

# AN ANALYSIS OF RATIOS WITH REFERENCE TO BHARAT SANCHAR NIGAM LIMITED

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## ABSTRACT

The project report entitled “An analysis of ratios with reference to bharat sanchar nigam limited, nungambakkam”. Financial analysis can be undertaken by the management of the firm, or by the parties outside the firm, owners, trade creditors, lenders, investors, labor unions, analysts and others. The nature of analysis will differ depending on the purpose of the analyst. Analysis and Interpretation of financial statements help in determining the liquidity position, long term solvency, financial viability and profitability of a firm. Ratio analysis shows whether the company is improving or deteriorating in past years. Comparison of different aspects of all the firms can be done effectively with this. It helps the clients to decide in which firm the risk is less or in which one they should invest so that maximum benefit can be earned.

From analyzing the Balance Sheet and Profit and Loss Statement of Financial statements and comparison of different ratios such as current ratio, operating profit ratio, gross profit ratio, net profit margin and return on investment and etc of BSNL has been done for the period 2011-18. It was observed that current ratio of BSNL was more than 1 from 2014-17 which indicates that liquidity position of the company was improving and good. And further suggestion are provided for improving the BSNL's current position.

**Keyword:** - Ratio analysis, Analytical Research Design.

## 1. INTRODUCTION

Financial analysis is the process of identifying the financial strengths and weakness of the firm by properly establishing relationships between the items of the balance sheet and the profit and loss account. Ratio Analysis is a powerful tool of financial analysis. The relationship between two accounting figures, expressed mathematically, is known as a financial ratio. Ratios help to summarize the large quantities of financial data and to make qualitative judgment about the firm's financial performance. Standards of comparison: A single ratio in itself does not indicate favorable or unfavorable conditions.

An analysis of financial statements is an important aid to the management of any organization for decision making focus of financial analysis is on key finger in the financial statements and the significant relationship exists between key fingers. The analysis of financial statement is a process evaluating relationship between component parts of firm's financial analysis which involves three approaches.

## 1.1 TYPES OF RATIOS

Ratio analyses is a mathematical tool used to evaluate the financial position of a company and compare the outcome with the previous year figures and also analyze the performance of the company as compared to its peers. There are primarily 5 types of ratio analysis – profitability ratios, solvency ratios, liquidity ratios, turnover ratios and earnings ratios.

## 1.2 NEED FOR THE STUDY

The need for the study is to know a liquidity, solvency, profitability and turn over position of the company. And also to know the overall financial performance of the company for the past 7 years. The study is to make relationship between different aspects in such a way the conclusions can be drawn about the performance, strength and weakness of the company.

## 1.3 OBJECTIVES OF THE STUDY

### PRIMARY OBJECTIVES:

- A study on ratio analysis with reference to Bharat Sanchar Nigam Limited.

### SECONDARY OBJECTIVES:

- To study and analyze the financial changes over a period of seven years.
- To analyze the profitability position of the company.
- To make suggestions & recommendations for improving the financial position.

## 1.4 SCOPE OF THE STUDY

The study covers almost the entire area of financial operations covered by “Bharat Sanchar Nigam Limited”. The study is been conducted with the help of data obtained from audited financial records. The audited financial records are the company annual reports pertaining to past 7 years from 2011-12 to 2017-18 and the audited financial records are obtained from the company’s annual report. The study helps to measure the performance of the organization and steps can be taken to improve their performance.

## 1.5 LITERATURE REVIEW

Mitha;CLTriveni ,“A review on BSNL's next generation networks”, International Conference on Innovative Mechanisms for Industry Applications pp.312-316 ,2017.The study reviews the next generation networks. The next generation networks is based on packet switching which involves voice, data and multimedia such as audio and video. It provides fixed mobile convergence to all valued customers. The 8 core exchanges in India is now commissioned and about 136 core switches have started to work. The BSNL has planned a huge network wherein all the traditional voice and data customers migrate from C-Dot TDM towards NGN C-Dot. There are two phases of migration, in Phase-1 100 locations are identified and in Phase-2 the entire network will be migrated. The company provides new services to the customers such as Multi media video conferencing, Wide Area IP Centric, prepaid solution with all functionalities, Personalized Ring Back Tone (PRBT), Fixed Mobile converge.

Renuka Mahajan ; Subhranil Som ,” *Customer behaviour patterns analysis in indian mobile telecommunications industry, 3rd International Conference on Computing for Sustainable Global Development “(INDIACom)*,pp.1165 – 1169,2016.This paper analyses data from BSNL (North Zone), focusing on the Punjab Circle. The customers' pre-paid recharge data and Voice, SMS usage data are analysed to provide insights into customer behaviour. The objective of the paper is to give a summary of the Voice and SMS transaction data over February and March 2013 and also the prepaid recharge data since January 2012.Weuse insights generated to identify patterns in user behaviour for intelligent and targeted promotions and churn prediction.

## 1.6 RESEARCH METHODOLOGY

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. In this study the various steps that are generally adopted by a researcher in studying the research problem along with the logic behind him. The type of research design followed in this study is Analytical research design. Analytical research is a specific type of research that involves critical thinking skills and the evaluation of facts and information relative to the research being conducted.

## 1.7 LIMITATIONS OF THE STUDY

- The study is restricted for a period of seven years.
- The analysis is based on annual reports of the company.
- Price level changes is ignored in financial analysis

## 2 .DATA ANALYSIS AND INTERPRETATION

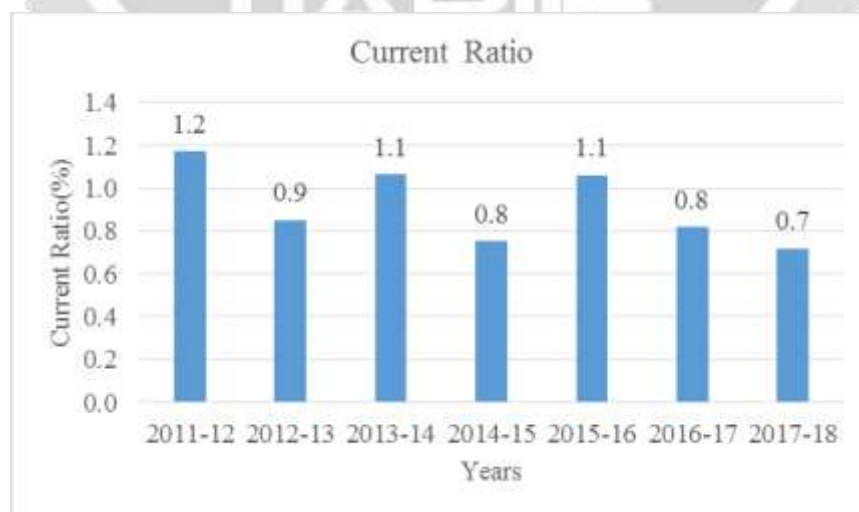
**Table -2.1 Table Showing Current Ratio For The Financial Years 2011-12 TO 2017-18**

Year	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>CurrentAssets</b>	2267353	1655204	2122331	1705246	1968889	1588828	1671011
<b>CurrentLiabilities</b>	1929361	1944007	1994332	2260356	1852307	1937048	2320111
<b>Ratio</b>	1.2	0.9	1.1	0.8	1.1	0.8	0.7

### Interpretation:

The ratio is used to assess the firm's ability to meet its short-term liabilities on time. It is generally believe that 2:1 ratio shows a comfortable working capital position. It means that current assets of a business should, at least be twice of its current liabilities, whereas the average ratio for the last seven years is 0.94 as against the ideal requirement of 2.

**2.1(a) Chart Showing Current ratio For The Financial Years 2011-12 To 2017-18**



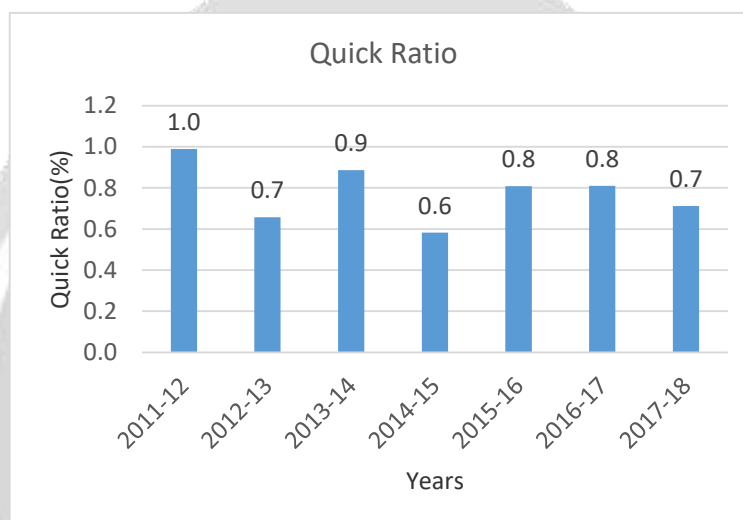
**2.2 Table Showing Quick Ratio For The Financial Years 2011-12 To 2017-18**

Year	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>CurrentAssets</b>	2267353	1655204	2122331	1705246	1968889	1588828	1671011
<b>Inventories</b>	359678	377209	354728	389688	443371	20473	21241
<b>CurrentLiabilities</b>	1929361	1944007	1994332	2260356	1852307	1937048	2320111
<b>Ratio</b>	1.2	0.9	1.1	0.8	1.1	0.8	0.7

### Interpretation:

An ideal quick ratio is said to be 1:1. Liquid assets are obtained by deducting stock-in trade from current assets and in respect of BSNL, the average ratio is 0.8 for the last seven years which is not very bad .

### 2.2 (a) Chart Showing Quick Ratio For The Financial Years 2011-12 To 2017-18



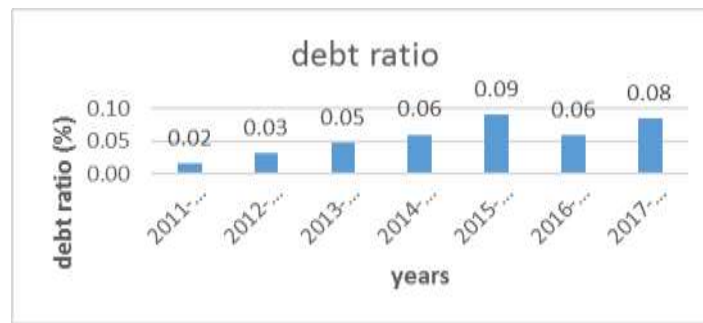
### 2.3 Table Showing Debt Ratio For The Financial Years 2011-12 To 2017-18

Year	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Total Assets</b>	10199019	9568931	8933344	7423830	7074675	13103840	13279783
<b>Total Debt</b>	170318	302365	426432	445853	638490	782646	1122270
<b>Ratio</b>	0.02	0.03	0.05	0.06	0.09	0.06	0.08

### Interpretation:

Generally, a ratio of 0.4 – 40 percent – or lower is considered a good debt ratio. A ratio above 0.6 is generally considered to be a poor ratio, since there's a risk that the business will not generate enough cash flow to service its debt. In case of BSNL, it maintains good ratio throughout the last seven years . Even though BSNL incurs loss during the last seven years, it is only Telecom company in India having debt very less comparing to other telecom industries and it manages the entire business without getting more debt during the last seven years and that is why it is able to sustain in the telecom market.

### 2.3(a) Chart Showing Debt Ratio For The Financial Years 2011-12 To 2017-18



### 3. FINDINGS AND SUGGESTIONS:

- It has found that the BSNL is making losses continuously for seven years from 2011 onwards. The root cause for such a situation is the loss in operating revenue and other incomes.
- It has found that the shareholders funds of the 2016 were 74.17 % & 2017 were 74.54% by comparing two years shareholders funds were increased in the year 2017. In the year 2016 non current liabilities was 10.47 % .where as in the next year 2017 Non-current liabilities were 10.68 % . Thus liquidity position of the both year(2016-2017) is good.
- It has found that In the year 2017, Non current liabilities was 10.68 % .whereas in the next year 2018, Non-current liabilities were 15 % and thus liquidity position of the 2017-18 is not good.
- The BSNL should keep union problems out of the equation during service delivery to customers.

### 4. CONCLUSION

In India, the broadband telecom services given the BSNL is judged by many Govt. Agencies and Private bodies as the best among all the Telecom Service Providers of India. The project work entitle “ An analysis of ratios was undertaken with the objectives of assessing the liquidity position of the company. The financial data ,where analyzed with the help of ratio analysis and suggestions were given for the improvement of the management. From the above, it is evident that the BSNL has been performing well in Broadband and leased circuits sector and there has been very good market in India for Broadband and Leased circuits sector since many services in India is being accessed through internet only.As such there is very bright chance for the BSNL to gear up its machinery in providing good services in Broadband and Leased circuits sector so that more income can be generated by BSNL which will result into, the loss making BSNL company for the last seven years can recover from the loss rapidly and after a period of 2 to 3 years, the BSNL will become one of the profit making Govt. companies in India

### 5. REFERENCES

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