



VALUATION OF M&A DEALS IN THE TELECOM SECTOR AT AIRTEL

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ABSTRACT: The telecom business has seen significant consolidation in recent years due to the need for economies of scale, expensive spectrum pricing, rapid technology innovation, and fierce rivalry. This study looks into the value of mergers and acquisitions (M&A) in the telecommunications industry, with a special focus on Bharti Airtel. The goal is to look into how Airtel evaluates its M&A transactions and determine how market, strategy, and financial factors influence the pricing and value of the deals. The study emphasizes the importance of widely used valuation approaches in the telecommunications industry, such as comparable firm analysis, discounted cash flow (DCF), precedent transactions, and synergy-based valuation. It also evaluates how spectrum assets, subscriber numbers, average revenue per user (ARPU), regulatory issues, and potential synergies affect transaction value. The inquiry reviewed some of Airtel's M&A transactions to determine whether they increased its competitive advantage and shareholder value. The findings are designed to clarify the effectiveness of valuation approaches in telecommunications mergers and acquisitions, as well as provide practical consequences for company executives, investors, and lawmakers involved in strategic consolidation choices.

Index Terms: *Mergers and Acquisitions (M&A), Telecom Sector, Bharti Airtel, Valuation Techniques, Discounted Cash Flow (DCF), Comparable Company Analysis, Precedent Transactions,*

1. INTRODUCTION

Financial measures, market dynamics (consolidation tendencies, regulatory scrutiny), and strategic objectives (size, infrastructure, new capabilities) are all taken into account when assessing telecommunications mergers and acquisitions (M&A) transactions. Although established assets are commonly evaluated using multiples like EV/EBITDA, joint ventures and network sharing are used to reduce costs and complexity in growing areas like data centers and fiber. Some of the most important elements influencing value include the development of digital

capabilities (5G, cloud), the expansion of market share, network consolidation to minimize costs, and infrastructure investment (towers, fiber).

M&A (Mergers and Acquisitions) valuation is the process of determining a company's value in relation to its commitments, future growth potential, and tangible and intangible assets. This is critical for negotiating a fair price, performing due diligence, and arranging a transaction. It finds a balance between the desires of buyers and sellers by examining financial health, market position, and strategic value. It typically incorporates other techniques to provide a full view.



In the world of finance, valuation is critical. It comprises determining the present worth of an asset or business. Valuation is more difficult because of the multiple people and discussions involved in mergers and acquisitions (M&A). This article discusses the basic approaches used to assess value during mergers and acquisitions (M&A), their advantages, and the issues they provide.

2. LITERATURE SURVEY

Hartman, R.(2025): This study looks at current merger and acquisition trends in the telecoms sector, focusing on valuation metrics like EV/EBITDA and EV/Revenue multiples. Using transaction-level secondary data, the authors look into the valuation procedures of financial investors and strategic buyers in a number of telecommunications subsegments, including infrastructure assets, broadband networks, and wireless services. The study shows how interest rate variations, financial limitations, and overall macroeconomic worries affect deal prices. It also underlines the growing spread of valuation multiples due to differences in asset quality, regional exposure, and business methods. The paper is a helpful resource for evaluating telecommunications mergers and acquisitions, and it supports the use of the market-based valuation method based on prior transactions.

Stewart, D.(2024): This Deloitte report examines the consolidation of the cellular telecommunications market, focusing on regulatory restrictions. It investigates how regulatory approval affects the viability of a deal, the time required to complete the transaction, and the premiums added to the deal value. The authors emphasize that the

value of telecom mergers and acquisitions is influenced by more than just predicted financial benefits. In addition, the market structure and policy contexts are important. The study shows how longer approval processes reduce the current value of expected benefits while increasing transaction risk. In summary, it provides a solid qualitative methodology for incorporating regulatory risk into telecom M&A valuation analysis.

Littmann, D (2023): This study looks on the valuation dynamics of mergers and acquisitions in the broadband and IP-based telecommunications industries. It explores how the value of broadband-related transactions has decreased as loan rates have risen and credit criteria have tightened. The findings show that changes in investor return expectations and buyer leverage capabilities have a significant impact on merger and acquisition prices. It emphasizes the significance of adjusting our ideals to reflect macroeconomic reality, especially when pursuing market-based tactics. The study provides useful secondary data for evaluating M&A agreements in the telecommunications sector, with a focus on broadband, as well as contextualizing changes in value over time by providing information on previous transactions and valuation standards.

Sykes, P (2022): This study looks into the inequalities in the evaluation of the four major types of fiber-related telecom investments. It emphasizes the importance of network deployment speed, customer base size, and capital requirements in estimating cash flow for fiber assets. The study explains why infrastructure investors, rather than traditional telecommunications operators, frequently adopt different models of fiber asset



pricing. It emphasizes the differences in risk profiles and income stability. It supports the use of alternative growth and weighted average cost of capital (WACC) assumptions for assessing fiber-based telecommunications assets. The theoretical and practical framework of fiber-centric telecom valuation research is strengthened by the report's elucidation of the strategic and financial dynamics that drive fiber M&A deals.

Shivraj, A (2021): This global study explores how investors assess the value of digital infrastructure assets such as fiber networks and telecom antennae. It investigates how long-term investment capital is drawn to revenue flows similar to infrastructure, which are distinguished by stable income and long-term contracts. The study provides a qualitative reason for the higher valuation of mergers involving telecommunications infrastructure when compared to traditional operators. It is useful to distinguish between telecom valuation frameworks based on assets and those based on operators. The study enhances understanding of the demand-side dynamics that drive telecommunications M&A pricing by concentrating on investors' wishes and rationales.

Sutton, A. (2021): This study investigates the key factors that determine the cost of telecom towers. Tenancy ratios, lease agreements, and contract term are all operational performance criteria that have a direct impact on business value. The study emphasizes the significance of revenue stability and asset usage in anticipating cash flows in tower-related M&A appraisals, providing a useful methodology. It also explains why value results might vary greatly based on the

structure and contracts of various tower portfolios. The research remains an invaluable resource for doing a thorough analysis of tower M&A transactions and understanding the process of appraising telecom infrastructure.

3. SPECIAL CONSIDERATIONS IN M&A VALUATION

Synergies and Strategic Fit

The collaboration of two businesses in mergers and acquisitions results in synergies that are more effective than they would be individually. It is also vital to properly evaluate synergies, which include greater revenue, lower costs, and improved operational efficiency. To realize these synergies, you must have a thorough understanding of how the two organizations will work together.

Regulatory and Antitrust Issues

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Market and Economic Conditions

Economic and market changes can have a substantial impact on the value of a merger and acquisition transaction. Economic variations, especially recessions, can change the underlying assumptions that underpin valuation models.

Tax Considerations

The tax consequences of an M&A agreement's structure can have a major impact on the overall cost or savings of a transaction. In order to maximize the tax



benefits of a transaction, you must be able to understand the complexities of tax law.

Technology and Intellectual Property

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Debt and Financing Structures

Financing an M&A deal can change its value by affecting the cost of capital and the balance sheet.

It is critical to assess the potential long-term consequences of covenant restrictions and the risks of excessive debt.

Financial versus Strategic Buyer

The purchasing type is an important consideration in establishing a company's worth in a merger or acquisition (M&A) deal. Strategic purchasers may be willing to pay a premium for a target firm because they see the potential for long-term strategic benefits and synergies. Financial buyers, on the other hand, are typically more concerned with efficiency and financial returns, which frequently results in a more conservative valuation strategy.

Purchase Price Allocation

Various valuation methodologies are used to assess the cost of purchasing a company in a merger or acquisition (M&A). The Purchase Price Allocation (PPA) method is necessary because it allocates the purchase price based on the fair market worth of the acquired company's assets and liabilities. This is a requirement of IFRS 3 and ASC 805.

Goodwill is defined as any purchase price greater than the net identified assets. To ensure that the expected gains from synergies and intangible assets are

realized, their performance and value are evaluated.

4. TYPES OF M&A

Businesses are capable of partaking in a wide range of mergers and acquisitions. The following are some of the most commonly observed mergers and acquisitions.

Mergers

A merger occurs when two similar businesses combine to form a single firm. The merger agreement describes the action plan that has been authorized by all parties. Typically, two businesses merge when they are quite similar in size, nature, and stage.

Acquisitions

An acquisition is the process of acquiring another business or corporation. In this case, the purchaser business gains the majority of the shares, yet the purchased company retains its organizational structure and name. It is critical to understand the differences between an acquisition and a merger during the M&A process.

Consolidation

Consolidation creates a new entity by merging major corporations and removing outdated organizational methods. The shareholders of the two companies that agreed to merge receive common ownership shares in the new business.

Tender offer

A tender offer is when one corporation proposes to acquire another's residual shares. The corporation interested in purchasing the target firm makes its offer directly to the shareholders, rather than going through management or the board of directors. This strategy enables stockholders to maximize their value.

Acquisition of assets

A company is deemed to have acquired assets when it acquires the assets of other enterprises. Before any asset acquisition may take place, shareholders must accept the transaction. The majority of bankruptcy proceedings include the acquisition of assets.

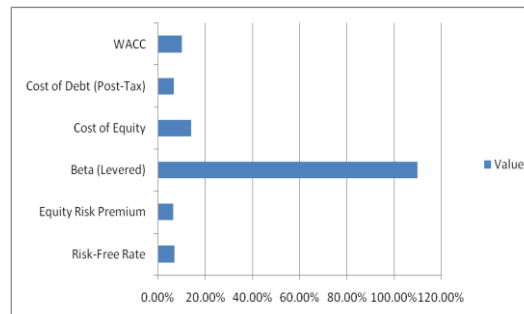
Management acquisition

Management acquisition, often known as management-led buyouts (MBOs), is an important concept in mergers and acquisitions. A management acquisition occurs when executives acquire the majority of a company's shares, resulting in the formation of a private corporation. To finance an acquisition, these former executives usually collaborate with a financier or other former company officers.

and long-term expansion is also demonstrated by the increase in capital expenditure. The company's ability to pay investment costs independently is evidenced by a constant growth in Free Cash Flow to Firm (FCFF) notwithstanding an increase in CAPEX. To summarize, the company's improving FCFF trend indicates that it is becoming more financially versatile and capable of creating value.

WACC – TELECOM-ADJUSTED (INDIA-LIKE MARKET)

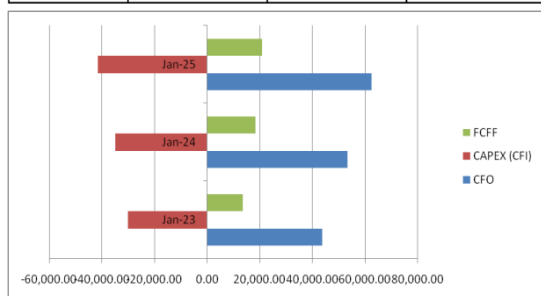
Component	Value
Risk-Free Rate	7.00%
Equity Risk Premium	6.50%
Beta (Levered)	1.1
Cost of Equity	14.20%
Cost of Debt (Post-Tax)	6.80%
Target D/E Ratio	65:35:00
WACC	10.30%



5. RESULTS AND INTERPRETATION

FREE CASH FLOW TO FIRM (FCFF)

Year	CFO	CAPEX (CFI)	FCFF
Mar-23	43,582.60	-30,006.30	13,576.30
Mar-24	53,208.80	-34,876.80	18,332.00
Mar-25	62,336.30	-41,452.90	20,883.40

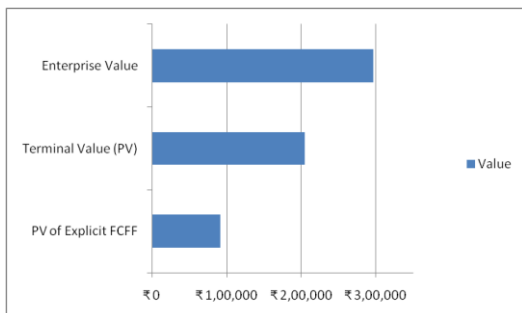


INTERPRETATION: The Cash Flow from Operations (CFO) increased significantly and gradually from March 2023 to March 2025. This shows that the company's activities are getting more profitable and stable. The company's continued commitment to network growth

INTERPRETATION: The 14.20% cost of equity indicates a low level of systematic risk, although the levered beta of 1.1 is near to the market risk level. The post-tax cost of debt is only 6.80%, making borrowing efficient and providing great interest coverage. The firm obtains the best balance of equity risk and low-cost debt by aiming for a debt-to-equity ratio of 65:35. As a result, the WACC of 10.30% is an important indicator for evaluating new investments, mergers, and acquisitions.

ENTERPRISE VALUE (INDICATIVE)

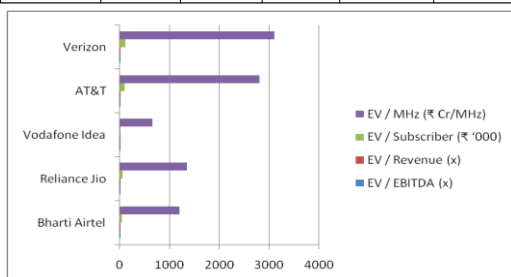
Component	Value
PV of Explicit FCFF	₹ 92,000
Terminal Value (PV)	₹ 2,05,000
Enterprise Value	₹ 2,97,000



INTERPRETATION: The Terminal Value is the main factor that contributes to the Enterprise Value of ₹2,97,000. It accounts for a significant share of the entire valuation, emphasizing the relevance of long-term growth expectations. The explicit FCFF is expected to yield significant gains in the near future, with a present value of ₹92,000. This way of assessing a company's value assumes that its future success and ability to generate financial flows are significant drivers of its value. In general, enterprise value indicates that there is great potential for long-term capital accumulation.

TRADING MULTIPLES TABLE

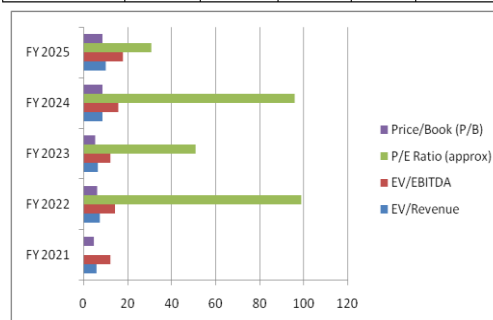
Company	Market	EV / EBITDA (x)	EV / Revenue (x)	EV / Subscriber (₹ '000)	EV / MHz (₹ Cr/MHz)
Bharti Airtel	India	6.8	3.1	42	1,200
Reliance Jio	India	7.5	3.6	48	1,350
Vodafone Idea	India	4.5	1.6	18	650
AT&T	USA	7.8	2.2	95	2,800
Verizon	USA	8.5	2.6	110	3,100



INTERPRETATION: Bharti Airtel is priced adequately in the Indian telecom sector because its EV/EBITDA and EV/Revenue multiples are in the middle of the range when compared to comparable companies around the world. Reliance Jio's multiples are greater because investors expect it to expand faster and produce more income from customers. Vodafone Idea's valuation indications are significantly lower, indicating that the market has lost trust in the company and that it is experiencing financial difficulties. AT&T and Verizon are two US companies with high spectrum value and EV per subscriber. This is owing to their more developed marketplaces, greater average revenue per user, and more stable cash flows.

VALUATION RATIOS (M&A RELEVANT)

Metric	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
EV/Revenue	5.87	7.44	6.66	8.84	10.23
EV/EBITDA	12.43	14.39	12.15	16.04	17.93
P/E Ratio (approx)	(loss)	99	51	96	30.9
Price/Book (P/B)	4.82	6.34	5.48	8.74	8.83



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6. CONCLUSION

In conclusion, determining the value of telecommunications M&A purchases is a difficult process that requires a thorough examination of both financial and strategic considerations. A telecommunications company's intrinsic worth is heavily determined by the quality of its subscriber base, income stability, spectrum ownership, network infrastructure, and ability to integrate new technologies. Operational efficacy, synergy potential, regulatory compliance, market position, and brand power are all important considerations when considering whether to provide a premium or a discount on an acquisition.

The financial status of a company, particularly its debt levels and cash flow stability, may make a sale less attractive. Nonetheless, future growth opportunities, supported by the spread of data, digital services, and new technologies, have the potential to improve long-term value. It is also critical to perform a thorough evaluation of integration risks, execution competency, and current macroeconomic and industry trends to avoid overvaluation and concerns that may arise after the merger.

As a result, it is critical to use a well-balanced combination of appropriate

valuation techniques supported by reasonable assumptions and industry insights to ensure that mergers and acquisitions in the telecommunications sector are priced fairly, strategically aligned, and ultimately successful.

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