

# Impact of Revival Package on Financial Performance of Bharat Sanchar Nigam Limited

**Dr. Pradeep Chaurasiya**

Assistant Professor  
Department of commerce  
N.M.S.N. Dass P.G College,  
Budaun, India

**Abstract:** Telecommunication sector is globally regarded as one of the driving forces for overall economic development of a nation. It is one of the main support services needed for fast growth and modernization in different sectors of economy. The Indian telecommunication industry has a rapid growth in the world. Government policies and regulatory framework implemented by telecom regulatory authority of India (TRAI) has provided an open competitive environment for service providers in India. This has made the sector more competitive and increases the accessibility of telecommunication services at affordable tariffs to the consumers. It is widely accepted that financial performance of a firm depends on some key financial factors i.e., turnover, profits, goodwill and effective utilization of assets. To analyze performance, ratios, the indicators, are normally used to find out the financial health of the company. 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.

**Key Words:** Efficiency, ratios, profitability, liquidity, leverage, Revival, solvency.

## **Introduction:**

Indian telecom sector and mobile telephony in particular has caught the imagination of India by revolutionizing the way we communicate, share information, and through its staggering growth helped millions stay connected. This growth, however, has and continues to be at the cost of the climate powered by an unsustainable and inefficient model of energy generation and usage.

Telecommunication services are globally recognized as one of the driving forces for overall economic development in a nation. As telecom industry is driven by 3G and 4G services, it is expected that there will be huge machine to machine growth in India in 2016-17, according to UST global. There is also a lot of scope for growth of M2M services in the government's ambitious US\$ 1.1 billion smart city program. The rapid strides in the telecom sector have been facilitated by the liberal policy of the government of India that provide easy market access for telecom equipment and a fair regulatory framework for offering telecom services at affordable prices.

Now India has the world's second-largest telecom market with a subscriber base of over 1.21 billion and has registered rapid 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. facilities to deliver mass education programmes for the rural folk of India. In India both public sector and private sector shares substantial stake in telecom sector, generally the new private player requires a high degree of asset allocation and heavy working capital and existing ones allocates heavy funds for sustaining and improving their market share. As the industry calls for huge fund allocation which makes necessary for the companies to manage all financial affairs in well structured and organized manner to activate the dormant financial allocations, financing the deficit or disposal of surplus.

## **An overview of BSNL:**

Bharat Sanchar Nigam Limited (abbreviated BSNL) is an Indian state-owned telecommunications company headquartered in New Delhi, India. It was incorporated on 15th September 2000 and started the business of providing of telecom services and network system from the erstwhile Central Government Departments of telecom Services and Departments of telecom Operations with effect from 1 October 2000 on a going concern basis. It is the largest provider of fixed telephony, largest broadband services provider with more than 60% Market share, and fifth largest mobile telephony provider in India. However, in recent years the company's revenues and market share have plummeted into heavy losses due to intense competition in the Indian telecommunications sector.

As of December 2011, many other private operators have started rolling out their 3rd Generation (3G) services alongside and are enjoying some success in their campaigns to get market share. While BSNL still maintains its connectivity standard and expands to many more areas including rural areas with their 3G services.

BSNL announced the discontinuation of its telegram services from 15 July 2013, after 160 years in service. It was opened to the public in February 1855; in 2010 it was upgraded to a web-based messaging system in 2010, through 182 telegraph offices across India.

**Literature Review:**

**Campbell (2008)** constructed a multivariate prediction model that estimates the probability of bankruptcy reorganization for closely held firms. Six variables were used in developing the hypotheses and five were significant in distinguishing closely held firms that reorganize from those that liquidate. The five factors were firm size, asset profitability, the number of secured creditors, the presence of free assets, and the number of under secured creditors. The prediction model correctly classified 78.5% of the sampled firms. This model is used as a decision aid when forming an expert opinion regarding a debtor's likelihood of rehabilitation.

**Mathuva (2009)**: examined the influence of working capital management components on corporate Profitability by using a sample of 30 firms listed on Nairobi Stock Exchange for the periods 1993 to 2008. He used Pearson and Spearman's correlations, the pooled ordinary least squares and the fixed effects regression models to conduct data analysis. The key findings of his study were that there exists a highly significant negative relationship between the time it takes for firms to collect cash from their customers and profitability, there exists a highly significant positive relationship between the period taken to convert inventories to sales and profitability and there exists a highly significant positive relationship between the time it takes for firms to pay its creditors and profitability.

**(Panwala, 2009)**: Ultimate goal of profitability can be achieved by efficient use of resources. It is concerned with maximization of shareholders or owners wealth. It can be attained through financial performance analysis. Financial performance means firm's overall financial health over a given period of time.

**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.

**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.

**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.

In 2017 IIM Ahmadabad submitted a report for the improvement of BSNL and turn it into a profitable organization. All the reports have shown that about 70 – 80 percentage of BSNL revenue is spent on the salary of the employees. If BSNL reduces the employees' strength to 60 - 70 thousand, a huge amount spends on salary can be eliminated. When this proposal came first, all trade unions /organizations opposed it but were later bound to accept VRS as a huge delay is experienced in getting the salary. At resent for paying the salary of BSNL employees only 300 core rupees are required. Revenue from the landline, broadband, and mobile sectors has come to the bottom. Only revenue is from FTTH only, that services have still complaint and the majority of these services (FTTH) are giving on revenue sharing basis with local cable operators.

**Objective of the Study**

1. To know the impact of revival package on financial health of the company.
2. Discover the factor that affects the financial position of the company.
3. Providing suggestive measures to improve the financial condition of BSNL.

**Research Methodology:**

The research study is based on secondary data which is being collected from published annual reports of the company. These financial data are classified, tabulated and edited as per the requirement of the profitability analysis of the company. Present study has covered 4 years data from 2018-19 to 2021-22 because BSNL declared BSNL VRS scheme in financial year 2019-20.

**Analysis and data interpretation:**

Analysis of financial statement of a company refers to the analysis of profit and loss accounts and balance sheet of the company. In present study financial statement of pre VRS and post VRS will be analyze.

**1. Comparative statement of profit and loss of BSNL for the year ended March 31, 2019 to 2022.**

(All amount in lakh)

| Particulars                           | FY 2018-19       | FY 2019-20       | FY 2020-21       | FY 2021-22       | Absolute Change in FY 2019-20 | Absolute Change in FY 2020-21 | % change in 2019-20 | % Change in 2020-21 |
|---------------------------------------|------------------|------------------|------------------|------------------|-------------------------------|-------------------------------|---------------------|---------------------|
| <b>Revenue</b>                        |                  |                  |                  |                  |                               |                               |                     |                     |
| Revenue from operations               | 1,776,106        | 1,788,609        | 1,745,180        | 1,680,922        | 12,503                        | -30,926                       | 0.70                | -1.74               |
| Other income                          | 155,961          | 102,047          | 119,379          | 224,337          | -53,914                       | -36,582                       | -34.57              | -23.46              |
| <b>Total revenue</b>                  | <b>1,932,067</b> | <b>1,890,656</b> | <b>1,864,559</b> | <b>1,905,259</b> | <b>-41,411</b>                | <b>-67,508</b>                | <b>-2.14</b>        | <b>-3.49</b>        |
| <b>Expenses</b>                       |                  |                  |                  |                  |                               |                               |                     |                     |
| License and spectrum fee              | 128,534          | 161,632          | 125,761          | 144,142          | 33,098                        | -2,773                        | 25.75               | -2.16               |
| Employee Expenses                     | 1,431,590        | 1,359,678        | 667,916          | 716,867          | -71,912                       | -763,674                      | -5.02               | -53.34              |
| Finance costs                         | 78,166           | 199,110          | 256,707          | 261,729          | 120,944                       | 178,541                       | 154.73              | 228.41              |
| Depreciation and amortisation expense | 578,198          | 662,914          | 605,100          | 530,804          | 84,716                        | 26,902                        | 14.65               | 4.65                |
| Other expenses                        | 1,206,003        | 1,057,274        | 953,188          | 949,879          | -148,729                      | -252,815                      | -12.33              | -20.96              |
| <b>Total expenses</b>                 | <b>3,422,491</b> | <b>3,440,608</b> | <b>2,608,672</b> | <b>2,603,421</b> | <b>18,117</b>                 | <b>-813,819</b>               | <b>0.53</b>         | <b>-23.78</b>       |
| Loss before tax                       | 1,490,424        | 1,549,952        | -744,113         | -698,162         | -59,528                       | 746,311                       | 3.99                | -50.07              |
| Tax Expenses                          | 0                | 0                |                  |                  | 0                             | 0                             | 0.00                | 0.00                |
| <b>Loss for the Year</b>              | <b>1,490,424</b> | <b>1,549,952</b> | <b>-744,113</b>  | <b>-698,162</b>  | <b>-59,528</b>                | <b>746,311</b>                | <b>3.99</b>         | <b>-50.07</b>       |

Sources: BSNL Annual reports

**Analysis of Profit & Loss Accounts of BSNL:**

Comparative profit and loss account of BSNL shows that total loss of BSNL increased by 3.99 % for the FY 2019-20 but for the FY 2020-21 loss decreased by 50.07 % mainly due to decrease in employee cost because of VRS 2019 scheme launched by BSNL as a part of revival package.

**2. Comparative Balance Sheet of BSNL as on March 31, 2019 to 2021. (All amount in lakh)**

| Particulars | FY 2018-19 | FY 2019-20 | FY 2020-21 | FY 2021-22 | Absolute Change | Absolute Change | % change | % Change |
|-------------|------------|------------|------------|------------|-----------------|-----------------|----------|----------|
|-------------|------------|------------|------------|------------|-----------------|-----------------|----------|----------|

|                                  |                   |                   |                   |                   | in FY<br>2019-20 | in FY<br>2020-21 | in 2019-<br>20 | in 2020-<br>21 |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|----------------|----------------|
| <b>Assets</b>                    |                   |                   |                   |                   |                  |                  |                |                |
| <b>Total Non Current Assets:</b> | 11,755,857        | 10,990,120        | 10,310,095        | 9,826,051         | -765,737         | 1,445,762        | -6.51          | -12.30         |
| <b>Total Current Assets:</b>     | 1,922,157         | 3,685,961         | 2,974,405         | 2,817,060         | 1,763,804        | 1,052,248        | 91.76          | 54.74          |
| <b>Total Assets</b>              | <b>13,678,014</b> | <b>14,676,081</b> | <b>13,284,500</b> | <b>12,643,111</b> | <b>998,067</b>   | <b>-393,514</b>  | <b>7.30</b>    | <b>-2.88</b>   |
| <b>EQUITY AND LIABILITIES</b>    |                   |                   |                   |                   |                  |                  |                |                |
| Total equity                     | 7,473,434         | 5,914,265         | 5,168,680         | 4,469,363         | 1,559,169        | 2,304,754        | -20.86         | -30.84         |
| TOTAL NON CURRENT LIABILITIES    | 2,501,912         | 3,132,581         | 3,760,450         | 3,223,632         | 630,669          | 1,258,538        | 25.21          | 50.30          |
| TotalCURRENT LIABILITIES         | 3,702,668         | 5,629,235         | 4,355,369         | 4,950,116         | 1,926,567        | 652,701          | 52.03          | 17.63          |
| <b>Total Liabilities</b>         | <b>13,678,014</b> | <b>14,676,081</b> | <b>13,284,500</b> | <b>12,643,111</b> | <b>998,067</b>   | <b>-393,515</b>  | <b>7.30</b>    | <b>-2.88</b>   |



#### Analysis of Balance sheets of BSNL:

Comparative balance sheet of BSNL shows that total Non Current Assets have decreased upto 6% in FY 2019-20 and 12% in FY 2020-21. Total assets of BSNL increased in FY 2019-20 by 7.3% but subsequently decreased over the year. Due to continuous loss occurred over the period of time total equity also in a decreasing trend.

#### Other non quantitative factors liable for loss of BSNL:

1. Due to continuous loss of market share by the company there is shortage of revenue.
2. The annual maintenance cost is a big area of improvement because 75-80% of landline connections have been closed by expenditure has been occurred as earlier.
3. Workload on present staff has been increased due to VRS but almost all work is executing through outsourcing except Finance & Accounts.

#### Conclusions:

From the very beginning the establishment of BSNL in 2000, it has faces many phases. BSNL held a monopoly in the business at one point of time. But in present time company is facing a very tough competition from the private players like Bharti-Airtel, Reliance, Idea, Vodafone, etc. As per analyses of this study it has been observed that BSNL has face many changes in its overall

financial position after getting the revival package from the Government of India. The employee cost of BSNL have reduced almost half due to VRS Scheme under the revival package as employees related expenses have been reduced by more than 50% but at the same time the revenue has declined also but by little percent due to which the overall losses has reduced by almost 50%. As per this study it can be concluded that company must work on increasing their revenue portion by improving their service quality and rolling out 4G service on pan India basis to increase its market share.

From the above analysis of comparative balance sheet and profit and loss accounts it can be observed that revival package is only a short term relief for BSNL. If company wants to become a profitable firm then a structural change is needed.

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