Experts Say Voda-Idea Merger Positive for Industry, Consumers

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Kolkata: The mega Vodafone-Idea Cellular consolidation is likely to be positive for the telecom industry and consumers in the long run, although the second and third-largest mobile carriers could end up losing customers and revenue in the short term to Bharti Airtel and newcomer Reliance Jio. Infocomm should they get too bogged down by the complexities of the merger process, analysts and industry experts said.

Ex-Bharti Airtel CEO Sunjay Kapoor said the merger is “unlikely to have much impact” on the competitive telecom landscape in the short term, as he expects “Airtel to continue attacking” both on network capacity and price fronts.

“Vodafone and Idea could end up losing customers and revenue in the short term if they take their eyes off the ball due to operational complexities associated with any merger,” he said. Kapoor, in fact, expects Airtel and Jio to make concerted efforts to lure Vodafone and Idea customers, and believes the Sunil Mittal-led telco will particularly try “to first protect turf and ensure Jio’s customer gains, in the short-to-medium term, are primarily at the expense of the two emerging entities.”

Rajan Mathews, director general of the Cellular Operators Association of India (COAI) agreed that Vodafone and Idea could face customer acquisition and customer retention challenges going forward, if the merger exercise is not concluded rapidly.

“It’s important that the mega merger is rapidly concluded as any elongation of the process would be detrimental to the merging entities,” said Mathews, who heads the trade body representing India’s top telecom companies – Airtel, Vodafone, Idea, and the newcomer Reliance Jio.

Brokerage Motilal Oswal backed the view, saying the Vodafone-Idea merger timelines would be highly sensitive in a hyper-competitive environment.

“Since the telecom market is highly competitive, given Jio’s capacity game, there is a major market share dilution risk if the deal takes a prolonged period to fructify,” the brokerage said in a note seen by ET. Harsh Jagani, VP-sector head, CRM, sees no immediate letup in competitive intensity and believes pressure created by Jio’s launch last Septembe

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