



Growth by merger: On the Vodafone-Idea deal

Both Vodafone and Idea stand to gain much from the merger in a tough market

The Vodafone Group's decision to merge its India unit with the Aditya Birla Group-controlled Idea Cellular is a classic case of two companies recognising truth in the **adage** that 'the whole is greater than the sum of its parts'. Of the two mobile operators, Idea functioned in its early years as a three-way joint venture involving the Tata Group, U.S. telecommunications **behemoth** AT&T, and the Aditya Birla Group. The proposed deal represents a welcome chance to **resurrect** its **flagging** fortunes. The last three quarters proved a brutal **testament** to the **ravages** that heightened competition could wreak on a middle-of-the-pack firm's operational finances. In Vodafone's case, the planned merger offers the global telecom major an opportunity to downsize its engagement with a market in which promise has outweighed performance, without actually exiting it. To that extent, it is a win-win for both parties. Set to vault the combined entity to the top of the heap in India's 1.13-billion subscribers strong mobile phone services market, the 'merger of equals', as the two companies described it, will enable Vodafone to straight away net about ₹3,900 crore on **consummation** of the deal by selling a 4.9% stake to the Aditya Birla Group, leaving its holding in the new company at 45.1%. Idea's controlling shareholders will have an opportunity to increase the 26% stake they will have at the start of the relationship by acquiring more shares from Vodafone over the next four years. The two firms expect to see substantial cost savings as the projected **synergies** from capital and operational expenditure help focus on meeting the challenges of a fast-evolving market amid a tariff war with the current leader Bharti Airtel and the ambitious recent entrant Reliance Jio.

Nevertheless, the merger, however grand the scale, could well end up being less than adequate to help staunch the flow of red ink amid an industrywide slide in average revenue per user and the steadily escalating cost of bidding for fresh wireless spectrum. With mobile number portability having made it easier for customers to switch networks on account of service quality levels or pricing, Vodafone and Idea have their work cut out in the lead-up to the merger, which they expect to close in 2018. For Vodafone, the prospect of having to meet a huge bill of about ₹21,000 crore, were it to lose its arbitral challenge to a tax claim dating back to the transaction that paved its entry to the Indian market, must surely have been a significant consideration in tipping its hand. As the company's Chairman Gerard Kleisterlee wrote in the 2016 annual report: "While India represents an excellent long-term investment opportunity, the present regulatory challenges are hampering economic development... and this is exacerbated by other ongoing regulatory and fiscal burdens." Time alone can tell whether this will end up as a truly successful marriage..

We suggest students to learn DVL after reading the 'The Hindu' editorial (22.03.17 - Growth by Merger). Visit <https://goo.gl/m0j0zr> to read.



Daily Vocabulary Lesson

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WORD **Adage (Noun)**

MEANING Saying or proverb; a short statement expressing general truth.

SYNONYMS maxim, axiom, aphorism, saw, dictum, percept, epigram

ANTONYMS -

SENTENCE As the old **adage** says, nothing that comes from a coconut tree is ever wasted.

Translation (T) సామెత
(H) लोकोक्ति, कहावत

WORD **Testament (Noun)**

MEANING Something that serves as a sign or evidence of a specified fact, event or quality.

SYNONYMS testimony, witness, evidence, proof, demonstration, indication, tribute

ANTONYMS contradiction

SENTENCE Growing attendance figures are **testament** to the event's popularity.

Translation (T) సాక్షి
(H) साक्षी

WORD **Behemoth (Noun)**

MEANING Something enormous, especially large and powerful organisation.

SYNONYMS giant, leviathan (monster), huge

ANTONYMS -

SENTENCE Mergers are leading to **behemoth** organisations.

Translation (T) చాలా పెద్ద
(H) बहुत बड़ा

WORD **Ravage (Verb)**

MEANING Cause severe and extensive damage to.

SYNONYMS destroy, ransack, demolish, devastate, impair

ANTONYMS aid, assist, build, construct, fix, improve, mend

SENTENCE The floods **ravaged** part of Uttarakhand.

Translation (T) సర్వనాశనం , విధ్వంసం
(H) बरबाद कर देना, विनाश

WORD **Flagging (Adjective)**

MEANING becoming smaller or weaker.

SYNONYMS dwindling, fading, waning, weakening, sagging, slumping.

ANTONYMS energized, refreshed

SENTENCE Company is hoping to resurrect the **flagging** fortunes by the merger.

Translation (T) క్షీణిస్తున్న
(H) घटना

WORD **Consummation (Noun)**

MEANING The point at which something is complete or finalised.

SYNONYMS achievement, fulfilment, completion, culmination, wrap

ANTONYMS beginning, commencement, imperfection, start

SENTENCE The **consummation** of sale.

Translation (T) ముగింపు , సంపూర్ణత్వం
(H) पूर्ति, समापन

WORD **Resurrect (Verb)**

MEANING revive or revitalize

SYNONYMS energize, recover, rejuvenate, rekindle, restore, resuscitate

ANTONYMS destroy, kill, ruin

SENTENCE Now his nation is falling over itself to **resurrect** its tourist industry.

Translation (T) మళ్ళీ చైతన్యం
(H) दुबारा शुरू करना

WORD **Synergy (Noun)**

MEANING Collaboration, cooperation

SYNONYMS joint action, combined effort, unity, association, concurrence

ANTONYMS discord, separation

SENTENCE We really believe there is a tremendous **synergy** between enterprise and the carrier.

Translation (T) సహోత్పజనం
(H) सहक्रिया

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