

PROFITABILITY ANALYSIS OF BHARAT SANCHAR NIGAM LIMITED (BSNL)

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ABSTRACT

The telecom industry is very important to a country's economic growth. With a large network of BSNL play a vital role in economic development. Company provides 3G services in 6254 cities and 4G services in 773 cities in all over India. Profitability ratio measures the company's ability to generate profit. The main objective of this study to find out the BSNL's profit health. The collection of financial data was used secondary data in the form of income statement. This research analysis the profitability soundness for the period of ten year commencing from 2010-11 to 2019-20. The method of analysis used on this study is based on statistical tools i.e., ratio analysis, mean, SD etc.

Keywords: Profitability Analysis, Revenue from Operation, Capital Employed, BSNL.

Introduction

Bharat Sanchar Nigam Limited (BSNL) is one of the largest and leading public sector unit who provide telecom services all over the country and fill the gap of communication between rural and urban area. BSNL was incorporated on 15th September 2000. The formation of BSNL was turning point of telecommunication market in India. The company has 118.62 million GSM customer base as on 31st march 2021. Company provides 3G services in 6254 cities and 4G services in 773 cities only. Profitability is the ability of a company to make profit. Profit is the primary objectives of each and every organization. Profit is act like as life saving oxygen. Without profit a company cannot survive in this competition era. By the analysis of income statement items, it will provide a brief overview of the financial consequences or development of any company. Profits are the index of success of the company. In this paper we analysis the profitability performance of public sector BSNL company.

Objectives of the Study

- A study on profitability analysis of Bharat Sanchar Nigam Limited.
- To analysis the earning capacity of BSNL.
- To give suggestions for improving the future financial position.

Research Methodology

This analysis is based on secondary data obtained from BSNL annual report, journal, magazines and various reports. The following tools and techniques were used to analysis for the profitability performance of BSNL:

- Gross Profit Ratio
- Net profit Ratio
- Operating Profit Ratio
- Dividend Payout Ratio
- Earning Per Share
- Return on Investment (ROI)
- Operating Ratio

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Limitation of the Study

There had some limitation in understanding this research study.

- Profit analysis of BSNL is done only for past ten year (2010-11 to 2019-20)
- Present study is done with the help of secondary data which is obtained from annual reports of BSNL.

Review of Literature

Dhnbhakym, M. & Kurian, S. (2012) in their Research Article "Profitability Analysis of 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 calculated that the profitability ratios show fluctuating trends except last two years and the last two ratios shows negative value except cash profit ratios.

Vijayalakshmi, S., Swarnamalia, M. and Sruthi veni, S. (2017) have discussed about 'A study of growth and performance Analysis of Bharti airtel Ltd'. They have been made the Trend analysis as well as common size analysis of Airtel for the period April 2011 to march 2016. After analyzing the common size income statement, common size B/S and trend analysis they indicates that the financial performance of Bharti airtel Ltd is not good, company couldn't meet its short term obligation due to fluctuation in Gross profit and sales. They suggested that company should improve its sales with the increasing of fixed assets.

Anbazhagan, K. (2019), in their research they discussed about the 'Profitability analysis of Bharti Airtel Ltd – An empirical study' intensively examined the profitability by using means, S.D, C.V, trend analysis and the ratio analysis for the period 2004-05 to 2015-16. According to this paper in India Bharti airtel was the biggest private telecommunication company. They concluded that both total income and net profit was increased but the growth rate of income is more than the net profit. Operating efficiency of company is also good but EPS of company is low during the study.

Saigeetha, S. and Surulivel, S.T. (2017) in this studied they are enlighten the financial performance of the public sector undertaking that is BHEL for the period of 2011-12 to 2015-16. After the study they are found that the decrease in profit due to increasing in costs and other operating expenses and also decreasing in sales. They have suggested to management to improve the profitability position and also try to increase the sales volume with low cost.

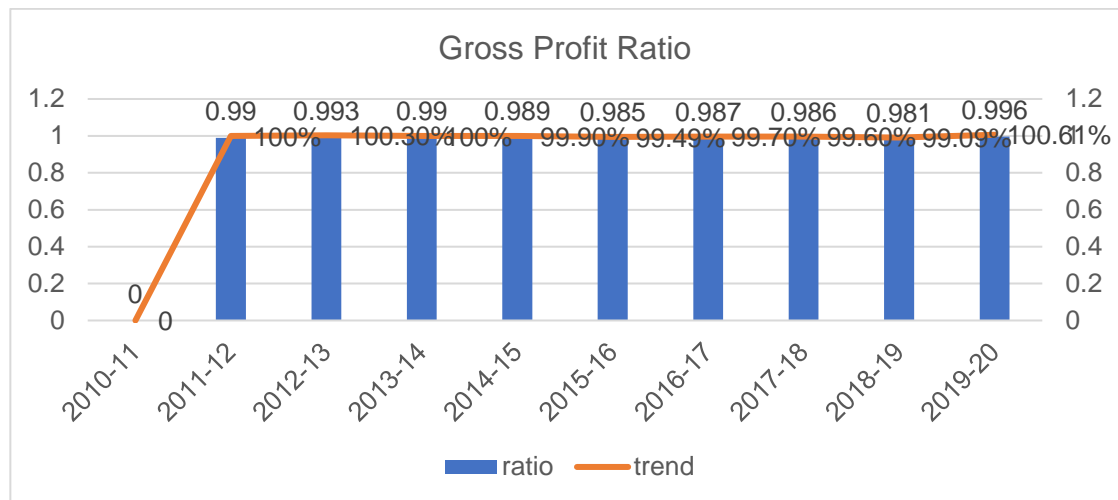
Profitability Analysis and Interpretation of BSNL

Profits are very essential to survive and grow over a long period. So every company wants to earn profit. It gives information on the amount of income from per rupees of sales. The profitability ratios are evaluating the operating efficiency. The difference between revenues and expenses with in a period or one year is known as profit. Every user is interested to analysis this ratio. 'Profitability is an indication of the efficiency with which the operations of the business are carried on.'²

Table 1: Gross Profit Ratio

Years	Gross Profit	Revenue from Operation	Ratio (in Percentages)	Trend %
	Amount in ₹	Amount in ₹		
2010-11	NA	2704471	-	-
2011-12	2575003	2599850	.990	100
2012-13	2546621	2565481	.993	100.30
2013-14	2589246	2615326	.990	100
2014-15	2693623	2724223	.989	99.90
2015-16	2803036	2844942	.985	99.49
2016-17	2804595	2840373	.987	99.70
2017-18	2235027	2266778	.986	99.60
2018-19	1741936	1776106	.981	99.09
2019-20	1781243	1788609	.996	100.61
MEAN			.989	99.85
S. D			0.416	
C.V			0.421	

Source: - self calculation based as financial statement of BSNL from 2010-11 to 2019-20



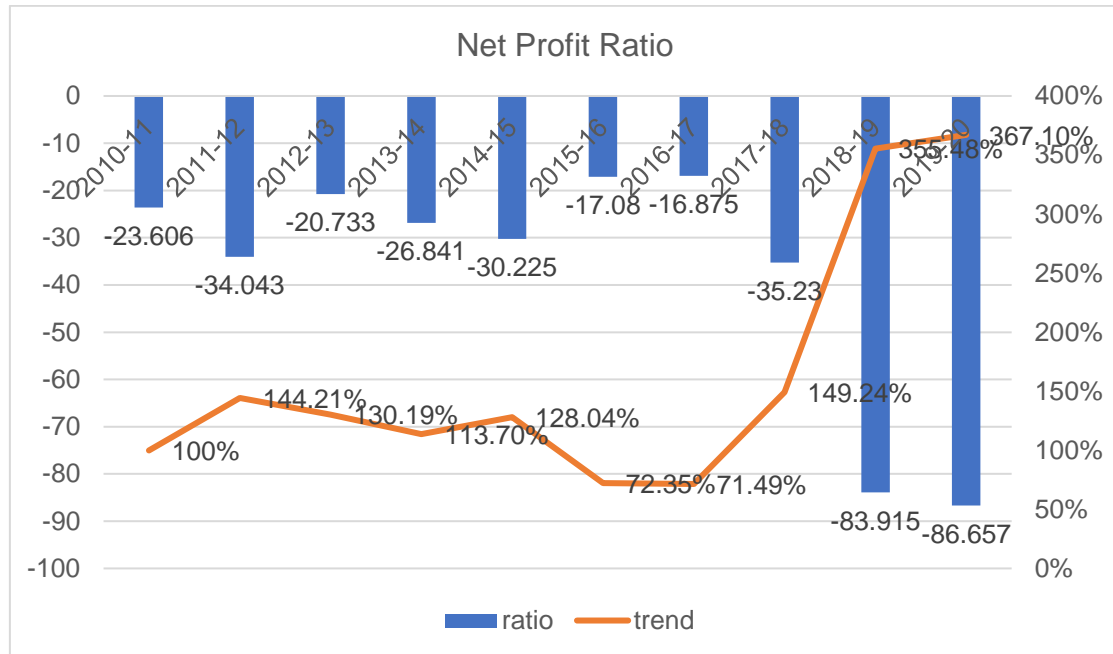
The above table 1 evaluated the gross profit ratio of BSNL a higher ratio is more favorable than lower ratio. because it shows the company has efficient management where company cost of production is relatively low and selling price of product is high without corresponding increases in cost of production. In other hand a lower ratio shows higher cost of production due to companies is not able to purchase raw materials at low cost or favorable terms and inefficient utilization of assets or over investment. A decrease in market prices or size may also result in a low or decrease in its ratio. This ratio shows the balance between company's gross profit and level of sales achieved in the one accounting period. Generally, this ratio remains approx. the same every year if there are no fundamental changes. There is no standard level for this ratio but this ratio must be higher, such the company can be completed operational activities, fixed expenses, desirable funds created for improvement of company.

From the table 1 it is evident the gross profit position of BSNL on the whole quite up to the mark. In 2010-11 data relate to gross profit is not clearly indicated in annual reports of BSNL, so we have analysis gross profit ratio of only nine years from (2011-12 to 2019-20). The mean value and standard deviation of gross profit ratio BSNL was 98.858 and 0.416 respectively. The maximum and minimum gross profit ratio was 99.588. Here the low ratio shows higher cost of production which is not good for the company.

Table 2: Net Profit Ratio

Years	Net Profit	Revenue from Operation	Ratio (in Percentages)	Trend %
	Amount in ₹	Amount in ₹		
2010-11	-638426	2704471	-23.606	100
2011-12	-885070	2599850	-34.043	-144.21
2012-13	-788444	2565481	-20.733	130.19
2013-14	-701976	2615326	-26.841	113.70
2014-15	-823409	2724223	-30.225	128.04
2015-16	-485916	2844942	-17.080	72.35
2016-17	-479321	2840373	-16.875	71.49
2017-18	-799560	2266778	-35.230	149.24
2018-19	-1490426	1776106	-83.915	355.48
2019-20	-1549958	1788609	-86.657	367.10
MEAN			38.521	163.18
S. D			24.135	
C.V			-62.656	

Source: Self calculation based as financial statement of BSNL from 2010-11 to 2019-20

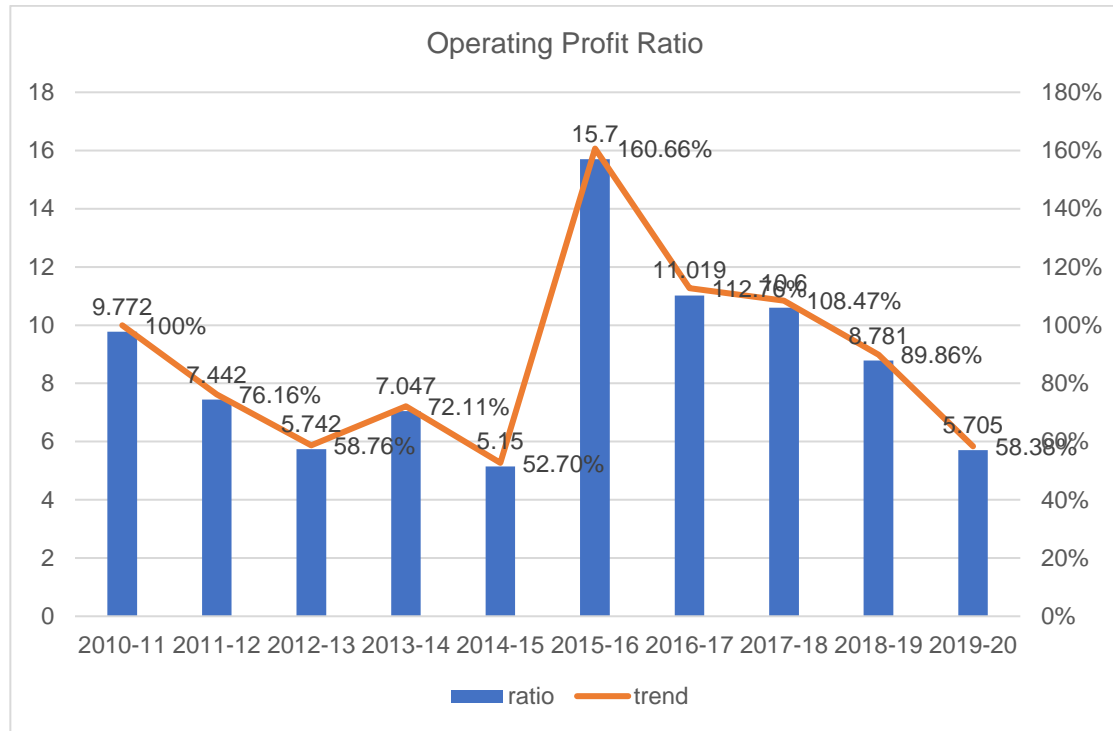


The above table 2 evaluated the net profit ratio of BSNL. A higher net profit ratio is always favorable than a lower net profit ratio because it shows efficiency of management to operate the company and ensure adequate return to shareholder's. net profit is the life blood of the company. No company can survive for market competition without net profit. It also helps in spreading the company. A low net profit ratio is danger signal for the company. Form table 2 it is evident the net profit ratio position of BSNL on the whole was not good. All of the ratio had negative in the study period. The mean value and standard deviation of net profit ratio of BSNL was 38.521 and 24.135 respectively. The maximum and minimum net profit ratio was -16.875 and 86.657 in the year 2016-17 and 2019-20 respectively. The co- variance was -62.656%. The net profit ratio was negative during the period under study and it never be reached at positive signal digit and it was also highlighting the fluctuating with negative trend. Thus, it concluded that BSNL had poor or worst net profit ratio and highlight the adverse economic condition. The poor position of BSNL was the face survival the company. The company needs to improve its strategy and control the operational expenses.

Table 3: Operating Profit Ratio

Years	Operating Profit	Revenue from Operation	Ratio (in Percentages)	Trend %
	Amount in ₹	Amount in ₹		
2010-11	264291	2704471	9.772	100
2011-12	193500	2599850	7.442	76.16
2012-13	147308	2565481	5.742	58.76
2013-14	184309	2615326	7.047	72.11
2014-15	140297	2724223	5.150	52.70
2015-16	446928	2844942	15.700	160.66
2016-17	312971	2840373	11.019	112.76
2017-18	240286	2266778	10.600	108.47
2018-19	155961	1776106	8.781	89.86
2019-20	102047	1788609	5.705	58.38
MEAN			8.696	88.99
S. D			3.062	
C.V			35.217	

Source: Self calculation based as financial statement of BSNL from 2010-11 to 2019-20

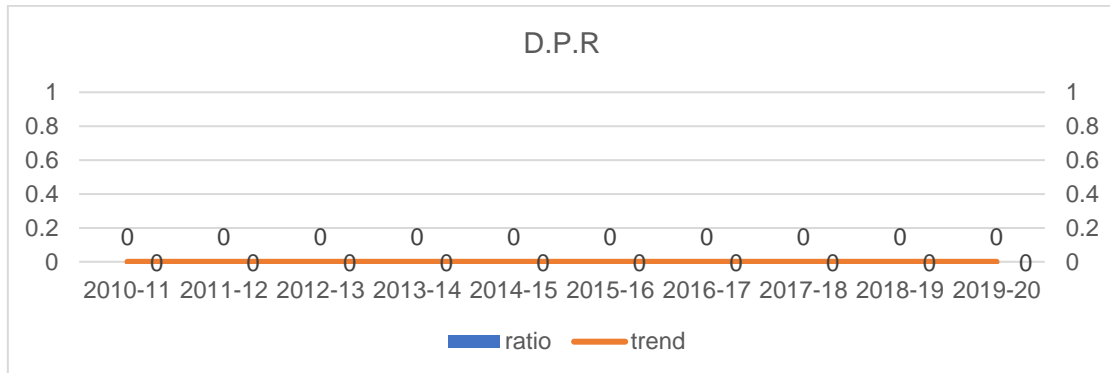


The above table 3 evaluated the operating profit ratio of BSNL. A higher operating profit ratio is always more favorable than a lower operating profit ratio because it shows the company can more easily pay its variable cost of production as well as its fixed costs and it also shows the efficiency of operating management but this ratio does not include capital investment. It can reveal an insight of the company. It is useful for determining how profitable the operation of a company. A high operating profit ratio indicates a company can successfully survive the current market competition. It also means the company has capacity to convert revenue into operating income. From the table 3 it is evident the operating profit ratio position of BSNL on the whole was quite up to the mark. The mean value and standard deviation of operating profit ratio of BSNL was 8.696 and 3.062 respectively. The coefficient of variation was 35.217%. The maximum and minimum operating profit ratio was 15.700 and 5.150 in the year 2015-16 and 2014-15 respectively. The operating profit ratio was fluctuated during the period under study and the three consecutive years there was a decreasing trend. There is no standard norm relating this ratio.

Table 4: Dividend Payout Ratio

Years	DPS	EPS	Ratio (in Percentages)	Trend %
	Amount in ₹	Amount in ₹		
2010-11	0	0	0	0
2011-12	0	0	0	0
2012-13	0	0	0	0
2013-14	0	0	0	0
2014-15	0	0	0	0
2015-16	0	0	0	0
2016-17	0	0	0	0
2017-18	0	0	0	0
2018-19	0	0	0	0
2019-20	0	0	0	0
			0	
			0	
			0	

Source: Self calculation based on financial statement of BSNL from 2010-11 to 2019-20

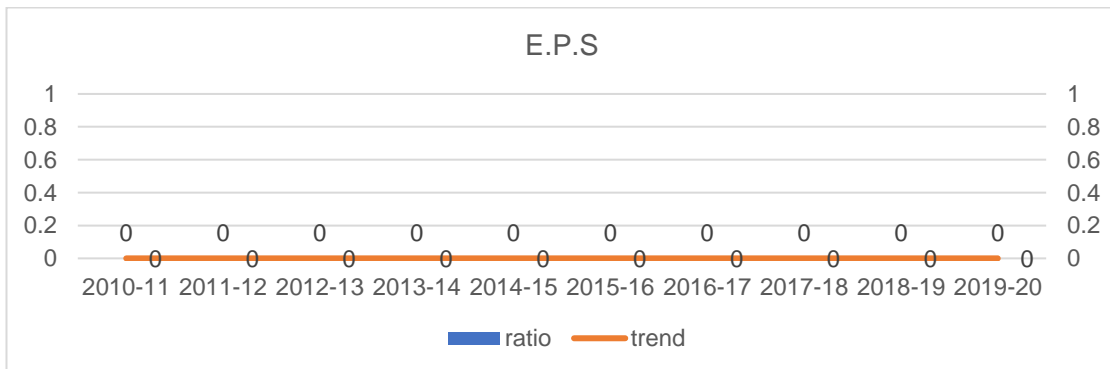


The above table 4 evaluated the dividend payout ratio of BSNL. A higher dividend payout ratio is always more favorable than a lower dividend payout ratio because it shows the dividends paid out as a percentages of a company earnings. But, during the period of our study, the company has suffered continuously loss, so company had not able to recommend dividend. This situation highlights unhealthy financial position of BSNL.

Table 5: EPS

Years	NPAT Amount in ₹	No. Equity Share Amount in ₹	Ratio (in ₹)	Trend %
2010-11	0	0	0	0
2011-12	0	0	0	0
2012-13	0	0	0	0
2013-14	0	0	0	0
2014-15	0	0	0	0
2015-16	0	0	0	0
2016-17	0	0	0	0
2017-18	0	0	0	0
2018-19	0	0	0	0
2019-20	0	0	0	0
MEAN			0	0
S. D			0	
C.V			0	

Source: Self calculation based as financial statement of BSNL from 2010-11 to 2019-20

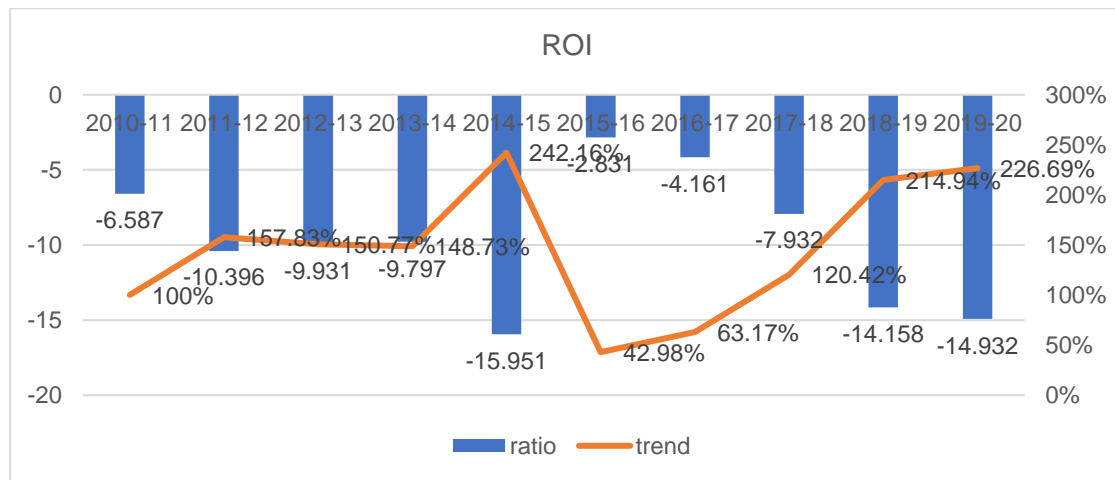


The above table 5 evaluated the EPS of BSNL. A higher value of EPS is always more favorable than a lower value of EPS because it shows the profit available to equity shareholder for each share. There are no standard norms of this ratio. The higher ratio indicates the higher market value of equity shares so the company can easily arrange for additional capital. A shareholder's invests his share in the company only for dividend. Without dividend a shareholder's cannot sustain in the company for long time. From the table 5 it is evident the EPS of BSNL in worse situation because during our study period BSNL had not shared on any year earnings.

Table 6: Return on Investment

Years	PBIT	Capital Employed	Ratio (in Percentages)	Trend %
	Amount in ₹	Amount in ₹		
2010-11	-592061	8988147	-6.587	100
2011-12	-846849	8146043	-10.396	157.83
2012-13	-742107	7472625	-9.931	150.77
2013-14	-671361	6852475	-9.797	148.73
2014-15	-814501	5106162	-15.951	242.16
2015-16	-331063	11692351	-2.831	42.98
2016-17	-464642	11166792	-4.161	63.17
2017-18	-869260	10959397	-7.932	120.42
2018-19	-1412260	9975069	-14.158	214.94
2019-20	-1350848	9046563	-14.932	226.69
MEAN			-9.668	146.77
S. D			4.214	
C.V			-43.584	

Source: Self calculation based as financial statement of BSNL from 2010-11 to 2019-20.

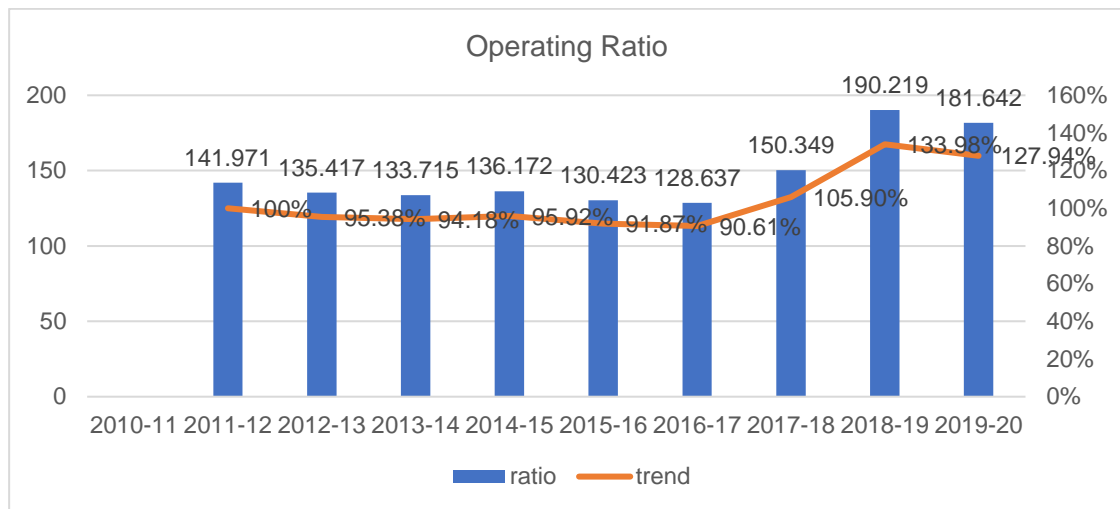


The above table 6 evaluated the return on investment of BSNL. A higher return on investment is always more favorable than a lower return on investment because it shows the higher earning capacity of a company and vice versa and also indicates the effectiveness of invested funds or investment is profitable or not. The lower ratio shows the company is not generate enough return on investment. In the other words the company has not been able to utilize its investment efficiently. From table 6 it is evident the return-on-investment position of BSNL on the whole period of year was in negative.

Table 7: Operating Ratio

Years	Operating Cost	Revenue from Operation	Ratio (in Percentages)	Trend %
	Amount in ₹	Amount in ₹		
2010-11	NA	2704471	NA	-
2011-12	3665046	2599850	141.971	100
2012-13	3474116	2565481	135.417	95.38
2013-14	3497076	2615326	133.715	94.18
2014-15	3709621	2724223	136.172	95.92
2015-16	3710467	2844942	130.423	91.87
2016-17	3653764	2840373	128.637	90.61
2017-18	3408075	2266778	150.349	105.90
2018-19	3378497	1776106	190.219	133.98
2019-20	3248870	1788609	181.642	127.94
MEAN			147.616	103.98
S. D			21.450	
C.V			14.531	

Source: Self calculation based as financial statement of BSNL from 2010-11 to 2019-20.



The above table 7 evaluated the operating ratio of BSNL. A lower operating ratio is always more favorable than the higher ratio because it shows low operating costs while at the same time generating sales or revenue. A high operating ratio is danger signal for the company because it shows the inefficient management of company. Form table 7 it is evident the operating ratio position of BSNL on the whole was not good. In 2010-11 data relate to operating cost is not clearly indicated in annual reports of BSNL, so we have analysis operating ratio of only nine years from (2011-12 to 2019-20). The mean value and standard deviation of operating ratio of BSNL was 147.616 and 21.450 respectively. The coefficient of variation was 14.531%. the maximum and minimum operating ratio was 190.219 and 128.637 in the year 2018-19 and 2016-17 respectively. It was concluded that all the year company had high operating ratio which is shows the failure of company management.

Conclusion

Telecommunication industry works as a pillar of an economy. The study is primarily highlighting the position of profitability in BSNL. After analyzing the ten year of financial data it can be concluded that the company had worst profit situation because it was facing continuous loss during the study. It is suggested to the company that control over expenses to raise profitability level and also to take some innovative and necessary steps to survive in the near future.

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