

Evaluation of BSNL's Financial Performance During the Years 2018–2021

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Abstract

Since India is the second-biggest telecommunications market in the world, the telecom industry is vital to the country's economy. BSNL, the biggest telecom provider in India, is a government-owned public sector organization that has been struggling mightily over the last several years. As a result, in 2019, the government unveiled the extensive revival package for BSNL in an effort to preserve the company from its severe financial situation. To assess the impact of the revival package on BSNL's bottom line, this research will examine the company's financial statements from 2018 through 2021. You can learn a lot about a company's operational efficiency and financial health by looking at its financial statements (income statement and balance sheet). These statements are summaries of more detailed financial reports that provide the operating results and financial position of companies. Experts in the financial sector have created a variety of methods (tools) for doing the necessary analysis and interpretation of such data. Using the comparative tool, we compared BSNL's financial performance before and after the implementation of the revival package, and we concluded that while BSNL's expenses have decreased by nearly half, its revenue is still exhibiting a downward trend; this is primarily attributable to the incomplete rollout of the revival package, as 4G service is still not available on a nationwide scale in India. After a lengthy period of substantial failure, it was determined that the revival package supplied by the Government of India to BSNL had favorable outcomes, and that those results would increase if the other schemes of the revival package were also executed at the earliest possible date.

Keywords: Assets, expenses, liabilities, public sector undertaking, revenue, revival package, strategic sector, telecom sector

INTRODUCTION

India has grown rapidly during the last decade to become the world's second-largest telecommunications market, with 1.16 billion subscribers. According to research authored by the GSM Association (GSMA) and Boston Consulting Group (BCG), the Indian mobile economy is expanding quickly and will make a significant contribution to India's gross domestic product (GDP). When measured by total app downloads, India has already overtaken the United States as the second biggest market in 2019. In September 2021, the total number of subscribers was 1189.15 million. After increasing from 1,148.58 million in September 2020, the total number of wireless or mobile telephone subscribers in September 2021 was 1166.02 million. In September of 2021, there were 794.88 million people throughout the world who were connected to the internet.

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Before the 1990s, the Government of India used the Department of Telecommunications (DOT) to meet the vast majority of its people's communication demands. However, during the age of economic liberalization, the Government of India opened the

door to private telecom operators. On October 1, 2000, Bharat Sanchar Nigam Limited (BSNL) was established as a wholly owned public sector unit by the Government of India to handle the delivery of telecom services on behalf of the Department of Telecom Operations. Currently, telecommunications in India are provided by a mix of private companies and state-run PSUs like BSNL and MTNL (MTNL operates in Delhi and Mumbai exclusively; BSNL provides service to the rest of India) [1, 2].

AN OVERVIEW OF BSNL

When it comes to delivering telecommunications services across the nation, BSNL is by far the biggest PSE. On September 15, 2000, BSNL officially became a company. With effect from October 1, 2000, on a going concern basis, it took over the business of providing telecom services and network management from the former Central Government Departments of Telecom Services (DTS) and Telecom Operations (DTO). The only cities in India that are not covered by the company's telecommunications services are Delhi and Mumbai. With an approved share capital of ₹ 17,500 crores and a paid-up capital of ₹ 12,500 crores, made up of ₹ 5,000 crores of equity and ₹ 7,500 crores of preference share capital, BSNL is a public sector undertaking wholly owned by the Government of India. BSNL's 100% digital new technology switching network puts it at the forefront of innovation. There are now 1267.21 million BSNL customers.

Within its service region, BSNL is among the largest providers. The firm has the most flexible and clear pricing plans on the market. The BSNL telecom network is an integral element of the contemporary international network, allowing for the transmission of voice, data, and video between locations all over the globe. BSNL's full suite of telecommunications offerings includes:

- Traditional phone service
- Includes 2G, 3G, and 4G LTE (in some locations) mobile service
- Fiber-to-the-Home (FTTH) Internet, broadband, and other network connections
- Access to Wi-Fi
- Support for data centers
- Services for large organizations, including data transmission across long distances and virtual private networks (VPNs)

The advent of reduced prices and cutthroat competition among private operators shook up the telecom market significantly. The resulting predatory market circumstances put pressure on the entire telecom industry, including BSNL. As a result of the challenging business environment, sales began falling and expenses increased. Nonetheless, BSNL can be commended for maintaining a growing market share during all of these challenging years. In stark contrast to the other telecom firms, which have become badly indebted due to the massive loans they have received from banks and other financial organizations, BSNL has stayed independent and is nearly debt-free. BSNL's income peaked at ₹ 32,918 crore in FY16 before declining to ₹ 31,532 crore in FY17. In FY15, BSNL's revenue was ₹ 28,645 crore. In FY18, they were at ₹ 25,070 crore, while in FY19, they were at ₹ 19,308 crore.

In such a precarious financial position, a critical public sector organization like BSNL required an urgent government revival package. On 23rd of October 2019, the Government of India announced the revitalization package for the two state-run telecom providers, BSNL and MTNL. Both companies' immediate capital needs will be met by the sale of sovereign bonds for ₹ 15,000 billion, the allocation of 4G spectrum will cost ₹ 20,140 billion, a voluntary retirement scheme covering half of their employees will cost ₹ 29,937 billion, and GST on radio spectrum allocation will cost ₹ 3,674 billion.

Financial Analysis as a Concept

Financial statement analysis refers to the process of analyzing the financial statements in order to gain insight into and make choices about the business. The purpose of financial analysis is to determine

the health of a company's finances by analyzing the interplay between the balance sheet and the income statement. This has been shown to be true [3]. Analyzing a company's accounting and financial accounts in order to draw conclusions about its operations and financial health is known as financial performance analysis [4]. Financial data and reports are analyzed to ascertain the effectiveness of the company's management. An analyst's goal is to determine whether or not a company is being run in a normal and logical fashion, generating sufficient returns for its shareholders to keep its market value stable or higher [5]. Financial analysis includes both the "analysis" and "interpretation" phases of the process.

To analyze anything implies to reduce its complexity via the use of a systematic categorization scheme, such as that used in financial reporting. When data is interpreted, its meaning and relevance are clarified for the audience. These two things go well together. Without the ability to evaluate the results of an analysis, the former is of little value.

Vital Financial Analysis Tools

Statement of comparison, etc.; regular statements of size

- A ratio or analysis of a trend.
- A statement of changes in working capital.
- Analysis of money flow.
- Evaluation of cash flow.
- The use of ratios.

PREVIOUS WORKS

According to the article "Analysis of the operating performance of BSNL" by Professors M. Yadagiri and B. Rajaram (2018), the authors used a variety of financial metrics, including 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, to evaluate the company's operating performance across its various business segments.

Research article "Profitability analysis of Bharat Sanchar Nigam Limited (BSNL)" by Dr. M. Dhanabhakyaam and Swapna Kurian (2012) [6] calculated the net profit ratio, return on assets ratio, return on equity, earning per share, and cash profit ratio from 2001–02 to 2010–11 and found that the profitability ratios showed fluctuating trends except in the last two years, when they all showed negative values.

According to the findings of the study "Financial performance evaluation of telecommunication with special reference to BSNL" by Anshu Gupta (2015) [7], the BSNL employs a proactive strategy for managing liquidity, and the firm has enough liquid assets to cover its short-term debts. The author determined that BSNL is experiencing financial difficulties as a result of a capital crisis after reviewing the company's financial statements for the last five years and all relevant factors. In 2004, BSNL was in a far better financial situation than it is now. Maintaining high liquidity has been cutting into the company's profitability.

According to an analysis, this sector has expanded dramatically in recent years. Increasing numbers of individuals in the nation now consider having their own private telecom network to be an absolute requirement. When looking at possibilities for expansion, India's telecom industry has no limits. Both public and commercial companies in the country are working hard to improve their technology in an effort to advance the telecom sector.

According to an analysis of the Indian Telecom Industry, the industry has a considerable impact on India's economy and society at large. Providers in both urban and rural areas, as well as those in between, make it possible for people all throughout the country to access voice and data services via the internet, making telecommunications a vital component of the country's economic development.

In their article “Research article on financial performance analysis: A case study of BSNL,” I. Anand Pawar and M. Pandya Nayak (2012) found that BSNL had a strong liquidity position from 2002–03 to 2010–11, which reflected the company's ability to meet its short-term obligations as they came due. BSNL's poor long-term solvency indicates that the company borrowed more money from outside sources over the long term, giving its creditors less security.

OBJECTIVES OF THE PRESENT STUDY

1. The primary objective is to examine BSNL's financial results during the last three years.
2. Review of BSNL's financial statements for the years 2018–19 and 2020–21.
3. Third, to analyze how BSNL's financial performance has changed as a result of the revitalization plan.

METHODOLOGY

This study is being conducted in an experimental fashion. While every study of research has its own unique goals, the BSNL study is exploratory in character, with the creation of hypotheses rather than their testing serving as the primary focus. The financial health of a sample firm, BSNL, is examined in this research. The information used in this research comes from publicly available sources, such as the firm's annual reports, employee handbooks, and the corporate website (www.bsnl.com).

The company's profitability analysis necessitates the categorization, tabulation, and editing of this financial data. The financial health of BSNL was analyzed using data from the 2018–19 fiscal year to the 2020–21 fiscal year. The financial methods of the comparative statement technique have been used to examine BSNL's financial and liquidity condition.

FINANCIAL STATEMENT ANALYSIS OF BSNL FISCAL YEARS 2018–19 TO 2020–21

There are two primary types of financial statements, the income statement and the balance sheet. In light of this, the profit and loss account and balance sheet of BSNL (Table 1) are examined for both the period before and after the implementation of the revival package (FY 2018–19) and the period after its implementation (FY 2019–20 and FY 2020–21) (Table 2).

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

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
<i>Revenue</i>							
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
<i>Expenses</i>							
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 amortization 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

Table 2. Comparative balance sheet of BSNL as of March 31, 2019 to 2021.

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
<i>Assets</i>							
<i>Non-current assets</i>							
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		
<i>Financial assets</i>							
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
<i>Current assets</i>						0	0
Inventories	81,310	140,813	179,583	59,503	98,273	73.18	120.86
<i>Financial assets</i>						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 assets	1,922,157	3,685,961	2,949,283	1,763,804	1,027,126	91.76	53.44

<i>Equity and liabilities</i>						0	0
<i>Equity</i>						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
<i>Liabilities</i>						0	0
<i>Non-current liabilities</i>						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
<i>Current liabilities</i>						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
Total equity and current liabilities	13678014	14676081	13284531	998067	–393483	7.3	–2.88

BSNL FINANCIAL STATEMENT INTERPRETATION FOR FISCAL YEARS 2018–19 TO 2020–21

BSNL's total revenue drops by 2.14% and 3.76% between FY 2019–20 and FY 2020–21, according to the company's profit and loss account comparisons. From the same data, we can extrapolate that by FY 2020–21, having received the rejuvenation package following FY 2018–19, we would have reduced our overall costs by 23.93%. Additional P&L account analysis reveals a 50.07% drop in annual loss from FY 2018–19 to FY 2020–21. One bright spot was a 53% reduction in employee-related costs for BSNL by the conclusion of the fiscal year 2020–21.

The noncurrent assets of BSNL have fallen by as much as 12% between FY 2018–19 and FY 2020–21, as shown by the company's comparative financial sheet. It is also clear that the rise in cash balance gained as part of the revitalization package has had a significant impact on current assets, increasing them by 91% and 53%, respectively, in fiscal years (FY) 2019–20 and 2020–21. This rise ultimately had a negative impact, decreasing total assets by 2.8% by FY 2020–21. Since BSNL has been losing money every year from 2018 to 2021, it is no surprise that its liabilities have grown as a percentage of its total assets, while its equity has shrunk.

CONCLUSION

There have been various incarnations of BSNL since its founding. At one time, BSNL had a monopoly on the market. However, the corporation is now up against some formidable rivals, like Bharti-Airtel, Reliance, Idea, Vodafone, and others. The analysis here reveals that BSNL's overall financial condition has shifted significantly since it received the revitalization package from the Government of India. As part of its revival plan, BSNL implemented the Voluntary Separation from Service (VRS) Scheme, which has significantly cut the company's costs by reducing employee-related expenditures by more than 50% while, at the same time, reducing total losses by over 50%. This suggests that in order for BSNL to achieve financial success, it must prioritize expanding its income streams by rapidly deploying 4G service throughout the country. Furthermore, BSNL's liquidity situation was good, as shown by the comparative balance sheet, which reflects the firms' capacity to meet their short-term commitments as they come due. BSNL's lower long-term solvency indicates that the company borrowed more money from outside sources in the long-term, giving its creditors less security. To guarantee a sufficient influx of cash to support the financial demand of the firm, the BSNL management must quickly execute the Asset Monetization Program, which is also part of the revival package. According to the findings of the current research, the revival package granted by the Government of India to BSNL was successful after a lengthy period of major failure, and more success is expected if the other schemes of the revival package are also implemented at the earliest possible date.

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