

A STUDY ON FINANCIAL VIABILITY with reference to BSNL, RJY

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ABSTRACT:Financial viability is the ability to generate sufficient income to meet operating payments, debt commitments and, where applicable, to allow growth while maintaining service levels. Assessment of financial viability is an integrated process involving a review of an organization's audited financial statements, financial performance reports, business plan and other information that supports financial analysis. Financial viability is extremely important in any business because making financially viable decisions can determine whether your business is successful or not. Making sure something is financially viable simply means to ensure it's profitable and you can afford it. Generally, the financial analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing relationship between the items of balance sheet and profit and loss account. 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 such analysis is to determine the efficiency and performance of firm's management, as reflected in the financial records and reports. The analysis is an attempt to measure the firm's liquidity, leverage, activity, profitability and other indicators that the business is conducted in a rational and normal way; ensuring returns to the shareholders to maintain at least its market value. The average liquidity and solvency position of the BSNL is satisfactory.

Index terms: Liquidity, solvency, Turnover, profitability.

INTRODUCTION:

Financial viability is the ability to generate sufficient income to meet operating payments, debt commitments and, where applicable, to allow growth while maintaining service levels. The initial focus of the financial viability assessment is an organization's audited financial statements for the previous financial year. The results are assessed with the budget and financial projections in the business plan. The trends in actual results over a three year period are then assessed and projected forward over one to three years (depending on the registration class of the organization).

To place these results into a broader context, the organization's business plan is used in order to understand their future plans as well as their perspective on the business, growth (where applicable) and risks.

The business plan will provide insights into the organization's resource management, growth plans (where applicable), capital structure and liquidity. The business plan provides the roadmap to guide the organization towards its long term goals. The financial plan is a vehicle to allow the organization to realize its long term goals.

NEED FOR THE STUDY:

In understanding the financial strengths of an organization, analysis of financial data has proven to be a powerful tool for a financial analyst. Today ratios have become benchmark for performance in every walk of human life and a company is not an exception for it.

Even though there are several other techniques to analyze financial viability ratio analyses through light on almost all aspects of an organization. If one refers to funds flow and cash flow or cost volume profit type of analysis, the user get only specific application. But ratios are general purpose ad ready to interpret the strengths and weakness of any organization by comparing them with industry standards. Bharat Sanchar Nigam LTD is one of the leading Telecom network in both east and west Godavari districts in Andhra Pradesh. Thus application of various financial techniques in this type of organization for finding viability position and provides better scope for understanding the practical significance of the concept and also provides a challenging task in making suggestions to become a successful company.

OBJECTIVES OF THE STUDY:

The main objective of this study is to focus on various ratios of Bharat Sanchar Nigam LTD. For the last six years i.e2012-13 to 2017-18 with a view to find out the financial performance based on various ratios analyses. The study is more specified aimed.

- To study financial viability position of the company.
- To understand causes for change in the performance level of the company from time to time.
- To find out various kinds of ratios like liquidity ratios, profitability ratios etc.

SCOPE OF THE STUDY:

Each and every study has its own scope. The project intends to study the viability position of Bharat Sanchar Nigam LTD. This study helps to identify the areas that could be improved; further suggestions will be quoted which the company could use it in the further program enhancing better utilization of resources.

- The study has been conducted to understand the position of the organization and its functional areas and operations and industry.
- In financial analyses a ratio is used as a benchmark for evaluating the financial position and performance of firm.
- The absolute accounting figures reporting in the financial statements don't provide a meaningful understanding of the performance and financial position of a firm.
- An accounting figure conveys meaning when it is related to some other relevant information.

REVIEW OF LITERATURE:

Financial viability is the ability to generate sufficient income to meet operating payments, debt commitments and, where applicable, to allow growth while maintaining service levels.

- Dr.M. Dhanabhakym&SwapnaKurian (2012)³ in their Research Article “Profitability Analysis of Bharath 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.
- N.Swapna (2012)⁴in 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.
- Dr.Papori Baruah&Rashmi Baruah (2014)⁵concluded in their Research Article “Telecom Sector in India: Past, Present and Future” that the growth and development of Telecom sector of India has made it a key contributor in India's economic and social up gradation. Every functional division and service provider of Telecom Sector of the country is trying to provide world class telecom infrastructure in its area of operation to give services to its customers and so, helping the country to progress in the global scenario.
- Anshu Gupta (2015)⁶ 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.
- Ms.Pritish, Dr.TarunaSaxena (2015)⁷ 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.

The following methods of analysis are generally used:

- Comparative Statement
- Trend analysis
- Common Size Statement
- Cash Flow Analysis
- Ratio analysis

Ratio analysis: financial data automatically generated from data entered into the Financials worksheet

Trend Analysis: graphs automatically generated from data entered into the Financials worksheet. Organizations' must provide comment on significant or abnormal fluctuations.

In view of the requirements of the various users of ratios, it is divided into following important categories.

- 1) Liquidity ratios
- 2) Activity ratios
- 3) Profitability ratios
- 4) Earnings ratios

METHODOLOGY OF THE STUDY:

Every project work is based on certain methodology, which is a way to systematically solve the problem or attain its objectives. It is a very important guideline and lead to completion of any project work through observation, data collection and data analysis.

According to Clifford Woody, “Research Methodology comprises of defining & redefining problems, collecting, organizing & evaluating data, making deductions & researching to conclusions.”

Accordingly, the methodology used in the project is as follows: -

- Defining the objectives of the study,
- Framing of questionnaire keeping objectives in mind (considering the objectives)
- Feedback from the employees
- Analysis of feedback

Conclusion, findings and suggestions.

Sources of Data Collection:

Research will be based on two sources:

1. Primary data
2. Secondary data

In this study we collected the entire data from Secondary sources like books which are published, articles, internet, the company manuals and websites of company- www.bsnl.com. In order to reach relevant conclusion, research work needed to be designed in a proper way.

This research methodology also includes:-

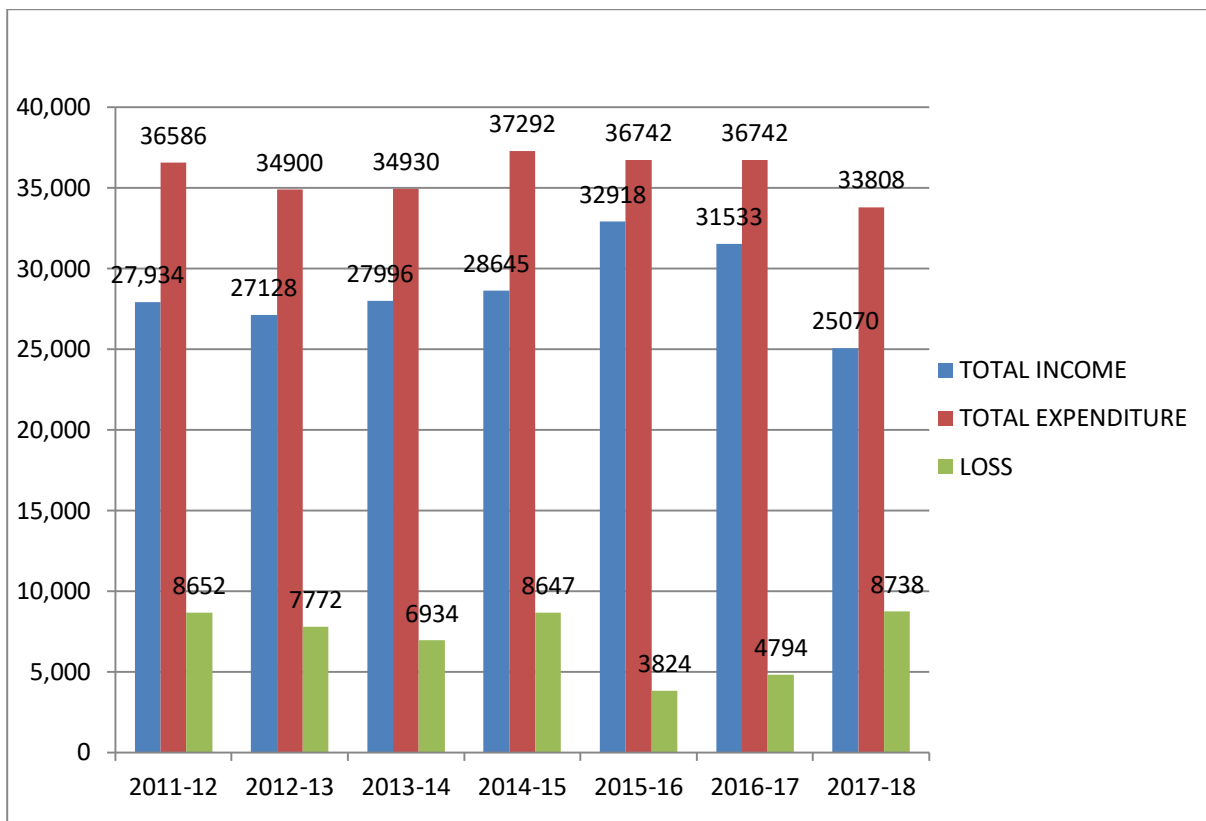
- Familiarization with the concept of finance and its various merits, demerits.
- Thorough study of the information collected.
- Conclusions based on findings.
- From the annual reports maintained by the company
- Data collected from company's website
- Books and journals pertaining to the topic

DATA ANALYSES:**5.1 FINANCIAL PERFORMANCE:**

(Rs. in Crores)

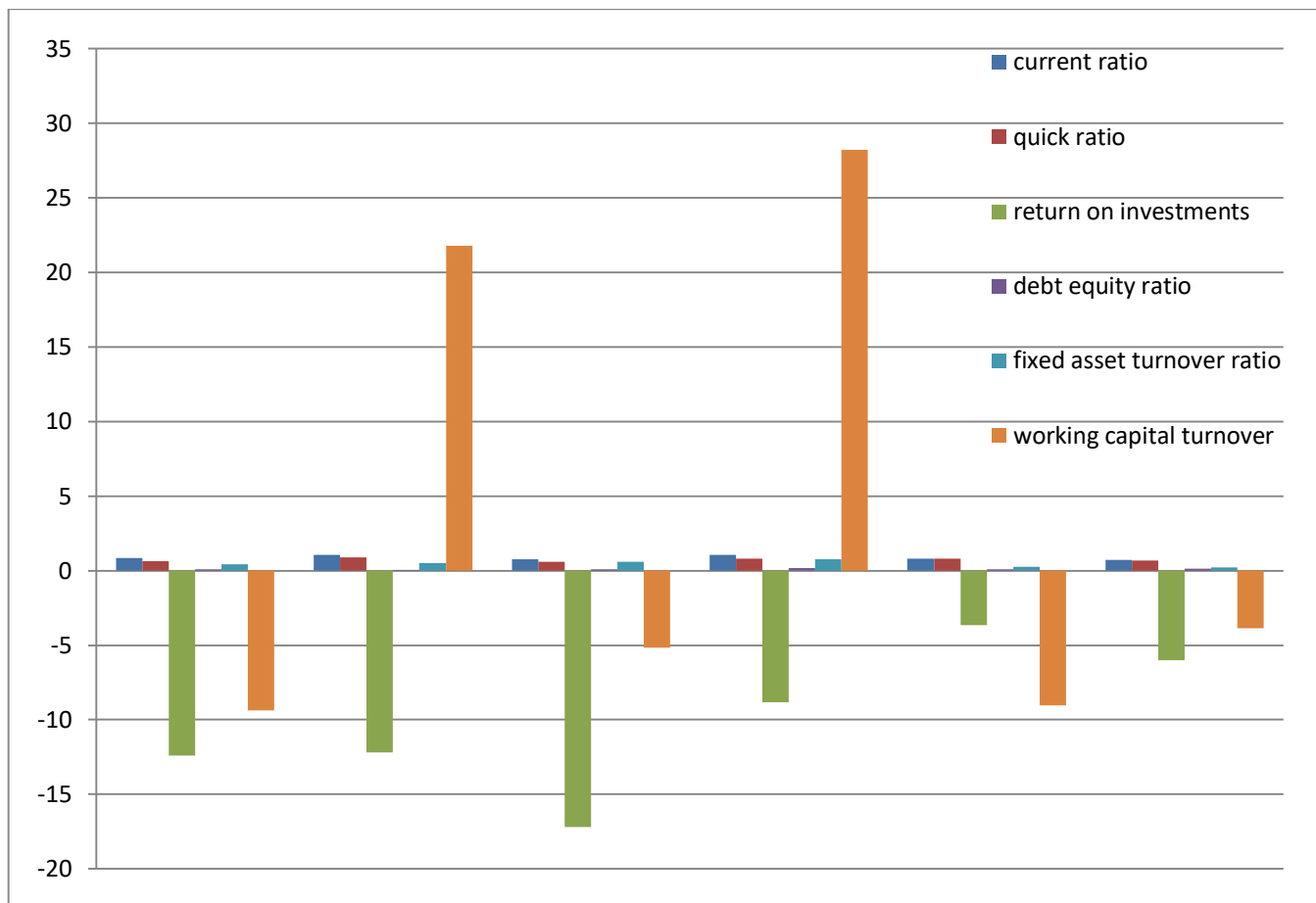
Financial Years	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Total Income	27,934	27,128	27,996	28,645	32,918	31,533	25,070
Total Expenditure	36,586	34,900	34,930	37,292	36,742	36,327	33,808

Profit/loss	(8652)	(7772)	(6934)	(8647)	(3824)	(4794)	(8738)
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PERFORMANCE BY WAY OF RATIOS:

Year	Current RATIO	QUICK RATIO	RETURN ON INVESTMENTS%	DEBT EQUITY RATIO	FIXED ASSET TURNOVER RATIO	WORKING CAPITAL TURNOVER RATIO
2012-13	0.85	0.65	(12.38)	0.090	0.42	(9.39)
2013-14	1.06	0.89	(12.20)	0.069	0.51	21.8
2014-15	0.75	0.59	(17.21)	0.073	0.61	(5.16)
2015-16	1.06	0.82	(8.83)	0.189	0.77	28.23
2016-17	0.82	0.81	(3.65)	0.099	0.27	(9.055)
2017-18	0.72	0.70	(6.02)	0.143	0.22	(3.86)



FINDINGS:

Following are the findings that I have made from this study:

- BSNL is making losses continuously for the past six years from 2013 to 2018 in the year 2018 the loss for the BSNL Company is Rs 7992.85 /-crores. The root cause for such a situation is loss in operating revenue and other incomes. i.e., in the year 2015-2016 is 4469.28 crores while it is 3129.71crores in the year 2016-17. Depreciation is a significant charge against operating revenue i.e., in the year 2015-16 it is 7135.11crores while it is 6330.42crores in the year 2016-2017.
- Looking into the total revenue from 2012-13 it is constantly increasing i.e., 27128crores to 31533crores in 2016-17 and then decreased in 2017-18 to 25070 crores. As total expenditure also random increasing i.e., in 2012-13 it is 34900 crores to 33808 crores in 2017-18 .It is not good but year 2017-18 (649100) in percentage terms it is reduced by 20.58% while comparing with 2012-13.
- BSNL has a current ratio in the financial year 2012-13 gone up to 0.85 times and it gradually increasing in year 2015-16 and then decreasing to 0.72 times in 2017-18 .Hence BSNL is maintaining a slightly a standard current ratio which is not a good sign of property.
- The quick ratio of BSNL is below acceptable norms 2:1. Comparing to 2013 and 2018 quick ratio has increased to 0.81 times in 2016-17 and gets decreased to 0.70 times in 2017-18. It shows that the absolute liquid assets of BSNL are not sufficient to meet the current liabilities.
- The debt equity ratio: lower the debt equity ratio, the higher the degree of protection enjoyed by the creditors. It has been increasing from 2012-13 to 2015-16 i.e., 0.09 % to 0.189% and then decreasing to 0.143% in 2017-18
- Highly dues of intra/inter circle transfer of funds which is leave our effect in liabilities side in balance sheet.
- Coordination's of departments are not satisfactory.
- Qualification of employees is not match his posts.
- Revenues policies of BSNL are not properly implied.
- Departmental process so long.
- Proper computerizing of department is not satisfactory.

SUGGESTIONS:

- Maximum reserves should be maintained by the organization
- It is high time for BSNL to improve their operating efficiency. They should concentrate on increasing both their operating revenues as well as other revenues.
- Depreciation is a significant charge against their operating profit, so that the company should take utmost good care in maintaining their fixed assets.
- BSNL should develop their customer base of mobile as well as broadband users as they are two major source of income. They should also try to improve revenue from other operators.
- BSNL should conduct a brand revitalization campaign which can attract more new users as well as maintain existing customers.
- They should concentrate on quality oriented mobile internet business as the era is shifting towards mobile computing and smart devices. They should optimize new investments and utilize their existing infrastructure maximum.
- BSNL need to be more competitive in terms of their services offered.
- BSNL can explore other areas to improve the revenue generation.
- Debt financing also will help the company to attain financial leverage as the financial expenses are reducing.
- The root cause for existing financial crisis is the unproductive investments.

CONCLUSION:

The study "FINANCIAL VIABILITY" is done by using some widely accepted tools and techniques. Within the constraints I believe the study served its purpose. It is understood that financial viability is worsening especially regarding their payments in time. The reason for such financial distress is not only the marginal efficiency, but also the huge competition in the industry. Other changing socio-economic variables are also affecting the performance of the company. The overall liquidity position of the BSNL is satisfactory during the entire period of the study. The solvency position of the BSNL is very good since its debt burden is low. The debt liability of BSNL abnormally declining and the proportionately equity has been increasing. It can be concluded that the BSNL is not generating sufficient revenues to satisfy interest expenses. It is also observed that the BSNL collecting their receivables more frequently throughout the year. The real assets created by the company purely out of internal accruals and surpluses will bring in considerable appreciation in the market value of these assets. BSNL is actively generating sales from its working capital, which is a positive indicator of future prospects of the organization. Almost in every year the BSNL incurring heavy losses due to over capitalization and underutilization of the existing assets. It is noticed that from the year 2015-16 onwards the company trying to improve the return on capital employed slowly. There is a urgent need to turn for return on capital employed from negative to positive and increase the return on capital employed ratio year after year otherwise the company would not survive successfully. The average earning per share during the period of the study is negative. It indicates that the poor profitability of the company. Thus, it is 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.

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- www.pwc.in

TEXT BOOKS:

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- RATIO ANALYSIS by F.M.MORLEY
- RATIO ANALYSIS FUNDAMENTALS –GOOGLE BOOKS
- FINANCIAL MANAGEMENT by I.M.PANDEY
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