 2019 to 2023. It will represent how company management is able to use its resources to generate profits.

Table 5 Horizontal analysis of Income Statement (Vodafone Idea Ltd)

Horizontal Analysis - Vodafone Idea Ltd - Statement of Financial Performancedcs (in INR Millions)								
Particulars	2019-20	%	2020-21	%	2021-22	%	2022-23	%
Revenue	81,732	21.6%	-38,704	-8.4%	-34,815	-8.3%	38,436	9.9%
Cost of Services	-31,628	-11.3%	-39,866	-16.1%	-18,740	-9.0%	27,547	14.6%
Gross Profit	1,13,360	114.6%	1,162	0.5%	-16,075	-7.5%	10,889	5.5%
Administration Expenses	2,380	4.7%	-10,519	-19.9%	-6,531	-15.5%	1,261	3.5%
Operating Profit	1,10,980	228.6%	11,681	7.3%	-9,544	-5.6%	9,628	6.0%
Finance costs	58,495	61.3%	26,061	16.9%	29,827	16.6%	23,735	11.3%
Deprecation	74,096	95.0%	-7,067	-4.6%	1,556	1.1%	-3,985	-2.7%
Amortisation	24,112	35.8%	-112	-0.1%	-2,098	-2.3%	-1,361	-1.5%
Exceptional items (net)	3,92,078	-4601.3%	-1,83,876	-47.9%	-1,98,038	-99.2%	-1,867	-113.6%
Profit/(Loss) before tax	-4,37,801	238.3%	1,76,675	-28.4%	1,59,209	-35.8%	-6,894	2.4%

Source: Own processing based on Income Statement of Vodafone Idea Ltd

It may be noted that company has reported very high growth of revenue in 2020 as compared to 2019 by 21.6% but then it has lost the momentum in the years 2020 to 2022 by around 8% of decrease until it has again recovered to the growth of 9.9% in the year 2023.

It is seen that the company has increased financial cost by 61.3% in the year 2020 as compared to 2019 and it is observed that financial cost kept increasing year on year from 2019 to 2023. It is noted from annual report of the company that due to AGR judgement by

honourable Supreme Court of India against telecom companies forced them to pay outstanding amount including interest and penalties on immediate basis. This has resulted in sudden sock on financial performance and profits of the company.

4.4.2 Vertical Analysis of Income Statement of Vodafone Idea Ltd

Vertical analysis of income statement of Vodafone Idea Ltd will help in comparing relative changes in terms of its base value over a period of 5 years from 2019 to 2023. It will represent how various costs are distributed as compared to revenue. It will also represent the ability of management to control the operational and other costs to maximize profitability.

Table 6 Vertical analysis of Income Statement (Vodafone Idea Ltd)

Vertical Analysis - Vodafone Idea Ltd - Statement of Financial Performance					
Particulars	2019	2020	2021	2022	2023
Revenue	100%	100%	100%	100%	100%
Cost of Services	74%	54%	49%	49%	51%
Gross Profit	26%	46%	51%	51%	49%
Administration Expenses	13%	11%	10%	9%	9%
Operating Profit	13%	35%	41%	42%	40%
Finance costs	25%	33%	43%	54%	55%
Deprecation	21%	33%	34%	38%	34%
Amortisation	18%	20%	22%	23%	21%
Exceptional items (net)	-2%	83%	47%	0%	0%
Profit/(Loss) before tax	-49%	-135%	-106%	-74%	-69%

Source: Own processing based on Income Statement of Vodafone Idea Ltd

It is noted from above table that company has very high cost of services of 74% in the year 2019 and then it was reduced to around 50% during the period 2020 to 2023.

Administration expenses has been reduced from 13% in 2019 to 11% in 2020, 10% in 2021 and 9% in 2023. This shows that management has worked towards reducing some of general administrative expenses.

Operating profits has been constantly increased from 13% in 2019 to 35% in 2020, 41% in 2021 and 42% in 2022. It was reduced marginally by 2% in 2023.

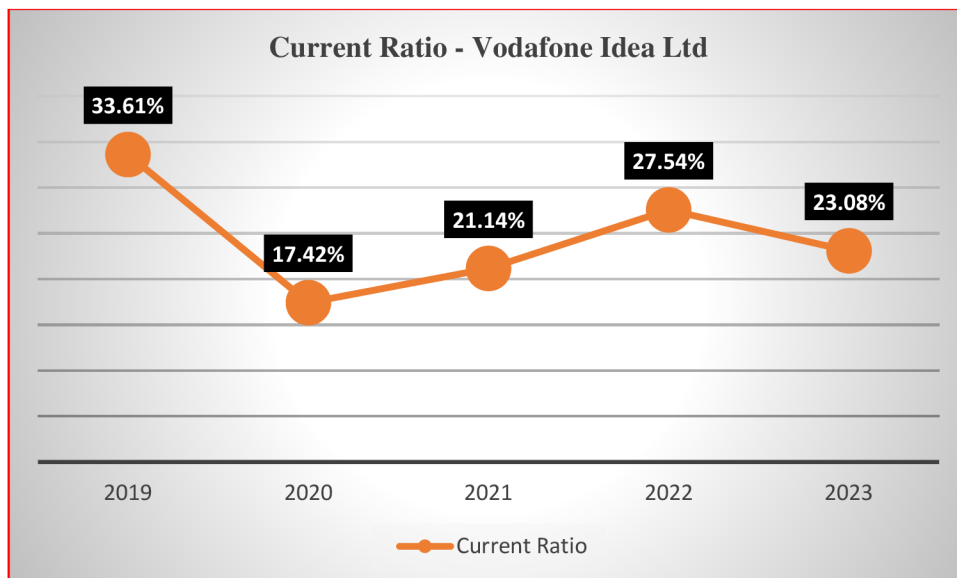
Finance and depreciation costs has increased year on year from 25% and 21% in 2019 to 55% and 34% in 2023 respectively. This shows the issues faced by management to fund working capital and other fund requirements and paying higher cost to run business operations.

We may notice very high proportionate of exceptional costs in the year 2020 and 2021 around 83% and 47% respectively due to immediate liability and cost reported basis on AGR case judgement by honourable Supreme Court of India. This has impacted and resulted with very high losses of 135% and 106%.

4.5 Financial Ratio Analysis of Vodafone Idea Ltd

A. Current Ratio: It measures a company’s ability to pay off short-term liabilities with current assets. It can be seen from below graph that current ratio was 33.61% in 2019 which has reduced to 23.08% in 2023. This shows that company do not have enough coverage to pay its liabilities due within one year by current assets.

Chart 2 Current Ratio of Vodafone Idea Ltd (2019-2023)

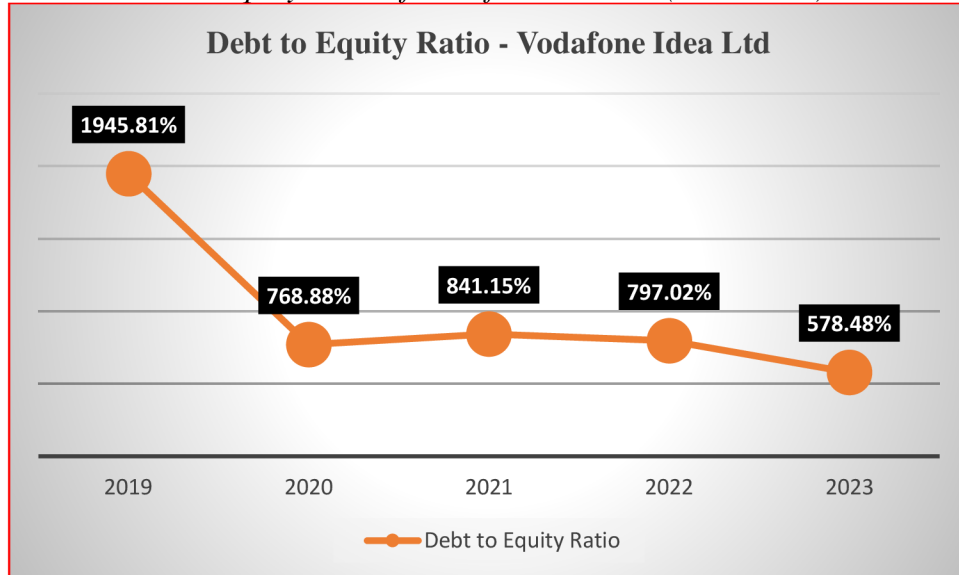


Year	2019	2020	2021	2022	2023
Current Assets	1,81,997	1,66,861	1,40,342	1,68,355	1,38,536
Current Liabilities	5,41,517	9,57,790	6,64,025	6,11,339	6,00,227
Current Ratio	33.61%	17.42%	21.14%	27.54%	23.08%

Source: Own processing based on Financial Statements of Vodafone Idea Ltd

B. Debt to Equity Ratio: It represents the proportionate of total debt and liabilities against shareholders' equity. Below graph shows that the company has very high debt to equity ratio, and it is highly leveraged.

Chart 3 Debt to Equity Ratio of Vodafone Idea Ltd (2019-2023)

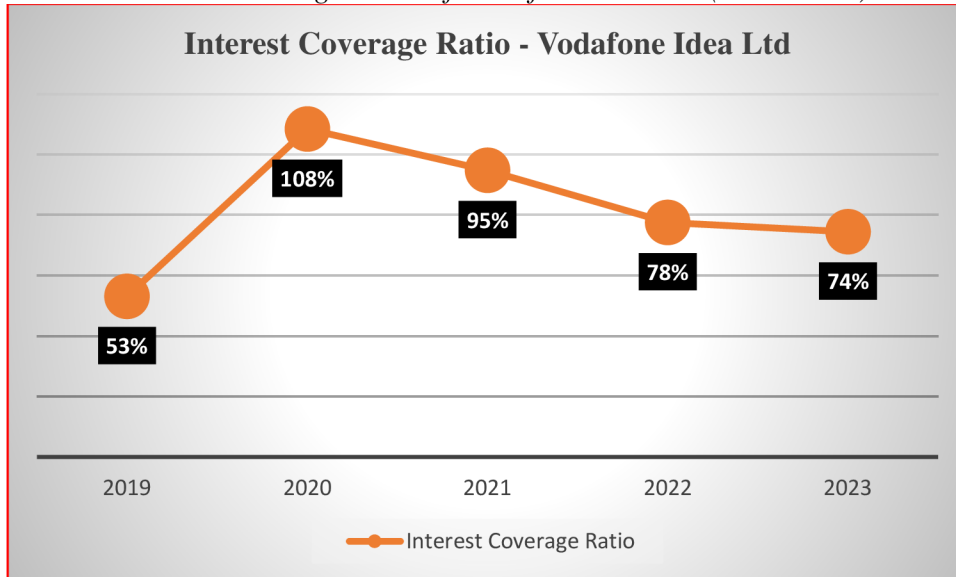


Year	2019	2020	2021	2022	2023
Total Liabilities	16,99,780	22,09,397	24,17,086	25,59,939	28,16,018
Shareholder's Equity	87,356	2,87,354	2,87,354	3,21,188	4,86,797
Debt to Equity Ratio	1945.81%	768.88%	841.15%	797.02%	578.48%

Source: Own processing based on Financial Statements of Vodafone Idea Ltd

C. Interest Coverage Ratio: It represents the coverage of interest expense by the operating income. It is worth to note that company is having very low coverage of operating income to cover interest expenses. It seems very high debt and interest burden on company.

Chart 4 Interest Coverage Ratio of Vodafone Idea Ltd (2019-2023)

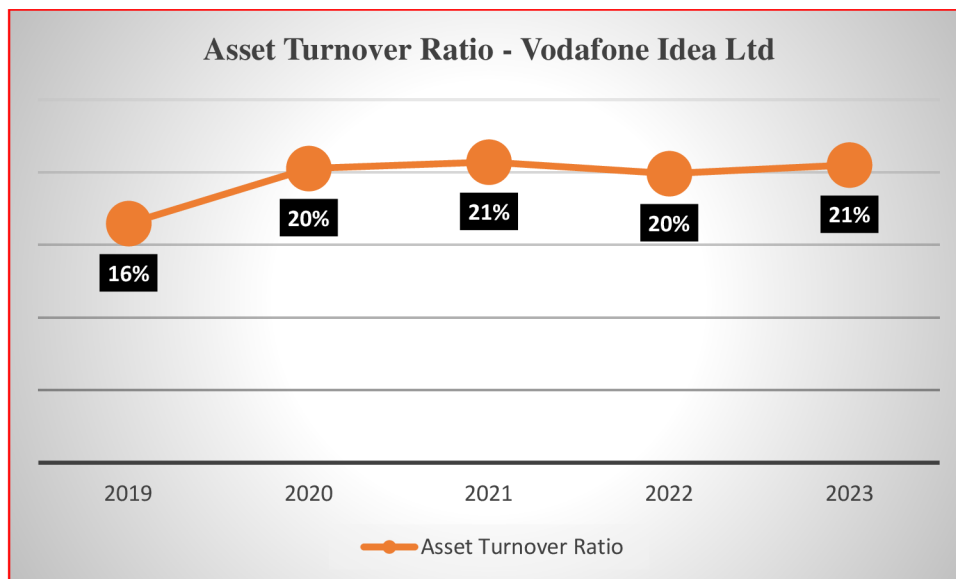


Year	2019	2020	2021	2022	2023
Operating Income	48,538	1,59,518	1,71,199	1,61,655	1,71,283
Interest Expenses	91,370	1,47,116	1,80,664	2,08,429	2,30,051
Interest Coverage Ratio	53%	108%	95%	78%	74%

Source: Own processing based on Financial Statements of Vodafone Idea Ltd

D. Asset Turnover Ratio: It measures a company's ability to generate sales from assets. Company has improved its asset turnover from 16% to 21% but it is still relatively low.

Chart 5 Asset Turnover Ratio – Vodafone Idea Ltd (2019-2023)

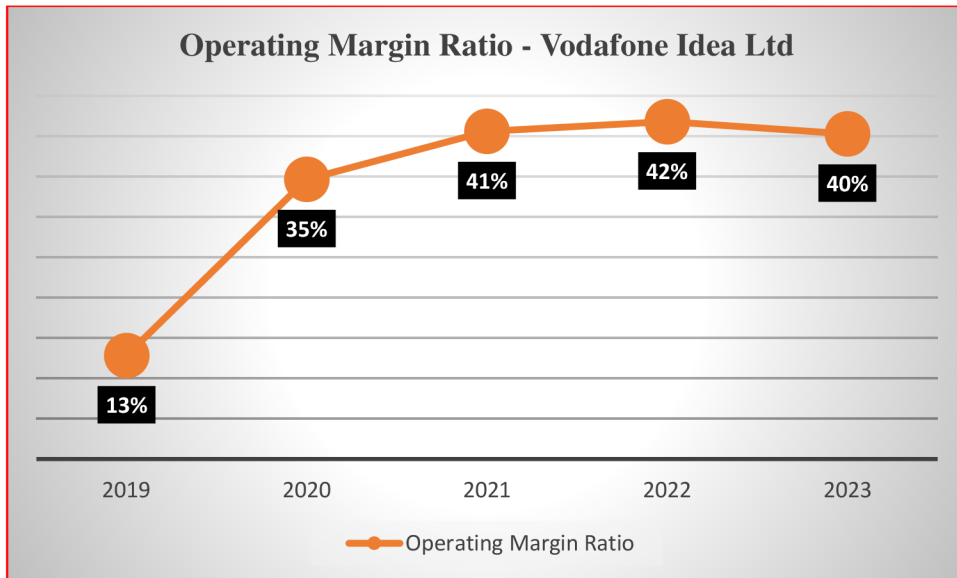


Year	2019	2020	2021	2022	2023
Net Sales	3,78,236	4,59,968	4,21,264	3,86,449	4,24,885
Total Assets	22,96,995	22,69,196	20,34,806	19,40,291	20,72,427
Asset Turnover Ratio	16%	20%	21%	20%	21%

Source: Own processing based on Financial Statements of Vodafone Idea Ltd

E. Operating Margin Ratio: It compares the operating income of a company to its net sales to determine operating efficiency. Company was struggling with operating margins in 2019 but has turnaround to increase revenues and reduce expenses to generate around 35% in 2020 and 40% operating margins 2021 onwards.

Chart 6 Operating Margin Ratio – Vodafone Idea Ltd (2019-2023)

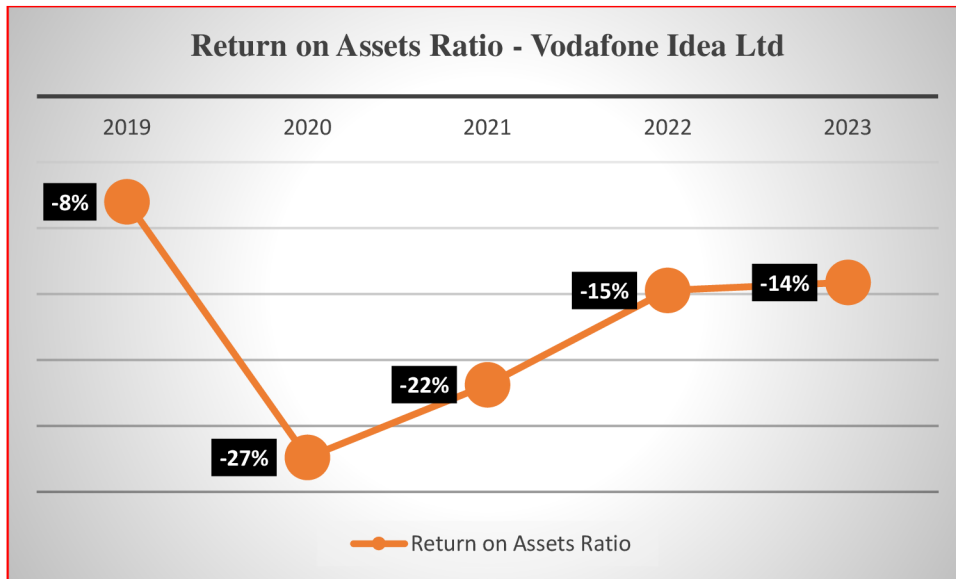


Year	2019	2020	2021	2022	2023
Operating Income	48,538	1,59,518	1,71,199	1,61,655	1,71,283
Net Sales	3,78,236	4,59,968	4,21,264	3,86,449	4,24,885
Operating Margin Ratio	13%	35%	41%	42%	40%

Source: Own processing based on Financial Statements of Vodafone Idea Ltd

F. Return on Assets Ratio: It represents efficiency of a company to use its assets to generate profit. This ratio is negative since the company is constantly reporting loss year on year from 2019 to 2023.

Chart 7 Return on Assets Ratio – Vodafone Idea Ltd (2019-2023)

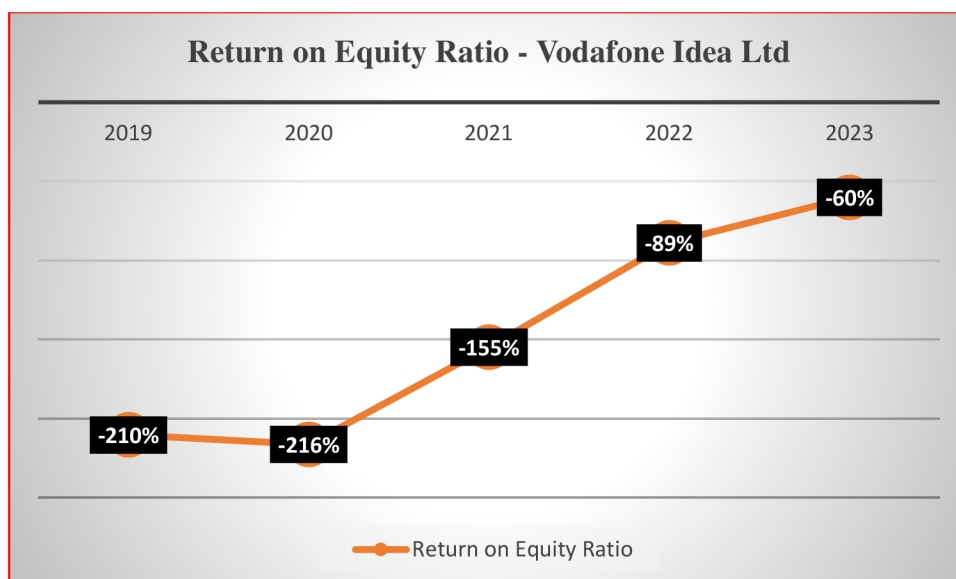


Year	2019	2020	2021	2022	2023
Net Income	-1,83,722	-6,21,523	-4,44,848	-2,85,639	-2,92,533
Total Assets	22,96,995	22,69,196	20,34,806	19,40,291	20,72,427
Return on Assets Ratio	-8%	-27%	-22%	-15%	-14%

Source: Own processing based on Financial Statements of Vodafone Idea Ltd

G. Return on Equity Ratio: It measures how efficiently a company is using its equity to generate profit. This ratio is negative since the company is constantly reporting loss year on year from 2019 to 2023.

Chart 8 Return on Equity Ratio – Vodafone Idea Ltd (2019-2023)



Year	2019	2020	2021	2022	2023
Net Income	-1,83,722	-6,21,523	-4,44,848	-2,85,639	-2,92,533
Shareholder's Equity	87,356	2,87,354	2,87,354	3,21,188	4,86,797
Return on Equity Ratio	-210%	-216%	-155%	-89%	-60%

Source: Own processing based on Financial Statements of Vodafone Idea Ltd

4.6 Analysis Financial Position of Bharti Airtel Ltd

In this chapter of the thesis, will do analysis on financial position represented by balance sheet of Bharti Airtel Ltd for the period 2019 to 2023 with the use of horizontal and vertical analysis. Further, also compute selected ratios to get insight on financial position of Bharti Airtel Ltd over a selected period of 5 years.

4.6.1 Horizontal Analysis of Balance Sheet of Bharti Airtel Ltd

Horizontal analysis of balance sheet of Bharti Airtel Ltd will help to compare how it is changing over a period of 5 years from 2019 to 2023. It will represent how company management is able to manage its assets and liabilities.

Table 7 Horizontal analysis of Assets (Bharti Airtel Ltd)

Horizontal Analysis - Bharti Airtel Ltd - Consolidated Statement of Financial Position (in INR Millions)								
Particulars	2019-20	%	2020-21	%	2021-22	%	2022-23	%
Assets								
Non-current assets								
Property, plant and equipment	62,345	7.65%	-19,527	-2.23%	47,679	5.56%	46,516	5.14%
Capital work-in-progress	-48,461	-54.80%	3,693	9.24%	-1,279	-2.93%	67,907	160.21%
Right-of-use assets	259049	0.00%	29,068	11.22%	34,169	11.86%	2,24,180	69.56%
Goodwill	13,630	4.10%	-17,128	-4.95%	9,249	2.81%	-572	-0.17%
Other intangible assets	-50,784	-5.90%	-50,172	-6.20%	1,14,940	15.13%	62,981	7.20%
Intangible assets under development	-5,058	-63.95%	10,749	377.03%	3,561	26.18%	3,66,800	2137.40%
Investment in joint ventures and associates	7,871	8.85%	1,37,538	142.07%	49,922	21.30%	-2,430	-0.85%
Financial assets								
- Investments	-1,663	-7.58%	-19901	-98.14%	232	61.54%	47	7.72%
- Derivative instruments	-3,064	-98.68%	432	1053.66%	-255	-53.91%	636	291.74%
- Security deposits	-7,724	-46.95%	-1,574	-18.03%	-7154	-100.00%	0	0.00%
- Others	5,454	59.01%	1,079	7.34%	6,740	42.73%	3,448	15.31%
Income tax assets (net)	3,394	19.18%	151	0.72%	-3,760	-17.70%	2,920	16.71%

Deferred tax assets (net)	1,80,781	202.26%	-69,296	-25.65%	-1,614	-0.80%	-9,731	-4.88%
Other non-current assets	2,670	3.73%	66,279	89.35%	-48,898	-34.81%	12,336	13.47%
Total non-current assets (A)	4,18,440	17.27%	71,391	2.51%	2,03,532	6.99%	7,75,038	24.87%
Current assets								
Inventories	685	77.49%	1,091	69.53%	1,090	40.98%	-1,174	-31.31%
Financial assets								
- Investments	91,447	197.80%	-96,898	-70.38%	-32,167	-78.88%	38,431	446.15%
- Derivative instruments	2366	555.40%	-2,291	-82.06%	60	11.98%	722	128.70%
- Trade receivables	3,052	7.10%	-9,681	-21.02%	4,185	11.50%	-747	-1.84%
- Cash and cash equivalents	73,386	118.13%	-54,648	-40.33%	-19,900	-24.61%	10,835	17.77%
- Other bank balances	4,901	26.46%	30,382	129.73%	20,182	37.51%	-11,592	-15.67%
- Others	1,90,180	934.87%	-18,576	-8.82%	22,750	11.85%	6,168	2.87%
Other current assets	71,773	52.35%	-68,282	-32.69%	-23,450	-16.68%	12,091	10.32%
Total current assets (B)	4,37,790	133.21%	-2,18,903	-28.56%	-27,250	-4.98%	54,734	10.52%
Total assets (A+B)	8,56,230	31.12%	-1,47,512	-4.09%	1,76,282	5.09%	8,29,772	22.82%

Source: Own processing based on Statement of Financial Position of Bharti Airtel Ltd

Above table depicts movement of assets over a period of 2019 to 2023 for Bharti Airtel Ltd. Total Assets has been improving and increasing over a period of 2019 to 2023 shows the company is reinvesting in business except for year 2021 as compared to 2020 where we see some decline of around 4%. Increasing Property, plant and equipment is aligned with movement of total assets to stable increase of around 5% year on year except for the year 2021 as compared to 2020 where it is observed around 2% of decline.

Very high ups and downs observed in capital work in progress, around 55% decrement in 2020 as compared to 2019, around 9% increment in 2021 as compared to 2020 and very high jump of around 160% in 2023 as compared to 2022.

Table 8 Horizontal analysis of Equity & Liability (Bharti Airtel Ltd)

Horizontal Analysis - Bharti Airtel Ltd - Consolidated Statement of Financial Position (in INR Millions)								
Particulars	2019-20	%	2020-21	%	2021-22	%	2022-23	%
Equity and Liabilities								
Equity								
Share capital	7,291	36.5%	182	0.7%	490	1.8%	416	1.5%
Other equity	49,935	7.2%	-1,82,103	-24.5%	75,526	13.4%	1,09,670	17.2%

Equity	57,226	8.0%	-1,81,921	-23.6%	76,016	12.9%	1,10,086	16.5%
Non-controlling interests ('NCL')	1,14,589	84.7%	-27,108	-10.8%	31,068	13.9%	35,007	13.8%
Total equity (A)	1,71,815	20.2%	-2,09,029	-20.5%	1,07,084	13.2%	1,45,093	15.8%
Non-current liabilities								
Financial liabilities								
- Borrowings	85,891	10.4%	1,94,811	21.4%	29,747	2.7%	3,80,336	33.5%
- Lease liabilities	1,96,125	412.4%	7,408	3.0%	39,476	15.7%	2,17,733	74.9%
- Derivative instruments	-534	-64.6%	294	100.7%	-412	-70.3%	3,349	1924.7%
- Others	5,268	8.5%	54,408	80.7%	-31,691	-26.0%	7,195	8.0%
Deferred revenue	4,858	27.0%	6,880	30.1%	534	1.8%	643	2.1%
Provisions	725	10.6%	-2,528	-33.5%	-381	-7.6%	105	2.3%
Deferred tax liabilities (net)	5,580	49.4%	-770	-4.6%	8,381	52.0%	-3,726	-15.2%
Other non-current liabilities	1760	410.3%	-469	-21.4%	-357	-20.8%	-334	-24.5%
Total non-current liabilities (B)	2,99,673	30.8%	2,60,034	20.4%	45,297	3.0%	6,05,301	38.4%
Current liabilities								
Financial liabilities								
- Borrowings	-1,43,063	-46.1%	-86,211	-51.6%	1,12,972	139.8%	-54,033	-27.9%
- Lease liabilities	62413	0.0%	16,454	26.4%	-1,795	-2.3%	19,388	25.2%
- Current maturities of long-term borrowings	26,632	37.1%	13,109	13.3%	-111473	-100.0%	0	0.0%
- Derivative instruments	-12,174	-95.5%	487	85.7%	-60	-5.7%	122	12.3%
- Trade payables	-19,470	-7.4%	35,053	14.4%	14,020	5.0%	36,205	12.4%
- Others	-254	-0.1%	26,247	15.0%	-6,717	-3.3%	47,536	24.5%
Deferred revenue	10,595	24.1%	8,547	15.7%	12,794	20.3%	9,066	11.9%
Provisions	4,44,021	6626.2%	-2,15,562	-47.8%	8,289	3.5%	13,843	5.7%
Current tax liabilities (net)	5,662	68.8%	1,309	9.4%	5,526	36.4%	-2,753	-13.3%
Other current liabilities	10,380	27.1%	2,050	4.2%	-9,655	-19.0%	10,004	24.3%
Total current liabilities (C)	3,84,742	41.4%	-1,98,517	-15.1%	23,901	2.1%	79,378	7.0%
Total liabilities	6,84,415	36.0%	61,517	2.4%	69,198	2.6%	6,84,679	25.2%
Total equity and liabilities	8,56,230	31.1%	-1,47,512	-4.1%	1,76,282	5.1%	8,29,772	22.8%

Source: Own processing based on Statement of Financial Position of Bharti Airtel Ltd

It is seen from the table that there is a rise in equity by around 13% and 16% respectively in the year 2022 and 2023 as compared to previous years which shows the company was able to source the fund requirements from shareholders. But, at the same time there is a rise in long term borrowings every year with the maximum spike of 33.5% in the year 2023 as compared to 2022.

There is a sharp rise of 412% in the year 2020 as compared to 2019 in lease liabilities and again 74.9% hike in the year 2023 as compared to 2022 in lease liabilities is observed. It depicts the shift in the resource allocation and change in strategy of management.

There was a spurt in the provision of year 2020 by 6626% as compared to 2019. It seems the provision has been created due to AGR case litigation resulting to liability to pay for which provisions were not considered in the books of accounts in earlier period.

4.6.2 Vertical Analysis of Balance Sheet of Bharti Airtel Ltd

Vertical analysis of balance sheet of Bharti Airtel Ltd will help in comparing relative changes in terms of its base value over a period of 5 years from 2019 to 2023. It will represent how company management is able to manage its assets and liabilities.

Table 9 Vertical analysis of Assets (Bharti Airtel Ltd)

Vertical Analysis - Bharti Airtel Ltd - Consolidated Statement of Financial Position (in INR Millions)										
Particulars	2019	%	2020	%	2021	%	2022	%	2023	%
Assets										
Non-current assets										
Property, plant and equipment	8,15,228	29.6%	8,77,573	24.3%	8,58,046	24.8%	9,05,725	24.9%	9,52,241	21.3%
Capital work-in-progress	88,433	3.2%	39,972	1.1%	43,665	1.3%	42,386	1.2%	1,10,293	2.5%
Right-of-use assets		0.0%	2,59,049	7.2%	2,88,117	8.3%	3,22,286	8.9%	5,46,466	12.2%
Goodwill	3,32,562	12.1%	3,46,192	9.6%	3,29,064	9.5%	3,38,313	9.3%	3,37,741	7.6%
Other intangible assets	8,60,525	31.3%	8,09,741	22.4%	7,59,569	22.0%	8,74,509	24.0%	9,37,490	21.0%
Intangible assets under development	7,909	0.3%	2,851	0.1%	13,600	0.4%	17,161	0.5%	3,83,961	8.6%
Investment in joint ventures and associates	88,937	3.2%	96,808	2.7%	2,34,346	6.8%	2,84,268	7.8%	2,81,838	6.3%
Financial assets										
- Investments	21,941	0.8%	20,278	0.6%	377	0.0%	609	0.0%	656	0.0%
- Derivative instruments	3,105	0.1%	41	0.0%	473	0.0%	218	0.0%	854	0.0%
- Security deposits	16,452	0.6%	8,728	0.2%	7,154	0.2%		0.0%		0.0%
- Others	9,242	0.3%	14,696	0.4%	15,775	0.5%	22,515	0.6%	25,963	0.6%
Income tax assets (net)	17,694	0.6%	21,088	0.6%	21,239	0.6%	17,479	0.5%	20,399	0.5%
Deferred tax assets (net)	89,379	3.2%	2,70,160	7.5%	2,00,864	5.8%	1,99,250	5.5%	1,89,519	4.2%
Other non-current assets	71,511	2.6%	74,181	2.1%	1,40,460	4.1%	91,562	2.5%	1,03,898	2.3%
Total non-current assets (A)	24,22,918	88.1%	28,41,358	78.8%	29,12,749	84.2%	31,16,281	85.7%	38,91,319	87.1%
Current assets										
Inventories	884	0.0%	1,569	0.0%	2,660	0.1%	3,750	0.1%	2,576	0.1%
Financial assets										
- Investments	46,232	1.7%	1,37,679	3.8%	40,781	1.2%	8,614	0.2%	47,045	1.1%

- Derivative instruments	426	0.0%	2,792	0.1%	501	0.0%	561	0.0%	1,283	0.0%
- Trade receivables	43,006	1.6%	46,058	1.3%	36,377	1.1%	40,562	1.1%	39,815	0.9%
- Cash and cash equivalents	62,121	2.3%	1,35,507	3.8%	80,859	2.3%	60,959	1.7%	71,794	1.6%
- Other bank balances	18,519	0.7%	23,420	0.6%	53,802	1.6%	73,984	2.0%	62,392	1.4%
- Others	20,343	0.7%	2,10,523	5.8%	1,91,947	5.5%	2,14,697	5.9%	2,20,865	4.9%
Other current assets	1,37,111	5.0%	2,08,884	5.8%	1,40,602	4.1%	1,17,152	3.2%	1,29,243	2.9%
Total current assets (B)	3,28,642	11.9%	7,66,432	21.2%	5,47,529	15.8%	5,20,279	14.3%	5,75,013	12.9%
Total assets (A+B)	27,51,560	100.0%	36,07,790	100.0%	34,60,278	100.0%	36,36,560	100.0%	44,66,332	100.0%

Source: Own processing based on Statement of Financial Position of Bharti Airtel Ltd

Property, plant and equipment was around 30% in 2019 out of total assets which has reduced year on year and reached 21% in the year 2023. Although, there is an increment in right-of-use-assets from 0% in 2019 to 12% in 2023, this shift shows the change in asset allocation and resource allocation strategies of management.

Trade Receivables, Investments and cash balance shows stable movement and stays at around 2% during the period 2019 to 2023.

Table 10 Vertical analysis of Equity & Liabilities (Bharti Airtel Ltd)

Vertical Analysis - Bharti Airtel Ltd - Consolidated Statement of Financial Position (in INR Millions)										
Particulars	2019	%	2020	%	2021	%	2022	%	2023	%
Equity and Liabilities										
Equity										
Share capital	19,987	0.73%	27,278	0.76%	27,460	0.79%	27,950	0.77%	28,366	0.64%
Other equity	6,94,235	25.23%	7,44,170	20.63%	5,62,067	16.24%	6,37,593	17.53%	7,47,263	16.73%
Equity	7,14,222	25.96%	7,71,448	21.38%	5,89,527	17.04%	6,65,543	18.30%	7,75,629	17.37%
Non-controlling interests ('NCI')	1,35,258	4.92%	2,49,847	6.93%	2,22,739	6.44%	2,53,807	6.98%	2,88,814	6.47%
Total equity (A)	8,49,480	30.87%	10,21,295	28.31%	8,12,266	23.47%	9,19,350	25.28%	10,64,443	23.83%
Non-current liabilities										
Financial liabilities										
- Borrowings	8,24,901	29.98%	9,10,792	25.25%	11,05,603	31.95%	11,35,350	31.22%	15,15,686	33.94%
- Lease liabilities	47,553	1.73%	2,43,678	6.75%	2,51,086	7.26%	2,90,562	7.99%	5,08,295	11.38%
- Derivative instruments	826	0.03%	292	0.01%	586	0.02%	174	0.00%	3,523	0.08%
- Others	62,131	2.26%	67,399	1.87%	1,21,807	3.52%	90,116	2.48%	97,311	2.18%
Deferred revenue	17,986	0.65%	22,844	0.63%	29,724	0.86%	30,258	0.83%	30,901	0.69%
Provisions	6,823	0.25%	7,548	0.21%	5,020	0.15%	4,639	0.13%	4,744	0.11%
Deferred tax liabilities (net)	11,297	0.41%	16,877	0.47%	16,107	0.47%	24,488	0.67%	20,762	0.46%

Other non-current liabilities	429	0.02%	2,189	0.06%	1,720	0.05%	1,363	0.04%	1,029	0.02%
Total non-current liabilities (B)	9,71,946	35.32%	12,71,619	35.25%	15,31,653	44.26%	15,76,950	43.36%	21,82,251	48.86%
Current liabilities										
Financial liabilities										
- Borrowings	3,10,097	11.27%	1,67,034	4.63%	80,823	2.34%	1,93,795	5.33%	1,39,762	3.13%
- Lease liabilities	0	0.00%	62,413	1.73%	78,867	2.28%	77,072	2.12%	96,460	2.16%
- Current maturities of long-term borrowings	71,732	2.61%	98,364	2.73%	1,11,473	3.22%	0	0.00%	0	0.00%
- Derivative instruments	12,742	0.46%	568	0.02%	1,055	0.03%	995	0.03%	1,117	0.03%
- Trade payables	2,63,138	9.56%	2,43,668	6.75%	2,78,721	8.05%	2,92,741	8.05%	3,28,946	7.37%
- Others	1,75,139	6.37%	1,74,885	4.85%	2,01,132	5.81%	1,94,415	5.35%	2,41,951	5.42%
Deferred revenue	43,993	1.60%	54,588	1.51%	63,135	1.82%	75,929	2.09%	84,995	1.90%
Provisions	6,701	0.24%	4,50,722	12.49%	2,35,160	6.80%	2,43,449	6.69%	2,57,292	5.76%
Current tax liabilities (net)	8,228	0.30%	13,890	0.39%	15,199	0.44%	20,725	0.57%	17,972	0.40%
Other current liabilities	38,364	1.39%	48,744	1.35%	50,794	1.47%	41,139	1.13%	51,143	1.15%
Total current liabilities (C)	9,30,134	33.80%	13,14,876	36.45%	11,16,359	32.26%	11,40,260	31.36%	12,19,638	27.31%
Total liabilities	19,02,080	69.13%	25,86,495	71.69%	26,48,012	76.53%	27,17,210	74.72%	34,01,889	76.17%
Total equity and liabilities	27,51,560	100.00%	36,07,790	100.00%	34,60,278	100.00%	36,36,560	100.00%	44,66,332	100.00%

Source: Own processing based on Statement of Financial Position of Bharti Airtel Ltd

Proportionate mix of ownership and control stake of equity has changed over the period of 2019 to 2023. Owner's equity was 25.96% out of total equity and liabilities which has been reduced to 17.37%. At the same time, borrowing proportion has been increased from around 30% to 34% in 2023 as compared to 2019. This reflects the burden of funding on owners to invest in the company and must go with higher debt funding and reduce the stake of ownership.

Provisions has risen sharply in 2020 and was about 12.49% of total equity & liabilities has reduced again in 2023 and is about 5.76% shows the management working towards normalizing the pressure on balance sheet and working capital.

4.7 Analysis Financial Performance of Bharti Airtel Ltd

In this chapter of the thesis, will focus on analysis on financial performance represented by income statement of Bharti Airtel Ltd for the period 2019 to 2023 with the use of horizontal and vertical analysis. Further, also compute selected ratios to get insight on financial performance of Bharti Airtel Ltd over a selected period of 5 years.

4.7.1 Horizontal Analysis of Income Statement of Bharti Airtel Ltd

Horizontal analysis of income statement of Bharti Airtel Ltd will help to compare how it is changing over a period of 5 years from 2019 to 2023. It will represent how company management is able to use its resources to generate profits.

Table 11 Horizontal analysis of Income Statement (Bharti Airtel Ltd)

Horizontal Analysis -Bharti Airtel Ltd - Statement of Financial Performance (in INR Millions)								
Particulars	2019-20	%	2020-21	%	2021-22	%	2022-23	%
Revenue	67,373	8.3%	1,33,948	15.2%	1,58,226	15.6%	2,30,002	19.6%
Cost of Services	-17,681	-4.1%	40,467	9.8%	29,054	6.4%	70,124	14.6%
Gross Profit	85,054	22.3%	93,481	20.0%	1,29,172	23.1%	1,59,878	23.2%
Administration Expenses	-23,188	-19.2%	2,679	2.8%	8,635	8.6%	18,459	17.0%
Operating Profit	1,08,242	41.5%	90,802	24.6%	1,20,537	26.2%	1,41,419	24.4%
Finance costs	27,926	29.1%	27,090	21.9%	15,252	10.1%	26,837	16.2%
Depreciation	63,421	29.7%	17,148	6.2%	36,863	12.5%	33,411	10.1%
Amortisation	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Exceptional items (net)	4,31,632	-1473.8%	-2,43,199	-60.4%	-1,42,159	-89.3%	-23,684	-139.4%
Profit/(Loss) before tax	-4,14,737	2185.1%	2,89,763	-66.8%	2,10,581	-146.3%	1,04,855	157.4%

Source: Own processing based on Income Statement of Bharti Airtel Ltd

Revenue has been in constant rise over the period from 2019 to 2023. Revenue rose 8.3% in 2020 as compared to 2019 and around 15% and 20% in the year 2022 and 2023 respectively compared to previous years. It shows the utilisation of resources by management and resilience of a company although they have loss in the year 2019 and 2020 due to exceptional costs resulting from contingent liability to provisions to pay due to AGR case judgement against the company.

Finance cost has been rising over a period of 2019 to 2023 as it is depicted from the table.

4.7.2 Vertical Analysis of Income Statement of Bharti Airtel Ltd

Vertical analysis of income statement of Bharti Airtel Ltd will help in comparing relative changes in terms of its base value over a period of 5 years from 2019 to 2023. It will represent how various costs are distributed as compared to revenue. It will also represent the ability of management to control the operational and other costs to maximize profitability.

Table 12 Vertical analysis of Income Statement (Bharti Airtel Ltd)

Vertical Analysis - Bharti Airtel Ltd - Statement of Financial Performance (in INR Millions)					
Particulars	2019	2020	2021	2022	2023
Revenue	100%	100%	100%	100%	100%
Cost of Services	53%	47%	45%	41%	39%
Gross Profit	47%	53%	55%	59%	61%
Administration Expenses	15%	11%	10%	9%	9%
Operating Profit	32%	42%	45%	50%	52%
Finance costs	12%	14%	15%	14%	14%
Deprecation	26%	32%	29%	28%	26%
Amortisation	0%	0%	0%	0%	0%
Exceptional items (net)	-4%	46%	16%	1%	0%
Profit/(Loss) before tax	-2%	-49%	-14%	6%	12%

Source: Own processing based on Income Statement of Bharti Airtel Ltd

Cost of services was 53% in the year 2019 as compared to revenue which has reduced year on year to 47%, 45%, 41% and 39% respectively in the year 2020, 2021, 2022 and 2023 from previous years.

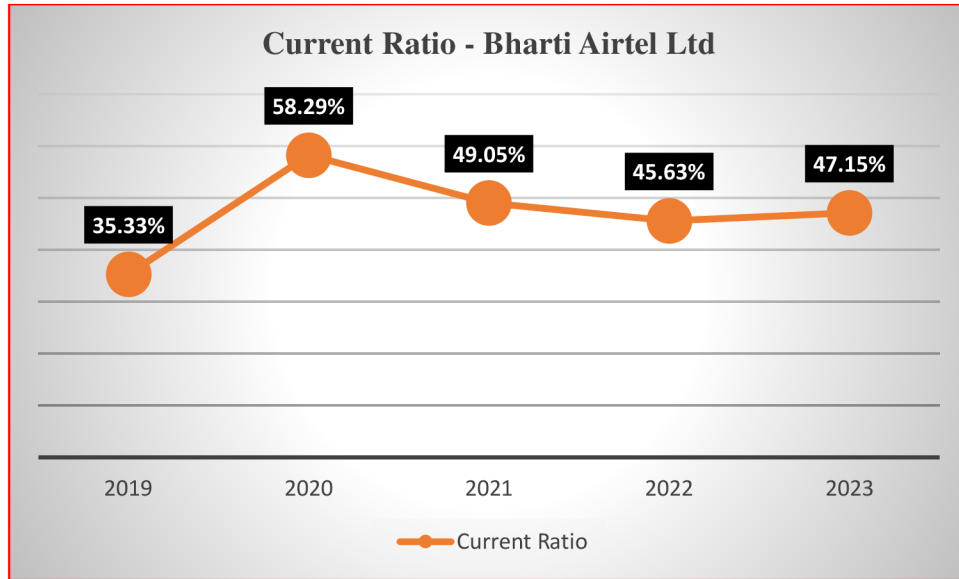
Gross profit and operating profit both were increased from 47% to 61% and 32% to 52% as a proportion to revenue from the year 2019 to 2023 respectively.

There was an exceptional cost arose for AGR case judgement due to which loss was reported for the year 2020 and 2021.

4.8 Financial Ratio Analysis of Bharti Airtel Ltd

- A. Current Ratio:** It measures a company's ability to pay off short-term liabilities with current assets. It can be seen from below graph that current ratio was 35.33% in 2019 which was improved at 58.29% in 2020 and then it stayed around 47% from 2021 onwards till 2023. This shows that company is not fully covered to pay its liabilities due within one year.

Chart 9 Current Ratio of Bharti Airtel Ltd (2019-2023)

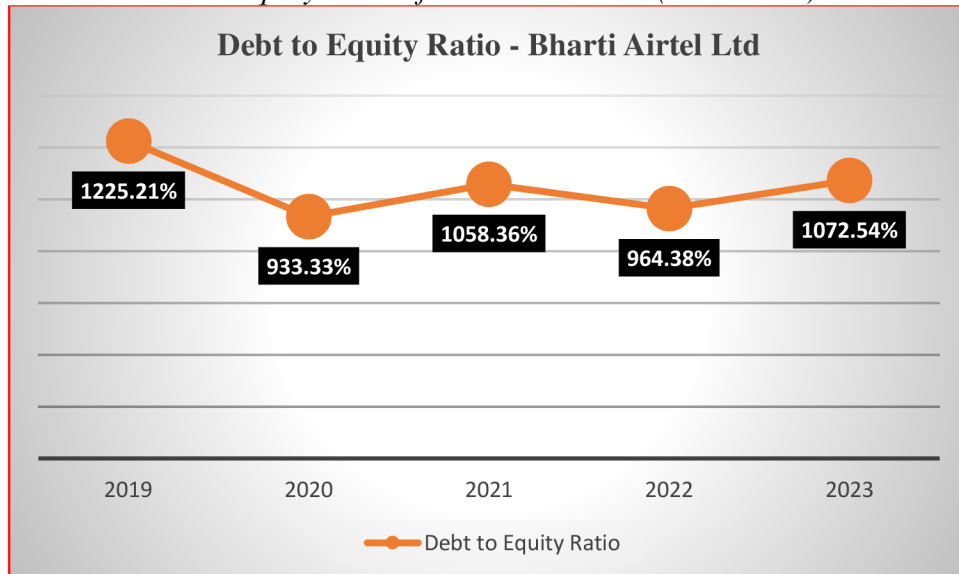


Year	2019	2020	2021	2022	2023
Current Assets	3,28,642	7,66,432	5,47,529	5,20,279	5,75,013
Current Liabilities	9,30,134	13,14,876	11,16,359	11,40,260	12,19,638
Current Ratio	35.33%	58.29%	49.05%	45.63%	47.15%

Source: Own processing based on Financial Statements of Bharti Airtel Ltd

B. Debt to Equity Ratio: It represents the proportionate of total debt and liabilities against shareholders' equity. Below graph shows that the company has high debt to equity ratio, and it has high debt financing as compared to shareholder's fund.

Chart 10 Debt to Equity Ratio of Bharti Airtel Ltd (2019-2023)

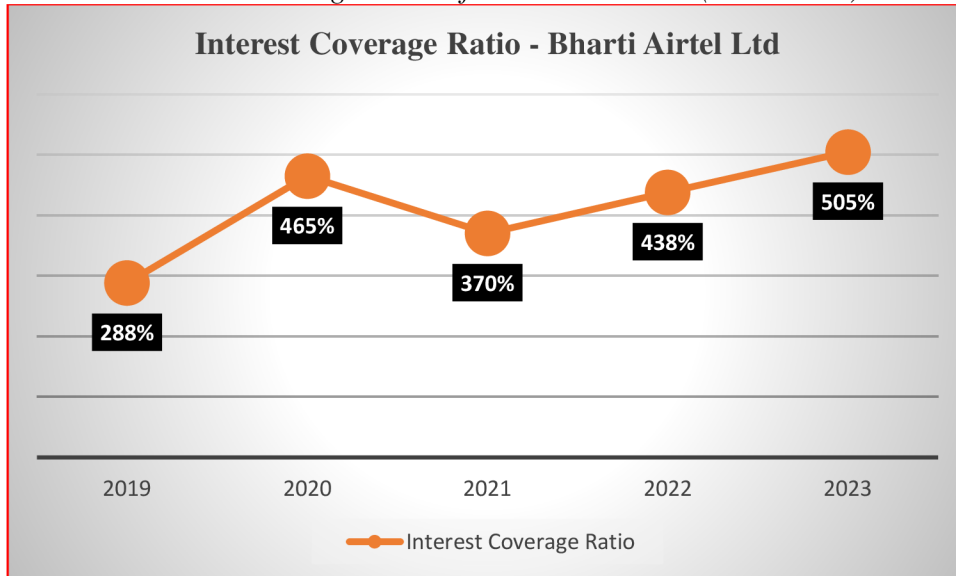


Year	2019	2020	2021	2022	2023
Total Liabilities	19,02,080	25,86,495	26,48,012	27,17,210	34,01,889
Shareholder's Equity	1,55,245	2,77,125	2,50,199	2,81,757	3,17,180
Debt to Equity Ratio	1225.21%	933.33%	1058.36%	964.38%	1072.54%

Source: Own processing based on Financial Statements of Bharti Airtel Ltd

C. Interest Coverage Ratio: It represents the coverage of interest expense by the operating income. It is worth to note that company is having very healthy coverage of operating income to cover interest expenses and it has improved over a period of 2019 to 2023.

Chart 11 Interest Coverage Ratio of Bharti Airtel Ltd (2019-2023)

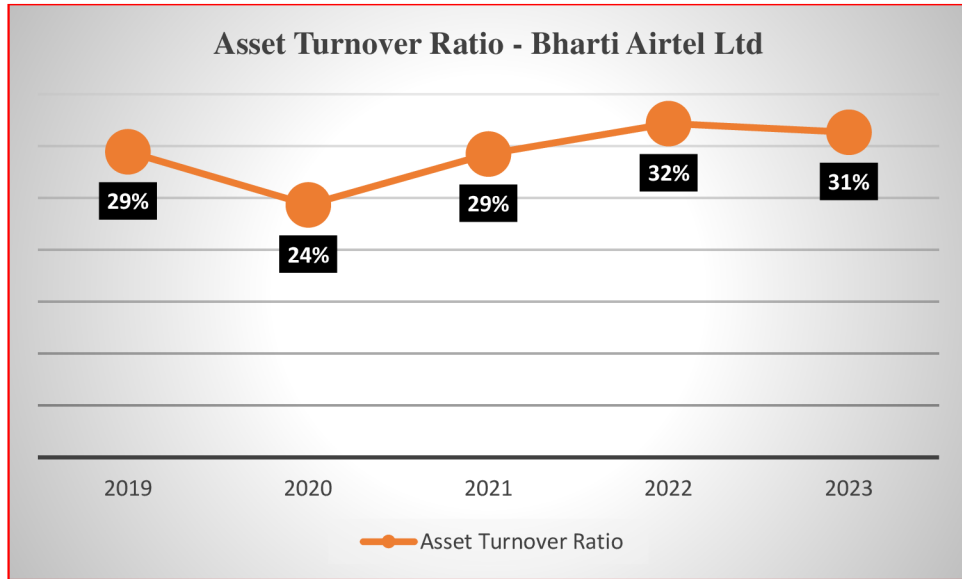


Year	2019	2020	2021	2022	2023
Operating Income	2,61,101	3,69,343	4,60,145	5,80,682	7,22,101
Interest Expenses	90,566	79,438	1,24,274	1,32,501	1,42,955
Interest Coverage Ratio	288%	465%	370%	438%	505%

Source: Own processing based on Financial Statements of Bharti Airtel Ltd

D. Asset Turnover Ratio: It measures a company's ability to generate sales from assets. It is seen that company had issue in 2020 and the Asset turnover ratio reduced from 29% to 24% but again it has improved, and it is around 31% in 2023. This shows the resilience of company to manage issues.

Chart 12 Asset Turnover Ratio – Bharti Airtel Ltd (2019-2023)

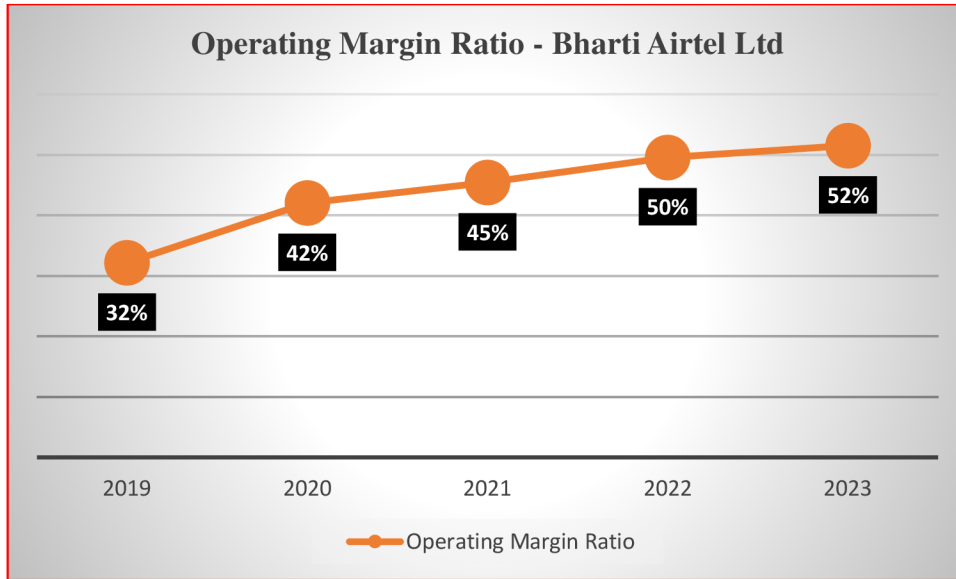


Year	2019	2020	2021	2022	2023
Net Sales	8,11,265	8,78,638	10,12,586	11,70,812	14,00,814
Total Assets	27,51,560	36,07,790	34,60,278	36,36,560	44,66,332
Asset Turnover Ratio	29%	24%	29%	32%	31%

Source: Own processing based on Financial Statements of Bharti Airtel Ltd

- E. Operating Margin Ratio:** It compares the operating income of a company to its net sales to determine operating efficiency. Company was struggling with operating margins in 2019 but has turnaround to increase revenues and reduce expenses and generate higher operating margins year after year, which has resulted in 20% improvement in 2023 with 52% as compared to 32% in 2019.

Chart 13 Operating Margin Ratio – Bharti Airtel Ltd (2019-2023)

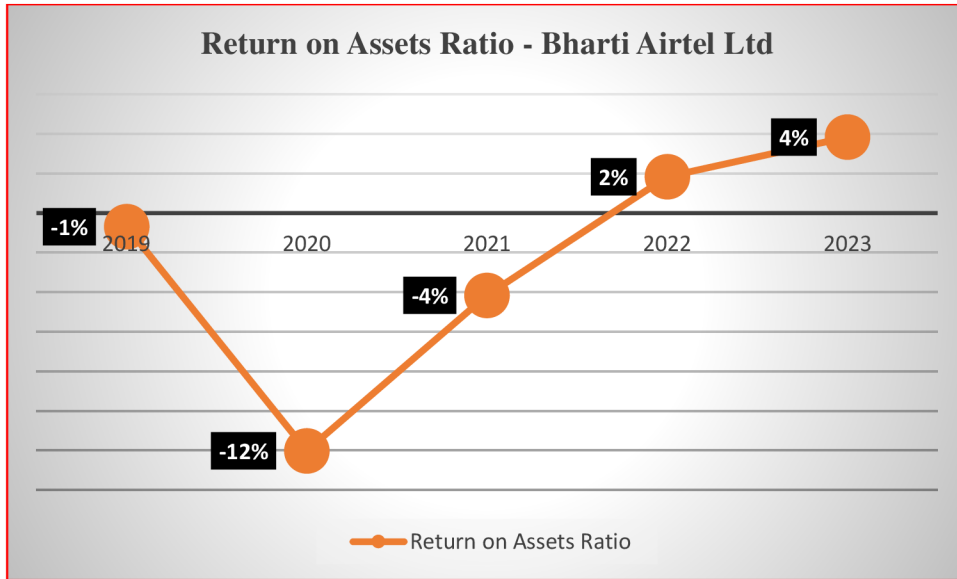


Year	2019	2020	2021	2022	2023
Operating Income	2,61,101	3,69,343	4,60,145	5,80,682	7,22,101
Net Sales	8,11,265	8,78,638	10,12,586	11,70,812	14,00,814
Operating Margin Ratio	32%	42%	45%	50%	52%

Source: Own processing based on Financial Statements of Bharti Airtel Ltd

F. Return on Assets Ratio: It represents efficiency of a company to use its assets to generate profit. This ratio is negative for the year 2019 to 2021 because the company reported loss during this period. But the resilience shown by the company and turn around to generate profit has improved the return on assets for the year 2022 and 2023 by 2% and 4% respectively. It can also be seen that the company has been improving the profits year after year from 2020 to 2023 consistently and it has improved return on assets by 16 basis points from -12% to 4% between 2020 to 2023.

Chart 14 Return on Assets Ratio – Bharti Airtel Ltd (2019-2023)

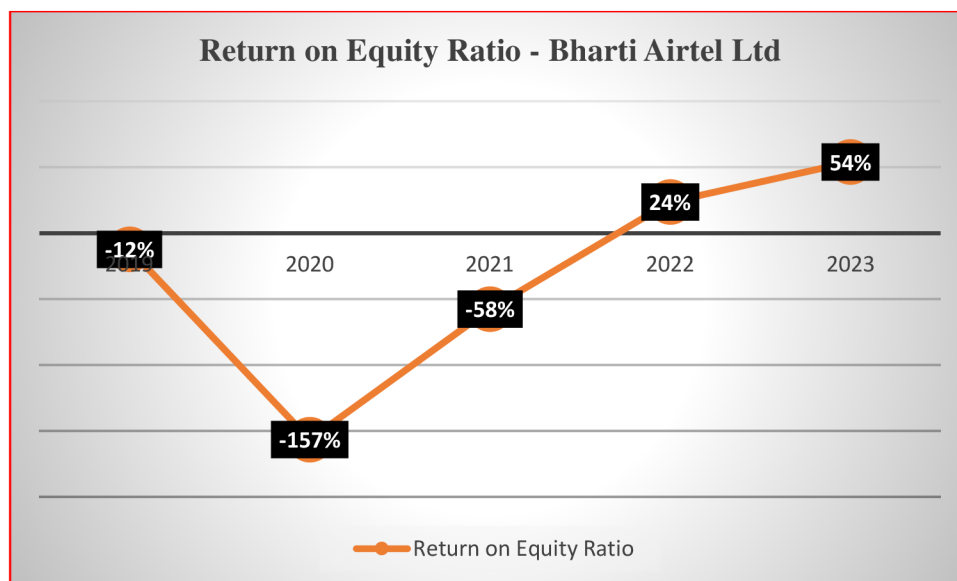


Year	2019	2020	2021	2022	2023
Net Income	-18,980	-4,33,717	-1,43,954	66,627	1,71,482
Total Assets	27,51,560	36,07,790	34,60,278	36,36,560	44,66,332
Return on Assets Ratio	-1%	-12%	-4%	2%	4%

Source: Own processing based on Financial Statements of Bharti Airtel Ltd

G. Return on Equity Ratio: It measures how efficiently a company is using its equity to generate profit. This ratio shows similar pattern to return on asset ratio, it is negative for the year 2019 to 2021 because the company reported loss during this period. But the resilience shown by the company and turn around to generate profit has improved this ratio as well for the year 2022 and 2023 at 24% and 54% respectively. It can also be seen that the company has been improving the profits year after year from 2020 to 2023 consistently and it has improved return on equity from -157% in 2020 to 54% in 2023.

Chart 15 Return on Equity Ratio – Bharti Airtel Ltd (2019-2023)



Year	2019	2020	2021	2022	2023
Net Income	-18,980	-4,33,717	-1,43,954	66,627	1,71,482
Shareholder's Equity	1,55,245	2,77,125	2,50,199	2,81,757	3,17,180
Return on Equity Ratio	-12%	-157%	-58%	24%	54%

Source: Own processing based on Financial Statements of Bharti Airtel Ltd

5. Results and Discussion

5.1 Comparison of Financial Statements of Airtel & Vi

In this part of the chapter the thesis focuses on comparison of financial position and performance between Vodafone Idea Ltd and Bharti Airtel Ltd to get insight of how company has performed in different financial parameters over the period of 2019 to 2023.

5.1.1 Comparison of Financial Position of Airtel & Vi

Let's compare the consolidated balance sheets of Vodafone Idea Ltd and Bharti Airtel Ltd for the period of 2019 to 2023, to delve into financial position of both companies.

Financial structure:

Vodafone Idea Ltd: Experienced fluctuations and decrease in equity and assets over the period. Showed an increase in total liabilities, indicating potential financial challenges.

Bharti Airtel Ltd: Showed steady growth in equity and assets over the period. Experienced significant increase in both non-current and current liabilities.

Net Worth Comparison: This indicator helps to understand and compare financial position between companies over a period.

Net Worth = Total Assets - Total Liabilities

Vodafone Idea Ltd net worth has been positive after merger of two companies Vodafone India and Idea Cellular which formed India's biggest telecommunication company in 2018 but it started eroding its assets and consistently negative over the three-year period from 2021 to 2023, indicating that its total liabilities exceed its total assets. This suggests financial strain and potential financial challenges for the company.

Bharti Airtel Ltd net worth, on the other hand, has been positive throughout the period, indicating that its total assets exceed its total liabilities. This suggests a stronger financial position and better financial health compared to Vodafone Idea Ltd.

Table 13 Net Worth of Vodafone Idea Ltd

Net Worth : Vodafone Idea Ltd			
Year	Total Assets (A)	Total Liabilities (L)	Net Worth (A - L)
2019	22,96,995	16,99,780	5,97,215
2020	22,69,196	22,09,397	59,799
2021	20,34,806	24,17,086	-3,82,280
2022	19,40,291	25,59,939	-6,19,648
2023	20,72,427	28,16,018	-7,43,591

Source: Own processing based on Balance Sheet of Vodafone Idea Ltd

Table 14 Net Worth of Bharti Airtel Ltd

Net Worth : Bharti Airtel Ltd			
Year	Total Assets (A)	Total Liabilities (L)	Net Worth (A - L)
2019	27,51,560	19,02,080	8,49,480
2020	36,07,790	25,86,495	10,21,295
2021	34,60,278	26,48,012	8,12,266
2022	36,36,560	27,17,210	9,19,350
2023	44,66,332	34,01,889	10,64,443

Source: Own processing based on Balance Sheet of Bharti Airtel Ltd

5.1.2 Comparison of Financial Performance of Airtel & Vi

This part of the thesis focuses on comparison of financial performance between Vodafone Idea Ltd and Bharti Airtel Ltd to see how company has performed in different financial performance parameters over the period of 2019 to 2023.

Table 15 and 16 depicts the % movement of various financial performance indicators, it can be seen that Bharti Airtel Ltd has achieved very high revenue growth of 73% with an average growth of 15% as compared to Vodafone Idea Ltd with only 12% growth with an average growth of 4%, this has resulted in higher operating profit growth of 123% for Bharti Airtel Ltd as compared to 111% for Vodafone Idea Ltd in the year 2023 as compared to 2019. However, it is worth noting that Vodafone Idea Ltd has achieved higher growth in operating profit of 253% as compared to 177% by Bharti Airtel Ltd with an average growth of 59% and 29% respectively.

Further, financial performance differentiator was finance costs here which rose for both the companies due to financing exceptional costs reported during 2019 to 2021 forced by AGR case judgement. Although, Bharti Airtel Ltd has utilized assets efficiently and achieved very high growth in revenue which has helped them to cover these higher financial costs. Finance costs rose by 145% for Vodafone Idea Ltd as compared to 101% for Bharti Airtel Ltd.

Table 15 Horizontal Analysis of Income Statements of Vodafone Idea Ltd

Particulars	2019-20	2020-21	2021-22	2022-23	Average	2019 Vs. 2023
Revenue	22%	-8%	-8%	10%	4%	12%
Cost of Services	-11%	-16%	-9%	15%	-5%	-22%
Gross Profit	115%	1%	-8%	6%	28%	111%
Administration Expenses	5%	-20%	-15%	4%	-7%	-27%
Operating Profit	229%	7%	-6%	6%	59%	253%
Finance costs	61%	17%	17%	11%	27%	145%
Profit/(Loss) before tax	238%	-28%	-36%	2%	-100%	59%

Source: Own processing based on Income Statements of Vodafone Idea Ltd

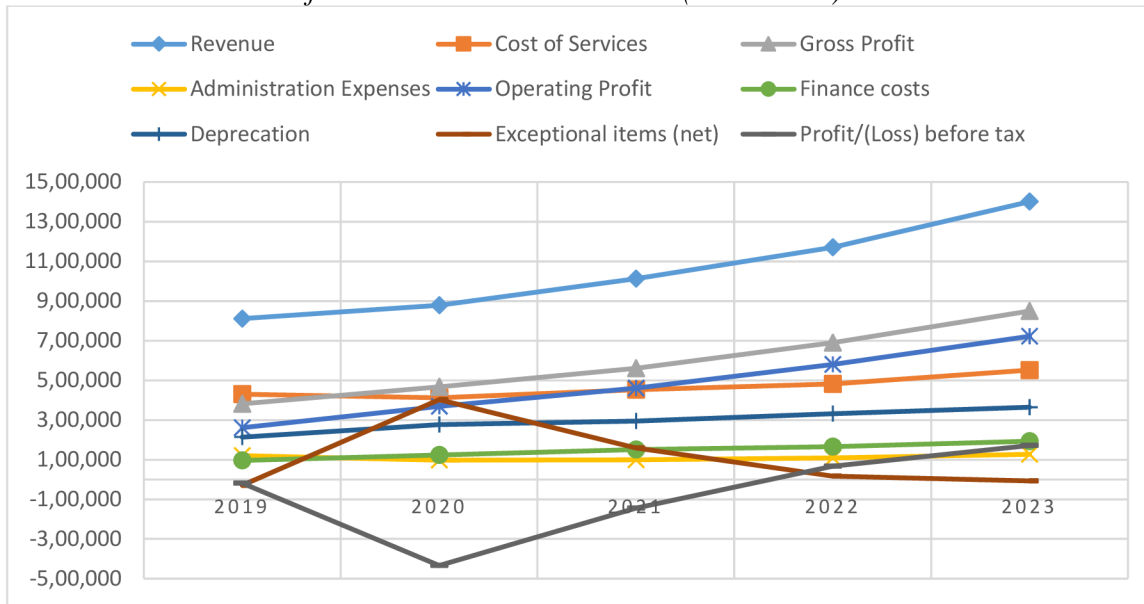
Table 16 Horizontal Analysis of Income Statements of Bharti Airtel Ltd

Particulars	2019-20	2020-21	2021-22	2022-23	Average	2019 Vs. 2023
Revenue	8%	15%	16%	20%	15%	73%
Cost of Services	-4%	10%	6%	15%	7%	28%
Gross Profit	22%	20%	23%	23%	22%	123%
Administration Expenses	-19%	3%	9%	17%	2%	5%
Operating Profit	41%	25%	26%	24%	29%	177%
Finance costs	29%	22%	10%	16%	19%	101%
Profit/(Loss) before tax	2185%	-67%	-146%	157%	532%	1003%

Source: Own processing based on Income Statements of Bharti Airtel Ltd

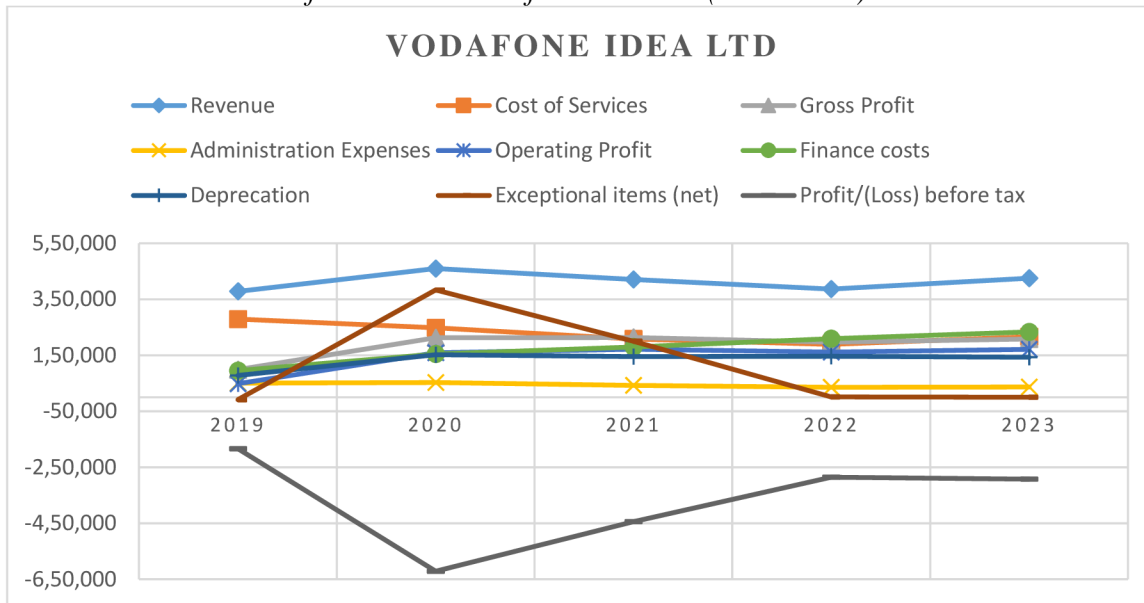
5.1.3 Factors influencing the Profit

Chart 16 Financial Performance – Bharti Airtel Ltd (2019-2023)



Source: Own processing based on Income Statements of Bharti Airtel Ltd

Chart 17 Financial Performance – Vodafone Idea Ltd (2019-2023)



Source: Own processing based on Income Statements of Vodafone Idea Ltd

It is indicated from horizontal & vertical analysis along with above charts on financial performance that there have been some issues faced by both the companies which has influenced profits of these companies. Below are points to note,

- 1) It is important to note that the litigation on AGR (Adjusted Gross Revenue) definition between DOT (Department of Telecommunication, India) and Telecom companies

of India was being reported under contingent liabilities but it was not considered to take respective provisions in the books of account, “the Honourable Supreme Court of India on October 24, 2019 delivered its judgement (‘AGR judgment’) wherein it has held that the definition of Gross Revenue under Clause 19 of the UASL is all encompassing and comprehensive and then dealt with different heads of revenue / inflow and has held that these will fall within the definition of Adjusted Gross Revenue (AGR). The order upheld the principal demand, levy of interest, penalty and interest on penalty.“ Due to this decision there was a sudden liability arise and it has impacted financial position and performance of these companies.

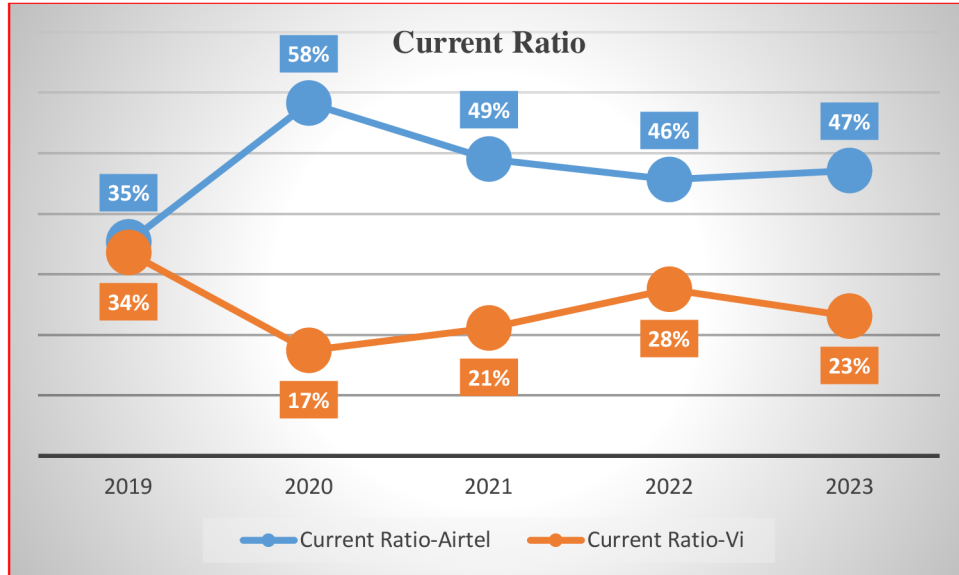
- 2) Higher financial costs to fund working capital and payment of exceptional liabilities reported during the period 2019 to 2021.
- 3) Vodafone Idea Ltd has been specifically struggling to get enough funds to payout these exceptional liabilities and allocate funds for ongoing network upkeep and improvement has resulted in poor quality services and lost customers. This has resulted in reduction in revenue, profitability and reported losses constantly and erosion net worth of the company.
- 4) On the other hand, Bharti Airtel Ltd has shown resilience due to efficiency in managing the resources, diversification of risk through market expansion in international market and product portfolio and generated higher revenue, profits and kept on reinvesting in infrastructure year over year as it can be seen from balance sheet and net worth calculations. This has resulted in customer retention and improved financial performance to increase net worth of the company.

5.2 Comparison of Financial Ratios of Airtel & Vi

In this chapter, the thesis will focus on comparing financial ratios computed based on financial statements between selected companies of this thesis to get insight into financial position and performance of Vodafone Idea Ltd (Brand Name: **Vi**) and Bharti Airtel Ltd (Brand Name: **Airtel**) for the period 2019 to 2023. This comparison of financial ratio will help to get insight into management of both the companies and effective utilisation of its resources.

A. Current Ratio: It is clear from below chart that Bharti Airtel Ltd was in good financial position with more than 45% of current assets to cover its current liabilities.

Chart 18 Current Ratio – Airtel & Vi (2019-2023)

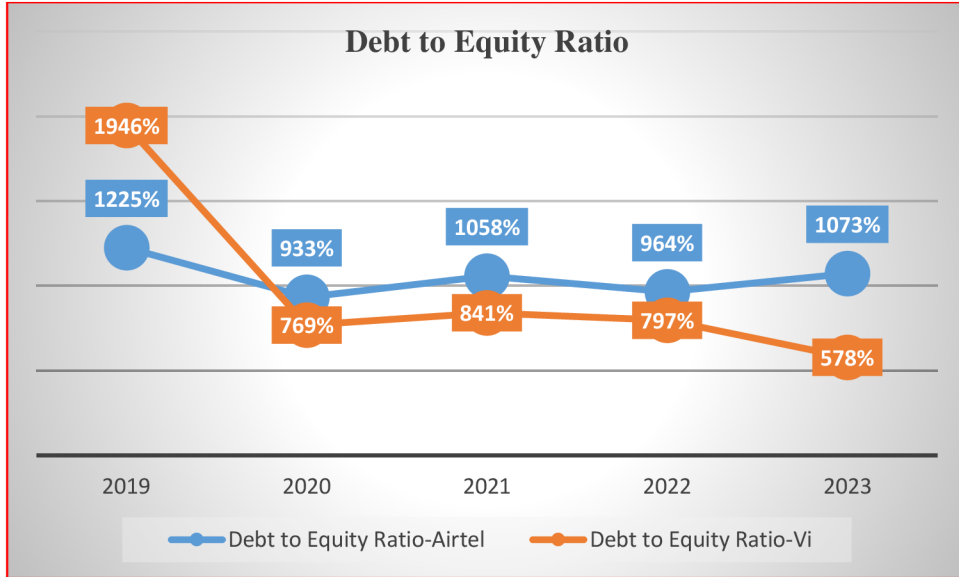


Year	2019	2020	2021	2022	2023
Current Ratio-Airtel	35%	58%	49%	46%	47%
Current Ratio-Vi	34%	17%	21%	28%	23%

Source: Own processing based on Financial Statements of Airtel & Vi

B. Debt to Equity Ratio: It can be observed that both companies are highly leveraged and having very high debt financing as compared to equity. Although, Vodafone Idea Ltd has improved its position year on year but still it may have higher interest liabilities on this very high debt financing which may influence the profitability of the company.

Chart 19 Debt to Equity Ratio – Airtel & Vi (2019-2023)

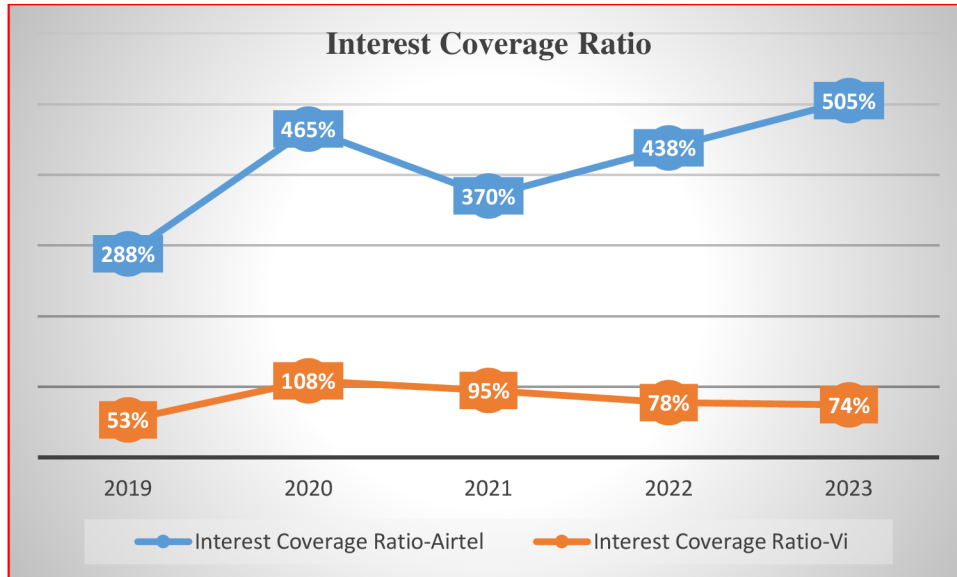


Year	2019	2020	2021	2022	2023
Debt to Equity Ratio-Airtel	1225%	933%	1058%	964%	1073%
Debt to Equity Ratio-Vi	1946%	769%	841%	797%	578%

Source: Own processing based on Financial Statements of Airtel & Vi

C. Interest Coverage Ratio: It can be said from below chart that it is reverse situation between both the companies if interest coverage ratio is seen in relation to debt-to-equity ratio. Although, Airtel has higher debt-to-equity ratio, but its interest coverage ratio is very high and improved year on year, these makes Airtel very competitive and shows very high performance to generate operating income by utilising its resource effectively and cover interest expenses. Airtel has 5 times interest coverage with its operating income as compared to Vi with below 1 in the year ended 2023. Vi was not able to generate operating income to cover the interest expense which creates more pressure on its financial position, and it creates a vicious cycle of debt and interest burden until the company gets more equity funding to reduce the debt.

Chart 20 Interest Coverage Ratio – Airtel & Vi (2019-2023)

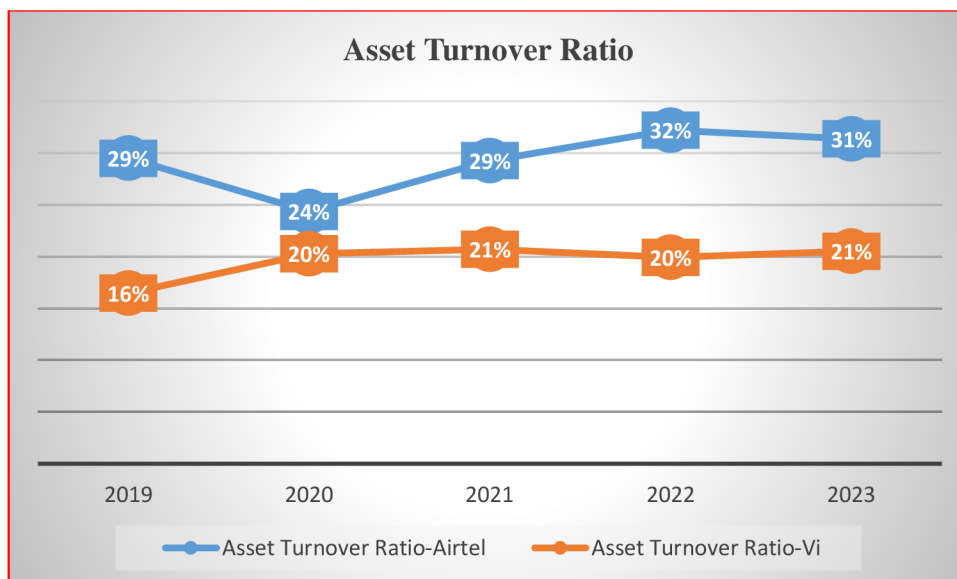


Year	2019	2020	2021	2022	2023
Interest Coverage Ratio-Airtel	288%	465%	370%	438%	505%
Interest Coverage Ratio-Vi	53%	108%	95%	78%	74%

Source: Own processing based on Financial Statements of Airtel & Vi

D. Asset Turnover Ratio: In this case, Airtel has a competitive advantage over Vi with a higher asset turnover ratio of around 30% and more as compared to Vi of around 20% trailing by 10 points creates a big difference in long term.

Chart 21 Asset Turnover Ratio – Airtel & Vi (2019-2023)

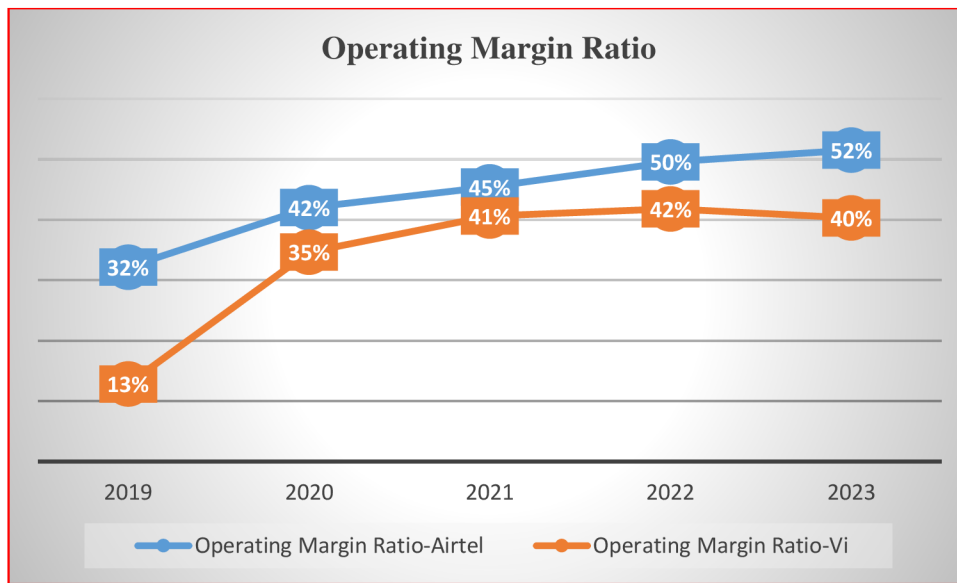


Year	2019	2020	2021	2022	2023
Asset Turnover Ratio-Airtel	29%	24%	29%	32%	31%
Asset Turnover Ratio-Vi	16%	20%	21%	20%	21%

Source: Own processing based on Financial Statements of Airtel & Vi

E. Operating Margin Ratio: Both the companies Airtel and Vi had a lower profit margin in the year 2019 and improved it year after year. Airtel has been a winner in this case as well with a higher profit margin by more than 10 points in the year 2023.

Chart 22 Operating Margin Ratio – Airtel & Vi (2019-2023)

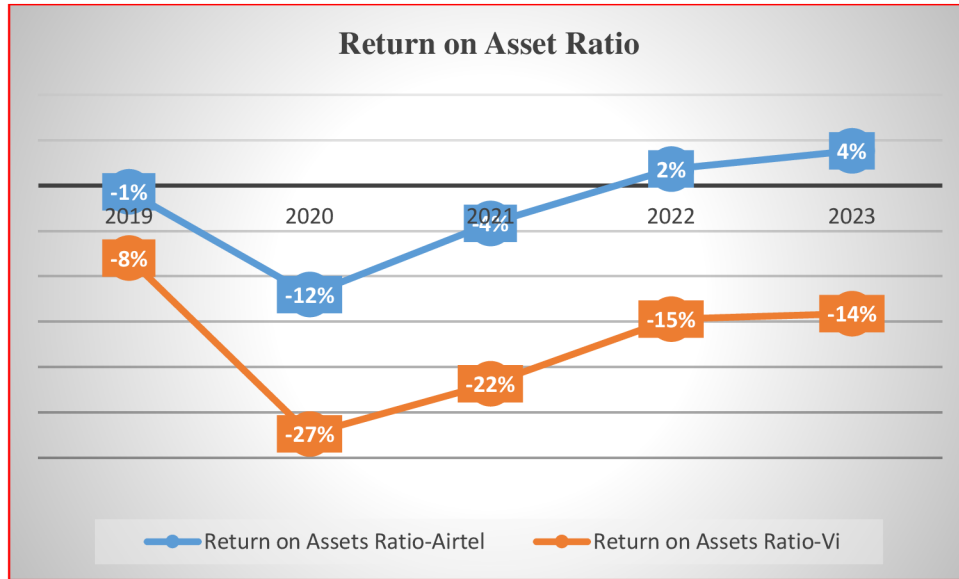


Year	2019	2020	2021	2022	2023
Operating Margin Ratio-Airtel	32%	42%	45%	50%	52%
Operating Margin Ratio-Vi	13%	35%	41%	42%	40%

Source: Own processing based on Financial Statements of Airtel & Vi

F. Return on Asset Ratio: This ratio depicts the ability of management to utilise its assets to generate profits and it is seen from below chart that both the companies has struggled for the period 2019 to 2021 but post which Airtel has bounced back with profits in the year 2022 and 2023 although it is not a substantial margins but worth to note the turnaround after a very high impact on financial position.

Chart 23 Return on Asset Ratio – Airtel & Vi (2019-2023)

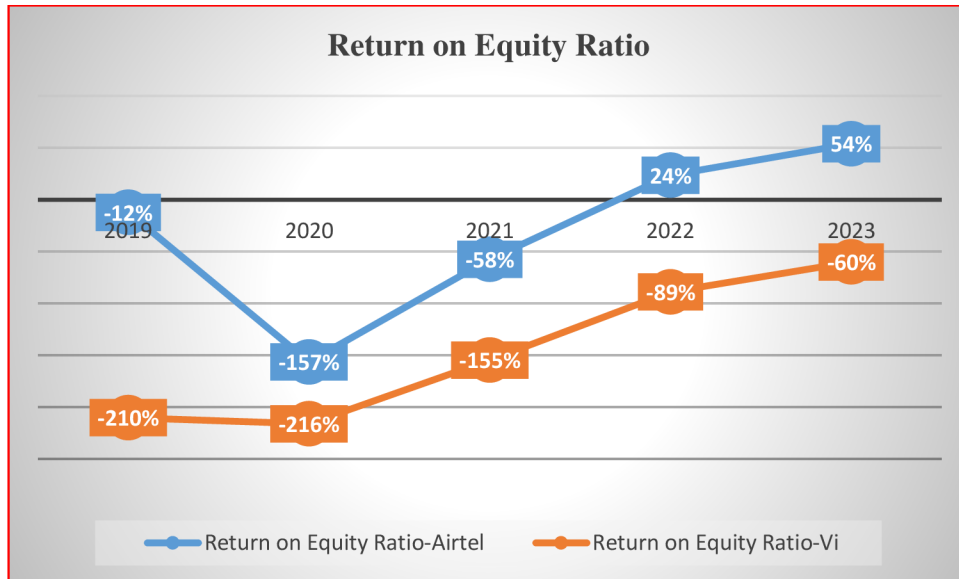


Year	2019	2020	2021	2022	2023
Return on Assets Ratio-Airtel	-1%	-12%	-4%	2%	4%
Return on Assets Ratio-Vi	-8%	-27%	-22%	-15%	-14%

Source: Own processing based on Financial Statements of Airtel & Vi

G. Return on Equity Ratio: This ratio shows the same movement as it is in return on assets, Airtel recovered from losses during the period of 2019 to 2021 and bounced back with very high return of 54% in the year 2023 but Vi is still struggling and not able to generate profits. It is the representative of the financial and operational management of the company which has resulted differently for both companies, one was able to show resilience to the financial implications due to strong performance and another has been suffering from losses due to failure in managing its resources.

Chart 24 Return on Equity Ratio – Airtel & Vi (2019-2023)



Year	2019	2020	2021	2022	2023
Return on Equity Ratio-Airtel	-12%	-157%	-58%	24%	54%
Return on Equity Ratio-Vi	-210%	-216%	-155%	-89%	-60%

Source: Own processing based on Financial Statements of Airtel & Vi

6. Conclusion

Based on the analysis of the financial statements and annual reports of Vodafone Idea Ltd and Bharti Airtel Ltd for the period 2019 to 2023, several conclusions can be drawn regarding their financial performance and position:

Impact of judgement (‘AGR Judgement’) by The Honourable Supreme Court of India on October 24, 2019, delivered on the gross revenue definition as explained in chapter 5.1.3 (Factors influencing the Profit) of this thesis reveals very important aspect of careful consideration of various litigation reported under contingent liabilities but not accounted for as provisions against future liabilities may result in sudden disruption, losses and impact going concern of a company. This thesis recommends careful consideration of such litigation and suggest creating provisions over a period to avoid any such sudden financial burden and maintain stable financial health of a company.

Profitability Movements:

Both the companies demonstrated improvements in profitability, with increasing gross profit margins and operating profit margins over the years. However, Vodafone Idea struggled with generating net profits, consistently reporting losses, and experiencing challenges in achieving sustainable profitability due to higher finance costs.

Cost Management:

Both companies focused on cost management, as evidenced by fluctuations in cost of services and administration expenses relative to revenue. Bharti Airtel demonstrated better control in terms of finance cost by keeping it under 14% as compared to 55% for Vodafone Idea, as a percentage of revenue over time and this has been a major differentiator between these companies’ profitability.

Investment in Infrastructure:

Bharti Airtel invested significantly in expanding its network infrastructure and technology capabilities, as reflected in the growth of property, plant, and equipment and capital work-in-progress. Vodafone Idea also made investments in infrastructure but faced limitations due to financial constraints.

Market Position:

Bharti Airtel strengthened its market position and competitiveness through strategic investments, network expansions, and technological advancements, positioning itself as a leading player in the telecommunications industry. Vodafone Idea struggled to maintain its market position and faced intense competition and regulatory challenges. It can be seen from below market share movement table as per Telecom Regulatory Authority of India (TRAI), Vodafone Idea having 37% market share being largest and number one player after the merger of Vodafone India and Idea Cellular on 31st August 2018 has lost the market share (High Customer Churn) over a period and Bharti Airtel has shown a steady growth from 29% to 33% of market share.

Table 17 Telecom Subscriber (Customer) Market Share in India %

Operators	*Market Share'Oct 2018	Market Share'2019	Market Share'2020	Market Share'2021	Market Share'2022	Market Share'2023
Bharti Airtel	29%	28%	29%	31%	32%	33%
Vodafone Idea	37%	29%	25%	23%	21%	19%

Source: Own processing based on Subscriber Report by Telecom Regulatory Authority of India (TRAI)

*Included to highlight market share of Vodafone Idea at the time of merger

Outlook:

Bharti Airtel is poised for continued growth and innovation, leveraging its strong financial position and strategic investments in next-generation technologies. Vodafone Idea's future remains uncertain, requiring strategic restructuring and financial stabilization to regain competitiveness and sustainability.

In conclusion, while both Vodafone Idea Ltd and Bharti Airtel Ltd operate in the same industry, their financial performance and position over the period 2019 to 2023 diverged significantly. Bharti Airtel demonstrated resilience, profitability, and strategic agility, whereas Vodafone Idea faced persistent challenges, particularly in profitability, liquidity, and market competitiveness. The analysis underscores the importance of effective financial management, strategic investments, and adaptability in navigating dynamic business environments.

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8. List of pictures, tables, graphs, and abbreviations

8.1 List of pictures

Picture 1 The Balance Sheet Formula

Picture 2 Vodafone India Journey

Picture 3 Market Share in term of Wireless Subscribers as on 31st October 2018

Picture 4 Snapshot of Company's Presence Worldwide

8.2 List of tables

Table 1 Horizontal analysis of Assets (Vodafone Idea Ltd)

Table 2 Horizontal analysis of Equity & Liabilities (Vodafone Idea Ltd)

Table 3 Vertical analysis of Assets (Vodafone Idea Ltd)

Table 4 Vertical analysis of Equity & Liabilities (Vodafone Idea Ltd)

Table 5 Horizontal analysis of Income Statement (Vodafone Idea Ltd)

Table 6 Vertical analysis of Income Statement (Vodafone Idea Ltd)

Table 7 Horizontal analysis of Assets (Bharti Airtel Ltd)

Table 8 Horizontal analysis of Equity & Liability (Bharti Airtel Ltd)

Table 9 Vertical analysis of Assets (Bharti Airtel Ltd)

Table 10 Vertical analysis of Equity & Liabilities (Bharti Airtel Ltd)

Table 11 Horizontal analysis of Income Statement (Bharti Airtel Ltd)

Table 12 Vertical analysis of Income Statement (Bharti Airtel Ltd)

Table 13 Net Worth of Vodafone Idea Ltd

Table 14 Net Worth of Bharti Airtel Ltd

Table 15 Horizontal Analysis of Income Statements of Vodafone Idea Ltd

Table 16 Horizontal Analysis of Income Statements of Bharti Airtel Ltd

Table 17 Telecom Subscriber (Customer) Market Share in India %

8.3 List of graphs

Chart 1 Number of mobile subscriptions worldwide from 1993 to 2022 (in MN)

Chart 2 Current Ratio of Vodafone Idea Ltd (2019-2023)

Chart 3 Debt to Equity Ratio of Vodafone Idea Ltd (2019-2023)

Chart 4 Interest Coverage Ratio of Vodafone Idea Ltd (2019-2023)

Chart 5 Asset Turnover Ratio – Vodafone Idea Ltd (2019-2023)

Chart 6 Operating Margin Ratio – Vodafone Idea Ltd (2019-2023)

Chart 7 Return on Assets Ratio – Vodafone Idea Ltd (2019-2023)

Chart 8 Return on Equity Ratio – Vodafone Idea Ltd (2019-2023)

Chart 9 Current Ratio of Bharti Airtel Ltd (2019-2023)

Chart 10 Debt to Equity Ratio of Bharti Airtel Ltd (2019-2023)

Chart 11 Interest Coverage Ratio of Bharti Airtel Ltd (2019-2023)

Chart 12 Asset Turnover Ratio – Bharti Airtel Ltd (2019-2023)
Chart 13 Operating Margin Ratio – Bharti Airtel Ltd (2019-2023)
Chart 14 Return on Assets Ratio – Bharti Airtel Ltd (2019-2023)
Chart 15 Return on Equity Ratio – Bharti Airtel Ltd (2019-2023)
Chart 16 Financial Performance – Bharti Airtel Ltd (2019-2023)
Chart 17 Financial Performance – Vodafone Idea Ltd (2019-2023)
Chart 18 Current Ratio – Airtel & Vi (2019-2023)
Chart 19 Debt to Equity Ratio – Airtel & Vi (2019-2023)
Chart 20 Interest Coverage Ratio – Airtel & Vi (2019-2023)
Chart 21 Asset Turnover Ratio – Airtel & Vi (2019-2023)
Chart 22 Operating Margin Ratio – Airtel & Vi (2019-2023)
Chart 23 Return on Asset Ratio – Airtel & Vi (2019-2023)
Chart 24 Return on Equity Ratio – Airtel & Vi (2019-2023)

8.4 List of abbreviations

5G - Fifth Generation
AGR - Adjusted Gross Revenue
AI - Artificial Intelligence
Airtel - Bharti Airtel Limited
AR - Augmented Reality
ARPU - Average Revenue Per User
ASB - Accounting Standard Board
CAGR - Compound Annual Growth Rate
DOT - Department of Telecommunication, India
GAAP - Generally Accepted Accounting Principles
ICAI - Institute of Chartered Accountants of India
IFRS - International Financial Reporting Standards
Ind AS - Indian Accounting Standard
IoT - Internet of Things
ITU - International Telecommunication Union
Ltd - Limited
MCA - Ministry of Corporate Affairs, India
OTT - Over-the-top content providers
RBI - Reserve Bank of India
SEBI - Securities and Exchange Board of India
TRAI - Telecom Regulatory Authority of India
UASL - Unified Access Service License
UK - United Kingdom
Vi - Vodafone Idea Limited

Appendix

Consolidated Balance Sheet Vodafone Idea Limited as at March 31, 2023

Directors' Report

Management Discussion and Analysis Report

Corporate Governance Report

Business Responsibility and Sustainability Report

Financial Statements

CONSOLIDATED BALANCE SHEET

as at March 31, 2023

Particulars	Notes	₹ Mn	
		As at March 31, 2023	As at March 31, 2022
ASSETS			
Non-current assets			
Property, plant and equipment (including RoU Assets)	7	598,211	536,327
Capital work-in-progress	7	3,003	3,239
Intangible assets	8	964,341	1,031,859
Intangible assets under development	8	175,761	404
Investments accounted for using the equity method	9	58	53
Financial assets			
Other non-current financial assets	10	88,501	88,492
Deferred tax assets (net)	53	135	60
Other non-current assets	11	103,388	111,502
Total non-current assets (A)		1,933,398	1,771,936
Current assets			
Inventories	12	165	23
Financial assets			
Trade receivables	13	21,640	24,439
Cash and cash equivalents	14	2,288	14,532
Bank balance other than cash and cash equivalents	15	6,266	20,434
Other current financial assets	16	394	756
Current tax assets		-	6,031
Other current assets	17	107,785	102,140
Total current assets (B)		138,536	168,355
Assets classified as held for sale (AHFS) (C)	18	493	-
Total Assets (A+B+C)		2,072,427	1,940,291

CONSOLIDATED BALANCE SHEET

as at March 31, 2023

Particulars	Notes	₹ Mn	
		As at March 31, 2023	As at March 31, 2022
EQUITY AND LIABILITIES			
Equity			
Equity share capital	19	486,797	321,188
Other equity	20	(1,230,388)	(940,836)
Total equity (A)		(743,591)	(619,648)
Liabilities			
Non-current liabilities			
Financial liabilities			
Long term borrowings			
Loans from banks and others	21 (A)	9,351	28,363
Deferred payment obligations	21 (B)	1,883,550	1,731,145
Lease Liabilities	45	250,612	114,325
Trade payables	26	1,058	852
Other non-current financial liabilities	22	66,623	68,461
Long term provisions	23	235	384
Other non-current liabilities	24	4,362	5,070
Total non-current liabilities (B)		2,215,791	1,948,600
Current liabilities			
Financial liabilities			
Short term borrowings			
Lease Liabilities	45	111,188	114,109
Trade payables	26	135,364	131,699
Other current financial liabilities	27	153,557	139,606
Other current liabilities	28	77,011	76,018
Short term provisions	29	148	238
Total current liabilities (C)		600,227	611,339
Total Equity and Liabilities (A+B+C)		2,072,427	1,940,291

The accompanying notes are an integral part of the Financial Statements

As per our report of even date

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration No: 101049W/E300004

For and on behalf of the Board of Directors of **Vodafone Idea Limited**

Ravinder Takkar
Non-Executive Chairman
(DIN : 01719511)

Himanshu Kapania
Non-Executive Director
(DIN : 03387441)

Akshaya Moondra
Chief Executive Officer

Murthy G.V.A.S.
Chief Financial Officer

Pankaj Kapdeo
Company Secretary

Nilangshu Katriar
Partner
Membership No.: 58814

Place: Mumbai
Date : May 25, 2023

250

Consolidated Income Statement – Vodafone Idea Limited as of March 31, 2023

Directors' Report

Management Discussion and Analysis Report

Corporate Governance Report

Business Responsibility and Sustainability Report

Financial Statements

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

for the year ended March 31, 2023

Particulars	Notes	₹ Mn	
		For the year ended March 31, 2023	For the year ended March 31, 2022
INCOME			
Service revenue		421,339	384,895
Sale of trading goods		87	89
Other operating income	30	346	171
Revenue from operations		421,772	385,155
Other income	31	3,113	1,294
Total Income		424,885	386,449
EXPENSES			
Cost of trading goods		78	70
Employee benefit expenses	32	18,663	17,351
Network expenses and IT outsourcing cost	33	100,783	98,182
License fees and spectrum usage charges	34	40,021	41,988
Roaming and access charges	35	38,991	29,155
Subscriber acquisition and servicing expenditure	36	36,780	19,711
Advertisement, business promotion expenditure and content cost	37	9,412	9,791
Other expenses	38	8,874	8,546
		253,602	224,794
Profit / (Loss) before finance costs, depreciation, amortisation, share of net profit of joint venture, exceptional items and tax		171,283	161,655
Finance costs	39	233,543	209,808
Depreciation	7	142,584	146,569
Amortisation	8	87,913	89,274

Consolidated Balance Sheet Bharti Airtel Limited as at March 31,2023

Consolidated Balance Sheet

(All amounts are in millions of Indian Rupee)

	Notes	As of	
		March 31, 2023	March 31, 2022
Assets			
Non-current assets			
Property, plant and equipment	5	952,241	905,725
Capital work-in-progress	5	110,293	42,386
Right-of-use assets	36	546,466	322,286
Goodwill	6	337,741	338,313
Other intangible assets	6	937,490	874,509
Intangible assets under development	6	383,961	17,161
Investment in joint ventures and associates	7	281,838	284,268
Financial assets			
- Investments	9	656	609
- Derivative instruments	10	854	218
- Other financial assets	11	25,963	22,515
Income tax assets (net)		20,399	17,479
Deferred tax assets (net)	12	189,519	199,250
Other non-current assets	13	103,898	91,562
		3,891,319	3,116,281
Current assets			
Inventories		2,576	3,750
Financial assets			
- Investments	9	47,045	8,614
- Derivative instruments	10	1,283	561
- Trade receivables	14	39,815	40,562
- Cash and cash equivalents	15	71,794	60,959
- Other bank balances	15	62,392	73,984
- Other financial assets	11	220,865	214,697
Other current assets	13	129,243	117,152
		575,013	520,279
Total assets		4,466,332	3,636,560
Equity and liabilities			
Equity			
Share capital	16	28,366	27,950
Other equity		747,263	637,593
Equity attributable to owners of the Parent		775,629	665,543
Non-controlling interests ("NCI")		288,814	253,807
		1,064,443	919,350
Non-current liabilities			
Financial liabilities			
- Borrowings	18	1,515,686	1,135,350
- Lease liabilities		508,295	290,562
- Derivative instruments	10	3,523	174
- Other financial liabilities	19	97,311	90,116
Deferred revenue	24	30,901	30,258
Provisions	20	4,744	4,639
Deferred tax liabilities (net)	12	20,762	24,488
Other non-current liabilities	21	1,029	1,363
		2,182,251	1,576,950
Current liabilities			
Financial liabilities			
- Borrowings	18	139,762	193,795
- Lease liabilities		96,460	77,072
- Derivative instruments	10	1,117	995
- Trade payables	22	328,946	292,741
- Other financial liabilities	19	241,951	194,415
Deferred revenue	24	84,995	75,929
Provisions	20	257,292	243,449
Current tax liabilities (net)		17,972	20,725
Other current liabilities	21	51,143	41,139
		1,219,638	1,140,260
Total liabilities		3,401,889	2,717,210
Total equity and liabilities		4,466,332	3,636,560

The accompanying notes 1 to 44 form an integral part of these Consolidated Financial Statements.

As per our report of even date

For **Deloitte Haskins & Sells LLP**

Chartered Accountants

(Firm's Registration No. 117366W / W-100018)

For and on behalf of the Board of Directors of Bharti Airtel Limited

Consolidated Income Statement – Bharti Airtel Limited as of March 31, 2023

Corporate Overview

Management Discussion & Analysis

Statutory Reports

Financial Statements



Consolidated Statement of Profit and Loss

(All amounts are in millions of Indian Rupee; except per share data)

	Notes	For the year ended	
		March 31, 2023	March 31, 2022
Income			
Revenue from operations	24	1,391,448	1,165,469
Other income	25	9,366	5,343
		1,400,814	1,170,812
Expenses			
Network operating expenses	26	285,433	250,205
Access charges		76,207	67,611
License fee / Spectrum charges		117,517	110,636
Employee benefits expense	27	48,308	44,333
Sales and marketing expenses	28	72,454	53,035
Other expenses	30	78,794	64,310
		678,713	590,130
Profit before depreciation, amortisation, finance costs, share of profit / loss of associates and joint ventures, exceptional items and tax		722,101	580,682
Depreciation and amortisation expenses	29	364,318	330,907
Finance costs	31	192,999	166,162
Share of profit of associates and joint ventures (net)	7	(7,521)	(24,232)
Profit before exceptional items and tax		172,305	107,845
Exceptional items (net)	32	6,698	(16,986)
Profit before tax		165,607	124,831
Tax expense			
Current tax	12	34,831	30,331
Deferred tax	12	7,902	11,448
		42,733	41,779
Profit for the year		122,874	83,052
Other comprehensive income			
Items to be reclassified to profit or loss:			
- Net (loss) / gain due to foreign currency translation differences		(8,730)	7,687
- Net loss on net investment hedge		(17,075)	(6,401)
- Tax credit on above	12	4,365	1,269
		(21,440)	2,555
Items not to be reclassified to profit or loss:			
- Re-measurement loss on defined benefit plans	27.2	(176)	(44)
- Tax credit on above	12	48	10
- Share of other comprehensive income of associates and joint ventures (net)	7	46	35
		(82)	1
Other comprehensive (loss) / income for the year		(21,522)	2,556
Total comprehensive income for the year		101,352	85,608
Profit for the year attributable to:		122,874	83,052
Owners of the Parent		83,459	42,549
Non-controlling interests		39,415	40,503
Other comprehensive (loss) / income for the year attributable to:		(21,522)	2,556
Owners of the Parent		(28,100)	(4,526)
Non-controlling interests		6,578	7,082
Total comprehensive income for the year attributable to:		101,352	85,608
Owners of the Parent		55,359	38,023
Non-controlling interests		45,993	47,585
Earnings per share (Face value: ₹ 5 each)			
Basic	33	14.80	7.67
Diluted	33	14.57	7.63

The accompanying notes 1 to 44 form an integral part of these Consolidated Financial Statements.

As per our report of even date
For **Deloitte Haskins & Sells LLP**
Chartered Accountants
(Firm's Registration No. 117366W / W-100018)

For and on behalf of the Board of Directors of Bharti Airtel Limited

Vijay Agarwal
Partner
Membership No. 094468

Sunil Bharti Mittal
Chairman
DIN: 00042491

Gopal Vittal
Managing Director & CEO
DIN: 02291778