

## Chapter No. 5

### Financial performance of BSNL during last 10 years

#### 5.1 Financial performance

Finance is the lifeline of any organisation for sustained growth. The performance of the firm on financial matters is of utmost importance to all stakeholders including management. A firm delivering sound financial performance year after year is destined to grow and achieve its objectives. Efficient management of finance is very important for the success of the organisation or enterprise.

The financial performance measures a firm's ability to generate profits through the use of its assets. Financial performance is also a general term used to indicate a company's overall financial health. It can be used to compare similar firms across the same industry, or to compare industries or sectors in aggregation.

Obviously, gauging financial performance is crucial to any firm's success, especially as a firm grows and ventures into new endeavours. Essentially, financial performance tells a company how well it's doing. It can also reveal information a firm can use to respond to changes in its market or industry.

Measuring total unit sales is just one way to determine a firm's financial performance. Line items such as revenue from operations, operating income and cash flow operations can be used as well. Investors and analysts may also want to look at a company's return on investment and its return on assets, as well as its margin growth rates or declining debt.

No company should rely on a single measure to determine its financial performance, however, and all measures should be used in aggregation.

## 5.2 Review of financial performance of BSNL over the years

Bharat Sanchar Nigam Limited came into existence on 01.10.2000 when it took over telecommunication service provisioning functions of DTS/DTO throughout the country except Delhi and Mumbai. When BSNL took over the business from DTS/DTO w.e.f. 01.10.2000, some of the key status indicators of the network were as under:

- (a) Revenue for 1999-2000: Rs. 18250 crore
- (b) Nos of telephone connections (as on 31.08.2000): 238 Lakhs
- (c) Switching capacity (as on 31.08.2000): 292.2 Lakh lines
- (d) Optical Fibre cable (as on 31.08.2000): 1,85,000 route KM
- (e) Employee strength: 3.63 Lakh
- (f) Transfer of assets and liabilities: Rs. 63,000/- Crore (provisional)

Since 01.10.2000, BSNL made huge strides in telecommunications sector by making heavy investments in the network expansion and created new telecom infrastructure in state of the art telecom technologies giving huge impetus to its income which continued to see a steady rise from Rs. 24681.69 Crore in year 2001-02 to Rs. 40176.58 Crore in year 2005-06. During this period, profit too risen from Rs. 6312.16 Crore to Rs. 8939.70 Crore. From year 2006-07 onwards, a gradual decline in the revenues was observed and revenue declined from Rs. 39715.11 Crore in year 2006-07 to Rs. 27127.89 Crore in year 2012-13. The profit, on the other hand, seen a steep decline as it declined from Rs. 7805.87 Crore in year 2006-07 to a loss of Rs. 7884.44 Crore in year 2012-13. A rising trend is again visible in the revenues from last two financial years but BSNL is still making heavy losses and no improvement is visible on the profit side.

The revenue and profit figures of BSNL from 2000-01 to 2014-15 are summarised in the table given below:

**Table No. 5.1: Total Income and Profit figures of BSNL**

All figures are in Rs. in Lacs

Sl. No.	Financial year	Revenue from operations	Other income	Total Income	Net Profit
1.	2000-01 (6 Months)	1159666	10281	1169947	74705
2.	2001-02	2429720	38448	2468169	631216
3.	2002-03	2529314	59945	2589260	144444
4.	2003-04	3139934	251925	3391859	597653
5.	2004-05	3345004	264001	3609005	1018329
6.	2005-06	3613893	403765	4017658	893970
7.	2006-07	3461621	509890	3971511	780587
8.	2007-08	3235953	569387	3805340	300939
9.	2008-09	3016942	564250	3581192	57485
10.	2009-10	2791344	413197	3204541	-182265
11.	2010-11	2704471	264291	2968762	-638426
12.	2011-12	2598213	195137	2793350	-885070
13.	2012-13	2565481	147308	2712789	-788444
14.	2013-14	2615326	184309	2799635	-701976
15.	2014-15	2724223	140297	2864520	-823409

(Source: BSNL financial statements/annual reports from 2000-01 to 2014-15)

### 5.3 Highlights of financial performance of BSNL during last 10 years

The financial performance of a firm can be gauged or evaluated from various financial statements like Balance Sheet, Profit & Loss Statement, Cash Flow Statement, Statement of Retained Earnings etc. Further, management discussions and analysis reports contained in the annual reports reveals many things which may not be directly visible in various financial statements. Now-a-days, a lot of information is also available on the website about a company's financial performance.

In the present study, the financial performance of BSNL during last 10 years is being looked into to find out areas of the concern. The period of study spans from 2005-06 to

2014-15 during which BSNL had few years of high growth in revenue and profit and few years of declining revenue and losses.

### 5.3.1 Review of financial performance of BSNL from 2005-06 to 2008-09

During the period from 2005-06 to 2008-09, a continuous decline in the revenue as well as profit was observed. The balance sheet and profit & loss statement for these years are available at Annexure-A to Annexure- H in Annexures respectively. Some of the useful information derived from these statements as well as from annual reports is being regrouped and presented in the table below:

**Table No. 5.2: Financial information related to performance of BSNL (2006 to 2009)**

All figures are in Rs. Lacs

Year/Item	2005-06	2006-07	2007-08	2008-09
Operating Revenue	3613893	3461621	3235953	3016942
Other income	403765	509890	569387	564250
<b>Total income</b>	<b>4017658</b>	<b>3971511</b>	<b>3805340</b>	<b>3581192</b>
Expenditure excluding interest & depreciation	2144057	2153694	2307779	2538755
EBIDTA	1873601	1817817	1497561	1042437
Depreciation	937669	914931	969610	852341
Interest	108980	77941	86254	44325
Employee benefit expenses	742063	730897	880891	1136323
Administrative expenses	1049689	1091628	1111675	1137797
Profit after tax	893970	780587	300939	57485
Inventories	279524	242847	322006	457258
Sundry debtors	717907	767664	762157	658587
Provision for doubtful debts	372386	447033	427771	399712
Revenue from segments				
(a) Basic	3235503	2714758	2371552	2181993*
(b) Cellular	676206	9971	1188420	1186077
Profit/Loss from segments				
(a) Basic	396500	- 17974	- 472883	- 496363*
(b) Cellular	384786	563190	600612	530289

\* From year 2008-09, Basic segment has been classified as other than cellular.

(Source: Extracted from BSNL's financial statements/annual reports from 2005-06 to 2008-09)

### 5.3.2 Review of financial performance of BSNL from 2009-10 to 2014-15

During the period from 2009-10 to 2011-12, a continuous decline in the income as well as steep increase in losses was observed. The decline in the income seems to be arrested from year 2012-13 and since then the income is gradually rising. The similar trend is not visible in the losses being made by the company. BSNL is still making heavy losses of the order of 7000-8000 Crores per annum. The balance sheet and profit & loss statement for these years are available at Annexure-I to annexure-T in Annexures respectively. Some of the useful information derived from these statements and annual reports is being regrouped and presented in the table below:

**Table No. 5.3: Financial information related to performance of BSNL (2010 to 2015)**

All figures are in Rs. Lacs

Year/Item	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Operating Revenue	2791344	2704471	2598213	2565481	2615326	2724223
Other income	413197	264291	195137	147308	184309	140297
<b>Total income</b>	<b>3204541</b>	<b>2968762</b>	<b>2793350</b>	<b>2712789</b>	<b>2799635</b>	<b>2864520</b>
Expenditure excluding interest & depreciation	2452964	2588280	2722767	2621253	2868844	2797341
EBIDTA	751577	380482	70583	91536	- 69209	67179
Depreciation	919679	972543	917432	833643	602317	881680
Interest	35161	39439	18412	35147	21799	50189
Employee benefit expenses	1345504	1379095	1340604	1375782	1543584	1496350
Administrative expenses	1019905	1012013	1029391	1040235	1100930	1083959
Profit after tax	- 182265	- 638426	- 885070	- 788444	-701976	-823409
Inventories	505833	394824	359678	377209	354728	369688
Trade receivable	672352	838572	811188	725748	752958	750618
Provision for doubtful receivables	396231	395391	414970	430409	456370	439611
Revenue from segments						
(a) Other than Cellular	1959926*	1900588*	1319016	1146055	1086682	1070235
(b) Cellular	1145890	1154247	1264964	1318600	1369290	1389506
(c) Broadband			359368	409262	474612	503567
Profit/Loss from segments						
(a) Other than Cellular	- 740178*	-760542*	-1266900	-1344551	-1525065	-1503961
(b) Cellular	373901	120411	87433	211669	398467	236132
(c) Broadband			324759	385520	430185	449642

\* For the years 2009-10 and 2010-11, other than cellular comprises of revenues from Basic, Broadband etc. while for years 2011-12 onwards, revenues from broadband has been shown separately.

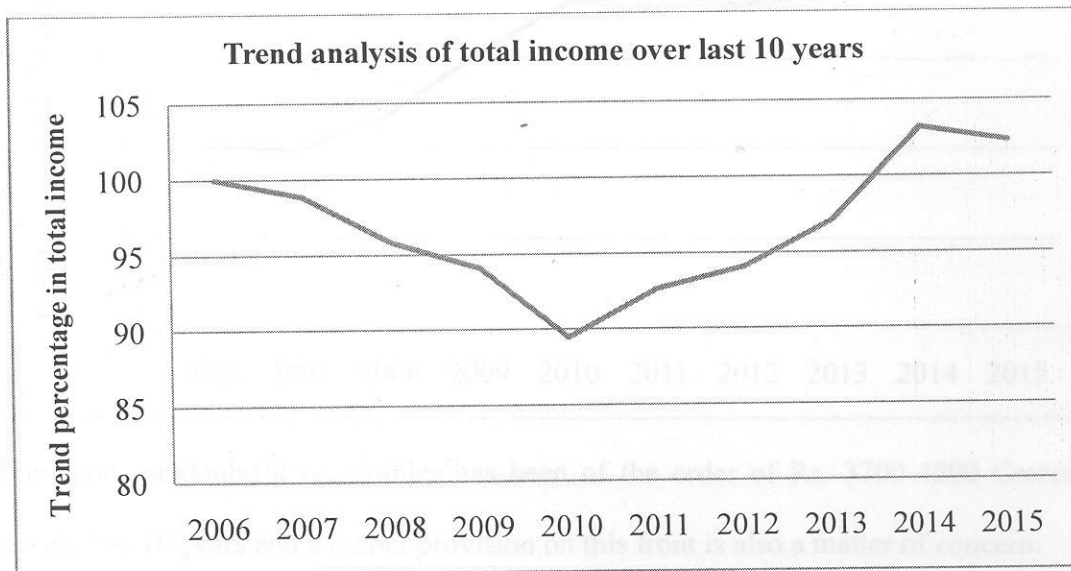
(Source: Extracted from BSNL's annual reports from 2009-10 to 2014-15)

#### 5.4 Observations on financial performance of BSNL during last 10 years

As per the information derived from financial statements and annual reports of BSNL for last 10 years (Table No: 5.1 to Table No: 5.3), some of the key observations about financial performance of BSNL over the period are as under:

- (a) The operating revenue of BSNL has been continuously declining from year 2005-06 until year 2011-12. From 2012-13 onwards, the de-growth in operating revenue has been arrested and it is showing an increasing trend. The trend analysis of total income prepared on the basis of progressive base year clearly indicates that the de-growth in the total income has been arrested and since year 2010-11 its performance on this front is showing improvement year on year basis.

**Figure No. 5.1: Trend analysis of total income over last 10 years**

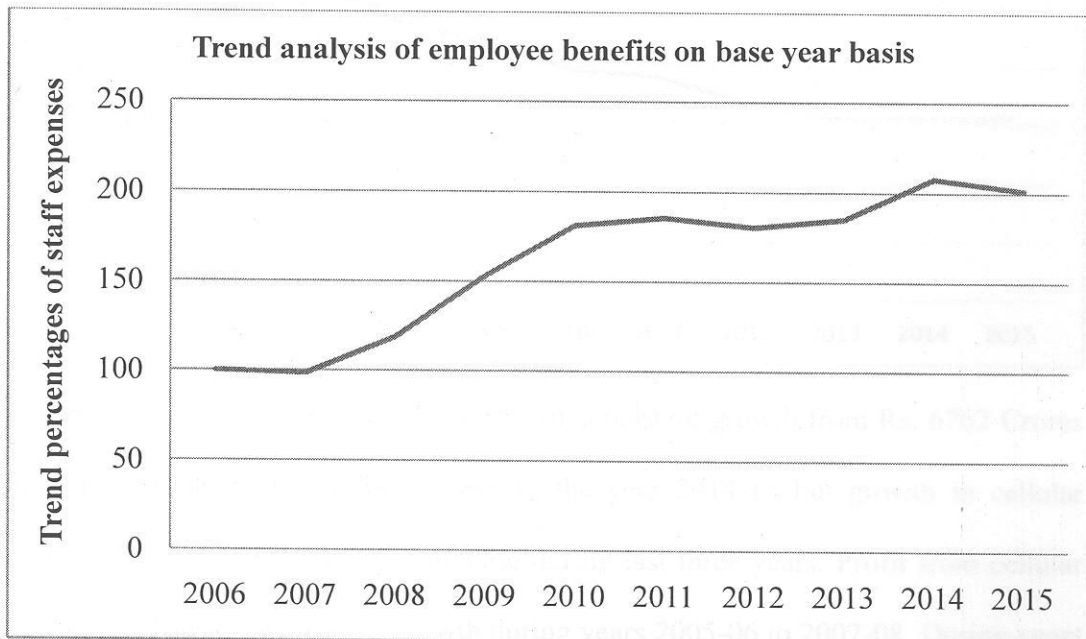


- (b) The net profit has been declining at a very fast pace from year 2005-06 until year 2008-09. From year 2009-10, BSNL is in red and losses are mounting year after year. It had been making losses to the tune of Rs. 7000-8000 Crores during last four years.
- (c) Expenditure towards employee benefits have doubled in last 10 years rising steadily from Rs. 7400 Crores in year 2005-06 to Rs. 14963 Crores in year 2014-15. It was

20.53% of operating revenue in year 2005-06 while in the year 2014-15, it was 54.92%. Such a high staff expense ratio in a intensely competitive sector seems to be a matter of concern.

The trend analysis prepared on the basis of base year basis clearly indicates that BSNL has been unable to contain the staff expenses over the period of time and they have risen significantly over the period of study and no topping out pattern is yet visible.

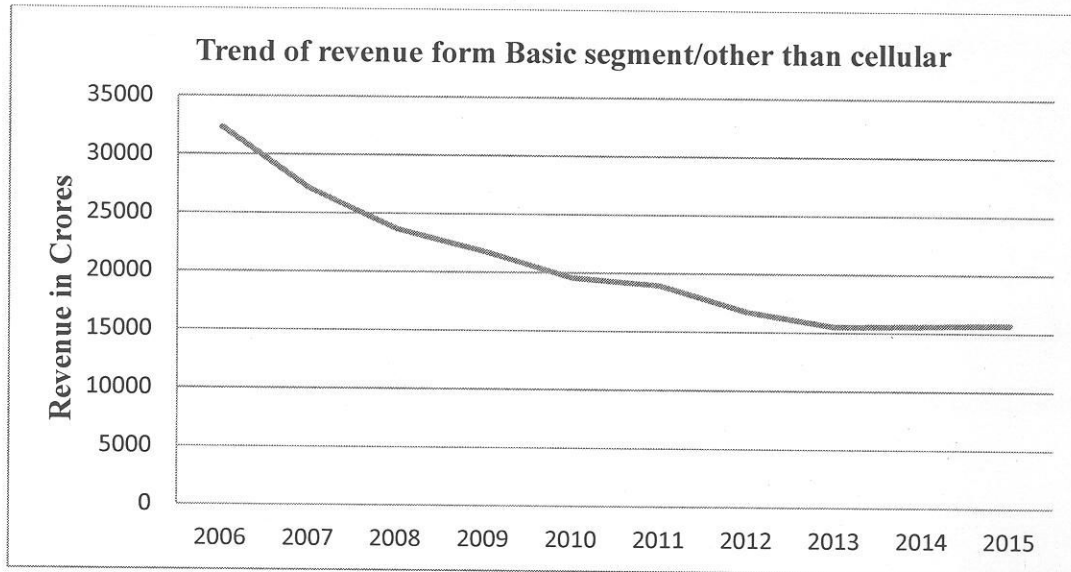
**Figure No. 5.2: Trend analysis of employee benefits over last 10 years**



- (d) Provision for doubtful receivables has been of the order of Rs. 3700-4500 Crores during last 10 years and a higher provision on this front is also a matter of concern.
- (e) From the examination of segmental revenue, it is observed that revenue from Basic/other than cellular segment has been declining continuously from Rs. 32355 Crores in year 2005-06 to Rs. 15738 Crores (includes revenue from broadband) in year 2014-15. Similarly, profit from this segment has also declined from Rs. 3965 Crores in year 2005-06 to loss of Rs. 10543 Crores in year 2014-15 though this

segment had been the bread and butter for BSNL for so many years. The trend graph of revenue from Basic/other than cellular segment over last 10 years clearly indicates the sorry state of affairs. The only consolatory aspect in this regard is that the de-growth seems to have been bottomed out during 2013-15 period.

**Figure No. 5.3: Trend analysis of revenue from Basic segment over last 10 years**



- (f) Revenue from Cellular services have shown consistent growth from Rs. 6762 Crores in year 2005-06 to Rs. 13895 Crores in the year 2014-15 but growth in cellular revenue is displaying signs of flattening during last three years. Profit from cellular services had shown consistent growth during years 2005-06 to 2007-08. During years 2008-09 to 2011-12, it exhibited steep declining trend when it came down to Rs. 5302 Crore in year 2008-09 to Rs. 874 Crore in 2011-12. In the last three years, it has again picked up momentum but has been quite volatile.
- (g) Revenue from broadband services shown separately since year 2011-12, has been growing at a good rate during last four years. Similarly profit from broadband services have been showing increasing trend year on year and that too with quite high profit margin.



- (h) Other income was in the range of 10-15% of total revenue from years 2005-06 to 2009-10 but from year 2010-11 and onwards, its contribution in total income has reduced substantially thereby badly impacting the total revenue. In year 2014-15, its contribution to total revenue was less than 5%.
- (i) There had been no change in the paid up share capital of the company during the study period.