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STUDY ON FINANCIAL ANALYSIS OF BSNL

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ABSTRACT

This study conducts a comprehensive financial analysis of Bharat Sanchar Nigam Limited (BSNL), a state-owned telecommunications company in India, over a five-year period from 2019-2020 to 2023-2024. The research evaluates BSNL's financial health by analyzing liquidity, solvency, profitability, and efficiency ratios, along with trend analysis of key financial indicators. The findings reveal that BSNL faced significant financial challenges in the initial years, including liquidity constraints, high operational costs, and declining revenues due to intense competition from private telecom operators. However, the later years (2022-2024) show a remarkable turnaround, with improved liquidity, reduced debt reliance, and a shift to profitability, supported by government interventions and strategic restructuring.

The study highlights BSNL's critical role in India's telecom sector, particularly in rural connectivity, despite operational inefficiencies and bureaucratic hurdles. Recommendations include debt restructuring, cost optimization, diversification of revenue streams, accelerated 4G/5G deployment, and enhanced marketing strategies to sustain growth. The conclusion emphasizes BSNL's gradual recovery and the importance of continued financial reforms and technological advancements to maintain competitiveness in the dynamic telecom industry. This research contributes to understanding public sector telecom performance and offers insights for policymakers and stakeholders in revitalizing BSNL's market position.

Keywords: BSNL, Financial Analysis, Liquidity, Solvency, Profitability, Telecom Sector, Ratio Analysis, Trend Analysis.

INTRODUCTION

BHARAT SANCHAR NIGAM LIMITED (BSNL) was formed by corporatization of the erstwhile Department of Telecom Services & came into being on 15th September 2000. The company has taken over w.e.f. 01.10.2000 the erstwhile functions of the Department of Telecom in respect of provision of telecom services across the length and breadth of the country excluding Delhi & Mumbai. At the time of corporatization of BSNL, the Cabinet decision stipulated that Government shall provide a package of measures to ensure that the viability of BSNL is not impaired by providing uneconomic but socially desirable services at the behest of the Government.

The company's status may be quickly grasped by looking at its financial performance. The capacity of a corporation to adjust its operations in response to a dynamic environment may be gauged by looking at its financial success. It is the road plan for the company's financial concerns, the outcomes of its activities, and its overall solvency. It is a technique for determining a company's current and future financial standings and advancement. The goal of a corporation is to generate a profit that is adequate in relation to the capital that is invested in it.

OBJECTIVES

- To analyse the development of profitability over a period of 5 financial years from 2019-2020 to 2023-2024.
- Recommendations to improve the financial performance of BSNLs and to maintain their market leadership.

SCOPE

Examine the different sources of BSNL's income, such as broadband, landline, mobile services, fiber optic connections, and enterprise services. Analysis the historical revenue growth trends, including any new services introduced and their impact on revenue. Evaluate gross, operating, and net profit margins to understand cost control and profitability trends. BSNL has faced profitability issues over time. analyzing the root causes, such as operational inefficiencies or market competition, is essential. Analysis operational expenses, including labor, administrative costs, and maintenance costs, and assess cost-efficiency measures.

STATEMENT OF PROBLEM

There is a noticeable lack of noteworthy study on the financial performance analysis and operating efficiency of BSNL that has been noted in the various literatures, as evidenced by the examination and analysis of prior studies. The fact that this shortcoming has been recognized makes it obvious. This research is different from previous studies in that its main goal is to examine and assess BSNL's operational efficacy and financial performance.

RESEARCH METHODOLOGY

- Ratio Analysis
- Trend Analysis

REVIEW OF LITERATURE

Rajat Katuria, Mans Kedia and Richa Sekhani (2019) in their study analysed the financial health of telecom Sector. The period of study was eight years from 2011 to 2018.

Nithya Ramachandran, Abhijeet sharad kelkar (2019) undertook a study to analyse the financial performance of telecom industry in sultanate of Oman. The period of study was seven years from 2010 to 2019.

Globsyn Management Journal (2019) Globsyn Business School, Kolkata competitors, customers are more prone to switch to other competitor. Success of a service provider depends on the high quality relationship with customers (Panda, 2003).

Raj Bihari Lal Srivastava (2020) Since India is the second-largest telecommunications market in the world, the telecom industry is vital to the country's economy.

P Naveena, S Subbarayudu, S Ravi Kishore, B Sandeep Kumar (2020) The analysis of financial performance is a process evaluating relationship between component parts of firms financial analysis is in three tasks.

PROFILE OF THE STUDY

Bharat Sanchar Nigam Limited (BSNL) is an Indian state-owned telecommunications company that plays a crucial role in the country's telecom sector. From a financial perspective, BSNL holds strategic importance due to its extensive network infrastructure, especially in rural and remote areas, where private telecom operators have limited presence. However, in recent years, BSNL has faced significant financial challenges, including declining revenue, high operational costs, and increased competition from private players.

BSNL's revenue has been affected by intense competition from private companies like Reliance Jio, which have drastically reduced market prices, impacting BSNL's income. BSNL's expenses are high due to its large workforce and extensive infrastructure. It also maintains services in rural areas, where profit margins are lower, as part of its mandate to promote digital inclusion.

GROWTH PLAN OF BSNL

Under 'Atma Nirbhar Bharat' mission, BSNL has planned for deployment of 100K 4G sites in BSNL network on PAN India basis. The equipment of 4G is upgradable to 5G. BSNL is planning 5G services after rollout of 4G services. BSNL is engaged in the 4G saturation project for uncovered villages.

BSNL has worked out for execution to utilize the infrastructure laid under Bharat net to make extensive market presence side by side faster broadband/internet access across India. BSNL has initiated BNG project which will help in faster internet services to customers. BSNL plan for MPLS-IP based Access and Aggregation Network (MAAN) to increase bandwidth/traffic requirement at last mile.

SOCIAL COMMITMENT OF BSNL

BSNL is committed to provide quality Telecom Services at affordable price to the citizens of the remotest part of the Country. BSNL is making all effort to ensure that the main objectives of the new Telecom Policy 1999 (salient points indicated below) are achieved.

Access to telecommunications is of utmost importance for achievement of the country's social and economic goals. Availability of affordable and effective communications for the citizens is at the core of the vision and goal of the new Telecom policy 1999.

HISTORY OF BSNL

Bharat Sanchar Nigam Limited (BSNL) was established on October 1, 2000, as a state owned telecommunications company, separating the service-providing functions from the Department of Telecommunications (DoT). Its roots trace back to India's first telegraph line in 1851, and it played a pivotal role in developing the country's telecom infrastructure postindependence. BSNL became a major provider of fixed-line, mobile, and broadband services, especially focusing on rural and remote areas. It launched GSM mobile services under the brand "Cell One" in 2002 and introduced broadband

services in 2005, becoming a key player in India's digital connectivity. However, the company faced significant challenges with the rise of private telecom players, delays in 4G adoption, and financial losses. In recent years, the Indian government has implemented revival packages to modernize BSNL's network infrastructure and improve its competitiveness. Despite its struggles, BSNL remains a crucial entity in India's telecom sector, contributing significantly to Digital India and rural connectivity initiatives.

ANALYSIS AND INTERPRETATION OF DATA

TABLE NO 4.1
OPERATING PROFIT MARGIN TABLE

YEARS	PROFIT BEFORE TAX – OTHER INCOME	REVENUE FROM OPERATION	OPERATING PROFIT MARGIN
2019-2020	-14,47,905	17,88,609	-81%
2020-2021	-6,24,733	17,45,180	-36%
2021-2022	-4,73,825	16,80,922	-28%
2022-2023	-6,59,045	19,12,779	34%
2023-2024	-3,39,906	19,33,071	18%

SOURCE : BSNL Website

INTERPRETATION

The negative margin of -81% indicates that the company's operating expenses significantly exceeded its revenue. The margin improved to -36%, but it remains negative, indicating that the company still incurred losses from its core operations. The margin further improved to -28%, showing a reduction in losses. The margin turned positive to 34%, indicating a significant improvement. The margin decreased to 18%, but it remains positive.

TABLE NO 4.2
NET PROFIT MARGIN TABLE

YEARS	PROFIT AFTER TAX	REVENUE FROM OPERATION	NET PROFIT
2019-2020	-15,49,952	17,88,609	-86%
2020-2021	-7,44,112	17,45,180	-43%
2021-2022	-6,98,162	16,80,922	-42%
2022-2023	8,16,156	19,12,779	-42%
2023-2024	5,37,073	1,93,30,71	28%

SOURCE : BSNL Website

INTERPRETATION

The negative ratio of -86% indicates that the company incurred a significant loss relative to its revenue. The ratio improved to -43%, but it remains negative, indicating that the company continued to operate at a loss. The ratio remained relatively stable at -42%. There seems to be a discrepancy here. The Profit After Tax is positive (₹8,16,156), but the Net Profit Ratio is listed as -42%. This might be an error. The ratio of 28% indicates that the company achieved a significant level of profitability, with 28% of its revenue remaining as profit after all expenses.

FINDINGS

- The company has shown a trend of improving its operating profit margin over the years, transitioning from significant losses to profitability. This indicates better management of operating expenses and more efficient core operations.
- The company has shown a trend of improving its net profit margin over the years, transitioning from significant losses to profitability. This indicates better financial management and operational efficiency.

SUGGESTIONS

- BSNL should focus on restructuring its existing debt to reduce interest burdens. Negotiating with lenders for lower interest rates or longer repayment tenures can improve cash flow and financial stability.
- The organization should explore new revenue streams, such as expanding into digital services, IoT (Internet of Things), cloud services, and enterprise solutions.

- The company should implement cost-cutting measures by optimizing operational expenses, renegotiating vendor contracts, and reducing unnecessary expenditures.

CONCLUSION

The company faced challenges in maintaining the financial stability in the initial years but achieved a significant recovery and growth in the later years. The substantial increase in 2023-2024 indicates strong financial health and a robust equity base, which is positive for the company's stability and growth prospects. Continued focus on maintaining and enhancing equity will be crucial for sustaining this positive trend.

The company has demonstrated significant improvements in its financial health, transitioning from periods of losses and declining assets to achieving profitability and robust growth. Effective management of debt, equity, and assets, along with strategic initiatives, has contributed to this positive trend. Continued focus on optimizing asset utilization, maintaining profitability, and strategic investments will be crucial for sustaining and enhancing the company's financial stability and growth prospects.

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