



FINANCIAL PERFORMANCE ANALYSIS OF SELECT TELECOMMUNICATION COMPANIES

Mr. K. PONNUMANI ¹, Ms. K. NIVEDA ²

¹Assistant Professor, Department of Commerce
Dr. N.G.P Arts and Science College, Coimbatore

²Student, II M. Com, Department of Commerce
Dr. N.G.P Arts and Science College, Coimbatore

ABSTRACT

The present study focuses on the financial performance analysis of select telecommunication companies. Finance is one of the most important aspects of business. Financial performance analysis identifies the strength and weakness of a company. The study was based on the secondary data collected from the CMIE database. So it is necessary to determine the financial performance of a company by using various statistical tools and ratio analysis which were liquidity, solvency and profitability. And this will help to find the overall performance of select telecommunication companies.

KEYWORDS: Financial performance, Liquidity, Solvency, Profitability, ANOVA.

1.1 INTRODUCTION

Telecommunication networks are transmission systems enabling information to be transmitted in analogue or digital form between various different sites by means of electromagnetic or optical signals. The information may consist of audio or video data or some other type of data. India is the world's second largest telecommunication sector with a subscriber base of 1.16 billion and has registered strong growth in the last decade. The Indian mobile economy is growing rapidly and will contribute substantially to India's Gross Domestic Product (GDP). The total subscriber base stood at 1189.15 million in September 2021. Tele-density of rural subscribers reached 59.33% in September 2021, from the 58.96% recorded in September 2020. This increase indicates a potential demand growth from the rural sector.

1.2 STATEMENT OF THE PROBLEM

The financial performance is one of the important components used to analysis the actual position of a company. Financial position of a company is measured by the profitability of a company. As there is an increasing competition in telecommunication companies it is necessary to analysis the financial performance of select telecommunication companies in India. By the help of various tools to recognize the liquidity, profitability and solvency of a company. And how effectively the position of a company to meet their obligations.

1.3 SCOPE OF THE STUDY

A financial performance analysis will help to determine the profitability, solvency and liquidity of the company and also helps in assessing growth rate of the company. Financial performance ensuring whether the company are effectively contributing towards profitability. This present financial performance analysis will help to determine the

profitability, solvency and liquidity of the select telecommunication in India. Ratio analysis is a common method used in financial analysis these method helps to analysis the current position of the company.

1.4 OBJECTIVE OF THE STUDY

- To analyse the liquidity and solvency position of the select telecommunication companies in India.
- To determine the profitability position of the select telecommunication companies in India.
- To examine the financial performance of the select telecommunication companies in India.

1.5 RESEARCH METHODOLOGY

- The research design adopted for this project was a analytical approach which analysis the data collected and find the result and give solution according to the analysis from the data collected.
- List of companies select for the study as follows, they are Bharti Airtel Ltd, Vodafone Idea Ltd, Bharat Sanchar Nigam Ltd, Indus Towers Ltd, Tata Communication Ltd, Bharti Hexacom Ltd
- The study is based on the secondary data. The required data was taken from the CMIE prowess. Also various additional information that is required for the study is collect through various magazines, journals, books, reports and various websites.
- The study focuses on a period of 10 years from 2012-13 to 2020-21.
- The tools are used to measure the financial performance analysis of selecte telecommunication companies in India. The tools used to done the analysis is ratio analysis and ANOVA.

1.6 RESEARCH GAP

The majority of the previous studies concentrated in comparative financial analysis and impact of profitability or liquidity of particular telecommunication companies, only few analysis are focused on the financial performance of telecommunication companies in India. Major studies in telecommunication companies are based on particular company. There are only few analysis are taken more than five companies for the period of less than ten years.

1.7 LIMITATIONS

- The study is mainly carried out based on the secondary data provided in the websites.
- The period of study is limited to ten years only.
- The analysis carried through the select telecommunication companies in India

2.1 REVIEW OF LITERATURE

Soni (2018) conducted a study on the financial performance of JK cement of India using ratio analysis techniques.. The study showed that the current and quick ratios were below the standard but fulfilled its short-term liabilities. The debt-equity ratio was more than the standard level, and the inventory turnover ratio fluctuated in research periods. The study suggested that if the JK cement could not decrease the debt-equity ratio, it might be at risk of bankruptcy.

Mohmad Musshtaqkhan and Syed Khaja Safivddin (2016) undertook a study on liquidity and profitability performance analysis of selected telecom companies in India. The study period was five years from 2010-11 to 2015-16. The profitability ratios showed that return on assets was higher for Vodafone than that of Bharti Airtel which means former had higher rate of profits and in terms of return on equity also Vodafone performed far better than Bharti Airtel.

John Thomas and Ramesh Damarla (2012) in their study diagnosed financial performance of BSNL for the period of nine years from 2002-03 to 2010-11. The researchers found strong liquidity position during the study period. The study also found that profitability of BSNL was highly fluctuating during the study period. Its net profit ratio was good but during the last two years net profit ratio of BSNL was negative.

3.1 THEORETICAL FRAMEWORK

India's telecommunication network is the second largest in the world by number of telephone users (both fixed and mobile phone) with 1179.49 million subscribers as on 31 January 2021. It has one of the lowest call tariffs in the world enabled by mega telecom operators and hyper-competition among them. India has the world's second-largest Internet user-base with 747.41 million broadband internet subscribers in the country.

Major sectors of the Indian telecommunication industry are telephone, internet and television broadcast industry in the country which is in an ongoing process of transforming into next generation network, employs an extensive system of modern network elements such as digital telephone exchanges, mobile switching centres, media gateways and signalling gateways at the core, interconnected by a wide variety of transmission systems using fibre-optics or Microwave radio relay networks. The access network, which connects the subscriber to the core, is highly diversified with different copper-pair, optic-fibre and wireless technologies. DTH, a relatively new broadcasting technology has attained significant popularity in the Television segment. The introduction of private FM has given a fillip to the radio broadcasting in India.

4.1 DATA ANALYSIS AND INTERPRETATION

4.1 LIQUID RATIO

It is a ratio expresses the relationship in between the liquid assets and current liabilities. It considers only the liquid assets which can be easily converted into cash to meet out the financial commitments.

Table - 4.1.1 showing Liquid Ratio of select Telecommunication Companies

YEAR	AIRTEL	VODAFONE	BSNL	INDUS LTD	TATA	BHARTI HEXACOM
2011-12	0.19	0.18	0.78	0.24	0.47	1.53
2012-13	0.20	0.32	0.70	1.36	0.61	1.98
2013-14	0.18	0.18	0.88	1.55	0.65	1.18
2014-15	0.28	0.80	0.64	1.54	0.52	0.05
2015-16	0.22	0.21	0.57	3.49	0.68	0.24
2016-17	0.23	0.34	0.54	0.99	0.63	0.16
2017-18	0.20	0.69	0.70	3.83	0.67	0.11
2018-19	0.15	0.23	0.50	2.23	0.56	0.06
2019-20	0.45	0.15	0.61	1.22	0.57	0.21
2020-21	0.41	0.16	0.61	0.66	0.79	0.16
MIN	0.15	0.15	0.50	0.24	0.47	0.05
MAX	0.45	0.80	0.88	3.83	0.79	1.98
AVERAGE	0.25	0.33	0.65	1.71	0.62	0.57
S.D	0.10	0.23	0.12	1.16	0.09	0.72
CV	0.40	0.71	0.18	0.68	0.15	1.26
CAGR	8.09	-1.20	-2.49	10.68	5.31	-20.33

INTERPRETATION

From the liquid ratio analysis, the highest average of 1.71 has found in Indus ltd and the lowest average of 0.25 has found in Airtel. The highest CAGR of 10.68 has seen in TATA and the lowest value of -2.49 has seen in BSNL.

4.1.1.1 ANOVA

Ho : There is no mean difference between liquid ratio and select Telecommunication companies.

Table 4.1.2.2 Analysis of Variance Test for Liquid Ratio

		Sum Squares	df	Mean Square	F	Sig.
Liquid ratio	Between Groups	13.876	5	2.775	8.412	0.000
	Within Groups	17.487	53	0.330		
	Total	31.363	58			

INTERPRETATION

Since the calculated significant value is lesser than 0.05 at significant level of 5% so we reject the null hypothesis so there is a mean difference between liquid ratio of select Telecommunication companies.

4.2 TOTAL DEBT TO TOTAL ASSETS

Debt ratio is a financial ratio that is used in measuring a company's financial leverage. It is calculated by taking the total liabilities and dividing it by total capital. If the debt ratio is higher, it represents the company is riskier. The long-term debts include bank loans, bonds payable, notes payable etc.

YEAR	AIRTEL	VODAFONE	BSNL	INDUS LTD	TATA	BHARTI HEXACOM
2011-12	0.45	0.60	0.41	0.19	0.57	0.23
2012-13	0.46	0.61	0.44	0.22	0.55	0.25
2013-14	0.41	0.65	0.43	0.24	0.55	0.34
2014-15	0.46	0.63	0.48	0.25	0.54	0.54
2015-16	0.42	0.69	0.26	0.19	0.32	0.27
2016-17	0.50	0.76	0.28	0.25	0.36	0.32
2017-18	0.53	0.74	0.32	0.14	0.38	0.39
2018-19	0.58	0.75	0.43	0.14	0.37	0.50
2019-20	0.67	0.96	0.58	0.33	0.41	0.81
2020-21	0.73	1.17	0.59	0.68	0.39	0.87
MIN	0.41	0.60	0.26	0.14	0.32	0.23
MAX	0.73	1.17	0.59	0.68	0.57	0.87
AVERAGE	0.52	0.76	0.42	0.26	0.44	0.45
S.D	0.11	0.18	0.11	0.16	0.10	0.23
CV	0.21	0.24	0.27	0.59	0.22	0.51
CAGR	4.89	6.88	3.68	13.85	-3.66	14.23

INTERPRETATION

From the debt to assets ratio analysis, the highest average of 0.76 has found in Vodafone and the lowest average of 0.26 has found in Indus ltd. The highest CAssGR of 14.23 has seen in Bharti Hexacom. and the lowest value of -3.66 has seen in TATA.

4.2.1.1 ANOVA

Ho : There is no mean difference between debt to asset ratio and select Telecommunication companies.

Table 4.2.1.2 Analysis of Variance Test for Debt to Assets Ratio

		Sum Squares	df	Mean Square	F	Sig.
Debt to Assets	Between Groups	1.309	5	0.262	10.887	0.000
	Within Groups	1.275	53	0.024		
	Total	2.584	58			

INTERPRETATION

Since the calculated significant value is lesser than 0.05 at significant level of 5% so we reject the null hypothesis so there is a mean difference between debt to assets ratio of select Telecommunication companies.

4.3 NET PROFIT

Net profit is the measurement of a company's profit once operating costs, taxes, interest and depreciation have all been subtracted from its total revenues. The term is often referred to as a company's 'bottom line' and may also be described as 'net earnings' or 'net income'.

Table - 4.3.1 showing Net Profit Ratio of select Telecommunication Companies

YEAR	AIRTEL	VODAFONE	BSNL	INDUS LTD	TATA	BHARTI HEXACOM
2011-12	13.77	2.99	-33.96	8.59	4.19	17.81
2012-13	11.24	3.71	-30.62	20.84	10.76	15.88
2013-14	13.10	6.47	-26.74	21.10	12.20	14.84
2014-15	23.70	8.99	-31.21	49.13	15.59	22.96
2015-16	12.90	7.39	-18.39	22.85	8.04	19.83
2016-17	-15.94	-2.36	-17.34	43.62	13.10	12.88
2017-18	0.15	-16.03	-34.90	36.47	5.05	-2.54
2018-19	-3.77	-38.19	-83.65	40.74	-8.17	-19.98
2019-20	-66.44	-163.59	-89.35	25.92	3.59	-70.12
2020-21	-39.17	-111.09	-43.90	23.93	15.31	-22.46
MIN	-66.44	-163.59	-89.35	8.59	-8.17	-70.12
MAX	23.70	8.99	-17.34	49.13	15.59	22.96
AVERAGE	-5.05	-30.17	-41.01	29.32	7.97	-1.09
S.D	28.24	59.56	25.23	12.61	7.20	29.23
CV	-5.60	-1.97	-0.62	0.43	0.90	-26.79
CAGR	0	0	2.60	10.79	13.84	0

INTERPRETATION

From the net profit ratio analysis, the highest average of 29.32 has found in Indus ltd and the lowest average of -41.01 has found in BSNL. The highest CAGR of 13.84 has seen in TATA and the lowest value of 2.60 has seen in BSNL.

4.3.1.1 ANOVA

Ho : There is no mean difference between net profit ratio and select Telecommunication companies.

Table 4.3.1.2 Analysis of Variance Test for Net Profit Ratio

		Sum Squares	df	Mean Square	F	Sig.
Net profit ratio	Between Groups	32305.140	5	6461.028	6.300	0.000
	Within Groups	54351.500	53	1025.500		
	Total	86656.640	58			

INTERPRETATION

Since the calculated significant value is lesser than 0.05 at significant level of 5% so we reject the null hypothesis so there is a mean difference between net profit ratio of select Telecommunication companies.

4.4 RETURN ON INVESTMENT RATIO

Return on investment (ROI) is a performance measure used to evaluate the efficiency or profitability of an investment or compare the efficiency of a number of different investments. ROI tries to directly measure the amount of return on a particular investment, relative to the investment's cost. To calculate ROI, the benefit (or return) of an investment is divided by the cost of the investment. The result is expressed as a percentage or a ratio.

YEAR	AIRTEL	VODAFONE	BSNL	INDUS LTD	TATA	BHARTI HEXACOM
2011-12	14.17	7.75	-7.84	4.03	3.45	23.93
2012-13	12.26	8.15	-7.58	6.51	5.94	22.09
2013-14	13.06	9.92	-7.85	7.10	7.55	19.90
2014-15	16.78	13.14	-11.93	15.29	7.56	28.43
2015-16	8.91	9.05	-2.61	8.77	10.39	22.17
2016-17	-1.15	3.36	-3.25	19.50	18.99	15.34
2017-18	3.99	-1.85	-6.38	18.46	7.78	0.17
2018-19	3.39	-3.98	-12.10	23.06	-1.98	-12.78
2019-20	-18.36	-29.25	-12.24	16.65	8.90	-54.39
2020-21	2.31	-17.72	-3.47	14.84	12.97	-5.40
MIN	-18.36	-29.25	-12.24	4.03	-1.98	-54.39
MAX	16.78	13.14	-2.61	23.06	18.99	28.43
AVERAGE	5.54	-0.14	-7.53	13.42	8.15	5.95
S.D	10.26	13.66	3.70	6.40	5.54	25.36
CV	1.85	-95.33	-0.49	0.48	0.68	4.27
CAGR	-16.60	0	-7.82	13.93	14.16	0

INTERPRETATION

From the return on investment ratio analysis, the highest average of 13.42 has found in Indus Ltd and the lowest average of -7.53 has found in BSNL. The highest CAGR of 14.16 has seen in TATA and the lowest value of -16.60 has seen in Airtel.

4.4.1.1 ANOVA

Ho : There is no mean difference between return on investment ratio and select Telecommunication companies.

Table 4.4.1.2 Analysis of Variance Test for Return on Investment Ratio

		Sum Squares	df	Mean Square	F	Sig.
Return on Investment	Between Groups	2607.463	5	521.493	3.010	0.018
	Within Groups	9183.669	53	173.277		
	Total	11791.132	58			

INTERPRETATION

Since the calculated significant value is lesser than 0.05 at significant level of 5% so we reject the null hypothesis so there is mean difference between return on investment ratio of select Telecommunication companies.

5.1 FINDINGS

- In liquidity ratio the highest average found in Indus Ltd, and the lowest average found in BSNL, Airtel and Vodafone. The maximum growth rate was seen in TATA and the lowest was seen in Bharti Hexacom and BSNL
- In solvency ratio the highest average found in Vodafone and the lowest average found in Indus Ltd. The maximum growth rate was seen in Bharti Hexacom and the lowest was seen in TATA.
- In profitability ratio the highest average found in Indus Ltd and the lowest average found in BSNL and Vodafone. The maximum growth rate was seen in TATA and the lowest was seen in BSNL and Airtel.
- There is a mean difference between liquidity, solvency, efficiency and profitability ratios and select telecommunication companies except working capital turnover ratio, inventory turnover ratio and return on shareholders fund ratio. So there is no mean difference between working capital turnover ratio, inventory turnover ratio and shareholders fund ratio of select telecommunication companies.

5.2 SUGGESTIONS

- The liquidity ratio is used to measure the companies ability to pay its current liabilities. The Indus ltd has enough sources to meet the current obligation. And other companies TATA and Bharti Hexacom want to maintain the ideal ratio to pay off their current obligations.
- Solvency reflects the firms position and ability to managing meet long term obligations.. The Vodafone has a high level of solvency it signifies that more use of debt funds for purchasing.. So want to minimise their debts and also need to pay down the loans and increase profitability.
- Profitability measures the companies financial performance and the highest profitability ratio reflects that the company has gaining profitability from the investment.. Indus ltd has a high profitability ratio and BSNL has a low level of profitability and other companies Airtel, Vodafone, TATA and Bharti Hexacom have a satisfactory level of profitability.
- BSNL has low level of profitability it indicates the higher funds are being incurred in order to manage the fund and the company need to reduce their expenses. So they try to improve their sales and increase the profit level.

5.3 CONCLUSION

Based on the analysis of financial performance of select telecommunication companies in India over a last 10 years, from 2011 to 2012. It is important for every companies to maintain good liquidity and solvency position to meet their short term and long term obligations. It is observed that Indus ltd has good liquidity and solvency position. BSNL and Vodafone are not satisfactory position and other companies have moderate level of liquidity and solvency position. The efficiency position indicates how well a company managing its assets. It is found that the Bharti Hexacom and TATA have utilising their assets efficiently and other companies have to improve their efficiency level. Without profitability the business will not survive in the long run. From the analysis it is noted that Indus ltd has the high level of profitability and BSNL, TATA, Bharti Hexacom, Airtel and Vodafone has low profitability level this is due to inadequate revenue and excessive operating costs. It is conclude that the financial performance of the companies is satisfactory level. In the day to day life pepole's can't ignore the telecommunication services to communicate. And India has a tremendous growth in telecommunication.

REFERENCE

1. Soni, S. (2018). A study on the financial performance of JK cement, International Journal of Research and Review, I(5), p. 115-119.
2. Mohmad Mushtaq khan and Syed Khaja Safiuddin. 2016. "Liquidity and Profitability Performance Analysis of Selected Telecom Companies". Anveshana's International Journal of Research in Regional Studies, Law, Social Sciences. Vol.1, No.8, pp. 365 – 376.
3. John Thomas and Ramesh Damarla. (2012). "Diagnosing BSNL as a Business – Performance Analysis of Fully Owned Government Company- A Case Study of Bharat Sanchar Nigam Ltd". The Management Account. pp.558-564.