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## DECLINING PROFITABILITY OF TELECOMMUNICATION COMPANIES

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**Abstract:-** The telecommunication industries in India is continuous growing and witnessing many development. Telecommunication companies plays important role in Indian Economies and also in the world's telecommunication companies. In this study two most profitability telecommunication companies which is declining profit continuous from last few years were selected which is listed in BSE and NSE. This research shows the comparative study between two telecommunication companies. The main objective of this study is analysis the financial position of companies and compare with each other. Study is based on secondary data. For analysis, four years data would be collected i.e. 2016-2019. Financial position analysed by using different ratio. From this study position of Vodafone Idea Ltd. And Bharti Airtel Ltd. Is ascertained. This project shows the change in profitability.

**Keywords:-** Profitability, Financial Position, Telecommunication Industries, Ratio, Comparative analysis.

### Introduction:-

The telecommunication Industries in India is **second largest industries with an annual turnover of \$ 35.87 billion** and 1177.97 billion people are subscribers. Telecommunication industries has vital role in development of Indian economy. Examine the financial statement such as balance sheet and profit and loss statement is process of checking financial stability of company. If company found financial weak than proper step can be taken to make the company more efficient. Financial analysis refers to financial statement assessment. It check company effectiveness, profitability, liquidity. This project or study will help to investor of company, shareholder, suppliers, creditor, management of company for taking various decisions.

This study examine two most powerful company in field of telecommunication industries i.e. Vodafone Idea Ltd. And Bharti Airtel. Vodafone Idea Ltd. Which is the subsidiary of UK based Vodafone Group Plc and was a provider of telecommunication services in India with its operational head office in Mumbai. It operates in 22 countries. It merged with Idea in 2018 and new name Vodafone Idea Ltd.

Bharti Airtel Is an Indian multinational telecommunication service company based in New Delhi NCT. It operates in 18 countries. It has fourth largest mobile network operator in the world.

**Review of literature:**

**Kallu Rao (1993)** “ a study of intercompany financial analysis of tea industry-retrospect and prospect”. An attempt has been made in this study to analyses the important variables of tea industry and projected future regarding sales and profit for next 10 years periods, with a view to help the policy makers to take appropriate decisions. Various financial ratio have been calculated for analysing the financial health of the industry. The recent changes in India economic policy will boost up the foreign exchange earning ,which will benefit those companies, which are exporting to hard currency areas.

**Statement of the problem**

Telecommunication industries is the key driver of any growing economy and play a vital role in country’s rapid economic growth and industrial development .The telecommunication industry in India second largest in world with annual turnover of \$ 35.87 billion.In this study an attempt has been made to ascertain the determinants of continuous loss of telecommunication industry in India by taking two telecom co. in telecom industries of India. By this study we solve the following problems.

What about the financial performance of both companies and their impact on profitability position of Vodafone Idea and Bharti Airtel.

**Objective:-**

1. To know the financial position of both companies, in context of profitability.
2. To know the financial performance of both the companies.

**Accounting tools and techniques**

- a) Statical tools:  
Liquidity ratio, debt ratio and profitability ratio are used as tools for present study.
- b) Presentation: Graph and tables.

**Methodology of study****Source of Data:**

For this analysis, secondary data has been used. The data collected from the official website of Capital Market (BSE,NSE) and selected telecommunication industries. Different website, magazine, journal, research paper was used for data collection.

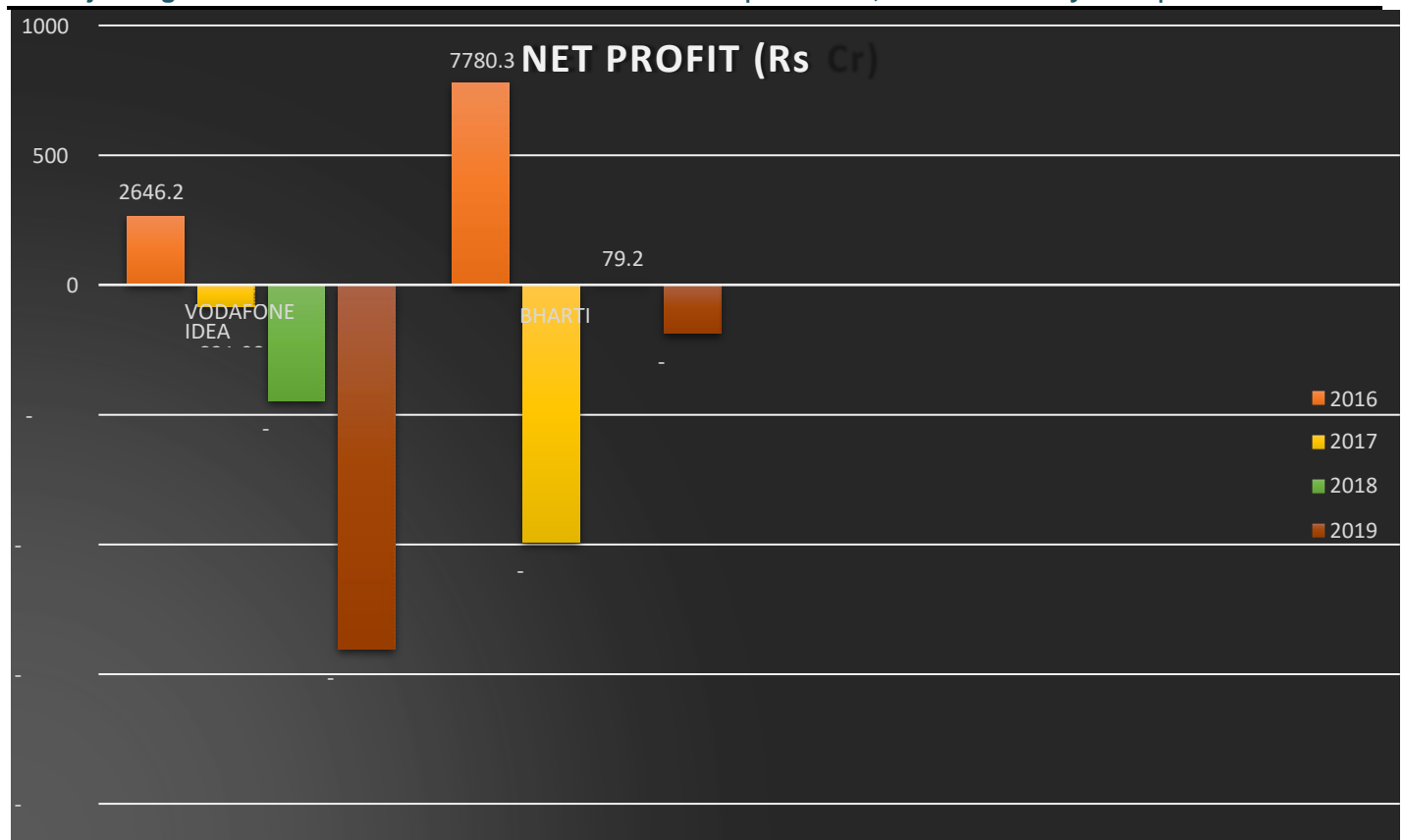
**Sample size: Two companies were selected**

1. Vodafone Idea Ltd.
2. Bharti Airtel Ltd.
3. Duration: Four years data collected for study.

2016,2017,2018,2019

**Data analysis and Interpretation Ratio used for analysis of data:****1. Net Profit (Rs .Cr):**

COMPANY/YEAR	2016	2017	2018	2019
VODAFONE IDEA	2646.29	-831.08	-4458.30	-14055.30
BHARTI AIRTEL	7780.30	-9925.60	79.2	-1869.2



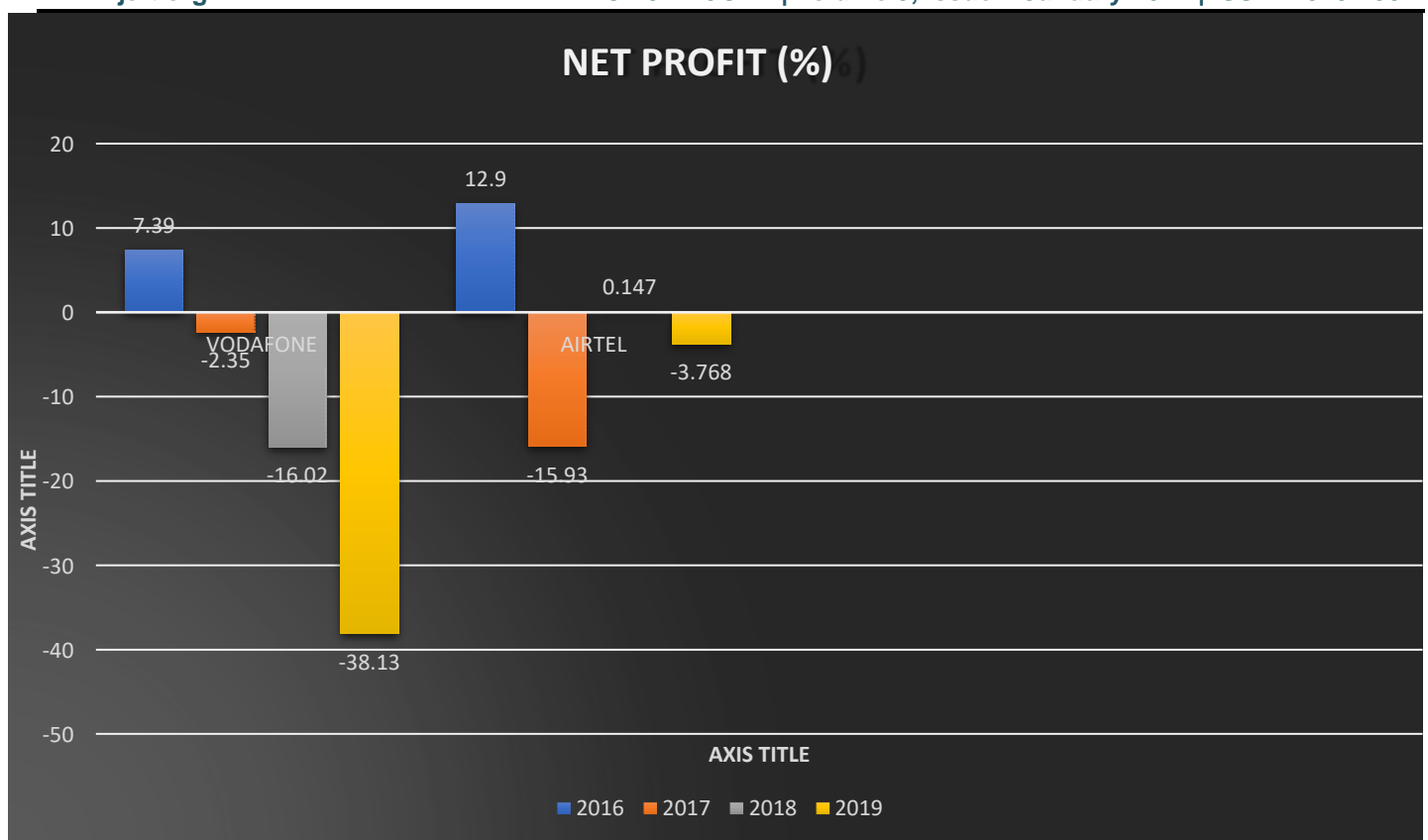
**Interpretation:-** In above graph net profit of Vodafone Idea in 2016 was Rs. 2646.29 Cr, in 2017 it was decrease to Rs. -831.08 Cr. In 2018 it was again decrease to -4458.30 Cr. And 2019 again decrease to -14055.30 Cr. For Bharti Airtel in 2016 net profit was 7780.3 Cr, in 2017 it was decrease to -9956.6 Cr, in 2018 it was slightly increase to 79.2 Cr, in 2019 it was decrease again to -1869.2 Cr. The above figure indicates that in 2016 the net profit of Bharti Airtel was higher than Vodafone Idea but in 2017 Vodafone Idea net loss was less than Bharti Airtel and then 2018 and 2019 again Bharti Airtel net loss was less than Vodafone Idea.

The net profit of Vodafone Idea was not stable it was continuous decreasing from 2016-2019.

The net profit of Bharti Airtel was also not stable it was decrease in 2017 and then increase in 2018 but again decrease in 2019.

#### Net Profit Ratio (%)

COMPANY/YEAR	2016	2017	2018	2019
VODAFONE IDEA	7.39	-2.35	-16.02	-38.13
BHARTI AIRTEL	12.9	-15.93	0.147	-3.76



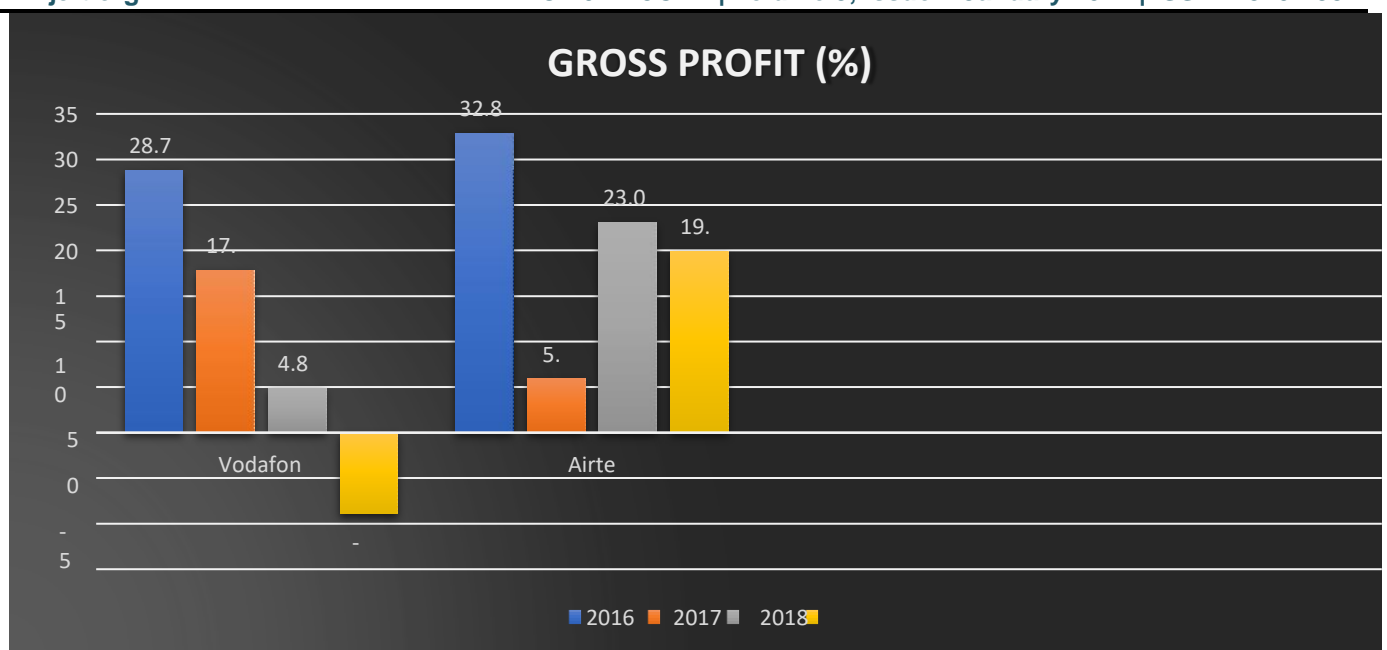
#### Interpretation:-

In 2016 net profit ratio of Vodafone Idea was 7.39% and Bharti Airtel was 12.9%. In 2017 it was -2.35% of Vodafone Idea and -15.93% of Bharti Airtel. In 2018 Vodafone Idea net profit ratio was -16.02% and Bharti Airtel was 0.147%. In 2019 Vodafone Idea net profit was -38.13% and Bharti Airtel was -3.768%.

Declining net profit ratio of Vodafone Idea shows company was not earning profit from last three years. It has declining trends in net profit ratio. But Net profit ratio of Bharti Airtel company net profit ratio also decrease and increase and then again decrease it shows Bharti Airtel company also not earning profit from previous year. But as compare to Vodafone Idea Bharti Airtel is working better than Vodafone Idea. Both companies had need to increase their profit so that they can survive in competitive market.

#### Gross Profit Ratio (%)

Company/year	2016	2017	2018	2019
Vodafone Idea	28.75	17.8	4.86	-8.9
Bharti Airtel	32.88	5.93	23.04	19.9



#### Interpretation:-

In above graph gross profit of Vodafone Idea in 2016 was 28.75% , in 2017 was decrease to 17.8%, in 2018 it again decrease to 4.86% and 2019 it was going to loss -8.9%. According to above data Vodafone Idea gross profit continuous declining it shoes that this company is not working well.

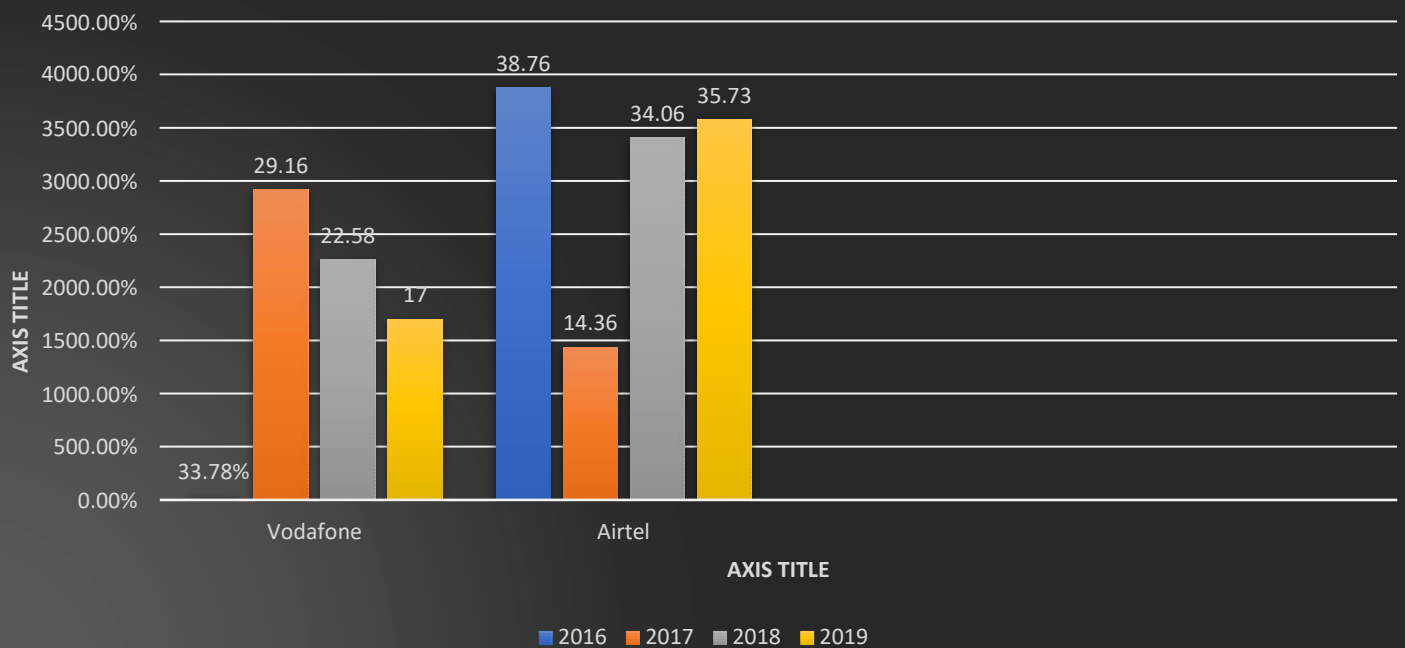
The gross profit ratio of Bharti Airtel in 2016 was 32.88%, in 2017 it decreased to 5.93%.in 2018 it increased to 23.04% and in 2019 is again decreased to 19.9%. According to above data Bharti Airtel is trying to recover them self and it was working better than Vodafone Idea.

However, when we compare Vodafone Idea with Bharti Airtel, Bharti Airtel gross profit higher than Vodafone Idea, Bharti Airtel financial position was better than Vodafone Idea. Vodafone Idea has need to increase their gross profit for survive in competitive market.

#### Operating Profit Ratio (%)

Company/year	2016	2017	2018	2019
Vodafone Idea	33.78	29.16	22.58	17
Bharti Airtel	38.76	14.37	34.06	35.7

## OPERATING PROFIT (%)



### Interpretation:-

In above graph operating profit ratio of Vodafone Idea in 2016 was 33.78%, in 2017 it decreased to 29.16%, in 2018 it was again decreased to 22.58% and 2019 it was continuous decreased to 17%.

Operating profit ratio of Bharti Airtel in 2016 was 38.76%, in 2017 it was decreased to 14.37% but in 2018 it was slightly increased to 34.06% and 2019 it again increased in few percent and it was 35.7%

According to data Bharti Airtel operating profit is higher than Vodafone Idea except 2017. So we can say that Bharti Airtel was performing better than Vodafone Idea.

### FINDINGS:-

From Net profit data it can be seen that there is continuous decline net profit of Vodafone Idea Company but Bharti Airtel has increase and decrease trends in net profit.

Net profit ratio indicate better financial position. Bharti Airtel and Vodafone Idea both needs to strong their financial position.

Gross profit ratio indicate percentage increasing or decreasing in gross profit. Bharti Airtel has higher gross profit ration in 2 years than Vodafone Idea but other years they both not performing well because they were earning loss.

The operating profit ratio is a company's operating expenses as a percentage of revenue. Bharti Airtel has higher operating ratio in 3 year 2016,2018,2019 than Vodafone Idea but in 2017 Vodafone Idea operating profit ratio was higher than Bharti Airtel. Thus we cas said that Bharti Airtel has better ability to generate revenue compare to Vodafone Idea.

### SUGGESTION:-

From this study it would be clear that both company's profitability ratio were declining but as compare to Bharti Airtel Vodafone Idea going to continuous loss.

Both company's should try to decrease its expense and try to increase sales. Bharti Airtel is trying to improve but Vodafone Idea is not taking proper steps, it need more to decrease all expenses and improve their profitability.

Operating profit ratio of Vodafone Idea is lower than Bharti Airtel in maximum year. Thus, for improving operating profit ratio Vodafone idea should reduce cost of goods, reduce labour cost, reduce operating expense and increase efficiencies of manpower machinery and new technology like 4G and 5G data.

#### CONCLUSION:-

This study shows the declining profitability of both companies. In context of profitability study try to examine their financial position. Comparing profitability ratio both companies by taking four years of data. The present data was collected from capitalmarket.com and the official website of both companies. Present study compared net profit, net profit ratio, gross profit ratio and operating profit ratio the companies. At the end the study, shows finding and give appropriate suggestions.

Vodafone Idea and Bharti Airtel both net profit and gross profit are negative. But as compare to Vodafone Idea Bharti Airtel financial position is strong. Thus, it would be clear that both companies need to improve their financial position for surviving in competitive market.

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