Corporate Partnerships

What is the issue?

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- Consolidation in India’s overcrowded telecommunications industry was perhaps inevitable.
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- It all started in November, 2015, when Reliance Communications agreed to acquire Sistema’s Indian wireless business.
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- Since then, mergers have gained considerable momentum with several more announcements.
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- The biggest one is the proposed **cashless, all-share equal merger** between Vodafone India and Aditya Birla Group firm Idea Cellular.
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What is the condition of private players?

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- Five years ago, as many as 12 private players jostled with the two state-run telephone operators, BSNL and MTNL, as they vied for a share of the country’s 893.8 million wireless subscribers.
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- While the market had expanded to almost 1.13 billion subscribers as of December 2016, **the number of non-state mobile services providers had shrunk to 10**.
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- With seven of the nine either in the process of being acquired or merged, or in talks to negotiate a deal, the industry is now **finally poised to coalesce into four large private sector entities.**
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What are the concerns involved?

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- Still, **size alone may not guarantee good health,** especially when considering the ongoing fierce battle for market share.
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- The price war, while good for the consumers, is bound to extract a heavy price on the service providers' financials.
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- That in turn will further erode the revenue the Centre earns from licence fees and spectrum usage charges.
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- All such mergers and partnerships will cause **big redundancies** across the chain, from employees, vendors, trade partners, bankers etc.,
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- Short-term anxieties needs to be managed to see that the partnership is properly consummated.
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- Already there is speculation on who will head the Vodafone-Idea combine.
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- After a certain period, what will matter is how two different corporate cultures are reconciled, and **whether a new one is allowed to flourish** or just wither away.
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Source: The Hindu & Indian Express

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