

A  
Project Report on

**“ANALYTICAL STUDY WITH RESPECT TO MAJOR  
COMPANIES IN TELECOM INDUSTRY IN  
INDIA.”**

At



**“RELIGARE SECURITIES, Nashik”**

**Submitted To**

University of (\_\_\_\_\_)

Towards partial fulfillment of

Master Degree in Business Administration

**Submitted By**

(\_\_\_\_\_)

MBA (Finance)

**Guided By**

Prof. (\_\_\_\_\_)



(Institute Name)

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## **ACKNOWLEDGEMENT**

I take this opportunity of submitting this report to express our regards towards who offered their invaluable guidance in the hour of need.

I sincerely acknowledge with deep sense of gratitude and indebtedness to my Director **Prof. \_\_\_\_\_** as well as my internal guide who was guided me with valuable inputs throughout the project. He gave knowledgeable insights about the topic, which helped me throughout the project.

I also would like to thank to **Mr. \_\_\_\_\_** branch manager for giving me this really wonderful and challenging opportunity to work on this project. I would also thank to **Mr. \_\_\_\_\_** asst. manager for helping me to understand the telecom sectors loopholes and market as well. This project surely gives me insights into areas I was not much familiar with earlier. I have tried to share those insights with you in this report.

I am grateful for the inspiration, encouragement and wisdom of many resources people who helped me to bring this report into life. Thus the project has been a learning experience and has helped me to understand practical aspect of subject.

**(Signature)**

( \_\_\_\_\_ )

**Place:-**

**Date:-**

## **DECLARATION**

I hereby declare that the project report entitled **ANALYTICAL STUDY WITH RESPECT TO MAJOR COMPANIES IN TELECOM INDUSTRY IN INDIA** is an independent analysis work carried out by me as a part of **MBA** curriculum, university of Pune, under the guidance of **Prof. \_\_\_\_\_**.

This project was undertaken as a part of academic curriculum according to the university rules and norms and had no commercial interest and motive. It is my original work. It is not submitted to any other organization for any other purpose.

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**Place: -**

**(Signature)**

**Date: -**

**(\_\_\_\_\_)**

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CHAPTER NO. 1

**INTRODUCTION**



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Liberalization, privatization and globalization have brought unprecedented change in the economy, trade and industrial scenario. LPG has exposed various organizations including the service sector to the challenge of competition; service quality, cost and the competitive environment will help organization to modernize.

### **1.1 Object of the study**

In today's cutthroat competition world management has to perform variety of functions and responsibilities. Theoretical knowledge of such function and responsibilities can be obtained in the institute. But practically when this knowledge is applied in the corporate world, the managers face many difficulties. One has to get an insight into this practical knowledge, communication skills and develop the analytical aspects. Working for such objective will definitely help to polish us and once accomplished it provides a great satisfaction.

It also helps us to understand the real organizational problems, perceptions and challenges. Apart from these objectives, the other is to study certain fundamentals, commercials and environmental aspects of the industry.

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## **1.2 Selection of the topic**

The data below demonstrates that Indian telecom sector has great potential for growth. Many regions of the India are far away from the reach of telecom coverage, and because of that many foreign telecom companies and giants are eager to enter in India and establish their empire. The study focused on key players in Indian telecommunication sector and thereby a study of current trends and future prospects of Indian telecom sector.

During the study of the 5 key players of Indian telecom sector companies which were considered 1) Bharti Airtel 2) Idea Communication 3) TTML 4) Reliance communication

### **Indian telecom**

..... Growing share in world telecom

Total telecom base	300 million	3 <sup>rd</sup> largest in the world
Tele density	25%	Lowest in the world
Wireless sub base	261 million	3 <sup>rd</sup> largest in the world
Wireless penetration	22%	Lowest in the world
Time/min/month	450 minutes	3 <sup>rd</sup> highest in the world
Realized RPM	2 US cents/min	Lowest in world
Fixed line sub base	40 million	
Broadband sub base	3.5 million	Large potential market

Source: Based on data in Global Wireless Matrix 4QCL07- Merrill Lynch .TRAI data as at March 31, 2008

### **1.3 Scope of the study**

- In Indian telecom sector includes many services, but out of these services I select only the cellular service provider companies.
- The study gave a chance to study fundamental analysis and various tools used in fundamental analysis helps to understand the basics of financial statements and give you the tools that help to decide which companies make worthwhile investments.
- It is a process of looking at a business at the basic or fundamental financial level.
- This type of analysis is examines key ratios of a business to determine its financial health and gives you an idea of the value of its stock.
- The scope of project extends to the study of 4 key players of Indian telecom sector.
- The study covers stock price movements and financials of these companies relevant to the months of June and July 2008 only.
- The study was mainly based on the cellular service provider companies only not the whole telecom sector.



#### **1.4 Objective of the study**

- To study the fundamental analysis.
- To analyze Indian telecom sector taking into consideration its current status and future prospects.
- To study various tools used in fundamental analysis to help investors.
- To study the major 4 key players in Indian telecom industry.
- To analyze the effect of Govt. policies and press releases on the share prices of telecom companies.
- To study the variations in the Indian Stock Market and its impact on the economy as whole.
- To study the reasons behind the variations in the share prices of telecom companies.
- To study the financial position of the major companies in telecom industry and analyze them to recommend to the investors.

## **1.5 Research Methodology**

Research refers to the systemic method consisting of enunciating the problem, a hypothesis, collecting the facts, analyzing the facts and reaching the certain conclusion either in form of solution towards the concerned problem or for some theoretical formulation. Considering the objective, scope, limitation of study for completing the research there are methods of collection of data. Therefore collection of data plays a very important role in research. The study is based on the facts collected by observation and internet.

### Method of Data collection

- Primary data: - This is the original source of the information 1<sup>st</sup> hand in nature where the researcher goes to different people or by using observation method collects the data himself.

Sources of primary data:-

Observation.

- Secondary data: - It is the data which is already present in the secondary form like press releases, magazines, newspaper, journals, news letters which are derived by any other person or institute. It was already exists and it is in processed form. The researcher has only to decide that how it will be handled to appraise the project.

Sources of secondary data:-

1. Books
2. Internet & Websites
3. Business Magazines.
4. Annual reports of company.

The present study data is mainly based on secondary data.

### **1.6 Limitations of the study**

- Only 4 companies out of a very large Indian telecom industry could be studied in this process.
- Availability of data was the main limitation of this study.
- Fundamental analysis involves lots of tools, but only selected tools were studied.
- The study frame considered is very limited. It is limited for 2 months only and it became difficult to understand the trends of the entire sector in 2 months only.
- The study is limited to fundamental analysis.
- The data used is secondary data.
- Only listed companies were considered for the study (on NSE or BSE )
- Only cellular service provider companies are selected for the purpose of study out of the huge telecom sector.

## **1.7 Rational of the study**

Utility to Researcher:-

- To interact with the manager of the company and gain knowledge through their experiences.
- To study the financial and future growth prospective of telecom sector companies in India.
- To gain the knowledge about the telecom sector.
- To perform fundamental analysis and predict the future market of 4 companies.
- Practical knowledge about the equity analysis and how to analyze the stocks.

Utility to company:-

- The analysis done was beneficial to the company as additional information about the telecom industry was easily made available for the investors.
- With this, company can recommend their clients to invest in particular company's shares on the basis of analysis done.
- Because of using fundamental analysis in study company can make recommend long term players in the market.
- This study takes into account the data of the general industry as well as economic condition while conducting its study.

CHAPTER NO. 2

**PROFILE OF THE ORGANISATION**

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## Religare Securities Limited (RSL)



- Religare Securities Limited (RSL) is a leading equity and securities firm in India. The company currently handles sizeable volumes traded on NSE and in the realm of online trading and investments it currently holds a reasonable share of the market.
- RSL is a member of the National Stock Exchange of India, Bombay Stock Exchange of India, Depository Participant with National Securities Depository Limited and Central Depository Services (I) Limited, and SEBI approved Portfolio Manager.
- Through [www.religare.in](http://www.religare.in) company have been providing investors a powerful online trading platform, the latest news, research and other knowledge based tools from many years.

### **Vision & Mission of the Organization**

**Vision** - To build Religare as a globally trusted brand in the financial services domain and present it as the 'Investment Gateway of India'.

**Mission** - To provide financial care driven by the core values of diligence & transparency.

**Brand Essence** - Diligent, dynamic & ethical processes for wealth creation.

### **Milestones & Achievements-**

- Religare has been voted as the top domestic house in there research category.
- More than a billion of private equity deals pioneers of investment research in the Indian market.
- Pioneers of online trading in India among the top 10 online trading websites from India.
- Most preferred financial destination amongst online banking customers.
- Leading domestic player in Indian institutional business.
- Religare is currently among India's largest broking house. It is a member of the stock exchange, Mumbai as well as depository participant of the National Securities Depository Ltd and Central Depository Services (India) Ltd. Its business includes stock broking, depository services, portfolio management, derivative and distribution of financial products such as mutual fund.
- The company's core speciality lies in the retail distribution with a large network of branches & sub broker / authorized persons.
- Its strength lays in its investment research capabilities. Its research division has several analysis continuously monitoring global, national and regional, political, economic and social situations so as to assess their impact on the economy in general. The sectors and companies they research which helps them if offering quality research and advice to client.

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**Key Officials**

<b>Name</b>	<b>Designation</b>
Malvinder Mohan Singh	Chairman / Chair Person
Sunil Godhwani	Managing Director & CEO
Ravi Batra	Company Secretary and Compliance Officer

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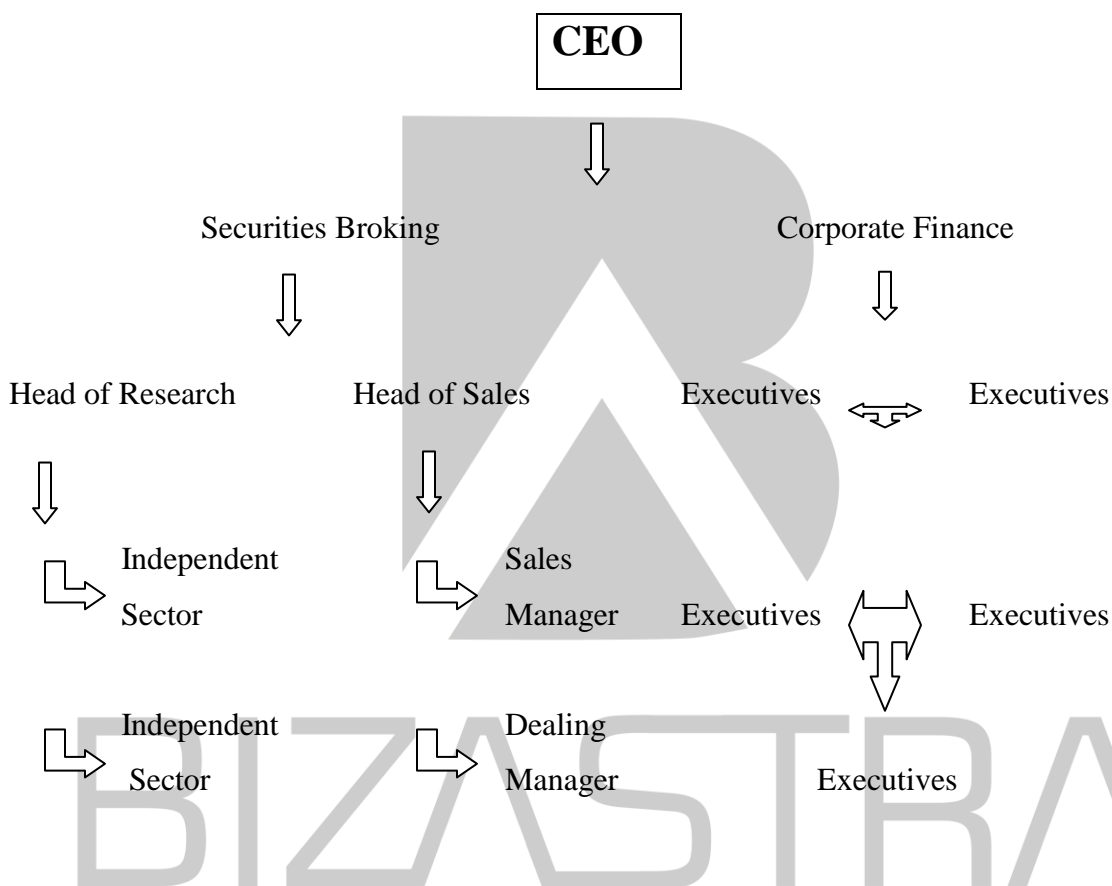
Mr. Devendra Janjale

[www.religare.in](http://www.religare.in)

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## Organization Structure-



## **Product and Services offered by the Organization**

### **Religare Securities Limited -**

- Equity Broking
- Portfolio Management Services
- Depository
- Online Investment Portal
- Institutional Equity Broking

### **Religare Finvest Limited -**

- Lending and Distribution business

**Religare Commodities Limited -**

- Commodity Business

**Religare Capital Markets Limited -**

- Investment Banking
- SEBI Registered Merchant Banker
- Acquisition in UK through an international arm

**Religare Arts Initiative Limited -**

- Art Fund and other businesses of Art
- Gallery to be launched soon

**Religare Realty Limited -**

- Real Estate Management Company

**Religare Venture Capital Private Limited -**

- Private Equity and Investment Manager

**Religare Macquarie Wealth Management Limited -**

- 50: 50 joint venture with Macquarie for wealth management business

**Religare AEGON AMC -**

- 50:50 Joint Ventures between REL and Aegon for Asset Management business in India.

**AEGON Religare Life Insurance -**

- Life Insurance Company, Joint Venture between REL, Aegon and BCCL for Life insurance business in India.

## New Initiatives



Religare Capital Markets Limited, the wholly owned subsidiary of Religare Enterprises Limited (REL), the holding company for financial services businesses of the group has proposed to acquire London's oldest brokerage firm - Hitchens Harrison & Co Plc. This acquisition will provide Religare with the opportunity of creating a global distribution and execution platform within emerging countries and surely help the Group to emerge as a global player in the financial services market to provide small and medium Indian corporate with much needed access to capital.

Hitchens Harrison is well placed in the emerging markets of Johannesburg, Cape Town, Jakarta, Kuala Lumpur, Buenos Aires, Rio de Janeiro, Dubai and Mumbai.



Femme Power, an initiative by Religare, proposes to empower non-working women to explore an alternative career that gives them the freedom to work on their own terms and conditions.

This program will serve as a platform that will allow women to have a brilliant new start with zero investment and will give them an opportunity to learn various aspects of the financial markets. By introducing and generating leads via references from the existing base of online customers, employees and personal contacts, they will earn themselves fulfilling monetary rewards.

CHAPTER NO. 3

**ANALYSIS AND INTERPRETATION OF DATA**



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### **3.1 FUNDAMENTAL ANALYSIS**

Any investor while making investment is concerned with the intrinsic value of the asset, which is determined by the future earning potential of the asset. In case of securities market, an investor has number of securities available for investment. But, he would like to invest in the one, which has good potential for future. In order to ensure the future earnings of any security, an individual has to conduct fundamental analysis of the company. Fundamental analysis of a company involves in-depth examination of all possible factors, which have bearing on the prospects of the company as well as its share price. Fundamental analysis is divided into 3 stages in sequential manner as follows:

- 1. Economic analysis**
- 2. Industry analysis**
- 3. Company analysis**

#### **1. Economic analysis**

The economic activity of any country has an impact on investment in many ways. When the state of economy is good and it is at the growing stage, the investment takes place and stock market is in boom phase. The reverse situation takes place when the economic activity is low. In view of this it is necessary to analyze all macro economic variables properly. The parameters, which are used to analyze all macro economic variables, are given below:

- Growth rate of gross domestic product

GDP represents the aggregate value of the goods and services produced in the economy. All the major investors, financial institutions, foreign financial institutions, portfolio manager first tries to estimate the growth rate of GDP of the country in which they are planning to invest.

- Inflation

The assessment of GDP growth rate is to be done in light of increase in inflation rate. If the rate of inflation grows in direct proportion to GDP, then the real rate of growth would be insignificant.

The demand in consumer product industry is severely affected. If there would be increase in rate of inflation, the amount of saving left for investment would decrease which is not good for securities market investment. Inflation rate in these two months reaches to almost more than the 11%.

- Interest rates

Most of the companies borrow funds from banks and financial institutions for meeting their capital and revenue expenses. If the rate of interest would increase, their interest expenses would also increase. This would lead to decrease in their profitability. Increase in interest rates would be reflected in negative manner in stock markets. Interest rates have to be increased for controlling inflation. It is a measure to control the inflation means withdrawing the excess money from the market in the form of interest.

- Budget

Budget is statement of proposed revenue and expenditure of government. A deficit budget leads to higher rate of inflation and increase in cost of production for companies as explained above whereas surplus budget leads to deflation.

- Balance of payment

Balance of payment is statement of receipts and payments of a country for the transactions it has entered with other countries. If receipts are more than BOP is favorable and if payments are more than unfavorable.

- Monsoon and agriculture

A good monsoon has favorable impact on markets and vice versa is true. Monsoons generate indirect demand for many industries like-auto industry, iron & steel fertilizers etc. because the main employer in India is the agricultural sector and this sector is depends on the monsoon.

## 2. Industry analysis

Classifying them on basis of business cycles does the industry analysis. They can be classified into following categories:

- Growth industry

Growth industries are the ones those are independent of the business cycles. These industries show growth irrespective of changes in economy. For example, the information technology in India exhibited continuous growth irrespective of the recession and boom in the entire economy of the country.

- Cyclical industry

The growth of these industries depends on the business cycle. When there is boom period in the business cycle of industries or economy as a whole, these industries also exhibit growth and vice versa. For example, steel industry. The growth of steel industry mainly depends on auto industry and construction industry. When there is boom in the auto industry, the steel is in demand.

- Defensive industry

These categories of industry exhibit constant growth during all phases of economy. They do not depend on business cycle of other industries. For example, food industry enjoys constant growth irrespective of growth in other industry.

- Cyclical growth industry

This type of industry experiences the period of growth and stagnation due to change in technology. For example, computer hardware industry.

- Product of the industry

The user of the product may be either other industries or the household sector or both. In case the product is to be used only by industrial sector, then the growth of other user industry is also need to be analyzed. However, if it is to be used by household sector, then factors such as inflation, increase in level of income etc. are to be taken into account while estimation growth of industry.

- Government policy

If the government offers tax subsidies and tax holidays, the industry has good prospects. For example, biotechnology industry is being given number of tax incentives as the government intends to promote the growth of industry.

- Labor

The industries which are labor intensive in nature require proper analysis of labor scenario. The activities of trade unions have bearing on productivity of the companies under that industry. The frequent strike by unions may lead to fall in the production.

- The Market Share

The rate of growth in the market share of the industry over a period of time shall be examined since it helps in finding the growth prospects and ability to compete with industry involved in related product. If the market share is decreasing over a period of time, it is not a good indicator for investment.

### **3. Company analysis**

The strength of company can be assessed by examining certain quantitative factors. The quantitative factors normally comprise of various financial ratios which are used to examine the operating efficiency of the company. They are enumerated below:

#### **QUALITATIVE FACTORS**

- Management

The management of a company should have expertise, competence to control the operations of the company. The past track record of the management towards shareholders should be examined. It should be a management, which has rewarded its shareholders whenever company has made good profits.



- Product of the company

The growth prospect of demand of product being manufactured by the company shall be assessed by analyzing the type of users and existence of related products.

- Raw material

The raw material used by the company also has a bearing on its operating efficiency. If the raw material is to be sourced from indigenous sources the company would not face any problems but if it has to be imported from outside countries then the risk of change in government policies on importing of such material should be taken into consideration

## **QUANTITATIVE FACTORS**

- i. Operating profit ratio :-

It helps in finding the amount of margins over manufacturing costs, which a company is able to earn by selling its product. This ratio establishes the relationship between operating net profit and sales. This will be calculated by deducting only operating expenses from gross profits. Debenture holders or creditors of the company mainly use this as interest paid is out of operating profit.

- ii. Gross profit ratio :-

Gross profit is the difference between net sales and cost of goods sold. This ratio shows the margin left after meeting the manufacturing costs. It measures the efficiency of production as well as pricing. A high gross profit ratio means a high margin for covering other expenses other than cost of goods sold. Therefore, higher the ratio, the better it is.

- iii. Net profit ratio :-

This ratio shows the earnings left for shareholders (equity and preference) as a percentage of net sales. It measures the overall efficiency of all the functions of a business firm like production, administration, selling,

financing, pricing, tax management etc. This profit is mainly used by shareholders as dividend is paid out of net profit of the company.

iv. Return on capital employed :-

This ratio indicates the percentage of net profits before interest and tax to total capital employed.

Capital employed = Equity Capital + Preference Capital+ Reserve and Surplus + long term Debt – Fictitious Assets.

Return on capital employed =

$$\frac{\text{Net profit before interest and tax} * 100}{\text{Capital employed}}$$

This ratio is considered to be a very important one because it reflects the overall efficiency with which capital is used. The ratio of a particular business should be compared with other business firms in the same industry to find out exact position of that business.

v. Return on equity :-

This ratio also known as return on shareholders funds indicates the percentage of net profit available for equity shareholders to equity shareholder funds.

Return on equity =

$$\frac{\text{\$Net profit available for equity shareholders} * 100}{\text{\#Equity shareholders funds}}$$

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\$ Net profit after interest, tax, preference dividend

# Equity capital + reserve and surplus

This ratio indicates the productivity of the ownership capital employed in the firm. However, in judging the profitability of a firm, it should not be overlooked that during inflationary periods, the ratio may show an upward trend because the numerator of the ratio represents current values whereas the denomination represents historical values.

vi. Interest coverage ratio :-

This ratio compares the net profit before interest and tax with the interest payments and long term liabilities. This ratio indicates whether adequate coverage of net profit is available for the payment of interest or not.

Interest coverage ratio =

Net profit before interest and tax

Interest on long term liabilities

If this ratio is very high, it means that margin for creditors and lenders are very high. If this ratio is just one, it will indicate that profits are just equal to interest which is not at all satisfactory. This is not only dangerous for creditors but also unsatisfactory for shareholders.

vii. Earnings per share :-

This ratio indicates the amount of net profit available per equity share of a business firm.

Net profit after interest, tax, preference dividend

no. of equity shares

EPS is one of the criteria of measuring the performance of a company. If earnings per share increase, the possibility of higher dividend paid by the company also increases. The market price of the share of a company may also be affected by this ratio. EPS may vary from company to company due to stock in trade, depreciation etc.

viii. Price earnings ratio :-

Market price per equity share

EPS

It means that the market value of every rupee of earnings is ..... times.

ix. Dividend payout ratio :-

This ratio indicates the percentage of profit distributed as dividends to the shareholders. A higher ratio indicates that the company follows a liberal dividend policy, while a lower ratio implies a conservative dividend policy.

Dividend payout ratio =

$$\frac{\text{Dividend per share} \times 100}{\text{EPS}}$$

x. Dividend yield ratio :-

Dividend yield ratio =

$$\frac{\text{Dividend per share} \times 100}{\text{Market price per share}}$$

This ratio is very important for investors who purchase their shares in the open market. They will evaluate their return against their investment i.e. the market price paid by them. The higher the ratio, the more attractive are their investments.

xi. Inventory turnover ratio :-

This ratio establishes relationship between cost of goods sold during a given period and the average amount of inventory held during that period. The indication given by this ratio is the number of times finished stock is turned over during a given accounting period.

$$\frac{\text{Cost of Goods sold}}{\text{Avg. stock during that period}}$$

xii. Current ratio :-

This ratio is calculated by dividing current assets by current liabilities. This ratio indicates how much current assets are there as against each rupee of current liabilities. If majority of current assets are in the form of inventory, even a 2:1 ratio will not result into favorable condition because inventory is considered to be the least liquid assets out of all current assets of a firm.

$$\frac{\text{Current assets}}{\text{Current liabilities}}$$

xiii. Liquid ratio :-

It is the ratio between liquid assets and liquid liabilities. From the balance sheet liquid assets are calculated by deducting inventories and prepaid expenses from current assets. Liquid liabilities are current liabilities less bank overdraft. An ideal liquid ratio is considered as 1:1.

$$\frac{\text{Liquid current assets}}{\text{Liquid current liabilities}}$$

xiv. Long term solvency/Debt Equity ratio

Ratio like debt-equity ratio helps in examining long-term solvency of the company. Higher debt equity is not favorable as it indicates dependence of company on borrowed funds. Any increase in interest rates may significantly affect shareholders earnings. It should be assessed whether the company is able to make use of trading on equity or not.

$$\frac{\text{Long term funds}}{\text{Shareholders funds}}$$

Or

$$\frac{\text{Long term funds}}{\text{Shareholders funds} + \text{long term funds}}$$

Shareholders funds consist of equity share capital, preference share capital and reserve and surplus. A low ratio will quite satisfactory from creditor's angle.

xv. Book value :-

There are several ways to define a company's worth or value. One of the ways you define value is market capital or how much money would you need to buy every single share of stock at the current price. Another way to determine a co.'s value is to go to the balance sheet statement and look at the book value. The book value is simply the co.'s assets minus its liabilities.

$$\text{Book value} = \text{assets} - \text{liabilities.}$$

In other words, if you wanted to close the doors, how much would be left after you settled all the outstanding obligations and sold off the assets.

A co. that is viable growing business will always be worth more than its book value for its ability to generate earnings and growth. To compare companies, you should convert to book value per share, which is simply the book value divided by outstanding shares.

- Operating and financial leverage

Operating and financial leverages helps in examining the sensitiveness of operating profit and earning per share to sales and operating profit respectively. Higher leverage indicates higher risk.

#### 4. TECHNICAL ANALYSIS

After having the company analyzed by fundamental analysis, an investor likes to purchase the shares of that company at appropriate time. Technical analysis helps in estimating the optimum time for purchasing shares short-listed for purchase. Technical analyst makes use of different types of chart and patterns formed by movement in the past to make future projections about the movement and also find appropriate time of buy and sale of stock.

#### Difference between Technical and Fundamental analysis

- Technical analysis mainly seeks to predict short term price movement, whereas fundamental analysis tries to establish long term values.
- The focus of technical analysis is mainly concentrate on past price and volume pattern of the shares whereas they also take into account the general industry and economic conditions.
- The technical analyst make buying and sell recommendation on the basis of support and resistance level of the stock whereas in fundamental analysis recommend by comparing its market price with the intrinsic value of the shares.

## **3.2 INDIAN TELECOM SECTOR**

The first wind of reforms in telecommunications sector began to flow in 1980s when the private sector was allowed in telecommunications equipment manufacturing. In 1985, Department of Telecommunications (DOT) was established. It was an exclusive provider of domestic and long-distance service that would be its own regulator (separate from the postal system). In 1986, two wholly government-owned companies were created: the Videsh Sanchar Nigam Limited (VSNL) for international telecommunications and Mahanagar Telephone Nigam Limited (MTNL) for service in metropolitan areas.

Telecommunication sector in India can be divided into two segments: Fixed Service Provider (FSPs), and Cellular Services. Fixed line services consist of basic services, national or domestic long distance and international long distance services. The state operators (BSNL and MTNL), account for almost 90 per cent of revenues from basic services.

Cellular services can be further divided into two categories: Global System for Mobile Communications (GSM) and Code Division Multiple Access (CDMA). The GSM sector is dominated by Airtel, Vodafone-Hutch, and Idea Cellular, while the CDMA sector is dominated by Reliance and Tata Indicom. Opening up of international and domestic long distance telephony services are the major growth drivers for cellular industry. Cellular operators get substantial revenue from these services, and compensate them for reduction in tariffs on airtime, which along with rental was the main source of revenue. The reduction in tariffs for airtime, national long distance, international long distance, and handset prices has driven demand.

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### **3.2.1 FUTURE GROWTH PROSPECTUS OF TELECOM SECTOR IN INDIA**

#### **Market shares of Major Public and Private Players**

Both fixed line and mobile segments serve the basic needs of local calls, long distance calls and the international calls, with the provision of broadband services in the fixed line segment and GPRS in the mobile arena. Traditional telephones have been replaced by the codeless and the wireless instruments. Mobile phone providers have also come up with GPRS-enabled multimedia messaging, Internet surfing, and mobile-commerce.

The much-awaited 3G mobile technology is soon going to enter the Indian telecom market. The GSM, CDMA, WLL service providers are all upgrading them to provide 3G mobile services.

Along with improvement in telecom services, there is also an improvement in manufacturing. In the beginning, there were only the Siemens handsets in India but now a whole series of new handsets, such as Nokia's latest N-series, Sony Ericsson's W-series, Motorola's PDA phones, etc. have come up. Touch screen and advanced technological handsets are gaining popularity. Radio services have also been incorporated in the mobile handsets, along with other applications like high storage memory, multimedia applications, multimedia games, MP3 Players, video generators, Camera's, etc. The value added services provided by the mobile service operators contribute more than 10% of the total revenue.

The leading cellular service providers have the following number of subscribers:

Service Provider	No. of CDMA Subscribers	No. of GSM Subscribers
Reliance	2.75 crores	38.76 lakhs
Tata	1.07 crores	
Airtel		3.37 crores
MTNL		24.98 lakhs
BSNL		2.44 crores
Hutch		2.44 crores
Idea		1.3 crores
Spice		25.56 lakhs
BPL		10.62 lakhs
Aircel		48 lakhs

Bharti Airtel has the largest customer base with 31% market share, followed by Hutch and BSNL with each holding 22% market share.



## **Changing Scenario**

The Indian telecommunications has been zooming up the growth curve at a feverish pace, emerging as one of the key sectors responsible for India's resurgent economic growth. India is set to surpass US to become the second largest wireless network in the world with a subscriber base of over 300 million by April, according to the Telecom Regulatory Authority of India (Trai). The month of April 2008 will see India's wireless subscriber base that currently stands at 250.93 million surpassing that of the US to become the second wireless network in the world.

The year 2007 saw India achieving significant distinctions: having the world's lowest call rates (2-3 US cents), the fastest growth in the number of subscribers (15.31 million in 4 months), the fastest sale of million mobile phones (in a week), the world's cheapest mobile handset (US\$ 17.2) and the world's most affordable color phone (US\$ 27.42) and largest sale of mobile handsets (in the third quarter).

## **Segment-wise growth**

Wireless segment has emerged as the preferred mode of telephone service by the consumers, reflected in the rising share of mobile phone connections to total connections. The share of mobile phones has increased from 71.69 per cent at the end of March 2006 to 87.29 per cent at the end of April 2008. While total mobile subscriber base was 269.3 million, wire line subscriber base was 39.21 million. Consequently, overall tele-density has increased to 26.89 per cent at the end of April 2008.

In fact, since 1999, mobile subscriber base has been growing at a CAGR of around 85 per cent. And, while about 8 million new subscribers are being added every month in mobile segment, there has been a decline in the total number of wire line subscribers.

Also, private sector has become the dominant player in the industry. While public sector companies added 53.6 million subscribers during 1998-2007, private companies have added a whopping 133.58 million subscribers during the same period.

The dominance has been much more pronounced in the mobile market, where private operators have added 124.68 million subscribers, while public sector operators added only 31.79 million subscribers.

### **Investment Growth**

The booming domestic telecom market has been attracting accelerating amount of investment. In fact, the surge in mobile services market is likely to see investment worth about US\$ 24 billion by 2010, going by industry estimates owing to the growing number of mobile subscribers which is estimated to increase to 60 billion by 2012, according to Standard Chartered Bank, implying a mobile in the hands of every second person in the country.

The cumulative FDI inflows from April 2000 to December 2007 have been US\$ 3.62 billion, accounting for 7.99 per cent of the total FDI inflows into the country. In fact, the surge in mobile services market is likely to see investment worth about US\$ 24 billion by 2010, going by industry estimates. This is understandable, when seen that the number of mobile subscribers is estimated to increase to 60 billion by 2012, according to Standard Chartered Bank, implying a mobile in the hands of every second person in the country.

Buoyed by the rapid surge in the subscriber base, huge investments are being made into this industry.

- Maxis Communications-owned mobile service provider Aircel is planning to invest close to US\$ 5 billion over the next four years in India for network enhancement and expansion.
- Srei Group's Quippo Telecom Infrastructure Ltd (QTIL) plans to invest US\$ 3 billion in 2008-09 to ramp up its telecom infrastructure business to grow both organically and inorganically.
- The Central public sector enterprises (CPSEs) have lined up investments of US\$ 35.09 billion in infrastructure sectors like telecom energy and power for 2008-09.
- Vodafone Essar will invest US\$ 6 billion over the next three years in a bid to increase its mobile subscriber base from 40 million at present to over 100 million.

## **Manufacturing**

India is emerging as a handset super-power as more manufacturers set up base in the country, it is not only the world's fastest-growing telecom market but it is also making remarkable progress in the telecom manufacturing space. Latest figures from the Department of Telecom (DoT) indicate that revenue from the telecom manufacturing sector is set to cross the US\$ 6.5 billion mark in fiscal 2007-08. The Indian telecom equipment manufacturing sector is set to become one of the largest globally by 2010.

Production in telecom equipment increased from US\$ 4.25 billion in 2005-06 to US\$ 5.64 billion in 2006-07 and estimated to be US\$ 6.31 billion in 2007-08. Consequently, India is estimated to record highest growth in the Asia-Pacific region with a handset production of 51 million. Nokia reached production volume of 125 million in over two years of operations at its manufacturing unit in Tamil Nadu.

Looking ahead, while mobile phone production is estimated to grow at a CAGR of 28.3 per cent between 2006 to 2011 to total 107 million handsets by 2010, revenues are estimated to grow at a CAGR of 26.6 per cent between 2006 to 2011 to US\$ 13.6 billion.

Simultaneously, India's surging domestic market is also providing excellent investment opportunities in other segments of telecom equipment industry. For example, TRAI estimates that the country will need about 350,000 telecom towers by 2010, as against 125,000 in 2007.

This has in turn attracted many leading global telecom equipment manufacturers to set up their base in India.

- Nokia Siemens Networks (NSN) is shifting its global services business unit headquarters from Munich to India.
- Nokia set up its manufacturing plant in Chennai.
- Samsung has set up its GSM mobile manufacturing base in Manesar.
- Motorola has established a manufacturing plant in Sriperumbedur.

- Sony Ericsson has set up GSM Radio Base Station Manufacturing facility in Jaipur and R&D centre in Chennai.
- LG Electronics set up plant of manufacturing GSM mobile phones near pune.
- Elcoteq has set up handset manufacturing facilities in Bangalore
- Eletronics has set up an SEZ in Chennai.

### **3.2.2 Key players in Indian Telecom Industry**

#### **Bharti Airtel**



#### **Business profile**

Established in 1995 by Sunil Mittal as a Public Limited Company, Airtel is the largest telecom service provider in Indian telecom sector. With market capitalization of over Rs. 1,360 billion, Airtel has 31% of total market share of GSM service providers. Providing GSM services in all the 23 circles, Airtel was the first private player in telecom sector to connect all states of India. Also, Airtel is the first mobile service provider to introduce the lifetime prepaid services and electronic recharge systems. After establishing itself in the domestic market, Airtel is now spreading its wings in US by providing its mobile service under the name 'CALLHOME' to the NRIs.

Bharti Airtel is one of India's leading private sector providers of telecommunications services based on an aggregate of 64,268,047 customers as on March 31, 2008, consisting of 61,984,721 GSM mobile and 2,283,326 Bharti Telemedia subscribers.

The businesses at Bharti Airtel have been structured into three individual strategic business units (SBU's) - mobile services, telemedia services (ATS) & enterprise services. The mobile services group provides GSM mobile services across India in 23 telecom circles, while the ATS business group provides broadband & telephone services in 94 cities. The enterprise services group has two sub-units - carriers (long distance services) and services to corporate. All these services are provided under the Airtel brand.

The 700-million strong rural markets in India is the biggest single market in the world and Airtel is rapidly expanding its footprint in the rural areas of the country. It has already connected over 3.2-lakh villages and plans to reach 5 lakh by 2010.

This rapid roll out is witnessing a large number of customers joining Airtel's network from the rural areas of the country.

Company shares are listed on The Stock Exchange, Mumbai (BSE) and The National Stock Exchange of India Limited (NSE).

### **Recent news**

-Airtel Introduces HTC Touch Diamond

The HTC Touch Diamond - a sleek and stylish phone with a new captivating 3D touch interface called TouchFLO 3D

-Airtel launches Mobile Services in Lakshadweep

First Private Mobile Service Provider in the Islands

Services available to the entire population in Kavaratti, Agatti and Bangaram Islands Special Introductory offers.

-Airtel has reduced its STD rates dramatically

Airtel has reduced its STD rates dramatically to Re 1.50/ minute from the earlier Re 2.65/ minute, benefiting all Airtel customers who make long distance calls. The new tariffs will be effective from April 30, 2008. Airtel has also redefined the roaming regime in the country. Airtel customers will now be able to receive a call while roaming at Re 1/minute, as compared to Re1.75/minute at present. Further, while roaming, Airtel customers can make an outgoing local call at Re1/minute and an STD call at Re 1.50/minute. This will help create an India without boundaries, making communication with loved ones easier and more affordable.

### **Recent Recognitions**

- Awarded with top honors at the GSMA Mobile World Congress Conference 2008 in Barcelona for the category “Best Billing/ Customer Care solution.”
- Adjudged as the ‘Best Carrier India’ at the Telecom Asia Award 2008
- Ranked 2nd in the survey of India’s Most Respected companies by Business world
- Adjudged as ‘Company of the Year’ at the CNBC India Business Leader Awards 2007
- Economic Times ‘Company of the year 2007’ award for corporate excellence.
- Outlook Money-NDTV Profit award in the Best Value Creator category in October
- Ranked 3rd globally for best returns to the shareholders by the Business Week Magazine in ‘The Infotech 100’ list in July 2007
- Airtel was chosen as the second most trusted service brand in India in the Prestigious ‘Most Trusted Brands 2007 Survey’ conducted by the Economic Times Brand Equity.
- Bharti Airtel has won the CNBC-TV18 India Business Leader Award for the Outstanding Company of the year, 2007

Sunil Bharti Mittal, Chairman & Group CEO

- GSM Association Chairman’s Award 2008
- Chosen for Padma Bhushan Awards in 2007

### **Idea communication**



Let's Business

### **Business profile**

Established by AT&T, Aditya Birla Group and Tata Group as joint venture, Idea Cellular, is a part of Aditya Birla Nuvo, a flagship company of the Aditya Birla Group, Idea is growing its network in 11 circles. Idea offers both prepaid and post paid services in the GSM network.

As India's leading GSM Mobile Services operator, IDEA Cellular has licenses to operate in 11 circles. With a customer base of over 17 million, IDEA Cellular has operations in Delhi, Maharashtra, Goa, Gujarat, Andhra Pradesh, Madhya Pradesh, Chattisgarh, Uttaranchal, Haryana, UP-West, Himachal Pradesh and Kerala. IDEA Cellular's footprint currently covers approximately 45% of India's population and over 50% of the potential telecom-market and having 13% market share.

A frontrunner in introducing revolutionary tariff plans, IDEA Cellular has the distinction of offering the most customer friendly and competitive Pre Paid offerings, for the first time in India, with 'Super Power', 2 Minutes Outgoing Free, Lifelong offer and other segmented offerings like Women's Card. 'Lifetime Idea' is the first and only loyalty program, for pre paid customers, introduced by a Cellular brand.

Customer Service and Innovation are the drivers of this Cellular Brand. A brand known for their many firsts, Idea is only operator to launch GPRS and EDGE in the country.

The combined holding of the Aditya Birla Group companies in Idea stands at 98.3 per cent. Mr. Kumar Mangalam Birla has been named the Chairman of the company.

Aditya Birla Nuvo Ltd. holds 35.7 per cent, Birla TMT Holdings Ltd. 44.9 per cent, Grasim 7.5 per cent, and Hindalco 10.1 per cent in Idea.

### **Recent developments**

- Idea adds Spice telecommunications in the month of June 2008.
- The latest feather in the IDEA cap is the GSM Association Award for Bill Flash; it has recently won making it the first cellular operator in India to win an award on this platform.
- Merger of seven subsidiaries with Idea Cellular Limited
- Reached the twenty million subscriber mark
- Became part of the Aditya Birla Group subsequent to the TATA Group transferring its entire shareholding in the Company to the Aditya Birla Group
- Acquired Escorts Telecommunications Limited (subsequently renamed as Idea Telecommunications Limited)



YOU READ IT  
HERE FIRST

Two cos to merge at a later stage; Telekom  
Malaysia to get 20% in the merged entity

# IDEA ADDS SPICE

HOW DOES THE DEAL CHANGE  
THE TELECOM LANDSCAPE?



India will now have 11 telecom operators instead of 12 & the pecking order will change. Idea set to become the fifth-largest operator with over 31 million users. It is now just 5 million subscribers away from BSNL.

WHAT DOES IT MEAN FOR  
IDEA CELLULAR?



AV Birla Group co gets a foothold in Punjab and Karnataka, 4.4 million subscribers, a strategic investor in Telekom Malaysia and a net income of Rs 4,500 crore.

Idea turns a debt-free company

WHAT HAVE MODIS AND SPICE  
SHAREHOLDERS GAINED?



Modis made a cool Rs 2,720 crore by selling stake in the loss-making venture. This includes a non-compete fee of Rs 544 crore. Spice shareholders get 49

shares in Idea for every 100 shares held

HOW DOES TELEKOM MALAYSIA  
INTERNATIONAL BENEFIT?



It becomes a strategic investor in the 5th-largest operator in India. TM has 44 m users across 10 countries; Idea adds 31m to that. TM will have one member on the new Idea board

## To Buy Modi Group's 40.8% For Rs 2,176 Cr

Our Bureau  
MUMBAI

IN ONE of the biggest deals in the Indian telecom sector, Aditya Birla group's Idea Cellular on Wednesday said it would acquire BK Modi's Spice Communications to strengthen its position in the growing telecom market. The deal consists of four related, but distinct transactions. To begin with, Idea will acquire the Modis' 40.8% stake in Spice. Subsequently, Idea will launch the mandatory 20% open offer for the Spice shareholders, jointly with Telekom Malaysia International (TMI). Idea will merge Spice with itself and offer a 14.99% stake to TMI through a preferential allotment. Idea will earn Rs 7,294 crore (\$1.7 billion, assuming an exchange rate of Rs 43) by selling this stake to TMI. This would make it one of the largest infusions of FDI into India.

Idea has agreed to buy the Modis' 28.14 crore shares for Rs 77.30 each, totalling Rs 2,176 crore. In addition, it will shell out Rs 544 crore, or over Rs 19 a share, to the Modis as a non-compete fee. This is under the 25% limit (with reference to the open offer price to non-promoter investors) prescribed by Scit for any such payment. The 14.99% preferential allotment to TMI will ensure that Idea, despite being the purchaser, ends up as a net gainer in the transaction. The net income for Idea, after making payment

to the Modis, will be Rs 4,574 crore.

The Idea-TM combine will launch the open offer at Rs 77.30 jointly with TMI, which now holds 39.2% in Spice. At this stage it is not clear who will pick up how much. Idea will earn Rs 7,294 crore by selling 46.47 crore preferential shares to TMI for Rs 156.96 apiece. According to the merger formula, Spice shareholders will get 49 Idea shares for every 100 shares they held. The payment to the Modis is being funded through internal accruals. After completion of the deal, which is expected to be done in next six months, Idea's equity base will be expanded due to issue of fresh shares to TMI, and also because of the share swap.



CALLING  
PARTY PAYS

AV Birla group to end up with a net gain of nearly Rs 4,500 cr after four-stage deal

On Wednesday, Idea scrip closed at Rs 102.05, up 2.9% while Spice scrip touched an all-time high of Rs 73.40, before closing at Rs 72.35, a 33% gain over the previous day's close.

ET first reported on June 10 that Spice shares will be acquired by Idea at between Rs 77 and Rs 78 per share. On June 12, we reported that TMI will buy just under 15% stake in Idea through preferential offer and will hold around 20% in the merged entity.

"Spice will be delisted and TMI's holding in the new Idea (post-merger) will be a maximum of 20% (depending on the response to the open offer) and one non-executive board seat," AV Birla group chairman Kumar Mangalam Birla told ET.

► Idea to be a debt-free co: P 17

■ SPICE ROUTE: P 15

DEAL  
DYNAMICS

STEP 1  
Idea to acquire the Modis' 40.8% stake in Spice

STEP 2  
Idea to make 20% open offer for Spice shareholders jointly with TM

STEP 3  
Idea to merge Spice with itself

STEP 4  
TM to pick up 14.99% in merged entity through preferential allotment

## Idea to be a debt-free company

► From Page 1

THE management of the merged entity will be with the Birla group, which will have between 46% and 48% in the company. The 40.8% Spice Telecom stake being acquired by Idea from the BK Modi Group will be cancelled, post the transaction. DSP Merrill Lynch acted as the financial advisor to Idea, while Enam Securities worked for Modis. Lazard was the financial advisor to TMI.

The deal makes Idea virtually a debt-free company because of the net gain of around Rs 4,500 crore from the deal. Around Rs 2,700 crore was raised by selling stake in Indus Towers to Providence Partners last month. "With this, we became a debt-free company and Idea takes on a high growth trajectory," said Mr Birla.

Idea Cellular managing director, Sanjeev Aga, told ET the deal will give Idea an entry into Punjab and Karnataka, where Spice is present and which accounts for 11% of India's total wireless subscribers. Spice has 4.4

million subscribers. With a total of over 31 million subscribers post-merger, Idea will be the fifth largest operator in India, ahead of Tata Teleservices (TTSL) which has nearly 26 million users.

It will also consolidate Idea's position, with its all-India market share increasing from 9.5% to 11.1%. Idea is close to launching operations in Mumbai, Bihar, Tamil Nadu and Orissa in the next four-five months. With Punjab and Karnataka coming into its kitty through the deal, Idea will have almost a nation-wide footprint spanning 17 key circles.

Also, Spice has spectrum in the 900 MHz GSM band, which carries more subscribers than the 1,800 MHz band. Idea already has spectrum in the 900 MHz band in seven circles areas, which will increase to nine, driving scale economies and operational synergies. "This will result in lower operating and capital expenditure," said Mr Aga.

TMI has 44 million users across 10 Asian markets. "TMI's experience of operating 3G in similar markets will be of value to Idea, as

also the convergent interests of the two companies in areas extending from international traffic to roaming and mobile value added services. Idea and TMI would sign a business co-operation agreement to this effect," Mr Aga added.

Spice group chairman BK Modi said, "This divestment will enable Spice to redeploy resources and strengthen the group's mobile ecosystem businesses led by mobile VAS, mobile devices, telecom retail and customer support. This transaction makes Spice an operator agnostic services provider, where we will continue to provide services to the Indian mobile telephony market."

How does the deal change the telecom landscape?

Idea will now have 11 telecom operators instead of 12 and the pecking order, has changed. Idea has climbed up one rank to become the fifth largest operator with over 31 million users. It is now just 5 million subscribers away from public sector giant BSNL.

What does it mean for Idea?

Idea gets a foothold in Punjab and Kar-

nataka, 4.4 million subscribers, a strategic investor in Telekom Malaysia and a net income of Rs 4,900 crore. Idea turns a debt-free company.

What have Modis and Spice shareholders gained?

Modis made a cool Rs 2,720 crore by selling stake in the loss-making venture. TM includes a non-compete fee of Rs 544 crore. Spice shareholders get 49 shares in Idea for every 100 shares held.

How does Telekom Malaysia International benefit?

They become strategic investor in the fifth-largest operator in the world's fastest growing telecom market. TMI has 44 million subscribers across 10 geographies. Idea adds 31 million to that figure. TMI will have one board member on the new Idea's board.

How will consumers benefit?

Idea will change Spice brand in Punjab and Karnataka. It is expected to offer attractive tariffs and new value added services to gain market share and visibility. Other operators may have to follow suit.



## **Tata Teleservices Maharashtra Limited (TTML)**



### **Business Profile**

Established in 1996, Tata Teleservices, one of the 96 companies of Tata Group, has its network in 20 circles. It is the first company to launch CDMA mobile services in India. With investment of Rs.36, 000 crores during financial year 2005-06, Tata Teleservices has reached the mark of 1.07 crore subscribers. The company covers a wide range of services like Mobile services, Wireless Desktop Phones, Public Booth Telephony and Wire line services. It also offers some value added services like voice portal, roaming, post-paid Internet Services, 3-way conferencing, group calling, Wi-Fi Internet, USB Modem, data cards, calling card services and enterprise services.

Tata Teleservices has partnered with Motorola and Ericsson for providing reliable services to its customer base. Tata Teleservices Limited along with Tata Teleservices (Maharashtra) Limited serves over 15.9 million customers (with 75% increase in FY 2007 over March 06-sub base) covering over 3200 towns. Income from Telecommunication reached to 1,095.13, with 7.9 lakhs mobile subscribers and 8.3 lakhs fixed wireless subscriber.

Formerly named as Hughes Tele.com (India) Ltd., Tata Teleservices Maharashtra Limited (TTML) with 70.83% equity shareholding by TATA Group is the premier telecommunication service provider licensed to provide services in Maharashtra (including Mumbai) and Goa. In February 2002, the Government of India released 25% of VSNL's equity to Tata Teleservices.

Tata Teleservices Maharashtra Limited (TTML) spearheads the Tata Group's presence in the Indian telecom sector by being the premier telecommunication service provider, licensed to provide services in Maharashtra (including Mumbai) and Goa.

Tata Communications serves its customers from offices in 80 cities across 40 countries, reflecting the diversity of the customers and markets we live in and serve.

## **Reliance Communications**



### **Business Profile**

Established in 2002, Reliance communication is the wholly owned subsidiary of Anil Dhirubhai Ambani Group of Companies providing the telecommunication services. Reliance offers prepaid and postpaid mobile services with R-world and fixed line services with broadband services. Having its operations in 673 cities, Reliance Communications offers a wide range of telephony services. The company's business line varies from providing Fixed Line Telephony services to wireless mobile telephony services.

Reliance is the only telecom company that is providing mobile services over both-CDMA and GSM networks. With an optical fiber network of 80,000 kms, the company aims at providing best services to its customers. It also has 15,000 Base Transceiver Stations across the country providing reliable wireless network, it is India's leading integrated telecommunication company with over 48 million customers.

Reliance Mobile (formerly Reliance India Mobile), launched on 28 December 2002, coinciding with the joyous occasion of the late Dhirubhai Ambani's 70th birthday, was among the initial initiatives of Reliance Communications. It marked the auspicious beginning of Dhirubhai's dream of ushering in a digital revolution in India. Today, they can proudly claim that we were instrumental in harnessing the true power of information and communication, by bestowing it in the hands of the common man at affordable rates.

### **Recent developments**

- Reliance Globalcom, Stealth Communications forge Strategic Alliance to extend VOIP Network across 50 countries.
- Reliance Globalcom acquires U.K. based Global Managed Network Services provider VANCO Group Limited
- Reliance Communications and Alcatel - Lucent forms Joint Venture to offer Managed Network Services to Telco's across the globe

### 3.3 Presentation of data

#### Bharti airtel



#### Annual results in brief (Rs crore)

	Mar ' 08	Mar ' 07	Mar ' 06
Sales	25,703.51	17,794.43	11,228.68
Operating profit	10,501.03	7,116.95	3,881.83
Interest	483.71	255.84	225.60
Gross profit	10,253.18	6,954.67	3,718.13
EPS (Rs)	32.90	21.27	10.62

#### Annual results in details (Rs crore)

	Mar ' 08	Mar ' 07	Mar ' 06
Other income	235.86	93.56	61.90
Stock adjustment	-	-	-
Raw material	-	-	-
Power and fuel	-	-	-
Employee expenses	1,366.64	1,148.98	788.16
Excise	-	-	-
Admin and selling expenses	3,727.86	-	-
Research and development expenses	-	-	-
Expenses capitalized	-	-	-
Other expenses	10,107.98	9,528.50	6,558.69
Provisions made	-	-	-
Depreciation	3,280.63	2,353.30	1,432.35
Taxation	728.35	568.15	273.71
Net profit / loss	6,244.20	4,033.22	2,012.07
Extra ordinary item	-	-	-
Prior year adjustments	-	-	-
Equity capital	1,897.91	1,895.93	1,893.88
Equity dividend rate	-	-	-
Agg.of non-prom. shares (Lacs)	6475.58	7402.88	10325.93
Agg.of non promoter Holding (%)	34.12	39.04	54.52
OPM (%)	40.85	40.00	34.57
GPM (%)	39.53	38.88	32.93
NPM (%)	24.07	22.55	17.82

## Balance sheet

	Mar ' 08	Mar ' 07	Mar ' 06
<b>Sources of funds</b>			
<b>Owner's fund</b>			
Equity share capital	1,897.91	1,895.93	1,893.88
Share application money	57.63	30.00	12.13
Preference share capital	-	-	-
Reserves & surplus	18,283.82	9,515.21	5,437.42
<b>Loan funds</b>			
Secured loans	52.42	266.45	2,863.37
Unsecured loans	6,517.92	5,044.36	1,932.92
<b>Total</b>	<b>26,809.71</b>	<b>16,751.95</b>	<b>12,139.72</b>
<b>Uses of funds</b>			
<b>Fixed assets</b>			
Gross block	28,115.65	26,509.93	17,951.74
Less : revaluation reserve	2.13	2.13	2.13
Less : accumulated depreciation	9,085.00	7,204.30	4,944.86
Net block	19,028.52	19,303.51	13,004.75
Capital work-in-progress	2,751.08	2,375.82	2,341.25
Investments	10,952.85	705.82	719.70
<b>Net current assets</b>			
Current assets, loans & advances	8,439.38	5,406.81	3,338.88
Less : current liabilities & provisions	14,362.33	11,042.67	7,272.80
Total net current assets	-5,922.95	-5,635.86	-3,933.92
Miscellaneous expenses not written	0.20	2.66	7.94
<b>Total</b>	<b>26,809.71</b>	<b>16,751.95</b>	<b>12,139.72</b>
<b>Notes:</b>			
Book value of unquoted investments	9,379.62	580.43	476.52
Market value of quoted investments	1,574.29	125.85	243.99
Contingent liabilities	7,140.59	7,615.04	4,740.34
Number of equity shares outstanding (Lacs)	18979.07	18959.34	18938.79

## Ratios

(Rs crore)

	Mar ' 07	Mar ' 06	Mar ' 05
<b>Per share ratios</b>			
Reported EPS (Rs)	21.27	10.62	6.53
Dividend per share	-	-	-
Operating profit per share (Rs)	38.57	21.32	16.17
Book value (excl rev res) per share (Rs)	60.17	38.67	24.12
Book value (inclusive rev res) per share (Rs.)	60.18	38.68	24.13
Net operating income per share (Rs)	94.45	59.45	43.93
<b>Profitability ratios</b>			
Operating margin (%)	40.83	35.86	36.81
Gross profit margin (%)	27.69	23.14	24.29
Net profit margin (%)	22.42	17.80	14.83
Adjusted cash margin (%)	36.38	31.57	28.74
Reported return on net worth (%)	35.35	27.47	27.08
Return on long term funds (%)	30.03	21.28	20.41
<b>Leverage ratios</b>			
Long term debt / Equity	0.43	0.61	0.98
Total debt/equity	0.46	0.65	1.10
Owners fund as % of total source	68.24	60.45	47.55
Fixed assets turnover ratio	0.75	0.72	0.74
<b>Liquidity ratios</b>			
Current ratio	0.48	0.45	0.52
Quick ratio	0.47	0.44	0.48
Inventory turnover ratio	374.50	634.52	257.80
<b>Payout ratios</b>			
Dividend payout ratio (net profit)	-	-	-
Dividend payout ratio (cash profit)	-	-	-
Earning retention ratio	100.00	100.00	100.00
Cash earnings retention ratio	100.00	100.00	100.00

Coverage ratios			
Adjusted cash flow time total debt	0.81	1.34	2.13
Financial charges coverage ratio	26.21	17.22	9.52
Fin. charges coverage ratio (post tax)	24.13	16.08	8.54
Component ratios			
Long term assets / total Assets	0.78	0.80	0.79
Bonus component in equity capital (%)	79.98	80.06	81.81

### General observation

- Sales: - Sales figures of 2008 have shown an increase by 44.45% as compared to 2007 figures and an increase by 129% as compared to 2006 figures. Overall there was significant increase in sales and it was reflected in the figures of gross profit as well as net profit also.
- Net profit: - The Net profit has increased by 55% as compared to 2007 figures and an increase by 210% as compared to 2006 figures. There was constant increase in the net profit of the company because of the performance and services offered to the customers.
- Total debt/equity: - The figure shows that there was continuous decrease in the total debt of the company. A low ratio will quite satisfactory from creditor's angle and there is a good scope for borrowing of funds according to equity capital of the company. Low ratio may not be very much satisfactory for shareholders because the company is sacrificing the benefits of trading on equity in this case.
- EPS :- Earnings per share in 2005 was around 6.53 times which rose to around 10.62 times in 2006 and increased to about 21.27 times in 2007 and increased to about 32.90 times in 2008. EPS is one of the criteria of measuring the performance of a company. If earnings per share increases the possibility of a higher dividend paid by the company increases.
- Secured and unsecured loans: - There was vast decrease in the secured loans and significant increase in the unsecured loans. It will increase the interest burden on the net profit of the company. It was reflected in the annual results of the company that

interest amount is increased by 90% as compared to 2007 interest figures and by 115% as compared to 2006 figures.

- Current ratio: - current ratio has in constant position from 2005-07 but it also shows that the liquidity position has to be improved for achieving the standard ratio i.e. 2:1.
- Book value: - there was very good improvement in the book value of the company, which reflects the amount remaining for each equity share at the time of winding up.

### Analysis

- Interest coverage ratio :-

$$\frac{\text{Net profit before interest and tax}}{\text{Interest on long term liabilities}}$$

$$= \frac{10253.18}{483.71}$$

$$= 21.196$$

- Price earnings ratio :-

$$\frac{\text{Market price per equity share}}{\text{EPS}}$$

$$= \frac{798.7}{32.90}$$

$$= 24.276$$

- P/E ratio/Book value :-

$$= \frac{24.276}{60.17}$$

$$= 0.403$$

## Idea telecommunication



### Annual results in brief (Rs crore)

	Mar ' 08	Mar ' 07
Sales	6,719.99	2,795.25
Operating profit	2,253.82	981.60
Interest	277.64	275.73
Gross profit	1,993.64	737.20
EPS (Rs)	3.96	1.94

### Annual results in details (Rs crore)

	Mar ' 08	Mar ' 07
Other income	17.46	31.33
Stock adjustment	-	-
Raw material	-	-
Power and fuel	-	-
Employee expenses	341.78	154.29
Excise	-	-
Admin and selling expenses	969.39	-
Research and development expenses	-	-
Expenses capitalized	-	-
Other expenses	3,155.00	1,659.36
Provisions made	-	-
Depreciation	876.75	455.76
Taxation	72.50	3.72
Net profit / loss	1,044.39	277.72
Extra ordinary item	-	-
Prior year adjustments	-	-
Equity capital	2,635.36	2,592.86
Equity dividend rate	-	-
Agg.of non-prom. shares (Lacs)	11149.15	11149.15
Agg.of non promoter Holding (%)	42.31	43.00
OPM (%)	33.54	35.12
GPM (%)	29.59	26.08
NPM (%)	15.50	9.83



## Balance sheet (Rs crore)

	Mar ' 07	Mar ' 06	Mar ' 05
<b>Sources of funds</b>			
<b>Owner's fund</b>			
Equity share capital	2,592.86	2,259.53	2,742.53
Share application money	-	-	-
Preference share capital	-	483.00	-
Reserves & surplus	-413.71	-1,574.00	-1,695.74
<b>Loan funds</b>			
Secured loans	3,539.77	1,470.75	1,692.75
Unsecured loans	710.74	1,444.85	1,005.28
<b>Total</b>	<b>6,429.66</b>	<b>4,084.14</b>	<b>3,744.83</b>
<b>Uses of funds</b>			
<b>Fixed assets</b>			
Gross block	8,229.61	3,975.11	3,577.49
Less : revaluation reserve	-	-	-
Less : accumulated depreciation	2,637.18	1,157.63	899.99
Net block	5,592.43	2,817.48	2,677.50
Capital work-in-progress	506.52	95.91	64.62
Investments	13.83	307.03	307.03
<b>Net current assets</b>			
Current assets, loans & advances	2,550.93	1,637.35	1,174.45
Less : current liabilities & provisions	2,234.05	773.63	478.76
Total net current assets	316.88	863.72	695.68
Miscellaneous expenses not written	-	-	-
<b>Total</b>	<b>6,429.66</b>	<b>4,084.14</b>	<b>3,744.83</b>
<b>Notes:</b>			
Book value of unquoted investments	13.83	307.03	-
Market value of quoted investments	-	-	-
Contingent liabilities	1,236.57	213.92	-
Number of equity shares outstanding (Lacs)	25928.61	22595.27	27425.27

## Ratios

(Rs crore)

	Mar ' 07	Mar ' 06	Mar ' 05
<b>Per share ratios</b>			
Reported EPS (Rs)	1.94	0.55	0.09
Dividend per share	-	-	-
Operating profit per share (Rs)	6.22	3.41	2.17
Book value (excl rev res) per share (Rs)	8.40	3.03	3.82
Book value (incl rev res) per share (Rs.)	8.40	3.03	3.82
Net operating income per share (Rs)	16.84	8.88	5.93
<b>Profitability ratios</b>			
Operating margin (%)	36.96	38.38	36.56
Gross profit margin (%)	24.05	25.29	21.93
Net profit margin (%)	11.44	6.24	1.63
Adjusted cash margin (%)	26.19	23.02	21.34
Adjusted return on net worth (%)	21.90	16.84	2.54
Reported return on net worth (%)	23.03	18.32	2.54
Return on long term funds (%)	16.83	16.17	7.52
<b>Leverage ratios</b>			
Long term debt / Equity	1.62	2.85	2.58
Total debt/equity	1.95	4.96	2.58
Owners fund as % of total source	33.89	16.78	27.95
Fixed assets turnover ratio	0.61	0.63	0.60
<b>Liquidity ratios</b>			
Current ratio	1.14	2.12	2.45
Current ratio (inc. st loans)	0.86	0.73	2.45
Quick ratio	1.10	2.11	2.36
Inventory turnover ratio	243.80	227.79	120.71
<b>Payout ratios</b>			
Dividend payout ratio (net profit)	-	-	-
Dividend payout ratio (cash profit)	-	-	-
Earning retention ratio	100.00	100.00	100.00
Cash earnings retention ratio	100.00	100.00	100.00

Coverage ratios			
Adjusted cash flow time total debt	3.70	6.30	7.73
Financial charges coverage ratio	3.42	2.51	2.37
Fin. charges cov.ratio (post tax)	3.45	2.53	2.37
Component ratios			
Long term assets / total Assets	0.65	0.59	0.64
Bonus component in equity capital (%)	-	-	-

### General observation

- Sales: - Sales figures of 2008 have shown an increase by 140% as compared to 2007 figures. Overall there was significant increase in sales and it was reflected in the figures of gross profit as well as net profit also.
- Net profit: - The Net profit has increased by 276% as compared to 2007 figures. There was significant increase in the net profit of the company because of the performance and extra services offered to the clients.
- Total debt/equity: - The figure shows that there was significant decrease in the total debt of the company. A low ratio will quite satisfactory from creditor's angle and there is a good scope for borrowing of funds as per the equity capital of the company. Now Idea communication is became debt free company because of the takeover of the Spice Communication.
- EPS :- Earnings per share in 2005 was around 0.09 times which rose to around 0.55 times in 2006 and increased to about 1.94 times in 2007 and increased to about 3.96 times in 2008. If earnings per share increases the possibility of a higher dividend paid by the company increases.
- Secured and Unsecured loans: - There was sharp increase in the secured loans and sharp decrease in the unsecured loans. It will increase the interest burden on the net profit of the company and now Idea communication became a total debt free company because of the takeover of Spice communication.
- Current ratio: - Current ratio shows that the company has maintained the current ratio standard but in 2007 current ratio was below standard which need to increase in the current asset of the company or decrease in the current liability of the company.

- Book value: - there was very good improvement in the book value of the company, which reflects the amount remaining for each equity share at the time of winding up.

### Analysis

- Interest coverage ratio :-

$$\begin{aligned}
 & \frac{\text{Net profit before interest and tax}}{\text{Interest on long term liabilities}} \\
 = & \frac{1993.64}{277.64} \\
 = & 7.18
 \end{aligned}$$

- Price earnings ratio :-

$$\begin{aligned}
 & \frac{\text{Market price per equity share}}{\text{EPS}} \\
 = & \frac{88.05}{3.96} \\
 = & 22.234
 \end{aligned}$$

- P/E ratio/Book value :-

$$\begin{aligned}
 & \frac{22.234}{8.40} \\
 = & 2.646
 \end{aligned}$$

## Tata Teleservices Maharashtra Limited (TTML)



### Annual results in brief (Rs crore)

	Mar ' 08	Mar ' 07	Mar ' 06
Sales	1,707.19	1,406.98	1,095.13
Operating profit	403.14	287.72	123.05
Interest	171.01	171.76	145.77
Gross profit	314.54	130.84	-21.06
EPS (Rs)	-0.66	-1.72	-3.56

### Annual results in details (Rs crore)

	Mar ' 08	Mar ' 07	Mar ' 06
Other income	82.41	14.88	1.66
Stock adjustment	-	-	-
Raw material	-	-	-
Power and fuel	-	-	-
Employee expenses	93.63	71.00	48.56
Excise	-	-	-
Admin and selling expenses	184.15	417.40	198.13
Research and development expenses	-	-	-
Expenses capitalized	-	-	-
Other expenses	1,026.27	630.86	725.39
Provisions made	-	-	-
Depreciation	439.35	446.23	471.90
Taxation	0.93	0.70	0.85
Net profit / loss	-125.74	-310.61	-541.06
Extra ordinary item	-	5.48	-47.25
Prior year adjustments	-	-	-
Equity capital	1,893.56	1,809.50	1,520.59
Equity dividend rate	-	-	-
Agg.of non-prom. shares (Lacs)	6482.24	5642.37	5246.07
Agg.of non promoter Holding (%)	34.23	31.18	34.50
OPM (%)	23.61	20.45	11.24
GPM (%)	17.58	9.20	-1.92
NPM (%)	-7.03	-21.85	-49.33

## Balance sheet (Rs crore)

	Mar ' 07	Mar ' 06	Mar ' 05
<b>Sources of funds</b>			
<b>Owner's fund</b>			
Equity share capital	1,809.50	1,520.59	1,490.97
Share application money	-	-	-
Preference share capital	-	-	-
Reserves & surplus	-2,130.71	-2,018.20	-1,534.67
<b>Loan funds</b>			
Secured loans	1,696.26	1,080.12	1,091.51
Unsecured loans	332.61	1,031.73	746.36
<b>Total</b>	<b>1,707.66</b>	<b>1,614.24</b>	<b>1,794.17</b>
<b>Uses of funds</b>			
<b>Fixed assets</b>			
Gross block	4,053.52	3,646.17	3,232.80
Less : revaluation reserve	-	-	-
Less : accumulated depreciation	1,826.85	1,384.66	980.79
Net block	2,226.67	2,261.51	2,252.01
Capital work-in-progress	203.17	175.08	240.37
Investments	-	-	-
<b>Net current assets</b>			
Current assets, loans & advances	427.52	329.78	366.60
Less : current liabilities & provisions	1,149.70	1,152.13	1,064.81
Total net current assets	-722.18	-822.35	-698.21
Miscellaneous expenses not written	-	-	-
<b>Total</b>	<b>1,707.66</b>	<b>1,614.24</b>	<b>1,794.17</b>
<b>Notes:</b>			
Book value of unquoted investments	-	-	-
Market value of quoted investments	-	-	-
Contingent liabilities	423.60	434.62	326.24
Number of equity shares outstanding (Lacs)	18094.97	15205.85	14909.74

## Ratios

(Rs crore)

	Mar ' 07	Mar ' 06	Mar ' 05
<b>Per share ratios</b>			
Reported EPS (Rs)	-1.72	-3.56	-3.54
Reported cash EPS (Rs)	0.74	-0.45	-1.41
Dividend per share	-	-	-
Operating profit per share (Rs)	1.60	0.80	-0.63
Book value (excl rev res) per share (Rs)	-1.78	-3.27	-0.29
Book value (incl rev res) per share (Rs.)	-1.78	-3.27	-0.29
Net operating income per share (Rs)	7.78	7.20	5.42
<b>Profitability ratios</b>			
Operating margin (%)	20.54	11.23	-11.78
Gross profit margin (%)	-11.17	-31.85	-51.04
Net profit margin (%)	-21.81	-49.31	-62.56
Adjusted cash margin (%)	8.95	-1.61	-25.23
Adjusted return on net worth (%)	-	-	-
Reported return on net worth (%)	-	-	-
Return on long term funds (%)	-10.43	-40.54	-24.26
<b>Leverage ratios</b>			
Long term debt / Equity	-	-	-
Total debt/equity	-	-	-
Owners fund as % of total source	-18.80	-30.82	-2.43
Fixed assets turnover ratio	0.40	0.35	0.30
<b>Liquidity ratios</b>			
Current ratio	0.37	0.28	0.34
Current ratio (inc. st loans)	0.23	0.15	0.26
Quick ratio	0.36	0.28	0.34
Inventory turnover ratio	633.77	-	-
<b>Payout ratios</b>			
Dividend payout ratio (net profit)	-	-	-
Dividend payout ratio (cash profit)	-	-	-
Earning retention ratio	-	-	-
Cash earnings retention ratio	100.00	-	-

Coverage ratios			
Adjusted cash flow time total debt	15.90	-	-
Financial charges coverage ratio	1.72	0.88	-0.38
Fin. charges cov.ratio (post tax)	1.76	0.51	-0.36
Component ratios			
Long term assets / total Assets	0.81	0.85	0.84
Bonus component in equity capital (%)	-	-	-

### General observation

- Sales: - Sales figures of 2008 have shown an increase by 21% as compared to 2007 figures and by 56% as compared to 2006 figures. Overall there was good increase in sales and it was reflected in the figures of gross profit as well as net profit also.
- Net profit/loss: - The Net loss figures have reduced by 60% as compared to 2007 figures. There was also reduction in the net loss figures of the company by 77% as compared to 2006 figures.
- Total debt/equity: - The figure shows that there was good decrease in the total debt of the company. A low ratio will quite satisfactory from creditor's angle and there is a good scope for borrowing of funds as per the equity capital of the company.
- EPS :- Earnings per share in 2005 was around -3.54 times which decline to around -3.56 times in 2006 and afterwards improved to about -1.72 times in 2007 and then improved to about -0.66 times in 2008. If earnings per share improved then the possibility of a higher dividend paid by the company increases.
- Secured and Unsecured loans: - There was sharp increase in the secured loans and sharp decrease in the unsecured loans. It will increase the interest burden on the net profit of the company.
- Current ratio: - Current ratio shows that the company has not maintain the current ratio standard. Current ratio was below standard which need to increase in the current asset of the company or decrease in the current liability of the company.
- Book value: - Book value of the company was not in the good position. All the book value figures in the ratio chart are minus which shows that company has very large



amount of liability in relation to assets of the company. Book value reflects the amount remaining for each equity share at the time of winding up but here it was already in minus position.

### Analysis

- Interest coverage ratio :-

$$\frac{\text{Net profit before interest and tax}}{\text{Interest on long term liabilities}}$$

$$= \frac{314.54}{171.01}$$

$$= 1.839$$

- Price earnings ratio :-

$$\frac{\text{Market price per equity share}}{\text{EPS}}$$

$$= \frac{24.85}{-0.66}$$

$$= -24.19$$

- P/E ratio/Book value :-

$$= \frac{-24.19}{-1.78}$$

$$= 13.589$$

## Reliance Communications



### Annual results in brief (Rs crore)

	Mar ' 08	Mar ' 07	Dec ' 06
Sales	13,416.19	11,725.26	8,584.97
Operating profit	4,882.46	4,476.60	3,276.94
Interest	445.17	232.38	162.84
Gross profit	4,447.75	4,280.87	3,149.84
EPS (Rs)	12.53	11.78	8.42

### Annual results in details (Rs crore)

	Mar ' 08	Mar ' 07
Other income	10.46	36.65
Stock adjustment	-	-
Raw material	-	-
Power and fuel	-	-
Employee expenses	858.65	684.40
Excise	-	-
Admin and selling expenses	-	2,119.44
Research and development expenses	-	-
Expenses capitalized	-	-
Other expenses	7,675.08	4,444.82
Provisions made	-	-
Depreciation	1,843.66	1,836.12
Taxation	17.64	12.00
Net profit / loss	2,586.45	2,408.85
Extra ordinary item	-	-23.90
Prior year adjustments	-	-
Equity capital	1,032.01	1,022.31
Equity dividend rate	-	-
Agg. of non-prom. shares (Lacs)	6992.16	6798.04
Agg. of non promotor Holding (%)	33.88	33.25
OPM (%)	36.39	38.18
GPM (%)	33.13	36.40
NPM (%)	19.26	20.48

## Balance sheet (Rs crore)

	Mar ' 07	Mar ' 05
<b>Sources of funds</b>		
<b>Owner's fund</b>		
Equity share capital	1,022.31	0.01
Share application money	-	-
Preference share capital	-	-
Reserves & surplus	19,503.23	-
<b>Loan funds</b>		
Secured loans	5,113.57	-
Unsecured loans	9,454.27	-
<b>Total</b>	<b>35,093.38</b>	<b>0.01</b>
<b>Uses of funds</b>		
<b>Fixed assets</b>		
Gross block	20,625.82	-
Less : revaluation reserve	-	-
Less : accumulated depreciation	2,527.37	-
Net block	18,098.45	-
Capital work-in-progress	2,185.60	-
Investments	5,434.43	-
<b>Net current assets</b>		
Current assets, loans & advances	20,107.04	0.01
Less : current liabilities & provisions	10,732.14	-
Total net current assets	9,374.90	0.01
Miscellaneous expenses not written	-	-
<b>Total</b>	<b>35,093.38</b>	<b>0.01</b>
<b>Notes:</b>		
Book value of unquoted investments	5,434.43	-
Market value of quoted investments	-	-
Contingent liabilities	3,781.30	-
Number of equity shares outstanding (Lacs)	20446.15	0.10

## Ratios (Rs crore)

	Mar ' 07		
<b>Per share ratios</b>			
Reported EPS (Rs)	11.78		
Dividend per share	0.50		
Operating profit per share (Rs)	26.96		
Book value (excl rev res) per share (Rs)	100.39		
Book value (inclusive rev res) per share (Rs.)	100.39		
Net operating income per share (Rs)	62.39		
<b>Profitability ratios</b>			
Operating margin (%)	43.21		
Gross profit margin (%)	28.82		
Net profit margin (%)	18.63		
Adjusted cash margin (%)	32.35		
Adjusted return on net worth (%)	11.43		
Reported return on net worth (%)	11.73		
Return on long term funds (%)	11.16		
<b>Leverage ratios</b>			
Long term debt / Equity	0.67		
Total debt/equity	0.70		
Owners fund as % of total source	58.48		
Fixed assets turnover ratio	0.69		
<b>Liquidity ratios</b>			
Current ratio	1.87		
Quick ratio	1.86		
Inventory turnover ratio	-		
<b>Payout ratios</b>			
Dividend payout ratio (net profit)	4.96		
Dividend payout ratio (cash profit)	2.81		
Earning retention ratio	94.91		
Cash earnings retention ratio	97.15		

Coverage ratios	
Adjusted cash flow time total debt	3.48
Financial charges coverage ratio	12.45
Fin. charges coverage ratio (post tax)	10.30
Component ratios	
Long term assets / total Assets	0.53
Bonus component in equity capital (%)	-

### General observation

- Sales: - Sales figures of 2008 have shown an increase by 14.42% as compared to 2007 figures. Overall there was good stability in sales and it was reflected in the figures of gross profit as well as net profit also.
- Net profit/loss: - The Net profit figures have improved by 7.37% as compared to 2007 figures. There was good stability in the net profit as well as sales figures of the company.
- Total debt/equity: - The figure shows that there was good stability in the total debt of the company and there is good scope for borrowings. A low ratio will quite satisfactory from creditor's angle and there is a good scope for borrowing of funds as per the equity capital of the company.
- EPS: - Earnings per share in 2006 were around 8.42 times which rose to around 11.78 times in 2007 and then improved to about 12.53 times in 2008. If earnings per share improved then the possibility of a higher dividend paid by the company increases.
- Secured and Unsecured loans: - There was sharp increase in the unsecured loans and the secured loans because company was new at that time in 2007. It will increase the interest burden on the net profit of the company. Still company maintains good EPS as well as net profit margin also.
- Current ratio: - Current ratio shows that the company has trying to maintain the current ratio standard. Current ratio was below standard which need to increase in the current assets of the company or decrease in the current liabilities of the company.

- Book value: - Book value of the company was in very good position. The book value position in the ratio chart shows that the company has good amount of total assets as compared to total liabilities. Book value reflects the amount remaining for each equity share at the time of winding up.

### Analysis

- Interest coverage ratio :-

$$\frac{\text{Net profit before interest and tax}}{\text{Interest on long term liabilities}} = \frac{4447.75}{445.17} = 9.991$$

- Price earnings ratio :-

$$\frac{\text{Market price per equity share}}{\text{EPS}} = \frac{500.65}{12.53} = 39.956$$

BIZASTRA  
Let's Business

- P/E ratio/Book value :-

$$\frac{39.956}{100.39} = 0.398$$

CHAPTER NO. 4

**Findings & Recommendations**



BIZASTRA

Let's Business

## 4.1 Share Price Fluctuations and Analysis

Price changes from 1<sup>st</sup> June 2008 to 31<sup>st</sup> July 2008

DATE	AIRTEL CLOSE (Rs.)	RET	IDEA CLOSE (Rs.)	RET	TTML CLOSE (Rs.)	RET	RELIANCE CLOSE (Rs.)	RET	NIFTY CLOSE (Rs.)	RET
2/6/2008	877.45		106.95		30.05		554.55		4739.6	
6/6/2008	802	-8.60%	105	-1.82%	29.65	-1.33%	547.2	-1.33%	4627.8	-2.36%
9/6/2008	781.3	-2.58%	101.85	-3.00%	28.05	-5.40%	553.9	1.22%	4500.95	-2.74%
13/06/2008	816.4	4.49%	108.15	6.19%	29.3	4.46%	543.15	-1.94%	4517.1	0.36%
16/06/2008	840.35	2.93%	108.2	0.05%	29.9	2.05%	534.85	-1.53%	4572.5	1.23%
20/06/2008	765.7	-8.88%	105.5	-2.50%	27.75	-7.19%	491.65	-8.08%	4347.55	-4.92%
23/06/2008	758.75	-0.91%	102.5	-2.84%	27.05	-2.52%	486.45	-1.06%	4266.4	-1.87%
27/06/2008	747.95	-1.42%	97.45	-4.93%	25.2	-6.84%	473.75	-2.61%	4136.65	-3.04%
30/06/2008	721.25	-3.57%	93.4	-4.16%	24.1	-4.37%	442.8	-6.53%	4040.55	-2.32%
4/7/2008	717.15	-0.57%	88.45	-5.30%	23.7	-1.66%	436.75	-1.37%	4016	-0.61%
7/7/2008	727.65	1.46%	88.45	0.00%	23.95	1.05%	419.9	-3.86%	4030	0.35%
11/7/2008	744.9	2.37%	84.25	-4.75%	24.55	2.51%	437.9	4.29%	4049	0.47%
14/07/2008	735.85	-1.21%	82.15	-2.49%	24.55	0.00%	437.6	-0.07%	4039.7	-0.23%
18/07/2008	803	9.13%	80.65	-1.83%	23.5	-4.28%	435.1	-0.57%	4092.25	1.30%
21/07/2008	798.55	-0.55%	83.8	3.91%	23.35	-0.64%	446.5	2.62%	4159.5	1.64%
25/07/2008	796.85	-0.21%	88.35	5.43%	26.15	11.99%	503.95	12.87%	4311.85	3.66%
28/07/2008	795.15	-0.21%	89.5	1.30%	25.95	-0.76%	513.35	1.87%	4332.1	0.47%
31/07/2008	798.7	0.45%	88.05	-1.62%	24.85	-4.24%	500.65	-2.47%	4332.95	0.02%
OVER ALL RET		-8.975%		-17.672%		-17.304%		-9.720%		-8.580%

From the above data we come to know that there was overall slowdown in the market and it also get reflected in the share price of the companies, only because of the economic condition as well as the crude oil price rises. From the overall average return from the share prices as well as from the market we come to know IDEA and TTML communication shares had more fluctuations than other rivalry company shares.



	MEAN	VAR	STDEV	BETA
<b>AIRTEL</b>	0.464%	0.184%	4.284%	1.302
<b>IDEA</b>	1.034%	0.122%	3.499%	0.972
<b>TTML</b>	1.010%	0.220%	4.695%	1.630
<b>RELIANCE</b>	0.990%	0.211%	4.599%	1.458

COVER BETWEEN NIFTY AND AIRTEL	0.000582
COVER BETWEEN NIFTY AND IDEA	0.0004342
COVER BETWEEN NIFTY AND TTML	0.0007283
COVER BETWEEN NIFTY AND RELIANCE	0.0006515
VAR OF NIFTY	0.0004469

**Mean** measures the average return given by the shares during the particular period of time, from the analysis we come to know that all the companies selected for study indicates the negative returns over the period of time, AIRTEL communication shares perform better than other company shares in terms of returns.

**Standard Deviation** measures the risk factor that high return are generally associated with high risk (Standard Deviation) just as theory and common sense suggest.

**BETA** measures non- diversified risk. Beta shows how the price of a security responds to market forces. In effect the more responsive the price of a security is a change in the market; the higher will be its beta. Beta is calculated by relating the return on a security with the returns for the market. Market return is measured by the average return of a large sample of stocks. Investors will find beta helpful in assessing systematic risk and understanding the impact market movements can have on the return expected from a share of stock.

Example:- If the market is expected to provide a 10% rate of return over the next year, a stock beta of 1.80 would be expected to experience an increase in return of approx. 18% ( $1.80 \times 10$ ) over same period.

## **4.2 FINDINGS**

	<b>Airtel</b>	<b>Idea</b>	<b>TTML</b>	<b>Reliance</b>
<b>Sales %</b>	44.45	140	21	14.42
<b>Net profit or loss %</b>	55.00	276	-60	7.37
<b>Total debt/equity</b>	0.46	1.95	0.094	0.70
<b>EPS</b>	32.90	3.96	0.66	12.53
<b>Secured loans and unsecured loans %</b>	90.00	0.69	0.50	91.56
<b>Current ratio</b>	0.48	1.14	0.37	1.87
<b>Book value</b>	60.18	8.40	-1.78	100.39
<b>Interest coverage</b>	21.196	7.18	1.839	9.991
<b>P/E ratio</b>	24.276	22.234	-24.19	39.956
<b>P/E ratio/Book value</b>	0.403	2.646	13.589	0.398

### **Observation**

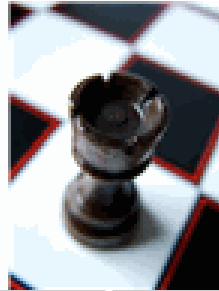
- Sales: - Sales figures of 2008 have shown that idea communication has very good progress in the sales during the current year, overall there was significant increase in sales and it was reflected in the figures of gross profit as well as net profit also.
- Net profit: - The Net profit figures shown that net profit of idea communication is definitely high than other competing companies. There was constant increase in the net profit of the company because of the performance and services offered to the customers.
- Total debt/equity: - The figure shows that there was high ratio of idea communication and lowest was TTML. A low ratio will quite satisfactory from creditor's angle and there is a good scope for borrowing of funds according to equity capital of the company. Low ratio may not be very much satisfactory for shareholders because the company is sacrificing the benefits of trading on equity in this case.
- EPS: - Earnings per share of AIRTEL and RELIANCE communication are quite satisfactory from shareholders angel. EPS is one of the criteria of measuring the performance of a company. If earnings per share increases the possibility of a higher dividend paid by the company increases.

- Secured and unsecured loans: - This criterion was tested by using the interest figures of the companies. By calculating the percentage increase and decrease in the interest amount we get the exact position of loans figures of the companies. Loans will increase the interest burden on the net profit of the company. It was reflected in the annual results of the company.
- Current ratio: - current ratio has been maintained by RELIANCE and up to some extent IDEA also. It shows that the liquidity position of the companies achieving the standard ratio i.e. 2:1.
- Book value: - there was very good improvement in the book value of the RELIANCE and AIRTEL communications, which reflects the amount remaining for each equity share at the time of winding up.
- Interest coverage: - interest coverage ratio of the TTML is not at all satisfactory it indicates that profits are just equal to interest. Ratios of other companies are quite high it means margin for creditors and lenders are very high.
- Price to Earning ratio: - It indicates the market value of every rupee of earnings.

So taking into consideration the above ratios & various tools of fundamental analysis we can say the following preference should be made in order.

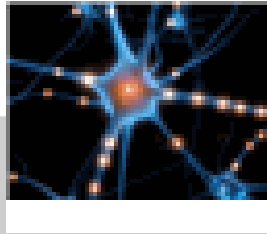
- **Idea Communication**
- **Bharti Airtel**
- **Reliance Communication**
- **Tata Teleservices Maharashtra Limited (TTML)**

## CONCLUSION



Information plays a very important role in the movement of share price. A positive information regarding growth of company, relaxation by government to any industry, tax incentives etc. has positive impact on the movement of share prices and negative informative like strike in company, destruction due to fire, flood or strict measure announced by government has negative impact on the share price of company. However, one of the questions which have always been in the mind of researchers is how and how much information is reflected in the share price at any given point of time. If all the information has been fully translated in the share price then they should stabilize at any given point of time and should exhibit the movement only when the new information is released. Thus, most of the researchers have attempted to study the relationship between the available information which can affect the share price shall be equally available to all the investors and further all investors are rational. Based on the movement of share prices, researchers have tried to comment upon the nature and efficiency of stock markets. If the information is available to few persons in the market, they will be able to make huge profits and if the information is available to all investors simultaneously then no one edge over other and it should not lead to gain to only certain section of market participant.

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