



A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF BHARAT SANCHAR NIGAM LIMITED

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ABSTRACT

Financial performance analysis is the most useful technique which enables financial manager to take rational decisions from time to time, keeping in view the objective of the company. It relies on the comparisons or relationship of the data that brings the utility or the practical value of the accounting information. This analysis consists in applying various analytical tools and techniques to the financial data. Financial analysis provides for analyzing financial conditions and performance of a company. This paper will be present study the short-term solvency performance analysis, the long-term solvency performance analysis, turnover performance analysis and profitability performance analysis of Bharat Sanchar Nigam Limited.

KEYWORDS: Financial Performance analysis, short-term solvency, the long-term solvency, turnover performance analysis, profitability analysis and Bharat Sanchar Nigam Limited.

INTRODUCTION

Financial performance analysis of a company shows how successful a business has been in achieving its aim. The importance of financial analysis has increased manifold in recent years. It helps in critically analyzing and interpreting the current and prospective earning capacity and financial strength of a business. The process of this analysis and interpretation employs certain and technique to systematically measures the trend of a business. Globalization, liberalization and privatization are the three most spoken words in today's world. These initiatives paved way for all-round reforms, especially in developing economies, like India. These countries realized that development of effective and efficient means of communications and information technology is important to push them onto the path of development. The growth of the telecom sector in India during post-liberalization has been phenomenal. This research aims to throw light on the factors that contributed to growth in the segment and presents an insight on the present status of Bharat Sanchar Nigam Limited.

Financial management is an essential part of the economic and non-economic activities which leads to decide the efficient procurement and utilization of finance with profitable manner. In the olden days the subject Financial Management was a part of accountancy with the traditional approaches. Now a days it has been enlarged with innovative and multi-dimensional functions in the field of business with the effect of industrialization, Financial Management has become a vital part of the business concern and they are concentrating more in the field of Financial Management. Financial Management also developed as corporate finance, business finance, financial economics, financial mathematics and financial engineering. Understanding the basic concept about the financial management becomes an essential



part for the students of economics, commerce and management. Financial performance analysis is the most useful technique which enables financial manager to take rational decisions from time to time, keeping in view the objective of the company. It relies on the comparisons or relationship of the data that brings the utility or the practical value of the accounting information. This analysis consists in applying various analytical tools and techniques to the financial data. Financial analysis provides for analyzing financial conditions and performance of a company.

REVIEW OF LITERATURE

Deo, Anand (2017) in his study evident that telecom sector holds immense opportunities across entire India and below listed findings will help the industry take the speedy path towards growth, Penetration of rural markets (72% of population staying in rural areas) will be the key growth driver, National telecommunication policy 2012 proposes unified licensing, full MNP (Mobile number portability) and free roaming, Outsourcing non-core functions such as network maintenance, IT operations and customer service, Divestment of tower assets into separate companies will enable curb costs and focus on core operations, Introduce new and efficient technologies such as M2M and cloud computing, Benefits of industry status in line with other infrastructure sectors in the country to be implemented.

Jan, Sumaira (2016) in the study founded that as the low values for the liquidity ratios indicates that a firm may have difficulty in meeting current obligations. Thus, it is better for them to increase their liquidity ratio by using long term financing rather than cash on hand to acquire inventory or selling unnecessary assets, A profitability ratio is a measure of profitability, which is a way to measure a company's performance. Profitability is simply the capacity to make a profit. The firms can improve their profits by improving customers demand and minimizing costs help increase in profitability ratios, the companies can make Solvency Ratios more secure either by paying off debt or increasing the amount of earnings retained in the business until after balance sheet date. As the higher ratio indicates a possible overuse of leverage, and it may indicate potential problems meeting the debt payments.

Dhevika, Dr VPT, Latasri, dr OTV and Gayathri, H (2013) in the study studied that the financial performance of City Union Bank for a period of five years from 2007-08 to 2011-12, the study reveals that the financial performance is better. City Union Bank has been able to maintain optimal cost positioning. Despite price drops in various products, the company has been able to maintain and grow its market share to make strong margins in market, contributing to the strong financial position of the bank. The bank was able to meet its entire requirements for capital expenditures and higher level of working capital commitment with higher volume of operations and from its operating cash flows.

OBJECTIVES OF THE STUDY

1. To study the short-term solvency performance analysis of Bharat Sanchar Nigam Limited.
2. To study the long-term solvency performance analysis of Bharat Sanchar Nigam Limited.
3. To study the turnover performance analysis of Bharat Sanchar Nigam Limited.
4. To study the profitability performance analysis of Bharat Sanchar Nigam Limited.

LIMITATIONS OF THE STUDY

1. All data of Bharat Sanchar Nigam Limited is shown just for the last five years, ending march 2017. Hence, any uneven trend before the set period will be the limitation of the study.
2. The study is based mainly on secondary data only.
3. The study is based on monetary information, the non-monetary factors ignored.

RESEARCH METHODOLOGY

The present study is mostly based on secondary data. The data are collected from various annual report of Bharat Sanchar Nigam Limited. Statistical technique like mean and accounting techniques like ratio analysis have been used. The period of the study is five years from 2012-13 to 2016-17.

Data Analysis:

1. Current Ratio: Its establishes relationship between current assets and current liabilities of the firm. Generally current ratio if 2:1 is considered as an ideal ratio i.e. current assets must be double than the current liabilities.

$$\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$$

Table No. 1
Current Ratio of Bharat Sanchar Nigam Limited

Amounts in Rs. Lacs

Years	Current Assets	Current Liabilities	Current Ratio
2012-13	16,55,204	19,44,007	0.85
2013-14	21,22,331	19,94,332	1.06
2014-15	17,05,246	22,60,356	0.75
2015-16	19,68,889	18,52,307	1.06
2016-17	15,88,828	19,37,048	0.82
Average	18,08,099.60	19,97,610	0.91

Sources: Various Annual Reports of BSNL

Interpretation

The table 1 indicated that current ratio of Bharat Sanchar Nigam Limited from 2012-13 to 2016-17. The current ratio kept on fluctuated during the study period. Liquidity position of Bharat Sanchar Nigam Limited was at its maximum in the year 2013-14 and 2015-16 depicting a positive sign to pay of its debts. But there's current ratio is too low then the standard norms 2:1.

2. Debt-Equity Ratio: This ratio establishes relationship between long term debts and shareholder's funds of the concern. the ideal ratio is 2:1 or less than it since a higher ratio will indicate danger sign for the lenders.

$$\text{Debt Equity Ratio} = \text{Debt} / \text{Equity}$$

Table No. 2
Debt-Equity Ratio of Bharat Sanchar Nigam Limited

Amounts in Rs. Lacs

Years	Long Term Debts	Shareholders' Funds	Debt-Equity Ratio
2012-13	12,61,051	63,63,873	0.20
2013-14	11,85,680	57,53,332	0.21
2014-15	3,78,534	47,84,940	0.08
2015-16	8,31,061	43,91,307	0.19
2016-17	13,99,368	97,64,424	0.14
Average	10,11,138.80	62,11,575.20	0.16

Sources: Various Annual Reports of BSNL

Interpretation

The table 2 indicated that debt equity ratio of Bharat Sanchar Nigam Limited from 2012-13 to 2016-17. The debt equity ratio kept on fluctuating during the study period. Trading on equity of Bharat Sanchar Nigam Limited was at its maximum in the year 2013-14. Generally, debt equity ratio of 2:1 is considered safe.

3. Proprietary Ratio: Sometimes, this ratio is called as equity ratio. It depicts the portion of shareholders in the long-term funds of the firm.

$$\text{Proprietary Ratio} = \text{Shareholder's Funds} / \text{Total Tangible Asset}$$

Table No. 3
Proprietary Ratio of Bharat Sanchar Nigam Limited

Amounts in Rs. Lacs

Years	Shareholders' funds	Total Assets	Proprietary Ratio
2012-13	63,63,873	95,68,931	0.66
2013-14	57,53,332	89,33,344	0.64
2014-15	47,84,940	74,23,830	0.65
2015-16	43,91,307	70,74,675	0.62
2016-17	97,64,424	1,31,03,840	0.74
Average	62,11,575.20	92,20,924	0.66

Sources: Various Annual Reports of BSNL

Interpretation

The table 3 indicated that proprietary ratio of Bharat Sanchar Nigam Limited from 2012-13 to 2016-17. In 2016-17 there was maximum shareholder funds ratio which was 0.74. It means out of 100%, 74% was only internal liabilities and remaining only 26% was external liabilities.

4. Trade Receivables Turnover Ratio: This Ratio also indicated the managerial efficiency. This is calculated to know the effectiveness of credit policy and receivable management of a firm. This establishes relationship between net credit sales and average debtors of the business.

$$\text{Trade Receivables Turnover Ratio} = \text{Net Credit Revenue from operation} / \text{Average trade Receivables}$$

Table No. 4
Trade Receivables Turnover Ratio of Bharat Sanchar Nigam Limited

Amounts in Rs. Lacs

Years	Net Credit Revenue from Operations	Average Trade Receivables	Trade Receivables Ratio
2012-13	25,65,481	3,45,778.50	7.42
2013-14	26,15,326	2,85,798.50	9.15
2014-15	27,24,223	2,54,459.00	10.71
2015-16	28,44,942	2,47,087.50	11.51
2016-17	28,40,373	2,85,698.50	9.94
Average	27,18,069	2,83,764.40	9.75

Sources: Various Annual Reports of BSNL

Interpretation

The table 4 indicated that trade receivables turnover ratio of Bharat Sanchar Nigam Limited from 2012-13 to 2016-17. The trade receivables turnover ratio kept on fluctuating during the study period. In 2015-16 there was maximum trade receivables turnover ratio which was 11.51 times. It means debts were being realized quickly and no unnecessary funds are blocked in them.

5. Total Assets Turnover Ratio. This ratio depicts the number of times the turnover of business covers the amount invested in its total assets. If this ratio is not adequate, the return of investments would certainly be lower in other words, profits will go down. The reason for this is the effect of total assets turnover ratio will certainly be felt on the rate of return on investments.

$$\text{Total Assets Turnover ratio} = \text{Cost of Revenue from Operation} / \text{Total Assets}$$

Table No. 5
Total Assets Turnover Ratio of Bharat Sanchar Nigam Limited

Amounts in Rs. Lacs

Years	Cost of Revenue from Operations	Total Assets	Total Assets Turnover Ratio
2012-13	34,90,043	95,68,931	0.36
2013-14	34,92,260	89,33,344	0.39
2014-15	37,29,210	74,23,830	0.50
2015-16	37,64,272	70,74,675	0.53
2016-17	36,32,665	1,31,03,840	0.28
Average	36,21,690	92,20,924	0.41

Sources: Various Annual Reports of BSNL

Interpretation

The table 5 indicated that total assets turnover ratio of Bharat Sanchar Nigam Limited from 2012-13 to 2016-17. In 2015-16 there was maximum total assets turnover ratio which was 0.53 times. It means the rate of return on investments was highest.

6. Operating Profit Ratio. This ratio shows how much income is generated through operating activities of the business under normal condition. Sometimes net profit ratio does not give fair picture of the earning capacity of the business since many non-operating losses and gains are included while calculating this ratio.

$$\text{Operating Profit Ratio} = \text{Net operating Profit} / \text{Net Revenue from Operation} * 100$$

Table No. 6
Operating Profit Ratio of Bharat Sanchar Nigam Limited

Amounts in Rs. Lacs

Years	Operating Profit	Net Revenue from Operations	Operating Profit Ratio (%)
2012-13	-9,24,562	25,65,481	-36.04
2013-14	-8,77,934	26,15,326	-33.57
2014-15	-10,04,987	27,24,223	-36.89
2015-16	-8,29,330	28,44,942	-29.15
2016-17	-7,92,292	28,40,373	-27.89
Average	-8,85,821	27,18,069	-32.71

Sources: Various Annual Reports of BSNL

Interpretation

The table 6 indicated that operating profit ratio of Bharat Sanchar Nigam Limited from 2012-13 to 2016-17. It helps in determining the operating efficiency of business. Highest operating loss was 36.04% in 2012-13. It was decrease regularly expect 2014-15, but it was increase in 2016-17 also.

7. Net Profit Ratio: This is the ratio of net profit to net revenue from operations. Net profit is used to measure the overall profitability of business. It is considered an indicator of the success of management to operate the business successfully.

$$\text{Net Profit Ratio} = \text{Net Profit} / \text{Net Revenue from Operations} * 100$$

Table No. 7
Net Profit Ratio of Bharat Sanchar Nigam Limited

Amounts in Rs. Lacs

Years	Net Profit	Net Revenue from Operations	Net Profit Ratio (%)
2012-13	-7,88,444	25,65,481	-30.73
2013-14	-7,01,976	26,15,326	-26.84
2014-15	-8,23,409	27,24,223	-30.23
2015-16	-3,87,992	28,44,942	-13.64
2016-17	-4,78,604	28,40,373	-16.85
Average	-6,36,085	27,18,069	-23.66

Sources: Various Annual Reports of BSNL

Interpretation

The table 7 indicated that net profit ratio of Bharat Sanchar Nigam Limited from 2012-13 to 2016-17. It helps in determining the overall efficiency of business. Highest net loss was 30.73% in 2012-13. It was decrease regularly expect 2014-15, but it was increase in 2016-17 also.

8. Return on capital Employed Ratio: This ratio is the most important ratio based on investments. With the help of this ratio, we can know how much capital is employed in the business and how much returns are earned therefrom. This can be calculated as under:

$$\text{Return on capital employed} = \text{Profit before Interest \& Taxes} / \text{Capital Employed} * 100$$

Table No. 8
Return on Capital Employed Ratio of Bharat Sanchar Nigam Limited

Amounts in Rs. Lacs

Years	Profit Before Interest & Taxes	Capital Employed	Return on Capital Employed Ratio (%)
2012-13	-7,42,107	76,24,924	-9.73
2013-14	-6,71,361	69,39,012	-9.67
2014-15	-8,14,501	51,63,474	-15.77
2015-16	-3,28,063	52,22,368	-6.28
2016-17	-4,64,642	1,11,63,792	-4.16
Average	-6,04,134.80	72,22,714	-9.12

Sources: Various Annual Reports of BSNL

Interpretation

The table 8 indicated that return on capital employed ratio of Bharat Sanchar Nigam Limited from 2012-13 to 2016-17. This ratio helps the management in finding out with how much efficiency capital employed in business is being used. There was negative return in all years, but highest was in 2014-15 which was -15.77%.

9. Return on Shareholder's Funds: This ratio shows what would be the return on the investment in the business by shareholders.

$$\text{Return on Shareholder's Funds} = \text{Net profit Taxes} / \text{Shareholder's Funds} * 100$$

Table No. 9
Return on Shareholders' Fund Ratio of Bharat Sanchar Nigam Limited

Amounts in Rs. Lacs

Years	Profit After Taxes	Shareholders' Fund	Return on Shareholders' Fund Ratio (%)
2012-13	-7,88,444	63,63,873	-12.39
2013-14	-7,01,976	57,53,332	-12.20
2014-15	-8,23,409	47,84,940	-17.21
2015-16	-3,87,992	43,91,307	-8.83
2016-17	-4,78,604	97,64,424	-4.90
Average	-6,36,085	62,11,575.20	-11.11

Sources: Various Annual Reports of BSNL

Interpretation

The table 9 indicated that return on shareholder's fund ratio of Bharat Sanchar Nigam Limited from 2012-13 to 2016-17. This ratio reveals how profitably the proprietor's funds have been utilized by the company. There was negative return in all years, but highest was in 2014-15 which was -17.21%.

10. Earnings Per share (EPS): This ratio is very important from the point of view of equity shareholders. This ratio expresses the income available to equity shareholders in the form of earning per share.

$$\text{EPS} = \text{Net Income Available for Equity Shareholders} / \text{Number of Equity Share}$$

Table No. 10
Earnings Per Share of Bharat Sanchar Nigam Limited

Amounts in Rs. Lacs

Years	Earnings Available for Equity Shareholders	No. of Equity Shares	Earnings Per Share (Rs.)
2012-13	-7,88,444	50,000	-15.77
2013-14	-7,01,976	50,000	-14.04
2014-15	-8,23,409	50,000	-16.47
2015-16	-3,87,992	50,000	-7.76
2016-17	-4,78,604	50,000	-9.57
Average	-6,36,085	50,000	-12.72

Sources: Various Annual Reports of BSNL

Interpretation

The table 10 indicated that earning per share of Bharat Sanchar Nigam Limited from 2012-13 to 2016-17. It is helpful in the determination of the market price of the equity share of company. There was negative return in all years, but highest was in 2014-15 which was -16.47.

CONCLUSION AND FINDING:

The short-term financial position of Bharat Sanchar Nigam Limited is not sound because its average current ratio of last five years ended 2016-17 is 0.91:1, which is not more than the ideal ratio of 2:1. In 2013-14 and 2015-16 current ratio is 1.06:1, it means here company is in position to pay its current liabilities. Here, long-term loans of last five years ended 2016-17 are 0.16 in comparison to shareholder's fund. It shows that the long-term financial position of the company is sound. Shareholder's fund of this company of last five years ended 2016-17 are 66% in comparison to total assets of the company. 66% of total assets of the company are funded by shareholder's fund which indicates that the long-term financial position of the company is very good. Trade receivables turnover ratio indicates the speed with which the amount is collected from debtors. Highest trade receivables turnover ratio is 11.51 times in 2015-16. It means the amount from debtors is being collected more quickly. Highest total assets turnover ratio is 0.53 times in 2015-16. It shows that total assets have not been used as efficiently. Operating profit ratio and net profit ratio of last five years ended 2016-17 respectively are -32.71% and -23.66%. It indicates that the overall efficiency is better than operating efficiency of this company. Return on capital employed ratio helps the management in finding out with how much efficiency capital employed in business is being used. There was negative return in all years, but highest was in 2014-15 which was -15.77%. Return on shareholder's fund ratio reveals how profitably the proprietor's funds have been utilized by the company. There was negative return in all years, but highest was in 2014-15 which was -17.21%. Earning per share is helpful in the determination of the market price of the equity share of company. It is also helpful in estimating the capacity of the company to declare dividends on equity shares. There was negative return in all years, but highest was in 2014-15 which was -16.47.

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