

A Comparative Financial Performance of Bharti Airtel and Jio Financial Services Ltd

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ABSTRACT

The telecommunications sector in India has experienced a profound shift in recent years, propelled by fierce rivalry, technological innovations, and changing consumer preferences. Reliance Jio and Bharti Airtel have established themselves as the preeminent entities, influencing the market by assertive methods and substantial investments. This research, entitled "A Comparative Financial Performance of Bharti Airtel and Jio Financial Services Ltd" seeks to evaluate and contrast the financial performance, operational efficiency, and strategic methodologies of these two corporations over the preceding five years. The study employs a blend of quantitative financial analysis, encompassing profitability, liquidity, and leverage ratios, with qualitative assessment, such as SWOT analysis, to examine essential metrics including revenue growth, net profit margins, debt management, and market share. This research is based on secondary data derived from annual reports, regulatory filings, industry research, and analyst publications. The findings underscore the divergent financial strategies of Jio and Airtel—Jio's disruptive, growth-oriented model supported by Reliance's substantial resources, in contrast to Airtel's balanced strategy emphasizing premium clientele and profitability.

Keywords: Telecommunications Sector, Profitability, Consumer Preferences. Reliance Jio, SWOT Analysis, Market Share

1. Introduction

The Indian telecoms sector has experienced significant transformation in the last decade, propelled by technology innovations, heightened digital use, and fierce rivalry. Leading this transformation are two telecommunications behemoths: Reliance Jio and Bharti Airtel. Jio, a recent market entry, has upset the industry with its cost-effective data plans and digital-centric strategy, while Airtel, an established competitor, has utilized its vast infrastructure and customer base to maintain a strong competitive position. This project, entitled "A Financial Comparison of Telecom Companies: Jio vs Airtel," seeks to deliver an exhaustive analysis of the financial performance and stability of these two firms. Analyzing essential financial ratios, including liquidity ratios (Current Ratio, Quick Ratio), profitability ratios (Net Profit Ratio, Operating Ratio), efficiency ratios (Fixed Assets Turnover Ratio), and leverage ratios (Debt-Equity Ratio, Interest Coverage Ratio), provides critical insights into operational efficiency, financial stability, and growth strategies. The examination of the Gross Non-Performing Assets (GNPA) Ratio will illuminate their asset quality and credit risk exposure. The comparison will elucidate the strengths and shortcomings of each company while offering a comprehensive insight into how their financial practices have influenced their standings in the fiercely competitive telecom industry. This study seeks to identify the causes contributing to Jio's swift ascent and Airtel's durability, providing a detailed analysis of their financial paths and future outlooks. The main aim of this research is to evaluate the financial stability, operational effectiveness, and growth patterns of Jio and Airtel. Principal areas of examination are revenue expansion, profitability, debt oversight, capital investment, and market share.

2. Literature Review

Prasanna Chandra (2018) Prasanna Chandra emphasized the significance of financial measures in evaluating a company's fiscal well-being. He highlighted liquidity ratios such as the Current Ratio and Quick Ratio as essential instruments for assessing a company's capacity to fulfill short-term liabilities. Chandra emphasized the importance of

profitability ratios, including the Net Profit Ratio, in assessing a company's capacity to create profits from its operations. **Singh and Patel (2019)** examined the impact of Reliance Jio's aggressive expansion on consumer behavior inside the Indian telecom industry. They observed that Jio's emphasis on data services and packaged packages resulted in a substantial rise in internet penetration and data consumption. The authors also examined how Jio's efforts drove incumbents such as Bharti Airtel to adjust by lowering pricing and enhancing service quality. **Kumar and Sharma (2020)** examined the disruptive effects of Reliance Jio's entry into the Indian telecommunications sector. They emphasized how Jio's economical pricing, complimentary voice conversations, and inexpensive data plans transformed the business, compelling competitors to reevaluate their tactics. The writers highlighted Jio's digital-first strategy, encompassing services such as JioTV, JioSaavn, and JioMart, as important factors in its swift expansion and market supremacy.

Gupta and Reddy (2021) analyzed Bharti Airtel's resiliency against formidable competition from Reliance Jio. Airtel's success was ascribed to its robust brand equity, customer fidelity, and strategic investments in network infrastructure. The writers emphasized Airtel's concentration on premium services and its capacity to sustain a superior Average Revenue Per User (ARPU) relative to its rivals.

Mehta and Desai (2022) examined the Debt-Equity Ratio as an indicator of financial leverage and risk. A high Debt-Equity Ratio signifies more financial risk, whilst a low ratio indicates a more conservative capital structure. The authors also examined how companies such as Bharti Airtel, characterized by higher leverage, have more significant difficulties in debt management compared to Reliance Jio, which possesses a lower Debt-Equity Ratio.

3. Significance of the Research

The Indian telecommunications sector is a crucial catalyst for digital connection and economic advancement, although it encounters substantial financial and operational obstacles, including elevated infrastructure expenses, regulatory limitations, technological evolution, and fierce rivalry. They influence the liquidity, profitability, and total market valuation of the companies. While several organizations exhibit financial resilience, others grapple with ongoing losses, prompting questions for long-term survival. Notwithstanding its significance, there is a dearth of comparative studies examining the financial health of prominent telecom businesses. Evaluating essential financial metrics is vital for comprehending their strengths, shortcomings, and general stability.

4. Objectives of the study

- To assess the profitability of Jio and Airtel by parameters such as the Net Profit Ratio and Operating Ratio to evaluate their capacity to create profits.
- To analyse the growth strategy of Jio and Airtel, emphasizing their investments in 5G, internet, and digital services.
- To provide insights and recommendations for investors, stakeholders, and policymakers.

5. Scope of the Study

This study conducts a thorough financial comparison between two major telecom corporations in India: Reliance Jio and Bharti Airtel. The analysis encompasses the fiscal years 2021-2022, 2022-2023, and 2023-2024, offering insights into financial performance, operational efficiency, and strategic orientation.

Problem Statement

Frequent alterations in telecommunications rules, spectrum price, and adjusted gross revenue (AGR) obligations generate uncertainty and financial pressure on both enterprises. Bharti Airtel faces elevated operational expenses, adversely affecting its profitability. Reliance Jio, despite its enhanced efficiency, encounters escalating expenses attributed to its vigorous 5G deployment and infrastructure investments.

Research Methodology

The research used a descriptive and comparative design to evaluate the financial performance of Reliance Jio and Bharti Airtel. The emphasis is on analyzing essential financial measures and discerning trends over a three-year span.

Tools Used

- | | |
|-----------------------|-----------------------------------|
| a) Ratio Analysis | c) Comparative Statement Analysis |
| b) Cash Flow Analysis | d) SWOT Analysis |

6. Analysis of Data

The comparative data based on analysis of annual reports of both the firms are presented below:

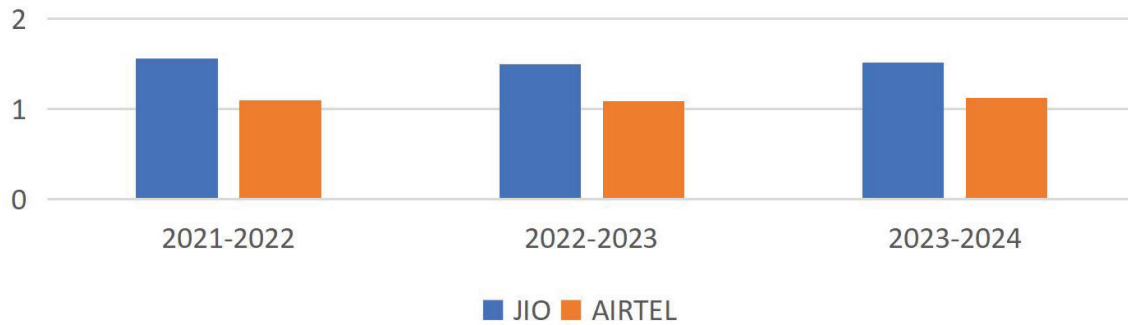


Figure 1: Current Ratio

Source: Based on analysis of annual reports

Reliance Jio's Current Ratio continuously exceeds 1.5 over the three-year period, signifying robust liquidity and the capacity to comfortably fulfill short-term obligations. This indicates Jio's effective management of current assets and liabilities. Conversely, Bharti Airtel's Current Ratio exhibits a modest enhancement from 1.10 to 1.13, however it remains inferior to Jio's, indicating moderate liquidity. Airtel's reduced ratio signifies a necessity for improved management of short-term financial liabilities to align with Jio's liquidity robustness.



Figure 2: Quick Ratio

Source: Based on analysis of annual reports

The Quick Ratio of Jio consistently exceeds 1.45 during the research period, indicating robust quick liquidity independent of inventory reliance. This signifies Jio's capacity to meet short-term obligations using its most liquid assets. Airtel's Quick Ratio exhibits a slight enhancement from 1.01 to 1.03, however it continues to trail behind Jio's, signifying moderate immediate liquidity. Airtel's diminished quick ratio indicates a dependence on inventory or fewer liquid assets to fulfill short-term liabilities.

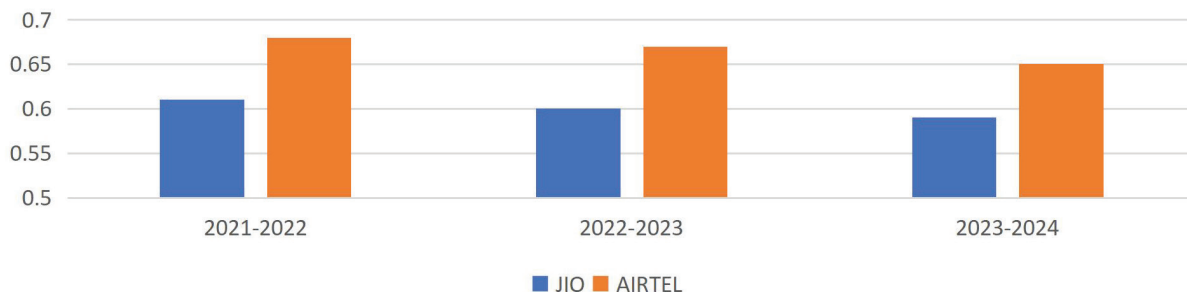


Figure 3: Operating ratio

Source: Based on analysis of annual reports

Jio's Operating Ratio is low, decreasing from 0.61 to 0.59, signifying elevated operational efficiency and proficient cost control. This reflects Jio's ability to generate revenue while keeping operating expenses low. Airtel's Operating Ratio has improved from 0.68 to 0.65; yet, it remains superior to Jio's, indicating comparatively diminished operational efficiency. Airtel's elevated ratio signifies increased operating expenses in relation to income, hence affecting its profitability.



Figure 4: Net Profit Ratio

Source: Based on analysis of annual reports

Jio's Net Profit Ratio remains steady at 15% during the three-year period, indicating robust and consistent profitability. This signifies Jio's capacity to transform a substantial fraction of its revenue into profit. Airtel's Net Profit Ratio increases from 7.27% to 9.23%, although remains inferior to Jio's, signifying a gradual comeback in profitability. Airtel's diminished ratio indicates the necessity for enhanced expense optimization and revenue augmentation to align with Jio's profitability.

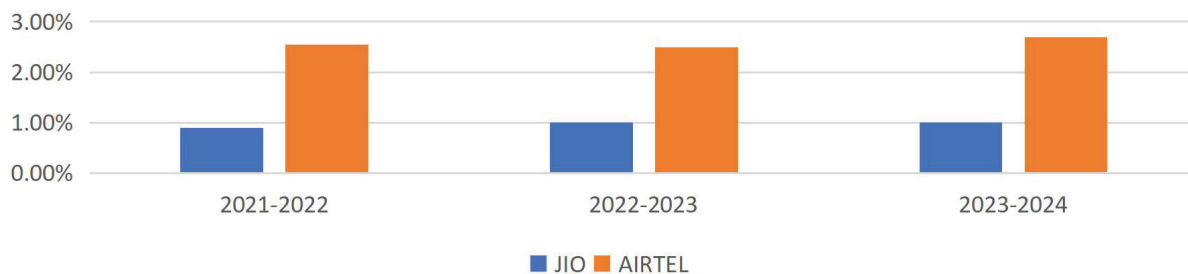


Figure 5: Gross On-Performing assets (GNPA) Ratio

Source: Based on analysis of annual reports

Jio's Gross Non-Performing Assets (GNPA) Ratio is negligible at 1%, indicating minimal credit risk and robust asset quality. This signifies Jio's proficient administration of loans and advances. Airtel's Gross Non-Performing Assets (GNPA) Ratio has risen marginally from 2.55% to 2.69%, signifying an elevated credit risk in comparison to Jio. Airtel's elevated ratio indicates a necessity for improved credit risk management to mitigate non-performing assets.

The financial analysis of Reliance Jio and Bharti Airtel underscores the advantages and obstacles encountered by both firms in the intensely competitive Indian telecommunications sector. Reliance Jio distinctly leads in liquidity, profitability, operational efficiency, and financial stability. Its robust liquidity position, indicated by its elevated Current Ratio and Quick Ratio, guarantees its capacity to comfortably fulfill short-term obligations. Jio's low Operating Ratio and consistent Net Profit Ratio of 15% illustrate its operational efficiency and robust profitability. Moreover, Jio's negligible GNPA Ratio, low Debt-Equity Ratio, and elevated Interest Coverage Ratio highlight its strong financial stability and minimal credit risk. Conversely, Bharti Airtel demonstrates incremental progress in critical domains yet persists in encountering obstacles. Airtel's Current Ratio and Quick Ratio exhibit slight improvement; however, they continue to be inferior to Jio's, signifying weak liquidity. Airtel's Operating Ratio and Net Profit Ratio exhibit enhancement; yet, its elevated operating expenses and diminished profitability relative to Jio underscore the necessity for additional optimization. Airtel's elevated GNPA Ratio and Debt-Equity Ratio indicate

increased credit risk and financial leverage, necessitating meticulous management to guarantee long-term viability. Notwithstanding these hurdles, both organizations possess considerable prospects for expansion. The swift deployment of 5G technology, rising demand for digital services, and unexploited opportunities in rural regions offer prospects for growth. Jio's robust financial support and digital infrastructure enable it to leverage these prospects, whilst Airtel's broad offerings and substantial brand equity establish a good basis for expansion. In summary, Reliance Jio's exceptional financial performance and strategic emphasis on innovation and cost efficiency provide it with a competitive advantage. Nonetheless, Bharti Airtel's incremental advancements and fortitude in a demanding business context illustrate its capacity to sustain a significant role in the sector. By rectifying their faults and capitalizing on their strengths, both organizations may traverse the evolving telecom landscape and attain sustainable growth in the future.

7. References

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