



ANALYSIS OF FINANCIAL PERFORMANCE OF BSNL FROM 2018 TO 2021: A CRITICAL EVALUATION OF FINANCIAL PERFORMANCE DURING PRE AND POST PERIOD OF REVIVAL PACKAGE

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ABSTRACT

Telecom sector is the backbone of the Indian Economy as it is the world's second largest telecommunication market. In telecom market, BSNL, a fully government owned public sector enterprise, is the largest telecom company in India which was facing huge challenges from last few years. Accordingly to save BSNL from the heavy financial crisis it was facing, the government in the year 2019 announced the comprehensive revival package for the BSNL. In this study we aim to analyze the financial statements of BSNL from the year 2018 to 2021 to find out the effect of revival package on the financial performance of the company. Financial statements (Income Statement and Balance Sheet) of companies are summarized financial reports which provide the operating results and financial position of companies, and the detailed information contained therein is useful for assessing the operational efficiency and financial soundness of a company. This requires proper analysis and interpretation of such information for which a number of techniques (tools) have been developed by financial experts. In this study we have used Comparative Tool to analyze the financial performance of BSNL during pre and post period of revival package and we have interpreted that the expenses of BSNL have decreased by almost 50% but revenue still showing downward trend which is mainly due to non implementation of revival package completely as 4G service are still not in operation on pan India basis. Finally it was concluded that Revival Package provided by Government of India to BSNL had positive results after a long time of significant failure and will have more positive result if the remaining schemes of revival package are also implemented at earliest.

KEYWORDS:

Telecom Sector, Revenue, Expenses, Assets, Liabilities, Revival Package, Public Sector Undertaking, Strategic Sector

INTRODUCTION:

TELECOM SECTOR IN INDIA

Currently, India is the world's second-largest telecommunications market 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) according to a report prepared by GSM Association (GSMA) in collaboration with Boston Consulting Group (BCG). In 2019, India surpassed the US to become the second largest market in terms of number of app downloads. The total subscriber base stood at 1189.15 million in September 2021. The total wireless or mobile telephone subscriber base reached 1166.02 million in September 2021, from 1,148.58 million in September 2020. The total number of internet subscribers reached 794.88 million in September 2021.

Majority communication needs of citizens were being met by Government initially through Department of Telecommunications (DOT) in India till 1990s, later financial liberalization era, Government of India allowed private Telecom operators. In year 2000, Telecom services delivery wing of DOT, i.e. Department of Telecom Operations transformed as 100% Government of India owned Public Sector Unit as Bharat Sanchar Nigam Limited (BSNL) on 1st Oct 2000. At present, in India, both Private telecom service providers including state run PSUs viz., BSNL / MTNL (MTNL operates in Delhi & Mumbai only, rest of India by BSNL) are serving the telecommunications needs of the nation.

AN OVERVIEW OF BSNL

BSNL is the largest Public Sector Enterprise which is providing telecom services in the country. BSNL was incorporated on 15th September 2000 . It took over the business of providing of telecom services and network management from the erstwhile Central Government Departments of Telecom Services (DTS) and Telecom Operations (DTO), with effect from 1st October' 2000 on going concern basis. The company provides telecom services throughout the country excluding Delhi & Mumbai. BSNL is a 100% Govt. of India owned Public Sector Undertaking with an authorized share capital of Rs.17,500 crores and paid up capital of Rs.12,500 crores comprising of Rs.5,000 crores of Equity and Rs.7,500 crores of Preference shares capital. BSNL has been in the forefront of technology with 100% digital new technology switching network. BSNL has a customer base of 1267.21 Lakh subscribers.

BSNL is one of major service provider in its license area. The company offers wide ranging & most transparent tariff schemes designed to suit every customer. BSNL telecom network is part of modern global network, providing access to countries around the world for transporting information in the form of voice, data and video. BSNL provides complete bouquet of telecom services that includes:

- Land line services
- Mobile Services including 2G, 3G & 4G (in limited areas) services
- Internet ,Broadband , Fiber to the Home (FTTH) services
- Wi-Fi services
- Data Center services
- Enterprise Data services such as Leased circuits, MPLS VPN etc
- National and International Long Distance services

The Telecom Market went through a major disruption with the introduction of low tariffs and cut-throat competition among the private players. Owing to the subsequent predatory market conditions, the whole telecom sector came under stress and BSNL also remained no exception to it. The revenues started taking nosedive and expenditure started moving up owing to the tough market scenario. However, still BSNL deserves credit for keeping the Market Share in upward direction despite the extremely adverse conditions all these years. BSNL remained self dependent and almost debt free which is basically in sharp contrast to the other telecom players who have been severely debt ridden owing to the huge loans taken from banks and other financial institutions.(Jojomon N A 2021). BSNL's revenues for FY15 stood at Rs 28,645 crore,

which rose to Rs 32,918 crore in FY16 and then fell to Rs 31,532 crore in FY17. The revenues further fell to Rs 25,070 in FY18 and Rs 19,308 in FY19.

BSNL being a strategic public sector enterprise was in need of immediate revival package from the government to survive in such a tough financial condition of the firm. Accordingly the revival package was announced by the Government of India on 23rd October 2019 for both the state run telecom companies i.e. BSNL and MTNL. The package includes raising of Rs 15,000 crore sovereign bonds to meet the immediate capital requirement of both companies, 4G spectrum allocation worth Rs 20,140 crore, Rs 29,937 crore for voluntary retirement scheme covering 50% of their employees, and Rs 3,674 crore for GST that will be levied on allocation of radio waves.

CONCEPT OF FINANCIAL ANALYSIS

The process of critical evaluation of the financial information contained in the financial statements in order to understand and make decisions regarding the operations of the firm is called 'Financial Statement Analysis'. Financial analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing relationship between the item of the balance sheet and the profit and loss account. (Pavithral & Gurukrishnan,2018). Financial performance analysis is the process of determining the operating and financial characteristics of a company from its accounting and financial statements. The goal of such analysis is to determine the efficiency and performance of firm's management, as reflected in the financial records and reports. The analyst attempts to measure the firm's liquidity, profitability and other indicators that the business is conducted in a rational and normal way; ensuring enough returns to the shareholders to maintain at least its market value (I. Anand Pawar & M. Pandya Nayak ,2012).

The term 'financial analysis' includes both 'analysis and interpretation'. The term analysis means simplification of financial data by methodical classification given in the financial statements. Interpretation means explaining the meaning and significance of the data. These two are complimentary to each other. Analysis is useless without interpretation, and interpretation without analysis is difficult or even impossible.

IMPORTANT TOOLS OF FINANCIAL ANALYSIS:

- Comparative Statement.
- Common Size Statements.
- Trend Ratios or Trend Analysis.
- Statement of Changes in Working Capital.
- Fund Flow Analysis.
- Cash Flow Analysis.
- Ratio Analysis.

REVIEW OF LITERATURE

Prof. M. Yadagiri & B. Rajaram (2018) in their research article "ANALYSIS OF OPERATING PERFORMANCE OF BSNL" Calculates to assess the operating performance of BSNL segment wise in terms of revenue , total income, operational income, operating expenses total expenses, employee benefit expenses, administrative, operating and other expenses, profit before tax, tax expenses and profit after tax .

Dr. M.Dhanabhakyaam & SwapnaKurian (2012) in their Research Article "Profitability Analysis of Bharat Sanchar Nigam Limited (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 concluded that the

profitability ratios shows fluctuating trends except last two years and the last two years ratios shows negative values except cash profit ratios.

Anshu Gupta (2015) in his Research Article “Financial Performance Evaluation of Telecommunication with special reference to BSNL” concluded that the BSNL follows aggressive policy of managing liquidity & company has sufficient liquidity assets to satisfy its short term liabilities. After overhauling the five years balance sheets of BSNL and all conditions, the author concluded that BSNL is facing the capital problem because of which financial position of BSNL are affected. Financial position of BSNL was good in 2004 comparative to present year. The profits of the company are decreasing year by year due to maintaining high liquidity.

N. Swapna (2012) in her Research Article “Telecommunication Sector in India – An Analysis” concluded that the telecom industry in India has witnessed a phenomenal and manifold growth over the recent years. In the country, personalized telecom access has become an essential necessity of life for a growing number of people. The telecom sector in India holds unlimited potential talking of future growth. In the nation, both Public as well as private firms are vigorously enhancing their technologies in a venture to take the telecom industry in the country to a much higher development.

Ms.Pritish & Dr.Taruna Saxena (2015) in their Research Article on —An Analysis of the Indian Telecom Industry concluded that the Indian Telecom Industry contributes significantly to the overall socioeconomic development of India. It is an essential tool for the growth of the nation and the various telecom service providers offer voice and data services to the customers across different regions of the country including both urban and rural areas thereby facilitating the growth of this industry.

I. Anand Pawar & M. Pandya Nayak (2012) in their Research Article on- Financial Performance Analysis: a case study of BSNL studied the financial position of BSNL for nine years from 2002-03 to 2010-11 and concluded that the liquidity position was strong thereby reflecting the ability of the companies to pay short-term obligations on due dates. Longterm solvency in case of BSNL is lower which shows that companies relied more on external funds in terms of long term borrowings thereby providing a lower degree of protection to the creditors.

OBJECTIVES OF PRESENT STUDY

1. To analyze the Financial Performance of BSNL for last three years.
2. Comparative analysis of Financial Statements of BSNL from 2018-19 to 2020-21
3. To study the changes in financial performance of BSNL after the revival package.

RESEARCH METHODOLOGY

The research design of this project is exploratory. Though each research study has its own specific purpose but the research design of this project on BSNL is exploratory in nature as the objective is the development of the hypothesis rather than their testing. In this study of sample company named BSNL has been taken for analysis of financial position. The Present study is based on secondary data which is being collected by published annual reports of the company, the company manuals and websites of company- www.bsnl.com. These financial data are classified, tabulated and edited as per the requirement of the profitability analysis of the company. This study has covered 3 years data from 2018-19 to 2020-21 for analysis of financial position of BSNL. The financial and liquidity position of BSNL have been analyzed by the financial techniques of Comparative Statement Technique.

ANALYSIS OF FINANCIAL STATEMENT OF BSNL FOR FY 2018-19 TO 2020-21:

Financial statements refer to two statements i.e. Profit and loss Account or Income Statement and Balance Sheet or Position Statement. Accordingly both profit & loss account and balance sheet of BSNL for both pre Revival Package time (FY 2018-19) and post revival package time (FY 2019-20 & FY 2020-21) are analyzed.

1. Comparative statement of profit and loss of BSNL for the year ended March 31, 2019 to 2021.

(All amounts in Lac)

Particulars	FY 2018-19	FY 2019-20	FY 2020-21	Absolute Change in FY 2019-20	Absolute Change in FY 2020-21	Percentage change in 2019-20	Percentage Change in 2020-21
Revenue							
Revenue from operations	1,776,106	1,788,609	1,745,180	12,503	-30,926	0.7	-1.74
Other income	155,961	102,047	114,301	-53,914	-41,660	-34.57	-26.71
Total revenue (I)	1,932,067	1,890,656	1,859,481	-41,411	-72,586	-2.14	-3.76
Expenses							
License and spectrum fee	128,534	161,632	125,761	33,098	-2,773	25.75	-2.16
Employee Benefit Expenses	1,431,590	1,359,678	667,916	-71,912	-763,674	-5.02	-53.34
Finance costs	78,166	199,110	256,707	120,944	178,541	154.73	228.41
Depreciation and amortisation expense	578,198	662,914	605,100	84,716	26,902	14.65	4.65
Other expenses	1,206,003	1,057,274	948,109	-148,729	-257,894	-12.33	-21.38
Total expenses (II)	3,422,491	3,440,608	2,603,593	18,117	-818,898	0.53	-23.93
Loss before tax (III = I - II)	-1490424	-873,816	-744,112	616,608	746,312	-41.37	-50.07
Tax Expenses (IV)	0	0	0	0	0		
Loss for the Year (V= III-IV)	-1490424	-873,816	-744,112	616,608	746,312	-41.37	-50.07

2. Comparative Balance Sheet of BSNL as on March 31, 2019 to 2021.

(All amounts in Lac)

Particulars	As on 31st March 2019	As on 31st March 2020	As on 31st March 2021	Absolute Change in FY 2019-20	Absolute Change in FY 2020-21	Percentage change in 2019-20	Percentage Change in 2020-21
ASSETS							
NON CURRENT ASSETS							
Property, plant and equipment	10,046,940	9,364,158	8,987,799	-682,782	-1,059,141	-6.8	-10.54
Capital work-in-progress	977,649	566,756	377,584	-410,893	-600,065	-42.03	-61.38
Intangible assets	636,042	574,567	513,564	-61,475	-122,478	-9.67	-19.26
Intangible assets under development -	0	1,500	0	1,500	0		
Right of use assets	0	375,463	339,113	375,463	339,113		
Financial assets							
(i) Investment in subsidiary	0	0	0	0	0		
(ii) Investments	0	0	0	0	0		
(iii) Loans	405	243	158	-162	-247	-40	-60.99
(iv) Other financial assets	26,599	30,793	37,070	4,194	10,471	15.77	39.37
Deferred tax assets (net)	0	0	0	0	0	0	0
Other non-current assets	68,222	76,640	79,960	8,418	11,738	12.34	17.21
TOTAL NON CURRENT ASSETS	11,755,857	10,990,120	10,335,248	-765,737	-1,420,609	-6.51	-12.08
CURRENT ASSETS						0	0
Inventories	81,310	140,813	179,583	59,503	98,273	73.18	120.86
Financial assets						0	0
(i) Investments	20000	0	0	-20,000	-20,000	-100	-100
(ii) Trade receivables	486,057	502,219	386,939	16,162	-99,118	3.33	-20.39
(iii) Cash and cash equivalents	62,236	149,781	74,667	87,545	12,431	140.67	19.97
(iv) Bank balances other than (ii) above	12,791	87,438	364,155	74,647	351,364	583.59	2746.96
(v) Loans	99	47		-52	-99	-52.53	-100
(vi) Other financial assets	784,633	1,721,678	775,135	937,045	-9,498	119.42	-1.21
Current tax assets (net)	97,573	44,669	53,338	-52,904	-44,235	-54.22	-45.34
Other current assets	347,608	389,944	381,818	42,336	34,210	12.18	9.84
Assets held for sale	29,850	649,372	733,618	619,522	703,768	2075.45	2357.68
TOTAL CURRENT	1,922,157	3,685,961	2,949,283	1,763,804	1,027,126	91.76	53.44

ASSETS							
TOTAL ASSETS	13,678,014	14,676,081	13,284,531	998067	-393483	7.3	-2.88
						0	0
EQUITY AND LIABILITIES						0	0
Equity						0	0
Equity share capital	500,000	500,000	500,000	0	0	0	0
Other equity	6,973,434	5,414,265	4,668,962	-1,559,169	-2,304,472	-22.36	-33.05
Total equity	7,473,434	5,914,265	5168962.00	-1,559,169	2304472.00	-20.86	-30.84
Liabilities						0	0
Non-current liabilities						0	0
Financial liabilities						0	0
(i) Borrowings	2,005,008	2,428,595	2,973,394	423,587	968,386	21.13	48.3
(ii) Lease Liabilities	0	305,283	290,006	305,283	290,006	0	0
(iii) Other financial liabilities	318,792	258,975	343,067	-59,817	24,275	-18.76	7.61
Provisions	101,581	87,132	93,763	-14,449	-7,818	-14.22	-7.7
Other non-current liabilities	76,531	52,596	60,220	-23,935	-16,311	-31.27	-21.31
TOTAL NON CURRENT LIABILITIES	2,501,912	3,132,581	3,760,450	630,669	1,258,538	25.21	50.3
Current liabilities						0	0
Financial liabilities						0	0
(i) Borrowings	318,634	212,647	294,440	-105,987	-24,194	-33.26	-7.59
(ii) Lease Liabilities	0	78,794	75,448	78,794	75,448	0	0
(iii) Trade payables						0	0
(a) Total outstanding dues of micro enterprises and small enterprises	39,339	110,188	95,682	70,849	56,343	180.1	143.22
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises	1,254,141	1,357,259	1,020,988	103,118	-233,153	8.22	-18.59
(iv) Other financial liabilities	1,111,890	2,780,830	1,727,674	1,668,940	615,784	150.1	55.38
Other current liabilities	975,728	1,059,714	1,099,629	83,986	123,901	8.61	12.7
Provisions	2,936	29,803	41,258	26,867	38,322	915.09	1305.25
TOTAL CURRENT LIABILITIES	3,702,668	5,629,235	4,355,119	1,926,567	652,451	52.03	17.62
						0	0
TOTAL EQUITY & CURRENT LIABILITIES	13678014	14676081	13284531	998067	-393483	7.3	-2.88

INTERPRETATION OF FINANCIAL STATEMENT OF BSNL FOR FY 2018-19 TO 2020-21:

Comparative profit and loss account of BSNL reveals that total revenue of BSNL falls by 2.14 % and 3.76% for the FY 2019-20 and 2020-21. It is also interpreted from the same that total expenses are cut by 23.93% by FY 2020-21 after getting the revival package after FY 2018-19. Further the analysis of P&L Account infers that total loss has been reduced by 50.07% in the FY 2020-21 in comparison to FY 2018-19. The positive point for BSNL here was a sharp cut in Employee Related Expenses up to 53% by the end of FY 2020-21.

Comparative balance sheet of BSNL reveals that Non Current Assets have decreased upto 6% in FY 2019-20 and 12% in FY 2020-21 in comparison to FY 2018-19. Further it is observed that current assets have drastically increased by 91% and 53% in FY 2019-20 and 2020-21 which was due to increase in Cash Balance which was received as a part of revival package. However the final effect of this increase was negative as total assets have fallen by 2.8 % upto FY 2020-21. While analyzing the liabilities side it was observed that both Non Current and Current Liabilities have increased in comparison to FY 2018-19 and the equities have been reduced due to continuous losses faced by BSNL in all the three FY 2018 to 2021.

CONCLUSION:

Since the date of its establishment BSNL has shown many faces. BSNL held a lock on the business at one point. But now the company is facing a very tough competition from the giants like Bharti-Airtel, Reliance, Idea, Vodafone, etc. From all the above analyses it has been observed that BSNL has shown many changes in its overall financial position after getting the revival package from the Government of India. The expenses of BSNL have reduced drastically due to VRS Scheme under the revival package as employees related expenses have been reduced by more than 50% and at the same time the revenue has declined by little percent due to which the overall losses has reduced by almost 50%. From this it can be concluded that company must focus on increasing their revenue portion by immediately rolling out 4G service on pan india basis which will gradually lead BSNL to profits. Further from the comparative balance sheet of BSNL it is observed that the liquidity position was strong thereby reflecting the ability of the companies to pay short-term obligations on due dates. Long term solvency in case of BSNL is lower which shows that companies relied more on external funds in terms of long-term borrowings thereby providing a lower degree of protection to the creditors. From this it is concluded that the BSNL management must immediately implement the Asset Monetisation scheme which is also part of revival package to ensure inflow of adequate inflow of cash to finance the financial requirement of the company. Thus, the present analysis has shown that the Revival Package provided by Government of India to BSNL had positive results after a long time of significant failure and will have more positive result if the remaining schemes of revival package are also implemented at earliest.

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