



# COMPARATIVE STUDY OF FOUR SELECTED COMPANIES IN INDIA FOR FINANCIAL PERFORMANCE ANALYSIS OF TELECOM COMPANIES

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## ABSTRACT

Four significant Indian telecom companies—Reliance Communications, BhartiAirtel, Vodafone Idea, and Tata Communications—are compared in terms of their financial performance in this study. It makes use of important financial indicators such as the price-to-earnings ratio, current ratio, return on equity, return on assets, and net profit margin. Vodafone Idea and Reliance Communications continue to suffer financially, as evidenced by their negative margins, whereas BhartiAirtel and Tata Communications have maintained solid financial positions with increasing profitability and capital efficiency. The analysis emphasizes the need for better capital usage, market-driven operational savings, and strategic reorganization in light of the financial instability of the industry. These findings, which offer a data-driven viewpoint on the financial stability and sustainability of India's top telecom businesses, are beneficial to investors, legislators, and industry stakeholders.

**Keywords:** *Reliance Communications, BhartiAirtel, Vodafone Idea, Tata Communications, telecom companies, India, financial metrics, profitability, capital efficiency, financial difficulties, margins, investors, and financial health.*

## INTRODUCTION

The Indian telecommunications industry has emerged as a key driver of digital transformation, contributing significantly to economic growth and connectivity. The rapid adoption of mobile and internet services, along with advancements in 4G and 5G technology, has fuelled expansion. However, the sector faces challenges such as high infrastructure costs, regulatory constraints, and fierce competition. These factors impact

financial stability, making it essential to analyze the financial performance of major telecom companies. This study examines the financial health of four key players, i.e., Reliance Communications, BhartiAirtel, Vodafone Idea, and Tata Communications.

Each of these companies operates with distinct strategies, resulting in varied financial outcomes. By assessing financial indicators, this study aims to provide insights into the strengths, weaknesses, and trends shaping the telecom sector. Evaluating financial performance helps identify key areas for improvement and supports better decision-making within the industry.

The dynamic nature of the telecommunications market, financial sustainability remains a crucial concern. Companies must focus on operational efficiency, capital utilization, and strategic planning to maintain competitiveness. Analyzing financial trends helps in understanding how telecom firms adapt to evolving market conditions. This study contributes to existing research by offering a comprehensive financial perspective on the sector's performance and future outlook.

## PROBLEM STATEMENT

The Indian telecommunications sector is a key driver of digital connectivity and economic growth but faces significant financial and operational challenges like the high infrastructure costs, regulatory constraints, evolving technology, and intense competition. They impact the companies' liquidity, profitability, and overall market valuation. While some firms remain financially resilient, others struggle with persistent losses, raising concerns about long-term sustainability. Despite its importance, there is a lack of comparative studies analyzing the financial health of leading telecom companies. Assessing key financial indicators is crucial to understanding their strengths, weaknesses, and overall stability.

## OBJECTIVES OF THE STUDY

- To evaluate the liquidity and profitability of the selected telecom companies.
- To assess return on capital employed (ROCE) for shareholders.
- To analyze price-to-earnings (P/E) ratio and other valuation metrics.
- To assess the financial health and growth potential of the four telecom companies.

## REVIEW OF LITERATURE

**Jibin Mathew & Dr. M. Geetha (2019)** "A Comparative Study on Financial Performance of Public Sector and Private Sector Telecom Companies in India", compared telecom firms, revealing BSNL's inefficiency. Private companies like Airtel, Vodafone Idea, and Jioperformed better, emphasizing BSNL's financial struggles.

**Tripathi&Japee (2020)** "Evaluation of Financial Performance of Selected Equity Mutual Funds of India", examined 15 mutual funds in volatile markets, with 10 funds performing well. The study highlighted the importance of risk ratios in investment decisions to assess risks and returns.

**Barot, B. &Japee G. (2021)** "Financial Performance of Two Prominent Telecom Companies in India Post Reliance Jio Entry", analysedAirtel and Vodafone Idea's performance from 201516 to 2019-20. Airtel showed better profitability and solvency, while both had similar liquidity, proving Airtel's superior financial strength.

**Dr. MeenuBaliyan, PunjikaRathi, &IshikaSinghal (2022)** "Comparative Study on the Financial Performance of the Telecom Industry", compared Airtel and Jio's financial stability. Airtel excelled in solvency, profitability, and liquidity, proving to be better prepared for financial challenges.

## RESEARCH METHODOLOGY

This study uses a descriptive research design with a quantitative approach to analyze the financial performance of Reliance Communications, BhartiAirtel, Vodafone Idea, and Tata Communications. It relies on secondary data from annual reports, stock exchange filings, and industry publications to assess liquidity, profitability, and market valuation. A purposive sampling method is applied to focus on key industry players over a five-year period (2020– 2024). Financial ratios such as net profit margin, ROA, ROE, current ratio, P/E ratio, and ROCE are used for performance evaluation. Correlation analysis identifies relationships between financial indicators. The findings will help the investors, policymakers, and stakeholders assess financial stability, growth potential, and market trends in India's telecommunication sector.

## DATA ANALYSIS AND KEY FINDINGS

This research analyses the financial performance of Reliance Communications, BhartiAirtel, Vodafone Idea, and Tata Communications using key financial metrics. It evaluates liquidity, profitability, capital efficiency, and market valuation through ratios like net profit margin, ROA, ROE, current ratio, P/E ratio, and ROCE. Correlation analysis examines relationships between financial indicators, providing insights on the sector's financial sustainability.

Several information was gained through the analysis:

### RATIO ANALYSIS

#### Net Profit Margin (NPM)

Tata Communications maintains steady profitability, peaking at 10.01% in 2023 but declining in 2024. BhartiAirtel recovered from losses, achieving sustained positive margins from 2022 onward. Vodafone Idea and Reliance Communications continue to report negative margins, reflecting financial distress.

Net Profit Margin	2020	2021	2022	2023	2024
Vodafone Idea	-164.47	-105.47	-73.37	-69.53	-73.37
BhartiAirtel	-37.33	-14.89	3.65	5.99	4.97
Reliance ommunications	2532.404	-753.0558	1190.6475	3026.9311	1883.02
TATA Communications	0.703	7.313	8.86	10.01	4.61

### Return on Assets (ROA)

Tata Communications consistently demonstrates efficient asset utilization, leading among the four companies. BhartiAirtel improved from negative ROA to sustained positive returns, indicating operational recovery. Vodafone Idea and Reliance Communications struggle with poor asset management, maintaining negative ROA.

Return On Assets	2020	2021	2022	2023	2024
Vodafone Idea	32.55695	-21.738	-14.557	-14.138	-16.885
BhartiAirtel	-8.920	-4.359	1.170	1.868	1.679
Reliance mmunications	-88.897	-12.108	-13.920	-39.434	-19.729
TATA Communications	-0.387	5.862	7.533	8.738	3.942

### Return on Equity (ROE)

Tata Communications recorded a high 870.89% in 2021, later stabilizing at lower but positive levels. BhartiAirtel transitioned from negative to positive ROE, indicating better shareholder returns. Vodafone Idea and Reliance Communications showed fluctuations, with weak or inconsistent equity performance.

Return on Equity	2020	2021	2022	2023	2024
Vodafone Idea	-1235.440	115.709	45.583	39.405	29.989
BhartiAirtel	-31.512	-18.415	4.541	7.841	7.073
RelianceCommunication	89.195	10.802	10.979	19.359	8.781
TATA Communications	6.745	870.891	154.990	115.969	54.071

### Current Ratio

None of the companies maintained an ideal liquidity position, as all had current ratios below 1. Tata Communications showed the strongest liquidity but faced a declining trend over time. Vodafone Idea had the weakest liquidity, though it showed slight improvements.

Current Ratio	2020	2021	2022	2023	2024
Vodafone Idea	0.174	0.212	0.275	0.232	0.238
BhartiAirtel	0.583	0.490	0.456	0.471	0.420
Reliance ommunications	0.451	0.427	0.399	0.293	0.275
TATA Communications	0.523	0.752	0.578	0.594	0.439

### Return on Capital Employed (ROCE)

Tata Communications consistently leads in capital efficiency, peaking at 19.1% in 2023. BhartiAirtel steadily improved its ROCE, indicating better utilization of invested capital. Vodafone Idea and Reliance Communications remained weak, reflecting inefficient capital allocation.

<b>Return on capital Employed</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Vodafone Idea	-7.217	-4.885	-5.736	-4.230	-4.303
BhartiAirtel	3.792	7.091	9.875	10.799	12.755
Reliance Communications	1.241	0.313	0.363	0.209	0.170
TATA Communications	8.889	14.349	17.995	19.100	16.165

### Earnings Per Share (EPS)

Tata Communications demonstrated strong EPS growth, peaking at 63.014 in 2023. BhartiAirtel turned its EPS positive after years of losses, signalling financial recovery. Vodafone Idea and Reliance Communications continued to report negative EPS, indicating ongoing financial struggles.

<b>Earnings per share</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Vodafone Idea	-27.246	-15.393	-9.826	-8.431	-6.412
BhartiAirtel	-63.407	-27.520	7.672	14.798	13.093
Reliance Communications	-155.507	-21.104	-24.125	-52.839	-26.283
TATA Communications	-3.014	43.881	51.989	63.014	33.975

### Price-to-Earnings (P/E) Ratio

Tata Communications improved from negative to stable P/E ratios, reflecting increased investor confidence. BhartiAirtel had fluctuating P/E values, showing market volatility but maintaining overall stability. Vodafone Idea and Reliance Communications had consistently negative P/E ratios, indicating weak market sentiment.

<b>Price-to-Earnings</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Vodafone Idea	-0.347	-0.615	-0.963	-1.122	-1.475
BhartiAirtel	-25.940	-59.767	214.402	111.152	125.623
Reliance Communications	-0.003	-0.024	-0.021	-0.009	-0.019
TATA Communications	-398.137	27.347	23.082	19.043	35.320

### Book Value Per Share (BVPS)

BhartiAirtel and Tata Communications maintained positive and growing book values, strengthening their equity positions. Vodafone Idea reported declining BVPS, while Reliance Communications remained in negative territory. These trends highlight financial stability for Airtel and Tata, while Vodafone and Reliance face distress.

<b>Book value per Share</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Vodafone Idea	2.205	-13.303	-21.557	-21.396	-21.383
BhartiAirtel	201.215	149.443	168.951	188.731	185.102
Reliance Communications	-174.344	-195.379	-219.734	-272.945	-299.329
TATA Communications	-44.688	5.039	33.544	54.337	62.835

## CORRELATION ANALYSIS

### Correlation between Net Profit Margin(NPM) and Return on Equity(ROE)

BhartiAirtel and Vodafone Idea show a strong positive correlation, indicating that higher profitability directly improves shareholder returns. Tata Communications has a weak correlation, suggesting that ROE is influenced by factors beyond profitability. Reliance Communications exhibits a negative correlation, implying that profitability does not translate into better shareholder value, likely due to high debt.

<b>Companies</b>	<b>Correlation</b>
Vodafone Idea	0.9103
BhartiAirtel	0.9845
Reliance Communications	-0.4733
TATA Communications	0.3092

### Correlation between Return on Assets (ROA) and Return on Capital Employed (ROCE)

BhartiAirtel and Tata Communications show a very strong positive correlation, meaning efficient asset utilization leads to better capital efficiency. Vodafone Idea also has a strong correlation, indicating that improving asset returns can enhance capital productivity. Reliance Communications shows a negative correlation, suggesting inefficient use of capital, likely due to financial distress and poor investment returns.

<b>Companies</b>	<b>Correlation</b>
Vodafone Idea	0.7979
BhartiAirtel	0.9619
Reliance Communications	-0.8913
TATA Communications	0.9373

### Correlation between Earnings Per Share (EPS) and Price-to-Earnings (P/E) Ratio

BhartiAirtel and Tata Communications have a strong positive correlation, meaning rising earnings per share increases investor confidence, improving market valuation. Vodafone Idea and Reliance Communications show a negative correlation, indicating that despite changes in EPS, market sentiment remains weak due to persistent

financial struggles. This suggests that investors do not perceive earnings improvements as sustainable for Vodafone and Reliance.

Companies	Correlation
Vodafone Idea	-0.9204
BhartiAirtel	0.7949
Reliance Communications	-0.8998
TATA Communications	0.8929

### Correlation between Current Ratio and Return on Equity (ROE)

Tata Communications and Vodafone Idea show a strong positive correlation, suggesting that better liquidity management enhances shareholder returns. Reliance Communications has a moderate positive correlation, meaning liquidity plays a role in financial performance but is not a primary driver. BhartiAirtel shows a strong negative correlation, implying that lower liquidity does not hinder its ability to generate returns, likely due to optimized capital structure and leverage strategy.

Companies	Correlation
Vodafone Idea	0.7664
BhartiAirtel	-0.8967
Reliance Communications	0.5382
TATA Communications	0.8923

### CONCLUSION

This study evaluates the financial performance of BhartiAirtel, Vodafone Idea, Reliance Communications, and Tata Communications using ratio and correlation analysis. Airtel and Tata Communications maintain strong financial positions with steady profits, efficient asset use, and investor trust. Vodafone Idea and Reliance Communications face financial struggles, including losses, poor asset efficiency, and weak market confidence. To recover, they must restructure finances, enhance liquidity, and improve efficiency. Airtel and Tata should focus on strategic investments and capital management. The study identifies key financial trends to guide investors, policymakers, and businesses. These insights support better financial decisions and promote telecom sector growth.

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