

ANALYSIS OF FINANCIAL PERFORMANCE OF BHARAT SANCHAR NIGAM LTD. (BSNL) IN THE YEAR 2017 AND 2018

PUBLIC SECTOR UNDERTAKING

Srishti Shaifali Minz
Research Scholar, Department of Commerce
Sant Gahira Guru University, Ambikapur, Chhattisgarh, India

Abstract : Finance is the life blood for any organization and is always being disregarded in financial decision making since it involves investment and financing in short-term obligation. The study aims to analysis the financial performance of BSNL, a largest public sector company has been providing telecom services for the period of two years (2016-17 and 2017-18). Financial analysis is a process of evaluating the relationship between component parts of a financial statement to obtain a better understanding of a firms position and performances. It also helps in short-term and long-term forecasting and growth can be identified with the help of financial performance analysis. The financial performance analysis is the process of determining the operating and financial characteristics of a firm from accounting and financial statements. The goal of this analysis is to determine the efficiency and performance of firm's management by comparing the balance sheet of both the fiscal years. The analysis is an attempt to measure the firm's liquidity, profitability and other indicators that the business is conducted in a rational and normal way by doing Ratio analysis; it is a technique of analysis and interpretation of financial statements. It is the process of establishing and interpreting various ratios for helping in making decision. ensuring returns to the shareholders to maintain at least its market value. The study will help the stakeholders of the BSNL to take the necessary steps to improve the profitability position of the firm.

IndexTerms - Public sector companies, Profitability, Ratio analysis, solvency

I. INTRODUCTION

The Public Sector has been playing a vital role in the economic development of the country. Public Sector is considered to be a powerful engine of economic development and important instrument of self-reliance and social justice. "Public sector undertakings or enterprises constitute those which are fully or partly owned or controlled by the Central and State Govt." The BSNL is an important public sector undertaking providing Telecom Services since 2000. The foundation of Telecom Network in India was laid by British sometime in 19th Century & history of BSNL is linked with the beginning of Telecom in India. In 19th century and for almost entire 20th century, the Telecom in India was operated as a Government of India wing. Earlier it was part of the erstwhile Post & Telegraph Department (P & T). In 1975 the Department of Telecom (DOT) was separated from P & T. Subsequently in 1990s the Telecom Sector was opened up by the Government for Private investment, therefore it became necessary to separate the Government's policy wing from Operations wing. The Government of India converts the operations wing of DOT on October 01, 2000 and named it as Bharat Sanchar Nigam Limited (BSNL) which operates as a public sector unit. In pursuance of New Telecom Policy 1999, the Government of India formed a company named "Bharat Sanchar Nigam Limited" (BSNL) on 15th Sept. 2000 since its corporation in Oct. 2000

II. REVIEW OF LITERATURE

Prof. M. Yadagiri & B. Rajaram (2018) in their research article "ANALYSIS OF OPERATING PERFORMANCE OF BSNL" Calculates to assess the operating performance of BSNL segment wise in terms of revenue, total income, operational income, operating expenses total expenses, employee benefit expenses, administrative, operating and other expenses, profit before tax, tax expenses and profit after tax.

Dr. M.Dhanabhakym & SwapnaKurian (2012) in their Research Article "Profitability Analysis of Bharat Sanchar Nigam Limited (BSNL)" calculated the Net Profit Ratio, Return On Assets Ratio, Return On Equity, Earning Per Share and Cash Profit Ratio from the year 2001-02 to 2010-11 and concluded that the profitability ratios shows fluctuating trends except last two years and the last two years ratios shows negative values except cash profit ratios.

Anshu Gupta (2015) in his Research Article "Financial Performance Evaluation of Telecommunication with special reference to BSNL" concluded that the BSNL follows aggressive policy of managing liquidity & company has sufficient liquidity assets to satisfy its short term liabilities. After overhauling the five years balance sheets of BSNL and all conditions, the author concluded that BSNL is facing the capital problem because of which financial position of BSNL are affected. Financial position of BSNL was good in 2004 comparative to present year. The profits of the company are decreasing year by year due to maintaining high liquidity.

N. Swapna (2012) in her Research Article “Telecommunication Sector in India – An Analysis” concluded that the telecom industry in India has witnessed a phenomenal and manifold growth over the recent years. In the country, personalized telecom access has become an essential necessity of life for a growing number of people. The telecom sector in India holds unlimited potential talking of future growth. In the nation, both Public as well as private firms are vigorously enhancing their technologies in a venture to take the telecom industry in the country to a much higher development.

Ms.Pritish & Dr.Taruna Saxena (2015) in their Research Article on —An Analysis of the Indian Telecom Industry concluded that the Indian Telecom Industry contributes significantly to the overall socioeconomic development of India. It is an essential tool for the growth of the nation and the various telecom service providers offer voice and data services to the customers across different regions of the country including both urban and rural areas thereby facilitating the growth of this industry

III. SIGNIFICANCE OF STUDY

In the era of globalization, liberalization and privatization the challenges faced by the public-sector telecom operators in India is distinctive. The challenges are heterogeneous and are related to marketing, finance, human resources management etc. The profits are not acceptable. The telecom industry has contributed to the over round growth of the economy and the there is no gainsaying the contribution of the public sector role. BSNL in the Telecom industry is unpredictable of both private and public sector in the Indian economy. Hence, the continued viability of BSNL is of strategic concern for the Government and industry. Ratio analysis is a technique of analysis and interpretation of financial statements through various ratios which helps in decision making. It also helps in understanding of financial strength and weaknesses of a company. The ratio analysis also helps to understand where things are not going right and where the corrective action needs to be taken. There are different types of ratio to check liquidity, profitability, performance measurement of the organization. The Financial analysis as a tool which helps in evaluating the company's liquidity conditions, profitability, capital structure and operational efficiency in order to maintain its sustainability in the market.

IV. OBJECTIVES OF THE STUDY

- To analyse the financial performance of the company using the ratios with special reference to BSNL.
- Comparative analysis of the balance sheets of 2017 and 2018.
- To determine the efficiency and performance of the company's management as reflected in financial reports of BSNL.
- To make the best use of its strengths and take suitable corrective actions to check the weaknesses

V. RESEARCH METHODOLOGY

A research without a research design is like being lost on journey without a guiding light. Hence the research design gives direction to the study. The research design for this study is Exploratory and Descriptive Research design which helps to give objective, reliable and delivers valid results. In this study of sample company named BSNL has been taken for analysis of financial position. The Present study is based on secondary data which is being collected by published annual reports of the company. These financial data are classified, tabulated and edited as per the requirement of the profitability analysis of the company. This study has covered 2 years data from 2016-17 to 2017-18 for analysis of financial position of BSNL. The financial and liquidity position of BSNL have been analysed by the financial techniques of ratio Analysis. The collected data have been analysed with the help of the all the major relevant financial ratios such as: (i) Current Ratio; (ii) Liquidity Ratio; (iii) NP Ratio; (iv) Solvency ratio; (v) EPS; (vi) RoI; (vii) Debt-Equity Ratio; (viii) Fixed Assets to Net worth Ratio; (ix) FA turnover Ratio; (x) Proprietor's liabilities ratio analysis from stake holder's point of view. The ability of an organization to analyse its financial position is essential for improving its competitive position in the marketplace. Through a careful analysis of its financial performance, the organization can identify opportunities to improve performance of the department, unit or organizational level. In this context the question arises that how financial performance of BSNL is managed which plays crucial role in the growth and development of the public-sector company. Statistical Tools Used are Bar Charts, Line Graphs and Pie Charts.

VI. ANALYSIS OF BSNL BALANCE SHEET OF THE FINANCIAL YEAR 2017 AND 2018

BHARAT SANCHAR NIGAM LIMITED
Consolidated Balance Sheet as at 31 March 2018
 (All amounts in lacs, unless otherwise stated)

Particulars	As at 31-03-2018	As at 31-03-2017	Absolute Increase or decrease during 2018	% increase (+) or decrease (-) during 2006
ASSETS				
Non-current assets				
Property, plant and equipment	99,31,362	1,00,15,696	-84,334	-0.84
Capital work-in-progress	8,70,384	6,49,235	2,21,149	34.06

Intangible assets	6,97,230	7,55,004	-57,774	-7.65
Financial assets-				
(i) Investments	-	-		
(ii) Loans	583	870	-287	-32.99
(iii) Other financial assets	24,029	28,785	-4,756	-16.52
Deferred tax assets (net)	-	-		
Other non-current assets	85,184	65,422	19,762	30.21
Total non-current assets	1,16,08,772	1,15,15,012	93,760	0.81
Current assets				
Inventories	21,241	20,473	768	3.75
Financial assets-				
(i) Investments	20,000	20,000		0.00
(ii) Trade receivables	3,92,538	3,09,881	82,657	26.67
(iii) Cash and cash equivalents	75,782	3,38,737	-2,62,955	-77.63
(iv) Bank balances other than (iii) above	138	126	12	9.52
(v) Loans	224	445	-221	-49.66
(vi) Other financial assets	9,19,938	7,22,212	1,97,726	27.38
Current tax assets (net)	1,19,650	38,669	80,981	209.42
Other current assets	86,708	1,38,285	-51,577	-37.30
Assets held for sale	34,517	-	34,517	
Total current assets	16,70,736	15,88,828	81,908	5.16
Total assets	1,32,79,508	1,31,03,840	1,75,668	1.34
EQUITY AND LIABILITIES				
Equity				
Equity share capital	5,00,000	5,00,000	0	0.00
Reserve and Surplus	84,66,967	92,67,424	-8,00,457	-8.64
Equity attributable to owners of the Company	89,66,967	97,67,424	-8,00,457	-8.20
Non-controlling interest -	-	-		
Total equity	89,66,967	97,67,424	-8,00,457	-8.20
Liabilities				
Non-current liabilities				
Financial liabilities-				
(i) Borrowings	16,54,348	10,62,657	5,91,691	55.68
(ii) Other financial liabilities	1,81,781	1,38,770	43,011	30.99
Provisions	91,204	95,099	-3,895	-4.10
Other non-current liabilities	65,097	1,02,842	-37,745	-36.70
Total non-current liabilities	19,92,430	13,99,368	5,93,062	42.38
Current liabilities				
Financial liabilities-				
(i) Borrowings	30,910	59,613	-28,703	-48.15
(ii) Trade payables	7,82,989	5,92,993	1,89,996	32.04
(iii) Other financial liabilities	6,98,476	7,91,388	-92,912	-11.74
(iv) Other current liabilities	8,06,579	4,92,259	3,14,320	63.85
(v) Provisions	1,157	795	362	45.53
Total current liabilities	23,20,111	19,37,048	3,83,063	19.78
Total liabilities	43,12,541	33,36,416	9,76,125	29.26
Total equity and liabilities	1,32,79,508	1,31,03,840	1,75,668	1.34

VII. INTERPRETATION OF COMPARATIVE BALANCE SHEET

The comparative balance sheet of the company reveals that during year 2018 there was an increase in fixed assets of Rs.79,041 lakhs i.e. 0.69 % while outside liabilities have increased by Rs.9,76,125 lakhs i.e. 29.26%. There has also been decreases by Rs.8,00,457 lakhs i.e. 8.64% in reserves and surplus of the company. This all shows that company is not in the good position and running in loss. Current assets have increased by Rs.81,908 lakh i.e. 5.16% and cash and bank balances decreased Rs.2,62,943 i.e. 77.63% on the other hand there has been an increase in inventories amount Rs.768 lakh i.e. 3.75 %, this reveals that company is using its cash in purchasing inventory in year 2018, thus its cash balance gets reduced in year 2018 as compared to year 2017 .The current liabilities have decreased by Rs.3,83,063 lakh i.e. 19.75%. This further shows that the company has revised long term finances. The overall financial position of the company is unsatisfactory.

VIII. FINANCIAL TECHNIQUES

The Ratios which are uses in the study are as follows:

8.1 NET PROFIT RATIO

Net profit ratio is the ratio of net profit (after taxes) to sales. It is expressed as percentage. The net profits are obtained after deducting income-tax. Net Profit ratio is used to measure the overall profitability. Higher the ratio, better is the position of cost control and operational efficiency.

$$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Net Sales}} \times 100$$

8.2 CURRENT RATIO

It is a measure of liquidity and is most widely used to make the analysis for short term financial position of a firm. Current ratio may be defined as the relationship between current assets and current liabilities.

$$\text{Current ratio} = \frac{\text{Current Assets}}{\text{Current liabilities}}$$

8.3 LIQUIDITY RATIO

Liquid ratio is also termed as "quick ratio". It is the ratio of liquid assets to current liabilities. The true liquidity refers to the ability of a firm to pay its short-term obligations as and when they become due. Liquid assets means current assets minus inventories (stock). Inventories cannot be termed as liquid assets because it cannot be converted into cash immediately without a loss of value.

$$\text{Liquid Assets} = \frac{\text{Liquid Assets}}{\text{Current liabilities}}$$

8.4 EARNINGS PER SHARE

EPS are generally considered to be an important variable in determining a market price of equity shares of the company and in estimating the company capacity to pay dividend to its equity shareholders. The income available to equity shareholders is obtained after deducting the preference share dividend from both preference and equity share capital.

$$\text{Earnings per share} = \frac{\text{Net profit after tax} - \text{preference dividend}}{\text{No. of equity shares}}$$

8.5 FIXED ASSETS TO NET WORTH

Fixed assets to net worth ratio establish the relationship between fixed assets and shareholders' funds. The purpose of this ratio is to indicate the percentage of the owner's funds invested in fixed assets. If the ratio is less than 1, it implies that owner's funds are more than fixed assets and a part of the working capital is provided by the shareholders. When the ratio is more than the 1, it implies that owner's funds are not sufficient to finance the fixed assets and the firm has to depend upon outsiders to finance the fixed assets.

$$\text{Fixed assets to net worth ratio} = \frac{\text{Net Fixed assets}}{\text{Net Worth}}$$

8.6 FIXED ASSETS TURNOVER RATIO

Fixed assets turnover ratio is also known as sales to fixed assets ratio. This ratio measures the efficiency and profit earning capacity of the concern. Higher the ratio, greater is the intensive utilization of fixed assets. Lower ratio means under-utilization of fixed assets. According to table- 1, the average Fixed Assets turnover ratio in BSNL is just 0.25 which means the assets are not used even to the value of 1 time. Under-utilization of fixed assets is clearly visible. The management of BSNL should find ways and means to use the existing asset base to its fullest value.

$$\text{Fixed Assets Turnover Ratio} = \frac{\text{Total Revenue}}{\text{Total Fixed Assets}}$$

8.7 DEBT-EQUITY RATIO

The debt-to-equity (D/E) ratio is calculated by dividing a company's total liabilities by its shareholder equity. These numbers are available on the balance sheet of a company's financial statements. The ratio is used to evaluate a company's financial leverage. The D/E ratio is an important metric used in corporate finance as it reflects the ability of shareholder equity to cover all outstanding debts in the event of a business downturn.

$$\text{Debt-to-equity (D/E) ratio} = \frac{\text{Debts}}{\text{Equity}}$$

8.9 RETURN ON INVESTMENT

It is the ratio of net profit to shareholder's investment. It is the relationship between net profit (after interest and tax) and shareholder's/proprietor's fund. This ratio establishes the profitability from the share holders' point of view.

$$\text{Return on Investment} = \frac{\text{Net profit (after interest and tax)}}{\text{Shareholder's/proprietor's fund}}$$

8.10 SOLVENCY RATIO

This ratio shows the relationship between total assets and external liabilities examines whether the total realisable amount from all assets of the company is enough to repay all of its external liabilities or not. If the total assets are more than the outsiders liabilities, the concern is treated as strong from the point of long term solvency.

$$\text{Solvency Ratio} = \frac{\text{Total outsiders Liabilities}}{\text{Total assets}}$$

Total Assets

8.11 PROPRIETOR'S LIABILITIES RATIO

This ratio shows the relationship between the shareholders fund and outsiders liability over the proprietor.

$$\text{Proprietor's liabilities Ratio} = \frac{\text{Shareholders Fund}}{\text{Outsiders Liabilities}}$$

IX. RESULT AND DISCUSSION

The overall profitability of BSNL is not satisfactory as the return on investment is showing the negative value from the previous year which means that almost in every year the BSNL incurring heavy losses due to over capitalization and underutilization of the existing assets. The efficiency of the firm is also decreasing from the previous year as the net profit shows results in negative means the company is running in loss and the percentage of loss is increasing. The EPS (earning per share) estimates the company's capacity to pay dividend to its equity shareholders. Here also EPS is decreasing means its market price of equity shares declines. The average earning per share during the period of the study is negative. It indicates that the poor profitability of the company. It is also suggested that the BSNL has to introduce the necessary measures for increasing its profit-making capacity in the near future, otherwise it may not survive for a long run with this declined trend of EPS. Current ratio shows that what is the yearly position from the view of payment of current liabilities whereas liquid ratio indicates the position of payment of current liabilities either immediately or during a very short period. In this case also if company have to pay off its current liabilities it has to sell off its fixed assets to pay of the liabilities. BSNL is weighted down with the current debts as compared to previous year. BSNL D/E ratio indication of improper debt equity management. As the BSNL is cent percent Government owned company, the government waiving the loan amount taken from the government. Thus the debt liability of BSNL abnormally declining and the proportionately equity has been increasing. The company in which we are investing should be capable of relying on fixed assets to meet the current debt but BSNL is not so in the current period which is represented by Fixed assets to net worth ratio and F/A turnover ratio that company is not using its assets to the fullest. Overall we can say that BSNL is not in a satisfactory level in its financial performance in India.

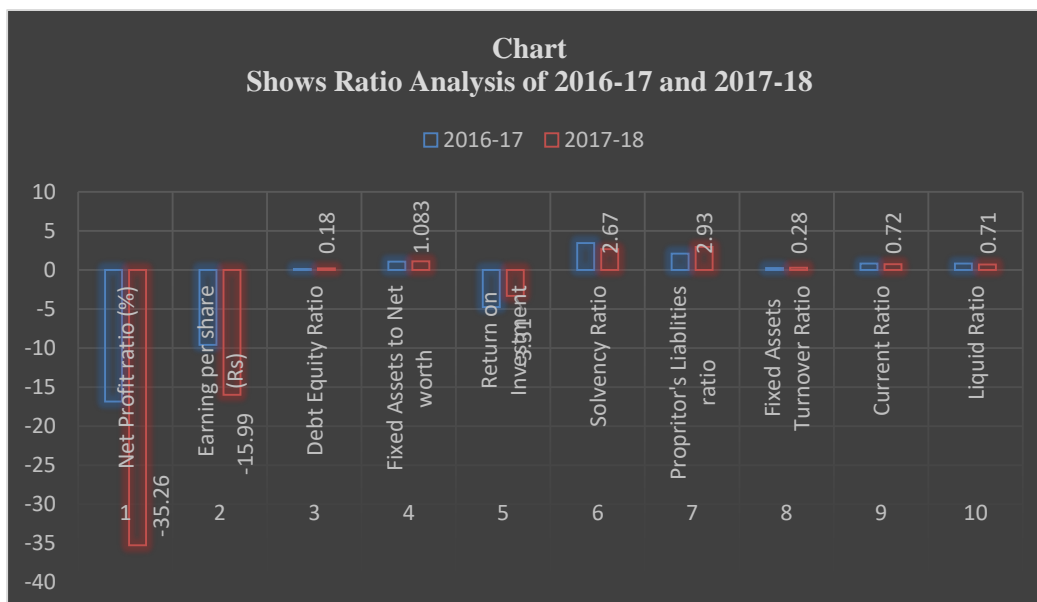
TABLE-1
FINANCIAL PERFORMANCE

The financial performance for fiscal 2016-17 and 2017-18 is summarized as below:

Particulars	2016-17 [Rs. in Crores]	2017-18 [Rs. in Crores]
1. Income from services 1	28,403.73	22667.78
2. Other Income 2	3,129.71	2402.86
3. Expenditure [Excluding Interest and depreciation] 3	29,849.44	27928.91
4. Profit before interest, depreciation and tax [EBIDTA]4 = 1+2-3	1,684.00	(2858.27)
5. Depreciation 5	6,330.42	5831.58
6. Interest 6	146.79	48.31
7. Profit/(Loss) before prior period adjustment 7=4-(5+6)	(4,793.21)	(8738.16)
8. Prior period adjustments 8	-	-
9. Profit/loss before tax 9=7+8	(4,793.21)	(8738.16)
10. Provision for deferred tax 10 –	-	-
Tax Provision for the year –	-	(745.31)
Tax Provision for the earlier years –	-	-
Wealth tax –	-	-
11. Net Profit/Loss for the year 11=9+10	(4,793.21)	(7992.85)

TABLE-2
SUMMARY OF FINANCIAL PERFORMANCE FOR THE YEAR 2017 AND 2016

S.no	Financial Ratios/ Years	2016-17	2017-18
1	Net Profit ratio (%)	-16.87	-35.26
2	Earnings per share (Rs)	-9.59	-15.99
3	Debt Equity Ratio	0.1	0.18
4	Fixed Assets to Net worth	1.054	1.083
5	Return on Investment	-4.75	-3.31
6	Solvency Ratio	3.42	2.67
7	Proprietor's Liabilities ratio	2.07	2.93
8	Fixed Assets Turnover Ratio	0.22	0.28
9	Current Ratio	0.82	0.72
10	Liquid Ratio	0.8	0.71



X. LIMITATION OF THE STUDY

The study is carried out with the help of secondary data. The reliability of the results will be based on authenticity of the collected data. Secondary data is mainly accessed due to lack of access to primary data related to financials of the company. The study is based on the data of BSNL; therefore, the generalisations drawn from the study may not be uniformly applicable to the entire telecom sector in India. In the analysis of data while calculating the percentages, averages and other statistical measures the figures are to be approximated. The secondary data used in this study have been taken from published annual reports only. As per the requirement and necessity some data have been grouped and sub grouped. Financial analysis is based upon only monetary information and non-monetary factors are ignored. For making analysis of financial position of BSNL, only ratio analysis techniques and comparative balance sheet analysis of Financial Management are used. Analysis is only a means and not an end in itself. We have to make interpretation and draw own conclusion. Different people may interpret the same analysis in different ways.

XI. CONCLUSION

From the beginning to the end of its establishment to 2018, its 32 years the company has shown many faces, throughout its journey. At one time BSNL had a monopoly in the market. But today the company is facing a very tough competition from the giants like Bharti-Airtel, Reliance Idea, Vodafone, Tata etc. The conclusions which is derived after analysing the financial statements of BSNL is that firstly BSNL recorded a decrease in profit from last 2 years also decrease in its income, but the expenditure has continuously increased. There is a scope for further research is that one can analyse the operating performance of firm by using other different types of statistical tools and comparison may be made between BSNL and other telecom service providers. The comparison can also be made with industry also. I have concluded that every business have to maintain the good financial position and maintain the goodwill of the company. Company images play an important role and brand awareness is the backbone of strategy survival of the company. So, to keep continuous reputed image the company should focus on new technology, customer's needs and also to satisfy the employees

XII. WEBSITES

1. www.bsnl.co.in
2. www.dot.gov.in
3. www.trai.gov.in
4. www.icra.in

XIII. REFERENCES

- [1.] R.C.Upadhyaya and Vashundhara Sharma (December-2012) —A Comparative Study Telecommunication Service providers BSNL and AIRTEL Operating in Gwalior Division India —International Journal of Business Management & Research (IJBMR), Vol. 2 Issue4, pp. 13-20
- [2.] Dr.M.Dhanabhakyaam and Swapna Kurian (March-2012) —Profitability Analysis of Bharath Sanchar Nigam Limited (Bsnl) Indian Journal of Applied Research, Ahmedabad, Volume:1, Issue:6 ISSN-2249-555X.
- [3.] Anush Gupta (April-2015) —Financial Performance Evaluation of Telecommunication with special reference to BSNL SSRG-International Journal of Humanities and Social Science, ISSN:2394-2703. Ms.Pritish and Dr.Taruna Saxena (Oct-2015) —An Analysis of the Indian Telecom Industry IOSR Journal of Business and Management (IOSR-JBM), Volume 17, Issue10.Ver.II, PP 35-42.

- [4.] TRAI Quarterly Report, The Indian Telecom Services Performance Indicators July - September, 2017, New Delhi, India, 28th December, 2017.
- [5.] Telecom Regulatory Authority of India's Study Paper on Shareholding Pattern, Financing Pattern and Capital Structure of Indian Private Telecom Access Service Providers 8th September, 2016.
- [6.] DoT, Annual Reports 2007-08 to 2016-17.
- [7.] BSNL, Annual Reports 2007-08 to 2016-17. <http://tender.bsnl.co.in/bsnltenders/pdf/AR%20201718%20ENGLISH.pdf>
- [8.] Chhaya P.Patel and Smt.K.K.Patel (April-2014) —Study on Performance Appraisal System in BSNL| VSRD International Journal of Business and Management Research, Vol. IV, Issue IV.
- [9.] Dr. Kanchan Bhatia and Prof Prashanth Jain (2012) —A study of Performance appraisal and organizational effectiveness in terms of individual and organizational basis. A comparative study of BSNL and AIRTEL| International Journal on Arts, Management and Humanities 1(1): pp.63-72.
- [10.] Amalendu Bhunia, Somnath Mukhuti and Gautam Roy (2011). Financial Performance Analysis-A Case Study. Current Research Journal of Social Sciences 3(3): 269-275.
- [11.] Anand Pawar &M. Pandya Nayak (June 2013) FINANCIAL PERFORMANCE ANALYSIS: A CASE STUDY OF BSNL, Summer Internship Society Volume IV Issue-2
- [12.] J.Pavithra& Dilip Gurukrishnan A STUDY ON FINANCIAL ANALYSIS OF BSNL” International Journal of Pure and Applied Mathematics Volume 119 No. 12 2018, 1471-1489 ISSN: 1314-3395

