



VODAFONE COMPANY: AN ANALYSIS OF FINANCIAL PERFORMANCE AND PROFITABILITY

Ravi Chaudhary¹, Pankaj Kant Dixit²

Abstract

Vodafone was founded in 1984 as a subsidiary of the UK-based electronics company Racal Electronics. Its name is a portmanteau of "voice" and "data phone." Vodafone has grown to become a multinational company with operations in over 25 countries. Over the years, Vodafone has developed a reputation for innovation, investing heavily in research and development to bring new technologies to market. In this study, a financial statement is an essential component of financial analysis and provides valuable insights into the financial health and performance of companies. Financial statements, which include the balance sheet, income statement, and cash flow statement, summarize the financial activities of an organization and enable stakeholders to assess its profitability, liquidity, solvency, and overall financial position. The profit/(loss) before finance costs, depreciation, amortisation, share of net profit of joint ventures, exceptional items, and tax was 1,61,655 for the year ended March 31, 2022, which decreased from 1,71,199 in the previous year. The finance costs, depreciation, and amortisation expenses were 2,09,808, 1,46,569, and 89,274, respectively, in the current year, which increased from the previous year.

Introduction

Vodafone is at present one of the world's largest telecom companies, providing mobile and fixed-line services to millions of customers across the globe. Founded in 1984 as a small subsidiary of Racal Electronics, Vodafone has grown to become a multinational company with operations in over 25 countries. Over the years, Vodafone has developed a reputation for innovation, investing heavily in research and development to bring new technologies to market. Its core business is mobile telecommunications, offering a range of services to customers, including voice, messaging, and data. It also offers fixed-line services, including

¹ PhD Scholar, Deptt. of Management, Shri Khushal Das University, Hanumangarh, Contact no.-94162-44268, email:- chaudhary083@yahoo.com

² Professor, Deptt. of Management, Shri Khushal Das University, Hanumangarh, Contact no. . 9140224428, email: pankajkantdixit@rediffmail.com



broadband and TV, and has expanded into other areas, such as the Internet of Things (IoT) and cloud services. Today, Vodafone is a global brand with a presence in Europe, Asia, Africa, and the Americas. The company has a strong commitment to sustainability, with a focus on reducing its carbon footprint and using its technology to help address some of the world's most pressing social and environmental challenges.

Vodafone was founded in 1984 as a subsidiary of the UK-based electronics company Racal Electronics. Its name is a portmanteau of "voice" and "data phone." The company initially provided mobile telecommunications services in the UK, and its first mobile phone call was made on January 1, 1985, by Michael Harrison, the son of Vodafone's first chairman, Sir Ernest Harrison. In 1988, Vodafone made history by launching the first international mobile roaming service, allowing customers to use their mobile phones abroad. This was a major breakthrough in the telecommunications industry, as it paved the way for global connectivity and the growth of international business. In 1991, Vodafone went public, listing its shares on the London Stock Exchange. The same year, it acquired the UK's second-largest mobile operator, Talkland, which gave it a significant market share in the UK. This was followed by a series of acquisitions and partnerships in other countries, including Spain, Portugal, and Germany. In 1999, Vodafone made its biggest acquisition to date, buying the US mobile operator Air Touch Communications for \$62 billion. This gave Vodafone a significant presence in the US market and made it the largest mobile telecommunications company in the world at the time. In 2000, Vodafone launched its first 3G network, offering customers high-speed data services and paving the way for the development of mobile broadband. The company also expanded into new areas, such as mobile payments, and invested heavily in research and development to bring new technologies to market. In 2006, Vodafone acquired a 67% stake in Hutchison Essar, one of the largest mobile operators in India. This gave Vodafone a strong presence in one of the world's fastest-growing mobile markets and helped to drive its international expansion. In 2013, Vodafone sold its stake in Verizon Wireless to Verizon Communications for \$130 billion, in what was then the largest corporate deal in history. This allowed Vodafone to focus on its core markets in Europe, Africa, and Asia and invest in new growth opportunities. Today, it is one of the world's



largest and biggest telecom companies, making its operations in over 25 countries and more than 500 million customers. It has a strong commitment to innovation and sustainability, and is investing heavily in new technologies such as 5G, IoT, and cloud services to drive its future growth. In this study, a financial statement is an essential component of financial analysis and provides valuable insights into the financial health and performance of companies. Financial statements, which include the balance sheet, income statement, and cash flow statement, summarize the financial activities of an organization and enable stakeholders to assess its profitability, liquidity, solvency, and overall financial position.

The analysis of financial statements involves a systematic examination of key financial ratios, trends, and other indicators to evaluate a company's operational efficiency, investment potential, and ability to meet its financial obligations. It provides investors, creditors, management, and other interested parties with valuable information for making informed decisions regarding investments, lending, and business strategies.

The study of financial statements is crucial for investors seeking to understand the financial strength, growth prospects, and risk profile of a company before making investment decisions. By analyzing financial statements, investors can assess the company's profitability, revenue growth, asset utilization, and risk exposure. This analysis helps them determine the company's intrinsic value and make informed investment choices.

Vodafone Financial Review:

The financial statement provided for Vodafone includes standalone and consolidated figures for the fiscal years 2021-22 and 2020-21. Here's a breakdown of the key financial figures and what they mean:

Income from sale of goods and services: This figure represents the revenue generated by Vodafone from the sale of its goods and services. For the fiscal year 2021-22, the standalone figure for this category is INR 3,82,024 million and the consolidated figure is INR 3,84,984 million.

Other Operating Income: This represents income earned by Vodafone through activities that are not directly related to its core business operations. Examples of other operating income could include rental income, gain on sale of assets, etc.



Other Operating Expenses: Income: This represents income earned by Vodafone from sources other than its core business operations or other operating activities. Examples of other income could include dividend income, gain on sale of investments, etc.

Total Revenue: This figure represents the total income earned by Vodafone from all sources, including the sale of goods and services, other operating income, and other income. For the fiscal year 2021-22, the standalone figure for this category is INR 3,83,182 million and the consolidated figure is INR 3,86,449 million. This figure represents the costs incurred by Vodafone in running its business operations, including salaries and wages, rent, utilities, marketing expenses, etc.

EBITDA: This figure represents the earnings of Vodafone before interest, taxes, depreciation, and amortization. It is calculated by subtracting operating expenses from total revenue. For the fiscal year 2021-22, the standalone figure for this category is INR 1,55,310 million and the consolidated figure is INR 1,61,655 million.

Depreciation and Amortisation: This figure represents the amount of depreciation and amortization expenses incurred by Vodafone during the fiscal year.

Table 1: Vodafone Financial Review

Particulars	Standalone		Consolidated	
	2021-22	2020-21	2021-22	2020-21
Income from sale of goods and services	3,82,024	4,16,589	3,84,984	4,19,382
Other Operating Income	183	138	171	140
Other Income	975	2,584	1,294	1,742
Total Revenue	3,83,182	4,19,311	3,86,449	4,21,264
Operating Expenses	2,27,872	2,52,442	2,24,794	2,50,065
EBITDA	1,55,310	1,66,869	1,61,655	1,71,199
Depreciation and Amortisation	2,28,575	2,29,062	2,35,843	2,36,385
EBIT	-73,265	-62,193	-74,188	-65,186
Interest and Finance charges	2,09,734	1,79,916	2,09,808	1,79,981
EBT	-2,82,999	-2,42,109	-2,83,996	-2,45,167
Total Comprehensive Income	-2,82,283	-4,67,089	-2,82,365	-4,41,963

EBIT: This figure represents the earnings of Vodafone before interest and taxes. It is



calculated by subtracting depreciation and amortization expenses from EBITDA. A negative EBIT means that the operating expenses exceeded the earnings of Vodafone before interest and taxes.

Interest and Finance Charges: This figure represents the interest expense and finance charges incurred by Vodafone during the fiscal year.

EBT: This figure represents the earnings of Vodafone before taxes. It is calculated by subtracting interest and finance charges from EBIT. A negative EBT means that the interest and finance charges exceeded the earnings of Vodafone before taxes.

Total Comprehensive Income: This figure represents the net income earned by Vodafone during the fiscal year, taking into account all income, expenses, gains, and losses. A negative comprehensive income means that Vodafone incurred a net loss during the fiscal year. For the fiscal year 2021-22, Vodafone reported a negative comprehensive income of INR 2,82,283 million on a standalone basis and INR 2,82,365 million on a consolidated basis.

The negative EBIT (earnings before interest and taxes) and EBT (earnings before taxes) values indicate that the company's operating expenses and interest and finance charges exceeded its revenues. Additionally, the negative total comprehensive income suggests that the company's overall financial performance was negative during the period.

Key Financial Ratios For 2021-22 And 2020-21:

Based on the key financial ratios provided by Vodafone's standalone financial statement for 2021-22 and 2020-21, there are some significant changes worth noting.

Debtors turnover ratio: This ratio measures how quickly a company is able to collect payments from its customers. The ratio value of 23 in both years suggests that Vodafone was able to collect its receivables at a consistent rate.

Current ratio: This ratio measures a company's ability to meet its short-term obligations. The increase in the current ratio from 0.44 to 0.47 suggests that Vodafone had a better ability to meet its short-term obligations in 2021-22 than in 2020-21.



Table 2: Key Financial Ratios For 2021-22 And 2020-21

Particular	2021-22	2020-21
Debtors turnover Ratio (number of days)	23	23
Current Ratio	0.47	0.44
Debt Equity Ration	-3.11	-4.78
Debt Service Coverage	0.27	0.41
Interest Service Coverage ratio	0.38	0.53
Operating Profit Margin	-19per cent	-16per cent
Net Profit Margin	-74per cent	-111per cent
Return on Net Worth	NA	NA

Debt equity ratio: This ratio compares a company's debt to its equity and indicates the level of leverage used by the company. The decrease in the debt equity ratio from -4.78 to -3.11 suggests that Vodafone used less debt and more equity to finance its operations in 2021-22.

Debt service coverage ratio: This ratio measures a company's ability to meet its debt obligations. The decrease in the debt service coverage ratio from 0.41 to 0.27 suggests that Vodafone had a harder time meeting its debt obligations in 2021-22.

Interest service coverage ratio: This ratio measures a company's ability to cover its interest payments with its earnings. The decrease in the interest service coverage ratio from 0.53 to 0.38 suggests that Vodafone had a harder time covering its interest payments in 2021-22.

Operating profit margin: This ratio measures a company's operating profit as a percentage of its revenue. The decrease in the operating profit margin from -16 per cent to -19 per cent suggests that Vodafone's operating profitability decreased in 2021-22.

Net profit margin: This ratio measures a company's net profit as a percentage of its revenue. The increase in the net loss margin from -111 per cent to -74 per cent suggests that Vodafone's net losses decreased in 2021-22. However, it is important to note that Vodafone's net



losses are still significant and represent a financial challenge for the company.

Return on net worth: This ratio measures a company's net income as a percentage of its equity. The "NA" value suggests that Vodafone did not generate any net income during the period and thus the return on net worth could not be calculated.

Vodafone Share Performance:

The table shows the high, low, and closing prices of Vodafone shares on both the BSE Limited and National Stock Exchange of India Limited from April 2021 to March 2022.

As we can see, the share prices were quite volatile during this period. They started at a high of 10.12 on the BSE and 10.15 on the NSE in April 2021, but steadily declined until August 2021, when they hit a low of 4.55 on both exchanges.

However, the share prices began to rise again in September 2021 and continued to do so until December 2021, reaching a high of 16.79 on the BSE and 16.8 on the NSE. After that, the share prices began to decline again and reached a low of 9.35 on both exchanges in March 2022.

Overall, the trend for Vodafone shares during this period was quite volatile, with periods of both growth and decline. It is important to note that the performance of a single stock can be influenced by various factors, including the company's financial performance, industry trends, and broader economic conditions.

The table shows the high, low, and closing prices for Vodafone's stock on both the Bombay Stock Exchange (BSE) and the National Stock Exchange of India (NSE) for each month from April 2021 to March 2022, as well as the volume of shares traded during each month. Looking at the BSE column, we can see that in April 2021, Vodafone's stock reached a high of 10.12 INR and a low of 8.3 INR, with a closing price of 8.36 INR. Over 75.8 crore shares were traded during that month. Similarly, we can see the high, low, and closing prices for each subsequent month, as well as the volume of shares traded.

We can see that the price of Vodafone's stock fluctuated over the course of the year, reaching a high of 16.79 INR in December 2021, and a low of 4.55 INR in August 2021. The volume of shares traded also varied, with the highest volume in August and September 2021, and the lowest volume in January 2022.



Table 3: Vodafone Share Performance

Month	BSE Limited				National Stock Exchange of India Limited			
	High (in)	Low (in)	Close (in)	Volume (in Nos.)	High (in)	Low (in)	Close (in)	Volume (in Nos.)
April, 2021	10.12	8.3	8.36	75,82,46,679	10.15	8.3	8.35	2,57,15,83,110
May, 2021	9.15	8.05	8.67	85,82,70,483	9.15	8.05	8.65	2,35,92,57,395
June, 2021	10.98	8.47	9.95	1,67,44,78,642	10.95	8.45	9.95	5,59,02,96,317
July, 2021	9.92	7.87	8.27	1,69,92,73,294	9.9	7.9	8.25	6,78,65,67,925
August, 2021	8.54	4.55	6.11	2,91,68,21,601	8.55	4.55	6.1	10,45,70,00,171
September, 2021	12.37	6.02	11.9	3,98,79,94,038	12.35	6	11.9	15,88,96,51,672
October, 2021	12.23	9.35	9.55	1,45,71,38,290	12.25	9.35	9.55	5,28,49,56,750
November, 2021	12.39	9.52	11.07	1,48,42,52,929	12.4	9.5	11.05	5,23,64,15,113
December, 2021	16.79	10.72	15.37	3,00,16,18,486	16.8	10.7	15.35	12,39,61,36,542
January, 2022	16.05	10.55	10.7	1,08,96,02,362	16.05	10.5	10.65	7,57,78,37,003
February, 2022	11.95	9.46	10.32	1,46,00,38,522	11.95	9.45	10.3	4,99,43,51,071
March, 2022	11.7	9.35	9.68	1,52,38,42,391	11.35	9.35	9.65	4,15,46,76,069

Overall, the table provides a snapshot of Vodafone's stock performance over the course of a year, showing the highs and lows of the stock price and the volume of shares traded. However, it's important to note that stock prices can be influenced by a variety of factors, including market trends, economic conditions, and company news, so it's important to consider all of these factors when evaluating the performance of a stock.

BSE Limited and the National Stock Exchange of India Limited are the two primary stock exchanges in India. Companies can choose to list their shares on one or both of these exchanges, and investors can buy and sell those shares through the exchanges.

The table shows the high, low, and closing prices for Vodafone shares on both exchanges for each month from April 2021 to March 2022. The volume column shows the total number of shares traded during each month.

In general, higher share prices and trading volumes indicate that investors have positive sentiment towards the company and its future prospects. Lower share prices and



trading volumes may indicate the opposite. Looking at the data, we can see that Vodafone's share price had a relatively stable range between April and August 2021, with some fluctuations in trading volume. However, in September 2021, the share price increased significantly, and the trading volume nearly quadrupled compared to the previous month. This could be due to positive news or events related to the company, such as strong financial results or new business partnerships.

In the following months, Vodafone's share price and trading volume remained relatively high, although there were some fluctuations. The share price reached its highest point in December 2021, which coincided with a high trading volume. However, in January 2022, both the share price and trading volume dropped significantly. This could be due to negative news or events related to the company, such as disappointing financial results or regulatory issues. Overall, analyzing a company's share price and trading volume can provide insights into investor sentiment towards the company and its future prospects. However, it's important to note that share prices can be influenced by a wide range of factors, and past performance is not always indicative of future performance.

Vodafone Profit and Loss:

The table represents the financial statements of Vodafone for the year ended March 31, 2022, and March 31, 2021.

The income statement shows the company's revenue, which includes service revenue, sale of trading goods, and other operating income. In the year ended March 31, 2022, Vodafone's revenue from operations was 3,85,155, which decreased from 4,19,522 in the previous year. The total income of the company was 3,86,449 in the current year, which decreased from 4,21,264 in the previous year.

The expenses of the company include cost of trading goods, employee benefit expenses, network expenses and IT outsourcing cost, license fees and spectrum usage charges, roaming and access charges, subscriber acquisition and servicing expenditure, advertisement, business promotion expenditure, and content cost, and other expenses. The total expenses of the company for the year ended March 31, 2022, were 2,24,794, which decreased from 2,50,065 in the previous year.



The profit/(loss) before finance costs, depreciation, amortisation, share of net profit of joint ventures, exceptional items, and tax was 1,61,655 for the year ended March 31, 2022, which decreased from 1,71,199 in the previous year. The finance costs, depreciation, and amortisation expenses were 2,09,808, 1,46,569, and 89,274, respectively, in the current year, which increased from the previous year.

Table 4: Vodafone Profit and Loss

Particulars	For the year ended March31, 2022	For the year ended March31, 2021
INCOME		
Service revenue	3,84,895	4,19,331
Sale of trading goods	89	51
Other operating income	171	140
Revenue from operations	3,85,155	4,19,522
Other income	1,294	1,742
Total income	3,86,449	4,21,264
EXPENSES		
Cost of trading goods	70	30
Employee benefit expenses	17,351	20,300
Network expenses and IT outsourcing cost	98,182	95,938
License fees and spectrum usage charges	41,988	41,295
Roaming and access charges	29,155	52,906
Subscriber acquisition and servicing expenditure	19,711	17,677
Advertisement, business promotion expenditure and content cost	9,791	7,875
Other expenses	8,546	14,044
Total	2,24,794	2,50,065
Profit / (Loss) before finance costs, depreciation, amortisation, share of net profit of joint ventures, exceptional items and tax	1,61,655	1,71,199
Finance costs	2,09,808	1,79,981
Depreciation	1,46,569	1,45,013



Amortisation	89,274	91,372
Profit / (Loss) before share of profit of joint ventures, exceptional items and tax	-2,83,996	-2,45,167
Add : Share in profit of joint ventures	12	2,314
Profit/(Loss) before exceptional items andtax	-2,83,984	-2,42,853
Exceptional items (net)	1,643	-1,99,681
Profit/(Loss) before tax	-2,82,341	-4,42,534
Tax expense:		
- Current tax	173	-180
- Deferred tax	-60	-23
Profit/(Loss) after tax	-2,82,454	-4,42,331
Re-measurement gains/(loss) on defined benefitplans	90	374
Income tax effect	-1	-4
Group's share in other comprehensive income / (loss) of joint ventures and associate (net of taxes)	-	-2
Other comprehensive income/(loss) for the year, net of tax	89	368
Total comprehensive income/(loss) for theyear	-2,82,365	-4,41,963
Earnings/(loss) per equity share of ` 10each:		
Basic (`)	-9.83	-15.4
Diluted (`)	-9.83	-15.4
The accompanying notes are an integral part of the Financial Statements		

The exceptional items (net) of the company were 1,643 in the current year, which improved from -1,99,681 in the previous year. The profit/(loss) before tax was -2,82,341 in the current year, which improved from -4,42,534 in the previous year. The company had a net loss of -2,82,454 after tax in the current year, which improved from -4,42,331 in the previous year.



The company also reported other comprehensive income/(loss), which includes re-measurement gains/(loss) on defined benefit plans and the group's share in other comprehensive income/(loss) of joint ventures and associates (net of taxes). The total comprehensive income/(loss) for the year ended March 31, 2022, was -2,82,365, which improved from -4,41,963 in the previous year.

The earnings/(loss) per equity share of ₹10 each were -9.83 for both basic and diluted shares in the current year, which improved from -15.4 in the previous year.

Conclusion

Looking at the BSE column, we can see that in April 2021, Vodafone's stock reached a high of 10.12 INR and a low of 8.3 INR, with a closing price of 8.36 INR. Over 75.8 crore shares were traded during that month. Similarly, we can see the high, low, and closing prices for each subsequent month, as well as the volume of shares traded. We can see that the price of Vodafone's stock fluctuated over the course of the year, reaching a high of 16.79 INR in December 2021, and a low of 4.55 INR in August 2021. The volume of shares traded also varied, with the highest volume in August and September 2021, and the lowest volume in January 2022. The exceptional items (net) of the company were 1,643 in the current year, which improved from -1,99,681 in the previous year. The profit/(loss) before tax was -2,82,341 in the current year, which improved from -4,42,534 in the previous year. The company had a net loss of -2,82,454 after tax in the current year, which improved from -4,42,331 in the previous year. The company also reported other comprehensive income/(loss), which includes re-measurement gains/(loss) on defined benefit plans and the group's share in other comprehensive income/(loss) of joint ventures and associates (net of taxes). The total comprehensive income/(loss) for the year ended March 31, 2022, was -2,82,365, which improved from -4,41,963 in the previous year.

References

- Morris Knapp, Alan Gart, and Mukesh Chaudhry. (2006). The impact of mean reversion of bank profitability on post-merger performance in the banking industry. *Journal of Banking & Finance*, Vol. 30, Issn.12, p. 3503 p. 236. explain in detail
- Ahmad Ismail, Ian Davidson & Regina Frank. (2009). Operating performance of European bank



-
- mergers. *The Service Industries Journal*, Vol. 29, Iss. 3, p. 345.
- Liargovas, P., & Repousis, S. (2011). The Impact of Mergers and Acquisitions on the Performance of the Greek Banking Sector: An Event Study Approach. *International Journal of Economics and Finance*, 3(2), 89–100. doi:10.5539/ijef.v3n2p89.
- Natarajan.P and Kalaichelvan. Stock Price Reaction of The Merged Banks – An Event Study Approach-*International Journal of Research in Commerce & Management*- volume no: 2 (2011), issue no. 4 (April) ISSN 0976-2183.
- Dilshad, M. N. (2013). Profitability Analysis of Mergers and Acquisitions: An Event Study Approach. *Business and Economic Research*, 3(1). doi:10.5296/ber.v3i1.2781.
- Yoo, D. J., & Lee, Y. (2010). The impact of M&A on firm value in the telecommunications sector. *Telecommunications Policy*, 34(11), 702-715.
- Nair, D. R., & Rajesh, R. (2015). An analysis of Mergers and Acquisitions in the Indian Telecom Sector. *Journal of Business Management & Social Sciences Research*, 4(1), 1- 12.
- García-Canal, E., & Sánchez-Lorda, P. (2007). Mergers and acquisitions in the Spanish telecommunications industry: integration and performance analysis. *International Journal of Management*, 24(3), 529.
- Sahoo, S. K., & Mishra, A. (2017). Cross-border M&A and Financial Performance of Acquiring Firms: Evidence from Indian Telecom Companies. *Global Business Review*, 18(2), 391-402.
- Dey, D., & Dey, R. (2018). Impact of Mergers and Acquisitions on the Financial Performance of Indian Telecom Companies. *International Journal of Economics, Commerce and Management*, 6(6), 12-23.
- Dey, D., & Dey, R. (2018). Impact of Mergers and Acquisitions on the Financial Performance of Indian Telecom Companies. *International Journal of Economics, Commerce and Management*, 6(6), 12-23.