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Impact of Financial Ratio on Share Price in Companies Operating in the Telecommunications Sector Listed On the Indian Stock Exchange

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ABSTRACT: For as long as anybody can remember, the Indian Telecom Industry has played a crucial role in India's development and progress. As a result, it was vital in the digitalization of systems and processes in a variety of crucial economic spheres. It is estimated that there are presently 1.18 billion active users in India. Mobile or wireless users account for the bulk of this statistic. The need for faster network connections and more data consumption have both skyrocketed as the telecommunications industry has grown dramatically in recent years. The question is whether or not the telecom industry is really benefiting from this expansion. What negative impacts does intense competition have on telecom firms' bottom lines? The purpose of this study is to examine the financial health of four major players in the telecom industry during a 10-year period, from 2011-2012 to 2019-2020. Based on four distinct financial parameters—leverage, liquidity, management efficiency, and profitability—it evaluates the monetary health of the relevant units. The purpose of this article is to investigate whether or not the economic health of different units varies significantly among themselves.

KEYWORDS: Financial performance, Telecom Companies, Profitability,

I. INTRODUCTION

In every nation, the telecommunications industry drives both economic development and social progress. This is of critical relevance for emerging nations like India. Because of this, the 2030 Sustainable Development Goals (SDGs) set by the United Nations consider it to be of the utmost significance. Improved network connections in remote areas are becoming more possible as demand for this service rises. It comprises helping developing countries upgrade their agricultural, medical, financial, educational, and other foundational economic institutions via the use of digital technologies.

One of the world's largest and most quickly increasing telecommunications markets is India's. The sector has grown rapidly in recent years due to rising demand from consumers and government initiatives. India's 1.18 billion mobile phone subscribers make it the world's second most populous country after China. About 1155,000,000 people have an active mobile phone subscription. National tele-density is now at 89%, which is down from 91% in November of last year. Compared to the rural areas, which only have a tele-density of 56.71%, urban areas have a far higher concentration of televisions (157%). The greatest tele-density of any service zone was in Delhi, the capital of India, at 238%, followed by Himachal Pradesh, a state in the country's north, at 149%.

Wireless and mobile phone users now make up 98% of all Indian phone subscribers, a significant increase over the last several years. The proliferation of networks, the ease with which users can switch between carriers, the rise in the demand for data, the lowering of prices for consumers, the expansion of 3G and 4G service, the advancement of technology, and receptive government policies and legislation are all contributing factors. India also offers access to a massive market that is underserved at the moment. The proliferation of mobile phones across India has boosted the country's economy in a number of ways. At the present time, the cellular industry in India contributes 6.5% to the country's GDP. By the end of the 2020s, this might account for up to 8.2 percent of the whole. India ranks second in the world in terms of internet penetration. In September of this year, there were 687 million active internet users. This has caused India to become the world's second biggest market for app downloads in 2019, surpassing even the United States. In September 2016, when Reliance Jio first became available, there was a meteoric spike in the number of people using the internet. The outcome was a drastic reduction in storage costs, with prices dropping from Rs.180 per



GB in September 2016 to Rs.10.52 in December 2016 (a reduction of over 95%). Indians now utilise 9.1 GB of data per month, up from 239 MB in September 2016. As a result, between July and September of this year, cellular data usage in India reached 19.8 GB (TB). Foreign direct investment has been crucial to the development and success of India's telecoms industry (FDI). Inflows of FDI from outside have increased dramatically, from Rs 8637 crore (about \$1.0 billion) in 2015-16 to Rs 29724 crore (approximately \$1.0 billion) in 2019-20. Foreign investment has soared in recent years because to rising optimism about India's business climate and the country's telecom industry's potential for future expansion. As of late, foreign direct investment (FDI) in the telecoms industry is allowed to reach 49% without further government approval.

II. LITERATURE REVIEW

In 2012, researchers R. Ananthi and R. Sriram set out to evaluate and rank the various telecommunications providers available to consumers. Using a statistical taxonomy approach, they were able to achieve success. Method of ordering things by combining numerous ratios or indices to show where they stand in relation to one another. Financial ratios were examined there as a potential indication of productivity. Secondary information obtained from telecom providers' public filings was used in the inquiry. The academic years 2004-2005 through 2008-2009 were covered, giving participants a complete five years of data. The taxonomy approach is used to a weighted average of financial ratios. The data showed that different organisations were ranked differently (within these lists) depending on their determined financial indicators.

Dr. Sanjay Pandey and Dr. Vijay Verma investigated the financial health of telecom businesses (2013). Asset utilisation, turnover, profit, and other characteristics included in a company's profit and loss statement and balance sheet have all been taken into account. Financial health, liquidity, sustainability, and profitability may all be evaluated using these metrics. Using empirical methods, the authors evaluated the telecom industry's financial health and isolated the factors that have the greatest impact on it. They have assembled this information from the records of four different telecom providers and the CMIE database. As part of their investigation, they used F-TEST. When comparing telecom businesses using the same financial parameters, studies indicate a large performance gap.

Companies' financial performance before and after mergers were analysed by Neha Verma and Rahul Sharma (2013), who researched mergers in the Indian telecom industry. Between 2001-2002 and 2007-2008, the research included data from a total of 39 mergers. There was a look at how different types of mergers behave, such as horizontal, vertical, and conglomerate mergers. The PROWESS database of the CMIE is mined for secondary data, namely financial performance ratios. Each merger was analysed for its fiscal ratios before and after it was completed, and these results were compared to the average for the industry over a three-year period. The findings revealed that the post-merger performance of the businesses did not vary significantly based on the kind of merger that was carried out.

This research was undertaken by Mohmad Mushtaq Khan and Dr. Syed Khaja Safiuddin (2016), who analysed the liquidity and profitability of the key telecommunications businesses.

Companies' success or failure was assessed using monetary metrics and indicators. Secondary information was gathered for this research from publicly available sources such as Airtel and Vodafone's financial filings. They utilised several economic indicators as independent variables. The median was used in the statistical analysis. From what they've gathered, it seems that the investigated telecoms firms have vastly diverse financial results.

A. Chaitra and Dr. T. Rajendra Prasad conducted a research in 2017 to investigate the state of India's telecoms industry from a financial perspective. Their research included both publicly traded and privately owned businesses. In addition, they compared the two industries' financial performance over time. The authors of the research relied on papers issued annually by the Telecom Regulatory Authority of India (TRAI) between 2010 and 2016 as a secondary source of information. We used mean, standard deviation, and a linear regression model to analyse the data. According to their findings, the financial performance of the telecom business has been on the rise during the time period under consideration.



With this research, Atashi Bedi (2018) compared the telecommunication businesses' profitability, liquidity, and solvency both before and after the purchase. Data was gathered for three years total: two years before to the merger, two years immediately after the merger, and the merger year itself. Ratios used often in accounting provided the foundation for the study. The data is examined using the t-Test for statistical significance. All financial ratios analysed both before and after the transaction were found to have similar average ratings. Therefore, it is logical to assume that the combined companies' bottom lines did not immediately improve after the acquisition.

Revenue, cash flow, asset usage or implementation, operating margins, return on equity, and debt were among the several metrics Rajat Kathuria and Mansi Kedia (2019) considered while assessing the telecom industry's financial health.

The study included the seven-year span from 2011 to 2018. Both government organisations and NGOs were considered in this research. Companies were compared using weighted averages to account for their unique characteristics. Common metrics used throughout the sector were used wherever feasible to provide light on general tendencies. Annual reports and balance sheets were scoured for all of the information needed in our financial study. The study revealed a decline in telecom industry financial stability over time, particularly in the most recent years.

To ascertain the financial health of the Indian telecom business, Drs. Marimuthu, KN, and Syed Azhar (2019) undertook the research. The study analysed data from 2013-2014 through 2016-2017. The quantitative analysis used the Altman 'Z' score to determine the stability of businesses. The information is derived from secondary sources, namely the annual financial statements of the involved firms during a five-year time frame. Companies like Bharti Airtel, Vodafone Idea, and RCOM were taken into account for this analysis. Dr. Edward I. Altman's Multiple Discriminate Examination was used for the statistical study of the financial ratios. Analysis shows that Bharti Airtel is in better financial shape than its competitors Vodafone Idea and RCOM. The telecommunications sector is also very volatile because of the constant influx of new service providers.

The profitability of India's telecom industry was analysed in a research by Ajmera Tushar R. (2020). Another purpose of the research was to identify suitable indicators of the liquidity and solvency of the telecommunications firms under consideration. Both the 2013–14 and 2017–18 school years were included in the analysis. Based on their respective market caps, the three largest firms in the world are Bharti Airtel, Tata Communication, and Tata Communication. The One-way Anova test was used to check for statistically significant differences between the sample means of accounting ratios. Ratios such net profit margin and return on capital were used to validate the numbers. Secondary data, such as the targeted firms' annual financial reports, was culled from all available sources. According to the data, both Bharti Airtel and Tata Communication were more secure financially than their primary rival, Reliance Communication. Reliance Communication likewise suffered substantial losses over the entire period of the study.

Dr. V. Devaki compared the financial foundations of the three largest public telecommunications service providers in her research (2020). We considered include Airtel, Vodafone, and Tata Teleservices in our analysis if they met these criteria. The capital structure, profitability, debt, and other financial indicators of the analysed telecom businesses are all revealed in this research. The average-mean approach was used to examine the data, with an emphasis on equity share capital variables. The findings highlighted the need of a secure financial base for a business.

III. NEED OF THE STUDY

The aforementioned studies mostly focused on one or two economic variables at most. In addition, few people have checked for statistical significance using the ANOVA test when comparing financial ratios between companies.

1.1 PURPOSE OF THE STUDY

The purpose of this paper is as follows

- Comparing the profits of several prominent telecom groups.



- Telecom industry associations' leverage positions and their correlation.
- Comparing the effective administration of many different telecom companies.

IV. RESEARCH METHODOLOGY

In India's telecommunications industry, private companies and government-owned entities both play significant roles. Our operators are mostly privately held, with just a tiny minority held by the public. Very few businesses exist in this area. The majority of companies trading on the stock market are privately held, while just a handful are government-owned. In this study, we take a look at four financial metrics of Indian telecommunications companies. To fund their operations, many companies in Turkey's technology and telecom industries use a mix of stock and debt financing, as well as internal resources. One typical method for businesses to get capital is by going public and selling stock to foreign private equity groups. Debt finance, in the form of both domestic and international currency borrowing, is a common source of funds for companies operating in this industry due to the high costs of capital and investments. Investors, creditors, and shareholders place a high value on the stock market performance of technology and communications firms for these reasons.

V. CONCLUSION

This research, which examined a segment of the telecom industry over a 10-year period (2011-2012 to 2019-2020), found that different businesses take noticeably different approaches to managing their money. In all significant financial metrics, except for Liquidity, Tata Com has fared well. When compared to its rivals, the company's profitability is over the roof. To pay off their obligations, Airtel and Tata Com had more liquid assets than their rivals. Airtel's outstanding performance in this area is indicative of the company's skill in converting its equity into liquid assets. Tata Com has shown excellent resource management, as seen by the company's high Asset Turnover Ratio. When compared to Voda-high Idea, only Tata Com maintains a low leverage ratio, indicating that it has not taken on excessive debt. There has been a complete lack of profitability at any of the firms during the last several years, as shown by profitability metrics. This might be because of the severe pricing competition that Jio has sparked among telecom operators, which has reduced their profits.

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