

Czech University of Life Sciences
Faculty of Economics and Management
Department of Economics



Diploma Thesis

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

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DIPLOMA THESIS ASSIGNMENT

Dharati Darji

Economics Policy and Administration
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Thesis title

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

Objectives of thesis

The aim of this thesis is to assess and compare the financial position and performance of two chosen Indian companies operating in the same industry – telecommunication, by analyzing the company's financial statements with focus on the representation and changes of the reported assets, liabilities, expenses and revenues for a chosen period to identify the potential financial problems and the most significant factors influencing the profit from the company and 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

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Declaration

I declare that I have worked on my diploma thesis on topic “Assessment of the Financial Position and Performance of the Chosen Companies Operating in the Telecommunication Industry in India” by myself I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not break copyrights of any third person.

In Prague on 31/03/2021

Dharati Darji

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

Abstract

Financial performance analysis involves the analysis and evaluation of financial statements to give an entire summary of the company's profitability and financial stability. The financial analyst program teaches critical financial analysis methodologies. Reliance Jio is a telecommunication company which under the Reliance industries which has headquartered in Mumbai, Maharashtra, India, with the subsidiary of Jio Platforms. It runs a nationwide LTE network that serves all 22 telecom circles. Depending on the country of operation, Airtel offers 2G, 4G LTE, 4G+ mobile networks, fixed line broadband, and voice services. Bharti Airtel is prominent leader in the telecommunication industry which reached 89,473 crores INR (US\$13 billion, 2020) and named as the most valued brand in India. The thesis performed the financial analysis of two valued telecommunication Reliance Jio and Bharti Airtel that support the investors, financial analysts, and shareholder to invest money in the company. Well, with the current analysis of the data, the thesis developed. Further, the thesis followed the past, present results and use the figures, statistics to make thesis better. The motive of the thesis is to analyses the financial situation of both the company with the help of financial records i.e., cash flow statements, income statements and balance sheet. Thus, in the thesis evaluate the annual reports and relevant data from companies' websites of last few years which help in understanding situation of the companies. The data used to measure the financial performance of the company with the help of ratio analysis, trends, etc. Lastly, the thesis evaluated the financial performance of the Reliance Jio and Bharti Airtel that analyses the core parts of the finance and analysts use those with the view to invest resources in both the companies.

Key words: financial statements, financial position, balance sheet, assets, liabilities, equity, financial performance, Income statement, expenses, revenues, profit, financial analysis, telecommunication industry

Posouzení finanční situace a výkonnosti vybraných společností působících v telekomunikačním průmyslu v Indii

Abstraktní

Analýza finanční výkonnosti zahrnuje analýzu a vyhodnocení finančních výkazů, které poskytují celkový souhrn ziskovosti a finanční stability společnosti. Program finančních analytiků učí kritické metodiky finanční analýzy. Reliance Jio je telekomunikační společnost, která v rámci průmyslových odvětví Reliance sídlí v Bombaji v Maharashtra v Indii s dceřinou společností Jio Platforms. Provozuje celostátní síť LTE, která slouží všem 22 telekomunikačním kruhům. V závislosti na zemi provozu nabízí Airtel 2G, 4G LTE, 4G + mobilní síť, širokopásmové připojení k pevné síti a hlasové služby. Bharti Airtel je prominentní lídr v telekomunikačním průmyslu, který dosáhl 89 473 crores INR (13 miliard USD, 2020) a je označován za nejocetovanější značku v Indii. Práce provedla finanční analýzu dvou oceňovaných telekomunikačních společností Reliance Jio a Bharti Airtel, které podporují investory, finanční analytiky a akcionáře při investování peněz do společnosti. Se současnou analýzou dat se práce rozvinula. Diplomová práce dále sledovala minulost, prezentovala výsledky a pomocí čísel, statistik zlepšovala práci. Motivem diplomové práce je analyzovat finanční situaci společnosti pomocí finančních záznamů, tj. Výkazů peněžních toků, výkazů zisku a ztráty a rozvahy. V práci tedy hodnotím výroční zprávy a relevantní údaje z firemních webů posledních několika let, které pomáhají pochopit situaci společnosti. Data použitá k měření finanční výkonnosti společnosti pomocí poměrové analýzy, trendů atd. Nakonec práce vyhodnotila finanční výkonnost společností Reliance Jio a Bharti Airtel, která analyzuje hlavní části financí a analytici je používají s pohled na investování zdrojů do obou společností.

Klíčová slova: finanční výkazy, finanční situace, rozvaha, aktiva, pasiva, vlastní kapitál, finanční výkonnost, výsledovka, náklady, výnosy, zisk, finanční analýza, telekomunikační průmysl

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List of Abbreviations

MNC – Multinational Company
LTE – Long Term Evolution
PERT – Program Evaluation Review Technique
EPS – Earning Per Share
GAAP – Generally Accepted Accounting Principles
D/E – Debt to Equity
STD – Subscriber Trunk Dialing
SIM – Subscriber Identity Module
FPO – Frequency Planning Organisation
DTH – Direct to Home
OTT – Over the Top
SWM – South East Asia, Western Europe and Middle East
AAG – Asia America Gateway
IMEWE – India Middle East Western Europe
EIG – Europe India Gateway
EASSY – East Africa Submarine System
ITF – International Toll Free Services
IT – Information Technology
RIL – Reliance Industries Limited
INR – Indian Rupees
RRVL – Reliance Retail Ventures Limited
BSNL – Bharat Sanchar Nigam Limited
IVR – Interactive Voice Response
USA – United States of America
GB – Giga Byte
ARPU – Average Revenue per User

1 Introduction

Telecom, often known as telecommunication, is the sector by which the information is exchanged through the significant channels of electronics medium, referring to the voice messaging, data, and video messaging. Telecommunication is the sector which closely connected with the stations, by which one channel is transmitted and another one receives the message (Fatihudin, 2018). Telecommunication is set up by multinational companies who make immense efforts for communication on a global scale through the internet and phone, with the help of wireless and medium of wireless. While the MNCs, setup infrastructure that permits the data in the entire world by messaging, voice, audio and video messaging to be delivered in the world.

The financial performance of Reliance Jio evaluates the company background from the last few years, starting from the year 2016 when Jio comes into the existence. The research comes to analyze the financial performance during the years, financial trends, and identifying future opportunities to change the future results with the help of ratio and current trends (MARAN, 2020).

The current research will discuss the performance and financial stability of Reliance Jio and Bharti Airtel Ltd in an emerging country like India. With this, the motive of the study is to gain the performance results and financial position of both companies. In the research, the data is identified by the past results, financial position, internal and external matters, by which the information comes into the existence (Lassala et al. 2017). The research scope on the future results too and the emerging sector of both the companies and the coming projects by which they are targeting their potential customers and sectors for the company's expansion and Indian economy.

Further, with the tough competition the company also trying to explore things and expanding the other aspects and projects like setting up the 5G and soon on. Thus, the future study of the research highly depends upon the technology and innovation and find other new ways to face the barriers and explore the other sectors that affect both the company's growth and financial position.

2 Objectives and Methodology

2.1 Objectives

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

1. To identify the financial position of the Bharti Airtel and Reliance Jio in the Indian region
2. To analyse the performance result and its effect on the companies and consequences in the business
3. To evaluate the current issues, barriers and finding a possible solution to stay in the market and face the competition.

2.2 Methodology

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.

2.2.1 Research Methods

To meet the purpose of this study and to obtain the most relevant results, the most appropriate method would be secondary data. Secondary research is a method that comprises of investigation and research of data that are collected from important sources. For this study, the data for the study will be obtained through a financial statement of both the companies

which are easily available on the internet sources, newspapers, and business magazines of the companies (Fletcher, 2017). Apart from this, the data for the analysis of the financial statement and identification of the barriers as well as current issues will be collected from other sources of secondary data like articles, periodicals, journals, company's websites, statistical data, and other relevant authentic sources.

The reason for selecting only a secondary source of data for this study is that the financial position of the company can be only identified through the annual financial report published by the company to show their current financial status to the associated stakeholders (Dhir et al. 2020). On the contrary to this, it was not possible to contact the top executives of both telecom companies to gather information about the financial position and performance and how they are working to remove the issues and problems faced to improve their financial position.

Thus, a thorough literature review will be used to collect and evaluate the data for ascertaining the financial health of both telecom companies in India. The secondary data also highlight the core issues that telecom companies face to maintain their position in the industry and beat their competitors (Pandey and Pattnaik, 2017).

2.2.2 Secondary Data

Secondary data is available on the different published sources where participants are not involved to give their opinion on the particular theme. Secondary data is the original data and given by any institute, company, government, or organization.

For this study, it was not possible to collect data from the primary sources because the representatives of the companies are not allowed to share confidential information with outsiders. Thus, in order to maintain the reliability and validity of this study, the secondary data is collected from the annual report, a financial statement of Bharti Airtel and Reliance Jio, newspaper, telecom business magazines, websites, and other sources which includes relevant data.

Apart from this, the researcher also uses articles and academic journals to know more about the problems faced by these companies in maintaining their financial position in the industry. Further, some of the strategies that will help them to find the best solution to stay in the market and beat their competitors (Quinlan et al. 2019).

2.2.3 Quantitative and Qualitative Data

The data for this study will be collected through a combination of two different techniques of collecting data i.e. quantitative as well as qualitative data. It is because this mixed-research method will help the researcher to perceive the drawback of both techniques and can further neutralize it by making use of both methods. The researcher gets an option of elaborating the results with the support of another so that every small aspect relevant for this study will be covered (Almalki, 2016).

In this study, the qualitative strands assist in identifying the issues and barriers faced by the telecom companies to maintain their financial position whereas, quantitative data will support in identifying the current financial position of both companies.

2.2.4 Reliability of Data and Study

The reliability of the data depends on the authentic, genuine, trustworthy, and reputable source of collecting information. Thus, the reliability of this report is ensured by collecting secondary data from the company's official website, business publications, current financial statements, and business publications (Mohajan, 2017).

2.2.5 Data Validation

Data validation is the appropriateness and relevance of the information to the research questions set in the first chapter of the study. The validation of the information is ensured by collecting data from different articles and journals which is related to the theme of the study. Further, different methods used for analyzing the financial data helps in obtaining insightful and relevant data for the study.

3 Literature Review

3.1 Financial Analysis Concepts and Principles

Financial analysis is the procedure of evaluating the business income and expenditure, analysis of the budget and other financial transactions which regulate the performance of the business and maintain its stability. The financial analysis uses in the business to assess the market situation, trends, set policies regarding finance, projects for running the business and investment. Further, it aids the business to assess the profitability, solvency, liquidity, and stability (Schroeder et al. 2019). Mainly the business or companies use the ratio analysis to evaluate the business position and compare it with the past performance to own the historical performance. Thus, with the ratio analysis, the business invests their finance in other resources.

Finance is considered as the inhaler for business ventures. With modern business, the financial statements are the process and summarise the entire accounting of the company. The current research will illustrate the Bharti Airtel Ltd. which commenced its business on 7th July 1995 by Sunil Bharti Mittal and the company's headquarters is in Delhi. The current research motive is to analyse the financial position and performance of the company in the last few years. With this, the company serving its services in India, Sri Lanka, and other 15+ countries. With this, Airtel serves the services in 3G, 4G LTE, mobile services, broadband, etc. and providing voice services in the countries for the functioning (Dhamotharan and Selvam, 2019).

On the other side, the financial principals are regulated with the guidelines which companies and business follows at the time of accounting year. Generally, the accounting principles help the business to govern the rules to standardize the assumptions and methods that are used in the financial outcomes. Well, there are some principles which is notable to comprises the principles, but it also recognizes the revenues, match up the principles (Schroeder et al. 2019). By this, the final objective is to standardize the statements to interpret the financial information with some certain information to complete, consistent and compare at the end of the accounting year.

3.2 Methods of Financial Analysis

The methods in the financial analysis use for the calculation and other factors which use the financial statements for evaluating the creditors, debtors, lenders, and more. Thus, the financial analysis just gives the summary which gather the entire information to support the business and interpret the business data. Following are some methods which widely used in financial data are mentioned below-

Comparative analysis

This method which formulates the income statement and final balance sheet of the company or business in the actual time (in a particular accounting year) which precepts the items in aligned manner. Thus, this method compares the income and expenditure in a particular fiscal year and later shift it to the final balance sheet where the financial statements get ready (Wild, 2019). Hence, it becomes easy for the business individuals or auditors to evaluate the business position and compared it with the last years. With this, the figures are increased or decreased as per the business situation in terms with percentage or in comparison.

Ratio analysis

One of the easiest and useful methods which analysis the financial statements and helps the administration to evaluate the information. Thus, it consists of four categories i.e., current ratio, profitability, liquidity, and leverage which calculate at the end of the year and compare it with the last year performance. With this, it compares with the set of standards to set the benchmark from business to business.

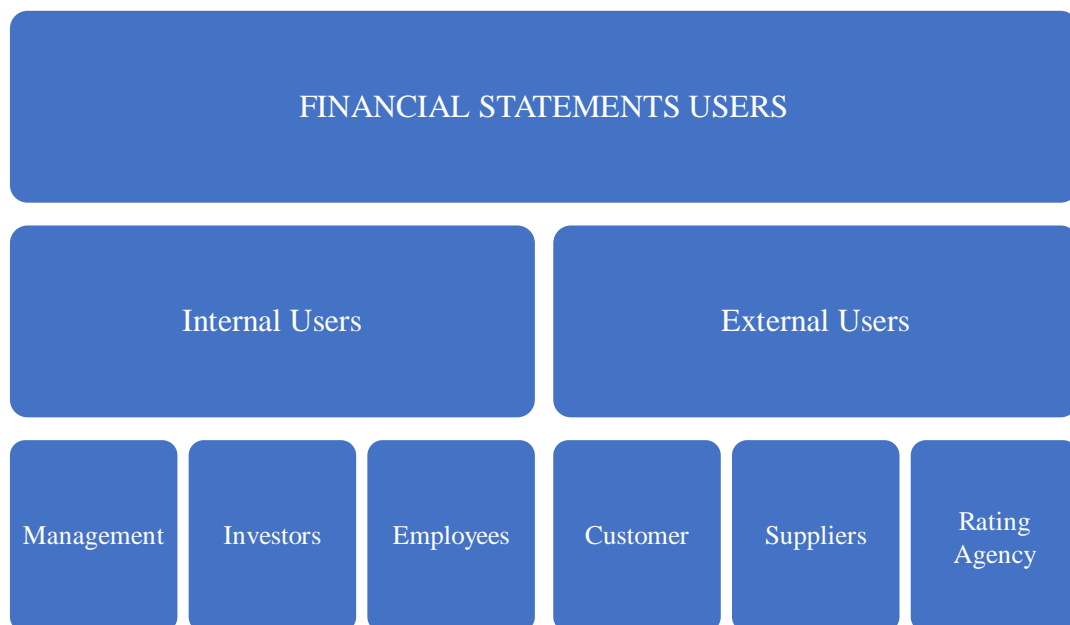
Trend analysis

This method of the financial analysis is parallel, review and compare the data with the financial statements of at least three or more years. Thus, the motive of the trend analysis is to set pattern and analyses the increasing and decreasing of revenues, seasonal fluctuation in the expenditure and many more. Thus, the trend analysis uses the ratio to identify and determine the actual position of the companies or business (Wild, 2019).

As Management Tool

With the view from the management tool, it evaluates the financial statements which are prepared at the time end of the accounting year which contains entire information related with the assets, liabilities, debtors, investments, creditors, equity, reserves, and PandL of the businesses. Thus, to analyses the information, the management tools interpret the data, financial statements which usually use the tools for the comparison, and common statements. Hence, it uses the revenues and effective costs for the business functioning.

3.3 Financial Statements Users in Telecommunication Industry



Management

The management is the initial user of the financial user who make the financial statements of the company. The management needs of use the financial for the considering the growth and development factors of the company. Further, with the financial statements, they evaluate the liquidity, debt, cash balancing, so on. Thus, financial statement is made by them to take decision and investments (Sharma, 2017). Well, in Jio the management is responsible for preparing the true value of the financial position, performance and give comprehensive information of income, cash flows of the equity, and maintain the adequate cash for safeguarding the assets whereas, Airtel management use the finance for the direction and

support in the information, retention, and destruction of privacy with the laws, regulations, and contractual obligations. The company's setup wired lines and wireless to operate and function through the satellites, cables and internet providers. Financial performance is the evaluation of analysing the financial capacity and drawbacks of Reliance Jio by appropriately implementing the connection among the balance sheet, income statement, and cash flow statements. Thus, there are other ways and tools which find the ways financial stability and performance which support in finding the ratio and other trends (Fatihudin, 2018). By knowing the financial position, the research will illustrate the existing position by comparing it with the market circumstances. The trends are used to analyses the creditors, debenture holder, shareholders, and the board of directors.

Investors

Basically, investors are the core owners of the company that updated with the financial situation of the companies which makes decision as per the financial circumstances. In Reliance Jio, the investors are increasing with the company due to its reputation, and highly dependability in technology and its usage with the digital solutions whereas, the Bharti Airtel ensure the diversifications which increase the value of the company and helped to improve the balance sheet (Sharma, 2017).

Employees

Employees are keen players of the company which look over the financial statement with their own perspectives. They look over the financial statements as their bonus and increment are based on the financial performance of the company and existing circumstances. Sometimes company may involve the employees in decision making. While talking about Reliance Jio, the employees aligned as per their productivity to get the better results whereas the Bharti Airtel works on two aspects as the financial user i.e., lower employee turnover and customer satisfaction (Sharma, 2017). Thus, the Bharti Airtel move forward with the experienced employee to pace up the functioning and focus on the customer relation to enhance the good sign of satisfied employees.

Customers

The customers should assess the financial statements of the organization from their websites or on internet before taking their services. With the huge customers, company will be able to look over the other financial resources and they need to frame up relationship with the company. Thus, the Reliance Jio has a proven implementation, debt-free structure, and remain at fund flush with the cash. The Bharti Airtel customers assess the resources steady for future and maintain long-term relationship with the company. Both the companies provide discounted services to the employees.

Suppliers

Customers and manufacturers alike tend to do business with financially stable businesses. Therefore, they are also financial statement users who make credit decisions for the company.

Rating Agency

A credit rating agency audits a company's financial statements to allocate a credit rating to its debt instruments. To get a rating on the securities it is selling to collect its funds, and issue companies all details to the credit rating agency. Well, the Reliance Jio have strong traction with the customer base and emerges as leadership position which holds 99.4% of the company, share as the brand identity in the market whereas, the Bharti Airtel issued the bonds and securities in the international debt market and maintained its high standards with the strong corporate governance to hold the strong shareholder support.

With the final words on the financial statements, the companies contain important information about their investment, customers, suppliers, etc. which help them to show the clear picture of the financial transactions and their performance. Thus, the financial statements are maintained to know the actual position of the company for various purposes and compared with the competitors.

3.4 Financial Records of Reliance Jio and Bharti Airtel

Financial records are the written evidence which interprets the financial amounts of the company in the accounting year. The financial records are analyzing and evaluates the

business activities and performance of the company. Thus, it carries three reports i.e., balance sheet, income statements (profit and loss statements), and cash flow statements. The financial records are used by the investors and financial experts to examine the current performance of the company and make some prediction for the future regarding the stock price and directions.

Balance Sheet

It is a financial record which consists assets and liabilities of the company and evaluates capital structure. It gives the snapshots of the company which owns the company invested, revenues, long-term plans which is invested by the shareholders. It represents the company finance part and sense the trends to stay in the market for long period of time. For this reason, the balance sheet compared the past records, make invest and read the market for the current situation to have unique approaches for financing (Vella, 2017). Although, it uses the balance sheet records to help the investors to know the actual position and performance of the company. Its summaries the entire assets of the business (what business owns) and liabilities (business owes) to show the flow of the money and give the accurate position of the company about its investment, credit, generation of income, so that company can manage it position in the market and paid off all its debts.

Bharti Airtel declared its financial results at the end of the financial year March 2020. Look at the financial results of the Bharti Airtel 2019-2020.

Analysis of Bharti Airtel Balance Sheet

- The Bharti Airtel has the current liabilities of INR 1,315 billion in the financial year 2020 as compared with the INR 930 billion in the financial year 2019 with the increase of 41.4%.
- The company has the long-term debt which INR 91 billion as compared with the INR 825 billion in the financial year 2019, thus it has a growth of 10.4%.
- Next, the company owns assets which rose by 133% which carries the value of INR 766 billion, whereas, the fixed assets increased by 12% which holds the value of INR 1,989 billion in financial year 2020.

- Overall, the Bharti Airtel entirely holds the assets and liabilities of INR 3,608 billion in the financial year 2020 as compared with the INR 2,752 in the financial year, which shows the growth of 31%.

Reliance Jio declared its financial results at the end of the financial year March 2020. Look at the financial results of the Reliance Jio 2019-2020.

Analysis of Reliance Jio Balance Sheet

- Reliance Jio had the current liabilities in the financial year 2020 was INR 4,129 billion, as compared with the INR 3,140 billion in the Financial year 2019, which reflecting rise of 31.5%.
- The company had the long-term debt of 1,976 INR billion in the financial year 2020, and had the 2,075 INR billion in the financial year 2019, which was declined by 4.8%.
- While the company carries the current assets of 2,583 INR billion which rose by 14%, and the fixed assets raised by 11%, which stood the value of 6,418 INR billion in the year 2020.
- Hence, the overall assets and liabilities of Reliance Jio in financial year 2020 was 11,659 INR billion as compared with the past results, it was 10,024 INR billion in financial year 2019, with the growth of 16%.

Income Statement

It is core part of the business which shows the financial results (profit and loss) within an accounting year. With this, the company profit and loss are determined by taking all the revenues and expenses from operating and non-operating activities. The income statements are considered as the key reports which provide summary of the balance sheet about the financial position of the company. While the income statements report the income and expenditure in a particular period. The focus of the income statement is on revenue, gain, expenses, and losses (Vella, 2017). Thus, it starts on first day of the accounting year to calculate the net income and earnings per share (EPS). Importantly, it flows the accounting procedure of the net revenues which is calculated by the company's transaction and later transformed into net profit or net loss.

Bharti Airtel declared its financial results at the end of the financial year March 2020. Look at the financial results of the Bharti Airtel 2019-2020.

Analysis of Bharti Airtel Income Statement

- The income statement of the Bharti Airtel showed that company increased its income with the 8.4% in the financial year 2019-2020.
- The company has increased its operating profit by 43.7% within one financial year 2019-2020. While the operating income have decreased by 44.3% in the year 2020 as compared with the financial year 2019, which witnessed 33.4%.
- The depreciation also increased by 29.7% on the assets and the financial cost also raised by 31.7% in 2019-2020 financial year respectively.
- While talking about the other income, it is declined by 6.2% in 2019-2020.
- The net profit also reduced by 1917.1%.
- Lastly, the net profit margin also reduced by 2.1% in the financial year 2019 which raised to 34.9% in the financial year 2020 respectively.

Reliance Jio declared its financial results at the end of the financial year March 2020. Look at the financial results of the Reliance Jio 2019-2020.

Analysis of Reliance Jio Income Statement

- Reliance Jio operating income raised by 0.9% in the financial year to year.
- While the company operating income raised by 4.8% year-to-year in fiscal year. With this, the company profit margin witnessed a fall of 15.3% in the financial year 2020 as compared with the 14.7% in 2019 financial year.
- Now, the depreciation increased by 6.1%, and the financial cost also raised by 33.5% year-to-year respectively.
- The other income level also raised by 66.4% year-to-year.
- The net profit of the financial year increased by 0.1% respectively.
- Lastly, the net profit margin of the financial year reduced by 6.9% in 2019 financial year and 6.7% in the financial year 2020.

Cash Flow Statements

A cash flow statements are the financial record which collective evaluates the entire data in the accounting year. By combining the inflow and outflow of the cash, the company reach at the relevant results. By going so, it consists investing, operating, and financing part of the company. The company offers the financial records to the shareholders and investors which represents the business transactions (inflow and outflow) within the business. Thus, it determines the value of the company and enhance the market position of the company. The operating income reports the inflow and outflow of the cash which stems the company's business which comprises the buying and selling from the supplies, along with the salaries to the employees, investments, paid off debts (Vella, 2017). While the investing activities positive flows the cash in investment which produce the cash from the busines transactions. Sometimes, the cash can generate by selling the company's assets, equipment, or its property.

Bharti Airtel declared its financial results at the end of the financial year March 2020. Look at the financial results of the Bharti Airtel 2019-2020.

Analysis of Bharti Airtel Cash Flow Statements

- Bharti Airtel carrying the cash flow from its operating activities in the financial year 2019-2020 INR 181 billion.
- While the investing activities of the company in the financial year 2019-2020 have INR 305 billion with the improvement of 7% on yearly basis.
- Now, the financial activities have INR 191 billion, also improve with 103% on yearly basis.
- Hence, the overall cash flow (net) of the Bharti Airtel in the financial year 2020 is INR 77 billion and in 2019 it was INR 12 billion.

Reliance Jio declared its financial results at the end of the financial year March 2020. Look at the financial results of the Reliance Jio 2019-2020.

Analysis of Reliance Jio Cash Flow Statements

- Reliance Jio has the cash flow from the operating activities in the financial year 2020 was 981 INR billion, with the improvement of 131.6% on the yearly basis.
- The cash flow generated from the investing activities in the financial year 757 INR billion on yearly basis.
- While the financial activities in the financial year 2020 was 25 INR billion year-to-year.
- Hence, the overall net cash flow for the company Reliance Jio in 2020 stood at 198 INR billion and in the financial year 2019 it was 37 INR billion.

3.5 Methods for Evaluating the Financial Records

Vertical Analysis: -

Vertical analysis is the analysis where the data of single year are reviewed with proper techniques like ratio. Here the statement which contains such type of analysis is also called as “common size statement”. Common-size financial statements are used by the incorporate comparatively financial statement that includes the separation such as the columns separated and where each of the column’s line comparing each line item to a previously period entity. Which helps in easily giving a firm big picture (Soboleva et al. 2018). These types of financial statements, which includes the detailed vertical analysis is also known as common size statement or the common size financial data, these types of data are used by several companies to provide greater detail on a company of firm’s financial position to gain a big picture of the performance metrics that whether the company is improving or deteriorating.

Here the data is compared with the common value; it could be the data of one company or the data of one company. With the help of Vertical analysis, it becomes very easy and comfortable to understand and review the relation between the items in a balance sheet and is also explained in the form of a percentage. Vertical analysis acts as a vital tool, when it is used with the conjunction with horizontal analysis, which takes the finance entity of a particular period so that we can have a close view. Such analysis is also known as static analyses as the data is based on single year are analyzed where the data could be review done percentage also.

Here the company does the vertical analysis to know the performance and to measure the current situation as compared to last year. Vertical analysis is usually performed on two financial statements, it could be any of the financial statement like Balance sheet and Profit and Loss Account. Vertical analysis is a method or technique of finance and financial statement review where each entity is shown in the form percentage of a basic figure in numbers along with its change within the statement of the single year (Soboleva et al. 2018). The entities of an income statement can be explained as a percentage of total sales or the expenses, while the items or entities in a balance sheet like assets and liabilities are stated in the form of percentage of the total assets or the total liabilities, also the vertical analysis or review of a cash flow statement indicates each cash inflow or outflow in the form of percentage of the total cash inflows in a year. Such analysis is basically done in sales, where the expenses are compared with the sales.

Working of Vertical analysis

Vertical analysis makes the work much easier, when it comes to compare the financial statements of single organisation, firm with another firm, and across companies. This helps the top-level management, and the individual can easily describe the relative proportions of account balances in the financial statement. It also helps in maintain and track the records and compare the previous time records, where the quarterly and annual figures of statement are compared over a number of different years, in order to view or review a big picture of the performance of the company that whether performance of the company is improving or deteriorating.

Taking example of Vertical Analysis.

For example, suppose ABC. Corporation has gross sales of 5 lakhs and the costing of goods sold for 1 lakh. and general expenses and administrative expenses of the firm or corporation is 2 lakhs and a 20% tax rate calculated, the income statement for the particular year of the corporation will be looking like this, if vertical analysis is used of firm to know the position of the firm:

Sales done	5,00,000	100%
Goods sold	1,00,000	20%
Gross profit	4,00,000	80%
General expense and Administrative Expenses	2,00,000	40%
Net operating Income	2,00,000	40%
Tax (%10)	20,000	04%
Net income	1,50,000	30%

Horizontal Analysis

Horizontal analysis is the analysis where financial statement is compared keeping side by side to each other horizontally, this is basically done when the company compares the balance sheet or any other financial data horizontally. The horizontal analysis is used to analyse the financial statement and to compare historical and the periodic data, which include ratios, or the line entities, over several accounting periods or over the different quarters. Horizontal analysis can be expressed in the form of absolute value or the percentage form so that it becomes easy to compare the data and analyse comparisons periodically. Here the numbers in each of the succeeding phase are viewed in the form of a percentage of the

whole amount of the base line year, where the baseline amount being listed as 100%. As the company takes the base year as a cent therefore the analysis is also known as the base year analysis (Faccia and Mosco, 2019). When the company compares the two financial statements of different years or the balance sheet of two different companies keeping side by side, it could be the profit and loss statement of different companies.

In such analysis at least two firm's financial data must be presented so that it could be compared, in relation to each other for comparison. There are two methods to perform the horizontal analysis, the base method, and the chain method. However, the base method is no more suitable and applicable. Due to this the chain method issued to perform the horizontal analysis. Horizontal analysis method shows the increase or decrease in the items of financial in different form it could be in absolute terms or in percentage forms, due to this it is also known as dynamic analysis as the data is based on data from year to another year rather than the one-year data (Faccia and Mosco, 2019). Horizontal analysis is basically used to review or examine the company's financial statements over the multiple periods to know the current position of the company and depending upon such reports company changes their policy as to enhance the efficiency.

Horizontal analysis also allows the financial statements user to easily identify the trend of the company and so is easily identifiable that the company is in growth state or not, or to identify the trend, whether it is upward or downward. When the company does well continuously from the last yrs. or quarter it is said to up-side trend and if the company regularly doesn't achieve which was achieved in last statement it is said to be down- trend (Faccia and Mosco, 2019). It is also expressed in percentage, growth over the same line item or equity in the base year, where the base year is always considered as 100%. It could be manipulated to make the current period look better than pervious if the specific historical periods of poor performance are taken for the comparison. Hence the statement containing such analysis is known as comparatively analysis or the horizontal analysis.

Generally accepted accounting principles (GAAP) majorly focus on the consistent and the comparability of the financial statements. Consistency is the ability to review accurately company's financial statements over a different period because the accounting methods and applications remains always constant.

Comparability is the ability to view side by side two or more different companies' financial stage. Here the horizontal analysis helps in improving the review the consistency of the company over the time directly, and even helps in improving comparability of growth in a company compared to other competitors as well. With the help horizontal analysis, it also allows investors and analysts to notice that what factor is been driving a company's financial performance over several different years and helps in determine the spot trends that whether the trend is in up –direction or in down-direction. It also helps analysts to test relative changes in different entity over time. And, to project them into the future which specially help in stock market.

By viewing the cash flow statement, balance sheet and income statement over time, one can imagine a big picture of results and predict them to great extent and see how the company is performing and basis of it the investors and analyst can predict the big picture of company that whether it will in profit or loss and will easily measure, whether the company is operating efficiently and profitably. For example, an investor invests in company named ABC. The investor wishes to determine how the company will grow with respect or with the review of past years over the past year.

Consider that company A's base year, the report net income of 10 crore and retained earnings of 52 lacs. In the current year, company XYZ reported net income of 20 lacs and the retaining earnings is 52 lacs. It shows an increase of 10 lacs in the net income and 2 crores is the retained earnings year and year. Therefore, company A's net income grew by 100% $((2 \text{ crore} - 1 \text{ crore}) / 1 \text{ crore} * 100)$ year over year, while the retained earnings is only grown by 4% $((52 \text{ lacs} - 50 \text{ lacs}) / 50 \text{ lacs} * 100)$.

Ratio analysis

Ratio is basically an expression of quantitation relationship between two numbers. Ratio analysis is a quantitative method of gain debt numerical data and knowledge into a company's liquidity, operational efficiency, and profitability by reviewing and studying its financial statements such as the balance sheet and income statement. Ratio is a mathematical relation; it is used to do comparison. Analysis means examination and interpretation of numerical relationship of two numbers (Easton et al. 2018). Ratio analysis compares the entity item from the company's financial statements to identify the in-depth knowledge regarding the profitability, the liquidity, the operational the efficiency, and the solvency.

Ratio analysis helps in identifying that how and where a company is giving its performance over different time, while comparing a company to another within the same industry or sector which depends on season change also. While the ratios offer useful in-depth insight into a company, to obtain a big picture of a company's financial health and the prediction of the company whether it will in profit stage or not, also used to know the efficiency with other competitors.

Ratio analysis is the analysis of numerical relational of tow numbers to derive a conclusion. Ratio analysis is a process of determining the relationship between accounting figures of financial statement and representing for the interpretations. The ratio analysis is used by the top-level management in interpreting and analyzing the financial statements, which is used for identifying the performance of various domains like planning, co-ordination, control, communication, and forecasting, which is the key objective of the management. It is always done of two entities, it could be of two companies who do the same business, and it could be of total earnings or total sales comparison (Easton et al. 2018). The ratio analysis is helpful in evaluating financials, in forecasting and planning, the earning capacity, useful in estimation, in coordination and helps a smooth flow in communication. Investor and analyst employ ratio analysis to know and evaluate or review the financial health of companies. The data obtained can also compares a company's financial health and know the standing of company with the industry averages while measuring how a company compete up against others with the same sector and the competition. Investors can use such ratio analysis easily, and predict the trend of the company.

Ration are classified into following: -

Liquidity ratio

It is basically the money which is near to cash, or the cash availability in the market. It is further divided into current ration and quick ratio.

Leverage ratio

Leverage ratio indicates the level of debt incurred by a business against other accounts in the balance sheet, cash flow or the income statement. It is a tool when effort is low, but result is

high. It is further classified into, debt-to-assets ratio, debt-to-equity ratio, debt-to-capital ratio, debt-to-equity ratio.

Solvency ratio

Solvency ratio is the ratio which is used to measure the firm's ability to meet the long-term debt and use by prospect big business lender, it shows whether a company's cash flow is sufficient to meet the long-term liabilities and often used to know the financial health of the company (Easton et al. 2018). Solvency ratio is further classified into debt-to-equity ratios, total debt to total asset ratios, and interest coverage ratios.

Return ratio

The Return ratio is helpful in identifying or evaluating the highest possibility return is being generated on an investment. The return ration is calculated by dividing the selected or total assets or equity into net income.

Coverage Ratio

Coverage Ratios helps in measuring a company's capability to make the interest payment and other liabilities associated with its debts. For example, it includes, times interest earned ratio and debt-service coverage ratio.

Market Prospect Ratio

This is the most used ratios in the fundamental analysis. They include dividend pay-out ratio, P/E ratio, earnings per share ratio (EPS) and dividend yield. Investors always use such metrics to know and predict earnings and future performance of the company how it will be going to perform.

Trend analysis

Trend analysis is the technique which is used in technical analysis to know and predict the future movement which is based on earlier recently observed trend data. It is usually done in stock market to identify the price movement and predict the price for future. It gives the idea that what have happened in the past time gives the idea of what could happen soon.

Trend analysis is a technique is identifying the direction used in technical analysis that tries to predict and know future stock price movements based on previous recently observed trend data (Osadchy et al. 2018). Trend analysis depends on, what has happened in the past gives traders a knowledge and idea of what will happen in the future. Basically, there are three main types of trends: short term, intermediate term, and long term. Trend analysis tries to predict a trend or a direction, such as a bull market run, and then that trend until data suggests a trend change or a reversal, such as a bull-to-bear market.

Trend analysis focuses on three typical time horizons:

- Short term- when the duration of investment is less than 6 months.
- Intermediate term- when the duration of investment is 6 months – 1 year.
- Long term- when the duration of investment is more than 2-3 years.

3.6 Analysis of Ratio

Ratio Analysis is the quantitative approach which gains company's liquidity, functional, profitability, and productivity by evaluating the financial statements to reach at desired results. By evaluating balance sheet and income statement, the ratio compares the items of the company's assets and liabilities to know the actual insights of the company (Palepu et al. 2020). The investors experts and financial analysts employ for the ratio analysis to evaluate the financial position of the company as compared with the past results and preparation for the future opportunities. Thus, the comparative data determine the company's position which measure the stacks within the same industry. The investors use the ratio and figure out the ratio against the past numbers.

Ratio analysis is significant to evaluate the variable which initiative for the flexibility of management, make strategies and make the ratio attractive. Well, the ratio is used with the other ratio to give a comprehensive view for the company and angles that support the potential stability of the company (Palepu et al. 2020). Here are some ratios of both the companies are discussed below for the better analysis and understanding.

Profitability Ratio

This ratio uses as the financial metrics to generate the ability of earning in the revenue, operating and balance sheet part. This ratio can be used the efficiency ratio and narrate about the assets, internal part for the generation of income.

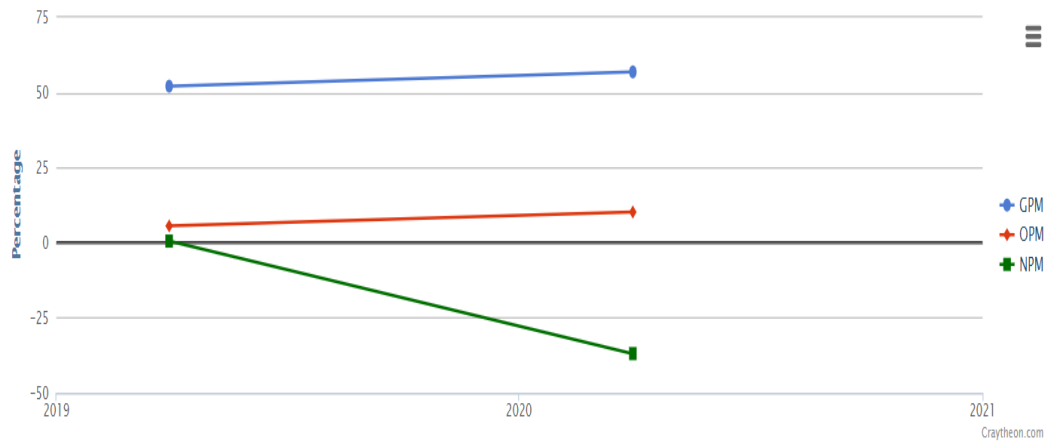


Figure 1: Profitability Ratio

Source: Craytheon, 2021

The above is the figure of profitability ratio in which it represents the net profit margin and tells us about the sale of the Bharti Airtel. It is highly variable in the telecommunication sector where it shows the Airtel consistency in terms of profit margin.

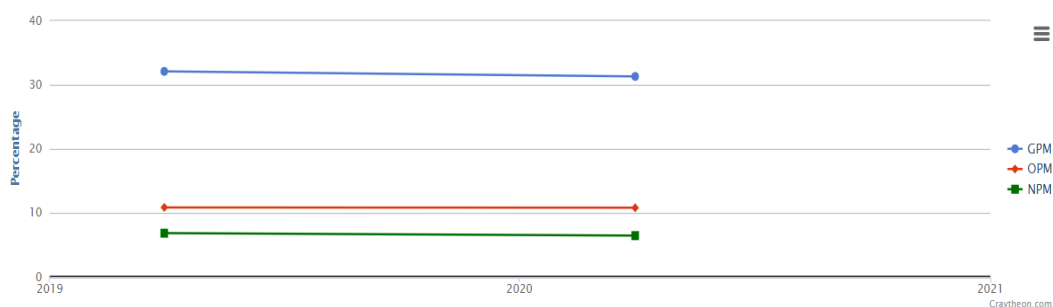


Figure 2: Net Profit Ratio

Source: Craytheon, 2021

The net profit ratio margin of the Reliance Group in which the above figure narrated that sale is constant over the years (2019, 2020, expecting 2021 too) Thus, it is highly variables in same industry of telecommunication and ideal company in the telecommunication market and generating consistent profit every year.

Return on Equity

This ratio measures the financial stability and performance of the company by which it divides the net income by the shareholder's equity. ROE calculated as the company net income and equity which can be positive numbers.

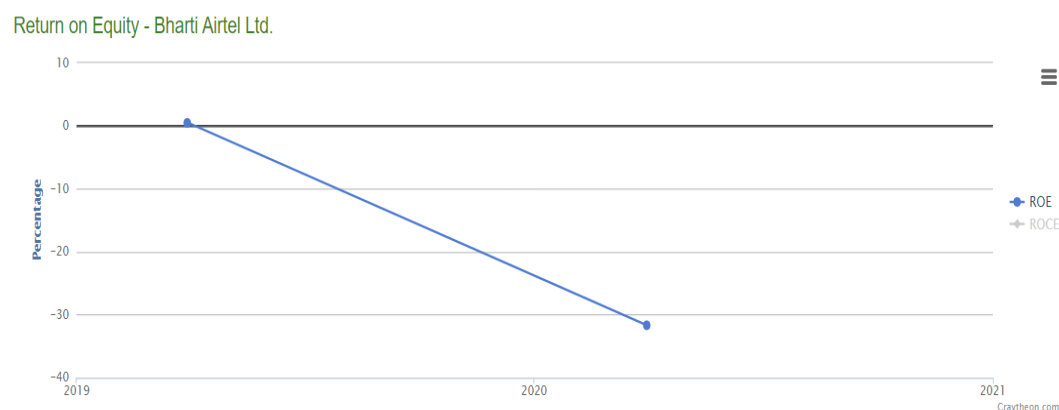


Figure 3: Return on Equity

Source: Craytheon, 2021

From the viewpoint of investor, ROE is important ratio which describes the common stockholder of the company and effective use of the money in the company. The ROE is considered as the ideal ratio and which should be more than 15%. Thus, the above figure showed that Bharti Airtel is not in decent position and from last 2 years (2019 and 2020) it is -16%.

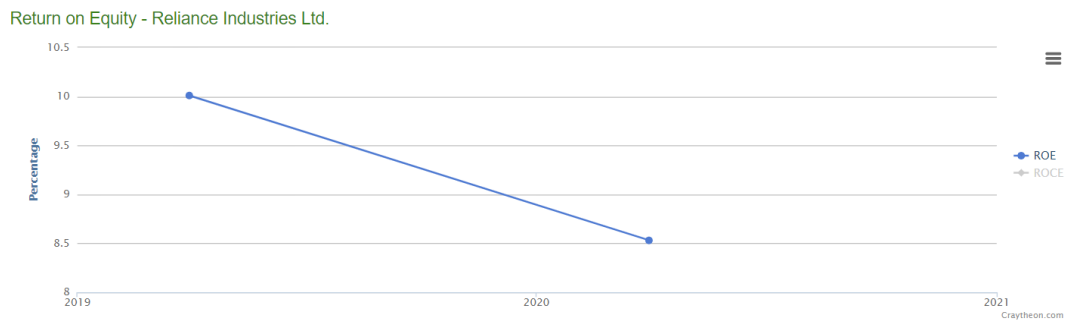


Figure 4: Return on Equity

Source: Craytheon, 2021

From the perspective of stockholders, ROE is key ratio which analyse the money and its evaluation and use the money for the generation of resources. The ideal ROE is considered as the 15% but the Reliance Industries sustains at 9% which is not so inadequate. With the little progression, company manage it in 2021.

Leverage Ratios

This ratio serves the financial measurements which derives the debts (loans and advances) and evaluates the ability of the company to manage and tackle the financial requirements. It is key ratio which mix ups the equity and debts.

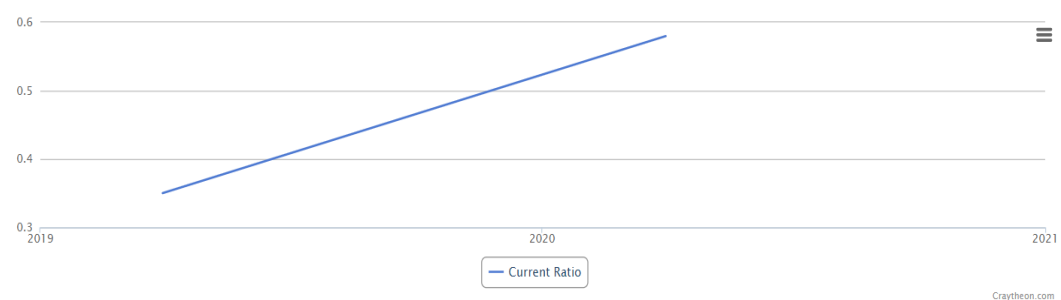


Figure 5: Leverage Ratios

Source: Craytheon, 2021

The company's current assets are against the current liabilities which should be 1.5 ideally. While investors observe the company's current ratios and if the ratio is greater than 1.5 investors keen to invest the money in the company and if it is less than 1, investor neglect to

invest money in it. Although, less than 1 or negative, then the company receive the money faster from the market, customers and pay it to the vendors. Thus, the Bharti Airtel is in stable position and expecting to be show the better ratio in coming year.

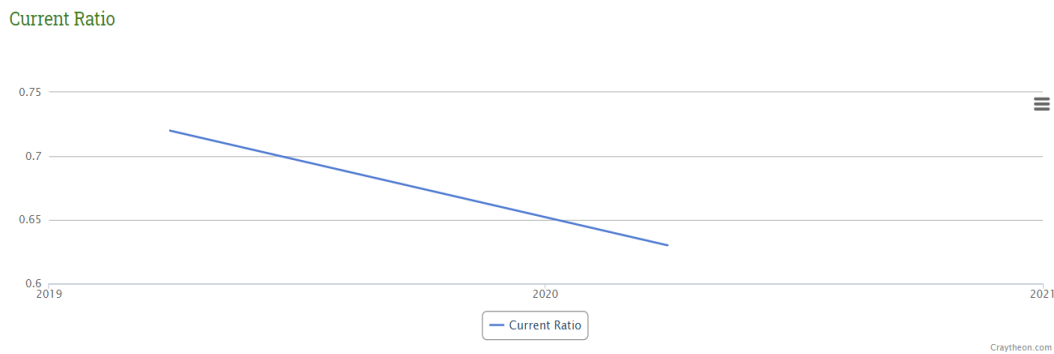


Figure 6: Current ratio

Source: Craytheon, 2021

The current assets of the company are compared to the current liabilities, which should be 1.5 in supreme in every circumstances. While investors examine the company's current ratios with the past records, if the ratio is greater than 1.5, they are more likely to invest in the company, while if the ratio is less than 1, they avoid to invest money in it. If the number is less than one or negative, the company can collect money from the market, consumers, and vendors more quickly. As a result, Reliance Jio is not so good position but have the capacity to be stable position in future.

Interest Coverage Ratio

This is ratio which determine the profitability and debts for the company which can pay the interest which is outstanding in past. The interest coverage ratio uses the current interest as margin safety for paying the interest, expenses, etc.

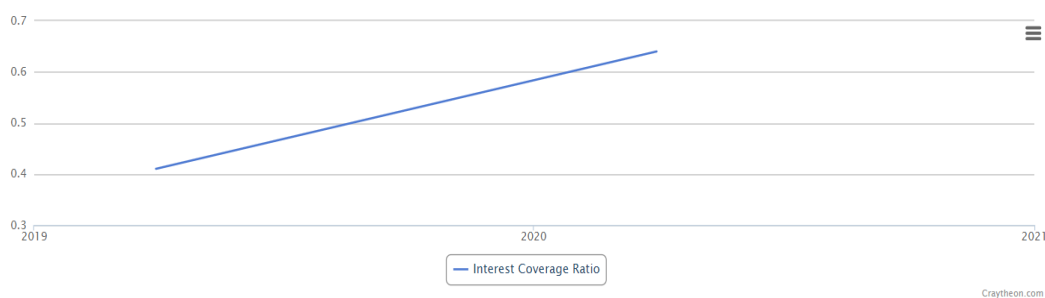


Figure 7: Interest Coverage Ratio

Source: Craytheon, 2021

A lower than 1.5 interest coverage ratio is a red flag. The lower the debt-to-equity ratio, the less debt-ridden a corporation is. The ratio is zero if a business has no debt or if the loan interest is covered by interest income from savings or other operations, which is obviously excellent. A negative ratio indicates that the company's operating income is insufficient to cover its debt interest payments.

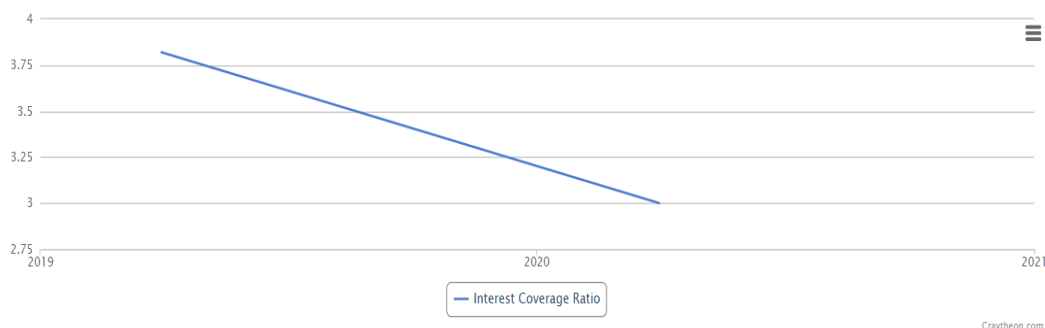


Figure 8: Interest Coverage Ratio

Source: Craytheon, 2021

The interest coverage ratio is not more than 1.5 shows the red flag and if the company has higher ratio it is considered as the burden for them. The interest coverage shows that if the company has not burden (advances or debts), that means the interest income from the investment has zero and other activities performing well and has excellent course. With the negative ratio that narrates the company has not in stable position and paid the loan and its interest from the operating income.

Debt to Equity Ratio

The ratio is used to determine the financial leverage of a business. In corporate financial world, the D/E ratio is considered as crucial measure which indicates the company financial activities rather than wholly-owned funds. Thus, the market downturn, it represents the willingness of shareholder equity to pay all unpaid debts.

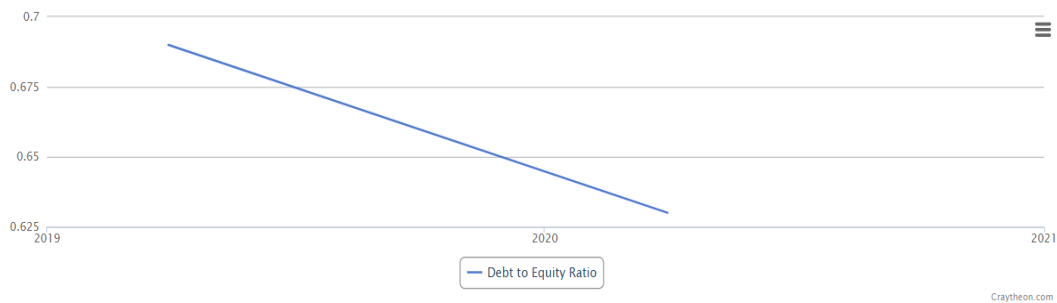


Figure 9: Debt to Equity Ratio

Source: Craytheon, 2021

Debt Equity ratio fluctuates with industries to industries. Bharti Airtel have the higher equity which is more than 1. Generally, the ratio is higher, and faced difficulty in arranging the cash. While the capital factor is the major factor. Well, as compared with the 2019, the company having better ratio, but 2020 the ratio gets down. But, with the passing time, the company may face difficulty in arranging the cash.

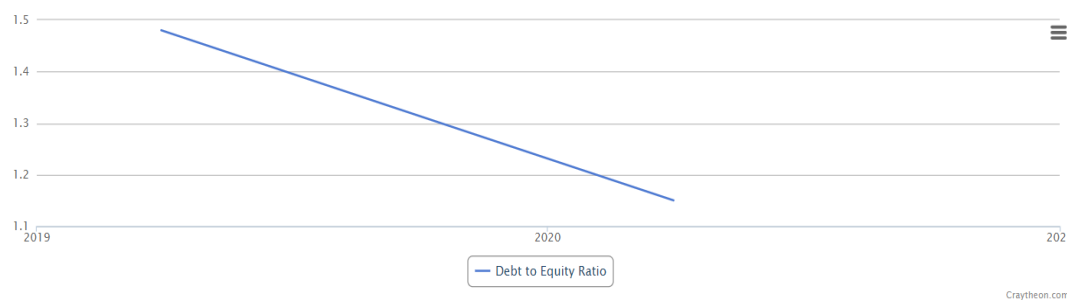


Figure 10: Debt to Equity Ratio

Source: Craytheon, 2021

The debt-to-equity ratio differ in every industry. Reliance Jio has a higher equity of more than one. In general, the ratio is higher, and the cash was difficult to arrange. The capital factor is the most significant factor. In comparison to 2019, the corporation has a stronger ratio, but in 2020, the ratio decreases. However, as time goes on, the organisation can face difficulties.

Free Cash Flow

The cash which produces after accounting for cash outflows to finance operations and sustain its capital assets. Unlike earnings or net profits, free cash flow is a measure of profitability that excludes the income statement's non-cash costs and includes spending on facilities and inventory, as well as adjustments in working capital.

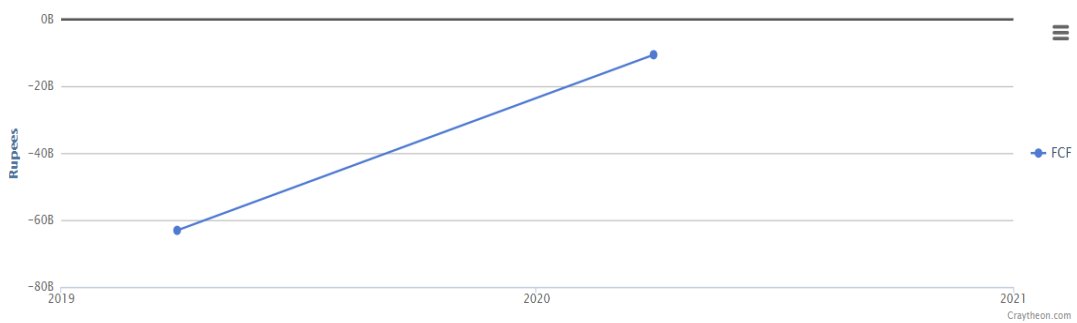


Figure 11: Free Cash Flow

Source: Craytheon, 2021

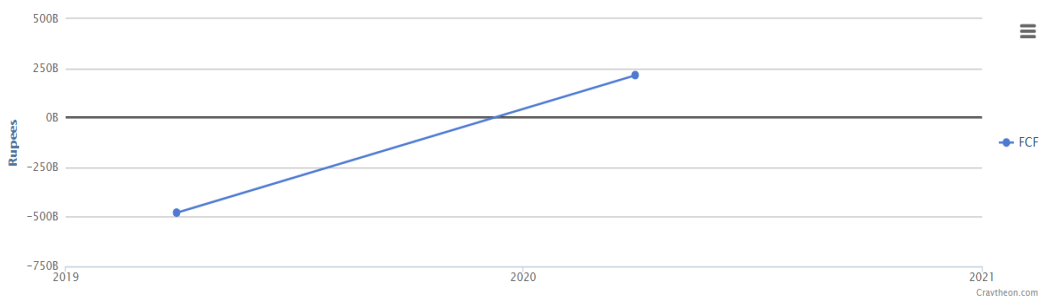


Figure 12: Free Cash Flow

Source: Craytheon, 2021

Overall Performance

As seen from the viewpoint of company management, the performance refers to the company's ability in achieving its goals. The capital investors, a company's success is measured by the size of the profit margin achieved, which remunerates the capital invested in the company.

Company Performance

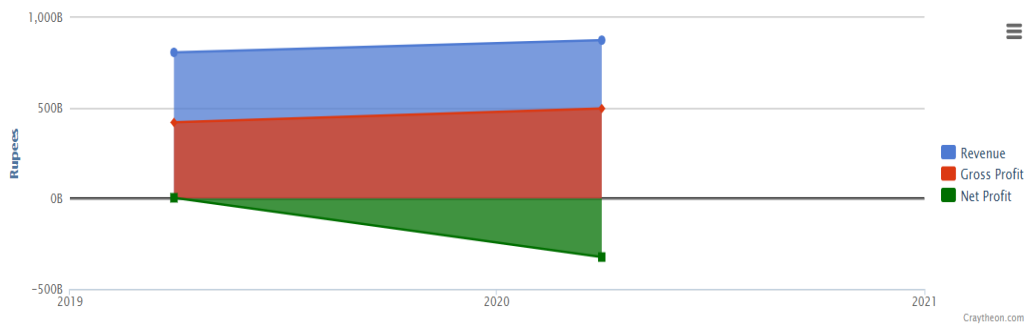


Figure 13: Overall Performance

Source: Craytheon, 2021

The entire performance of Bharti Airtel is consistently stable over the years (2019-2020). The revenue and gross profit are stable, but the net profit decreased within the two years.

Company Performance

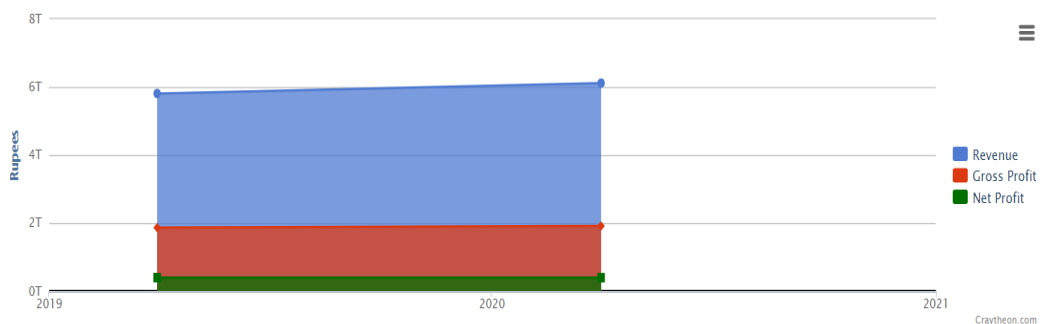


Figure 14: Overall Performance

Source: Craytheon, 2021

The entire performance of Reliance Jio is consistently stable over the years (2019-2020). The revenue and gross profit are stable, but the net profit is highly increased among the telecommunication competitors within the two years.

The research will address the performance and financial position of Bharti Airtel and Reliance Jio in the Indian region. The current research will illustrate the secondary data both for the evaluation of the performance and financial situation through the study. To optimize it, the research will use the available sources of data, secondary sources for carried out the research further and obtain the market position and growth to analyse the distinct methods to focus on the research objectives (Mahato and Jagannathan, 2016).

In the methodology part, the research uses statistics and data sources from both the company's websites and other government agencies. By using the qualitative and quantitative methods, the research will use the consumer thoughts and their behavior towards the company that comprises about the content, journals, and the articles which will use as the data and computational techniques for determining the data and extract the information.

Significance of the Study

The existing research will show the performance and financial position of Bharti Airtel and Reliance Jio by which it discloses the significance of the different factors which affects the working and other aspects of both the companies and shows the positive and negative results of the company. Thus, the research is based on developing technology and innovation that come across during the past years in India (MARAN, 2020).

The research will draw down the several factors of the Bharti Airtel and Reliance Jio which affects their companies working and stability in the market and also show the significance of the information sources from which the information will collect during the research time and past results. Also, the study uses the sources, documents from the relevant websites, and other informational sources which are appropriate for the research and show down the effect on India in terms of business and as the emerging leader in the telecom sector.

The problem statement in the current research discloses the financial stability and investigate about the different process through the Bharti Airtel and Reliance Jio serves their services across the nation and also reflect the effect of the customer mindset and targeting their potential customers. With the help of the facts and figures, the data explains the evaluation

and applicability of the information and references in the required research material. The past study research, will reflect on the progress, and various aspects of introducing the new technology and innovation to make communication easy and faster (Nasution and Aulia, (2019). Developing the lines and routes will benefit the companies by combining them and develop the emerging market.

With this, the research will focus over the issue on the performance and financial position of the company in the last few years and how the company handle the competition and stayed at the top as per the pioneer leader with the relevant examples and effective use of the balance sheet, income statement and cash flow statement.

Conceptual Framework

As per the words by Dhir et al. (2020), the balance sheet is the statement that discloses the company's financial position and stability in the market to some extent. With this, it gives short snapshots of the assets, the position of the advances, liabilities, debtors, creditors and other liquid funds of the companies. Thus, the assets and liability section is the inhale and exhale of the company by which the company come forward to take the action, perform a financial function in the market and displays the current and non-current position in the form of the balance sheet, where it indicates the short-term and long-term stability and potential of the companies. With the total assets and liabilities, the company evaluates its financial performance during the year and expects the investors to take a step further and maintain the position in the market and raise the value.

According to Gartenberg et al. (2019), the financial performance understands the value of the company by its income statements and frequent transaction so that investors examine the financial position and calculate it by studying the ratios and trends. Thus, the process of analysing the financial aspects and performance of the company is part of the program evaluation review technique (PERT) where tools take the help of the graphical presentation and analyse it. By evaluating the financial position, the investor takes steps towards investing in the company (Lassala et al. 2017). With this, Reliance Jio has recorded immense growth in the year 2019 by earning 40.8K Cr (nearly 33% growth) and in the year 2020, the company earned 54.5K Cr whereas, Bharti Airtel earned the profit of 853.6 Cr in the last October-December quarter and previously earned 763.2 Cr in the July-September quarter.

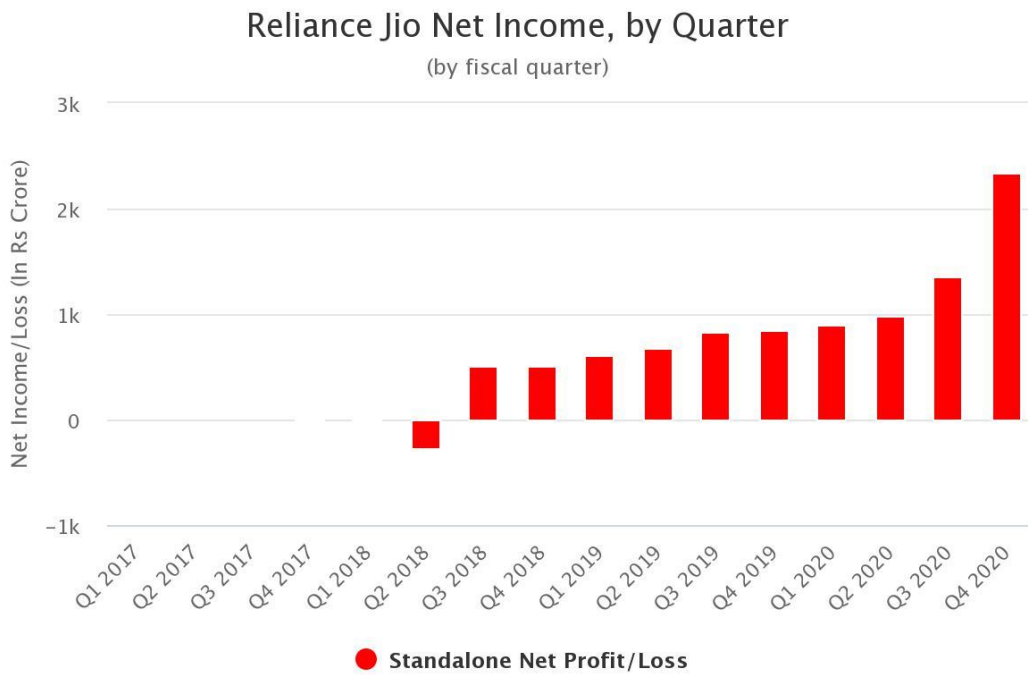


Figure 15: Reliance Jio Net Income: FY Q1 2017 – Q1 2021

Source: Quarter, 2020

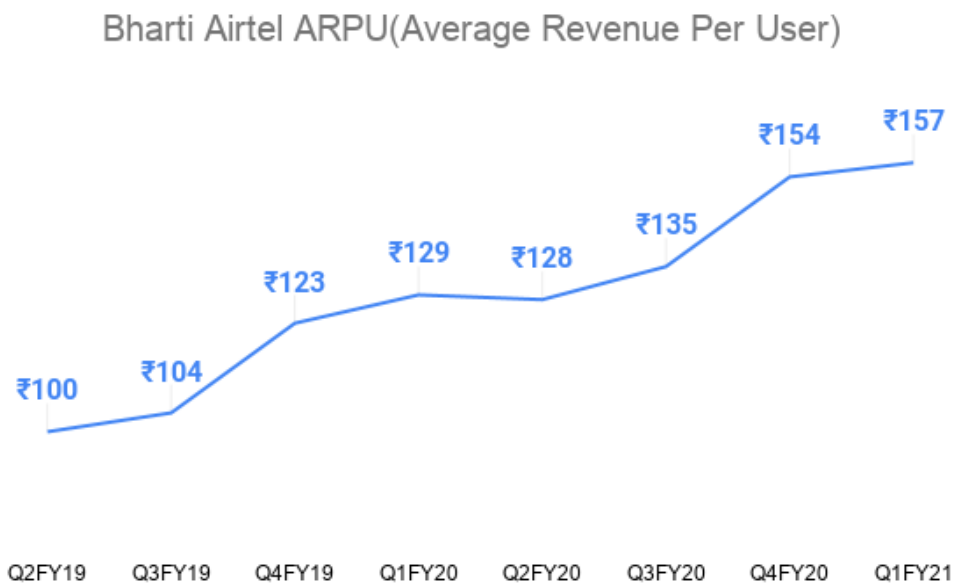


Figure 16: Bharti Airtel ARPU (Average Revenue per User)

Source- INDmoney, 2020

4 Practical Part

As per the words by Schroeder et al (2019) the financial analysis evaluates the business income, expenses, analysis the financial with the time to regulate the business activities and enhances the business performance. Thus, it was found that financial analysis uses the market circumstances, analyses the trends, set some policies, regulation which help them to support in the finance and also help them in investment and business transactions. Further, the business run on the profitability, solvency, and liquidity with the business performance and also evaluates the ratio to stable the business position, compare it with past performance and help them to invest for the future.

On the other hand, the financial principles rely on the regulation with the guidelines with companies follow the fiscal year. Thus, accounting standards, in general, assist companies in governing the laws that standardize the assumptions and procedures used in financial outcomes. There are several values that are noteworthy to include the principles, but it also considers the sales, and it aligns the principles (Schroeder et al. 2019). Well, the final motive is to standardize the financial statements for the interpretation with the financial data to complete, consistent and help it in comparing the data at the end of the year.

The financial analysis techniques use financial statements for estimation and other considerations such as assessing creditors, debtors, lenders, and more. As a result, the financial report only provides a description of the details needed to help the company and analyses the data. This approach produces the income statement and final balance sheet of a company or business in real time (during a specific accounting year) and perceives the products in a consistent manner. As a result, this approach measures revenue and expenses in a given fiscal year before moving on to the actual balance sheet, which is where the financial statements are prepared (Wild, 2019). As a consequence, it is simple for business people or auditors to measure the current state of the business and equate it to previous years. As a consequence, the figures are raised or decreased in percentage or by contrast, depending on the business situation.

The Reliance Jio has become one of the major companies in India which has the ₹152,056 crore INR (US\$21 billion, 2020) and listed one of the profitable companies in Telecommunication Company. On the other hand, Bharti Airtel Limited, or simply Airtel, is

an Indian telecommunications Services Company headquartered in New Delhi, India. It has operations in 18 South Asian and African nations, as well as the Channel Islands.

4.1 Analysis of Jio

For any novice, breaking into the telecom commercial enterprise which is typically beaten via more than one big business, comparable as in an oligopoly shape, is tough, no question. This is one of those businesses where customers aren't extraordinarily short to move from one logo to every other. There are certain limitations to evolving brands, to be precise, the flexible number, monitoring down an affordable obligation plan, and so on while these troubles can be tackled, whilst you discover an organisation which fits your requirements, besides in case you find out something this is extensively higher, you would now not have any desire to move. The one aspect that is singularly in each case better, is a similar help being provided for not anything. Or alternatively for this situation, Jio supplied loose 4G statistics to each one in every of its supporters, which, in 2016, was an extravagance product.

To know the better financial position and performance of the company, the research will go through the profit and loss figures, liquidity stages and growth of the dividend during the years. Further, the ratio comes in the position to know the actual position of the company like solvency, turnover, and profitability that indicates the annual sales and generation of the revenues. By the passing time, the company earned the financial and overall performance was good and come up as the emerging leader in the telecom division. Still, there is a time when the economy gets slowed but Reliance Jio maintains its status in the tough time and rises the demand of the services across the customers and sale their products with the increased profit in every passing year.

The underlying plan that went with the dispatch of Jio was unfastened administrations until December 2016. Under this plan, each person became offered admittance to lose SIM cards and unfastened 4G records to fulfil all their perusing needs. Indeed, the free assist became not simply constrained to 4G information; Jio additionally gave free voice-calling, each neighbourhood and STD. This kind of plan was up 'til now excellent and addressed the Utopian transportable association for every Indian. This forceful advertising plan became according with Ambani's goal was to reach at a hundred million endorsers in one hundred days. In December 2016, Jio reported that it might make bigger the first-rate unfastened help

till March 2017. Named as the "Glad New Year" plan, this enlargement made Jio the number one telecom dealer on the planet to dole out a half of 12 months of unfastened assist.

Dependence Jio arrived at its goal of one hundred million supporters in February 2017, following hundred and seventy days of life. From that factor ahead, it has high-quality turn out to be greater and larger. By June 2017, the nearby region had arrived at 22,000,000 endorsers, therefore creating a document for the quickest improvement of clients. As of December 2019, Jio is the 1/3-finest telecom administration backer in the global and has a business enterprise of near 400 million supporters.

First is the fleeting fashion sway. Assuming you notice all individuals spherical you brandishing Converse, it makes in you a subliminal inclination to in shape in and wear Converse. Along those traces, you begin requiring Converse. For Jio, the reference diploma modified into uncommonly critical as other telecom transporter providers had no longer stood up with a 4G employer of that esteem. With inclusion on the whole 22 telecom circles, Jio changed into the biggest cellular nearby vicinity administrator in India through utilising 2019.

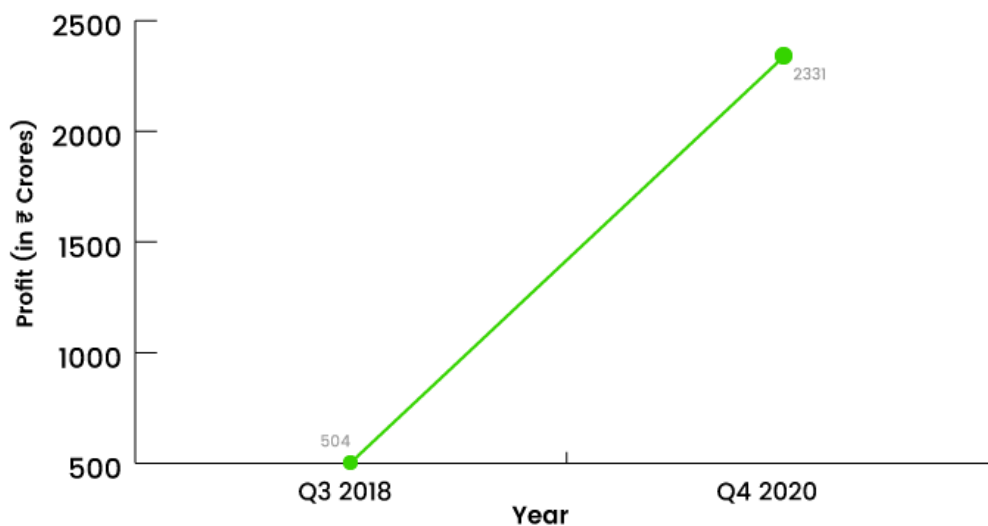


Figure 17 Quarterly Analysis of Reliance Jio

Source- Dazeinfo, 2020

Presently, albeit that is the run of the mill work out, having a major obligation trouble forces an always present pressing factor at the endeavour's strength sheet, and cuts down the

obligation to-value proportion and others. For bigger organizations who've a steady and continually developing course of income, they attempt to keep the obligation as low as could really be expected and as a substitute, utilize held profit and investors' decency to back their assembling sports.

Non-current obligation liabilities additionally act like an issue to the endeavour's income reliable with extent and the profit left over after charge of interest and assessment, as non-present-day obligation needs to transporter inside the state of normal interest instalments. In general, an obligation free endeavour is more trustworthy, self-enough and presents itself as a protected and supportable wager to financial backers. In the event that it got simpler to end up being obligation free, I question any business inside the worldwide could choose to keep an excellent phase of obligation.

There are a couple of different reasons which are specific to Reliance Jio as an auxiliary of Reliance Industries, and as a member inside the Indian telecom space. Assets have been raised by means of sources. The first is a rights issue, which implies a next providing of stocks to the predominant investors at a diminished charge. Like a FPO, a rights inconvenience most straightforward comprehension on existing investors, instead of the general posting of more offers for all individuals

The Reliance rights trouble became oversubscribed with the aid of 1.Fifty nine occasions and raised in excess of fifty three thousand crores for the business enterprise. Aside from this, most of property came from the offer of stakes within the Reliance Jio degree. A combination of 24.7% of Jio has been supplied to outside monetary backers like Facebook, Silver Lake, Vista Equity, General Atlantic and others. A measure of close to 1,15,700 crores has been raised from the eleven outer economic backers. The leftover 75.3% of Jio is being held by Reliance Industries.

Balance Sheet Analysis of Reliance Jio

Vertical analysis of cash flow statement of Reliance Jio

Particulars	March 2020	March 2019	March 2018	March 2017	March 2016
Profit Before Tax	40316.00	47367.00	45725.00	40777.00	35701.00
Net Cash Flow from Operating Activity	76560.00	29191.00	62000.00	51450.00	.00
Net Cash Used in Investing Activity	-142652.00	53949.00	59109.00	54949.00	.00
Net Cash Used in Financing Activity	70767.00	25795.00	-1914.00	-1639.00	.00
Net Inc/Dec In Cash and Cash Equivalent	4675.00	1037.00	977.00	-5138.00	-4679.00
Cash and Cash Equivalent - Beginning of the Year	3768.00	2731.00	1754.00	6892.00	11571.00
Cash and Cash Equivalent - End of the Year	8443.00	3768.00	2731.00	1754.00	6892.00

Table 1 Vertical analysis of cash flow statement of Reliance Jio

Interpretation

The above is the cash flow statement of the Reliance Jio indicates which shows the changes in proportion of items from year to year. These changes can be observed in the financing, investing and operating activities respectively.

From the Table, it can see that profit, operating, financing and cash and cash equivalent have the various changes but the investing activities had positive and negative changes. Over the years, the profit is consistently increasing over the year and the operating activities have some major changes in which slightly comes up and down in different years. The financial

activities had the positive impact but in the year 2018 and 2017, it gets negative and after that year, company managed its activities and manage the cash flow. Thus, the cash and cash equivalent had consistently increased but the investing activities get negative and positively over the years.

Horizontal Analysis of Balance Sheet Reliance Jio

No. of Months Year Ending	12 Mar-19*	12 Mar-20*	% Change
Net worth	3,871,120	4,533,310	17.1
Current Liabilities	3,140,230	4,129,160	31.5
Long-term Debt	2,075,060	1,976,310	-4.8
Total Liabilities	10,024,060	11,659,150	16.3
Current assets	2,260,880	2,582,600	14.2
Fixed Assets	5,778,370	6,417,640	11.1
Total Assets	10,024,060	11,659,150	16.3

Table 2 Horizontal Analysis of Balance Sheet Reliance Jio

Interpretation

The above horizontal balance sheet of Reliance Jio indicates which shows the changes in proportion of items from year to year. These changes can be observed in the current asset section and current liabilities respectively.

The company's current liabilities during FY20 stood at Rs 4,129 billion as compared to Rs 3,140 billion in FY19, thereby witnessing an increase of 31.5%. Long-term debt down at Rs 1,976 billion as compared to Rs 2,075 billion during FY19, a fall of 4.8%.

Current assets rose 14% and stood at Rs 2,583 billion, while fixed assets rose 11% and stood at Rs 6,418 billion in FY20. Overall, the total assets and liabilities for FY20 stood at Rs 11,659 billion as against Rs 10,024 billion during FY19, thereby witnessing a growth of 16%.

Cash Flow Statement Analysis of Reliance Jio

Vertical analysis of cash flow statement

Particulars	March 2020	March 2019	March 2018	March 2017	March 2016
Profit Before Tax	40316.00	47367.00	45725.00	40777.00	35701.00
Net Cash Flow from Operating Activity	76560.00	29191.00	62000.00	51450.00	.00
Net Cash Used in Investing Activity	-142652.00	53949.00	59109.00	54949.00	.00
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Net Inc/Dec In Cash and Cash Equivalent	4675.00	1037.00	977.00	-5138.00	-4679.00
Cash and Cash Equivalent - Beginning of the Year	3768.00	2731.00	1754.00	6892.00	11571.00
Cash and Cash Equivalent - End of the Year	8443.00	3768.00	2731.00	1754.00	6892.00

Table 3 Vertical analysis of cash flow statement

Interpretation

The above is the cash flow statement of the Reliance Jio indicates which shows the changes in proportion of items from year to year. These changes can be observed in the financing, investing and operating activities respectively.

From the Table, it can see that profit, operating, financing and cash and cash equivalent have the various changes but the investing activities had positive and negative changes. Over the years, the profit is consistently increasing over the year and the operating activities have some major changes in which slightly comes up and down in different years. The financial activities had the positive impact but in the year 2018 and 2017, it gets negative and after that year, company managed its activities and manage the cash flow. Thus, the cash and cash equivalent had consistently increased but the investing activities get negative and positively over the years.

Horizontal analysis of cash flow statement

Particulars	March 2019	March 2020	Change %
Cash Flow from Operating Activities	423,460	980,740	131.6%
Cash Flow from Investing Activities	-951,280	-757,170	-
Cash Flow from Financing Activities	559,060	-25,410	-
Net Cash Flow	37,450	198,390	429.7%

Table 4 Horizontal analysis of cash flow statement

Interpretation

Reliance Jio cash flow from operating activities (CFO) during FY20 stood at Rs 981 billion, an improvement of 131.6% on a YoY basis.

Cash flow from investing activities (CFI) during FY20 stood at Rs -757 billion on a YoY basis. Cash flow from financial activities (CFF) during FY20 stood at Rs -25 billion on a YoY basis. Overall, net cash flows for the company during FY20 stood at Rs 198 billion from the Rs 37 billion net cash flows seen during FY19.

Income Statement Analysis of Reliance Jio

Vertical analysis of income statement

Particulars	2017- 2018	%	2018- 2019	%	2019- 2020	%
INCOME						
Sales Turnover	50316	18.9	86226	27.3	-36381	-9.0
Excise Duty	2299	9.9	4652	18.3	-743	-2.4
Net Sales	48017	19.8	81574	28.1	-35638	-9.5
Other Income	-489	-5.6	602	7.3	5719	64.8
Total Income	47528	18.9	82176	27.5	-29919	-7.8
EXPENDITURE						
Manufacturing Expenses	3415	33.6	4930	36.3	-2281	-12.3
Material Consumed	37834	22.3	69186	33.3	-26706	-9.6
Personal Expenses	306	6.9	1094	23.0	233	3.9
Selling Expenses	Nil	Nil	Nil	Nil	Nil	Nil
Administrative Expenses	-2023	-13.8	-749	-5.9	117	0.9
Expenses Capitalised	Nil	Nil	Nil	Nil	Nil	Nil

Provisions Made	Nil	Nil	Nil	Nil	Nil	Nil
Total Expenditure	39532	19.8	74461	31.2	-28637	-9.1
Operating Profit	8485	19.6	7113	13.7	-7001	-11.8
EBITDA	7996	15.3	7715	12.8	-1282	-1.8
Depreciation	1115	13.1	978	10.2	-830	-7.8
Other Write-offs	NIL	NIL	NIL	NIL	NIL	NIL
EBIT	6881	15.8	6737	13.3	-452	-0.7
Interest	1933	70.9	5095	109.4	2354	24.1
EBT	4948	12.1	1642	3.5	-2806	-5.9
Taxes	2761	29.5	91	0.7	-2791	-22.8
Profit and Loss for the Year	2187	6.9	1551	4.6	-15	-0.04
Non-Recurring Items	NIL	NIL	NIL	NIL	-4245	-4245
Other Non-Cash Adjustments	NIL	NIL	NIL	NIL	NIL	NIL
Other Adjustments	NIL	NIL	NIL	NIL	NIL	NIL
REPORTED PAT	2187	6.9	1551	4.6	-4260	-12.1
KEY ITEMS						
Preference Dividend	NIL	NIL	NIL	NIL	NIL	NIL
Equity Dividend	2594	2594	232	8.9	294	10.4

Equity Dividend (%)						
Shares in Issue (Lakhs)	30834	94.8	40	0.06	6	0.009
EPS - Annualised (Rs)						

Table 5 Vertical analysis of income statement

Interpretation

The above is the income statement of the Reliance Jio indicates which shows the changes in proportion of items from year to year. These changes can be observed in the financing, investing and operating activities respectively.

From the Table, it can see that profit, the various changes but the investing activities had positive and negative changes. Over the years, the profit is consistently increasing over the year and the expenditure part have some major changes in which slightly comes up and down in different years. The key items had the positive impact but in the year 2018 and 2017, it gets negative and after that year, company managed its activities and manage the income. Thus, the cash had consistently increased but the investing activities get negative and positively over the years.

No. of Months Year Ending	12 Mar-19	12 Mar-20	Change %
Net Sales	5,716,550	5,768,760	0.9%
Other income	83,860	139,560	66.4%
Total Revenues	5,800,410	5,908,320	1.9%
Gross profit	841,670	882,170	4.8%

Depreciation	209,340	222,030	6.1%
Interest	164,950	220,270	33.5%
Profit before tax	551,240	579,430	5.1%
Tax	153,900	137,260	-10.8%
Profit after tax	398,370	398,800	0.1%
Gross profit margin	14.7	15.3	0.6%
Effective tax rate	27.9	23.7	-4.2%
Net profit margin	6.9	6.7	0.2%

Table 6 Horizontal Analysis of Income Statement Reliance Jio

Interpretation

The profit has steadily increased year after year, although the spending portion has seen some big changes, fluctuating significantly in different years. The main items had a positive effect, but in 2018 and 2017, they had a negative impact, and the business handled its operations and profits after that year. As a result, though cash has steadily risen, investment practises have fluctuated between negative and positive over time.

4.2 Analysis of Airtel

On the off risk that we take a gander on the accounting document of Bharti Airtel the present-day danger has diminished by 20.99% even as the modern-day resource had likewise diminished by means of 69% while contrasted with 2015 contemporary assets and liabilities. It isn't at all a decent pointer for the employer to have fewer current resources when you consider that enterprise have inadequate asset to fulfil its temporary liabilities and they have made the assignment. This is due to the fact that the company have a more amount of trade payables and different cutting-edge obligation. These change payables are the levy to the client. While within the occasion that we assessment and Idea it has less of current resources by means of 74.72% and current obligation decline by means of 23.59%. From this we are able to say that it has less cash nearby extra project but it likewise improved change payables. The agency has much less cash nearby in evaluation with Airtel which they may be losing the risk fee of getting money close by. As per the words by Mohamed and Atheru (2017), financial performance is the studies of the core parts of the company where there are major objectives of the financial performance and stability that evaluates the ratios and trend analysis. By doing it, the research analyses the ratio and trends which sets some business annually and generate operational and functional income, efficiency, and following the favourable demographics. The research will aim to focus on the profitability position, capacity and operating indicators of the company.

The venture model of the association is with the end goal that it has an enormous assortment of supplier contributions like Mobile Services, Home Connectivity, DTH, Tower framework, Payment's business and so on the business' computerized resources and administrations incorporate the image Airtel XStream, Wynk Music and Airtel Books. The business separate is additionally with the end goal that round 46% comes from the Network business endeavour in India, 26% comes from Africa and 0.5% from South Asia. The Towers business contributes round 7%, Airtel business undertaking contributes 13.9%, Digital Services venture contributes 3.3% and houses availability offers 2.3% commitment.

Worldwide Business, the worldwide arm of Airtel Business, offers an incorporated set-up of world and neighbourhood availability answers, spreading over voice and records to the suppliers, Telcos, OTTs, enormous multinationals, and substance material proprietors internationally. Its worldwide framework comprises of the ownership of i2i submarine link

device, associating Chennai to Singapore and consortium ownership of submarine link frameworks like South East Asia - Middle East - Western Europe - four (SWM4), Asia America Gateway (AAG), India - Middle East - Western Europe (IMEWE), Unity, Europe India Gateway (EIG) and East Africa Submarine System (EASSY). Alongside those seven claimed subsea links, Airtel Business has a potential on 27 distinct links across different geologies. Utilizing the immediate presence of Airtel Mobile tasks in 16 nations across Asia and Africa, Global Business likewise gives portable arrangements (ITFS, Signaling center points, and informing), alongside oversight administrations and SatCom arrangements. Worldwide Business is in like manner introducing progressed customer arrangements like IoT to global clients.

Bharti Airtel (the Company), has flourished around the world via building a way of life of development and inordinate execution. The Company investigates new business sectors and business molds globally; advances new methodologies of buyer and partner commitment; goes into new essential associations; embraces new innovations; and constructs dramatic efficiencies in present frameworks. While those activities divulge a vast expanse of chances, ability threats and vulnerabilities ascend in an unpredictable business environmental factor. The misery pointers need to be gotten and tended to with direness for smooth tasks. Along these lines, the Company has made a solid peril the board system in its working scene that obliges vital, crime, monetary, operational and environment threats. The Company has a legitimate exercise to select key risks across the Group and focus on relevant movement plans for alleviation.

Organization has proactively applied business undertaking progression plan and viably empowered work at home office for all the faculty via introducing essential IT foundation and local area security. Further, considering that the Company is occupied with the endeavour of conferring media transmission contributions, which are distinguished as 'fundamental' contributions, through different mediations, the Company has drawn in with government and guaranteed that needful help with the guide of method of consents for development of representatives or specialists, network contraption, store network and numerous others., is delayed through Government to encourage ceaseless and unabated activities and upkeep of telecom network for progression of contributions. Organization has formulated amazing discussion plan and guide instrument for wellbeing and security of its faculty.

Balance Sheet Analysis of Bharti Airtel

Particulars	March 2020	March 2019	March 2018	March 2017	March 2016
Profit Before Tax	-51020.90	-5243.90	-681.20	-8509.50	10254.40
Net Cash Flow from Operating Activity	4026.40	10812.10	15954.30	21165.50	19449.90
Net Cash Used in Investing Activity	-22271.50	-20455.90	-19441.60	-24283.20	-21989.30
Net Cash Used in Financing Activity	21114.10	9397.60	3867.70	3455.70	1898.40
Net Inc/Dec In Cash and Cash Equivalent	2869.00	-246.20	380.40	338.00	-641.00
Cash and Cash Equivalent - Beginning of the Year	170.70	416.90	82.20	-255.80	385.20
Cash and Cash Equivalent - End of the Year	3039.70	170.70	462.60	82.20	-255.80

Table 7 Vertical analysis of cash flow of Bharti Airtel

Interpretation

The above is the cash flow statement of the Bharti Airtel which shows the changes in proportion of items from year to year. These changes can be observed in the financing, investing and operating activities respectively.

From the Table, it can be seen that profit is continuously showing negative results over the years except 2016, operating, financing, and cash and cash equivalent have various changes which are positive but the investing showed negative results. Over the years, the profit is consistently decreasing and showing negative results. The financial activities had a positive impact but in the years 2019 and 2018 and have a tremendous use of

finance. Well, in the starting of the year the cash and cash equivalent was 170.70 and in the end of the financial year, it was 3039.70 which showed major change in the cash balance.

Horizontal analysis of cash flow

Particulars	March 2019	March 2020	Change %
Cash Flow from Operating Activities	200,702	181,287	-9.7%
Cash Flow from Investing Activities	- 285,009	-304,919	-
Cash Flow from Financing Activities	94,368	191,444	102.9%
Net Cash Flow	12,214	76,746	528.3%

Table 8 Horizontal analysis of cash flow of Bharti Airtel

Interpretation

Bharti Airtel cash flow from operating activities (CFO) during FY20 stood at Rs 181 billion on a YoY basis.

Cash flow from investing activities (CFI) during FY20 stood at Rs -305 billion, an improvement of 7.0% on a YoY basis. Cash flow from financial activities (CFF) during FY20 stood at Rs 191 billion, an improvement of 103% on a YoY basis. Overall, net cash flows for the company during FY20 stood at Rs 77 billion from the Rs 12 billion net cash flows seen during FY19.

5 Results and Discussion

Jio Platforms, a sixty-seven% subsidiary of India's commercial enterprise behemoth Reliance Industries (RIL), has been inside the information all through 2020. Also, the reasons are many. First of all, it's miles a younger business enterprise, just fused in 2019, but on the same time homes a massive portion of the INR thirteen Lakh Cr gathering's advanced businesses besides if they're now clubbed under Reliance Retail Ventures (RRVL). Second, and all of the greater drastically, Jio has raised greater than \$20 Bn (INR 1.5 Lakh Cr) from pinnacle global financial backers of Big Tech in any occasion, whilst corporations went to a shivering result in a Covid-hit global.

5.1 Comparison of the Financial Performance of Bharti Airtel and Reliance Jio

Bharti Airtel was the biggest gainer as far as clients in September with 38 million supporter increases, the Telecom Regulatory Authority of India said. As per the in vogue Trai data, Reliance Jio conveyed 1. Five million clients while Vodafone Idea kept dropping supporters. Vodafone Idea lost 4.6 million supporters inside the month. BSNL, then again, won 78,252 clients. The remote endorser base of Jio presently remains at 404.1 million. It is 326.6 million for Airtel, and 295.5 million for Vodafone Idea.

Jio has 35.1 in accordance with penny market rate, seen via Airtel (28.4 with regards to penny), and Vodafone Idea (25.7 predictable with penny). Absolute broadband supporter base developed 1.41 in sync with penny month-on-month, arriving at 726. Three million. Broadband piece of the overall industry of Jio became at 55.9 percent. Airtel had 22.9 with regards to penny rate, and Vodafone Idea had sixteen. 5 with regards to penny. In the wireline stage, Jio got the most with 303,205 increments, as towards Airtel's 66,335 million. Jio's wireline base presently could be 2.1 million clients, while that of Airtel is 4.4 million. Versatile assortment compactness demands sped up from 512.1 million in August to 520.8 million in September, the Trai insights said.

5.2 Comparison of the Results of Financial Analysis Ratios of Bharti Airtel and Reliance Jio

Key Ratio Analysis

No. of Mths Year Ending		12 Mar-19*	12 Mar-20*
Current ratio	x	0.4	0.6
Debtors' Days	Days	19	19
Interest coverage	x	0.6	0.8
Debt to equity ratio	x	1.2	12.7
Return on assets	%	4.5	-4.6
Return on equity	%	2.4	-429.2
Return on capital employed	%	5.8	-29.4

Figure 18 Key Ratio Analysis of Bharti Airtel

Source- equitymaster, 2020

Key Ratio Analysis

No. of Mths Year Ending		12 Mar-19*	12 Mar-20*
Current ratio	x	0.7	0.6
Debtors' Days	Days	19	12
Interest coverage	x	4.3	3.6
Debt to equity ratio	x	0.5	0.4
Return on assets	%	5.6	5.3
Return on equity	%	10.3	8.8
Return on capital employed	%	12.1	11.6

Figure 19 Key Ratio Analysis of Reliance Jio

Source- equitymaster, 2020

5.3 Significant Factors Influencing Profits

Adapting 2G/3G records clients was difficult as restrained administrations may be upheld on these corporations. Presently, those are being eliminated and a trade in perspective is occurring concerning profits as India's versatile software financial system is growing quick. Jio Platforms has truly constructed an enormous presence here. Since its joining as an umbrella substance for RIL's different virtual transporter verticals, Jio has delivered more noteworthy than 30 applications for the two clients and assistant environments. These

comprise of RIL-claimed computerized companies alongside My Jio (a portable endorser control application), JioTV (advanced TV), JioSaavn (tune web based), JioMeet (video conferencing), JioMart (on line shopping) and may more across recreation, media, edtech and healthtech zone. The effort has developed radically as these applications are accessible all through low-value Jio include phones strolling on 4G. Be that as it may, Airtel clients approaching comparative applications might be without issues recognized as an exorbitant spending individual base.

A portion of Airtel's virtual administrations existed much sooner than Jio's entrance. Yet, the immense push to help their administration and footing best went in close vicinity to the past 3-4 years. Airtel Wynk (tune streaming) and Airtel Digital TV (DTH or direct-to-homegrown assistance) are cases in point. Along with the Airtel Thanks application, the Blue Jeans (video conferencing) association and edtech administrations through new companies and the DTH transporter, Airtel has made sure to be to be had in a couple of fragments wherein Jio is blessing. In any case, the monstrous contrast is: The Airtel control has consistently kept up that online business/retail contributions like a JioMart are out of extension for a telco.

5.4 Potential Financial Problems

At that factor there's the mission B2B marketplace for tech preparations that each Airtel and Jio are after. With practically 21% of Airtel's income share coming from the undertaking enterprise alone, the telco has been an inexpensive champ up until this factor, in particular considering the fact that Jio's method in B2B task preparations isn't always completely clean but. Inside the previous few months, Airtel has additionally strengthened its endeavour providing beyond correspondences and cloud administrations to offer security and patron care arrangements via distinct associations. This moreover includes Airtel IQ, an endeavour correspondence targeted omni-channel solution for agencies to coordinate administrations (like messages and IVR) interior applications itself.

As a cloud transporter backer, even without its new Google Cloud and AWS associations, Airtel has long-standing benefactor commitment, and accordingly, orders most dependable valuing from organizations. Yet, when the point of convergence on the accompanying arrangement of customers alterations to the rate-mindful and pandemic-scarred little and

medium offices (SMBs), the story is unique, particularly with Reliance Jio looking out a Microsoft Azure organization to pursue this individual base.

Investigators are included, despite the fact that. Given Jio's propensity for troublesome estimating, SMBs and kiranas can be a troublesome area for Airtel that especially offers with organizations. There transformed into a large portion of a-trillion-dollar plausibility of taking \$13mn mother-and-pop stores to the advanced segment, anyway just 0.2% had come online on the time.

6 Conclusion

Indeed, even despite the fact that Airtel isn't some distance at the rear of Jio in expressions of endorser use measurements in accordance with its new exhibition inside the cell zone, how is the business situated to build its advanced income development while Jio is as of now available and building up an associated virtual climate? Jio Platforms has articulated more than INR 1,000 Cr in deals in the subsequent area (July-September 2020) that represented five% of its non-cell income. Obviously, Airtel has been running on it through product, organizations and exchange (huge scope retail) answers for a very long time or more noteworthy. Furthermore, round 21% of Airtel's India deals comes from non-versatile association's path to their large company arrangement administrations.

Industry specialists have due to the fact a long term in the past addressed why telcos, with infinite endorsers, could not adapt their patron base till Jio came into the photo. Telcos, obviously, have presented a few packages and further computerized administrations to give admittance to over-the-top (OTT) substance, track and advanced TV. However, those were for the maximum component created with the cease purpose of broader consumer profiling so model can occur at a clasp in the 4G length.

The telco is trying to fabricate its instalments financial institution level as an associating touchpoint throughout its utility universe. While instalments financial institution as a concept has been considered an unhappiness by means of the economic enterprise, Airtel's installments bank is among the great 3 in this area because of an early mover advantage. Jio Payments Bank, no matter its corporation with the USA's finest mortgage expert, the State Bank of India, has been generally undetectable in this marketplace.

Bharti Airtel as of now has enterprise-driving use measurements, with facts utilization final at 16 GB a month for every patron and voice use at 1.5 min a month for every purchaser. Conversely, Jio's measurements stay at 12 GB and 776 min each month for data and voice use, one by one. These are definitely more than one red imprints on Jio's trendy document card as Airtel maintains on seeing excessive-esteem use no matter a decrease endorser base. As of now, the extra hooked up telco has 326.6mn endorsers contrasted with Jio's 400mn atypical supporters. Likewise, will there be an uptick inside the usage of advanced administrations, consequently using in extra income and dramatic improvement.

In spite of the fact that Jio has been really vocal roughly its new exchange arrangements focused towards kirana stores, Airtel is unobtrusively investigating its choices in production network and store digitisation innovation. Be that as it may, as Nair discussed, the telco may easiest start talking roughly those arrangements after they show extraordinary cost.

The new turns of events, particularly the tremendous business capacity of computerized administrations that Jio is endeavouring to use, have not, at this point got away from the attention to its most despised opponent Bharti Airtel. When the undisputed boss in India's telecom market, it is again preparing for a wounding fight with Jio Platforms and says that the organization is chipping away at systems to produce 'huge deals' from its computerized contributions, which incorporates recreation and financial administrations, in the ensuing 3-4 quarters. The telco has now not specific how this 'significant' deals may help its business or whether it'd help with recovering the market.

These eye-popping ventures failed to occur without an explanation. As in keeping with industry professionals, Jio Platforms means to head a great deal beyond its centre telecom business and develop right into a greater sizeable base for a group of applications and automated administrations, from preparation and agritech to medical care to e-management and ordinary basics like staple goods after which some. Be that as it can, for Jio or its telecom friends in India, it is something but an all-encompassing dream, but an unquestionable requirement comply with route to bringing in huge coins as the location ARPU (regular income according to purchaser) is a long manner from supportable, because of the below cost valuing of voice and statistics plans. Except if businesses are prepared to take benefit of the quick growing Indian marketplace pushed by using the subsequent billion of net clients, their improvement can't be covered up with a Digital Bharat.

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8 Appendix

(All amounts are in millions of Indian Rupee)

	For the year ended March 31, 2020	For the year ended March 31, 2019
Cash flows from operating activities		
Loss before tax	(428,465)	(17,318)
Adjustments for:		
Depreciation and amortisation expense	276,896	213,475
Finance costs	137,261	110,134
Finance income	(16,098)	(14,240)
Share of profit of joint ventures and associates (net)	(6,524)	(3,556)
Exceptional items (net)	401,619	(32,792)
Employee share-based payment expense	357	345
Loss / (profit) on sale of property, plant and equipment	10	(175)
Other non-cash items	5,132	11,909
Operating cash flow before changes in working capital	370,188	267,782
Changes in working capital		
Trade receivables	(8,925)	8,427
Trade payables	(2,477)	21,580
Inventories	(522)	(191)
Provisions	(128,107)	(107)
Other financial and non-financial liabilities	19,064	(20,955)
Other financial and non-financial assets	(44,997)	(64,128)
Net cash generated from operations before tax	204,224	212,408
Income tax paid (net)	(22,937)	(11,706)
Net cash generated from operating activities (a)	181,287	200,702
Cash flows from investing activities		
Purchase of property, plant and equipment and capital work-in-progress	(191,902)	(260,971)
Proceeds from sale of property, plant and equipment	1,317	1,225
Purchase of intangible assets	(15,266)	(33,804)
Payment towards spectrum - Deferred payment liability*	(15,424)	(11,720)
Net movement in current investments	(85,236)	18,158
Sale of non-current investments	2,950	44,976
Purchase of non-current investments	-	(57,067)
Consideration / advance for acquisitions, net of cash acquired	(1,345)	(5,083)
Sale of tower assets	-	3,051
Investment in Associates	(4,761)	(60)
Dividend received	-	11,493
Interest received	4,748	4,793
Net cash used in investing activities (b)	(304,919)	(285,009)

Continued

(All amounts are in millions of Indian Rupee)

	For the year ended March 31, 2020	For the year ended March 31, 2019
Cash flows from financing activities		
Net proceeds from issue of shares (Rights issue)	248,759	-
Net proceeds from issue of shares (QIP)	143,055	-
Net proceeds from issuance of FCCBs	70,456	-
Proceeds from borrowings	377,400	353,141
Repayment of borrowings	(439,813)	(345,359)
Repayment of lease liabilities	(47,740)	(5,077)
Net (repayments) / proceeds from short-term borrowings	(117,140)	98,101
Proceeds from sale and finance leaseback of towers	-	1,688
Purchase of treasury shares	(497)	(248)
Interest and other finance charges paid	(109,993)	(76,171)
Proceeds from exercise of share options	5	10
Dividend paid (including tax)	(18,263)	(46,617)
Net proceeds from issuance of equity shares to Non-controlling interest	57,144	104,341
Net proceeds from issuance of perpetual bonds to Non-controlling interest	71,370	-
Net payment towards derivatives	(41,517)	-
Sale of interest in a subsidiary	-	16,238
Purchase of shares from Non-controlling interest	-	(5,409)
Payment on maturity of forwards	(1,782)	-
Net cash generated from financing activities (c)	191,444	94,638
Net increase in cash and cash equivalents during the year (a+b+c)	67,812	10,331
Effect of exchange rate on cash and cash equivalents	8,934	2,153
Cash and cash equivalents as at beginning of the year	53,793	41,309
Cash and cash equivalents as at end of the year (Note 16)	130,539	53,793

*Cash flows towards spectrum acquisition are based on the timing of payouts to DoT (viz. upfront / deferred).

Figure 20: Analysis of Bharti Airtel Cash Flow Statements

Source: Bharti Annual report (2020)

Cash Flow Statement Analysis of Bharti Airtel

Vertical analysis of cash flow

Cash Flow					
Rs (in Crores)					
Particulars	Mar'20	Mar'19	Mar'18	Mar'17	Mar'16
Profit Before Tax	-51020.90	-5243.90	-681.20	-8509.50	10254.40
Net Cash Flow from Operating Activity	4026.40	10812.10	15954.30	21165.50	19449.90
Net Cash Used in Investing Activity	-22271.50	-20455.90	-19441.60	-24283.20	-21989.30
Net Cash Used in Financing Activity	21114.10	9397.60	3867.70	3455.70	1898.40
Net Inc/Dec In Cash and Cash Equivalent	2869.00	-246.20	380.40	338.00	-641.00
Cash and Cash Equivalent - Beginning of the Year	170.70	416.90	82.20	-255.80	385.20
Cash and Cash Equivalent - End of the Year	3039.70	170.70	462.60	82.20	-255.80

Figure 21 Vertical analysis of cash flow of Bharti Airtel

Source- The Economic Times, 2021

Horizontal analysis of cash flow

BHARTI AIRTEL Cash Flow Statement 2019-20

Particulars	No. of months	12	12	% Change
	Year Ending	Mar-19	Mar-20	
Cash Flow from Operating Activities	Rs m	200,702	181,287	-9.7%
Cash Flow from Investing Activities	Rs m	-285,009	-304,919	-
Cash Flow from Financing Activities	Rs m	94,368	191,444	102.9%
Net Cash Flow	Rs m	12,214	76,746	528.3%

Figure 22 Horizontal analysis of cash flow of Bharti Airtel

Source- equitymaster, 2021

	Notes	As of March 31, 2020	As of March 31, 2019
Assets			
Non-current assets			
Property, plant and equipment	5	877,573	815,228
Capital work-in-progress	5	39,972	88,433
Right-of-use assets	35	259,049	-
Goodwill	6	346,192	332,562
Other intangible assets	6	809,741	860,525
Intangible assets under development	6	2,851	7,909
Investment in joint ventures and associates	7	96,808	88,937
Financial assets			
- Investments	9	20,278	21,941
- Derivative instruments	10	41	3,105
- Security deposits	11	8,728	16,452
- Others	12	14,696	9,242
Income tax assets (net)		21,088	17,694
Deferred tax assets (net)	13	270,160	89,379
Other non-current assets	14	74,181	71,511
		2,841,358	2,422,918
Current assets			
Inventories		1,569	884
Financial assets			
- Investments	9	137,679	46,232
- Derivative instruments	10	2,792	426
- Trade receivables	15	46,058	43,006
- Cash and cash equivalents	16	135,507	62,121
- Other bank balances	16	23,420	18,519
- Others	12	210,523	20,343
Other current assets	14	208,884	337,111
		766,432	328,642
Total assets		3,607,790	2,751,560
Equity and liabilities			
Equity			
Equity share capital	17	27,278	19,987
Other equity		744,170	694,235
Equity attributable to owners of the Parent		771,448	714,222
Non-controlling interests ("NCI")		249,847	135,258
		1,021,295	849,480
Non-current liabilities			
Financial liabilities			
- Borrowings	19	910,792	824,901
- Lease liabilities		243,678	47,553
- Derivative instruments	10	292	826
- Others	20	67,399	62,131
Deferred revenue	24	25,033	17,986
Provisions	21	7,548	6,823
Deferred tax liabilities (net)	13	16,677	11,297
Other non-current liabilities	22	-	429
		1,271,619	971,946
Current liabilities			
Financial liabilities			
- Borrowings	19	167,034	310,097
- Current maturities of long-term borrowings	19	98,364	71,732
- Lease liabilities		82,413	-
- Derivative instruments	10	568	12,742
- Trade payables		250,199	263,138
- Others	20	168,354	175,139
Deferred revenue	24	55,004	43,993
Provisions	21	451,093	6,701
Current tax liabilities (net)		13,519	8,228
Other current liabilities	22	48,328	38,364
		1,314,876	930,134
Total liabilities		2,586,495	1,902,080
Total equity and liabilities		3,607,790	2,751,560

Figure 23: Balance Sheet of Bharti Airtel

Source: Airtel annual report (2020)

Balance Sheet Analysis of Bharti Airtel

Vertical analysis of balance sheet

BalanceSheet - Bharti Airtel Ltd.					
Rs (in Crores)					
Particulars	Mar'20	Mar'19	Mar'18	Mar'17	Mar'16
Liabilities	12 Months	12 Months	12 Months	12 Months	12 Months
Share Capital	2727.80	1998.70	1998.70	1998.70	1998.70
Reserves & Surplus	98347.20	96307.20	100862.20	99208.60	109730.40
Net Worth	101075.00	98305.90	102860.90	101207.30	111729.10
Secured Loan	82717.40	83752.50	-5244.90	-3483.00	.00
Unsecured Loan	.00	.00	67781.00	60372.90	42156.90
TOTAL LIABILITIES	183792.40	182058.40	165397.00	158097.20	153886.00
Assets					
Gross Block	233712.00	200317.00	180754.60	163428.00	137060.80
(-) Acc. Depreciation	72032.70	66505.10	58145.20	51905.20	45135.30
Net Block	161679.30	133811.90	122609.40	111522.80	91925.50
Capital Work in Progress	1258.70	5636.50	5542.70	9600.20	3830.30
Investments	38726.80	37579.80	48128.20	45959.00	69897.30
Inventories	3.10	1.00	6.30	3.90	5.30
Sundry Debtors	3810.00	3840.30	4319.60	3211.80	3172.40
Cash and Bank	3397.60	235.30	545.10	173.40	46.60
Loans and Advances	91497.30	41802.70	23786.00	21166.50	16150.60
Total Current Assets	98708.00	45879.30	28657.00	24555.60	19374.90
Current Liabilities	75629.50	40547.60	39231.10	33178.30	30800.80
Provisions	40950.90	301.50	309.20	362.10	341.20
Total Current Liabilities	116580.40	40849.10	39540.30	33540.40	31142.00
NET CURRENT ASSETS	-17872.40	5030.20	-10883.30	-8984.80	-11767.10
Misc. Expenses	.00	.00	.00	.00	.00
TOTAL ASSETS(A+B+C+D+E)	183792.40	182058.40	165397.00	158097.20	153886.00

Figure 24 Vertical analysis of balance sheet of Bharti Airtel

Source- The Economic Times, 2021

Horizontal analysis of balance sheet

No. of Mths Year Ending		12 Mar-19*	12 Mar-20*	% Change
Networth	Rs m	714,222	71,448	-90.0
Current Liabilities	Rs m	930,134	1,314,876	41.4
Long-term Debt	Rs m	824,901	910,792	10.4
Total Liabilities	Rs m	2,751,560	3,607,790	31.1
Current assets	Rs m	328,642	766,432	133.2
Fixed Assets	Rs m	1,772,095	1,989,186	12.3
Total Assets	Rs m	2,751,560	3,607,790	31.1

Figure 25 Horizontal analysis of balance sheet of Bharti Airtel

Source- equitymaster, 2021

- The company's current liabilities during FY20 stood at Rs 1,315 billion as compared to Rs 930 billion in FY19, thereby witnessing an increase of 41.4%.
- Long-term debt stood at Rs 911 billion as compared to Rs 825 billion during FY19, a growth of 10.4%.
- Current assets rose 133% and stood at Rs 766 billion, while fixed assets rose 12% and stood at Rs 1,989 billion in FY20.
- Overall, the total assets and liabilities for FY20 stood at Rs 3,608 billion as against Rs 2,752 billion during FY19, thereby witnessing a growth of 31%.

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

	Notes	For the year ended March 31, 2020	For the year ended March 31, 2019
Income			
Revenue from operations	24	875,390	807,802
Other income		3,248	3,463
		878,638	811,265
Expenses			
Network operating expenses	25	197,685	225,132
Access charges		107,393	93,521
License fee / Spectrum charges		72,561	69,426
Employee benefits expense	26	38,072	37,975
Sales and marketing expenses	27	34,325	41,568
Other expenses	29	59,257	82,542
		509,295	550,164
Profit from operating activities before depreciation, amortisation and exceptional items		369,343	261,101
Depreciation and amortisation expense			
Depreciation and amortisation expense	28	276,896	213,475
Finance costs	30	139,918	106,222
Finance income	30	(16,098)	(10,328)
Non-operating expenses (net)		1,272	1,894
Share of profit of associates and joint ventures (net)	7	(6,524)	(3,556)
Loss before exceptional items and tax		(26,121)	(46,606)
Exceptional items (net)	31	402,344	(29,288)
Loss before tax		(428,465)	(17,318)
Tax expense / (credit)			
Current tax	13	23,738	19,391
Deferred tax	13	(145,561)	(53,584)
(Loss) / profit for the year		(306,642)	16,875
Other comprehensive income ('OCI')			
Items to be reclassified subsequently to profit or loss :			
Net gains / (losses) due to foreign currency translation differences		4,814	(15,739)
Net losses on net investment hedge		(10,856)	(1,754)
Net losses on cash flow hedge		(109)	(833)
Net losses on fair value through OCI investments		(108)	(45)
Tax credit on above	13	2,883	5,428
		(3,376)	(12,943)
Items not to be reclassified to profit or loss :			
Re-measurement (losses) / gains on defined benefit plans	26.2	(76)	47
Tax charge on above	13	(41)	(62)
Share of OCI of associates and joint ventures	7	15	(12)
		(102)	(27)
Other comprehensive loss for the year		(3,478)	(12,970)
Total comprehensive (loss) / income for the year		(310,120)	3,905
(Loss) / income for the year attributable to :			
Owners of the Parent		(321,832)	4,095
Non-controlling interests		15,190	12,780
Other comprehensive loss for the year attributable to :		(3,478)	(12,970)
Owners of the Parent		(11,748)	(10,216)
Non-controlling interests		8,270	(2,754)
Total comprehensive (loss) / income for the year attributable to :		(310,120)	3,905
Owners of the Parent		(333,580)	(6,121)
Non-controlling interests		23,460	10,026
(Loss) / earnings per share (Face value: ₹ 5/- each)*			
Basic	32	(63.41)	0.96
Diluted	32	(63.41)	0.96

Figure 26 Bharti Airtel Income Statement

Source: Airtel annual report (2020)

Income Statement Analysis of Bharti Airtel

Vertical analysis of Income statement

INCOME:					
Sales Turnover	54317.10	49606.00	53663.00	62276.30	60300.30
Excise Duty	.00	.00	.00	.00	.00
NET SALES	54317.10	49606.00	53663.00	62276.30	60300.30
Other Income	2242.5000	2632.7000	235.6000	184.3000	172.9000
TOTAL INCOME	56559.60	52238.70	53898.60	62460.60	60473.20
EXPENDITURE:					
Manufacturing Expenses	27958.30	29321.40	27408.60	29528.10	28776.00
Material Consumed	.00	.00	.00	.00	.00
Personal Expenses	1520.20	1471.00	1720.90	1738.50	1864.80
Selling Expenses	479.10	537.40	578.70	720.00	748.50
Administrative Expenses	4225.90	5989.80	6149.90	6596.80	6599.80
Expenses Capitalised	.00	.00	.00	.00	.00
Provisions Made	.00	.00	.00	.00	.00
TOTAL EXPENDITURE	34183.50	37319.60	35858.10	38583.40	37989.10
Operating Profit	20133.60	12286.40	17804.90	23692.90	22311.20
EBITDA	22376.10	14919.10	18040.50	23877.20	22484.10
Depreciation	20392.10	15120.20	13048.60	12203.40	9575.30
Other Write-offs	.00	.00	.00	.00	.00
EBIT	1984.00	-201.10	4991.90	11673.80	12908.80
Interest	11463.10	7847.70	5069.00	2912.50	1974.50
EBT	-9479.10	-8048.80	-77.10	8761.30	10934.30
Taxes	-14932.70	-3374.70	-760.40	1416.10	2474.10
Profit and Loss for the Year	5453.60	-4674.10	683.30	7345.20	8460.20
Non Recurring Items	-41548.80	2814.50	-598.40	-17273.30	-683.30
Other Non Cash Adjustments	.00	.00	.00	.00	.00
Other Adjustments	7.00	-9.60	-5.70	2.50	3.40
REPORTED PAT	-36088.20	-1869.20	79.20	-9925.60	7780.30
KEY ITEMS					
Preference Dividend	.00	.00	.00	.00	.00
Equity Dividend	.00	1998.80	463.60	253.80	887.20
Equity Dividend (%)	.00	100.00	23.20	12.70	44.39
Shares in Issue (Lakhs)	54555.57	39974.00	39974.00	39974.00	39974.00
EPS - Annualised (Rs)	-66.15	-4.68	.20	-24.83	19.46

Rs (in Crores)

Figure 27 Vertical analysis of Income statement of Bharti Airtel

Source- The Economic Times, 2021

Horizontal analysis of Income statement

BHARTI AIRTEL Income Statement 2019-20

No. of Mths Year Ending		12 Mar-19*	12 Mar-20*	% Change
Net Sales	Rs m	807,802	875,390	8.4%
Other income	Rs m	3,463	3,248	-6.2%
Total Revenues	Rs m	811,265	878,638	8.3%
Gross profit	Rs m	269,628	387,445	43.7%
Depreciation	Rs m	213,475	276,896	29.7%
Interest	Rs m	106,222	139,918	31.7%
Profit before tax	Rs m	-46,606	-26,121	-44.0%
Tax	Rs m	-34,193	-121,823	256.3%
Profit after tax	Rs m	16,875	-306,642	-1,917.1%
Gross profit margin	%	33.4	44.3	
Effective tax rate	%	73.4	466.4	
Net profit margin	%	2.1	-34.9	

Figure 28 Horizontal analysis of Income statement Bharti Airtel

Source- equitymaster, 2021

- Operating income during the year rose 8.4% on a year-on-year (YoY) basis.
- The company's operating profit increased by 43.7% YoY during the fiscal. Operating profit margins witnessed a fall and down at 44.3% in FY20 as against 33.4% in FY19.
- Depreciation charges increased by 29.7% and finance costs increased by 31.7% YoY, respectively.
- Other income declined by 6.2% YoY.
- Net profit for the year declined by 1917.1% YoY.
- Net profit margins during the year declined from 2.1% in FY19 to 34.9% in FY20.

Balance Sheet Analysis of Reliance Jio

Vertical analysis of balance sheet

Rs (in Crores)

Particulars	Mar'20	Mar'19	Mar'18	Mar'17	Mar'16
Liabilities	12 Months	12 Months	12 Months	12 Months	12 Months
Share Capital	6340.00	6339.00	6350.00	3255.00	3248.00
Reserves & Surplus	418244.00	398983.00	308297.00	285058.00	236936.00
Net Worth	424584.00	405322.00	314647.00	288313.00	240184.00
Secured Loan	36949.00	15231.00	2153.00	10461.00	4524.00
Unsecured Loan	193078.00	141964.00	94682.00	90842.00	87832.00
TOTAL LIABILITIES	654611.00	562517.00	411482.00	389616.00	332540.00
Assets					
Gross Block	433835.00	324049.00	313666.00	259724.00	229250.00
(-) Acc. Depreciation	127364.00	120861.00	112702.00	105146.00	97840.00
Net Block	306471.00	203188.00	200964.00	154578.00	131410.00
Capital Work in Progress	27965.00	111557.00	99483.00	132741.00	106879.00
Investments	489103.00	331683.00	225222.00	192450.00	152059.00
Inventories	38802.00	44144.00	39568.00	34018.00	28034.00
Sundry Debtors	7483.00	12110.00	10460.00	5472.00	3495.00
Cash and Bank	8443.00	3768.00	2731.00	1754.00	6892.00
Loans and Advances	90645.00	69295.00	39097.00	25733.00	28951.00
Total Current Assets	145373.00	129317.00	91856.00	66977.00	67372.00
Current Liabilities	311819.00	209962.00	202920.00	153744.00	122521.00
Provisions	2482.00	3266.00	3123.00	3386.00	2659.00
Total Current Liabilities	314301.00	213228.00	206043.00	157130.00	125180.00
NET CURRENT ASSETS	-168928.00	-83911.00	-114187.00	-90153.00	-57808.00
Misc. Expenses	.00	.00	.00	.00	.00
TOTAL ASSETS(A+B+C+D+E)	654611.00	562517.00	411482.00	389616.00	332540.00

Figure 29 Vertical analysis of balance sheet Reliance Jio

Source- The Economics Times, 2021

Horizontal analysis of balance sheet

RELIANCE IND. Balance Sheet as on March 2020

No. of Mths Year Ending		12 Mar-19*	12 Mar-20*	% Change
Networth	Rs m	3,871,120	4,533,310	17.1
Current Liabilities	Rs m	3,140,230	4,129,160	31.5
Long-term Debt	Rs m	2,075,060	1,976,310	-4.8
Total Liabilities	Rs m	10,024,060	11,659,150	16.3
Current assets	Rs m	2,260,880	2,582,600	14.2
Fixed Assets	Rs m	5,778,370	6,417,640	11.1
Total Assets	Rs m	10,024,060	11,659,150	16.3

Figure 30 Horizontal analysis of balance sheet Reliance Jio

Source- Equitymaster, 2021

- The company's current liabilities during FY20 stood at Rs 4,129 billion as compared to Rs 3,140 billion in FY19, thereby witnessing an increase of 31.5%.
- Long-term debt down at Rs 1,976 billion as compared to Rs 2,075 billion during FY19, a fall of 4.8%.
- Current assets rose 14% and stood at Rs 2,583 billion, while fixed assets rose 11% and stood at Rs 6,418 billion in FY20.
- Overall, the total assets and liabilities for FY20 stood at Rs 11,659 billion as against Rs 10,024 billion during FY19, thereby witnessing a growth of 16%.

				(₹ in crore)
Particulars	Notes	As at 31st March, 2020	As at 31st March, 2019	
ASSETS				
Non-Current Assets				
Property, Plant and Equipment	1	1,02,864	74,633	
Capital Work-in-Progress	1	21,176	30,965	
Intangible Assets	1	60,563	59,367	
Intangible Assets Under Development	1	82	3,643	
Financial Assets				
Investments	2	1,108	1,108	
Other Financial Assets	3	3	2	
Deferred Tax Assets (Net)	4	1,546	3,427	
Other Non-Current Assets	5	25,920	9,111	
Total Non-Current Assets		2,13,262	1,82,256	
Current Assets				
Financial Assets				
Investments	6	1,381	155	
Trade Receivables	7	1,609	873	
Cash and Cash Equivalents	8	7,066	17	
Other Bank Balances	9	414	412	
Other Financial Assets	10	1,067	534	
Other Current Assets	11	16,906	11,533	
Total Current Assets		28,443	13,524	
Total Assets		2,41,705	1,95,780	
EQUITY AND LIABILITIES				
Equity				
Equity Share Capital	12	45,000	45,000	
Other Equity	13	1,25,956	(4,600)	
Total Equity		1,70,956	40,400	
Liabilities				
Non-Current Liabilities				
Financial Liabilities				
Borrowings	14	-	65,613	
Other Financial Liabilities	15	13,490	9,998	
Deferred Payment Liabilities	16	18,839	18,839	
Total Non-Current Liabilities		32,329	94,450	
Current Liabilities				
Financial Liabilities				
Borrowings	17	23,242	3,601	
Trade Payables Due to	18			
Micro and Small Enterprises		38	11	
Other than Micro and Small Enterprises		4,662	3,245	
Other Financial Liabilities	19	4,957	48,523	
Deferred Payment Liabilities	16	-	1,370	
Other Current Liabilities	20	5,462	4,075	
Provisions	21	59	105	
Total Current Liabilities		38,420	60,930	
Total Liabilities		70,749	1,55,380	
Total Equity and Liabilities		2,41,705	1,95,780	
Significant Accounting Policies				
See accompanying Notes to the Financial Statements				

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Figure 31: Balance Sheet of Reliance Jio
Source: Reliance Jio annual report (2020)

INCOME:					
Sales Turnover	365202.00	401583.00	315357.00	265041.00	251241.00
Excise Duty	29224.00	29967.00	25315.00	23016.00	18083.00
NET SALES	335978.00	371616.00	290042.00	242025.00	233158.00
Other Income	14541.00000	8822.00000	8220.00000	8709.00000	7582.00000
TOTAL INCOME	350519.00	380438.00	298262.00	250734.00	240740.00
EXPENDITURE:					
Manufacturing Expenses	16214.00	18495.00	13565.00	10150.00	12563.00
Material Consumed	249921.00	276627.00	207441.00	169607.00	165946.00
Personal Expenses	6067.00	5834.00	4740.00	4434.00	4260.00
Selling Expenses	.00	.00	.00	.00	8261.00
Administrative Expenses	11923.00	11806.00	12555.00	14578.00	1989.00
Expenses Capitalised	.00	.00	.00	.00	.00
Provisions Made	.00	.00	.00	.00	.00
TOTAL EXPENDITURE	284125.00	312762.00	238301.00	198769.00	193019.00
Operating Profit	51853.00	58854.00	51741.00	43256.00	40139.00
EBITDA	66394.00	67676.00	59961.00	51965.00	47721.00
Depreciation	9728.00	10558.00	9580.00	8465.00	9566.00
Other Write-offs	.00	.00	.00	.00	.00
EBIT	56666.00	57118.00	50381.00	43500.00	38155.00
Interest	12105.00	9751.00	4656.00	2723.00	2454.00
EBT	44561.00	47367.00	45725.00	40777.00	35701.00
Taxes	9413.00	12204.00	12113.00	9352.00	8284.00
Profit and Loss for the Year	35148.00	35163.00	33612.00	31425.00	27417.00
Non Recurring Items	-4245.00	.00	.00	.00	.00
Other Non Cash Adjustments	.00	.00	.00	.00	.00
Other Adjustments	.00	.00	.00	.00	.00
REPORTED PAT	30903.00	35163.00	33612.00	31425.00	27417.00
KEY ITEMS					
Preference Dividend	.00	.00	.00	.00	.00
Equity Dividend	3120.00	2826.00	2594.00	.00	2490.00
Equity Dividend (%)	49.22	44.58	40.95	.00	76.85
Shares in Issue (Lakhs)	63392.68	63386.94	63346.51	32512.78	32403.76
EPS - Annualised (Rs)	48.75	55.47	53.06	96.65	84.61

Figure 32 Vertical analysis of income statement Reliance Jio

Source- The Economic Times, 2021

Horizontal analysis of income statement

RELIANCE IND. Income Statement 2019-20

No. of Mths Year Ending		12 Mar-19*	12 Mar-20*	% Change
Net Sales	Rs m	5,716,550	5,768,760	0.9%
Other income	Rs m	83,860	139,560	66.4%
Total Revenues	Rs m	5,800,410	5,908,320	1.9%
Gross profit	Rs m	841,670	882,170	4.8%
Depreciation	Rs m	209,340	222,030	6.1%
Interest	Rs m	164,950	220,270	33.5%
Profit before tax	Rs m	551,240	579,430	5.1%
Tax	Rs m	153,900	137,260	-10.8%
Profit after tax	Rs m	398,370	398,800	0.1%
Gross profit margin	%	14.7	15.3	
Effective tax rate	%	27.9	23.7	
Net profit margin	%	6.9	6.7	

Figure 33 Horizontal analysis of income statement of Reliance Jio

Source- equitymaster, 2021

- Operating income during the year rose 0.9% on a year-on-year (YoY) basis.
- The company's operating profit increased by 4.8% YoY during the fiscal. Operating profit margins witnessed a fall and down at 15.3% in FY20 as against 14.7% in FY19.
- Depreciation charges increased by 6.1% and finance costs increased by 33.5% YoY, respectively.
- Other income grew by 66.4% YoY.
- Net profit for the year grew by 0.1% YoY.
- Net profit margins during the year declined from 6.9% in FY19 to 6.7% in FY20.

Cash Flow Statement Analysis of Reliance Jio

Vertical analysis of cash flow statement

Rs (in Crores)

Particulars	Mar'20	Mar'19	Mar'18	Mar'17	Mar'16
Profit Before Tax	40316.00	47367.00	45725.00	40777.00	35701.00
Net Cash Flow from Operating Activity	76560.00	29191.00	62000.00	51450.00	.00
Net Cash Used in Investing Activity	-142652.00	-53949.00	-59109.00	-54949.00	.00
Net Cash Used in Financing Activity	70767.00	25795.00	-1914.00	-1639.00	.00
Net Inc/Dec In Cash and Cash Equivalent	4675.00	1037.00	977.00	-5138.00	-4679.00
Cash and Cash Equivalent - Beginning of the Year	3768.00	2731.00	1754.00	6892.00	11571.00
Cash and Cash Equivalent - End of the Year	8443.00	3768.00	2731.00	1754.00	6892.00

Figure 34 Vertical analysis of cash flow statement of Reliance Jio

Source- The Economic Times, 2021

Horizontal analysis of cash flow statement

RELIANCE IND. Cash Flow Statement 2019-20

Particulars	No. of months	12	12	% Change
	Year Ending	Mar-19	Mar-20	
Cash Flow from Operating Activities	Rs m	423,460	980,740	131.6%
Cash Flow from Investing Activities	Rs m	-951,280	-757,170	-
Cash Flow from Financing Activities	Rs m	559,060	-25,410	-
Net Cash Flow	Rs m	37,450	198,390	429.7%

Figure 35 Horizontal analysis of cash flow statement of Reliance Jio

Source- equitymaster, 2021

Particulars	Notes	(₹ in crore)	
		2019-20	2018-19
INCOME			
Revenue from Operations	22	54,316	40,663
Other Income	23	87	6
Total Income		54,403	40,669
EXPENSES			
Network Operating Expenses	24	16,930	11,338
Access Charges	25	5,795	6,032
License Fees/Spectrum Charges		5,720	4,159
Employee Benefits Expense	26	1,463	1,658
Finance Costs (Net)	27	6,617	4,148
Depreciation and Amortisation Expense	1	7,396	6,398
Selling and Distribution Expenses		1,277	1,150
Other Expenses	28	1,564	1,230
Total Expenses		46,762	36,113
Profit Before Exceptional Items & Tax		7,641	4,556
Exceptional Items (Net of Tax)	38	146	-
Profit Before Tax		7,495	4,556
Tax EXPENSES			
Current Tax		-	982
Deferred Tax		1,933	610
Profit for the year		5,562	2,964
OTHER COMPREHENSIVE INCOME			
(i) Items that will not be reclassified to Profit or Loss		(8)	6
(ii) Income tax relating to items that will not be reclassified to Profit or Loss		2	(2)
Total Other Comprehensive Income for the year (Net of tax)		(6)	4
Total Comprehensive Income for the year		5,556	2,968
EARNINGS PER EQUITY SHARE OF FACE VALUE OF ₹ 10 EACH			
Basic (in Rupees)	29	1.24	0.66
Diluted (in Rupees)	29	0.59	0.27
Significant Accounting Policies			

Figure 36: Reliance Jio Income Statement

Source: Reliance Jio annual report (2020)

Cash Flow Statement for the year ended 31st March, 2020

	2019-20	(₹ in crore) 2018-19
A CASH FLOW FROM OPERATING ACTIVITIES:		
Profit Before Exceptional Items & Tax as per Statement of Profit and Loss	7,641	4,556
Less: Exceptional Item (Refer Note 38)	(195)	-
Profit Before Tax as per Statement of Profit and Loss	7,446	4,556
Adjusted for:		
Depreciation and Amortisation Expense	7,396	6,398
Effect of Exchange Rate Change	58	9
Interest Income	-	(4)
Gain on Investments (Net)	(83)	-
Loss on Sale/Discard of Property, Plant and Equipment (Net)	1	5
Finance Costs (Net)	6,617	4,148
Operating Profit before Working Capital Changes	21,435	15,112
Adjusted for:		
Trade and Other Receivables	(6,805)	(8,836)
Trade and Other Payables*	3,119	1,350
Cash Generated from Operations	17,749	7,626
Taxes Paid (Net)	(1,167)	(968)
Net Cash flow from Operating Activities	16,582	6,658
B CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Property, Plant and Equipment and Intangible Assets*	(51,771)	(43,845)
Proceeds from disposal of Property, Plant and Equipment	967	6
Upfront Fibre Payments	(16,439)	-
Purchase of Investments	(1,02,638)	(47,905)
Proceeds from Sale of Investments	1,01,503	48,030
Investment in Subsidiaries	-	(93)
Interest Income	10	15
Fixed Deposits/Escrow account with Banks	(2)	(384)
Net Cash flow (used in) Investing Activities	(68,370)	(44,176)
C CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from issue of Preference Share Capital	1,25,000	-
Proceeds from Borrowings- Non-Current	8,343	68,012
Repayment of Borrowings- Non-Current	(14,770)	(11,472)
Payment towards transfer of Borrowings-Non-Current*	(66,987)	-
Borrowings- Current (Net)	19,641	(9,661)
Repayment of Deferred Payment Liabilities	(1,370)	(870)
Repayment of lease Liabilities	(672)	-
Finance Cost Paid	(10,348)	(9,165)
Net Cash flow from Financing Activities	58,837	36,844
Net Increase/(Decrease) in Cash and Cash Equivalents	7,049	(674)
Opening Balance of Cash and Cash Equivalents	17	691
Closing Balance of Cash and Cash Equivalents (Refer Note 8)	7,066	17

* Includes cash outflows aggregating ₹ 104,365 crore being consideration paid to Reliance Industries Limited (Ultimate Holding Company) for transfer of identified liabilities pursuant to Scheme of Arrangement approved by National Company Law Tribunal (NCLT) (Refer Note 39).

Figure 37: Analysis of Reliance Jio Cash Flow Statements

Source: Reliance Jio (2020)