



MEASURING THE FINANCIAL PERFORMANCE OF BHARAT SANCHAR NIGAM LTD. IN BHOPAL USING RATIO ANALYSIS

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ABSTRACT:

This study use ratio analysis to evaluate Bharat Sanchar Nigam Ltd.'s (BSNL) financial standing in Bhopal. Financial health was assessed by looking at liquidity, profitability, and solvency measures for 2018, 2019, and 2020. The ratio research showed that BSNL has serious money problems since the company's liquidity, profitability, and solvency ratios are all poor. A fall in the company's current ratio and quick ratio over time indicates that meeting short-term commitments may be difficult for BSNL. The company has been losing money and failing to generate positive returns for its investors since its net profit margin ratio, return on assets ratio, and return on equity ratio are all below zero. The increasing debt-to-equity ratio, debt-to-total-assets ratio, and interest coverage ratio all indicate that the company is more dependent on debt financing rather than equity funding. This indicates that the corporation may have trouble generating enough revenue to meet its interest expenditures. Based on the results of this study, BSNL should make certain strategic adjustments to boost its bottom line. The recommended measures, such as better working capital management, debt reduction, revenue growth, and customer service improvement, may aid the firm in overcoming its financial difficulties. BSNL's overall financial health is in a vulnerable state, and the corporation has to take immediate measures to strengthen its bottom line.

Keywords: *BSNL, Liquidity, Profitability, Solvency Ratios, Debt-to-Equity Ratio and Ratio Analysis.*

INTRODUCTION

Bharat Sanchar Nigam Ltd. (BSNL) is an Indian telecommunications corporation controlled by the government that serves millions of people with landline, mobile, and internet services. Despite its prominence in India's telecommunications sector, BSNL has been struggling financially in recent years due to falling income, rising debt, and negative profitability. Increased competition, shifting consumer tastes, and an antiquated IT infrastructure are all blamed for the company's financial woes. In order to overcome these obstacles, BSNL must make strategic adjustments to its business model to boost its financial performance and ensure its long-term viability. This study's objective is to use ratio analysis to the question of how well BSNL is doing financially in Bhopal. Using historical data and industry standards, analysts may get valuable insight into a company's financial performance with the use of ratio analysis. The purpose of this research is to analyze BSNL's liquidity, profitability, and solvency ratios in order to determine the company's strengths and weaknesses and to propose strategic



adjustments that would strengthen BSNL's financial situation. The study is organized as follows. First, we provide a high-level summary of BSNL and its function within the Indian telecommunications sector. Next, we'll go through the value of ratio analysis in assessing a business's financial health and the significance of analyzing financial performance. We next survey the literature on ratio analysis as a tool for gauging financial performance, with an emphasis on the telecommunications sector. Data sources and analytical methods are discussed in detail inside the methodology section.

REVIEW OF LITERATURE

When the Department of Telecommunications (DOT) was divided in 2000, BSNL and Mahanagar Telephone Nigam Ltd. (MTNL) emerged as distinct companies. The firm offers fixed-line, mobile, and internet services throughout all 22 telecom circles in India. BSNL is one of the major telecom firms in India, with over 118 million mobile users and 15 million landline subscribers as of March 2020. Private sector competitors like Reliance Jio, Bharti Airtel, and Vodafone Idea have been quickly increasing their network coverage and providing competitively priced data and voice plans, making it difficult for the firm to retain users.

Ratnaningsih et. al [1], The purpose of this research is to examine the liquidity ratio, solvency ratio, activity ratio, and profitability ratio found in the financial statements of telecoms companies trading on the Indonesian stock market over the years 2015-2019. The liquidity ratio, solvency ratio, and annual profitability ratios all go in this direction. The results for PT Telekomunikasi Indonesia have been excellent. The company's liquidity ratio, solvency ratio, activity ratio, and yearly profitability ratio have all improved, proving this.

Gagan Shankhdhar et al. [2], The development and progress of India have always relied heavily on the efforts of the Indian Telecom Industry. It was crucial in the digitalization of systems and processes in several economically significant fields. There are about 1.18 billion active users in India. Mobile or wireless users account for the bulk of this statistic. The need for faster network connections and more data consumption have all contributed to the telecom industry's rapid growth in recent years.

Dr. Mohmad Mushtaq Khan et al. [3], competition in the Indian telecom industry has heated up with the introduction of Reliance Jio. In a more cutthroat business climate, companies have been merging. One telecom firm has gone bankrupt because of the pricing war among competitors, while other firms in the industry have showed poor profitability as a result.

Bhavik Barot et. al [4], India now has the world's second-largest market for telecoms. The country's overall subscriber base was 1,183,49 million as of January 2021, while the telecom industry's gross revenue was \$9.35 billion in the third quarter of fiscal year 2021. For the last five years, small businesses have been severely impacted by the industry leader's harsh crushing of the industry.



Chopra et al. [5], assess the development of India's telecom industry in terms of its ability to innovate and generate IP. Domestic Indian telecom enterprises need to be globally competitive and hold a higher position in the telecoms value chain for the telecom industry as a whole to prosper economically. In order to encourage investment in the growth of technical capabilities via R&D, researchers say that India's legislative emphasis should move toward fostering and safeguarding intellectual property.

Singh R. et al. [6], Reliance Jio's massive market entrance causes several sudden and unexpected shifts in customer behavior and 45 perceptions. This causes anxiety, and major service providers in the industry are discussing possible mergers and acquisitions as a result. He went on to say that tiny participants in the business have a very hard time making a living because of the high barriers to entry in the industry.

Adebayo, A. A., and Ekejiuba et al. [7], the telecommunications industry is crucial to the progress of any nation's economy because of the substantial contributions it makes to the gross domestic product of any given state. Growth is limited only by the quality and extent of the underlying communications infrastructure.

Raza, D. et al. [8], emphasis their analysis of the Indian telecom industry's financial performance, zeroed emphasis on Bharat Sanchar Nigam Limited and Bharti Airtel for comparison. Financial analysis and interpretation of the two companies' results show that Bharti Airtel outperformed BSNL, which is significant because the telecom industry in India is crucial to the growth of the country and other industries.

RESEARCH METHODOLOGY

- 1. Research Objectives:** To know and analyze financial performance of BSNL in Bhopal Region.
- 2. Research Design:** Descriptive research design. It describes trends in profitability, liquidity, solvency.
- 3. Type of Research:** Current research work is descriptive research in nature.
- 4. Sample Plan:** The plan design with studied financial performance of last five years viz. 2015-16 to 2019-20.
- 5. Evaluation Criteria:** Researcher have examined financial performance with the help of ratio analysis. We have examined financial performance based on following criteria.
 - 5.1. Profitability:** We have examined Profitability with the help of following three ratios:
 - Gross Profit Margin = $(\text{Total Revenue} - \text{Cost of Goods Sold}) / \text{Total Revenue} \times 100$.
 - Operating Margin = $(\text{Operating Income} / \text{Total Revenue}) \times 100$.
 - Net Profit Margin = $(\text{Total Revenue} - \text{Cost of Goods Sold}) / \text{Total Revenue} \times 100$.
 - 5.2. Liquidity:** Telecom companies are service providers. Hence there is no stock of goods. Thus in the current research work we have considered current ratio as indicator of liquidity.
 - Current Ratio = $(\text{Current Assets} / \text{Current Liabilities})$
 - 5.3. Solvency**



- Debt Equity Ratio= Total Liabilities/Total Shareholder’s Equity
 - Interest Coverage Ratio = Earnings Before Interest and Tax/Interest Expenses
6. **Source of Data:** Researcher have obtained data from annual reports of respective companies.
7. **Statistical Tool:** Excel

DATA ANALYSIS

Profitability Analysis and Interpretation of BSNL

Table 1: Profitability Ration Analysis (Source: Annual Report of BSNL)

Financial Year	Gross Profit Margin (%)	Operating Margin (%)	Net Profit Margin (%)
2017-18	36	20	13
2018-19	37	18	-15
2019-20	34	9	0
2020-21	31	1	-4
2021-22	39	2	-64

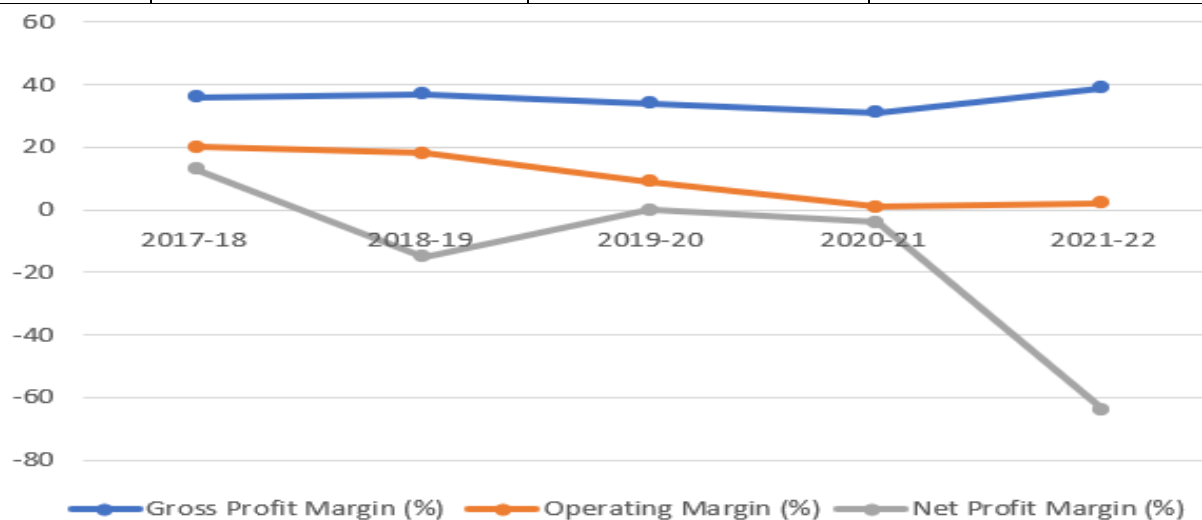


Figure 1: Graphical Analysis of Profitability Ration Analysis (Source: Annual Report of BSNL)

On the basis of above chart we can conclude that there is high volatility has been observed in case of Operating Margin and Net Profit Margin both. In case of Gross Profit Margin consistence has been observed as compared to other two parameters of the Margin or Profitability ratios [10].

Out of total five years of study only first year of study shows Profitable condition of the company. Since 2018-19 company is making loss. An attempt of recovering loss has not been successful. In the last year of study net loss of the company after considering every expenses were mounted to Rs 56 cores.



Operating margin trend is also showing downward trend in span of four years. In the first three years of study margin is constantly reduced. In a span of three years' operating margin is reduced by 50%. In fourth year of study company has lost Operating margin and stand at a position of no profit no loss. But after some efforts from management Side Company has regained profitability marginally.

Gross Profit margin shows profitability of company after considering expenses of basic services and with considering administrative and other incidental cost [11]. Company has managed Gross Profit Margin ration decently in the first three years of study. In the fourth year company has faced set back and there is minor reduction in the gross profit. However, in the last year of study company has recovered it to great extent. Decent growth in the Gross Profit has been observed [12].

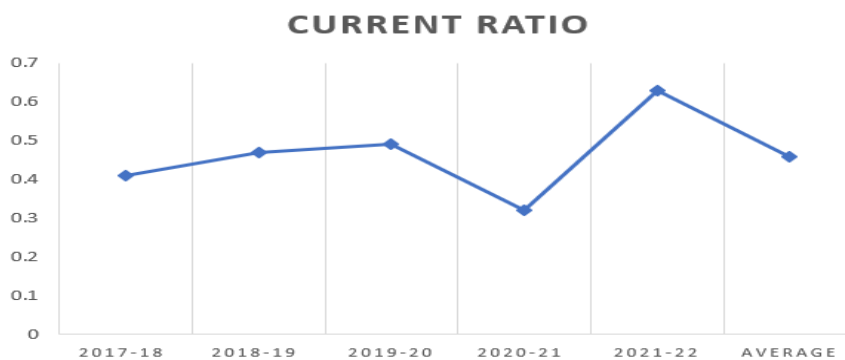


Figure 2: Graphical Representation of Current Ration

Current ratio is indication of working capital status of the company. The above chart has depicted that company has constantly maintained Current Assets in the company. Ideal ratio is 2:1 but in the Telecom sector it is extremely difficult to maintain such. Telecom Company is service Provider Company. Hence they are always without stock. Absence of stock in the balance sheet makes liquid ration and current ration equal. IN the first three years of research current ratio has been increased from 0.41 to 0.49. From the financial year 2020-21 it has been reduced. Thus company is failed to maintain required current assets during 2020-21. However, in the year 2021-22 due to better operational activities ratio has been reached to 0.63.

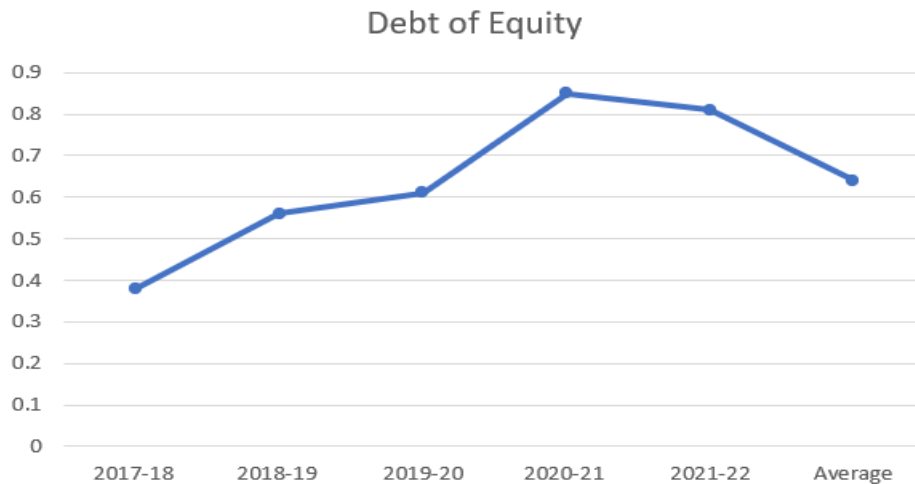


Figure 3: Graphical Representation of Debt of Equity

Debt equity ratio indicate amount of debt in comparison of equity share capital of the firm. Lower the ratio better the financial situation. Looking to the above chart we can conclude that for the first four years of study shows constant growth of debt as compared to equity. This situation indicates that firm is getting debt constantly from outside. Such inflow has increased debt as well as increase its servicing cost i.e. Interest cost. Marginal debt has been repaid in the year 2021-22. If we look at an average, then we can say that there is debt equity ratio of 0.64. Thus we can conclude out of one-rupee equity 64 paise debt has been generated. This is not healthy sign of the organization. Amount of debt in comparison of equity has been increased more than 100% in a span of four years. This show insignificant managerial skill of utilizing fund in the business.

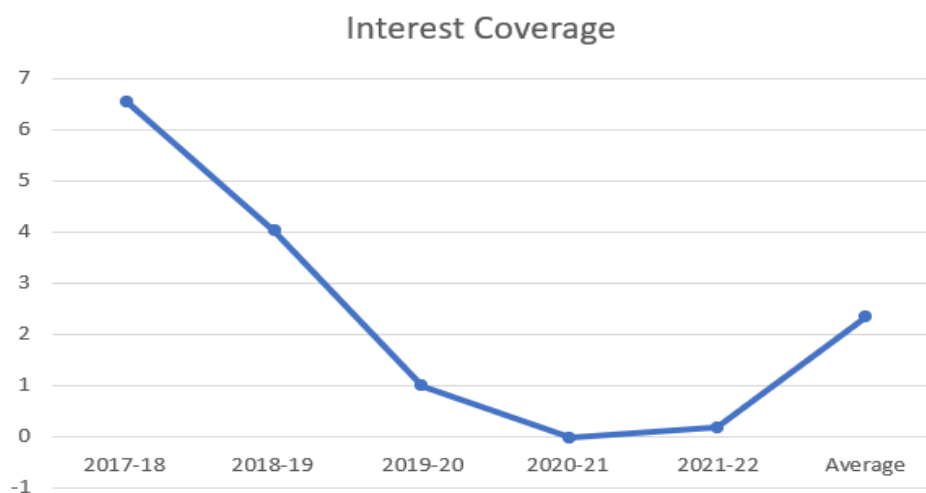


Figure 4: Graphical Representation of Interest Coverage

The interest coverage ratio measures how many times a company can cover its current interest payment with its available earnings. Ability of firm to make payment of debt was very high at the first year of study. But from the second year of study the ability to pay debt has been reduced to great extent. And



in the fourth year of study it was negative [13]. Hence we can say that in the fourth year of study it has been observed that firm is not able to repay interest burden created out of the debt. The result is matching with the previous ratio of debt equity ratio. First had taken significant amount as debt to run the organisation and it hampers firm's profitability to great extent. Firm has slightly recovered his position or ability to repay interest cost in the fifth year of study [14]. However, such recovery is negligible fully. On average firm has achieved Interest Coverage Ratio of 2.33.

FINDING AND DISCUSSIONS

- Gross Profit margin is satisfactory during entire period of study. Average Gross Profit Margin of the firm is 36% in span of last five years can be considered to be good efforts of firm.
- Operational Profitability of the firm is reducing constantly since 2018-19. This reduction in the profitability affect adversely to the Net Profit Margin and Return on Capital Employed also.
- Very high volatility has been observed in case of Net Profit Margin Ratio. Uncertainty of income consistency leads to focus on non-core business.
- Basic Earnings Per share is in negative in three years of study.
- Even though there is negative Net Profit of the firm, firm has declared dividend consistently in all five years of study.
- Debt Equity ratio shows portion of debt in the firm in comparison of equity. Firm is not able to keep the ratio lower during period of study. IN the first year of study it was just 0.38 and it has been raised to 0.81 in the year 2021-22.
- Over all consistency has been observed in the debt of the firm as compared to equity. Thus we conclude that firm has not off load its debt.
- Ability of firm to repay debt in the interest coverage ratio was satisfactory in the first two years of study. However, it has been deteriorated in last three years of study to great extent. However, average figure of interest coverage is satisfactory.
- Utility of assets for generating turnover is satisfactory. Though Average ratio shows efficient use of assets firm, over all downward trends has been observed in all five years of study.
- Current Ratio indicating higher level of current liability as company to current assets. Low current ratio indicates inefficiency of management of the company.

CONCLUSIONS

In this study researcher has evaluated the financial performance of the one large company, BSNL in Bhopal region. Researcher has evaluated financial performance through ratio analysis which shows more volatility in selected time span of last five year from 2017-18 to 20-22. In case of Profitability considering gross profit and net profit BSNL is performing better, In case of Liquidity, BSNL company are perform well. To measure solvency researcher has used the debt equity ratio and interest coverage ratio in analysis. BSNL is performing better, so overall we can conclude that over a five year of period BSNL's financial performance was better than other govt initiated telecom companies in financial performance.



LIMITATION AND FUTURE SCOPE OF STUDY

Current research work is based on the past year data on financial performance of selected telecom companies. With the current dynamic environment of business, financial performance of telecom companies keep changing, so further research can be done in this field.

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